

Policy intent

1. To support the economic recovery by stimulating consumption in the hospitality sector, with focus on businesses that sell food for immediate consumption on the premises, including restaurants, cafes, pubs and bars.
2. To incentivise consumers to return to the hospitality industry and consume sit-down meals out by reassuring people that it is once again safe to consume and altering social behaviours that have become entrenched.

Rationale

Why support consumption, specifically in this sub-sector?

3. **Supporting consumption will support the wider economic recovery.** Private household consumption is a major driver of the UK economy, contributing around 60% of UK GDP.¹ This measure seeks to increase consumer confidence and re-establish consumer behaviour by reducing the cost of consumption.

Why target this sub-sector?

4. **Spending on restaurants and fast food significantly has reduced during the period NPIs have been in place.** Spending was down 64.8% in May 2020 compared May 2019. We expect that demand will continue to be depressed by nervousness among consumers about eating out.
5. **The sector is a major employer, supporting 2 million jobs** (5.5% of UK), disproportionately occupied by young, female, part-time workers, in the bottom half of incomes. This scheme will be universal to any person eating in an eligible business in the UK is expected to stimulate household consumption.
6. **Targeting this measure at one sub-sector allows us to support a higher discount, with greater behavioural impact.** This incentive will provide a [40%] discount on eligible spend, which we judge is a big enough incentive to break inertia and incentivise people to return to eating out. A cap on the maximum discount per meal, will ensure this policy is not regressive.
7. **This measure is targeted at a sub-sector where the value incentive represents a greater percentage of the total costs** when compared to other affected hospitality services e.g. travel and holidays. This sub-sector also allows us to target behaviour narrowly – e.g. by restricting to Monday-Wednesday.

Why put this in place in August?

8. **Putting this measure in place in August** will provide a boost to consumer confidence as NPIs and supply constraints lift, and firms move away from reliance on CJRD support. An August start date also provides a lead-in time for firms to prepare for additional demand. A time-limited scheme will have greater behavioural impact and

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<https://www.ons.gov.uk/economy/nationalaccounts/satelliteaccounts/bulletins/consumertrends/apriltojune2019>

allows for an assessment of the scheme's success before a decision is taken about any extension.

Will this not just create excess demand, with any benefit absorbed by firms?

9. **It is likely that lack of confidence will mean that consumer spending in this sub-sector will remain subdued as NPIs are lifted**, despite pent-up demand. Focusing the scheme on Monday-Wednesday consumption is a response to this risk, encouraging consumption at non-peak times.
10. **It is possible that some firms will take a share of the benefit**. A Monday-Wednesday focus makes this harder, however allowing firms to take a share of the benefit is also beneficial in supporting the sector.

The Offer

11. The offer will be [40%] off a meal up to a value of £10 per head on food and non-alcohol drinks in registered businesses. It will be available [Monday-Wednesday] from [3-31 August]. It will be available for meals consumed on the premises. It will not include takeaways or alcoholic beverages, to ensure the policy (a) encourages eat-in dining and (b) doesn't conflict with public health messages.

The scheme will work as follows:

12. Eligible food businesses will register upfront. Upfront registration reduces the fraud risk and ensures a smooth customer experience, whilst limiting dead weight. Eligibility will be defined as [any establishment [open to the general public] that sells food for immediate consumption on the premises, even if that is not the sole or principal source of revenue of the establishment.
13. Registered merchants will apply the scheme discount to a customer's bill at point of payment, provided the terms of the scheme are met. The merchant will then submit a claim to HMRC and receive payment within six working days, subject to checks.
14. Customers will not have any interaction with HMG. They will see publicity about the scheme and [receive a generic household letter designed to communicate it and encourage people to take it up]. They'll be able to check participating restaurants online. They'd then dine at a participating restaurant and receive a discount on their bill.