

# Treasury Committee

## Oral evidence: [Economic impact of coronavirus](#), HC 271

Tuesday 21 April 2020

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Members present: Mel Stride (Chair); Rushanara Ali; Mr Steve Baker; Harriett Baldwin; Anthony Browne; Felicity Buchan; Angela Eagle; Julie Marson; Alison McGovern; Alison Thewliss.

Questions 230 - 294

### Witnesses

I: Andy Chamberlain, Director of Policy, Association of Independent Professionals and the Self-Employed (IPSE) (via video); Kate Nicholls, CEO, UKHospitality (via video).

II: Dr Gerard Lyons, Chief Economic Strategist, Netwealth, and Senior Fellow, Policy Exchange (via video); Ian Mulheirn, Executive Director and Chief Economist, Tony Blair Institute for Global Change (via video).



## Examination of witnesses

Witnesses: Andy Chamberlain and Kate Nicholls.

Q230 **Chair:** Good morning and welcome to the Treasury Select Committee inquiry session into the economic impact of the coronavirus. We have two panels this morning and we are strictly limited on time. We will move from the first panel to the second at precisely 10.30, so I have asked all Members to be frugal and quick with their questions. I would ask our panellists for the first session, perhaps, to have one of the two panellists answer each question where possible, unless you have a particularly burning desire to come in on the same question yourself. Can I start by welcoming our two panellists, Andy Chamberlain and Kate Nicholls, and ask them very briefly to introduce themselves?

**Andy Chamberlain:** Good morning, my name is Andy Chamberlain. I am from the Association of Independent Professionals and the Self-Employed. I am the director of policy there. We are the organisation that represents self-employed people in the UK.

**Kate Nicholls:** I am Kate Nicholls, chief executive of UKHospitality. We are the national trade body representing all hospitality businesses from a single-site independent right the way through to the national chains of pubs, bars, restaurants, hotels, coffee shops and visitor attractions. We have 700 member companies, with, between them, 75,000 outlets. We were the canary in the coalmine that went first into the coronavirus crisis, and it looks as though we will be last out.

Q231 **Chair:** Can I start with my first question, directed to Andy, please? To zero in on this particular issue of the self-employed who basically operate through their own limited liability company—a personal services company, for example—under the current arrangements, when it comes to working out how much furlough they may be entitled to, dividends are not taken into account by HMRC; it is just PAYE income. As I think you have pointed out, Andy, in your submission to us, that PAYE income is often the smaller of the two amounts, as it were. Could you outline to us why the PAYE income might be smaller than the dividend income, typically, and comment on HMRC's assertion that you cannot include the dividend income because it is impossible or very difficult to differentiate between dividend income relating to self-employment activity and passive investment dividend income?

**Andy Chamberlain:** You are quite right. The furlough scheme, or the coronavirus job retention scheme, which is designed mainly for employees, can be applied to directors of limited companies, someone working for their own limited company. Under the furlough scheme, you can furlough yourself, essentially, which means you cannot do any income-generating work for your company. You can get 80% of whatever you pay yourself as salary, but as you have quite rightly said, Chairman, a lot of company directors will pay themselves a fairly minimal salary and take out more money in dividends.



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The reason they do that is because they do not know how much profit their company is going to make in the year, so it is more sensible to pay themselves a small salary and then take out whatever they can afford to take out as the dividend. It is how people are advised to do things very often by their accountant. It is a little bit of a myth that this is to do with tax because, in fact, in recent years, tax has increased on dividends. People do pay tax on their dividends as well. It tends to be about agility within the company. That is why people do it: so they can ensure that they are not overspending.

You are quite right that the Treasury has said that it cannot include dividend income in the calculations for the job retention scheme or indeed the SEISS scheme, the self-employment income support scheme, because it does not know where those dividends have come from. It has no way of knowing whether the dividends came from a share portfolio or from the profits of the company. It is true that it cannot work that out very easily. You would have to do a paper trail, a manual check. That would slow things down. I understand that.

We have been asking the Treasury, first, whether it could adopt a “pay now, claw back later” approach. We have, according to recent ONS stats, 710,000 of these limited company directors. They are getting very little by way of support when compared to some other groups. They are going to need something. They are going to need some help if they are to survive this crisis, in the same way as we are trying to ensure others can survive it. They will be the ones we will turn to, to get the economy going again on the other side of this. It is very important that we get support to them. We are saying to the Treasury, “You have been very generous with some other groups. Thank you very much, but is there not a way that we can relax the rules on this? Even if we overpay someone, we might be able to claw that back afterwards.”

**Q232 Chair:** Thank you. That is very helpful. Just to pick you up, though, the suspicion here, to a degree, is that the Treasury is treating the self-employed differently in this context because it sees dividends as a part of tax planning, lowering the tax bill, and is therefore less sympathetic to it. That is just a view that is out there. From what you are saying, you do not think that is the prime motivation for people to organise their affairs in that way. Would you therefore have a problem with changes to future tax arrangements whereby the tax advantages of taking dividends may be reduced relative to taking PAYE income?

Secondly, in terms of the clawback idea, which is definitely an interesting one and something the Committee will pursue with the Treasury, one of the objections might be that people would over-claim, and there could be fraud risks associated with that, quite apart from the huge amounts of time and effort that HMRC would have to put into that process. I would value your comments on those two points, please.

**Andy Chamberlain:** On the second point, the clawback issue, naturally, the Treasury at this moment in time does not want to set itself up to



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have to do lots and lots of work checking, later in the year, when this crisis, hopefully, is behind us, whether it has paid people the right grants. I can understand that, but I would have thought that you could deal with this pretty well by putting a question in whatever form someone has to fill out to get this grant money: "What proportion of your total dividends have come from your company profits, and what from elsewhere?" Should people provide inaccurate results there, you could say to them, "You could be penalised quite heavily for telling a lie on that form." I would have thought that would ensure a pretty high level of compliance right from the off.

Even so, yes, there will be a risk that some people try to inflate their claim by saying that they got dividends from their company when perhaps they got them from elsewhere. We are actually putting some research out into the field. It is going to go out next week. It is just taking us a bit of time to get it together. It asks this very question of how many limited company directors actually have a share portfolio or receive dividends from outside their own company, because I do not think that we know. It may be that it is a relatively small group of people, in which case surely it would be better to ensure that the majority can get some support, which we are broadly all saying they should do. Then we can deal with that minority afterwards. Let us not let those get in the way of getting support to all those who need it.

On your second question about the taxation, the tax system for all self-employed people is far less than optimal at the moment. We had a big problem with the IR35 changes, which were due to come in this April. They are now going to be in this Finance Bill, I believe, and be in place for April 2021. We are actually saying, "Hang on a minute. Do we know that the economy is going to be in good enough shape by then to cope with that? Clearly, the Government felt it was not in good enough shape now to do it, so let us not lock that in now. Let us wait and see on that one." Also, we do not like those IR35 changes.

We have been asking for a fundamental review of the tax system for self-employed people, including those working as limited company directors and, indeed, sole traders, saying, "Let us have a good look at this situation," because we now have more and more people turning to self-employment. Who knows what will happen after this crisis? There might be even more people in self-employment. There might be fewer. I do not know, but it is becoming clear that we do not have a good enough tax system for self-employed people. We are constantly arguing over whether they really are self-employed.

Let us get something transparent that we are all happy with and let us have a proper review of that. Then we can move forward with this, because the issue of tax and the self-employed has dogged the sector for years and years.

**Chair:** On the point about the clawback mechanism, this is an area where



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we are going to push Treasury, as a Committee. It would be very helpful if, in very short order, you could write to us, just to set out all the ideas that you and others have around how that might operate as efficiently as possible.

**Q233 Ms Eagle:** Andy, the Government have said that their self-employment income support scheme will cover 95% of those who get the majority of their earnings from self-employment. The Institute for Fiscal Studies estimates that just 62% of all self-employed individuals will be covered. From my email inbox and my experience up in Wallasey, it seems to me that this scheme is missing rather more than 5%. What is your impression?

**Andy Chamberlain:** Yes, we would say that the IFS has probably got that one more right than the Government. Those stats have been slightly twisted. When the Chancellor said that, he was referring to the fact that the scheme will exclude those who earned over £50,000 in recent tax years. They are in the 5% bracket, but the scheme not only excludes those; it also excludes people who have only been self-employed for one year or less, because you had to have a tax return filed for 2018-19. If you have only started being self-employed since April 2019, you will not have done that. That excludes a lot of people—we think at least a million people. There are 5 million self-employed people in the UK at any one time, and, roughly speaking, because you have quite a lot of churn, there is a new 1 million, and there are 1 million who were self-employed before who are no longer self-employed. That excludes a lot of people.

Then there is the limited company issue. Some people who work for their own limited company do not recognise the term “self-employment” as referring to them, but others do. Broadly, we are talking about people who work for themselves. The ONS came out with some stats yesterday saying that there are about 710,000 sole director limited companies out there. You can see that we are getting to a very large number of people who are not included in the SEISS scheme.

**Q234 Ms Eagle:** To Kate Nicholls from UKHospitality, payment of the self-employment income support scheme is expected in June. We have had reports from many self-employed people saying that their work and income have dried up completely. How do you think this delay will affect people, and is there sufficient support for them in the interim?

**Kate Nicholls:** You are right that, although schemes have been put in place, there is a delay in money getting through to people who are genuinely self-employed. As Andy has just explained, a lot of people who work for themselves are not classified as being self-employed under these schemes. We have only a small number in the tourism and hospitality sector who would genuinely be classified as self-employed.

