



All Party Parliamentary
Group for Hospitality and
Tourism

‘Pathways to Recovery’

**A Report from the All Party Parliamentary Group
for Hospitality and Tourism**

12th June 2020

A Report by the All-Party Parliamentary Group for Hospitality

Secretariat for the All-Party Parliament Group for Hospitality is provided by UKHospitality.

This report was researched and written by UKHospitality. This is not an official publication of the House of Commons or the House of Lords. It has not been approved by either House or its committees. All-Party Parliamentary Groups are informal groups of Members of both Houses with a common interest in particular issues. The views expressed in this report are those of the businesses in the sector that responded to the inquiry.

Thank you to all businesses and organisations that submitted written evidence to the APPG at a time of unprecedented hardship for the tourism and hospitality sectors. We are hopeful that the recommendations that are outlined within this report will provide the Government with a clear guide to support these two pillars of the UK's economy.

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Forewords



Steve Double MP: Chair of the All Party Parliamentary Group for Hospitality and Tourism

Across the country, few businesses have been as badly impacted by the COVID-19 pandemic than those in the hospitality and tourism sectors.

In the UK, from March 20th until the time of writing, the vast majority of businesses within these sectors have been forced to close. While a few have managed to continue trading in some capacity, for most, it is simply a case of waiting and wondering when they will be able open once again. Whilst the measures that the Government took were, and remain, essential to stem the spread of COVID-19, save lives and preserve business viability, the impact on this section of our economy has been huge. The Government has also been quick to recognise business needs throughout this period, for example, providing flexibility to enable staff to return part-time.

As discussions move towards recovery and reopening, we must recognise the importance of getting the support measures right for these two vital sectors. While it may not always be recognised, hospitality and tourism are two of the country's biggest employers, in normal times, thriving in communities in every region in the UK and providing millions of jobs. We must get these businesses back on their feet as soon as it is safe to do so.

For this reason, the APPG launched our urgent 'Pathways to Recovery' inquiry, focusing on how businesses can recover post-COVID-19. We have been truly overwhelmed by the number of submissions that we have received from businesses of all sizes from every corner of the UK. The aim of this report is simple, to provide Government with a blueprint for how to support the hospitality and tourism sectors through their transition to a 'new normal' and enable them to thrive moving forward.

I would like to thank all of those that gave evidence to the APPG. Every contribution was welcome and has helped to compile this report. I would also like to thank UKHospitality, the Secretariat of the APPG, for their help in producing this report. That provides a clear view of businesses across the sector.

The Group will shortly be feeding this report into Government. I do hope that you enjoy reading.

Steve Double MP
Chair, All Party Parliamentary Group for Hospitality and Tourism



Kate Nicholls, CEO of UKHospitality, Secretariat of the All Party Parliamentary Group for Hospitality

UKHospitality is delighted to be the Secretariat for the All Party Parliamentary Group for Hospitality and Tourism. Members of Parliament will all be aware of how important these sectors are to the economies of their constituencies.

I would like to thank all the APPG members for their efforts so far this year. While UKHospitality is vocal in defending our members' interests and is on the record with its position on all these areas, we welcome the opportunity to support the APPG to be a forum for real debate and to hear the views of a wide range of stakeholders.

COVID-19 has presented an extraordinary challenge to businesses across the hospitality and tourism sectors. The Government's response has been unprecedented, announcing a series of measures that have undoubtedly saved many companies and millions of jobs. This was a clear recognition of the vital role that tourism and hospitality play in the UK's economy and will continue to play when the COVID-19 lockdown is lifted.

It is imperative that the Government continues to assist our businesses as they move towards recovery, which will be by necessity a drawn-out one. If both the hospitality and tourism sectors are to return to anywhere near their former strength, they will require a range of support mechanisms, particularly given these businesses will be among the last to reopen and will face ongoing restrictions.

This work provides a detailed outline of what businesses in these sectors will need in order to bounce back. I hope that you find it to be both informative and useful.

Kate Nicholls
CEO, UKHospitality

Executive Summary

- The hospitality and tourism sectors were extremely vulnerable to the impacts of COVID-19 virus and have been hit particularly hard. A survey submitted to the APPG suggested that only 11% of businesses within these sectors are currently able to operate at normal levels, with 89% currently operating at a significantly reduced level or being closed. Businesses are expecting a very slow recovery in the second half of 2020. According to one study, by December the best-case scenario has a one-third decline in trade (31%).
- Tourism is unlikely to rebound quickly, with international estimates suggesting that tourist arrivals for the year will be down by over 30%. Estimates on recovery time vary, however the most widely accepted projections suggest that will not return to pre -COVID levels until 2022. When planning support measures, it is imperative that the Government consider that businesses within the tourism sector will likely miss the majority of their peak season in 2020 and as a result will be going from low season to low season.
- The Government has rolled out an unprecedented level of support for businesses. This has been widely praised and welcomed across the hospitality and tourism sectors. However, it is a necessity that this support continues until businesses are once again able to trade at a sustainable level. Without this support many businesses will be unable to survive.
- The Coronavirus Job Retention Scheme (CJRS) and its continuation is paramount to business survival. Over 75% of eligible respondents to the APPG had suggested that an extension of this Scheme beyond June should be a key Government priority. While businesses have welcomed the Government's decision in fact to extend the scheme until October 2020, the details will be key. Many businesses will be unable to pay a portion of staff costs from August. It is imperative that existing levels of support continue for these businesses until they are able to reopen at a level that would enable them to break even.
- Sector businesses have made clear that they require more assistance on rent issues. While the Government moratorium on evictions for 3 months was welcomed, landlords still have recourse to seek evictions at this time. A suggested alternative has been to extend the legal right to deferment and protection from lease forfeiture for and to include all forms of debt enforcement, mandating breathing space to allow parties to renegotiate rent terms.
- When looking at reopening, it is essential that businesses in the hospitality and tourism sectors are looked at flexibly. There is not one type of businesses within these sectors, and some may be able to reopen quicker than others by adhering to the likely social distancing measures that will be imposed. The economy and the hospitality sector will be best served by a social

distancing standard-led approach, not by a prescriptive business 'type'. It is worth recognising that around 25% of the hotel estate and 10% of the takeaway/food to go estate (as well as contract catering/workplace canteens) has continued to operate to some degree throughout this strict lock down period.

- A common framework is required across all sectors in order to prove that businesses are safe for consumers and staff. This must include robust plans to protect those who will be inside a business premises, as well as detailed plans for how to clean venues. If this is present, there is no reason why a business in any sector should be prohibited from opening, so long as they are able to prove compliance to a universal standard.
- The current 2-metre social distancing guidance that is recommended by the government will make the operational reopening of many venues challenging. Business confidence studies submitted to the APPG suggested that up to 75% of businesses surveyed were not confident that they could survive with this level of social distancing enforced. This level of restriction exceeds the WHO guidance (1 metre) and that used in other countries such as Germany (1.5 metre). The Government are reviewing this currently and should work with industry on this issue.
- It is imperative that the Government is proactive in re-establishing the tourism sector in the immediate aftermath of COVID-19. Suggested ways for this to be done including revising business taxation, creating air pods with other countries, promoting UK domestic tourism through visible and well-funded campaigns and making tourism visas easier and cheaper to acquire.
- Communication between Government and businesses is essential and could in many cases dictate business survival. In terms of reopening, it is imperative that businesses are given sufficient lead time to ready their supply chains and get themselves in a position to safely reopen.
- Businesses still require more information from the Government regarding the necessary steps required to keep staff and customers safe. It is imperative that this is communicated in good time and that the PPE requirements are explicitly laid out.
- Depending on the extent of the restrictions retained or introduced, some businesses may also need to change their layout to better enable social distancing. Staff will also need more training in order to be able to manage social distancing and to meet higher hygiene standards.

- Sector businesses are already facing significant cost pressures in normal times, which will severely inhibit their recovery. There is widespread business support for a review of current business taxation, including VAT and business rates.
- The tourism sector will need Government support if it is to rebound quickly. Ideas emanating from within the industry include the creation of 'air bridges', reduced Air Passenger Duty and marketing support for DMOs.

Prologue: Pathways to Recovery

This report concludes the All Party Parliamentary Group for Hospitality and Tourism's 'Pathways to Recovery' inquiry. The group launched this urgent inquiry with the intention of working with businesses in both the hospitality and tourism sectors in order to identify and establish the immediate and long-term support measures required by businesses in the aftermath of the COVID-19 crisis. The APPG received hundreds of evidence submissions from businesses, providing insight into the devastating impact that COVID-19 has already had on businesses across the country and outlining the support that they felt was necessary to move forward.

Understanding the context within which these businesses currently find themselves in is imperative in order to consider the pathways to recovery. Chapter 1 (COVID-19 and the Hospitality and Tourism Sectors) will begin by providing a summary of the impact that COVID-19 has had on the hospitality and tourism sectors, along with the key support programmes that have been made available by the UK Government. This section will introduce the topic of recovery, summarising the measures that have been taken in the UK and elsewhere to ease lockdown measures, while also outlining some potential timeframes for the pace of sector recovery.

The key aim of the inquiry and this report is to provide Government with a blueprint to follow, outlining how to support these two vital sectors through the recovery period when lockdown is eased, and the current restrictions are relaxed. In order to do this, the report will split into two broad sections, Operational Challenges (Chapters 2-4) and Support (Chapters 5&6).

Chapter 2 (Conditions for Restart) will examine the conditions that must be in place for any restart to be possible. This section will consider the type of reopening scenario that sector businesses will face, along with the functionality of opening businesses with some element of social distancing in place.

Chapter 3 (Operational Guidance) will review in detail the operational guidance required to reopen venues. It is imperative that all staff and customers feel safe when returning to work, and that people have the confidence to travel and visit venues. Staff safety requirements (PPE, sanitation, safety equipment) social distancing and all outstanding operational questions will be examined in this chapter. Chapter 4 is dedicated entirely to supply chains, outlining issues present for businesses and their re-activation.

The business support section will examine what further measures businesses need to see from Government in order to survive and reopen. It is clear from submissions to the APPG that when businesses reopen, they will be doing so sub-economically. Chapter 5 (Business Support) will focus on the immediate assistance needed by businesses, including rents, access to capital and the Coronavirus Job Retention Scheme. Chapter 6 (Long Term Requirements) will focus on the longer running requirements of both sectors, examining long term policies that should be addressed to help assist with recovery, while also assessing potential legislative hurdles that could be coming in the next 12 months.

