BY EMAIL

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

27 August 2020

Dear Chancellor,

Business Rates Relief

I am writing to you to highlight the urgent need to extend business rate support to West End retail, hospitality, entertainment and cultural businesses as they struggle to manage the impact of the COVID-19 lockdown. New West End Company is the Business Improvement District (BID) representing over 600 retail, hospitality and property businesses in London's West End. These are businesses that contribute billions of pounds in taxation to the Treasury.

The West End is one of Britain's global strengths, attracting visitors, investors and talent from around the world. The unique eco-system of world class shopping, dining, hotels, theatre and other cultural assets has a direct impact on Britain's economy and is also a major contributor to the soft-power pull of London and the wider UK. Yet the dramatic decline in visitor numbers and the inability of certain elements of the West End economy, such as theatres and night life, to operate under social distancing rules is threatening to breakdown this eco-system and destroy this valuable global asset, just as Britain leaves the EU and seeks an independent path in the world. It threatens the net tax take that the West End has consistently delivered.

Of particular importance to the UK economy is the West End's draw to international visitors. Almost half of the £10 billion annual spend in the West End is from overseas travellers. This is a direct £5 billion injection of foreign money into the economy, with all the tax and employment benefits that brings. This is now lost as the temporary suspension of international travel, particularly from high spending states, means that for at least 12 months there is little chance of it being restored.

This dramatic loss of income is exacerbated by the halt of most domestic tourism and the lamentably low number of office workers returning, mostly due to fear of using public transport. In London, office worker return is around 30% compared with over 80% in Paris and Berlin. The passenger capacity on the tube is only around 25% of normal capacity, way below the level that the West End needs to function properly.

Footfall in the West End has plateaued at below 40% of its former levels, compared with around 70% across the UK. The average transaction value has plummeted as high net worth individuals are not yet travelling to the UK. Anecdotally, we have heard that hotel reservations are as low as 7% of what could normally be expected at this time.

As a result, we are predicting a fall in annual turnover of West End retail and hospitality of between 70-80%, with sales of just £2-3 billion in the 12 months from March 2020. We expect around one third of West End retail jobs to be lost (around 50,000 jobs) by the end of the year. There could be many more in the hospitality and cultural sectors that also depend on tourism and business hospitality to thrive or indeed to survive.

3rd Floor, Heddon House,
149-151 Regent Street, London W1B 4JD
Tel: +44 (0)20 7462 0680 Web: newwestend.com

Registered Office: 3rd Floor, Heddon House,
149-151 Regent Street, London W1B 4JD. Registered No. 04039488

The impact of COVID-19 on turnover highlights the anomalies of the business rates system, based on a notional rental value as a way of estimating the economic performance of occupiers. When the 2015 revaluation was implemented in 2017, we pointed out how the link between tenant performance and rateable value in an international property market was broken.

The 80% average increase in business rates across the West End as a result of the 2015 revaluation (compared with the 2008 revaluation) came as sales in the West End rose from £6 billion to £8 billion over the same period, an increase of just 30%.

Professor Tony Travers of LSE has pointed out that business rates in the West End are now based on 2015 economic conditions when it is likely that West End retailers will be operating at between 10-20% of that level and hotels at between 0-10%.

As many tenants have renegotiated leases and rents with their landlords, business rate levels now have absolutely no link either to economic performance or to rental values in the West End and are now one of businesses' highest costs.

The reintroduction of business rates in April 2021 will be a final blow for many businesses already struggling to meet costs as they await the return of international and domestic visitors and larger numbers of people back in their offices. The result will be more store closures, many more job losses and the resultant loss of business rate and income tax income for the Treasury.

But more importantly, the eco-system of London's West End will continue to collapse, undermining the overall attraction of the West End and putting at risk theatres, hotels, restaurants and other stores. London's appeal to visitors, investors and global talent will be severely diminished.

We appreciate the support that the Government has given to businesses so far but it is clear that the impact of COVID-19 is going to last much longer than originally anticipated. While many businesses throughout the UK have managed to start their recovery, the West End's International Centre status – with all the implications that has for costs and the need to attract high volumes of visitors from home and abroad – means that this vital part of Britain's economy needs an extension of that business support if it is to survive to contribute to the UK's future success.

I would therefore urge you consider a way of extending business rate relief to the designated International Centres in London, and more widely if necessary, for a further 12 months until confidence is restored in both international and domestic visitors and commuters. It is not possible to revalue the properties in time, but a quick examination of the link between turnover and rateable value indicates the urgency to give relief and this could be a basis of doing so.

If you were minded to do this, then it would be helpful to have an announcement as soon as possible since businesses are making the plans for 2021 and the cost of business rates is a major factor in their decisions on store and job numbers.

I would appreciate the opportunity to discuss this with you in more detail.

Yours sincerely

Sir Peter Rogers
CHAIRMAN

cc Rt Hon Alok Sharma MP, Rt Hon Robert Jenrick MP, Paul Scully MP, Nickie Aiken MP