It is undoubtedly a problem that you have a delay in payment. It is the same problem that you have had with the delay in furlough payments to a lot of companies and to those limited company directors who work for



themselves but are able to furlough part of their salary. It is quite clear that universal credit, while there and a welcome support mechanism, is struggling to cope with the volume of applications we have seen from those kinds of people who are not getting support from another route. It is a very small proportion of the tourism and hospitality sector that is affected by this.

**Q235 Ms Eagle:** What about freelancers? Do you think there is enough support for freelancers? I know, Andy, you put forward a temporary income protection fund scheme for your members. That might be a better way of dealing with the problems that freelancers have, because they are an increasingly large part of the pool of self-employed in the labour market, are they not?

**Andy Chamberlain:** Yes, we did indeed. We co-ordinated a campaign, and we were calling it the temporary income protection fund for self-employed people and freelancers—anyone working for themselves. What we got was the SEISS, the self-employment income support scheme. We have to say, we were very grateful to the Government. It is a very generous scheme. It is unprecedented, in fact, if you look at what it is actually doing, but it has very sharp edges.

If you fall into that box, that is pretty good, but if you do not, you get nothing. If you earn one penny over £50,000, you get nothing. If you started just last year, you get nothing. If you are working for your own limited company, you get nothing under that scheme, though you might be able to get something under the JRS. We are saying, "That is brilliant. Thank you very much, but can we now look at those who are clearly falling through the gaps and do something for them as well?"

**Q236 Ms Eagle:** Thank you very much. Kate, do you want to add anything to that?

**Kate Nicholls:** I would agree with Andy. If you fall within the scheme and the scheme parameters, it works well, but there are individuals who are going to be left with no support other than universal credit. Whether they are people who are genuinely employed by hospitality businesses who cannot be furloughed or have found they are not furloughable, or whether they are freelancers or directors of limited companies, we need to make sure the universal credit support network is there and is properly resourced to process those claims.

**Q237 Rushanara Ali:** I wanted to talk about the furloughing scheme. As we all know, the Government have extended the payroll date from which people could be eligible for furloughing to 19 March. Can you set out how many people are still going to be left out despite this extension, which is obviously welcome, and what the Government should be doing to address the problems that will remain for those who are still not going to be eligible? My inbox and Twitter feed have been bombarded, as I am sure those of other colleagues in the Treasury Committee have, by people who are still not eligible.



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**Andy Chamberlain:** Very recently, something has been brought to my attention on the furloughing scheme, which I am still looking into, but I am going to tentatively raise it here anyway. I was talking about how limited company directors can furlough themselves and get the 80% on their salary only, which we think should be extended to look more widely at their total income. There is a suggestion that, because some of these directors might only pay themselves annually, their salary gets paid in one annual payment and that might be after 19 March, which means that they were not on the payroll at 19 March of this year.

Q238 **Rushanara Ali:** Do you have a number? Do you know how many people? What percentage will be left out?

**Andy Chamberlain:** I do not know that, because this is all quite new information to me. This scheme was just launched yesterday, of course. There is a danger that even those who want to do that just for their salary part may be excluded on a technicality. We are going to ask HMRC to have a look at that.

Q239 **Rushanara Ali:** Kate, did you want to add anything to this point about the furloughing scheme and how many are left?

**Kate Nicholls:** The extension of the scheme at the end of last week and the confirmation that it was going to be for those who had been in the business from 19 March was incredibly welcome. That brought into scope quite a large number of our seasonal staff in hospitality, and those who were weekly paid in particular, who would not otherwise have been covered.

However, the Treasury guidance and HMRC guidance introduced a new criterion over and above what had been previously announced in the guidance that came out on 27 March. On 27 March, the HMRC guidance said you had to be on the payroll. You had to be employed by the company. You had to be contracted. Then at the end of last week, on the Thursday, when the extension was made to 19 March, a new requirement was imposed, which meant that you not only had to be on the payroll; you had to have participated in an HMRC RTI event. You had to have had a payslip that went through.

This meant that, on the one hand, we increased the number of people who went into the scheme because they had had an RTI event before 19 March. Correspondingly, quite a number of people in our businesses who had previously been classified as furloughable, who had been on the payroll at the end of February but had not had an RTI event, are now excluded. We estimate that somewhere between 350,000 and 500,000 people within hospitality are potentially still missing out, either because they thought they were furloughed and their companies were paying them, and they now cannot be claimed for, or because they are still missing out because they have not had an RTI event.

Q240 **Rushanara Ali:** Basically, the steps the Government have made are



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welcome, but in your sector between 350,000 and 500,000 are still not going to benefit from this scheme. Would you say that, rather than all of us taking days and sometimes weeks to try to shift the focus on those who are left, that needs to be done quickly, so that those people who are not eligible can be supported as quickly as possible?

**Kate Nicholls:** Yes.

Q241 **Rushanara Ali:** I have one supplementary for you. My understanding is that, in your sector, people were receiving 50% as opposed to 80% because of this issue around service charge. Could you just explain that?

**Kate Nicholls:** To take the first one, yes, it is really vitally important. In particular, I would direct the Committee's attention to those people who genuinely thought they could be furloughed, because they had started in the businesses before 28 February and the companies were abiding by the 27 March guidance that said they had to be employed on 28 February, and now are falling outside because of this RTI event trigger. There might be a way of working with HMRC to allow them to be claimed for, where there is demonstrable proof that they were in the business; they just have not had a payslip. That is probably about 250,000 of the workers I talked about earlier.

In terms of service charge, this will only affect a small proportion of the sector, but it is critical for hotels and fine dining. This is where a service charge payment is taken and a guaranteed minimum payment goes out from the company back to the workers. In those businesses, in hotels and fine dining, it is 40% to 50% of salary that people will not now be getting. This is an area where we have worked with the unions in our sector to try to make sure that we can get a fair proportion. The guidance currently states that you can include payments where there is a contracted, guaranteed obligation to pay. Some service charge arrangements will be covered by that, but a large number will not.

It means that some of the lower paid people in our sector will be receiving 40% to 60% of their salary and their average earnings over the course of the previous year.

Q242 **Rushanara Ali:** In conclusion, there are still hundreds of thousands of people left who are not going to benefit from the extension to the 19th. Would you argue that it should be extended, and these gaps should be filled as quickly as possible, because that is a lot of lives, a lot of families, who are still not going to be supported? These are often people in low-wage jobs who need support urgently.

**Kate Nicholls:** For those who are going to be excluded because of the change in the guidance, that affects a large number of our salaried staff. They are not in the lower paid category. Their businesses and their companies are looking after them, but there is a pragmatic solution that can be reached to make sure the guidance is consistent and they can, hopefully, get paid.



Q243 **Mr Baker:** Very quickly on tronc, you have been clear that it is 40% to 50% of people's incomes. Give us a characterisation of the level of those normal incomes. We are not talking about high-paid people here, are we?

**Kate Nicholls:** No, we are not. Invariably, those people will be earning £9 or £10 an hour as a basic salary and earning up to £20 an hour if you add in tronc and service charge payment.

Q244 **Mr Baker:** Thank you. It is a very important cultural point there that we need to look after people. Very quickly, Andy, can I just ask you about the BECTU campaign for creative professionals, who I am very aware of in my constituency? They are telling me that they normally move from short-term PAYE contract to short-term PAYE contract. They would like HMRC to say people should be furloughed by their last PAYE employer. Have you taken a view on that situation, please?

**Andy Chamberlain:** That is not one we have taken too much of a view on, because it tends to refer to employees, and we are talking about the self-employed people. I am aware, yes. It has been suggested by Government that people should take on staff if they let them go. If you were on the payroll at the right date, you can therefore access the job retention scheme via that previous employer. That sounds entirely sensible, and I know that there are some people who work in that way. It tends not to be our members, but for those that fit into that scheme it would be great.

**Mr Baker:** I have to be brief, but can I press you to have a look at BECTU? Those people consider themselves self-employed, but they are in another, slightly odd category. I must stop there, but thank you very much.

Q245 **Felicity Buchan:** Good morning. My first question is on the CBIL scheme. I want to hear the experience of your members. I personally am a little frustrated by the volumes that the banks are lending. I hear anecdotally that the process is often just too slow and too cumbersome, and some of the banks are putting restrictions on, for instance, which industries they will lend into. Starting with Kate, what is the experience of your members?

**Kate Nicholls:** We have just conducted a survey of our members. Over half of them have applied for a loan; 18% so far have had a loan approved. That figure has dramatically improved over the last two weeks since we have had changes to the eligibility criteria for CBILS, which remove a requirement for it to be a lender of last resort and a requirement to have no further asset or security. That has significantly increased the availability.

However, 58% are still waiting for an answer, and it is only this week that some of the smallest companies in our sector have received an answer from their banks. We have heard, as you have said, that despite opening up the eligibility criteria two to three weeks ago, there is still the viability test and the appropriateness test that banks are allowed to go



through. We have one or two banks in particular that are saying their normal commercial lending criteria are such that they will not lend into the hospitality sector, full stop. That causes a main problem if that is your major lender and it is your current bank. There seems to be no flexibility. That is a blanket approach for these banks.

Over and above that, we have the issue of some of the EU state aid rules, which are hampering investment and lending into the hospitality sector, particularly where we have start-up and high-growth companies that are in rapid roll-out phase and have accumulated losses that are brought forward. Otherwise, they are viable businesses, but, clearly, opening a new hospitality business is intensive and you run at a loss for the initial year. That is proving to be a particular problem too.

