

Briefing for COVID Strategy Committee

21/09/2020, 14:00

Summary:

- There is a paper proposing measures for agreement today and announcement tomorrow. Overall, **the package has shifted and is now heavily weighted towards economic restrictions**, rather than social restrictions, despite the evidence from the JBC on the latter driving transmissions. Of the economic restrictions, the most worrying from our perspective are a public trailing of a “circuit breaker” short lockdown if the data doesn’t improve and additional measures on hospitality (which stop short of full closure).
- More generally, **we are reaching the limits of what we can do economically**, with further measures likely to be catastrophic. We need a strategy that works over the winter period, rather than tinkering with restrictions week to week.
- We should **encourage the Committee to return to the evidence**. The latest data and modelling from SAGE is of course concerning, but it’s worth remembering we don’t yet know the impact of the rule of six, tougher powers, nor the measures in North and Midlands.
- What we do know from JBC is **that transmission is being driven in social settings, exacerbated by non-compliance. So we should target interventions in this area** and you may wish to push our suggestions to Cabinet Office such as mandating face coverings indoors except when eating and drinking, banning inter-household contact within the home, limits on places of worship and segmentation/shielding (the HMT plan on a page is attached for information).

- We **suggest you push back strongly on the circuit breaker proposal**. The economic impacts would be severe, making firm failures and redundancies far likelier. There is no evidence that a circuit-breaker of two–three weeks will only be in force for that long, meaning we could end up lifting restrictions when the health data (hospitalisations and particularly deaths) could still be going in the wrong direction because of lag–time.
- However, **some additional restrictions with some economic impact are probably inevitable at this stage. On hospitality, we should push strongly for the opening time restrictions to be 11pm–5am** rather than 10pm–5pm (although 10pm closures are currently in place in Bolton, parts of the North East, Merseyside and Lancashire) to be consistent with international precedent – ranging between 11pm (Marseille, Iceland) and 1am (Spain, Netherlands) – and to facilitate multiple evening covers at restaurants. There is no reason for applying a 10pm cut–off beyond the UK local precedent, and this change will make a significant difference to the sector. **On mass events, we should continue with pilots** to help these sectors stand on their own feet and to align with international practice.

Speaking Points

- We should see these restrictions in the context of what we have already announced – tightening the requirement on people to self–isolate when they test positive or are told to do so by Track & Trace; tightening social restrictions; and imposing both social and economic restrictions across high–prevalence areas of the country. This is in line with what other European countries are doing in response to increases in incidence of this type.
- The measures in this package – including overnight restrictions and table–service only in the hospitality sector, along with changing our guidance from working from home – will have significant economic

impacts. Anything further, particularly in the context of a circuit-breaker – will almost certainly run beyond the 2–3 weeks that we have discussed and have devastating economic impacts.

- Given the lack of certainty over a vaccine and longer-term exit strategy, circuit-breakers of this type will push many more people in vulnerable sectors into unemployment, as businesses will assume that we will impose these circuit-breakers on a repeated basis.
- We should be imposing a broader range of social restrictions – particularly aimed at protecting the people most at risk of Covid (in care homes and in older age groups) in lieu of any further economic restrictions. And if we need to impose a circuit-breaker, we should follow the evidence and break social chains of transmission rather than close businesses outright.

Circuit breaker

- The virus and interventions enacted in March have had a devastating economic impact. The implications of which will continue in the medium and long term. GDP is now 11.7% below its February level and the government's official forecaster expects unemployment to peak at 4.1 million people. Falls in GDP of this magnitude are unprecedented: reversing 18 years of economic growth in just two months; debt exceeding 100% of GDP for the first time since the 1960s; and an unemployment rate not seen since 1984. With the economic effects disproportionately falling on the those on low incomes and the young.
- In this context we should **not** signal that we are considering introducing a return to full lockdown (even on a time limited basis) if the data does not improve.
- In April, during which there was a full lockdown, the level of GDP fell by 20% – suggesting each week added 5ppt to the fall. In the financial crisis, it took 9 months for GDP to fall by that weekly amount.

- In addition, the first two weeks of the lockdown in April also saw 640,000 UC claims, while average weekly working hours fell by nearly 20% by the first two weeks of April compared to the beginning of March.
- Businesses are making decisions now about whether to remain open, and keep staff employed as the end of the furlough scheme approaches. Survey data suggests 16% of total workers are currently on furlough with a large proportion of those – 6 percentage points – expecting to return to work in the next couple of weeks on the assumption that the direction of travel remains positive
- Signaling that we might forcibly close them down will likely stall this progress and – in addition – likely prompt many to close now. The sectors that would be worst-impacted are far more vulnerable than earlier this year – as at the end of July, c. 800k workers in the hospitality, accommodation and leisure sectors were on full-time furlough; and a further 350 k were on part-time furlough.
- If we do need to signal now how things will escalate we should instead focus on further tightening the rule of six and moving to limiting social interactions to one household only, while being clear that we intend to keep businesses open. This is the approach that France, Belgium, Spain and other countries experiencing similar increases in incidence are following, rather than considering broad-based economic restrictions.
- The international evidence suggests it is very difficult to implement a short time-limited lockdown in practice. In Australia, for example, the lockdown of metropolitan Melbourne is expected to last twice as long as initially planned (12 weeks in total) due to insufficient contact tracing (half of all local cases were from unknown sources) and low levels of compliance/fatigue with measures later. Due to data lags it is quite likely that deaths would still be rising as any short two week lockdown was due to end meaning we would need to justify releasing while deaths were still rising.
- It is not sustainable to pursue continuous or repeating short national lockdowns given the likelihood that the virus is here to stay and

uncertainty over whether we will get a vaccine, its timeframe and its comprehensiveness. Given this uncertainty, we need at all costs to avoid returning to national economic restrictions.

