

“Government Policy is ‘Hollowing Out’ the UK’s Most Socially Productive Sector,” Hospitality Leaders Warn

2 months ago



Hospitality industry is being “taxed out of existence”, as senior leaders call for urgent action at Arena Networking’s flagship Savoy Lecture.

“Government policy is ‘hollowing out’ the UK’s most socially productive sector – with hospitality leaders warning the industry is being ‘taxed out of existence’.”

That was the stark message from Kate Nicholls, speaking at Arena Networking’s flagship Savoy Lecture, which brought together more than 200 senior leaders from across hospitality, catering and the foodservice supply chain to address the mounting pressures facing the sector.

Set against a backdrop of sustained cost inflation, labour challenges and shifting consumer behaviour, the event provided a timely forum for industry leaders to share insight, experience and a collective sense of direction.

Nicholls highlighted the unprecedented nature of the current climate, noting that the sector is being hit on both supply and demand simultaneously – a combination that is placing extraordinary strain on operators across hospitality and catering alike.

She was particularly forthright on the impact of recent policy decisions, including changes to National Insurance, which she said have already resulted in significant job losses and reduced opportunities for young people entering the workforce.

“We are the most socially productive sector,” she said. “And the government is just hollowing us out... we’re being taxed out of existence.”

This pressure is being felt right across the supply chain. Andrew Selley, CEO of Bidfood pointed to a fundamental shift in how operators and suppliers are working together in response to sustained cost challenges.

“We’re having far more grown-up conversations now about how we can work together, from the farm to the fork,” he said, urging businesses to plan for a prolonged period of elevated costs rather than a return to pre-2022 conditions.

For Angus Brydon, MD of BM Caterers, resilience and collaboration remain critical as operators navigate ongoing disruption.

“I have never met anyone in this sector who wouldn’t say yes to helping,” he said, highlighting the importance of industry-wide support networks alongside a continued focus on innovation. “That’s why we have to be realistic, open and honest, with one another. That’s the only way we will be able to develop new solutions to support us during the challenging economic backdrop,” he added.

However, innovation must be meaningful. Matt Thomas cautioned against change for its own sake, noting that consistency remains a key driver of customer satisfaction.

“We might eat the same thing for lunch most days,” he said. “What we need is for it to be consistently excellent.”

Panellists also highlighted the growing role of technology, particularly AI, in helping operators streamline back-of-house functions while enabling teams to focus on delivering better customer experiences.

At the same time, evolving consumer behaviours are reshaping the market. With workplace diners increasingly time-poor and more health-conscious, and the rise of GLP-1 weight loss medications influencing dietary habits, businesses are being forced to adapt at pace.

Closing the session, Nicholls offered a simple but resonant message for operators navigating ongoing uncertainty: “lean in, breathe out” – a call for resilience, collaboration and long-term thinking in the face of continued disruption.

Lorraine Wood, director, Arena Networking, said: “The Savoy Lecture once again brought together some of the most influential voices in our industry at a critical moment. While the challenges are undeniable, the strength, adaptability and collaborative spirit of this sector remain clear. Arena is proud to provide a platform for these conversations and to support the industry as it navigates the road ahead.”