

HOSPITALITY DAY AT PARLIAMENT 2018

9 OCTOBER 2018

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WELCOME



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VALUE OF HOSPITALITY - EMPLOYMENT



3rd
largest employer



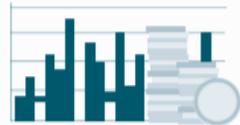
Created **1 in 8**
new jobs



Over **2.5x** greater than motor manufacturing and other transport combined



3x greater than the Oil and Natural Gas Sector



2x greater than financial services



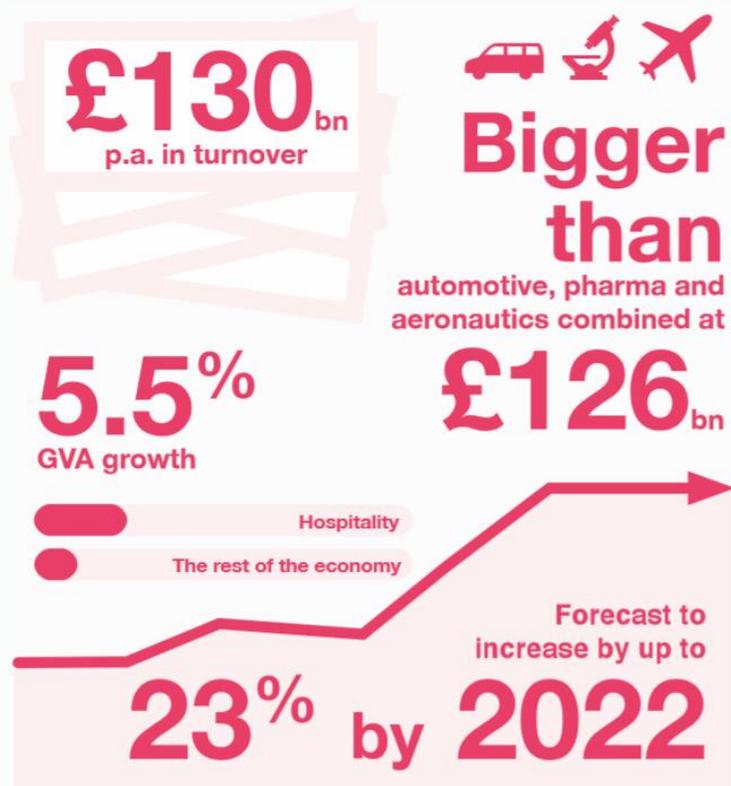
3.2 million
people employed directly
(plus 2.8m indirectly)



9%
of total UK
jobs



VALUE OF HOSPITALITY - ECONOMIC CONTRIBUTION



TAX RECEIPTS

£39_{bn} in direct gross
c. tax receipts



EXPORTS & INVESTMENT



£18_{bn} in exports via tourism

£10_{bn} business investment



VALUE OF HOSPITALITY - ECONOMIC CONTRIBUTION

TOURISM

£24.3 bn

worth of visitor spend



REGIONALITY

Top 7

employer in
every region

11%
of the regional
workforce

SMEs

99%

of hospitality
business are SMEs

50%
total turnover
+ GVA

PRODUCTIVITY

2.9%

growth since 2009



UKH AMBITION

- ▶ Unlock our potential for growth to invest in our people
- ▶ Reduce the unnecessary costs of doing business to drive productivity
- ▶ Rebalance the tax regime to reflect the modern economy and deliver a fair market

How you can help...