The recommendations that this report will make are by design wide ranging, aiming to provide an authoritative and evidence-based outline of the key areas of support required by the hospitality and tourism sectors. Examining the needs of both the hospitality and tourism sectors is a significant task, given the various business types and therefore the differing needs of businesses within each sector. During the period of report writing, much has changed and as a result, the recommendations and report could not be exhaustive of all of the material that was received by the APPG. The aim of the recommendations is to capture as many key areas for support as possible, outlining potential solutions



for the Government to consider in order to protect and promote these two key sectors of the UK's economy.

Chapter 1: COVID-19 and the Hospitality and Tourism Sectors

Background

COVID-19 is an unprecedented health emergency, which has crippled the global economy, and is having a significant impact on societies, economies and individuals. Hospitality and tourism businesses are more vulnerable than most to 'black swan' or unforeseeable events, and the impact on these two industries has been particularly pronounced. Globally, successive Governments have taken the difficult decision to close businesses, with many introducing strict travel restrictions to facilitate social distancing and contain the spread of the virus.

In the UK, the Government announced the closure of businesses in the hospitality sector on March 20th, marking an unprecedented intervention by the Government into the affairs of businesses, the like of which has not been seen in peacetime. For businesses in the hospitality and tourism sectors this ended their ability to trade on normal terms. These measures, initially mirrored by the devolved administrations, will remain in place until further notice, with a promised review each month. While the UK has not followed the likes of Spain, Russia and Norway in closing its borders completely, all inbound tourism to the UK has ceased, with no indication of when this may recover.

At a macro-level, the economic implications of COVID-19 are stark for all sectors of the economy. According to the International Monetary Fund (IMF) the global economy will shrink by 3% this year, marking its worst decline since the Great Depression of the 1930s.¹ For two sectors whose growth closely mirrors that of general economic performance, this is an extremely troubling projection. The magnitude of what has happened to the UK's economy already is astounding. At the height of the 2009 recession, UK GDP fell by 2.6% in a single quarter (Q1 2009). As a result of COVID-19, the second quarter of 2020 will likely be closer to a drop of 20%.²

The United Nations World Tourism Organisation (UNWTO) estimates that in 2020 global international tourist arrivals could decline between 20-30%, down from an estimated growth of 3% to 4% forecast in early January 2020.³ Tourism businesses were among the first to be impacted by COVID-19, with airlines cutting flights and customers cancelling business trips and holidays. Any efforts to restore consumer and business confidence will have to be wide ranging and will undoubtedly be a long-term process. Oxford Economics has forecast that it will not be until 2023/24 that inbound tourist volumes will recover to their pre-Covid-19 level.⁴

According to the UNWTO, extended disruption to tourism could lead to a global loss for the industry of between £25bn and £45bn on spending by international visitors. This estimate was calculated in March 2020, using the SARS scenario of 2003 as a benchmark, factoring in the size and dynamics of global travel and current disruptions. Three months on from this projection the reality is that the impact of COVID-19 has and will continue to be even more pronounced.

¹ <https://www.bbc.co.uk/news/business-51706225>

² <https://www.economist.com/britain/2020/04/11/covid-19-causes-britains-fastest-economic-contraction-on-record>

³ <https://www.unwto.org/>

⁴ <https://www.oxfordeconomics.com/country-and-city-tourism>

The impacts are most acute on countries with a strong reliance on inbound tourism. In Spain for example, a country that is dependent on the tourism sector for 12% of its GDP and 13% of employment, the reported potential loss of revenue for this year amounts to £120bn.⁵ There is a similar picture in Greece, Italy and other popular European destinations.

For the United Kingdom, tourism forms a vital pillar of the economy. In 2018, the UK welcomed 37.9 million visitors, with an overall visitor spend of 22.9bn.⁶ As Figure 1.0 demonstrates, the tourist spend in the UK is distributed across the country, providing significant revenues by consumer spend in every region.

Figure 1.0 Tourism and the UK's Regional Economies in 2018

Location	Visitor Numbers	Tourism Spend	Average Spend per Visit
Scotland	3.5m	2.2bn	£642
North West	3.1m	1.46bn	£443
West Midlands	2.1m	836m	£392
Wales	941,000	405m	£430
South West	2.4m	1.1bn	£470
North East	466,000	293m	£628
Yorkshire	1.4m	604m	£434
East Midlands	1.3m	527m	£419
East of England	2.2m	704m	£320
London	19.1m	£12.3bn	£646
South East	4.9m	£2.0bn	£407

Figures from Visit Britain research, July 2019⁷

The combination of closed businesses and declining visitor spend hits every region of the UK, with revenue and supply chains already badly impacted. The tourism ecosystem is broad, ranging from airlines to small attractions and museums. The widespread disruption that COVID-19 has caused will disrupt the UK's tourist economy for a significant period.

For hospitality businesses, the picture has been similarly gloomy. While some have utilised the relaxed planning rules to operate as takeaways or are offering their services up at greatly reduced rates to key and NHS workers, the majority of hospitality businesses have ceased trading until further notice. Around 11% of industry businesses remain open mainly in the (takeaway) restaurant sector, contract catering and hotels. To put it another way, nearly 90% of the entire sector is closed and the remainder is operating at substantially reduced levels.⁸

The drop-off in trade linked to COVID-19 has been gradual throughout 2020. This is demonstrated in figure 1.2 which highlights the loss of businesses that sector businesses were experiencing at the beginning of March.

⁵ <https://www.ft.com/content/51cb5448-d641-49cd-9772-91551b06e64f>

⁶ <https://www.visitbritain.org/2020-tourism-forecast>

⁷ https://www.visitbritain.org/sites/default/files/vb-corporate/foresight_170_regional_spread_of_inbound_tourism.pdf

⁸ A Submission by UKHospitality to the All Party Parliamentary Group for Hospitality and Tourism

Figure 1.2 Footfall Decline in Percentage: UK Hospitality Businesses 2019-2020

	6 th March	7 th March	13 th March	14 th March	20 th March	21 st March
Edinburgh	-32	-29	-24	-20	-77	-94
Newcastle	-27	-39	-26	-31	-72	-95
Liverpool	-10	-20	-8	-37	-80	-96
Birmingham	-27	-13	-28	-36	-80	-95
Cardiff	-22	-18	-15	-59	-83	-97
Bristol	-9	-24	-16	-26	-76	-93
London	-17	-16	-27	-39	-81	-94

The staggered decline in footfall is important as businesses have been operating far from capacity for months prior to closure. This is significant for an industry that is largely reliant on incoming cash in order to pay overhead costs. With restaurants for example, there is generally around two weeks of buffer cash, with consumer spending playing an essential role in covering business costs. Due to declining footfall, many hospitality businesses already faced significant shortages of cash prior to the decision to shut them down. With very little indication of how long businesses will remain closed, there is understandably a great deal of anxiety within the sector about what the future will hold.

Figure 1.3 demonstrates the extreme drop off in sector growth by comparing Q1 of 2019 and Q1 of 2020. Unsurprisingly the drop off in turnover and growth is enormous. The longer the period until businesses can reopen and operate, the more projected turnover will decline.

Figure 1.3 Financial Quarter 1 Comparison in UK Hospitality Businesses, 2019 and 2020.

Year	2019	2020
Annual Turnover (Yearly Projection)	133.5bn	126.8bn
Q1 Growth Rate	+3.9%	-21.3%
Annualised Growth Rate	-0.4%	-2.7%

Already the impacts on hospitality businesses are being seen, with the closure of recognisable brands. For example, The Restaurant Group has confirmed that the majority of its Chiquito and Food & Fuel restaurants and pubs will not reopen once the lockdown ends.⁹ The reality is that COVID-19 has already changed the UK's high streets irreversibly.

Government Response

Faced with one of the greatest challenges in modern memory, the Government has had to act quickly, with an unprecedented range and scope of actions. While there have been some difficulties with several of the schemes that were announced, the assistance that the Government has provided has undoubtedly saved many thousands of jobs, and for the time being has prevented the collapse of many businesses. The entirety of the fiscal support provided by the UK Government is worth around 15% of

⁹ <https://www.theguardian.com/business/2020/mar/26/most-chiquito-uk-restaurants-will-not-reopen-after-coronavirus-lockdown>

the UK's total GDP and exceeds the scale of the rescue measures taken in the wake of the 2008 financial crash. However, as various submissions to the APPG pointed out, such is the magnitude of the challenge faced by businesses within these sectors, that without a programme of continued assistance, the measures that the Government has taken will have postponed rather than prevented business failures.

The central plank of the Government's support was to introduce a Coronavirus Job Retention Scheme (CJRS) which aimed to support those jobs that were at risk from the outbreak. The Government's early estimates suggested that some 3 million private sector workers would be required to utilise the scheme, at an estimated cost of £10bn to the Treasury.¹⁰ The scheme that the Government devised was both ambitious and generous, aiming to provide 80% of the wages of those who are on the payroll but who are temporarily out of work due to coronavirus. The payment is up to £2,500 per employee per month, which is the equivalent of 80% of a £37,500 salary.

On May 12th the Government extended the CJRS beyond its original end date at the end of June until October. While the Government has laid out a plan to get businesses to contribute more to the scheme, this was widely seen as a positive move from hospitality businesses. As the results of the APPG consultation show (See Chapter 5 on Business Support), the extension of this scheme was widely seen as imperative for businesses in the hospitality and tourism sectors.

Financial liquidity has been a challenge for businesses in the sector, with many businesses urgently needing money to pay overhead costs and pay staff prior to the job retention scheme being introduced. This issue was also exacerbated by insurance companies failing to pay out on policies. To provide vital capital to businesses, the Government introduced schemes to facilitate the lending of money to businesses that required it. This included the creation of the Coronavirus Large Business Interruption Loan Scheme (CLBILS), which was introduced to support larger businesses with an annual turnover of over £45million. For smaller businesses, the Government introduced the Bank of England Covid-19 Corporate Financing Facility (CCFF), which aims to provide liquidity for large firms to help them bridge coronavirus disruption to their cash flows, through loans.

Business Rates have long been a disproportionate burden on hospitality venues, which due to the size of their sites frequently must pay a significant bill. As part of the emergency measures announced, the Government announced significant reliefs for businesses in the retail, hospitality or leisure sector. This included a £25,000 cash grant to businesses in the retail, hospitality or leisure sector with a rateable value of less than £51,000. While this will be well received by a number of independent operators across the UK, it is important to note that many SMEs are missing out on business support grants because they operate from properties with a rateable value of more than £51k.

Another measure that the Government introduced which has been well received by businesses was extending the protections offered to individuals to businesses by prohibiting the forfeiture of a lease for non-payment of rent for three months to 30 June 2020. The introduction of the Corporate Governance and Insolvency Bill on May 20th could help to close other loopholes (discussed in Chapter 5) which are causing businesses concern.