We have no experience yet of members having approvals or approvals in principle from the new large CBIL scheme, and we are seeing now that some of the largest businesses in hospitality are accessing the Bank of England CCFF scheme, but that has been equally challenging to meet the criteria. At the moment, only two or three of the larger hospitality businesses have been able to access that.

**Andy Chamberlain:** On the coronavirus business interruptions loans, or CBILs, overwhelmingly, I have to say, our members have said to us they do not want one, because there is no light at the end of the tunnel, as far as they can see, for this economy. They do not know when they would be able to repay a loan and they are nervous about taking on that debt. These are very small businesses.

However, there are some that have looked into it or tried, and the feedback I have had is broadly that there are barriers. These are some of them. One person we have spoken to works as a property developer and was told that they are not applicable for the loans because real estate businesses are not included. I would echo what Kate has just said: we have had problems where, if a company has made a loss, not even in the last year but in the year before that, they have been denied a loan because they were loss-making in recent history. Of course, businesses make losses, particularly new businesses, as Kate quite eloquently said. A new business will run at a loss, so that can be a problem.

Then there are some, particularly sole trader businesses, that do not have a business bank account. They use their personal bank account. We actually advise people they should get a business bank account, but if you do not have a business bank account, you cannot get one of the CBILs as well. Perhaps the CBILs are not for those people, but that is our experience so far with the CBILs.

Q246 **Felicity Buchan:** Thank you. I have one other question. This relates to the grant scheme, so the small business grant fund and the retail hospitality and leisure grants. First, just how are your members finding the distribution of money from local authorities? Secondly—this is of particular interest to me, as I represent a central London constituency—



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the grants are clearly tied to having a rateable value below £51,000 and very, very few businesses in my constituency have those rateable values. However, they have the same cash-flow pressures as every other business. I am conscious of time, so maybe I will just come to you on that, Kate.

**Kate Nicholls:** You have described quite eloquently the problem we have. This Committee has looked in the past at the challenges of the business rates system and the fact that you get a high rateable value if you are in a high street premises that is attracting a large number of footfalls. Across the UK as a whole, 71% of hospitality business activity takes place in premises that have a rateable value of £51,000 or more. It is not necessarily the case that that is a good way of targeting to small independent businesses. You can have small businesses that are operating from a very high rateable value threshold premises. A large proportion of hospitality will be excluded from that, in not just central London but a large number of other city centres.

Equally, some small, independent rural community pubs are also finding that they are above this threshold. We know that there are 10,000 pubs outside the £51,000 rateable value. In hospitality as a whole, two thirds of our members have not been able to receive a grant for some or all of their premises because they fall above that rateable value threshold.

You asked about the money coming through from local authorities. It is a parson's egg, I would have to say. Some local authorities have been fantastic and acted very proactively. As soon as the Government gave them the cash at the end of March, they were distributing it out to the businesses in their areas that they knew had a rateable value below the threshold. Others are still waiting to have that money distributed to them, even though they have had to apply online, have proved their eligibility and have made an application. There is a degree of difference across local authorities as to how they are approaching that. The pressure is being applied, we know, from a central level. The BEIS Department has been very good, when we have raised cases and concerns, about working with local authorities and explaining that they have discretion to provide those grants more quickly or to businesses that are on the cusp of eligibility.

Q247 **Felicity Buchan:** You would recommend that we just get rid of that £51,000 threshold and give the grants to all businesses.

**Kate Nicholls:** That would be my recommendation in hospitality, given that we know hospitality is most severely affected. We know it will be the longest affected, because we will be one of the last businesses to come out of lockdown. That would be the simplest way of getting cash. I would highlight, as I have just done with the loans, that hospitality finds particular challenges in accessing some of that Government loan finance. Given the high cost pressures of rents, et cetera, the rateable value grants are a very quick and easy way of getting cash to those businesses. For many of them, that is all they need to get them through and bridge



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the cash flow that they have. If we scrapped that rateable value threshold, it would help immeasurably.

**Q248 Alison Thewliss:** Good morning. I have a couple of questions about insurance and the impact that has had on businesses. I will direct these to Kate first, if that is okay. The FCA has ordered insurance companies to pay out on their claims either in part or in full where it is clear that the insurer has an obligation. Can you tell me a bit more about your own members who thought they had business interruption cover for pandemics or infectious diseases and who have since found out they are not covered?

**Kate Nicholls:** This is one of the big challenges that we have faced, because lots of our members will have had quite expensive bolt-on cover, both for pandemic or notifiable disease, and for prevention of access to their premises. In neither case are they finding that they are able to make a claim. Obviously, general business interruption insurance will not cover you for something like COVID-19, but where people have taken out these bolt-ons, there was a legitimate expectation that they may be able to claim.

Some 71% of our members have already had their claims rejected; only 1% have had any success; and 62% of our members have tried to make a claim against these. We have had lots of feedback from insurance companies to those members saying, "This is not the way the insurance policy was designed to work." We have had people saying that the Government mandating closure of their premises is not a competent authority to close the premises and qualify for restricted access. We have had others saying that you need to have a case of COVID on your premises to qualify, or it needs to be within a mile radius of the premises.

There is a common-sense approach that needs to be adopted to look at what the common clauses are and to identify what might be a legitimate claim where people have got coverage. It is quite clear that there is a reluctance to make those pay-outs and assess those claims. The Government intervention in the last two weeks was extremely helpful, because it said, "Please, pay out at speed," but it does not deal with the issue of wriggle room on small print.

**Q249 Alison Thewliss:** Do you think the letter from the FCA has had any effect?

**Kate Nicholls:** It is too soon to be able to tell, to be honest. Certainly, we have seen some of the loss adjustors start to be appointed now and to look at claims with a little more alacrity, but it will not overturn the fact that, as I say, 70% of our members have already had a claim rejected even though there is a prima facie case for them being able to be covered, even if it is just for the lesser amount where they cannot get access to their premises.

**Q250 Alison Thewliss:** That is really shocking in terms of the figures there. I



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have encountered quite a lot of this in my own constituency as well, but to see that played out in hospitality businesses across the country is really quite shocking. You said earlier that the hospitality business was the first out and will be the last back in. Do you think there needs to be any additional support given to allow that to happen and any different measures than have already been outlined to support the industry?

**Kate Nicholls:** Clearly, the health of the nation, the health of our customers and the health of our teams has to come first. Therefore, we would welcome the opportunity to work with the Government on a pragmatic and planned phased approach to reopening, to allow that to happen, and also to work on putting forward the proposals that would allow businesses to open safely.

However, with social distancing restrictions in place, we know that businesses are only going to be able to open at about 30% to 50% of their normal revenues. The key will be to make sure that, while we work with Government to maintain social distancing in our premises, we have that ongoing support. The key for us will be a continuation of the furlough scheme for those businesses that are required to remain closed for longer beyond June, if that is the case, or those businesses that are only able to open at half volumes. As I said earlier, the key for us would be an extension of those hospitality grants to reflect that as well.

Then the final element that will need to be addressed is what we do about rents. While it was only a three-month issue and one rent's quarter, there is a need to look more holistically at rents for the hospitality sector so that the business themselves, the lessees, but also the landlords and the lenders, are all resolved in a chain and we have a debt enforcement moratorium to make sure people are protected from any enforcement. There will need to be legislation to back that up, to make sure that you can have that pause in the rent process. Otherwise, we will have done all of this for nothing because the businesses will not be able to stand back up themselves when we remove the support.

Q251 **Alison Thewliss:** Thank you. Andy, are there any particular insurance issues that your members have been facing?

**Andy Chamberlain:** They tend not to with those insurance products, though I am aware of the big problems in that area. I would like to echo what Kate just said about rent. That is the one area in which we have heard of big problems where business tenants and business landlords have not been able to come to agreement on what is going on. People cannot access the buildings. They still have to pay rent. Who is right? Who is wrong? They are coming to people for advice. No one seems to know. Some sort of guidance and, probably, financial support into that specific area would be very much appreciated.

Q252 **Alison Thewliss:** Would that concern the likes of business centres?

**Andy Chamberlain:** Yes, business centres, work hubs, as well as people who just rent a very small office. Self-employed people might do this.



They cannot get into the building. The landlord is not giving them a break on the rent. There is no money coming in. There are lots of disputes that are lined up, and it is going to be very disruptive in that sector. Some guidance and financial support there could ease that burden.

**Q253 Anthony Browne:** My questions are primarily about hospitality. I want to follow up that question about rents, because I have quite a few pubs in my constituency that have been required to pay full rent by the pub landlord. They are worried about building up huge debts at the end of it that they will not be able to pay off. What specifically would you like to see, Kate? Would you like to see the rents cancelled or cut back? Obviously, from the landlord's point of view, it is their income as well.

**Kate Nicholls:** This needs to have, as I say, Government-backed intervention, because we need to have legislation to require this to happen. When the Government legislated to introduce the lease forfeiture moratorium, the suggestion was that there should be a deferment of those rents for three months. We know that is not happening across a large swathe of commercial hospitality, not necessarily the pub companies.

**Q254 Anthony Browne:** Even if you defer the rent, you still end up with a big debt at the end of it that you may not be able to cover.

**Kate Nicholls:** You do, but you need to then make sure you have that pick-up, that sort of timeout, across all the rents, so you can look at the landlords' debt as well. We need to restart the rent process when we come through. One of the options that could work is to have that breathing space for six to nine months, restart the rents and restart the landlords' loans, but you need to have some intervention, as Andy said, because, if the Government loans cannot be accessed by real estate companies, or banks and finance, you need to have that protection. At some point, there needs to be an injection of capital to keep that going.

