

'Fragile' hospitality industry 'cannot withstand economic shock' of rail strikes

This week's rail and tube strikes could cost the hospitality industry up to £540m, heaping pain on a sector that is still struggling to recover from the COVID-19 pandemic.

Industry body UK Hospitality says it expects to see revenue hit by up to 20%, in comparison to what would be a normal week in June.

Chief executive Kate Nicholls told Sky's Ian King Live show: "It's a very fragile industry that cannot withstand this type of economic shock.

"For many businesses, this will push them closer towards the edge of viability."

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Ms Nicholls said venues in town and city centres were already suffering from the growing work-from-home trend that is keeping many commuters away.

With train and tube services likely to be badly-hit by three days of rail strikes this week, the flow of visitors and tourists will further hurt balance sheets.

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She said these venues had experienced the “lowest and longest recovery period”, adding: “They are nowhere near back to pre-COVID levels of volume or revenue yet.

‘The perfect storm’ for hospitality businesses

“They’re now seeing a downturn again, the loss of part of a week’s trading at a time when they can ill afford it.

“One in five of our venues are still not back to profitability, one in three have no cash reserves.”

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She said: “I think it’s a combination of a perfect storm that (hospitality businesses) are facing – a tsunami of inflationary cost pressures, energy bills soaring, food bills soaring, difficulty in sourcing staff and also then the cost-of-living squeeze which is already seeing a downturn in consumer spending and footfall.

“These would be the icing on the cake if you do have a protracted summer of uncertain strike action, and it’s that uncertainty that is so damaging to consumer confidence.”

The hospitality sector was among the most heavily-regulated during the COVID-19 pandemic – pubs and restaurants, for example, had regularly-changing rules on how many customers could be served and where they could be served.

‘Collateral damage’

Ms Nicholls said that the sector had seen customers postponing events during the pandemic, but this week customers were cancelling and not re-booking because of the uncertainty around travel.

She also described hospitality workers as “collateral damage” in the strikes.

The nature of their work means most of them cannot work from home – so either their business closes and they miss out on work and revenue, or their business remains open and they have to navigate the strike-depleted travel network.

Richard Burge, chief executive of the London Chamber of Commerce and Industry, voiced concerns about the impact of what could be a long run of strikes.

He said: “A week lost every month for the foreseeable future is going to do incredible short-term and long-term damage to the economy and the UK’s reputation as an attractive destination for investment.”

James Hardiman, senior analyst at the British Retail Consortium, added: “Unsurprisingly, the upcoming rail strikes will be damaging for retail, as the strikes limit commuter and customer traffic.

“UK footfall is already down on pre-pandemic levels, and this will only slow the progress retailers have made to bring people back in-store.”