These measures have helped sector businesses significantly which was reflected in the responses that the APPG received from businesses. One respondent noted that *'We welcome the significant financial*

¹⁰ <https://www.ft.com/content/8e2c0615-f2af-4885-a9bf-78deeb94bc80>

support measures that have been introduced throughout this period to alleviate the impact to the country's economy and to help individuals and companies that are struggling.'

However, if they are to be limited to a short time, the risks that businesses faced in early April will only be deferred as opposed to being mitigated. Chapter 5 (Business Support) and Chapter 6 (Long Term Requirements) will provide an outline of the short and long term support that businesses need from the Government.

Easing Lockdown Measures

For many countries, the peak of COVID-19 infection has, or is hoped to have been reached. Increasingly there is now focus on economic recovery and the measures that can be taken to emerge from lockdown, while still conscious of the risk of increasing infections. Much can be gained from looking at the exit strategies that are already being enacted abroad, highlighting some of the conditions that sector businesses may have to adapt to in the short term. Some countries have looked to move quickly with their restarting measures. For example, Czechia has gradually began lifting restrictions on retail areas, with other restrictions being lifted gradually in May.

The Czech Government aim is to open all hospitality venues like theatres and restaurants by June 8th, however there is still a plan to keep gatherings restricted to no more than 50 people. Pubs and restaurants opened earlier than this on May 25th, with outdoor service possible from the 11th May. The Czech Government also made plans to reopen borders with neighbours, hopefully looking to stimulate the tourist economy, with the borders with Austria and Germany due to open by 15 June. A common theme across Europe is the opening of venues but with social distancing measures in place. This ranges from 1.5 to 2 metre distancing between guests.

The downside of opening venues and relaxing restrictions too early is that infections may spike, and that Governments are then forced to impose stricter rules. In Germany, which is widely regarded as having handled the COVID-19 spread better than most, a relaxation of lockdown measures has seen the country's overall case number grow. In South Korea, a localised outbreak of COVID-19 occurred in Seoul's nightclub district, forcing the Government to reimplement certain lockdown measures. For UK businesses, it is imperative that when a lockdown is relaxed, it is done so permanently, enabling them to have confidence in the measures that they are taking to combat the spread while also taking business decisions like stepping up their supply chains. Many companies (as Chapter 2 will examine) view a 'false start' scenario as the worst possible outcome, causing them to step up supply chains and unfurlough staff, before once again facing an enforced or protracted closure.

The UK Government released its tentative plans for reopening the country on May 10th, in its document entitled 'Our Plans to Rebuild.' Businesses within the hospitality and tourism sector will be among the last to reopen and are scheduled to do so in early July. It should be noted that the devolved administrations are now operating on different timetables, with the Scottish Government releasing its framework for moving out of lockdown on May 21. Both plans are dependent on the impact that a loosening of restrictions has on COVID-19 cases countrywide.

When looking at the measures taken in other countries, it is inevitable that larger gatherings will be discouraged when the UK emerges from lockdown for an extended period. For pubs, events and late-night businesses the impact of this will be severe. For hospitality venues, it is increasingly clear that measures will be required to ensure that the flow of customers, regular cleaning, protections for staff and technology that limit customers' interactions with one another and with staff are effectively managed.

There is some cause for optimism when looking at China, where the virus originated. Now, most of the lockdown restrictions that were introduced in January of this year have been lifted, while cases continue to fall. This should provide some comfort for businesses that reopening is possible. For the tourist economy however, it is important to note that even though some countries have lifted restrictions, there is unlikely to be a quick return to normal. Many Governments are advising citizens not to travel in 2020, which will have severe ramifications for UK inbound tourism markets. Governments across the World are placing increasing focus on the promotion of domestic tourism.

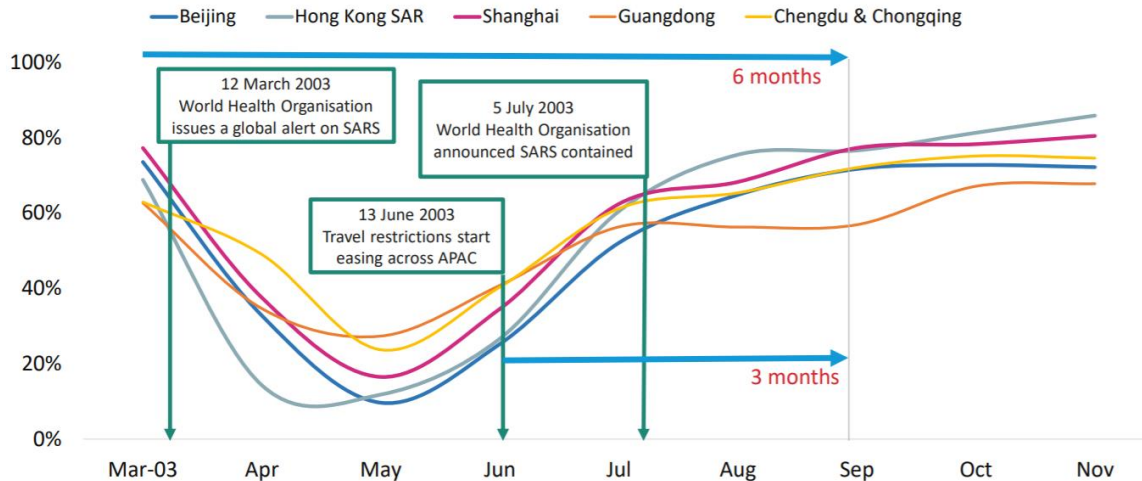
Sector Recovery

As successive Governments move to consider and implement recovery measures, thoughts turn to the timeframe that businesses in the hospitality and tourism sectors may be looking at for recovery. When considering recovery time, hotel occupancy rates are particularly useful given that hotels are a central part of both the hospitality sector and the tourist economy. Initially when the decision was made to close large part of the UK's industry, there was hope for a best-case scenario or 'V curve' recovery. For this to be the case, businesses would close for a period, but they would reopen quickly and rally to post-crisis growth levels. Many of these projections were based on businesses performance following the 2003 SARS outbreak in Asia. Figure 1.4 demonstrates this speed of hotel occupancy recovery after the initial collapse in market share.¹¹

Figure 1.4

Performance bounced back quickly after SARS – that seems less likely now

China, March-November 2003 Occupancy



(Figure 1.4 is provided by STR research)

The speed of the pace of recovery and the inadequacy of the SARS comparison have become clear when looking at the strategies that Governments have introduced to ease lockdown measures. It is clear that the expectation is one of protracted recovery as opposed to a quick return to normal. The UK, like many countries around the world will likely enter a recession in 2020. Even when businesses are permitted to reopen, consumer confidence and spend will be impacted, with implications across the whole of the economy. Due to the likelihood of what respondents frequently referred to as being

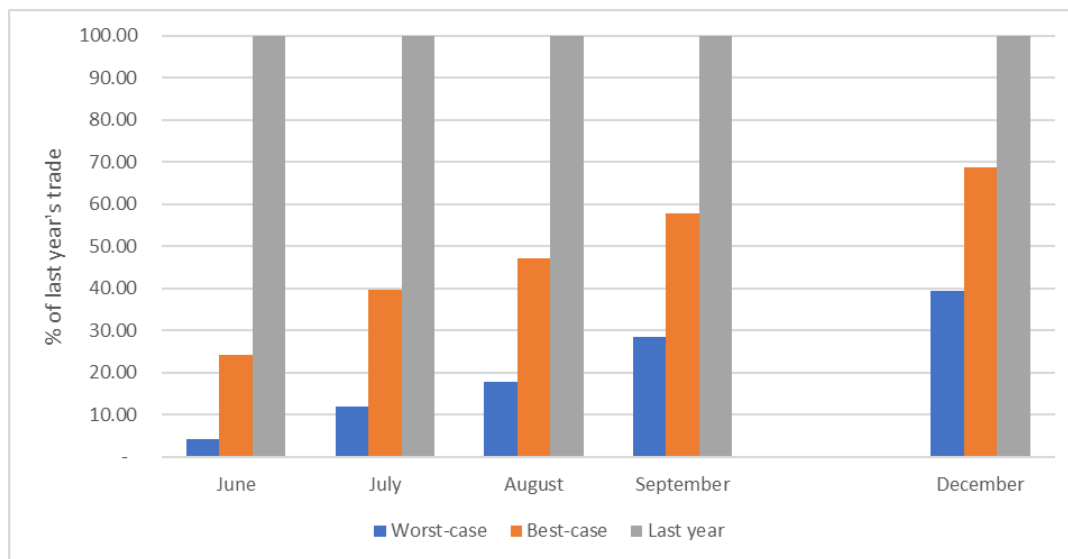
¹¹ A Submission by STR Research to the All Party Parliamentary Group for Hospitality and Tourism

the ‘first in and last out’, hospitality and tourism businesses will face one of the steepest roads to recovery. As shown in Figure 1.5, UK businesses clearly anticipate a slow return to growth.

According to the UKHospitality survey, businesses are already planning for an extremely slow recovery in the second half of 2020. Even by December, the best-case scenario has a one-third decline in trade (31%), with a best-case scenario in August being a loss of over half (53%) of the market. A concern that was raised to the APPG from several businesses was the impact that COVID-19 will have on consumer confidence. For a ‘V shaped ’or quick recovery, both sectors would require high consumer confidence and significant demand. Recent polling carried out by IPSOS Mori suggests that this is unlikely to be the case when lockdown measures are eased. This survey suggested that 71% of UK respondents would be nervous about leaving the house when lockdown measures ended.¹²

A slow and reluctant return by consumers has already been demonstrated in China, where citizens have been able to visit restaurants for some months now, but have not returned in the numbers that may have been hoped.¹³ There are rightly fears within hospitality businesses that consumer habits may change for good. It is therefore safe to assume that even if businesses can reopen with social distancing measures in place, consumer demand will still be significantly lower than expected. This will be mirrored in terms of inbound tourism markets, which look set to suffer for an extended period.

Figure 1.5 UKHospitality study on Projected Business Levels



Despite businesses fears, there is hope that things will begin to rally as we approach Q3 and Q4 of 2020. Hotel occupancy rates in China, as shown in figure 1.6, have rallied slightly during March and April.¹⁴ This scenario is increasingly forming part of the thinking of sector businesses, with many planning for ‘green shoots ’of recovery by Q4. While this is no doubt a positive sign for businesses, for those within the tourism sector, many will miss almost the entirety of their busy or ‘peak ’seasons.