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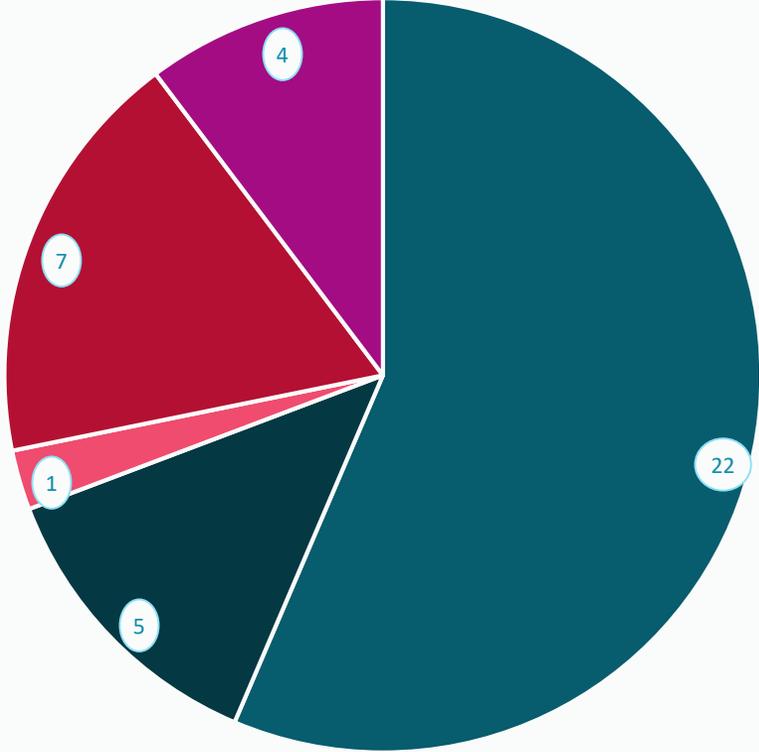
DAVID SHEEN PUBLIC AFFAIRS DIRECTOR UKHOSPITALITY

Business Rates and other taxation



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HOSPITALITY PAYS £39BN IN TAXATION



■ VAT ■ Excise duty ■ Corporation tax ■ Employment taxes ■ Business rates and others

UNFAIR BURDEN OF RATES ON HOSPITALITY

- ▶ The hospitality sector in the UK is substantially disadvantaged by the current business rates regime, with its focus solely on the value of the property from which businesses trade
- ▶ Hospitality businesses such as pubs, restaurants, hotels and visitor attractions pay £2.7 bn in business rates
- ▶ They pay 10% of all business rates but represent just 3% of turnover - an overpayment of £1.8 billion

DIGITAL TAXATION

- ▶ Growth in the digital economy continues, but remains undertaxed.
- ▶ Government has begun to take notice of this and produced a position paper considering a digital revenue levy - political signals growing
- ▶ Digital tax revenue must be used to alleviate the burden of rates - to create a modern business tax system - could this come in from April 2020?
- ▶ Need immediate action on rates regardless of digital tax - as high streets and businesses come under financial pressure

OUR ASKS OF THE TREASURY AT BUDGET

- ▶ Introducing an **online revenue tax to freeze business rates increases and introduce enhanced hospitality rate relief over the next two years** ahead of the next revaluation to deliver your pledge to level the playing field between ‘bricks and mortar’ and ‘clicks and mortar’ entrepreneurs ahead of **root and branch reform**
- ▶ **Doubling the NIC threshold for employers** to safeguard youth employment, training and take-home pay - half of all operating costs in hospitality are labour related and we want to have the ability to deliver our pledge to make hospitality the best rewarded sector in the UK and improve productivity
- ▶ Ensure future **NLW rates and structure are set independently** by the Low Pay Commission, with evidence-based consultation with business taking account of the impact on jobs, the wider economy and take-home pay
- ▶ Re-introduce **hospitality capital allowances - and introduce a business rate moratorium after refurbishment** - to incentivise regeneration and investment ahead of root and branch reform of rates
- ▶ Implement the **Northern Ireland VAT review on tourism services and extend it to the whole country** as well as freezing alcohol duties to promote exports, improve the balance of trade and create new jobs across the country.

