



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

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## OPTIONS FOR OPENING NON ESSENTIAL RETAIL BUSINESSES

On Sunday we announced the reopening of non essential retail businesses from 1 June. Reopening these businesses will be a crucial first step towards the economic recovery: the sector is worth £46.6 billion pa, it employs 1.3 million people, accounts for a third of SME turnover and c. 200k businesses. The economic and social cost of delaying this reopening will be significant. Our high streets are not just centres of commerce, they are a hub for our communities and we must bring them back to life. Workers in the sector tend to be relatively low paid and have few savings; these people are relying on the government to meet our deadlines to protect their livelihoods and their families. For some, a return to normal life is **essential to maintain confidence in the government's handling of this crisis.**

I recommend that we reopen **all** non essential retail from **1<sup>st</sup> June**. However, if you are minded to take a phased approach then my view is that this should be done over no longer than two weeks – with smaller stores open from 1<sup>st</sup> June and all other stores opening from 9<sup>th</sup> June. **Given businesses have said they need two weeks to prepare, we should announce our plans as soon as possible.**

### Rationale:

We can be confident about moving quickly because BEIS have done the necessary preparation for shops to open in a COVID-secure way: BEIS have engaged more than 450 employers, BROS, including the BRC, and trade unions. Guidance has already been published for working safely in 8 different settings, including shops and branches that are already closed, and BEIS will continue to update and evolve this based on feedback from industry and health advice. We have already seen that both large and small essential retailers have managed to successfully operate under new COVID-norms.

Even if we set out what might feel like a bold timetable, in practice reopening will not be a “big bang” moment, activity will most likely happen incrementally and more slowly so the benefits (and any impact) will take time to be realised. The Hanbury polling conducted by your officials found that only 58% of people say they are willing to visit shops on their local high street. This is supported by international evidence. In Germany, in the first week when restrictions were eased sales were 40 – 50% lower than sales in the same week last year. In Spain, over 80% of small businesses have chosen not to reopen as they expect low sales; in the Czech Republic, some restaurants and hotels are not re-opening despite the lifting of restrictions. Moreover, in Munich, where rates of

infection were amongst the highest in Germany, footfall was only 13% of normal, a week after opening.

Once we take the decision to proceed with non-essential retail, the phasing should simply be about how best to operationalise this. SAGE's advice last week was based on modelling all non-essential retail opening from 1<sup>st</sup> June, so any decision on phasing should only be beneficial. I also do not think it is credible that we can accurately measure the impact of reopening different stores over a period of weeks. I would not support delaying the second phase until July given the economic impact, the practical implications for supply chains and the risk that this confuses people, as Step 3 (reopening hospitality) is expected from 4<sup>th</sup> July.

For all these reasons my strong view is that we should reopen all non essential retail on 1<sup>st</sup> June, which is also far simpler to communicate. I have spoken to the BEIS Secretary of State and the Chancellor of the Duchy of Lancaster, who both agree. However, if you do want to pursue a phased approach then on balance I believe that the least worst approach is to phase the opening of non essential retail by size of premises, opening stores of up to 800m<sup>2</sup> from 1<sup>st</sup> June and all other stores from 9<sup>th</sup> June.

- This would follow international precedent, including in Germany (up to 800m<sup>2</sup>), Czech Republic (2,500m<sup>2</sup>) and Austria (400m<sup>2</sup>). In Germany this involved a first phase from 20 April and all shops from 6 May, and in the Czech Republic, a first phase from 27 April and all stores from 11 May, underscoring that this phased reopening has already occurred.
- It is the simplest to communicate to the public and businesses, when compared to the other options set out in the paper.
- It would maximise the economic and employment benefits of the first phase, covering approximately 50% of GVA and 80% of employment. It also benefits smaller, independent retailers and our High Streets.

While there are merits to the other options under consideration, I have set out in the annex why I do not believe they should be taken forward.

PD

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## ANNEX

**Phasing by sub sector**, prioritising in the first phase businesses that either have lower health risks (e.g. car show rooms and outdoor non-food markets, covering 27% of total GVA and 15% of employment) or higher social value (e.g. stores selling books, toys, sports equipment and cosmetics, as well as charity stores, covering 10% of GVA and employment). This approach would greatly reduce the economic benefits of the first phase of reopening and could risk concentrating demand in a small number of stores. It would also pose a definitional challenge which could introduce considerable confusion as many retailers have diverse offerings, and it would be based on a subjective assessment of social value.

**Phasing by region**, for example based on where the R number is lower. In theory this could allow us to assess the impact of reopening on the R number and concentrate efforts to suppress the virus where the rate increases. However, SAGE advised this week that they cannot accurately measure regional variations in R. Prioritising certain regions of the country would also be presentationally challenging, undermining the idea the whole country is facing the virus together. This approach could encourage some consumers to travel to areas with open stores, which would undermine the government's overall approach of asking people to 'stay local'

**Phasing by retail setting**, by prioritising businesses in retail parks, where customers would be less reliant on public transport than in urban centres. There are no international precedents for phasing in this way and there would be significant practical challenges of defining retail parks. This would greatly reduce the economic benefits of opening businesses in phase 1. This also prioritises out of town over the high street, which would be presentationally challenging and worse from a society and community perspective.