If we do not get a resolution at a global level, if you rely on landlords and lessees to sort it out individually themselves, it will be a bloodbath come June, when the next quarter's rent becomes due. You need to have that protected space. We would recommend that, as a matter of urgency, the Government extend that lease forfeiture moratorium in length and also extend it to be a general debt-enforcement moratorium. As a result of not being able to pay rents in March, a large number of companies in hospitality already face statutory demands. We are already seeing the first threats of winding-up petitions being waved around and a number of landlords have reached very quickly for legal resolution. The Government need to act very quickly on this one.

**Q255 Anthony Browne:** Have you any idea of what proportion of hospitality outlets, so pubs and restaurants, will be in a position to reopen at the end of this? I certainly fear that an awful lot of them are simply going to give up, as it were, and end up with so much debt that they cannot come out at the other side, despite the Government support.



**Kate Nicholls:** It is difficult to put a figure on that, because at the moment it is very difficult to know at what time they might be able to reopen and under what conditions. It is the social distancing restrictions that you might put in place within the outlet that will determine when it can reopen and how quickly it can start to build up some return to revenue stream. It is undoubtedly the case that we are not going to be able to save every business and every job within hospitality. That is partly a fact of life, but also we will come out of the end of this with a reduced estate. I am not sure you will lose companies wholesale, but you will lose premises and they will need to contract.

If we get the kind of intervention we are talking about on rents, and support on that rental process, to be able to take the unpaid rent and add it on to the end of the lease or the end of the loan rather than facing a mounting debt when you come out of this, I have every optimism that we will be able to return relatively quickly with almost full strength in the sector. If we do not get that intervention in rent, if we are forced to remain closed until Christmas, you could put a third of the sector at risk.

Q256 **Anthony Browne:** One of the other questions I had in my constituency has been from companies working in the supply chain of hospitality. These are the food suppliers to restaurants, drinks wholesalers, events management companies that organise the events that are then put on by other people. They obviously do not get the direct £25,000 grant, but they have access to other forms of Government support, the furloughing primarily. Do you see particular trouble in that supply chain for the hospitality industry, or are the other Government measures sufficient to keep them going?

**Kate Nicholls:** The rest of the supply chain does not have the challenges of accessing the CBIL scheme and the loan schemes that hospitality seems to have, because of the problems that I outlined earlier. Obviously, the best way of helping that supply chain is to make sure that the hospitality operators that support it can stand up again quickly when we are allowed to reopen and that we have that phased and pragmatic approach to reopening and support through the reopening period.

Some of our supply chain has managed to divert its resources elsewhere, but that is only a small proportion. It is undoubtedly the case that hospitality is made up of thousands of small, independent businesses, which in turn rely on thousands of small, independent businesses around the supply chain. The Government need to work at a holistic level when they come to look at how to restart the economy, restarting the supply chain businesses first and providing the support there to get them back up and running, so that the operators themselves can stand up very quickly.

When we have done the initial research, it will take about a week, maybe two weeks, to reopen a pub, bar or restaurant that has been closed, but it is a further two weeks behind that for the supply chain to properly stand up. If we can make sure our supply chains stand up quickly, we can



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reduce the time until the hospitality businesses become profitable again and can prioritise paying their suppliers.

Clearly, it is all interlinked with the rental piece. If you are being told quite categorically by banks that they will lend to you but you should not really pay your landlord, and you should prioritise paying your other creditors and your staff, you need to follow that through. If we can resolve and get a breathing space on the rents, that will allow the hospitality businesses to prioritise their suppliers.

**Anthony Browne:** That is great. Thank you very much.

**Chair:** That concludes questions from the other Members of the Committee. Perhaps, as we have a couple of minutes in hand, I could ask a final question to both our witnesses. There has clearly been huge scope in the measures that the Government have come forward with. It has all happened at considerable pace. There have inevitably been a number of hard edges and, when we went out with our call for evidence, a whole host of issues were presented to us. We started to narrow those down and we are keen now to really focus in on those areas where it matters most, to the self-employed and those in business, but equally where we suspect that Government can, in terms of cost and practicality, make further improvements.

My question is to both of you. Perhaps I can start with Andy. On the basis of need and the ability of the Government to deliver—both those metrics—which one or two things would you suggest that this Committee continues to push on?

**Andy Chamberlain:** We would like to see more support for limited company directors. That is the group that we think at the moment is largely excluded from the schemes that have been announced. Even with the furloughing scheme, which only gives them part of their income back, there are a few question marks over how the furloughing works if you are a limited company director. That is not very clear. There are problems there, so we would like to see that addressed and for dividend income to be taken into account.

With the SEISS scheme, if there was one thing I would like, I would probably ask, “Could we allow people who are newly self-employed to get their tax return for the last year, which ended just a couple of weeks ago, done and in, so that the Government could calculate a grant under the SEISS scheme, based on that new information?”

The Government say that they are very worried about serious fraud, and that may well be a very legitimate concern. Is there something that we can do to mitigate that risk and ensure that those people, who we really want to get this grant money to, can get the grant money?

Q257 **Chair:** Thank you, Andy. That is very clear. Kate, I ask you the same question, but avoid duplicating the asks that Andy has made, please.



**Kate Nicholls:** I will, certainly. If we are looking at what tweaks need to be made to the existing schemes that are out there, it is an extension of the hospitality grant scheme and removing the rateable value threshold, and a further tweak on the CBIL scheme and the large CBIL scheme to make sure that an undertaking in distress—the EU state aid restriction—can be amended. We believe that can be done and taken out of CBILS, and that would increase access for a large number of businesses, including tech start-up, as well as hospitality.

The focus going forward is particularly on the restart, making sure that the furlough scheme is extended for longer for those businesses that need to remain in closedown. Picking up the point about rents, how are we going to provide access to a solution on rents that resolves it? Otherwise, we will have a bloodbath across a large part of the economy that needs to be looked at. I would split it into those two. Tweak what is there already. The package is comprehensive; it is unprecedented. There are two minor tweaks. Then focus on maintaining the support to get the most effective businesses up and running again as quickly as we can.

**Chair:** Great, thank you very much, Kate. Can I thank you both, from the whole Committee actually, for all the input you have provided to this session? It has been especially useful at this particularly difficult time and also at a time when we are asking and expecting Government to move very quickly. We will certainly continue to press very hard on a number of the issues that we have discussed today and take particular notice of the points that you have made in the answer to my last question here. Thank you both very much indeed for joining us.

## Examination of witnesses

Witnesses: Dr Gerard Lyons and Ian Mulheirn.

Q258 **Chair:** We have Gerard Lyons and Ian Mulheirn as our panel for this session. Could I ask them to introduce themselves very quickly to the Committee?

**Dr Lyons:** Good morning. It is a great pleasure and honour to be asked to testify to the Committee. I am an economist. I have a number of roles: I am chief economic strategist at Netwealth; I am also on the board of Bank of China in the UK; and I am a senior fellow at the Policy Exchange think-tank. I am speaking here in a personal capacity.

**Ian Mulheirn:** Good morning. Thank you for asking me to contribute this morning. I am Ian Mulheirn. I am the executive director for UK policy and the chief economist at the Tony Blair Institute.

Q259 **Chair:** Thank you both very much indeed for giving us your time. Welcome to the Committee. Hopefully, you have observed the previous session so will know roughly what to expect. If it is possible, where you are asked a question that is directed potentially to both of you, if one of you alone can answer it, that will speed us through, although, if you feel



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you have a very strong need to contribute as well, that is absolutely fine.

Let me plunge straight in. There is very interesting work that you have both conducted in your organisations over the issue of exiting from the lockdown. It is fair to say that the Committee's position on lockdown is that we accept there are health issues here and the Government have to take decisions guided by the experts, so we are less focused on issues relating to when lockdown ends; that has to be led by health considerations.

We are extremely interested as to what the economic consequences are likely to be of the various options that are out there for easing ourselves out of the lockdown; we perhaps feel there has been a bit of a gap there in terms of information. I wondered if you could just set out for us now the basic approach of the modelling and thoughts that you have had on this, with a particular emphasis on the economic consequences of the different possible scenarios here.

**Dr Lyons:** Professor Paul Ormerod of University College London and I have worked together and produced a policy paper and a document. We have combined the analytical framework of epidemiological models with the key behavioural insights from economics. That is the key issue here. The epidemiological models have worked very well in justifying the lockdown, but behaviours really do matter. When we move ahead, one needs to ensure that the medical side is working hand in hand with the economic side, because we have a health crisis and an economic crisis, and it is only once we are past the worst of the health crisis that we can start to make inroads in addressing the economic crisis.

It is quite clear that the lockdown itself has come with a heavy economic cost. In particular, one in three people is indirectly or directly impacted by the lockdown; one in six is directly impacted. What one finds is not only that the lockdown itself is having an economic impact, which is justified in some respects to bring the virus under control, but that, as the lockdown goes on, it is likely that the economic impact will be non-linear, in economic terms. The longer the lockdown goes on, the greater the economic cost and the more firms and jobs will be impacted by the length of the lockdown.

We have proposed a traffic-light approach to ending the lockdown—red, amber, green—reflecting the fact that one needs to have a gradual, predictable process to exit; it needs to keep the virus under control, while revitalising the economy. At different stages of red, amber and green, different economic and other activities can come back to life. In our view, unlocking by economic activity is preferable and better than unlocking by age cohort, geography or other means. That is our key proposal.

Q260 **Chair:** Can I ask one quick supplementary on that? The Government are saying, "We do not want to set out too much of our thinking and our scenarios at the moment, because we do not want to distract people from continuing to stay at home and implement all the social distancing



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measures, et cetera, as they have been doing very successfully.” Do you think that is right, or do you think they should be ventilating these kinds of options right now?