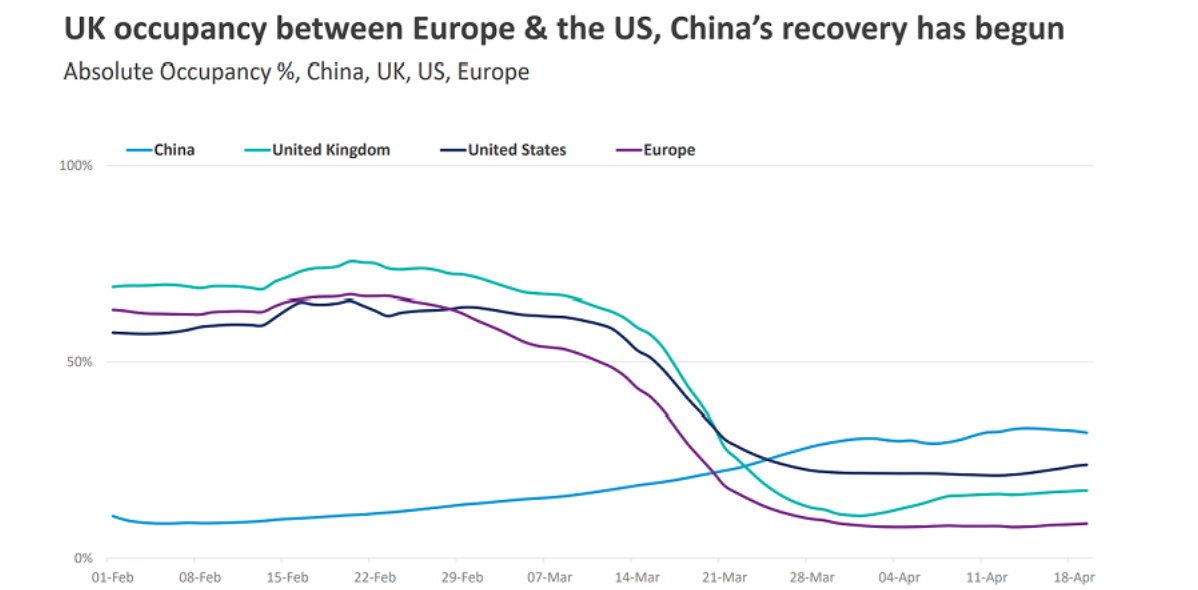
¹² <https://www2.deloitte.com/nl/nl/pages/consumer/articles/preparing-for-an-economic-downturn.html>

¹³ <https://www.telegraph.co.uk/food-and-drink/features/restaurants-china-start-reopen-could-recovery-roadmap-british/>

<https://www.bloomberg.com/news/articles/2020-04-15/wuhan-s-life-after-lockdown-isn-t-business-as-usual>

¹⁴ A Submission by STR Research to the All Party Parliamentary Group for Hospitality and Tourism

Figure 1.6 Hotel Occupancy Rates in China, UK, US and Europe



This point was made to the APPG by Cumbria Tourism, who summed up the problems that businesses felt, suggesting that *‘businesses now unable to make money in the traditionally busy time of the year which would then see them through the next winter. Even if businesses can survive in the short term, grants and loans are just covering essential costs, they are not replacing profits that will see them through the leaner winter period or allow them to invest for the future.’*¹⁵

Heritage Great Britain echoed this point in their submission to the APPG, drawing attention to the plight that rural businesses will face in the result of a lengthy lockdown and poor recovery. *‘pandemic impact could not be worse, and it will take 2-3 years to even recover back to normal levels and debt reduction. Special measures must be taken to aid and support UK leisure & hospitality, especially rural seasonal tourism businesses who don’t trade in winter months and have negative cash flows for 3 to 4 months each year’*¹⁶

This is a picture that is replicated in businesses across both sectors. Thorley Tavern’s submission to the APPG predicted that with *consumer confidence low, spending will be restricted as people come out of financial restrictions, some consumer spending will be exchanged for consumer saving, consumers will be used to buying cheaper alcohol from supermarkets and many societal habits will have changed*¹⁷.

This is a concern shared by the late-night sector, which will likely be one of the last sectors able to reopen. According to Deltic Group, *‘Our sector is heavily weighted towards 18-24yr old’s whom we know are individually less affected by the disease but who may be subject to peer pressure from families to avoid large gatherings and potentially bringing the disease home because it would be selfish’*¹⁸.

¹⁵ A Submission by Visit Cumbria to the APPG for Hospitality and Tourism

¹⁶ A Submission by Heritage Great Britain to the All Party Parliamentary Group for Hospitality and Tourism

¹⁷ A Submission by Thorley Taverns to the All Party Parliamentary Group for Hospitality and Tourism

¹⁸ A Submission by Deltic Group to the All Party Parliamentary Group for Hospitality and Tourism

Unsurprisingly business confidence has been shaken due to the virus. SquareMeal conducted a study of business confidence in April, the results of which highlight the difficulties and lack of clarity that many businesses are currently dealing with. The survey results found that business confidence was low, with only 39% of respondents (survey size 250 businesses) suggesting that they were confident about their business surviving.¹⁹

As the country moves towards a relaxation of lockdown measures and looks to open once again, it is important to understand the levels of pressure that face businesses within the hospitality and tourism sectors. These sectors drive growth in the UK's economy and provide millions of jobs in all areas of the UK. Ensuring they are supported and that support measures to reopen the economy are both well thought through and exhaustive is essential. It is not an exaggeration to suggest that thousands of businesses and millions of jobs are currently at stake.

¹⁹ A Submission by SquareMeal to the All Party Parliamentary Group for Hospitality and Tourism

Chapter 2: Conditions for Restart

The Government has announced that hospitality businesses will be reopened as part of the third phase of its lockdown easing measures, with businesses to remain closed until July at the earliest. This timescale is unsurprising, particularly given the Government's haste to close hospitality businesses at the beginning of the lockdown period. For companies across the sectors, there is the expectation that the hospitality and tourism sectors will be among the last to emerge from enforced lockdown measures.

As the UK was several weeks behind European countries in dealing with the COVID-19 outbreak, it is unsurprising to see efforts underway in Europe and other parts of the World to open up their economies, with businesses in the hospitality and tourism sectors reopening or being given definitive dates to do so. A lot can be learned by the differing approaches that are being taken globally to reopen the sectors. In some countries like South Korea, which did experience outbreaks of COVID-19 months before the UK, businesses including nightclubs have already been opened. Recent issues with isolated outbreaks and the South Korean government's aptitude in handling these using tracking technologies draws attention to the vital role that technology will play in managing the outbreak.²⁰ Some experts have said clusters like the one in South Korea could become the new normal as countries try to balance brining the pandemic under control with restarting their economies. Other countries have been more cautious in looking to open their hospitality venues. France, for example, in comparison to other countries in the EU, kept restaurants, bars and cafes closed for a longer period. Tentative reopening began to occur in regions with lower contamination levels (i.e. 'Green Zones') in early June. Border reopening with its immediate neighbours has been pushed back until the middle of June, where plans have been made to open borders with Switzerland and Germany.

For UK reopening, there was a clear preference throughout the submissions from businesses in favour of the introduction of a social distancing standard-led approach, not by a prescriptive business 'type'. The argument is that this would not only suit sector businesses, but also would benefit the wider UK economy. It is worth noting that around 25% of the hotel estate and 10% of the takeaway/food-to-go estate (as well as contract catering/workplace canteens) has continued to operate to some degree throughout this strict lock down period.²¹ These businesses have successfully operated subject to stringent social distancing requirements and sector-specific protocols to provide services to key workers, vulnerable people and to assist in feeding the nation.

Phased Approach to Business Reopening

A phased approach will allow for a gradual reintegration of the hospitality sector, when different businesses are ready. The prevailing view from respondents to the APPG is that this will benefit the unlocking of the economy as whole, for example those hospitality activities which are critical to the functioning of the wider business return to work. These businesses include, although are not exclusive to, accommodation for construction, workplace food for non-essential businesses and will boost the wider circular economy and supply chain. There will also be a societal gain from opening hospitality businesses, providing experiences for families and individuals who have sacrificed much over the last 2 months.

²⁰ <https://time.com/5834991/south-korea-coronavirus-nightclubs/>

²¹ A submission by UKHospitality to the All Party Parliamentary Group for Hospitality and Tourism

According to the Historic Houses submission to the APPG, *'What is needed most is clarity about the recovery plan, and endorsement of industry-generated standards. A campaign to reassure consumers that it is safe to visit sites that have taken all due precautions could hugely help the recovery process.'*²²

Some businesses, due to their makeup and model, will likely be able to open sooner than others. Businesses in the holiday park sector, for example, may have certain advantages that enable them to more readily facilitate social distancing. This has been seen on the continent, in Germany for example, where camp sites were permitted to open ahead of other businesses within the hospitality sector.

The benefit of enabling businesses to open in this manner is that due to the spread of hospitality and tourism businesses across the UK, it would provide a much-needed economic boost for parts of the country, including coastal and rural communities. With many of these businesses facing the prospect of missing peak seasons once again, a banded approach that prevented businesses that were ready from reopening would put the economies of certain areas under tremendous pressures.

Social Distancing

Coronavirus is a respiratory disease that can invade a host via the respiratory route or via hand to eye, mouth or nose contact. People who appear healthy may be carrying and shedding the virus, which can be passed on either directly or indirectly to others. The main controls that are relied upon to combat the virus are social distancing, disinfecting hand contact surfaces and hand washing and hand sanitiser use.

Current World Health Organisation guidance suggests that one metre social distancing is enough to mitigate the risk of being passed COVID-19.²³ This is based on research originating in the 1930s which showed that when someone coughs, most of the droplets they release either evaporate or fall to the ground within about one metre. The UK Government's advice remains that distancing by two metres is safer. According to this advice, spending six seconds with an infected person one metre away carries the same risk as spending one minute with them if they're two metres away. This puts the UK as one of the most cautious countries in its policy of social distancing. In order to supplement social distancing measures, many other countries are urging - or ordering - their citizens to cover their faces. In Spain, anyone using public transport must wear a mask, with the same rules enforced in Germany. These measures will now be adopted in the UK by mid June.

For businesses, it is imperative to get the reopening process right, including managing the distancing between customers. One bad experience for customers on reopening could critically damage businesses. While these decisions are currently taken and guided by the Scientific Advisory Group for Emergencies, the Government has suggested that it will consider reviewing these measures. It is important that this is done with enough lead time for businesses to make adaptations to their properties.

