

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

5th February 2021

Re: Reforming business rates to level up the economy

Dear Chancellor,

We are writing to you as a coalition of retail and retail property organisations and companies representing over a million employees and tens of thousands of shops in the UK. We urge you to use the upcoming Budget to commit to fundamental reform of business rates focussed on reducing the burden on retailers and levelling the playing field between bricks and mortar and online businesses. Even before Covid-19, the current system penalised physical shops and – whilst rates relief was welcome – failure to reform the system will hamper the recovery of the sector post-pandemic.

The Covid-19 pandemic has shown the critical role shops play in local communities. Retail is the largest private sector employer in the UK and shops are anchors for employment, investment and growth in local areas. Retail employees, from large supermarkets and general stores through to smaller convenience stores and bookshops, have been on the frontline throughout the pandemic, ensuring critical supplies of food, medicine and goods are available and delivered to customers.

The retail sector, however, faces challenges. Not all shops have been able to remain open during the pandemic, many have seen a sharp drop in footfall, accelerating existing trends in the sector. Data from the Centre for Retail Research has shown that these trends, taken together, have led to tens of thousands of job losses and many retail closures in the past 12 months. They estimate that nearly 15,000 jobs have been lost already this year and that there will be many more to come.¹

These impacts are felt hardest in the Government's priority areas – communities in need of 'levelling up'. Research published last year showed that shops have a disproportionately significant role in providing investment and employment opportunities in communities in need of 'levelling up'.² In these areas retail is an anchor, delivering above average employment and investment. In Blackpool South, for example, retail supports one in every 6 jobs.³

To support shops, and the communities they serve, the Government should implement fundamental and long-term business rates reform. Rates in the UK are the highest in Europe and retailers pay more than any comparable sector (rates as a proportion of economic contribution). Evidence also shows that the burden of rates on shops is highest in constituencies in need of 'levelling up'. Analysis published last year, based on nearly 3,000 shops, found that nearly 80 per cent of constituencies with the highest rates burden (rates as a proportion of profitability) are in the North and Midlands. In constituencies like Bishop Auckland in the North East, for example, shops can face a rates burden eight times that of similar stores in the South East.⁴ Put simply, rates are penalising shops in levelling up constituencies.

¹ Centre for Retail Research, <https://www.retailresearch.org/retail-crisis.html>, Accessed January 2021.

² WPI Strategy, *Open for Business*: <https://wpi-strategy.com/site/wp-content/uploads/2020/10/Open-for-Business.pdf>, October 2020.

³ Ibid.

⁴ Ibid.

While we recognise the importance of business rates to the public finances, the current system is not sustainable in the long-term and without reform shops at the heart of communities will be at risk. The Government's 'fundamental' review provides an opportunity for bold action and there are two areas that require the most urgent reform:

- 1. Reducing the business rates multiplier:** The multiplier has risen from 35 per cent in 1990 to over 50 per cent today. It should be significantly reduced, focussing on a level closer to the original rate of c. 35 per cent of the market rent. This would make the UK more competitive and show the Government is backing British shops.
- 2. Level the playing field on tax:** Currently online retailers pay a lower proportion of rates per sale than bricks and mortar retailers.⁵ We urge the Government to rebalance the tax base to ensure online and bricks and mortar retailers pay a similar proportion of tax and we welcome the consideration of viable options in the Government's 'fundamental' review.

Reducing business rates for retailers and rebalancing the tax system to ensure online retailers pay a fair share of tax would be revenue-neutral, provide a vital boost to bricks and mortar retailers and support communities in need of levelling up.

As organisations representing shops, shopworkers and retail property owners in every corner of the UK, we hope that you will take this opportunity for fundamental reform and consider our proposals. The benefits to the UK economy and the future of retail will be significant.

We would welcome the opportunity to discuss our proposals with you in further detail.

Yours sincerely,

Ken Murphy, CEO, Tesco

Thierry Garnier, CEO, Kingfisher

Paddy Lillis, General Secretary, Usdaw

David Potts, CEO, Morrisons

Roger Burnley, CEO, Asda

James Lowman, Chief Executive, Association of Convenience Stores (ACS)

Peter Pritchard, CEO, Pets at Home

James Daunt, Managing Director, Waterstones

Andrew Goodacre, CEO, British Independent Retailers Association (BIRA)

Mark Bourgeois, Managing Director, UK & Ireland, Hammerson

Jerry Schurder, Head of Business Rates, Gerald Eve

⁵ MHCLG Select Committee, *High Streets and Town Centres in 2030*
<https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/1010/report-summary.html>, Accessed Feb 2021

Mark Williams, Executive Director, Rivington Hark and Former Chair of HMG's Retail Property Taskforce

Vivienne King, Chair, The Shopkeepers' Campaign

Philip Bier, CEO, Bier Retail Ltd

Lawrence Hutchings, Chief Executive, Capital and Regional

Allan Lockhart, CEO, NewRiver REIT plc

Scott Parsons, Chief Operating Officer, UK, Unibail-Rodamco-Westfield

Morgan Garfield, Managing Director and Co-Founder, Ellandi