**Dr Lyons:** I am quite constructive about the approach we have had so far, but it is important now to have complete openness and transparency. Therefore, my view is that the Government should be outlining an exit strategy, because one needs to plan ahead. Obviously, for that exit strategy, the trigger to leave must be determined by a number of key medical variables, but, in economic and social terms, people need to have hope. In economic terms, we also need the ability for businesses to plan ahead, so, therefore, I would like the Government to outline a number of key factors that need to be triggered. They have already outlined their five tests, and in that respect they are clearly addressing this issue, but we need to see some further progress on that. I would encourage a clearer, open and transparent framework, because that makes sense on the medical side as well as on the economic side.

Q261 **Chair:** Ian, on both of my questions, would you like to set out your overall position and then cover the point about transparency?

**Ian Mulheirn:** I would build on what Gerard has said there, particularly on this point that the long-term consequences are what we need to have an eye on. We all know that the immediate consequences of lockdown on the economy are severe. That is not so much of a problem as long as we are able to get back to something like normality in the long run. The longer the lockdown goes on, the less that is likely to be the case.

There are two aspects to the long-term damage to the economy that we need to consider here. One is just the lockdown itself, but the other is the uncertainty that is around it; that is from an individual perspective and in terms of people’s mental health, but also in terms of businesses’ ability to plan and know that demand and customers will be coming back at some point in the future.

It is really important that Government start to set out a framework, and we proposed something yesterday that does this—that takes what they have done with the five tests, starts to put much more detail around that and starts to explain to different sectors and different individuals what easing will look like for them, even if they cannot say exactly when that easing will take place yet. That would help to lift some of that uncertainty, which is something they could do that would, if anything, strengthen the “stay at home” message, because people would have confidence that it was not going to go on forever.

Q262 **Julie Marson:** Can I start by asking Gerard something, please? We have heard from you about some of the thoughts you have had in your report. The Government have announced their own five tests for easing the lockdown. What do you feel about that particular approach in comparison with the traffic-light approach that you have suggested?



**Dr Lyons:** Our traffic-light approach was very much geared to ensuring the economic, business and financial side of the economy could be unlocked. In recognising that, we said that the trigger to unlock must be driven by the medical and health side.

There is something about the epidemiological models that is important to stress, and Professor Ormerod, my co-author, in particular, has done a lot of work on this. These models are scientifically robust, but they do not take into account behaviours. When one looks at these models, our perception is that there is a natural tendency for them to assume that the virus can return, and therefore there will be a natural bias for them to want to prolong the lockdown.

In answer to your question, our feeling is that, if one looks at evidence from other countries, the virus needs to be clearly under control: the  $R_0$ —the infection rate—needs to be less than 1, meaning one person with the virus does not infect more than one other person; death rates need to have clearly peaked and be on the downward trend; and the infection rate needs to be on the downward trend. The thing we need to be clear on is that, when we are looking at the infection rate, we are looking at it on a like-for-like basis; as more people are tested, that might push the infection rate up. In answer to your question, our view is that the medical criteria need to be there to unlock. Our red, amber and green are very much about focusing on the economic side.

The virus needs to be brought under control, but there are some key things that are important in the unlocking, in the absence of a vaccine, in this vaccine gap: testing is important, tracing is important, but also what is very important is behaviours. Behaviours were, dare I say it, underestimated by the epidemiological models in the lockdown. People really adhered in terms of behaviours, and, in unlocking, behaviours are key. If behaviours continue to be different to what they were before the crisis, that will allow the unlocking to revitalise the economy while still keeping the virus under control, so behaviours are very important in all of this.

Q263 **Julie Marson:** Just to follow up from an economist's point of view on some of these discussions, I find terms like "micromort" fascinating. In terms of the trade-offs between the risk to lives and the risk to the economy, can you put an economic value on a life, effectively, in that way?

**Dr Lyons:** Some people have tried to do that; we have not. One has to accept that these issues are very difficult, but, in some respects, we face them all the time. You MPs, for instance, when you set the rules and regulations, are implicitly carrying out optimal control problems. Take road deaths: no one wants any road deaths, and probably, over the course of a year, there are 1,700 people killed on the roads; there are 157,000 injured, seriously or otherwise, on roads. No one wants those, but we accept that we need to have the right rules and regulations in place and we need to encourage the right type of behaviours to minimise



the deaths and injuries. We know that, while we would want to stop those deaths and injuries, the cost of doing so would be to stop all road traffic, which would kill the economy and have a very detrimental impact on our way of life.

It is not a case of trying to put a price on life, but one has to say, in terms of this debate about locking and unlocking, there is also a huge social cost with locking: mental health, domestic abuse and loneliness, and one is hearing from medical experts about other people, for whatever reason, being deterred from going to hospital. It is about getting the right balance between lives and livelihoods, accepting that we need to bring the virus under control and also, at the same time, recognise the social and economic cost associated with the lockdown.

Q264 **Julie Marson:** Can I ask a question of Ian? What are the costs, potentially, of announcing a strategy now and then changing it at a later date?

**Ian Mulheirn:** It is a good question. The answer is that you need to create a plan that is a contingent plan and is, therefore, able to flex according to changing circumstances. The Government cannot promise to people that X will happen on Y date two months down the track and hope to stick to it, because they do not know; they are dealing with a hugely uncertain situation and they may have to change their plans.

They can provide some certainty by saying, "These are the things we are monitoring, these are our metrics and here are the thresholds, informed by the science, that would cause us to move between one state of the world and the other." If they do that, they can create a robust plan that is safeguarded against any changes or developments in what happens with the virus. That is the sort of plan they should be aiming to put in place.

Q265 **Anthony Browne:** I have a few questions, first picking up on some points and then throwing it forward. First of all, Gerard, picking up on your point that the exit strategy should be based on opening up economic sectors rather than age cohorts or geographies, why is that? Why do you prioritise it that way?

**Dr Lyons:** In our work, Professor Ormerod and I looked at the different possible exit strategies, and it is only right that the Government, or you, the various Committees, consider all of these.

Let us take what we do not agree with. We think that unlocking on age cohorts would not satisfy the need, in a lockdown, to address the health issue or the economic issue. For instance, it has been suggested that we unlock first by allowing 20-year-olds who do not live with their parents out. There are three arguments against unlocking by age cohorts, and in particular three arguments against starting with 20-year-olds. First, the argument in favour of unlocking with 20-year-olds is that the fatality rate for them from the virus is very low—0.03%. The argument is that they



would all catch the virus and then become immune. That would take considerable time, so the first argument against unlocking by age cohort is time.

Secondly, it would require impeccable behaviour, which is very unlikely. It would require them not to get involved with other age groups, et cetera. That behaviour is unlikely. Thirdly, in terms of unlocking the economy, as important and innovative as 20-year-olds are, they are not the economic group that will unlock the economy. Therefore, the three arguments against that approach are behaviour, timing and economic activity.

In terms of geography, that has been put forward because some regions, like the south-west, have a much lower rate of virus infection than London, for instance.

**Anthony Browne:** Or the Shetland Islands.

**Dr Lyons:** Or the Shetland Islands. Indeed, if one looks at Sweden or other countries, they are geographically very different from the UK. We know that urban areas and high-density areas are more prone to this.

There are two arguments against unlocking by geography. The first is about the ability to enforce that. The second, on economic grounds, as you would know from your time at City Hall, is about the importance of London to the UK economy. London is 23%, 24% or 25% of the economy. To unlock in the way that makes sense economically, it is better to do it by sector than to do it geographically, because of that dominant role of London.

In terms of unlocking by those people who have immunity—Ian will have strong views on this—while that ticks the health criteria, it does not necessarily tick the economic criteria necessary in unlocking, because we do not have enough of those antibody tests.

One can rule out unlocking by age cohort, geographical dimension or immunisation, but clearly there might be other features that allow you to take the best bits of some of those into unlocking by sector. For instance, unlocking by sector and economic activity needs to take account of the age dynamic in terms of schools and nurseries.

At the end of the day, unlocking by economic activity and sector makes a lot more sense. If you do it in a gradual and predictable way, where the medical side is aligned at the beginning, you can keep the virus under control and you can address the economic factors, but, just to reinforce the point, behaviours are really vital in this. That is the behaviours of people themselves and the behaviours, as with the rules and regulations for the road, set by Government—for instance, the wearing of masks on public transport.

Q266 **Anthony Browne:** Yes, and social distancing. Thank you for that full answer. Can I bring Ian Mulheirn in on this? What do you think the



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priorities should be for an exit strategy? Do you agree with that analysis that it should be about opening up different economic sectors rather than geographies or age groups?

**Ian Mulheirn:** Conceptually, it is important to split the discussion into three separate parts. There is the question about how you ease lockdown; there is the question about what you do on containment; and there is the question about whether you do things on shielding. Here we are talking about the lifting of lockdown measures and the most sensible way to do it.

I broadly agree with what Gerard has just said. I certainly think that allowing certain people out by age is going to be hugely problematic. Not least, where is the labour demand going to come from if you are only allowing a small proportion of the workforce out? As he trailed, immunity certificates are hugely problematic, ethically as well as practically, so I really do not think that is a goer at all.

We are going to end up in a place where geographic measures are an important part of the mix. That may not be the way we release from lockdown, and Gerard is definitely right that a sector-based approach is critical there, but some time down the track, when we have this thing under control and we are trying to stamp on outbreaks that occur, we are inevitably going to come back into some kind of geographic discussion, which means that we need to think about those tricky questions of enforcement and that sort of thing. Critically of course, in all of this, none of this is enforceable by the state directly. We have to take people with us or else we will not be able to take these measures. As I say, it is broadly sectors, but there may, in time, be a role for geographies as well.

