

Written evidence submitted by Tim Hassell (Estates Director at Thurlestone Estates Ltd, Owner at Ilington Hotel)

From the perspective of a regional hotel company in the South West of UK (Devon and Cornwall)

JRS

An amazingly generous and brave decision by government – Thank you.

Initial advice and instructions were very limited but gradually the scheme has had flesh put on the bones and the way that policy has been set by listening to feedback as been brilliant. Well done.

We have one instance where a member of staff was offered a job in February but wasn't due to start until the end of March. We were unable to Furlough them, and they remain committed to us but with no ability to be remunerated by us.

The scheme has saved jobs and inevitably saved businesses in the hotel and hospitality sector – it was a brave and very necessary step which has saved our part of the economy.

The scheme has been too generous in that some industries have used it to maintain a margin and keep their bottom line from being affected. Some industries were forced to close and needed JRS to ensure jobs were retained. Some were able to continue to operate but revenue was decreased and still able to use JRS (although they were still profitable). I don't believe this is in the spirit of the scheme.

The scheme needs to remain flexible and to continue. For hospitality in the regions where business is seasonal the crisis hit at the wrong time. Our overdrafts were at their peak (we only start to make a profit from Easter). If we cannot be allowed to operate close to normal levels in July/August (we understand that this is unlikely) then most of us won't make it through next winter. The problem is how you make sure that only the companies that need the support get it and how you exclude those that don't need it but can use it to make normal or higher than normal profits.

Hospitality and retail need to be in the scheme if it is extended. Also personal services that require close human to human contact (hairdressers, beauticians etc - I guess this is Wellness). There will be other sectors but there will also be parts of these industries that remain very profitable eg Supermarkets chains who will be included in retail. There will need to be an open debate on how those who need access to support are defined. Is it on how turnover has changed as a percentage (this may not help those with very small profit margins) so a formula that also includes profitability may be needed.

Support

This has been well run and coordinated.

Initially we found it difficult to get access to CBILS and the bank was not helpful. Once government sent a hard message to the banks it became much easier and we gained the support we needed.

Some difficulty with the £51k cut off on rateable value as some businesses I am aware of were just beyond this but you have to draw a line. The only other option might have been to grade the limit but ultimately the £25k grant will only go some way and not as far in a larger business.

The 12-month rates holiday is a huge boost to many of us who are effectively shut. The only issue is that some businesses benefit from this who are effectively able to make a profit (supermarkets).

There should be a retrospective decision made based on declared profits and the ability to pay a dividend or perhaps through variation on turnover gleaned through VAT returns or similar.

Essentially the support is brilliant, but more thought needs to go in to how the money goes to the businesses that need it and how to cut out those that are taking it because they can and who would be safe without it. The loan scheme works because it makes the business think twice about whether it needs to borrow and also the banks will only lend to a viable business that would have survived regardless of the current crisis. The only issue being that we are taking on unbudgeted debt to survive rather than invest in our business – perhaps an additional grant given that reflects the size of the debt in CBILS that is taken on would work (needs thinking through).

Worth considering - Local tradesmen that we use in the winter when we usually invest in our products will also struggle this winter.

Economy, Public Finances and Monetary Policy

The recovery will be drawn out and to my mind it will take several years to come back from as far as the outlying regions are concerned. We always see a lag in recoveries and our seasonality and reliance on the summer season is going to bite.

Hospitality will take a big hit as people will be wary of being away from home with strangers. It has to be noted that regional hotels do not get accommodation only bookings. We rely on the support of our restaurants, pubs, spas and other parts of the business that are likely to remain highly restricted on reopening. For this reason, there needs to be a differentiation between corporate/city hotels and holiday/tourist hotels (this will be a huge challenge for policy setters). I suppose the same is true in retail. Supermarkets vs high street traders.

There will be a huge price to pay for the generosity of government to shore up the economy. I think this is expected and we cannot complain that they have done too little. The issue perhaps is that many will have taken money from the scheme when they would have continued to make profit regardless. Essentially, we could, as a country, have spent less to get through this but perhaps at the expense of some companies making their budgeted profit. When year end results show that companies have taken furlough but still made the same profit and awarded dividends this may need some consideration.

There will be wider damage to the economy for many years as we try to pay down the extra debt that many companies have taken on before deciding to reinvest in our businesses. This will have a direct impact on other sectors of the economy. For us that would include plumbers, decorators, small builders etc.

I hope this helps – I've tried to keep to the brief and be succinct but there is lots more churning around.

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