If the UK retains its current two metre social distancing rules, the consequences will be significant for many businesses. According to surveys, this level of distancing will cause businesses to lose between 70 and 80 per cent of their capacity.²⁴ For many businesses it would be impossible to operate financially under these conditions, as has been reflected in business confidence surveys. A survey by

²² A submission by Historic Houses to the All Party Parliamentary Group for Hospitality and Tourism

²³ <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/advice-for-public>

²⁴ A submission by UKHospitality to the All Party Parliamentary Group for Hospitality and Tourism

SquareMeal (262 responses) submitted to the All-Party Parliamentary Group for Hospitality and Tourism's 'Pathways to Recovery' Inquiry found that 68% of businesses surveyed would not be confident of surviving with social distancing measures of two metres.²⁵ For smaller businesses, operating with a two metre enforced social distancing would make it very difficult, if not impossible, for them to open.

The difficulties with a social distancing approach were put to the APPG by PPHE Hotel group who suggested that *'Our business in particular requires approximately 40% occupancy per hotel before we break even. In other words, nearly every other room must be occupied, or we accrue losses simply by basic operation. To break even and survive, hotels like ours, need the ability to return to much higher occupancy levels which would come at the cost of social distancing.'*²⁶

This sentiment was echoed in the submission of All Our Bars, which suggested that *'hospitality is about socialising. You cannot "socialise" at 2 metre distances and this would be impossible to manage in any event. If people come out and have a poor social experience whether in bars, restaurants or clubs, then they will limit or eradicate their visits in future.'*²⁷

For travel and tourism businesses, it is difficult to imagine two metre social distancing being feasible in most circumstances. On trains for example, it would be very difficult to always maintain a two metre distancing, when moving around carriages, without other measures (such as wearing masks) being put in place.

Social Distancing in Europe

Over the last few weeks bars and restaurants in Italy reopened with one metre guidelines, in line with Denmark, Austria and France. In Germany, whose hospitality businesses began opening in early May, social distancing measures include a restriction on who you can dine with (one other household) and a 1.5 metre social distancing requirement from other restaurant patrons.

Country	Level of Social Distancing Required (metres)
UK	2
France	1
Germany	1.5
Japan	1.8
World Health Organisation	1

Efforts have been made to enforce social distancing in Europe in different ways. This includes floor marking with tape, sitting mannequins at tables and having customers wear special hats to help keep them 1.5 metres from the nearest guests.²⁸ In Austria, guests are directed to the table according to

²⁵ A Submission by SquareMeal to the All Party Parliamentary Group for Hospitality and Tourism

²⁶ A Submission by PPHE Hotel Group to the All Party Parliamentary Group for Hospitality and Tourism

²⁷ A Submission by All Our Bars to the All Party Parliamentary Group for Hospitality and Tourism

²⁸ <https://www.independent.co.uk/life-style/food-and-drink/germany-cafe-lockdown-social-distancing-pool-noodle-hats-rothe-a9518846.html>

the "wait to be seated" principle, with tables always having to be reserved in advance to facilitate social distancing. Customer interaction has also formed a part of social distancing measures in Europe. In the Netherlands for example, before entering restaurants or pubs, guests will have to answer a few questions about their health. If they answer all the question with no, they are permitted to go inside.

Timings

With regards to reopening, while businesses are obviously keen to start trading as quickly as possible, there is a high level of understanding of the unprecedented challenge that is facing the country currently. As suggested above, the clear preference that has been put forward by businesses is to open with an industry defined standard led approach, enabling sector businesses to open when they believe that it is safe to do so. A core concern that was communicated to the APPG was the danger of a 'false start' reopening, where businesses can reopen, but a spike in COVID cases causes them to shut down quickly. According to Greene King, *'any situation where businesses are able to open but forced to shut down once again weeks later would be devastating.'*²⁹

Businesses have to step up their supply chains and un-furlough workers in order to prepare themselves to reopen. To take these steps and assume this financial cost and then have to close before a sustained period of trade would be disastrous for businesses. For certain businesses, the existence of the CRJS and other support measures means that they are happy to wait a longer period to reopen, provided that once they can do so they can remain open. It is important to note that this was not a majority of respondents.

Safe Tourism

Tourism is a vital part of the economic and social fabric of communities across the UK, providing much needed jobs and incomes, including to areas that suffer from high levels of social deprivation. As lockdown measures extend into Summer, there is a real fear amongst businesses that responded to the APPG that they will miss out on the entirety of their peak seasons, with lost time due to lockdown and lost commerce due to a reluctance of customers to return. Respondents to the APPG inquiry frequently mentioned the important role that tourism, specifically domestic tourism, would play for businesses when emerging from lockdown. The Heritage Alliance called for *'The government can help by coordinating with the sector on a "relaunch" of domestic tourism, encouraging the general public to visit domestic sites where it is safe to do so, and boosting overall confidence.'*³⁰

The first step towards restarting the tourist economy will be lifting the existing restrictions that prohibit all but non-essential travel. This will enable people to move around the country, perhaps initially beginning with permitting visits to see family members. This would hopefully allow for some domestic tourism, particularly when campsites, hostels, hotels and holiday parks begin to reopen. To create the conditions for safe travel, the Government should work with transport companies to facilitate the following:

- Minimise contact at departure, encouraging passengers to buy tickets and check in online.
- Fewer passengers may be allowed on board, for example buses, trains or ferries, to facilitate physical distancing.
- Regularly clean and disinfect vehicles

²⁹ A submission by Greene King to the All Party Parliamentary Group for Hospitality and Tourism

³⁰ A Submission by the Heritage Alliance to the All Party Parliamentary Group for Hospitality and Tourism

- Where physical distancing is more difficult to ensure, additional safeguards and measures should be put in place, for example, the wearing of face masks. Transport staff should be provided with adequate protective equipment;
- Sanitising/disinfecting gel should be available in vehicles and in transport hubs;

These measures are broadly in line with those recommended by the European Commission for travel in Europe as countries move towards reopening and the restart of the continent's vital tourist economies.³¹ The EU commission has outlined 3 broad phases to enable travel throughout the bloc. Phase 1 begins with a slight loosening of restrictions, such as isolated agreements between countries like Germany and France reopening their borders, to phase 2, during which all coronavirus related restrictions and controls at the internal borders will be lifted.

Already into phase one, non-essential travel within the EU is restarting after the short-term closure of borders. In the EU, Baltic states together with Finland are set to allow free movement among their citizens from Friday. Switzerland, Austria, Germany and France may lift internal border controls and create an "inner travel bubble" for holidaymakers and others. Denmark is looking at a travel bubble with Greece, to open the flight path between the two countries for vacationers. These plans are dependent on countries having a similar spread of the virus, as it can only work if travellers are exempt from mandatory quarantine on arrival. Strict hygiene and safety precautions for travellers are a key part of the push to fully unlock borders ahead of summer tourism. According to European Commissioner, the reopening of businesses will 'allow hundreds of thousands of people working in hospitality "to have a job over summer."³²

As the UK begins to devise ways to kickstart its economy, the Government should consider replicating travel bubble measures with low risk and low caseload countries. The Baltic states along with Finland have already begun reopening their borders to enable movement among their citizens. Switzerland, Austria, Germany and France may lift internal border controls and create an "inner travel bubble" for holidaymakers and others.

The UK Government's current position requires all international arrivals not on a short list of exemptions to self-isolate in their accommodation for fourteen days on arrival into the UK. According to Government advice, 'Where international travellers are unable to demonstrate where they would self-isolate, they will be required to do so in accommodation arranged by the Government. The Government is working closely with the devolved administrations to coordinate implementation across the UK. quarantine mandatory as businesses, lityhospita and tourism both with unpopular is This ³³' imposed on all arriving passengers will deter visitors from coming the UK. The Government should consider reviewing this measure as the UK moves through the stages of its recovery plan.

Technology and the Restart

As the UK moves towards reopening, it is worth examining technological options which could enable businesses to reduce person-to-person interactions. This could include, but is not exclusive to, mobile ordering and menu tablets, text on arrival for seating and increasing contactless payment options. For

³¹ https://ec.europa.eu/commission/presscorner/detail/en/ip_20_854

³² <https://www.forbes.com/sites/tamarathiessen/2020/05/13/europe-opening-up-for-safe-summer-travel/#136f2afc1088>

³³ <https://www.gov.uk/government/publications/coronavirus-covid-19-how-to-self-isolate-when-you-travel-to-the-uk/coronavirus-covid-19-how-to-self-isolate-when-you-travel-to-the-uk>

tourism businesses, digital technologies and data have a valuable role to play in combating the pandemic. Mobile applications could bolster contact-tracing strategies and support public health authorities in monitoring and containing the spread of the virus.

Businesses and governments can also use digital solutions for planning purposes and managing the flow of tourists, for example monitoring the overall maximum number of overnight stays in a given region, maximum number of visitors for cultural and heritage sites or use technologies to plan timings for those intending to visit cultural attractions, museums or restaurants.

Chapter 3: Operational Guidance

Businesses in the tourism and hospitality sectors face a number of steep challenges as they prepare for reopening. From the costs of adapting their venues to enhanced staff and customer protection, to PPE procurement and cleaning requirements, businesses are having to plan and adapt to new operational realities in a short period of time. To add to these difficulties, these adaptations are having to be made at the same time as other business-critical decisions, often with significant numbers of staff on furlough. In addition to all this, planning is being carried out while businesses are working out how to be sustainably operating at a significantly reduced capacity.

While it is acknowledged that each business area within these broad sectors will have to address differing concerns, with each having to consider their site's operational complexities, describing in depth the measures that each business type should take is beyond the scope of this report. For such information readers are encouraged to read the industry-led guidelines that are emerging from hospitality trade bodies at this time, which have outlined sectoral-specific steps that should be taken. Having reviewed the evidence submitted, this chapter will collate the key themes that businesses will have to assess across all areas of operations in order safely to reopen.

One option for the Government is to establish a common framework in order to test and certify that businesses are safe for consumers and staff. This should include robust plans to protect those who will be inside a business premises and detailed plan for how to clean venues to combat the spread of COVID-19. This could involve carrying out detailed COVID-19 specific risk assessments, in the manner that they would carry out assessments for other risk within the business. Provided businesses can meet the relevant conditions, they should be able to reopen. Already for hospitality businesses, valuable insight into the likely operational requirements has been provided by hotels and Food Service Management Businesses who have continued to operate during this period, when the majority of other hospitality businesses have been closed. Social distancing measures and new and enhanced cleaning methods have already been introduced within these businesses.

This approach was endorsed in the submission to the APPG by Historic Houses, who suggested that an industry led approach would be essential. *'What is needed most is clarity about the recovery plan, and endorsement of industry-generated standards. A campaign to reassure consumers that it is safe to visit sites that have taken all due precautions could hugely help the recovery process.'*³⁴

Getting the right processes across the hospitality and tourism sectors is vital, not only to ensure the safety of customers, but also to ensure that consumer confidence returns. If businesses can reopen but are not able to operate even at the top end of their reduced capacity, this will inevitably lead to business failures.