Q267 **Anthony Browne:** I have one very quick final question to both of you; keep your answers short. One of the concerns with easing the lockdown too early is that you end up with an increased outbreak and then a need to have a re-lockdown, as it were, with the economic consequences of that. How damaging would it be to have a second outbreak and a second lockdown, in terms of economic confidence and recovery?

**Dr Lyons:** I would stress that with appropriate policies and suitable behavioural responses that second wave can be avoided. While it is a risk, it is a perceived risk rather than a high actual risk, if we make sure that we unlock with the virus under control. Basically, adaptive tracing has to be always a possibility—that is, that you have to lock down again—but, in terms of the work that Paul Ormerod and I have done, such is the importance of behaviours that we think that possibility is a low possibility; it should not be ruled out, but it should not be the dominant feature that deters us from unlocking. Clearly, experimentation is necessary, nothing can be ruled out and no one can be blasé or complacent about this.

Q268 **Anthony Browne:** Ian, very quickly, how worried should we be about a second outbreak and lockdown?



**Ian Mulheirn:** I am more worried. We know that the reproduction number is not far below 1, from the Imperial College work. If you were to do something like just releasing lockdown on schools, you would probably be, on those figures, back up to around 1. With anything else, we really are at risk of this thing accelerating again. The question becomes about how good your containment and shielding capacity is. We have a long way to go to match what the east Asian states can do, so there is a real risk that we could be back here. If we can give businesses and individuals a framework for how we are going to manage this thing, at least they will know that the next lockdown may only go on for a handful of weeks, rather than the long thing we have now. It is about managing the uncertainty; that is what the Government can do.

Q269 **Mr Baker:** I want to move the conversation on to points of difference between the two of you. Before I do, can I thank you both, and your teams, for trying to bring light at the end of the tunnel and hope to this situation? It is very much appreciated.

Ian, your paper goes through six approaches, which people can find online; I am afraid we do not have time to go through each of them. You come down in favour of a combined widespread testing and contact-tracing approach, using smartphone apps. Could you just explain why it is that you alighted on that as your preferred approach?

**Ian Mulheirn:** Yes, sure. I should also flag that we have had a much more comprehensive paper out just yesterday, which I can let the Committee see after this, in which we develop that thinking. We need to think about it in terms of what that containment strategy is. The key elements of it are testing, tracing—both with apps but also with a very large manual tracing capacity, like we are seeing in east Asian countries—and then, thirdly, things like mask-wearing. You need to put all those things together, because we need every tool in the box to keep the lid on this thing.

Q270 **Mr Baker:** To what extent would testing and contact-tracing need to be out there in the population for it to make possible a worthwhile opening up of the economy? How realistic does it become, therefore, to adopt your strategy? You just mentioned wearing masks; we have read in the news today that the NHS does not want the public wearing masks because of the effect on supplies. Perhaps do not focus on that, but, in terms of the testing, how widespread does it need to become before it is realistic?

**Ian Mulheirn:** It would not be for me to put hard numbers on these things, but we can see them all as substitutes for one another, if you like. If we can get the testing capacity up, the tracing does not need to be quite as effective. Similarly, if we are struggling with the testing but we have tracing capacity very effective, we can take the pressure off that. Similarly, if we can get the supply of PPE up enough that members of the public can use it without frontline staff going without, that can help too, but we are struggling on all fronts, at the moment, to get any of those



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measures into a good enough place, which is why we risk another outbreak. We just need to push on all fronts, and the Government need to be transparent on all those elements of the strategy.

Q271 **Mr Baker:** I need to come to Gerard, but, very briefly, what is your fallback position if we continue to struggle on testing, contact-tracing and PPE for the public?

**Ian Mulheirn:** Unfortunately, it is going to be a question of easing off gradually, and we will have to reimpose some kind of lockdown measures if it starts to get out of hand.

Q272 **Mr Baker:** That brings us neatly to Gerard. Could you tell us a little more, because you seem to be more sceptical about our ability to get to testing and contact-tracing? Is that a fair characterisation? Is that your position? Is that what led you to be heading towards opening up the economy gradually?

**Dr Lyons:** What led me and Paul Ormerod to do our work was that, while the epidemiological models have had a great success in justifying the lockdown and the lockdown has been and is working, we felt that it was very important to include social science alongside science in determining the exit strategy, because this is about making sure that the medical side and the economic side work together. I agree with the comments that Ian has touched on. We need to be flexible, because no one really knows what is going to happen, but, at the end of the day, it is a judgment call, and the judgment call needs to be informed by both the science and also the social science.

I would reiterate the earlier point I made. In the unlocking, in an ideal situation, we would have a vaccine, obviously. The next most ideal situation would be that we had large-scale mass testing and large-scale technology tracing; it seems like we will not have the testing and the tracing in the scale that we would like. Therefore, it is important to stress that, in any unlocking, it is testing, tracing and behaviours, and it is the behaviours—

Q273 **Mr Baker:** I am sorry to cut across you; it is just that time is running so short. On the risk of behavioural change, can you tell us more about what the risks are? How certain can we be that people will have changed their behaviours as your strategy is adopted?

**Dr Lyons:** In terms of doing scenarios or including behaviours into the epidemiological models, one can see how behaviours do have an impact in terms of outcomes, but the behaviours would really be things that we have talked about in the general public in recent weeks and months: hygiene, social distancing, I would argue the wearing of masks on public transport, and then, of course, at-risk groups themselves self-isolating or looking after themselves in different ways. The behaviours do matter, and that is the key aspect. One can incorporate the behaviours into the thinking. They are hard to quantify; that is the challenge, of course.



Q274 **Mr Baker:** That is what I am really driving at. How certain is the social science about the extent to which people will continue those behaviours in the short and long term when an easing begins?

**Dr Lyons:** The thing to stress in terms of these models is that, at the end of the day, a judgment call is needed. We are talking about science and social science. On the Treasury Select Committee, you are all too well aware, when it comes to economic models, that they are not precise and that the assumptions one puts in really do have an impact on the outcome. I am not a physicist but, if one looks at physics, one would say that there are precise laws; Professor Ormerod has done a lot of work on this. When one looks at the epidemiological models, the assumptions they put in are important, and one is perhaps seeing this in terms of the different views among the experts. It is not hard-fixed, like other aspects of science.

One needs to bear in mind that the assumptions in economic models are important and one cannot quantify the behaviours, but, at the same time, one needs to have that degree of looking at epidemiological models as well, in terms of questioning the outcomes.

Q275 **Mr Baker:** I am one minute over. Ian, give us a one or two-sentence rejoinder. That is all we have time for.

**Ian Mulheirn:** One thing I would just point out is that there is a lot of focus on whether there is a trade-off here. We need to stop focusing on the trade-off, and focus relentlessly on what the strategy is for breaking the trade-off between the suppression and the deaths from COVID. We can do that by focusing on getting all elements of the containment strategy firing and stopping talking about trade-offs, because right now there is one goal, and that is to contain this thing and shield the vulnerable.

Q276 **Ms Eagle:** Ian, there is radical uncertainty around ending lockdown and there is even more uncertainty, which is not something that either of you have discussed so far, about how this virus will react—whether it is seasonal and whether, even if you have had it, you actually have immunity for any length of time. Does all of that not point to the absolute priority of getting testing and tracking up and running? After all, the Government can actually do that; it is hard, but it can be done.

**Ian Mulheirn:** Those two points are absolutely right. There is a huge amount of uncertainty over all of this: over some of the things that Gerard has been talking about, in terms of the behavioural responses; over the seasonality of the virus; and over whether immunity is persistent or occurs at all after people have had it. All these things are hugely uncertain, and that characterises the environment in which we are working.

We do know that containment is the only reliable way—that is masks, tracing and testing—and that shielding is the belt-and-braces approach, so that, if our containment fails, we do not end up with lots of people



dying. We know from the research that has been done in China that the infection fatality rate for the over-60s is 20 times higher than for people of normal working age. We can use that to our advantage here, but those elements of containment and shielding are the two critical things. They are the things that are within our power. The other thing that is within our power is to manage the uncertainty. Those elements should form the basis of the Government's strategy.

**Q277 Ms Eagle:** Do you think that we should minimise that risk before we lift the lockdown? Do you think that we need to be, for example, doing much more about creating home manufacture of things like masks, so that people can return to public transport, or thinking about some more innovative ways of changing rush hours, so that people do not spend as much time together? There are all these belt-and-braces, sudden changes that could be put in place quite quickly while we expand testing and tracing. That would be the best way of lowering the uncertainty so that we could begin to lift the lockdown.

**Ian Mulheirn:** Yes, I think that is right. This is why it is so important that the Government start talking about this; they really have to start talking about it very soon. There are all sorts of micro-measures like the ones you just outlined that we could do, which would reduce the risk as we begin to ease. We all know, from an economic point of view and in terms of other health concerns, that we need to ease soon, or we need to at least try it. There is huge uncertainty around that. We do not want to leave that too late, because the economic and health damage will be huge, but, in going early, we need to know that we are doing everything possible to contain this thing. Whether that means capacity limits on public transport and manufacture of masks by H&M or whoever it is, we need to be thinking about all those strategies, because we have to throw everything into the fight of keeping the reproduction number down.

**Q278 Ms Eagle:** One of the things we do know is that quite small changes in virus infectivity rate can have huge problems in terms of the reproduction rate, and then you get back into a really quite dangerous phase 2.

