

COUNTRYSIDE ALLIANCE BRIEFING NOTE



The economic lessons learned from the COVID-19 pandemic and the measures necessary to repair the UK economy

House of Lords Debate

Thursday 4 June 2020

Executive Summary

- As we come out of the COVID-19 pandemic the pressure on the public purse will also never have been so great. However, we must support those communities and services which have been impacted, and we must also ensure that no part of the UK is left behind, especially rural areas.
- The COVID-19 crisis has highlighted the importance of having a robust economy, which can stand up to the pressures a pandemic can put on it. It has also shone a light on the fragility and vulnerability of many businesses and the reliance of certain parts of the country on specific industries.
- The countryside faces many challenges at this time from a tourist industry that has been mothballed due to coronavirus to the everyday challenges such as rural crime, poor digital connectivity and a declining post office network alongside the challenges Brexit and post COVID-19 will bring. The Countryside Alliance would like to work with Parliament and the Government to meet these challenges and share the concerns and voice of rural communities with you.

Rural Tourism

- Rural tourism in England contributes over £13 billion per year to the economy, and VisitBritain predicts the £80 billion domestic tourism industry, spanning holidays and day visits, will suffer a £22 billion drop this year. Tourism makes a significant contribution to the rural economy, supporting village shops and services, jobs and businesses, and it is crucial to ensuring the long-term sustainability of our countryside.
- The hospitality sector - accommodation providers and tourist attractions have all been devastated this year and there will be many who will be closed permanently by the end of this season leading to broken economies and high unemployment in some of the most fragile coastal and rural communities.
- The Prime Minister's announcement last month that restrictions in England were being eased to allow people to the countryside has created a new wave of concern in some rural communities. However, the Countryside Alliance supports the lifting of restrictions, as it becomes safe to do so, and we recognise that those who have been in lockdown in cities are keen to enjoy the British countryside. With the easing of restrictions, we must also begin reopening the countryside to allow its visitors to support the communities and economies they are visiting. Already domestic tourism

spend is forecast to be down £22 billion this year, a significant economic hit, and in many business cases, potentially terminal.

- Tourism businesses in the countryside cannot wait until the Government's proposed Step 3 of COVID-19 recovery next month, particularly with increasing numbers of people travelling into the countryside on a daily basis. It is only right that those who live in the countryside should have the opportunity to reopen their businesses, subject to appropriate distancing, to take advantage of incoming visitor numbers. If shops, cafes and pubs continue to be forced to remain closed, and therefore unable to relieve some the economic hardship already endured, it risks creating a divide between town and countryside.
- The Countryside Alliance believes that if we open the countryside to everyone then the countryside should be fully open, and that includes allowing rural businesses to reopen, at least in some capacity, to kick start the rural economy.
- There are three areas in particular where the Government could start to reopen the countryside before Step 3:
 1. Relaxing the restrictions on staying away from home and allowing campsites and self-catering accommodation to reopen. Camping and caravanning sites and self-catering farm cottages in particular could operate with the appropriate hygiene and social distancing measures in place. Camping and caravanning sites alone have already missed out on £25 million of income during lockdown.
 2. Allow cafes and pubs to open gardens and outside seating. Pubs and cafes should be able to make use of the takeaway rules and also be able to serve alcoholic beverages and other drinks subject to social distancing rules, with the use of beer gardens, car parks and other outside areas explicitly permitted.
 3. Encourage all national parks, local authorities and private landowners to reopen car parks to spread visitors across the countryside rather than concentrating them at 'honey pot' sites.
- The rural economy has been devastated by the impact of COVID-19, making it even more important that tourism in the countryside resumes as soon as it is safe for it to do so. There can easily be a phased return to opening up the countryside by allowing certain accommodation providers, restaurants and cafes with outdoor space, and some outdoor attractions to open their doors and welcome people back and support the local economy.

Rural Crime

- To tackle rural crime we propose fair funding for rural policing. Providing services across large, sparsely populated areas is expensive on a per capita basis. Therefore, the Government's funding formula should take that into account. In addition, there needs to be better targeting of police resources because tackling crimes from poaching and farm theft to drug dealing and domestic abuse present greater challenges for policing when perpetrated in a rural context.
- For many people, whether they have fallen victim to crime or not, the simple fear of crime can have a detrimental effect on their quality of life. 39% of rural people are

worried about becoming a victim of crime compared with 19% nationally.¹ This is further supported by low satisfaction rates of police performance in rural areas, with only 24% of the rural public perceiving the police have the ability to solve crime.² The crimes which are perceived to go untackled in rural areas included speeding, dangerous driving and fly-tipping.³

