

10th February 2022

Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Dear Chancellor of the Exchequer,

RE: securing a safe and sustainable recovery

We write to you on behalf of the Central London Alliance C.I.C. (CLA), an alliance of over twenty thousand businesses and organisations of varying sizes and sectors within central London. The CLA was established in August 2020 to support a sustainable, economic recovery of London's business, hospitality, cultural, tourism, and retail sectors and to help both employers and workers to survive through coronavirus and beyond.

Central London's businesses, already disproportionately impacted, particularly those in the hospitality, leisure, retail and night time economy, have already been severely damaged by the pandemic and the response to it.

Businesses now face the increasing burden of costs from March 2022. With VAT returning to 20%, relief on business rates for the retail, leisure and hospitality sectors coming to an end and national insurance contributions increasing, businesses are facing a proverbial sword of Damocles, despite the huge sacrifices and efforts made during the pandemic. This includes providing services for key workers and others, keeping essential public services and the economy running.

Further long-term support to all relevant sectors is needed to ensure the survival of businesses that are at severe risk of failure, jobs reliant on them and supply chains which are related to and dependent on their survival.

New Grants

We welcome the announcement of new grants to the hospitality and leisure sectors together with other businesses, who saw their most valuable trading period, at the end of last year, annihilated through no fault of their own. Regrettably they do not go far enough and will only provide an immediate emergency cash injection, for some, merely scratching the surface. Whilst every pound of support is welcomed and much needed, the package of proposals is insufficient and does not address all affected sectors, such as retail and those with larger businesses with bigger business rates bills, loans and payroll costs. Further long-term support to all relevant sectors is needed to make sure jobs and businesses are preserved.

National Insurance

Following the implementation of Plan B, hospitality businesses saw their Christmas revenue collapse with central London restaurants, pubs, bars and hotels losing 80% of their bookings. Many businesses were reliant on December's revenue, an estimated £9.2 billion to the sector, to see them through the bleak Q1 period and face the proposed increase in costs from March. A quarter of businesses have no cash reserves left, with another 31% only having 1 -2 months remaining.

The impact on London has been disproportionate and many businesses are under existential threat. Last year, every week businesses were closed, the hospitality sector, the third largest export earner and contributing 11% of all jobs and 7% of GDP, lost £2 billion in revenue, haemorrhaged cash and 660,000 jobs were lost due to the pandemic and the response to it.

It is not just the hospitality sector that is under threat. Travel businesses are reeling from the previous restrictions. The Tourism industry generates £157 billion for the economy and supports 3.4 million jobs but has lost £210 billion of revenue during the pandemicⁱ whilst high street retailers are suffering reduced footfall.

We ask for the postponement of the proposed rise to national insurance contributions due for April to give businesses time to recover and in turn make positive contributions to the UK economy and livelihoods. Otherwise we will see a stranglehold put on the economic recovery at the precise moment when it needs to be powering up.

International Travel

Inbound tourism to the UK, pre-pandemic, was worth £28.4bn a year in exports, making it the fifth most valuable export industry and the fifth largest tourism economy in the worldⁱⁱ together with contributing to Britain's soft power credentials and to the UK's Global Britain ambitions. As an export industry, inbound tourism can significantly support and accelerate the UK's economic recovery from COVID-19 as it brings valuable new money into the country and supports over 500,000 jobsⁱⁱⁱ in cities and regional economies across the four nations. It directly impacts the levelling up agenda, driving growth in regional towns, cities, coastal and rural communities.

In 2021, domestic tourism was supporting many rural economies – however city centres, such as Manchester and London, are unlikely to fully or quickly recover without inbound visitor spend and the reduction of international tourism in London's Central Activities Zone has reduced London's ability to attract tourism to other parts of the UK. Cities are predicted to lose £18 billion this year due to a lack of inbound tourism. The survival and recovery of over 200,000 city tourism and hospitality businesses is dependent on international travellers returning to UK towns and cities. A successful inbound travel and tourism economy will also assist delivery of the UK's post-Brexit trading objectives, Global Britain ambitions and is a key component of our soft power strategy.

Foreign tourism is also essential for the survival of the theatre, arts and cultural sectors particularly in London's West End; another major contributor to the UK economy, both in terms of overall tourist spend and VAT receipts to the Exchequer. The entertainment and creative sectors are imperative for London's viability as a global city.

Regrettably there has been effectively a multiple language "*Britain is closed*" banner on our much-valued international visitors' entrance. Government help is urgently needed to ensure the survival of inbound tourism and attracting foreign visitors, including business travellers and investors, in meaningful numbers.