**Ian Mulheirn:** That is a really critical point. It is often not really understood that the reproduction number does not have to go very far above 1. You cannot walk that path of managing this virus. If you try, you will almost certainly end up with a reproduction number significantly above 1, and then you flip into, potentially, a disaster, with hundreds of thousands of people dying. It is a very narrow path that you cannot walk. Angela Merkel put it very well when she said that, if the reproduction number rose to 1.2 or 1.3, ICUs would be overloaded by June or July, I think; if it rose to 1.1, they would be overloaded by the autumn. You do not have much headroom to play with when you start to ease without significant containment measures. We need to be really creative in thinking about what those are and talking about them now.

**Q279 Ms Eagle:** Are you worried, with respect to that, about the completely open border structures we have at our ports of entry, particularly



airports? I know aeroplanes are not flying very much at the moment, but we are a real outlier, and have been throughout the whole crisis, when it comes to testing people at airports; in some countries, people have even been isolated for 14 days on the way into a country. Do you have any thoughts about that?

**Ian Mulheirn:** It is not something I have given a huge amount of thought to. At the moment, the virus is so prevalent within the country that the international travel angle is not that pressing, but once we have it under control, hopefully in the coming weeks, those kinds of issue will be much more salient in the strategy for keeping a lid on it.

Q280 **Felicity Buchan:** Good morning. I want to change tack slightly and talk about fiscal policy. Clearly, we have seen enormous packages out of Government. Can I ask you both whether you think the scale of the fiscal intervention is appropriate?

**Ian Mulheirn:** Yes, the scale of the fiscal interventions has been appropriate. The jury is still out on whether they will work, and whether they should in fact be bigger and err on the side of caution in terms of supporting the economy. We have to realise that this is not a normal recession; this is a policy-induced recession. It is perhaps the first ever policy-induced recession. The Government's role is to try to hold the economy in the deep freeze, prevent supply chains from atrophying, prevent companies from falling apart and prevent people from losing their jobs, so that, as soon as we can turn the power back on—to mix my metaphors—the economy is still in one place. If it is not, and if we do have job losses and damage to supply chains and companies, it will take many years; there may in fact be permanent damage to our standard of living. It is critical that we err on the side of making sure that does not happen, because, if it does, we will be paying for this for many years to come.

One other thing I would say, which we may talk about a bit later, is that it is really important that these short-term measures are sufficiently large and powerful to do the job that they are intended to do. There is clearly a lot of debate around the CBILS and the furlough scheme. Treasury has done an amazing job, but it needs to keep monitoring these things and figuring out whether they are working, and adapt quickly if they are not.

The other thing that will quickly come into view is the long-term strategy. We cannot let the fiscal solution to the acute phase of this crisis turn into a chronic problem for the economy. If these measures are unwound too quickly, if fiscal supports are withdrawn too quickly and if there is not a credible commitment to maintaining the economy on life support until it is back to its full potential, we risk lumbering companies with debt, which will leave the economy struggling for the rest of the decade. We really need to not lose the fiscal piece on this one.

**Dr Lyons:** There are a whole host of issues here. In coming out of this, we need, quite clearly, a very robust health system, but our economic



policy needs to be more pro-growth. We need to see a sea change in that.

In terms of addressing the crisis, it was quite necessary and justified to have a relaxation of fiscal policy. Obviously, debt to GDP is less than 80% going into this crisis, not far off its peacetime high. The debt-to-GDP ratio will be pushed above 100%, but, as the former Governor of the Bank of England, Mervyn King, said the other week, an increase to the national debt is there for a reason; it is there to allow us to address the crisis. A relaxed fiscal stance is justified. We should not be unduly worried about the increase in the scale of debt to GDP. After the second world war, debt to GDP was 200% to 250%. Debt has risen because of a justified reason. Moreover, there needs to be a re-focus after this crisis, as after the second world war, on nominal GDP and bringing debt to GDP down gradually over time.

The fiscal easing was justified, and I would also like to see further activity on the monetary side, particularly in a low-inflation environment, with a need to really kick-start the economy.

**Q281 Felicity Buchan:** Let me pick you up on that, Gerard. You said that you were happy to live with debt to GDP being over 100%. Do you think that we can sustain that in the long term? Is it financeable? Do you have any concerns, if that is our debt to GDP while we are in the crisis, about our ability to fiscally stimulate our way into an exit strategy and out of the crisis?

**Dr Lyons:** All these issues need to be judged in the context of the time. Normally, in bygone days, one would have said that a debt-to-GDP figure for any country of over 100% would have been a concern. It becomes a concern if your rate of economic growth is less than the rate of interest you are paying on that debt and you are in a debt trap.

We are in a situation where interest rates are very low and inflation is incredibly low. We have seen similar environments in previous periods in the UK, albeit after the Napoleonic war, the first world war or the second world war, where the debt-to-GDP ratios, for obvious reasons, peaked at much higher levels. In answer to your question, it is not a case of being happy with and living with that; it is a case of accepting the need for that debt-to-GDP ratio to go higher, and accepting the possibility for it to come down, and the likelihood of it coming down, in a gradual way over time.

There are longer term issues here. There is the fact that only six times since 1970 has this country run a budget surplus. Often the issues are what we do in the good times. In good times we often do not tighten monetary policy enough; often in the good times we do not run enough budget surpluses. The important thing in difficult times, as with this economic shock, is that we respond in a proactive way. It is the three Us: unorthodox, unconventional and urgent. That is the policy response that one needs, and one needs to accept that the price to be paid is a justified



price. It is not a case of being worried about the debt-to-GDP ratio going higher; it is accepting that it is necessary and having a clear plan of action to then bring it back under control while allowing the economy to grow at a faster pace.

**Q282 Alison Thewliss:** Can I briefly follow up on Felicity's line of questioning? One of the features of the past 10 years has been austerity. My view would be that to proceed with austerity, to resolve the spending that we are about to undertake, would be a mistake. How avoidable is that, and should the Government try to avoid that kind of action?

**Dr Lyons:** One can finance a deficit in three ways, effectively: higher taxation, increased borrowing or financing it through the central bank. It is quite clear that the UK has the ability to finance this deficit very easily through increased borrowing. If one looks at who holds the debt of the UK, the Bank of England itself is now at 23%, international investors are 27% and the domestic players—pension funds and others—are 50%; households are only 5% of that. One needs to have a clear, credible plan of action to retain the confidence of both domestic investors and international investors. Therefore, one needs to have a sensible macroeconomic policy framework.

Austerity in itself is not the route to go down. Austerity is not the way to address this issue. We have a temporary economic shock. While the hit to the economy this year will be significant, we should not overlook the fact that most forecasts point to a significant rebound in the economy next year. The UK is a very imbalanced economy. Some bits of it are world class, but the imbalances are very evident. I would continue to stress that it is like the three arrows in Japan, or the three legs on the stool, where each carries its weight: monetary and financial policy is one, fiscal policy is another, and the supply-side agenda is important.

I would stress, in answer to your question, that we should be spending as much time focusing on that supply-side issue. It is all the Is: investment, innovation, infrastructure and getting the incentives right; that means not raising taxes, if one can, and also reducing inequality. I would stress as much emphasis on the supply-side agenda as opposed to the austerity agenda, accepting that, in this international environment of low inflation, low rates and low yields, we should be able to finance this deficit relatively straightforwardly, without taking a divergent policy stance post this crisis to the one that we were looking for ahead of it. Obviously, we need to address the deficit, but we need to do it in a sensible way.

**Ian Mulheirn:** In terms of the issue about the debt-to-GDP level, we need to be focused much more on the second part of that than the first. The debt is there, as Gerard has said, to deal with crises like this; that is what is supposed to happen. The role of fiscal policy coming out of this should be focusing on maximising the denominator—the GDP. The real risk here is that, if we wind in fiscal measures quickly but do not provide private actors in the economy with confidence that there will be sustained support and demand there into the future, we will stunt the recovery and



GDP will be much smaller than it should and could have been. That means people's incomes are lower and their living standards are lower.

There is no point people talking about burdening future generations with debt. What we need to worry about is burdening future generations with lower wages and living standards than would otherwise be achievable. That is where our focus should be as we come out of this, though obviously there is still some way to go before we are at that stage.

**Q283 Alison McGovern:** Thanks to both our witnesses so far. I have very brief questions on monetary policy. You gave a good exposition there of the broad macroeconomic picture and what we should be focused on. Given that we have the monetary policy infrastructure, for want of a better word, that we do, with the inflation target as it is, should we be worried about inflation coming out of this crisis, or will our monetary policy infrastructure do the job it is intended to do? Neither of you need comment if you have nothing to add.

**Ian Mulheirn:** There is some risk of inflation, but it is not coming from the operation of monetary policy; it is coming from the fact that the economy is currently changing shape very quickly. There are new sectors that are doing well out of the crisis and there are obviously other sectors—most sectors—that are in a very serious situation. The economy is changing shape, and that will mean that, in sectors where demand is moving to, there will be capacity constraints that will cause inflation, and it is really important that the Bank of England does not react to that. That deformation of the economy, if you like, will happen in the short term as the lockdown carries on, and then again as we come out of the lockdown. We should look through that inflation, because we need to focus on making sure that demand is there to raise employment as quickly as possible and get people back to work.

On the operation of monetary policy itself, in terms of monetising of the debts and QE being likely to create inflation, I just do not think that is a significant risk. It is certainly not something we should be worrying about for now.