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JIM CATHCART POLICY DIRECTOR UKHOSPITALITY

Digital and copyright



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DIGITAL AGENDA

- ▶ Online Travel Agents
- ▶ Home sharing
- ▶ Copyright

ONLINE TRAVEL AGENTS

- ▶ The very rapid increase in market power of the largest OTAs has created an anti-competitive market in Europe and beyond.
- ▶ Inequality in bargaining power between platforms and businesses has led to OTA contracts containing detrimental terms including:
 - ▶ parity clauses
 - ▶ “most favoured nation” (MFN) clauses
 - ▶ misleading pricing practices
 - ▶ high commissions
 - ▶ unknown criteria used to determine ranking and rating search results
- ▶ Main OTAs dominate search engines rankings, to the detriment of individual companies and businesses

ONLINE TRAVEL AGENTS

- ▶ UKH welcomed the draft regulation published by the European Commission in April this year and that is now being examined by the Council of Member States and the European Parliament
- ▶ While the proposed Regulation successfully identifies important issues in the relationship between online intermediaries and their business users, it does not go far enough
- ▶ UKHospitality has travelled to Brussels to meet with members and the European Hotel Federation, to lobby MEPs, on this issue - raising concerns with OTAs from both a large and small business perspective
- ▶ Back in the UK, the CMA is investigating online hotel bookings, and has issued an interim report and press release. An autumn meeting between UKH and the CMA is planned on this and other issues

ONLINE TRAVEL AGENTS

- ▶ Messaging should be we are not opposed to OTAs - but similar to digital taxation there needs to be:
 - ▶ Fairness
 - ▶ Transparency
 - ▶ And choice for accommodation businesses
- ▶ Examples needed from members of where they have been impacted by OTAs, via rankings, high commission, lack of transparency re criteria etc.

HOME SHARING

- ▶ The lack of data and a registration system in the UK makes it impossible to know how many home sharing properties are available at any one time, and where they are
- ▶ There are examples from all over the world as to why formal engagement from the platforms together with data flow and registration are key points to introduce
- ▶ We welcome 'home sharing' when it genuinely is the case, but in many cases has now morphed into a new business model with one 'host' offering multiple properties
- ▶ Platforms do not (usually) pay business rates and pay VAT only on commission. In contrast, traditional hospitality venues pay business rates, 20% VAT on room price, corporation tax etc.

HOME SHARING

- ▶ Compliant businesses, such as hotels, hostels, pubs and other accommodation providers offering the same services must compete against the odds
- ▶ This uncontrolled activity has led to many other concerns, including health and safety (gas, fire) the reduction in long term residential housing, and noise and other nuisance
- ▶ Current UKH actions include revising and updating our home sharing report and October meeting with London inner city councils (the worst affected) for a more powerful lobby
- ▶ **We recommend** that government require platforms to **supply data directly to the relevant authorities**: local councils, HMRC etc. This would provide a rapid solution, and allow **mapping and registration of home sharing properties to take place** and regulations to be enforced
- ▶ In Europe, the European Commission has found Airbnb to be breaking consumer law and expects the platform to remedy the breaches.

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- ▶ PPL are proposing significant changes to the Specially Featured Entertainment tariff, including 480%+ fee increase
- ▶ Crucially, this time around PPL are proposing additional changes to the tariff structure- in short if you can't calculate exactly how many people attended a disco (for example) you will be charged based on the capacity of the room/area holding the event
- ▶ The consultation closed on 5 October 2018, UKHospitality responded with specialist and legal input - especially around the evidence base for the proposed increases which we believe is fundamentally flawed, and feedback from member companies
- ▶ PPL are expected to review responses over the course of November

COPYRIGHT - MPLC

- ▶ The Motion Picture Licensing Company (MPLC) is a licensing body representing film studios and TV production companies.
- ▶ At a recent UKHospitality meeting with MPLC, the organisation signalled their intention to introduce a new tariff for hotel bedrooms.
- ▶ MPLC will not approach or begin invoicing hotels and other accommodation providers until negotiations with UKHospitality are completed. They do not propose to backdate the fee to the date the law changed, but would go forward from a mutually agreed date (if agreement is possible).
- ▶ UKH has liaised with members and the Intellectual Property Office, to ascertain the legalities of MPLC's position, and what is the most effective course of action going forwards.