Preventing the virus spreading

In order to examine the steps that need to be taken by businesses, it is important to establish how COVID-19 impacts the operational activities of businesses within the sector. At the time of writing the virus has caused over 40,000 deaths and looms large in public consciousness. Taking proactive steps

³⁴ A submission by Historic Houses to the All Party Parliamentary Group for Hospitality and Tourism

to show that venues are combating the spread is essential. In order to prevent the spread within businesses, the introduction of even more robust cleaning measures than had been used previously are a necessity. Whereas viruses such as flu have been found to survive on surfaces for up to two days, for coronavirus, current advice assumes that the virus can live for 72 hours or three days. While different estimates have been made for different surfaces, it is safest for businesses to assume that the virus can be present for 72 hours on a surface.

People may appear perfectly well but could be carriers of coronavirus in the incubation period, which is up to 14 days, and they could be shedding the virus. This means that we need to ensure that everyone improves their personal hygiene and as much as possible (handwashing and keeping hands from faces) and keeps their distance from each other if possible, whether in the workplace or when having a break. The usual standard good hygiene practices carried out in food businesses will help contain the spread of the virus, but businesses will nevertheless have to adapt their premises as well as ensuring that staff are briefed and appropriately trained and equipped to deal with the new business realities.

Cleaning Standards

Because of the manner in which the COVID-19 virus spreads, cleaning regulations will be essential for businesses if they are to safely reopen. Businesses are being encouraged to complete a robust risk assessment to demonstrate compliance with and understanding of the COVID-19 secure guidelines. All surfaces should be cleaned frequently and thoroughly, especially those that are touched frequently, such as bar tops, tables, chairs, counters or tills. Different products should be used to ensure effective sanitation of an area. For example, for cleaning bodily fluids from surfaces in the restaurant, sanitisers and disinfectants that are effective against bacteria as well as cold and flu viruses would be recommended. Staff safety is a key consideration, with a focus on cleaning and management of staff areas, training and their wellbeing being a key part of industry-led guidelines.

Different practices will depend on the business type, with businesses likely to have to take decisions on how they can improve their operations. Hotels for example may review the frequency of the cycle of cleaning and in-room services to consider different lengths of stay. Changes could also be made to staff clothing and practice, for example disposing of single-use protective clothing, cloths and mop heads and any other waste in the room. For tourism promotion, it is imperative that national and local transport hubs, including ferry ports, airports and bus shelters are cleaned regularly and thoroughly. Doing this effectively should help to restore visitor confidence in the safety of travelling.

Social Distancing

As we have seen with other countries, businesses will have to facilitate social distancing between customers for their safety. As expected, the implementation of social distancing will significantly reduce the sector businesses' revenues during this time.

The Sustainable Restaurant Association have claimed that *'68% of SRA member businesses believe they would not survive if required to implement physical distancing measures (maintaining a 2m exclusion for all staff and customers).*³⁵

This picture is reflected across the sectors, with any social distancing measures likely to have a significant impact on pubs. According to Greene King, *'we expect to be able to accommodate c.30% of trade*

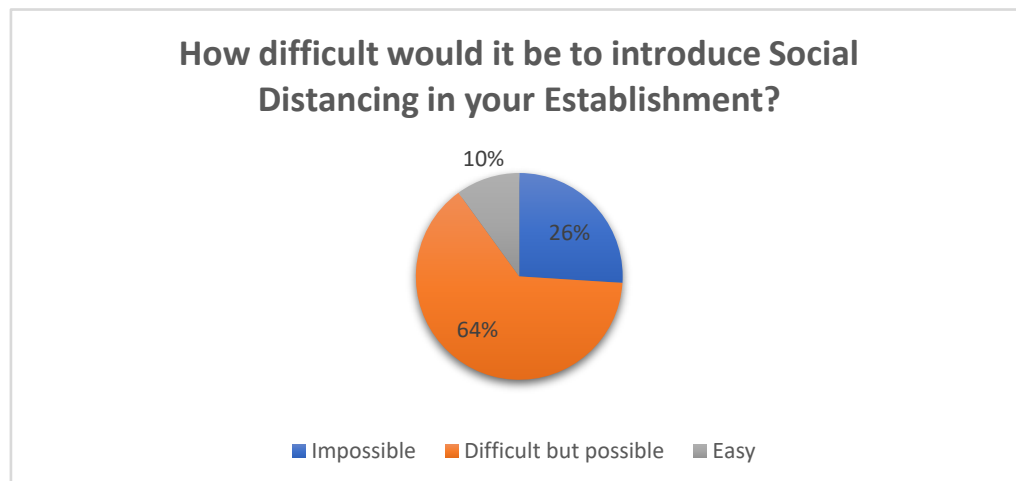
³⁵ A Submission by the Sustainable Restaurant Association to the All Party Parliamentary Group for Hospitality and Tourism

*with social distancing and this will impact which pubs we can open at different stages as many will not be economically viable with social distancing which will significantly impact the essence of the Great British Pub.*³⁶

Hotels are likely to look at financial modelling that determines a cost break-even point linked to Occupancy levels. From this, economic decisions on what level of revenue determines the business opening will be made. There is a chance that not all hotels will make the decision to reopen to coincide with lockdown ending. In other words, hotels are likely to make commercial decisions themselves as to a staggered opening.

The Canal and River Trust, which represents over 2000 boats spanning the whole of the UK warned of a similarly bleak picture if they had to open under these circumstances. *‘Operating restaurant boats or passenger boats on constrained crafts would be extremely difficult. Financial support would be necessary for most businesses as they cannot operate or would be doing so with extensive social distancing measures in place.*³⁷

Figure 3.1 is from a study by SquareMeal on the difficulties of making a business ready to provide a socially distanced service.³⁸ As the figure demonstrates clearly, respondents would find at least some difficulty preparing their businesses to open with social distancing measures incorporated. This is



without considering the financial impacts that opening in the manner would have on businesses. While this is clearly sub optimal, this is the reality that will face businesses for some time when they reopen. In Germany for example, whose hospitality businesses began opening in early May, social distancing measures have been enforced, including a restriction on who you can dine with (one other household) and also a 1.5 metre social distancing requirement from other restaurant patrons.³⁹ This is less than the two metre distancing requirement currently enforced in the UK, and more than the one metre requirement suggested by the WHO.

To become compliant with the Government’s social distancing requirements, businesses will need to make changes to their usual operation. In restaurants, tables will likely have to be spaced out in line

³⁶ A Submission by Greene King to the All Party Parliamentary Group for Hospitality and Tourism

³⁷ A Submission by the Canal and River Boat Trust to the All Party Parliamentary Group for Hospitality and Tourism

³⁸ A Submission by SquareMeal to the All Party Parliamentary Group for Hospitality and Tourism

³⁹ <https://kcrwberlin.com/2020/05/covid-19-in-berlin-and-germany-what-you-need-to-know/>

with physical distancing distance guidelines. Other measures that have become a feature of other sectors like retail will also be adopted. This will include access restrictions at entrances, signage and markers to indicate social distancing requirements to staff and customers. Such actions will also be required in queues or waiting areas.

Digital service solutions and table ordering may become more common as a means with which to limit customer and staff interaction. This step has been recommended in the United States by the Restaurant Association, supporting the use of technology solutions where possible to reduce person-to-person interaction. This could include mobile ordering and menu tablets, text on arrival for seating and increasing contactless payment options.

Staff Protection

A key concern relayed to the APPG from respondents was how they ensure the safety of staff when they return to work. It is imperative when staff return to work, they do so in full confidence that they are going to work in a venue that has taken the necessary precautions to protect them. For businesses in both sectors, it will be essential to ensure that staff are safe and protected, as well as being aware of how changes to operational regulations will impact them. Communication with staff is therefore imperative, ensuring that all staff are contacted and briefed on new ways of working ahead of reopening.

Government policy remains that those who have the virus or have been in contact with the virus to quarantine themselves for either 7 or 14 days. It is important that businesses contact their staff not only to confirm new working conditions, but also to review whether these existing staff are now within the 1.5 million who require 'high risk shielding' according to the NHS.⁴⁰ If workers are passed fit to return to work, they should also be able to test themselves and be subject to fairly regular tests for both their own health and that of the consumers. Other potential opportunities at the operator's discretion include taking staff temperatures.

The issues of supply of PPE will be engaged with in the next chapter examining supply chains. It is however important for businesses to have the relevant requirements for staff communicated to them in good time. As mentioned above, it is important to ensure that staff are safe and protected and are aware of the steps that are being taken to ensure their safety. This will of course require communication between the Government and businesses so that all businesses are aware of the requirements in terms of PPE and staff safety.

Consumer Protection

Appropriate measures will need to be taken across businesses to protect consumers in the same manner that staff are being protected. While many of these measures, such as the installation of physical barriers, social distancing measures or staff wearing masks will also protect consumers, other steps will be necessary for different businesses to take to ensure that their sites are ready to cope with increasing consumer demand. Limiting customer contact with collateral such as menus, trays, napkins would be a productive step in accomplishing this. Hand sanitiser should be readily available for customers and staff, with various stations set up around venues.

Specific signage around venues should be introduced to remind customers both of the Government's social distancing requirements and of any venue-specific requirements. It is important for signage out-

⁴⁰ <https://digital.nhs.uk/coronavirus/shielded-patient-list>

side premises to state that no one with a fever or symptoms should enter. Some businesses if practicable, may consider having temperature checks on arrival. Other proactive steps could be taken, such as introducing self-service tills with contactless payments or providing wrapping of disposable cutlery wrapped and sealed in bags.

Licensing and planning

One area that has emerged in discussions around opening, is that of utilisation of open spaces by hospitality businesses to help in the recovery process. A number of business have embraced takeaway services, and whilst currently there is a prohibition on the use of beer gardens, outdoor seating and the like, suggestions have been made to relax planning and pavement licensing rules around hospitality business to enable them to use outside spaces more freely, thereby boosting business recovery and managing safety.

The management of public spaces will continue to be key, and pragmatic enforcement will be crucial in ensuring the balance is met between public safety and businesses being able to operate effectively. Where reopening rules are developed under health and safety principles for safe workplaces, it is important that these are enforced under the same terms (i.e. under a health and safety approach rather than under existing systems not designed for this purpose such as alcohol licensing).

