

Treasury Select Committee inquiry on Economic impact of Coronavirus - call for evidence on HM Government's financial package

24 March 2020

INTRODUCTION

1. London Chamber of Commerce and Industry (LCCI) is the capital's most representative business advocacy organisation representing the interests of businesses of all sizes, across all 33 London local authority areas. Our member companies range from micro-businesses and sole traders to large, multi-national corporates and operate within a wide range of sectors, including transport and logistics, property, hospitality and retail – genuinely reflecting the broad spectrum of London business opinion.
2. We seek to promote and enhance the interests of the capital's business community through representations to central government, the Mayor and London Assembly, Parliament and media, as well as international audiences. Through member surveys and commissioned research, we seek to inform and shape debate on key business issues.
3. LCCI welcomes the Treasury Select Committee's plans to hold evidence sessions on the economic impact of Coronavirus. We welcome scrutiny on whether the Government's economic package is sufficient.
4. COVID-19 has posed enormous challenges for businesses and their employees, particularly threatening cash flow, employment and general business sustainability.
5. LCCI is collating feedback from member businesses on their concerns, experiences and expectations in relation to the impacts of COVID-19, preparations being put into place and support and guidance needed. Feedback has been anecdotal and provided in confidence, and LCCI has therefore not referenced any member business names.
6. **Appendix 1** to this submission is a SITREP prepared on 18th March 2020 for the London Strategic Coordination Group (SCG) that advises the Mayor of London. The SITREP has also been provided to the Office of the Bank of England Agent for London.

LCCI VIEW ON THE GOVERNMENT'S FINANCIAL SUPPORT PACKAGES

7. On 17th March 2020 the Chancellor of the Exchequer announced a first package of measures for what he termed a "national emergency". That package included £330bn for loans, a business rates holiday for firms with a rateable value less than £51,000 as well as grants for specific entities.
8. LCCI saw this as a highly significant move and welcomed the focus on the hospitality, leisure and retail sectors to ensure many cafes, restaurants, pubs, clubs and small shops could continue to trade.
9. However, while LCCI acknowledged that HMT was busy engaging other sectors to secure appropriate deals for a second fix, the Chamber harboured concern that there

was potential for some of the diverse communities that make up the broad British business community to be left behind or overlooked.

10. LCCI suggested that one of these could be the Self Employed. Estimated at around 860,000 in London and near 5 million nationally, this grouping is a diverse cohort engaged in activities, from consultancy to couriering and hi-tech to hairdressing¹. Each supplying a service or function that many others, in various sectors, rely upon in the national economy.
11. LCCI took the view that there was an opportunity for the City of London to play a facilitation role to bring together the main banks to ask what they can do to help the “little people” of the UK economy.
12. Asserting that this was a moment for collaboration as economic resilience is a shared concern and a joint enterprise to maintain together, the CEO of LCCI, Mr Richard Burge, wrote to the Chair of the Policy and Resources Committee in the City of London Corporation with a ‘call to action’.
13. Mr Burge said that “*London and the UK’s banking community must now step-up to the plate*” and suggested they could provide bridging finance to companies with immediate effect until the funds start to flow from the Treasury. **Appendix 2** to this submission is a copy of that letter.
14. On 20th March 2020, following the package of measures announced by the Chancellor, LCCI released a statement², noting “*a major and extraordinary intervention*” and adding that Mr Sunak had “*clearly taken on board the scale of the crisis, and the imminent need that businesses, their staff and the self-employed face*”.
15. LCCI urged the Government to produce high quality information and guidance as well as ensuring there was enough staff in HMRC and elsewhere to respond quickly and immediately.
16. **LCCI will be probing and collating the views, experiences and expectations of member businesses on a weekly basis over the next few months.** This will track the accessibility of Government packages, perceptions on wider activity and also the interaction of banking and insurance institutions with London firms; especially SMEs.

LCCI MEMBER BUSINESS VIEWS

17. Smaller businesses renting space in serviced office properties will not benefit from relief funnelled through the business rates system. Consideration should be given to ways in which relief being claimed by serviced office providers could also cascade down to their tenants.
18. Concerns were flagged that deferring paid holiday entitlement and other payments, e.g. pensions and payroll costs, will have significant negative impacts if taxes, short-term bank loans and holiday commitments must be paid simultaneously.