**Q284 Alison McGovern:** Do you have any dissenting views on that, Gerard, very briefly?

**Dr Lyons:** Just to echo it, in terms of your question about where the inflation risk is, in the eyes of the market there are three components to that. One is the demand-supply imbalance that Ian touched on. Is there going to be a big hit to the supply capacity of the economy? That is one risk. I think that risk, overall, is low if we have sensible policies to come out of this. A second risk is the monetisation of the debt. Again, I think the risk associated with that is low.

The third, which has not been mentioned, is a longer term issue about deglobalisation. We have had a very competitive global environment with integrated supply chains. That has contributed to, but has not been the



only factor, driving global inflation down. Some people suggest that deglobalisation will become a feature, and that might mean more redundant capacity in western economies, adding to inflationary pressures, with upward pressure on wages. One should bear in mind that the UK is a service-sector economy—80% service sector. We might be less impacted by some of these fears about deglobalisation.

At the moment, we have more of a risk of deflationary pressures, seen in the collapse in oil prices and the slump in demand. One can never be complacent, but one needs to keep this risk in context.

**Q285 Alison McGovern:** Safe to say, if you work in a service sector in a region that is dominated by manufacturing, that is not true for you, but we will leave that there. That is another one of this Committee's inquiries.

Finally, is it too soon to say, or will there be any impact on long-term interest rates, following on from Gerard's answer there?

**Dr Lyons:** I would say that there are many different aspects of monetary policy you could talk about, but pegs and regs—pegging and regulations—are important. In terms of regulations, there needs to be more focus on micro and macroprudential measures and how they can help in terms of the policy stance in the near term.

In terms of pegging, that is important. In the 1940s, the US Federal Reserve pegged long-term interest rates. In recent years, the Bank of Japan has pegged long-term interest rates. There is an argument to say that pegging of longer term interest rates might be more of a policy option to be considered in an environment with many issues: as well as your comment about inflation, there is the fact that 27% of international investors hold UK gilts, and fears of a buyers' strike in a high-debt environment. All these issues can be put in different contexts, but longer term interest rates will be impacted by many factors, particularly in terms of confidence about our overall policy stance as well as the longer term inflation environment.

What will be very interesting is to see, post this crisis, the extent to which balance sheets of central banks globally are expanded. They have expanded significantly in the States, on the continent and in Japan recently, and therefore it is in this context that we need to judge Bank of England policy as well as long-term rates in the UK.

**Q286 Alison McGovern:** Ian, do you have anything to add on long-term rates?

**Ian Mulheirn:** No. There are so many countervailing forces at the moment that it is very hard to see where we are going to come out at this point.

**Q287 Rushanara Ali:** Before I go on to the international dimension, I have a quick question for Gerard. You mention the red, amber and green traffic-light system. Is that the one that was in the press, about the Government's secret plan for an exit strategy? Have you been advising



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the Government? Is it the same thing or something completely different?

**Dr Lyons:** No, I am not advising the Government. Professor Ormerod and I produced a discussion paper and a policy paper, and I know those papers have been widely circulated. I am not advising anyone.

Q288 **Rushanara Ali:** You could say that they have been influenced by your thinking on this, certainly.

**Dr Lyons:** I have no idea. There was a lot of similarity between what was in the press and what was in my and Professor Ormerod's paper.

Q289 **Rushanara Ali:** You can take the credit for it if it comes through and if that is the policy that is adopted.

Moving on to the international dimension, Ian, as you know, there are 80 or so Governments asking for emergency IMF funding. There is some speculation that it could cost up to £2 trillion in a total bailout, and yet the support that is being given to other countries and other economies, on which we depend for our supply chains as well, is significantly lower. Can you talk through which countries are most at risk, both in the economic sense but also in terms of the humanitarian dimension? We are aware that millions of people could lose their lives in Asia and also in Africa. Could you run through some of these issues for us?

**Ian Mulheirn:** The issues in different parts of the world are obviously very different. For example, yesterday we saw the oil price crash; this is going to cause massive problems to the budgets of a lot of countries around the world, particularly some of those in sub-Saharan Africa, where the Tony Blair Institute does a lot of work. The Governments that we are working with there are facing some very difficult challenges, which incidentally also reflects on their approach to the crisis, and whether it can be similar to ours or whether it needs to be different to safeguard people's livelihoods.

I am sure Gerard will want to say more on the capacity of the IMF, but I think it is pretty much consensus that that needs to be much greater, to tackle not just the economic consequences of this crisis but also the geopolitical instability risks that are likely to flow from the destabilisation that some of these shocks could create.

Q290 **Rushanara Ali:** Would you agree with that figure: that we are looking at something around £2 trillion?

**Ian Mulheirn:** That is not something I would want to comment on, but it is definitely a big number.

Q291 **Rushanara Ali:** It is in the order of very significant numbers. Country by country, we are seeing certain numbers. The WHO referred to a risk of 2 million people losing lives in Bangladesh alone. This is a country for which 85% of its exports are in the garments sector. We are seeing the spectre of British companies such as Asda, Primark and New Look not paying for contracts even though the products have been there, and millions of



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people are losing jobs and many will lose lives as a consequence of actions of western companies, even though we need to keep those supply chains going. Can you reflect on how multinationals are behaving in those countries, not just in Bangladesh but in other parts of the world, and what you think our Government should be doing to contain irresponsible actors in this context?

**Ian Mulheirn:** It is certainly true that developing or less developed countries that are part of global supply chains are facing twin shocks here: they are losing their customers, particularly in developed countries that are usually taking their imports; and they are having their own lockdowns and health crises too. Those two things are not necessarily happening at the same time; sometimes they are getting hit in different waves by these problems.

Maintaining those supply chains is going to be a key part of maintaining the supply capacity of the global economy so that we do not hit living standards.

Q292 **Rushanara Ali:** Sorry, I am going to have to keep interjecting, because I have just a few minutes left. What do you think the British Government should be doing in relation to British companies that are not paying their bills? For instance, it is in the order of £2.4 billion for Bangladesh, just on garments. In the last financial crisis, we had to learn the lessons of irresponsible actions by banks. We are seeing retailers in the ready-made garment sector as one example. There will be many others in other countries that are behaving appallingly. What should our Government be doing to ensure that our companies behave appropriately? We are going to need those countries to provide, for instance, PPE and other products on a large scale if we are to get through this crisis.

**Chair:** If I can interject very briefly, I am sorry, but this has to be a 10 or 15-second answer.

**Ian Mulheirn:** One thing the Government can do is make sure that companies in the UK have the wherewithal to maintain their supply chains and keep going, because if those companies go bust, the suppliers in other countries will never be paid.

Q293 **Harriett Baldwin:** I would like to ask Ian this first. What is keeping me awake at night is the deglobalisation and this incredible shock that we are going to go through, which is going to last profoundly for years. With Britain's role as very much a global Britain—we are the connecting glue between so many different parts of the world, and our economy is based on that—what role do you see for the international organisations, such as the IMF and the World Health Organisation? Our wonderful NHS could eradicate COVID-19 from the UK—I am confident that it will—but our connectivity and the way our economy works with that connectivity is going to be profoundly affected by what the rest of the world does.

**Ian Mulheirn:** Part of the answer to that is about how we manage international travel and restrictions with regards to the virus after this.



On the economics, it really underlines for us the risks of trying to set out and create new trade agreements at this time. The risk of deglobalisation is a huge one, especially when you add in the potential geopolitical instability that this crisis will cause. Nobody is going to have the bandwidth to create deep trading relationships for a long time after this, even if they had the political will to do so, and that must surely be in doubt now as well. We need to think quite hard about what our place in the world is and where the interests of our people lie, in terms of living standards, in the wake of this crisis. The choices were pretty difficult before this, and now they are far tougher. We need to give some careful consideration to that.

Q294 **Harriett Baldwin:** For Gerard, my question would be a similar one, but adding in the dimension of us leaving the European Union, leaving the single market and the overall impact in terms of not only the UK but the importance of these international institutions in the recovery going forward.

**Dr Lyons:** In terms of the UK leaving the EU, that does not fundamentally change the answer to your question. When we talk about infrastructure, everyone is comfortable talking about hard infrastructure and soft infrastructure; often we do not give enough importance to institutional infrastructure, and that is particularly relevant here. It is premature to say there will be deglobalisation in all areas. There may be some deglobalisation in certain sectors, given supply chains. In terms of globalisation, after the global financial crisis, we saw the Financial Stability Board and other global institutions working to address that issue.

In terms of world health, there is a greater argument to be combining resources. One area the UK needs to push on is the G20. On the eve of this crisis, I remember commenting—I am surprised others did not—that the G20 meeting in Saudi Arabia had just one sentence on the virus, at the end of the first paragraph. That was almost on the eve of the virus hitting hard in Italy. There is an argument to have a secretariat for an institution like the G20. I would argue that the UK should push for that to be based in London. It makes sense sometimes politically to have rotating heads of these organisations, but when you have such big organisations missing the ball, so to speak, on something like this on the eve of it, it makes the argument to strengthen the institutional infrastructure there, as well as the organisations you have mentioned.

In the last decade or two, we have had a move more to reach organisations across Asia, dominated by China playing the bigger role. In areas where there is a global impact, whether it is financial or health, the importance of those global institutions is increased.

**Chair:** Can I thank everybody for their understanding on the timing? Unfortunately, because of the technicalities here, we will have to stop at precisely 11.30. That just gives me a minute to thank you both very much indeed for attending this very important session. In the work that



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you have done, the areas that you are looking at are the very big questions that Government need to conjure with now, both in the shorter term regarding lockdown, but also in terms of how we sustain the economy, as we have discussed, beyond that. In conclusion, thank you very much indeed for joining us.