Government Guidance

While it is understood that the Government is dealing with a number of issues related to COVID-19 at this time, given that sector businesses may only be a month away from reopening, there remains a lack of clarity over what the reopening scenario may look like for businesses. It is important that this is addressed as soon as possible in order to allow businesses time to prepare. As we move through the phases of the UK Government's plan to reopen the country, it is expected that more operational details will be provided to businesses. A permissive health and safety-led approach is key, with each business being able to make the decisions that work for their individual operation.

This is a view echoed by MOTO Hospitality, who suggested in their evidence to the APPG that '*Any new guidance on hygiene and cleaning measures should be provided as far in advance of any implementation dates as possible.*⁴¹' This point is echoed by The Queen's Hotel and Victoria Cloisters in their submission to the APPG, suggesting that '*Guidance will be needed for operational limitations both for staff and guests.*⁴²'

For businesses it was regarded as imperative that they are kept up to date with changes that occur to regulations. For example, if there was new guidance on the use of face masks in public, the details of these rules would have to be communicated clearly and promptly. Generally, from the submissions that the APPG received, the requested guidance focused on cleaning methods and how this would impact different areas including handrails, toilets, staff areas, first aid rooms etc. Further clarification was also sought on air conditioning units.

⁴¹ A Submission by Moto Hospitality to the All Party Parliamentary Group for Hospitality and Tourism

⁴² A Submission by The Queen's Hotel and Cloisters to the All Party Parliamentary Group for Hospitality and Tourism

Chapter 4: Supply Chains

As efforts move towards getting hospitality businesses ready for restart, attention is shifting towards preparing their supply chains. There are obvious challenges in doing this, most notably the uncertainty regarding levels of demand and expected footfall. These outstanding issues directly impact the level of stock that businesses will require. Without functioning supply chains, businesses will have to reduce their offer or even delay reopening. This is a major concern as a poor consumer experience at reopening could cause lasting damage to brands. This Chapter will examine the challenges that businesses are facing with regards to ensuring that they are stocked and ready to open in early July, as well as assessing the likely time frames that different businesses are looking at.

Timing Responses received by the APPG indicate that the length of time required to change or reactivate supply chains will vary greatly, depending on the type, size and location of a particular business. A small operator who sources locally with minimal suppliers could be operational again within two weeks, for example a small B&B or some self-catering accommodation. For larger organisations with an extensive network of suppliers, this could be much longer.

Suppliers may need time to step up their preparations to operate again, but again this could vary depending on how the business has operated during the lockdown period. In a submission to the APPG, ABI suggested that they would be able immediately to provide draft beer when pubs reopened.⁴³ For others, this could be a period of more than three weeks, particularly where staff are returning from furlough. When looking to resume operations, suppliers may also need some time to gauge demand in the overall marketplace as well as regionally. These difficulties were outlined in the submission from The Queens Hotel in York, which suggested ‘*The supply chains need to be ready for the sector to open. We will need weeks to be able to communicate effectively with the suppliers to ensure stocks are ready.*’⁴⁴

For businesses with a complex supply chain, or who are dependent on larger suppliers who may be inundated with requests, it will take a longer period to get business ready. Greene King, which has a large brewing operation, suggested to the APPG that the restarting process will take a minimum of 4 weeks’ notice. The intricacies of the supply process for brewers was outlined in their submission:

*We currently have over 100,000 casks and kegs out with our customers. These need to be collected, emptied and cleaned before we can refill and send out to customers. This is an enormous logistics exercise which we need time to deliver and flexibility around relation of time zones for loading/unloading would be helpful, especially in London and Edinburgh.*⁴⁵

For some, there would be significant legwork required in order to put companies in a position to deliver products, including beer. According to Greene King ‘we have 10,000 containers in pubs that need to be collected and there is an enormous amount of work required to get the supply chain working again.’ Further, ‘social distancing will also provide challenges to deliveries as suppliers may be unable to use teams for deliveries.’⁴⁶

⁴³ A submission by ABI to the All Party Parliamentary Group for Hospitality and Tourism

⁴⁴ A submission by The Queens Hotel, York to the All Party Parliamentary Group for Hospitality and Tourism

⁴⁵ A submission by Greene King to the All Party Parliamentary Group for Hospitality and Tourism

⁴⁶ IBID

Generally, a one-month minimum preparation time would be considered to be reasonable and fair for businesses to step up activity to get ready to reopen. Businesses will have welcomed the announcement made by the Government indicating that the start of July would be considered to be an opening date for sector businesses, however this will be subject to change if infection rates spike. According to Bourne Leisure, even with appropriate lead time, there will be challenges and it is unrealistic to think that there will be no disruption that impacts operational and financial performance.⁴⁷

Financial Challenges for Businesses and Suppliers

Communication between supplier and businesses will be essential to ensure that supply chains are activated in a mutually beneficial and successful way. However, there are existing challenges that will have to be addressed ahead of reactivation, beginning with the financial positions that businesses and suppliers find themselves in. Trust between businesses and suppliers will also have been tested by lockdown, with negotiations likely to take some time as a result of this.

Businesses are facing challenges to their financial liquidity, which raises the problem of paying suppliers when they are able to reopen, particularly given that they will likely be opening at a significantly reduced capacity. In many cases, suppliers will have been asked to extend lines of credit during lockdown, however it is not clear whether this will continue when lockdown measures have eased. In such cases, with unpaid debts accrued to suppliers, there will no doubt be an expectation for businesses to work out plans to repay these debts when they are able to reopen. In certain cases, businesses will have to settle existing debts with suppliers prior to restarting supply lines. This would cause serious issues for companies without access to finance.

Suppliers will also have been significantly impacted during this time. This point was raised in numerous submissions to the APPG. As with any business at this time of unprecedented economic hardship, it is possible that certain suppliers will not make it through the crisis and will thus not be able to supply. This will mean businesses will have the added burden of finding a new supplier in order to operate. BACTA in their submission to the APPG described the perilous position that many suppliers find themselves in, not being eligible for rates reliefs or grants. *'They [suppliers] are encouraged to take on more debt through the CBILS and CBILS+ schemes but again this is debt that will at some point have to be repaid. Banks have been very slow in approving or rejecting loans.'*⁴⁸

The difficulties that businesses may anticipate in their supply chains was also raised by British Marine, who found in a survey of their members that 51% of their members had reported problems with the supply chain, with many expecting similar issues in the future once the restrictions on movement and operations have been eased.⁴⁹ Without a supplier in place, or facing a disrupted supply chain, businesses will have to source goods from elsewhere, which could cause difficulties with logistics and timings for reopening. Interacting with suppliers and ensuring that venues are appropriately stocked will be made more difficult if suppliers have had to furlough staff during this period.

Market Restaurants detailed the difficulties that may be present for businesses looking to find new suppliers. According to the group, businesses will have to *'establish credit terms with new suppliers as many will have gone out of business along the way and we don't expect this will be as easy as it once*

⁴⁷ A Submission by Bourne Leisure to the All Party Parliamentary Group for Hospitality and Tourism

⁴⁸ A Submission by BACTA to the All Party Parliamentary Group for Hospitality and Tourism

⁴⁹ A submission by British Marine to the All Party Parliamentary Group for Hospitality and Tourism

was because of the financial constraints they themselves have found themselves in. Expect the credit terms to be much tighter than before and this in itself could cause fluidity issues with cashflow.⁵⁰

Even if businesses can reopen with the majority of their supply chains intact, streamlined offerings will have a knock-on effect on their supply chains. If, for example, a pub or a restaurant were to significantly reduce their offer to meet the new demand, this would have knock-on effects for many small suppliers. For businesses, there will also be concern with putting down deposits, or prepaying smaller suppliers.

Food Supply

The Food supply chain has been relatively stable throughout the period of the COVID-19 shutdown and it is hoped that they will return to normal quickly. There are however some structural challenges that have been exacerbated during COVID-19, which could have long term impacts. The UK and other European countries have experienced shortages of workers to pick and harvest food, which will limit the amount of food that is harvested.

It is important that the domestic workforce is mobilised in order to carry out these vital tasks, along with recognising the contributions that are being made in this area by the migrant workforce. This is particularly relevant with changes to the immigration system from January 1st, 2021 likely to impact employment within the food supply chain.⁵¹ Ensuring access to labour, both now, and in the longer term, is key to ensuring the food supply in the UK.

Logistically, the closing of borders has caused some problems for supply chains but should not have done so irreversibly. The hospitality sector is a key part of the food supply chain and it will take some time for demand to return. This impact will, be felt throughout the food supply chain. Businesses may consider sourcing their goods from local sources in the short- to medium-term in order, if problems occur in the wider supply chain.

Health Protective Measures

As described in Chapter 3, businesses will have to make significant adjustments to their operation in order to meet with social distancing regulations, as well as ensuring staff safety. This could mean accessing various commodities such as face masks and Perspex screens, if deemed necessary, that will be in high demand across all sectors, including healthcare. Lack of available equipment for a sector not currently operating is a big concern. For sector businesses it is important that masks, gloves, hand sanitiser and antibacterial cleaning materials are in good supply. This concern was voiced by Swallowtail Hill Hotel, which suggested that *'without a guarantee that I can access a ready and regular supply (of vital products) my business will not be able to reopen.'*⁵²

During the course of the COVID-19 shutdown, businesses have expressed a fear of taking away vital supplies from key workers. Ensuring that there is a supply of industry standard health protection equipment is essential if businesses are obliged to use it, or feel they need to.

⁵⁰ A Submission by Market Restaurants to the All Party Parliamentary Group for Hospitality and Tourism

⁵¹ <https://www2.deloitte.com/nl/nl/pages/consumer/articles/food-covid-19-reshaping-supply-chains.html>

⁵² A submission by Swallowtail Hill Hotel to the All Party Parliamentary Group for Hospitality and Tourism

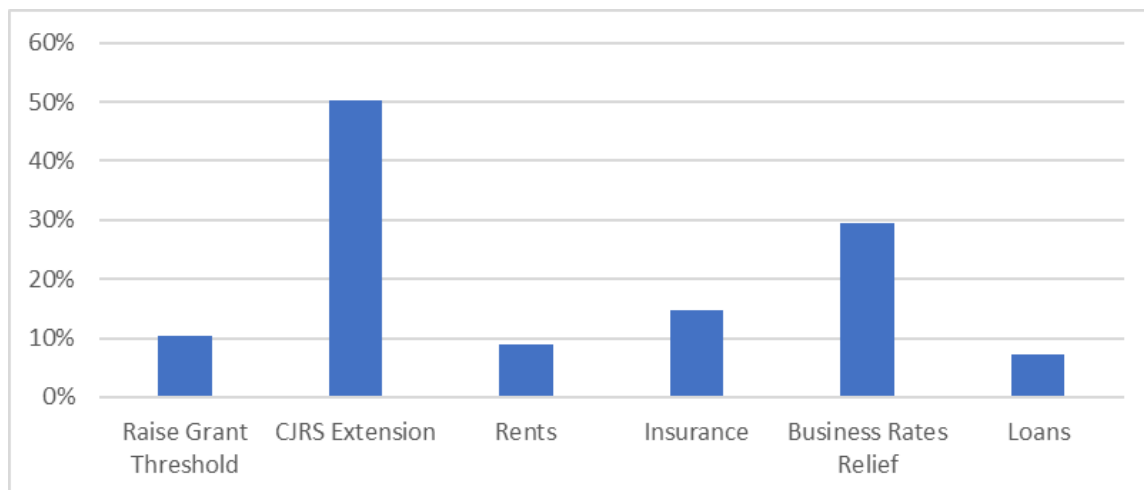
Chapter 5: Business Support

The impact of COVID-19 on the hospitality and tourism industries has been particularly pronounced. Without extensive support that spans the length of the crisis, businesses from both sectors are at extreme risk of failing. As Chapter Two (Conditions for Restart) highlighted, it is likely that businesses within these two sectors will be among the last to emerge from a phased reopening and when this happens, they will be forced into doing so at a significantly reduced capacity.