¹ Labour market overview, UK: March 2020, Office for National Statistics. For London-specific data, see HI07 Regional labour market: Headline indicators for London

² <https://www.londonchamber.co.uk/news/press-releases/lcci-react-to-government-coronavirus-business-supp/>

19. While the Coronavirus Job Retention Scheme is a welcome measure, **businesses are looking to the Government for speedy turnaround** on support for payments to staff through this scheme, so as to minimise negative impacts on their employees.
 20. **Airports serving London are dealing with unprecedented impacts.** The Government should bring forward measures to support airports, including by: suspending business rates and other government and local governments rates and taxes on airports for the duration of global flight restrictions; deferring payments of all VAT, corporation tax and other taxes for the duration of global flight restrictions; providing relief from airport policing costs; removing the liability on ground-handlers for unpaid Air Passenger Duty, without putting these costs on airports.
 21. **Support announced for the self-employed was sub-optimal.** The Government must set out clear measures for supporting these workers during this critical time.
 22. **LCCI members report a need for clear, unambiguous communication and guidance from Government,** with guidance at times reported as conflicting. Where implementing financial support measures is concerned, delivering this clarity will be of the utmost importance.
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LCCI would be happy to clarify or provide further comment on any matter raised within this response. Please contact:

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APPENDIX 1

London Chamber of Commerce and Industry (LCCI)

SITREP – 18th March 2020

Issued to London Strategic Coordination Group (SCG): Business Subgroup request on COVID-19 business-related impacts

LCCI is probing and collating the views, experiences and expectations of member businesses on a weekly basis.

Impacts so far

- Cancellations of events and face-to-face activity – particularly critical for hospitality businesses that provide venues and facilities.
- Loss of income. Travel, tourism and hospitality of concern due to restrictions and advice against travel and social contact.
- Inability to claim compensation and refunds.
- Staff shortages and wellbeing issues due to worry and distraction.
- Some businesses are laying off staff and/or reducing pay or hours. Some business owners are not earning a salary.
- E-commerce orders slowing down.
- Fears over ability to pay commercial rent and on-time payments from bigger businesses.
- Stalled lease renewals.

Priority concerns raised

- Cash flow. Financial support for businesses to stay afloat and for self-employed.
- Wellbeing of staff (including their financial wellbeing).

Anticipated impacts

- Worsening loss of revenue, sales and business.
- Redundancies and closures, particularly in the hospitality, leisure travel and tourism industries.
- Length of time in which working patterns will change, and how this will impact on internal communications and joined-up working.
- Difficulties phasing back into working patterns post-crisis.

Preparations and planning underway

- Trade bodies are offering members financial and bankruptcy advice.
- Negotiating payment holidays and delayed payments.
- Ensuring the necessary infrastructure is in place to move work and meetings online, including stress-testing IT infrastructure and ordering significant numbers of additional mobile phones and laptops.
- Segregated facilities for staff and people, particularly in security and facilities services.
- Sanitising facilities and premises.
- Split-shifting and preparation for extended working from home.

Support and advice sought

- Clarity and consistency of message from Government.
- Support for the self-employed.
- Financial support and measures to support a business that needs to close.

Summary from member feedback up to 4pm on 17th March 2020.

19 March 2020

CONNECT. INFLUENCE. SUPPORT.

Ms Catherine McGuinness
Chair of the Policy & Resources Committee
City of London Corporation

Dear Catherine,

Corona Virus; the role and responsibility of London to the nation

I am writing to you as the leader of the financial and professional services ecosystem of London. The business impacts of coronavirus on business are here and now. The major and positive measures announced by the Chancellor are not yet ready for full implementation, and in many respects may be insufficient to stem the tide of lay-offs, redundancies, and collapses rising amongst small and medium enterprises in the London and the nation.

Most SMEs are simply not capable of taking on increased debt, even if it is underwritten by government. They need to retain the cash they have and be certain that there will not be a future call on it which they will not be able to service. So we believe that in addition to the business rate relief, they need to be able to permanently retain other collected taxes.

Without bank lending in the interim, however, companies face going out of business. Some have already closed because without financial support they are no longer going concerns.

The UK contains, arguably, the world's most powerful financial service ecosystem in the City of London and I would like to ask you to issue it with a call to action on three fronts;

1. That the UK lending institutions will guarantee, whatever their size or nature, no small or medium sized business in Britain will go bankrupt, or have to dismiss or suspend staff until the details of the government provisions are worked out
2. That the City ecosystem will press the Government to offer the three-month permanent grant of collected tax receipts (PAYE, VAT and Employer national insurance) contributions for three months from the 1st February
3. To engage with government to find ways that the banking system can provide equivalent cash support to sole traders and the self-employed.


The City of London needs to demonstrate now that it will do everything necessary to support the economic resilience of the whole of the UK.

The leaders of the UK financial services sector need to let the country know they recognise they survived in 2008/09 because of the wide, diverse, and sound economy of the rest of the UK. They must repay that solidarity now – without hesitation or restraint.

Banks will undoubtedly suffer some bad debts. But I believe that the UK finance community must and will demonstrate that it is part of our national survival.

I am absolutely confident that the leadership of the City which has ensured we have recovered from plague, fire, and war, will rise to the challenge and mobilise its ecosystem to deliver what the nation now needs. We stand ready to assist you in any way we can.

But this is now desperately urgent. When we spoke last night I told you of individual cases being reported from across the country by Chambers of Commerce. Those have not slowed this morning. Action by the end of the week is essential.

Yours ever


Richard Burge
Chief Executive

cc. Director General, British Chambers of Commerce
Chancellor of the Exchequer