Broadband

- Delivering full fibre and gigabit capable broadband to the countryside by 2025, as committed to in the Conservative General Election Manifesto, must remain a Government priority. Increased investment in full fibre connectivity by broadband operators is to be welcomed but this financial commitment must be also be delivered in hard to reach rural areas to ensure they can also benefit from the opportunities fibre connection brings.
- Continued poor connectivity in rural areas represents a huge missed opportunity for economic development and these gaps and weaknesses need to be addressed as a priority. The current lack of broadband infrastructure serving small firms threatens the expansion of the rural economy, currently worth £400bn annually. The business opportunity includes 28 per cent of all UK firms and over one million small businesses
- COVID-19 has once again highlighted the disparity in broadband connectivity across the country as the networks have struggled to keep up with unprecedented demand which has seen millions of Britons suffering as a result of poor connectivity and outages. We saw a 62% rise in outages in April and a third of people surveyed had experienced internet issues during lockdown. This impacts everyone from those trying to home school to homeworkers supporting the economy
 - Hundreds of Sky broadband customers experienced problems with their connections earlier this month, and late last week.
 - Thousands reported they were unable to work from home after TalkTalk's network went down for around an hour.
 - BT broadband users also suffered an hours-long outage on January 31 which prevented many people from using the internet.
 - Tens of thousands of Virgin Media customers complained of problems with their broadband connections at the end of April.
- Slow internet speeds and frequent outages have been a particular problem for people living in rural areas who still rely on copper cables which can be affected by rainfall. It is now time for the Government to take stock of our networks and ensure more reliable connections are delivered to all, no matter where they live.
- The Countryside Alliance believes connectivity should certainly be right at the top of the Government's list of topics to review following lockdown.

¹ National Rural Crime Network: Fair Funding for Rural Policing, 2016.

² Ibid.

³ Ibid.

Business Rates

- Business rates raise about £30bn for the Treasury each year, of which £8bn is paid by retailers. They are based on “rateable values” calculated every three years according to the premises rental values, and a multiplier that rises annually in line with inflation.
- The retail sector accounted for 5 per cent of the UK economy’s gross value added, but paid 10 per cent of all business taxes and pubs are responsible for 0.5 per cent of turnover of the UK economy but pay 2.8 per cent of business rates.
- Business rates are viewed by many as an outdated and archaic system which is not fit for purpose in this dramatically different business environment.
- There have been some improvements to the business rates system, such as the switch from retail to consumer prices inflation in calculating the annual increase in the multiplier, and the introduction of more frequent revaluations. However, a tax based on output rather than input would still be more equitable.
- Separately, a study concerning the future of the high street concluded that the business rates system is accelerating shop closures in many towns.
- The impact COVID-19 has had on our high street demonstrates the urgent need for a fair tax that recognises the important role many village shops, garden centres and farm shops play in supporting our communities which is not something that can be replicated online.
- We have also barely scratched the surface of the online revolution, yet the UK boasts key competitive advantages in many, many digital industries. To ensure we build a dynamic economy moving forward, it is vital that we do not resort to suffocating or stifling online businesses in a well-intentioned bid to level the playing fields. Instead, we should welcome our digital prowess. But we must also give our much-loved small businesses a leg-up by reforming this unfair tax.
- The Countryside Alliance welcomes the Governments review and intended proposals to reform business rates as we have long called for a full-scale review to ensure we have a system which enables rural businesses to compete fairly with those online. Businesses need long term certainty if they are to be able to invest and plan for the future. We need long term solutions to ensure that all small businesses in rural areas remain viable rather than piecemeal ad hoc measures.

Problems with the current system

- Land values are changing at a rapid pace, so even assessing these every three years leaves many businesses paying over (or under) the odds for lengthy periods of time. It also creates cliff-edges for businesses upon each revaluation - ones which are difficult to predict, given the volatility of the multiplier.
- There is an unequal playing field for bricks and mortar businesses versus online ones. The inequality in businesses can be seen by the fact that a company like Amazon - with 189 sites across England and Wales – was liable for just £38 million in business rates last year, despite generating £9bn in sales. While House of Fraser - with only 59 UK locations - paid £36 million in business rates, despite turnover of less than £1bn.

- Some pubs have seen a 25 per cent increase in rateable values across the board, which for pubs is based on property value and turnover. The Government needs to recognise and understand that in many instances this means they are taxed on success, with those in areas of higher property value disproportionately impacted.
- The landlord of The Boot pub in St Albans, claims his rates bill is set to soar by 280 per cent over five years from £14,000 a year to £52,000. They will have to sell an additional 22,000 pints of beer a year just to pay for the increase. Around one-third of the cost of a pint in a pub is made up of one tax or another. Many pubs are facing increases in the amount they pay in business rates and ultimately, it will be the consumers who pay the price as publicans are forced to put up prices or shut up shop.