



Rt. Hon. Nadhim Zahawi MP
Chancellor of the Exchequer
HM Treasury
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London
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Rt. Hon. Kwasi Kwarteng MP
Secretary of State for Business, Energy and
Industrial Strategy
Department for Business, Energy & Industrial
Strategy
1 Victoria Street
London
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26th August 2022

Dear Chancellor and Business Secretary,

Hospitality businesses are facing a crisis this winter – with soaring costs combined with a sharp drop in disposable incomes for our customers. Without support, the industry will see widespread business failure – leading to tens of thousands of job losses, persistent scarring to high streets and damaged social mobility.

As a sector that employs over 2.5 million people, including some of the most sensitive to price increases, it's imperative that we can continue to trade to help our colleagues pay their bills. Already we are seeing reduced hours as trade has declined.

The option of passing through cost increases to customers is remote. Our customers simply can't afford to pay more as their disposable income is squeezed. While hospitality businesses have been working to reduce their energy use for many years, and a commitment to net zero by 2030 on direct emissions, there is little that can be done in the short-term – with a need to light, air-condition, heat, chill and cook to keep the business operating.

Support has rightly been committed to households, but more must be done to help businesses, particularly SMEs, that are at risk of failure due to no fault of their own. Hospitality businesses had their resilience severely strained during the pandemic and are not able to weather the storm they now face. Immediate intervention in the commercial energy market is essential to avoid dire consequences.

The challenges are two-fold – the absolute increase in costs and the behaviour of energy suppliers to the hospitality sector, both of which are causing higher prices and constraining growth.

To ensure that businesses survive and continue to provide valuable employment through the winter we need to see a comprehensive package of measures to the end of March 2023. We believe it will be necessary to review the situation further ahead of the next financial year.

To mitigate the energy price increases we need to see **a business rates holiday for all hospitality premises, with no caps applied; the deferral of all environmental levies; and the reinstatement of a generous Time to Pay scheme from HMRC, freeing up cashflow**

Businesses are also seeing limited competition from energy suppliers and restrictive conditions, such as onerous deposits. These are particularly targeted at the hospitality sector, more than any other sector. To ameliorate this situation Government should **reintroduce a trade credit insurance scheme for energy.**

To stimulate demand, and ensure that our workforce continues to be employed **Government should reverse the increase in the VAT rate for hospitality from 12.5% to 20% that took place in April 2022** – and led to an increase in the headline inflation rate of around 1.4%. This will help the economy to keep growing and is likely to have a deflationary impact, or at the least contain prices and allow businesses to offset cost increases.

This package of five measures will ensure the survival of businesses, the continuation of employment and the flow of wages, restraining inflation and leading to investment in our communities. Hospitality is critical to the nation's recovery from Covid, but it needs support to get through this current crisis, and as quickly as possible.

I would be delighted to discuss this proposal with you further to deliver the measures that the country needs.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'K Nicholls', written in a cursive style.

Kate Nicholls OBE, CEO, UKHospitality