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JOHN GUTHRIE EMPLOYMENT POLICY ADVISER UKHOSPITALITY

Employment



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BUSINESSES ARE FACING MULTIPLE AND INTER-RELATED CHALLENGES IN EMPLOYMENT - UNLESS GOVERNMENT ACTION AND REFORM IS FORTHCOMING, THESE CHALLENGES WILL INTENSIFY

- ▶ **Employment cost and regulation** ...introduction of NLW, inconsistent enforcement by HMRC, new legislation following the Taylor Review and new costs & uncertainty likely following last week's announcement proposing legislation on tips and service charges
- ▶ **Workforce supply will become tighter**...record high employment rate means labour markets are already tight - threatened curbs on immigration post 2021 and demographic change will cause acute problems
- ▶ **Skills development and workforce capability is key**...employee retention and development has never been more important...Hospitality Workforce Commission

IN MEETINGS WITH MPS LATER TODAY, IT'S IMPORTANT THAT WE COMMUNICATE THE SAME MESSAGES...

- ▶ Tackling 'low pay' must be a shared responsibility of employers and the government - it's unreasonable to expect all the heavy lifting to be done by business. A move on relaxing employers' NIC is urgent
- ▶ The report from the Migration Advisory Committee calling for an end to 'unskilled' and 'low-skilled' immigration has caused disbelief from business and we must ensure that this Autumn's Government White Paper maintains an entry route for Hospitality and other sectors
- ▶ Tightening of the labour market makes it even more urgent for Government to approve the Sector Deal in order that we can promote the industry as a great place to work and develop a career
- ▶ We need much greater recognition from the Government that vocational education needs clarity and reform - the promised consultation on the Apprenticeship Levy must increase spending options and the new T Level qualification for 16-18 year olds (in England) must be clearly distinguishable from apprenticeships to avoid confusion

HOSPITALITY HAS BEEN AN ENGINE FOR EMPLOYMENT GROWTH AND IT'S IMPORTANT THAT NEW COSTS, LAWS AND REGULATIONS DO NOT IMPEDE FUTURE GROWTH...

- ▶ The social and political environment since the Financial Crash and Brexit has increased pressure on businesses...e.g. the Living Wage Foundation, NLW 'naming and shaming', criticism of zero hours contracts
- ▶ When the NLW was announced in 2015, one of our biggest concerns was that it would lead to 'a bidding war' between the political parties...this is becoming a reality
- ▶ In today's environment, we have to make the argument that our industry makes a powerful contribution to job creation in all nations and regions...but there is a limit to how much additional cost & regulation that can be borne before growth and investment is hit

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GRAHAM EVANS POLITICAL CONSULTANT UKHOSPITALITY

Tips for lobbying your MP



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NEXT STEPS...



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QUESTIONS?



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LONDON

COMMITTEE ROOM 10, PALACE OF WESTMINSTER

JIM CATHCART



SOUTH EAST AND WEST

ROOM 0, PORTCULLUS HOUSE

SARA WILLIAMS



EAST AND HEART OF ENGLAND

COMMITTEE ROOM 11, PALACE OF WESTMINSTER

TONY SOPHOCLIDES



NORTH

ROOM W3, PALACE OF WESTMINSTER

DAVID SHEEN



WALES

COMMITTEE ROOM 12, PALACE OF WESTMINSTER

DAVID CHAPMAN



SCOTLAND

ROOM U, PORTCULLIS HOUSE

WILLIE MACLEOD



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NEXT STEPS...

Buses will be outside the Royal Automobile Club waiting to take you to Parliament at 1.15pm and 1.30pm for your MP session.

Join us again at the Terrace Pavilion from 4.00pm for a champagne and canapé reception.



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