We urge the Government to :

- **Lock in the 12.5% VAT rate for hospitality and tourism**

The Treasury has already seen the genuine benefit in terms of driving demand. If the UK, and London in particular, are to recover, we need to be able to ensure the UK can compete with European holiday destinations and is attractive for both domestic and international visitors. The UK is currently losing its international competitiveness. Long-term, and post-Brexit, it is crucial that the UK competes internationally, and the Government has already demonstrated that VAT is a key lever for Government to drive growth. Doing so will also enable sector businesses to create 125,000 jobs, rebuild their balance sheets, boost investment, avoid damaging price increases and accelerate the UK's post-pandemic economic recovery.

Hospitality in particular remains incredibly fragile, facing myriad critical issues. Rising utility bills, wage bills and food and drink prices have resulted in 13% inflationary costs which businesses are having to absorb in parallel with navigating severe supply chain issues and chronic staff shortages. Given this toxic cocktail, the most effective way the Government can support this sector would be to maintain the current lower 12.5% VAT rate for the next financial year.

- **Restore tax-free shopping for international visitors indefinitely**

Tax free shopping is a significant component in keeping the UK competitive for international visitors and in helping drive a recovery of tourism in London and in other major UK cities. Such restoration will result in a substantial nett economic benefit.

Business Rates

Significant reform is needed on the inequitable business rates system based on the value of bricks and mortar (a 21st century window tax). We call for a root and branch reform of business rates, to ensure industries share the burden equally.

Transport

To safeguard services, to facilitate more innovative and flexible ticket models and to help accelerate the return to city centre workplaces, sensitively supporting the green agenda, we urge the Government to

- **Provide a three-year additional revenue support package for Transport for London (TfL) together with a long term, permanent funding arrangement**
 - one that reflects the benefit of TfL and Global London to the wider UK economy. Successfully functioning public transport will be absolutely critical to the recovery of central London's economic activity and is essential to its global reputation and competitiveness. This funding mechanism should be comparable in scale and remit to those for our competitors- namely New York and Singapore and one that supports not just TfL's ability to run, but its ability to continue to invest in the years ahead.
- **Freeze or cut rail fares in 2022**
 - removing a cost disincentive from commuting into Central London, increasing footfall and assisting Central London and its businesses to get back on their feet and continue to make a positive contribution to the UK economy.

Central London Businesses

We must not underestimate the capital's economic firepower and its importance to assist in the rescue of regional economies. Central London's survival and recovery is essential to the UK's economic recovery and the levelling up agenda across the country. The Government should aid survival and recovery in the capital to fund the previously recognised and valued investment elsewhere in the country.

It is imperative that the Government goes further to support central London businesses, permitting them to continue to innovate and to demonstrate their world class skills and services, provide jobs, growth and investment and to lead recovery - by ensuring that the right measures of support are in place. The economic case of avoiding the previous financial support being wasted is obvious.

The current pandemic has shed light on the challenges global cities face, and we must not constrain or impair London's ability to demonstrate a sustainable recovery and its role as a leading global city.

We welcome the progress made with the vaccine rollout and recognise that reopening steps taken in line with the Government's recovery roadmap have been positive in many ways. However, the lag central

London will experience in seeing the benefits of reopening requires targeted support measures, with many of these steps applying to and presenting an opportunity to support businesses across the country.

Finally, we urge the Government to form a long-term strategy for new COVID variants, allowing businesses to plan ahead.

A failure to act now risks the future of the UK's economy, its global status and the closure of hundreds of thousands of businesses providing jobs and livelihoods in London and across the country. Businesses bring life and heart to communities across the country but after almost two years of desperate struggle due to the pandemic, many businesses and employers are battling huge challenges. By responding positively to the CLA asks, the Government can assist businesses to bounce back, keep the UK and its offering affordable for customers, provide jobs, assist in levelling up the UK, Building Back Better and stimulating a sustainable recovery from the pandemic. Our capital - alongside the great cities of the North – should be the engine of economic growth. London's private sector is now looking for signals to encourage increased investment, to continue to innovate and to drive the economic recovery.

We would welcome the opportunity to discuss the points raised in this letter and to constructively engage with your team, and look forward to your response.

Kind regards,



Tony Matharu
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International Group
Director, Central London Alliance (C.I.C)



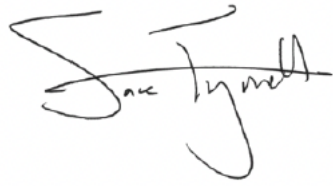
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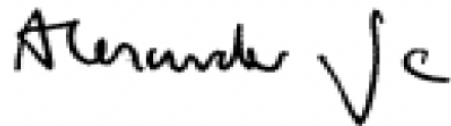
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ⁱ VisitBritain

ⁱⁱ WTTC

ⁱⁱⁱ Tourism Alliance