Dear Secretary of State,

**Restarting the economy: reviving the hospitality sector**

We very much welcomed your comments over the weekend, setting out the Government’s initial thinking on how we move towards a lives and livelihoods first approach to recovering from the coronavirus crisis, recognising the important role that tourism and hospitality can play in rebuilding our cultural, social and economic communities, when the time is right to do so. Although, as you recognised we will be one of the last sectors to fully open, our supply chains are complex and we provide vital support services to many related businesses so we are keen to work with you and your officials at the earliest opportunity to feed into the plan for national renewal.

Our members are extremely grateful for the unprecedented support the Government has provided to protect the businesses, their teams and their guests. Their survival has been made possible by Government support and with those programmes now in place, they are able to turn their attention to the part they can plan in our national programme of restart, recovery and revival. We recognise that this process can only take place when the conditions are in place to satisfy the Government’s five tests and that the process of reintegration and business opening will need to be a gradual evidence-based relaxation of personal, business and lastly social constraints.

We wish to reassure you that there is no desire by hospitality businesses to move ahead or at pace in this regard and there is a great willingness to remain closed in support of the Government’s social distancing objectives. UKHospitality is actively working on the safety protocols that will need to be in place to facilitate an eventual reopening as part of the Government’s evidence-based plan. We believe that this should be premised on a whole economy approach to identify first the support services necessary to be stood up to support a return to work and the social distancing or control measures required to allow them to do so.

We believe that this is a more pragmatic and nuanced approach than one which identifies types of premises and one which, in time, could be extended to include some controlled leisure or social opening. Rest assured that we will keep you updated with the work we are undertaking to enable you to make the right decisions about how businesses can reopen, and what conditions will need to be in place. For some businesses there could be a prolonged closure period, so Government support will be crucial to ensure that businesses and jobs survive.

Hospitality was one of the first sectors affected by the crisis, leading into a fall in revenues from mid-February, the hardest hit in terms of revenue declines with a 97% decline over the last 6 weeks and will be one of the last to re-emerge. The timing of opening will be exacerbated by the time it will take for the sector to fully recover – estimated at around 18 months based on past experiences and feedback from other markets. For many businesses there is a further setback: the summer period is critical to survival, as it funds the business through fallow winter months. With the loss of summer revenue many businesses will not emerge in Spring of 2021. Many hospitality businesses have not been able to access Government support, which hampers their survival further.
To provide the basis of the sector returning to normal we believe that Government needs to prioritise the following areas:

1. **Extension of the furlough scheme for hospitality**: The sector is unlikely to reopen at the end of June and furlough must remain in place for as long as closure is mandated. Moreover, when the time is right, businesses are likely to reopen at significantly reduced turnover levels (sub 50%), but this will be critical for the wider economy and society, providing experience for families emerging from lockdown. An example is a reliance on additional takeaway services, which is less profitable than dine-in sales. UKH is willing to work with Government on reforms to the system to make it fit-for-purpose and to provide flexible support through the gradual process of social reintegration.

2. **Legislative under-pinning to support resolution on rent**: The closure period, sustained declines in trade and depleted cashflow means rent challenges will persist over the remaining three quarters of 2020. Government must act now to extend the legal right to deferment and protection from lease forfeiture for 9 months and to include all forms of debt enforcement, mandating breathing space to allow parties to renegotiate rent terms. This may require additional intervention to facilitate the non-payment of rent for a sustained period and ensure the liquidity of the property ecosystem.

3. **Improved access to capital to fund the restart**: Current government loans are starting to flow through, but it is still challenging for hospitality to access. Moreover, many loans are granted on conditionality that they are not used to pay rent. In light of the above, we believe it is imperative that hospitality grants are extended to all hospitality premises with a rateable value of more than £51,000 and dispensation sought for an exemption from State Aid as appropriate. As the closure period for hospitality continues, a new wave of finance may need to be introduced, targeted at those in need. Consideration should be given to extending the Government guarantee to 100% of the value of CBILS.

4. **Guaranteeing a functioning and responsive insurance market**: As we move into the recovery phase, the provision of effective credit insurance will be critical and a failure in this market could severely hamper the ability of many businesses to successfully reopen. We fully support proposals from the Association of British Insurers for a government backed reinsurance scheme to be created to ensure that businesses have access to the Trade Credit insurance support they need throughout and after this crisis. Moreover, we believe that greater pressure should be brought to bear to encourage the insurance companies to take a more proactive and fair approach to legitimate claims made by businesses with substantive pandemic insurance or restricted access insurance, almost all of which are being dismissed on technicalities. Even a small pay-out for hospitality businesses with this insurance could help to guarantee their successful reopening and avoid them continuing to call on the public purse.

5. **A comprehensive fiscal package to stimulate demand post-crisis**: Through the recovery phase this Autumn/Winter and into next year, we would be keen to work with the Government to explore a package of measures to restore consumer confidence and boost demand. Following the financial crash in 2010, a cut in VAT was extremely beneficial in assisting with a more rapid recovery. STR data from the financial crash highlights that while
revenue and occupancy took 18 months to recover it took a comparable period to return businesses to profitability

6. **Strategic reset**: As the above highlights, there will be a long tail to commercial recovery for the hospitality and tourism markets. The present crisis has thrown light on a range of regulations and business practices which are no longer fit for purpose and which have hampered rescue efforts. We believe it will be important for the Government’s restart plan to not just take into account but also start the process of reviewing and overhauling outdated business regulation. Inflexibility and overheating in rents have shown the flaws in the Landlord Tenant Act; State Aid rules have hampered Government’s efforts to support high streets and communities; insolvency laws have been shown to be overly onerous; and a spotlight has been thrown on the crippling cost of business rates. This immediate impact of the crisis is likely to be short and sharp but, as the OBR identified, it has the potential to leave persistent and long lasting scarring on the economy unless we take this opportunity to press reset and to initiate reviews to provide a structural rebasing in all these areas.

As I hope is clear from this letter the hospitality sector and UKHospitality are committed to working with Government to support its policy objectives both on health and the recovery. As our members have done throughout this crisis, we stand ready to play our part in supporting key workers, the vulnerable and our communities and, when the time is right to return to play a full part in the social and economic rebuilding we will need to work on together. The UNWTO has identified tourism and hospitality as being critical to the global economy post-COVID and with the right support, we know that our sector can continue to deliver jobs, foreign earnings growth and investment.

We feel the work that we have carried out internally will be useful to Government in its decision-making over the course of the next few weeks so we will continue to feed our experiences into officials. We would also be keen to share our experiences with Ministers at a time that was convenient for you.

Yours sincerely,

Kate Nicholls, CEO, UKHospitality