- This is why most major advanced economies, such as Germany, France, Italy and Japan, are taking a different approach, which is more epidemiologically effective and less economically and socially damaging. These countries are limiting national economic restrictions and focusing on more targeted measures to minimise the short, medium and long-term economic and social damage. This strategy provides more certainty to people and businesses and more hope.

Hospitality restrictions

- Limiting hospitality to table service only and imposing closing hours restrictions will have a severe impact to an industry already in crisis. Even after reopening, GVA for the sector was still down by 60% in July, and small margins mean the sector is very vulnerable to small changes in revenue (HMT analysis suggests only half of firms will be viable if revenue falls 25%). These measures will further restrict capacity for wet-led venues in particular, which is 2/3rds of the sector. This will risk firm closures and jobs.
- However, I agree that we should take this action given rising infections. We should be clear though that we do so in order to enable these businesses to stay open in a safe way and that we do not intend to close the sector.
- The new mandatory closing time should also be 11pm not 10pm. This aligns with existing international precedent: France, Ireland, Denmark, Iceland, Greece and Spain have imposed closing times from 11pm up to 1am. It will also allow restaurants who run multiple covers to continue to trade on that basis. The imposition of the table service rule will already ensure social distancing in these institutions.

Mass Events

- The paper proposes a cancellation of the planned return of business events and crowds in stadia and a pause on pilots, with redistribution from within the sector or financial support from the government provided instead.
- We need to encourage these sectors to become financially self-sufficient. We should be clear that this is a choice between safely opening and laying off staff/closing.
- Our focus should be continuing the pilots, with enhanced mitigations or caps on capacity as necessary, to ensure that these events can reopen once it is safe to do so.
- Other countries have reopened these sectors with mitigations in place, and we should seek to learn from their experiences. For example, in Germany lower league football matches are open for up to 5,000 fans with mitigations, similarly in France sports stadiums and racing tracks have reopened for up to 5,000 spectators as well and business events are going ahead at 50% capacity. In Denmark, Italy and New Zealand business events are also going forward with capacity constraints of 500, 200 and 100 delegates respectively.
- We should make distinctions within these sectors based on which venues are higher risk and lower risk, rather than moving for sector wide delays. Even if mass events do not go forward on 1 October, smaller outdoor events which are lower risk should go ahead.

Joint Bio-Security Centre – Local/ Regional Interventions

- **'Tiering' NPIs:**
 - We should not be considering making hospitality takeaway only. This is the same as we did in March, which saw GVA in the sector fall by 80–90% and c. 80% of jobs furloughed. This has a real risk of long term scarring. We have to look at more targeted measures.

- o More widely, business restrictions should not be included in the tiering processes – even more targeted measures can have significant costs for businesses, with serious impacts in low resilient areas such as Cornwall where jobs are highly concentrated in these sectors. We must remain context driven for measures with serious economic impacts.
- o Making the tiers too rigid via automatic regulations ties our hands and means that we cannot work with local areas to design targeted interventions based on the local epidemiology.
- o Officials should revisit the tiering in light of wider national restrictions to ensure the announcement actually simplifies comms and doesn't add to confusion.
- **London:**
 - o *Context: We understand that for the first time this week restrictions on London will be considered by the JBC's Gold Local Action Committee.*
 - o Any additional restriction on London, even social restrictions such as no socialising outside your own household, will have substantial economic impacts due to the size of the economy. If the JBC were to consider local measures in London, most of the metropolitan areas in the UK would be under social/economic restrictions with a significant cumulative impact.
 - o It is crucial that the JBC looks closely at the evidence and works with HMT and others to assess impact.

Annex: economic impact of circuit breaker

The economic impact of a circuit breaker is likely to be severe, reducing revenues rather than costs. In April, the level of GDP fell by 20% – suggesting each week added 5 percentage points to the fall across the month.

Although the exact impact would depend on the type of restrictions imposed, analysis on the monthly effects of the previous lockdown serve as a reasonable proxy and suggest that a ‘circuit breaker’ will concentrate its impacts on firms already in distress. As shown in the attached table, hospitality saw the greatest fall in GVA in April, followed by domestic employers, arts, entertainment & recreation and construction. Large numbers were furloughed in wholesale & retail, hospitality and manufacturing. – making firm failures and redundancies much more likely. The sectors most likely to be impacted by a ‘circuit breaker’ are also high employment sectors with vulnerable work forces – e.g. pre-Covid, the hospitality sector made up 2.5m jobs and someone working in the hospitality sector is more likely to be young, low skilled, BAME and/or female.

A circuit breaker is also likely to have a heavy impact on cash conversion. Firms will have to stretch their finances to support costs following circuit break, ahead of realising of sales revenue – introducing lags in terms of their bounceback and economic growth. Retail is likely to be an acutely affected sector, along with manufacturing.