Businesses in both sectors are extremely grateful for the assistance that they have received to this point, and this is reflected in most evidence submissions to the APPG. However, such is the scale of the crisis, that without further and prolonged assistance during the transition and then recovery phase, many businesses are unlikely to survive. This chapter will examine the key immediate needs of businesses within the next 6 months.

Part of the APPG inquiry asked businesses to identify those Government schemes which provided one-off or ongoing support which they felt must be sustained as lockdown measures are eased. Figure 5.1 below shows the most popular responses. This question provides an indication of the challenges that many businesses are facing at this time. The results do not determine the importance of the different schemes. For example, the CRJS scheme has been critical for the survival of thousands of sector businesses and has undoubtedly been the most important measure introduced. It is important when examining the data to recognise that the businesses that were surveyed range in both size and type, with different industries requiring and being eligible for differing support.

Figure 5.1 Key Business Needs for APPG respondents.



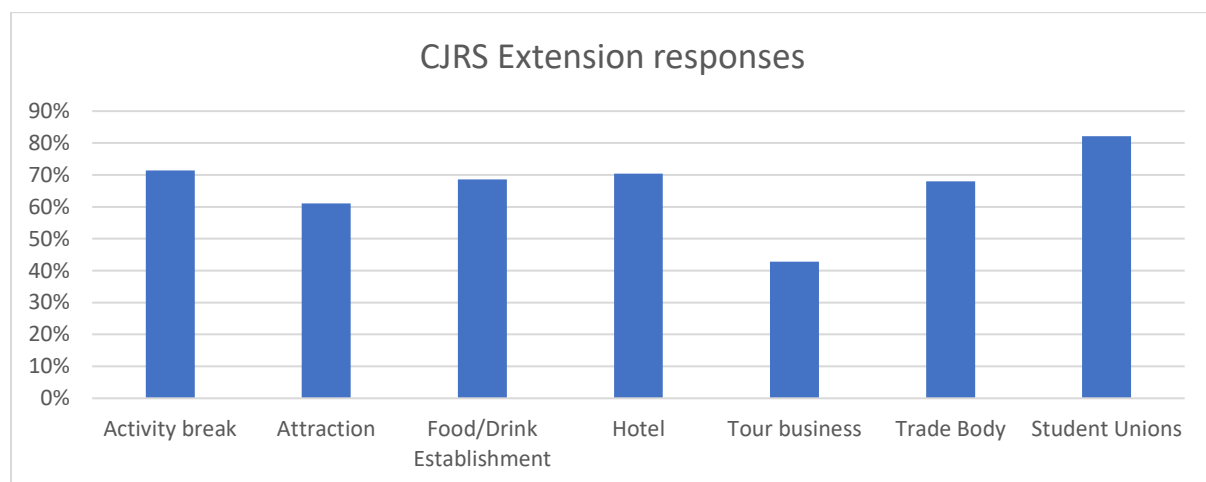
Job Retention Scheme

The Coronavirus Job Retention Scheme (CRJS) was launched to support companies that were unable to sustain their workforce as a result of COVID-19 and was introduced for an initial 4-month period from March until June, 2020. The announcement was generous, providing workers with up to 80% of their salary up to £2,500 per month. A survey carried out by UKHospitality in April found that 84% of the hospitality sector workforce had been furloughed, with the scheme widely credited as being the reason that redundancies were kept to a minimum (2%).

As Figure 5.1 shows an extension to the CRJS scheme was identified as the top priority by 50% of respondents to the APPG’s inquiry, highlighting the essential role that it has to play in supporting businesses during this time. Ensuring that there is this layer of support for businesses until they can open at levels close to maximum capacity is regarded as being critical for both sectors.

The value that businesses have placed on the CJRS scheme is highlighted further when looking at the data selectively. Discounting businesses that may not have been eligible for the scheme (independent operators) the importance that businesses placed in an extension of the CRJS is significantly enhanced. With this data removed, the overall number of respondents that called for an extension of the CRJS rises to 72%. Figure 5.2 shows the number of submissions from differing business types that directly called for an extension to the CRJS.

Figure 5.2



The evidence was submitted to the APPG prior to the Government announcement on May 12th that the CJRS would be extended beyond July until October. The reality is that this scheme has undoubtedly saved many thousands of jobs and thousands of businesses. The fear for many businesses was of a cliff edge after June, with mass redundancies and a spike in unemployment almost certain. While the scheme will not save all businesses within the hospitality and tourism sectors, it provides vital support during a period when businesses are likely to be opening and operating with significant reductions in numbers.

The Government announced changes to the scheme on May 29th which will guide the scheme from its implementation until October when it concludes. These changes were introduced so that businesses would begin to start paying a contribution towards their staff’s wages. During June and July, the scheme will remain the same, with the Government providing 80% of wages as they are currently doing. From August, the Government will require businesses to pay employer NICs and pensions which will amount to about 5% of the wage bill. By September businesses will be required to pay 10% of their wages, before finally paying 20% in October when the scheme will conclude. Employer contributions to the scheme from August will put some businesses under particular strain, but the way it is tapered should allow for gradual adjustment

As businesses move towards reopening, they will need to begin stepping up preparations and will require staff. One of the key issues raised to the APPG in the written evidence was the need for greater flexibility on the CRJS scheme. According to the British Holiday and Homes Parks Association, *‘The Job Retention Scheme grants continue into the recovery period but with greater flexibility. The current JRS*

*rules mean staff cannot work whilst on furlough. This should be revised, especially for museums/charities/non-profit organisations as staff are needed now to start planning and preparing for re-opening and recovery. It will take time for businesses to adapt and recover, cutting off the bridging support too soon would mean more businesses going under and be counterproductive.*⁵³

The Government has now committed to make the system more flexible from July, which will help hospitality and tourism businesses as they begin to move towards reopening. The new flexibility will suit hospitality businesses and bring workers back on a part time basis while they deal with reduced demand. With hospitality and tourism businesses certain to open sub-economically, the ability for businesses to pay parts of the wage bills of their furloughed staff will be limited. Certain hospitality businesses will struggle to be able to open soon with social distancing measures (i.e. nightclubs) and will be unable to take on any extra part of their wage bills. If they are forced to, the inevitable consequence will be redundancies and rising unemployment. A solution to this would be for the Government to retain the 80% CRJS scheme for those businesses that will be impacted by lockdown measures until they are able to reopen. This would help to prevent redundancies, retain great staff and would help support businesses until they are able to reopen.

Rents

The Government introduced a 3-month moratorium on commercial evictions as part of the measures that it rolled out to support businesses from March 20th. While rent issues were mentioned directly by only a few respondents to the APPG's consultation, over half of the respondents from the food and drink/restaurant establishments suggested that rent issues needed to be examined by the Government in order to promote business survival. Around half of businesses that responded to the UKHospitality survey said they had not paid their March rent.⁵⁴

While the Government moratorium has eased the fears of some businesses, this has not fully resolved the situation. Greene King, a pub company that operates across the UK has found this, stating in its written evidence to the APPG that *'We welcome the additional action taken by Government around the issue of commercial rents. While the ban on evictions for three months helped, businesses including ours still faced legal letters from landlords initiating winding up proceedings. A solution is needed on commercial rents through the lockdown period and the reopening period as trade will not return to normal levels.'*⁵⁵

The current provision essentially means prohibition of changing the locks and taking back possession of the property – which landlords are unlikely to do as it exposes them to a rates liability and a vacant, unlettable property. The Government's Corporate Insolvency and Governance Bill, which is yet to due to become legislation, outlaws further enforcement action. This bans winding-up petitions, statutory demands and Commercial Rent Arrears Recovery (CRAR) proceedings. This is backdated to prevent action being taken by aggressive landlords.

These concerns were also noted by Accor Invest, which suggested *'we will not want to be in a situation where we have to open our hotels to trade at a loss even before rent obligations are taken into account*

⁵³ A Submission by the British Holiday and Homes Parks Association to the All Party Parliamentary Group for Hospitality and Tourism

⁵⁴ A Submission by UKHospitality to the All Party Parliamentary Group for Hospitality and Tourism

⁵⁵ A Submission by Greene King to the All Party Parliamentary Group for Hospitality and Tourism

*for fear of the landlord seeking to enforcing this breach of lease covenant, whether by a damages claim, forfeiture/irritancy, specific performance or otherwise.*⁵⁶

There is strong support from within the sector for a continued moratorium on rents for up to 9 months, with details of repayment to be worked out subsequently with landlords. Gusto Restaurant responded to the APPG suggested that this is a necessity ‘*to enable businesses to stand any chance.*’

The closure period, sustained declines in trade and depleted cashflow means rent challenges will persist at least until lockdown ends. This will require additional Government intervention to facilitate the non-payment of rent for a sustained period and ensure the liquidity of the property ecosystem. – this will almost certainly need Government funding.

Grants

The Government has provided grant funding of £25,000 for retail, hospitality and leisure businesses with property with a rateable value between £15,000 and £51,000. Businesses with a lower rateable value below this level received grants of £10,000. For many smaller businesses that accessed the grants, this funding has provided a vital lifeline, enabling them to meet overhead costs and continue to survive. However, with the summer peak season likely to be lost for most if not all businesses, this funding alone is unlikely to be sufficient. The APPG has heard that businesses have had some issues accessing grants that they should be due. According to a UKHospitality survey, by the middle of April only a quarter (25%) of eligible properties had received their Government grant – though this does seem to have increased dramatically since.⁵⁷

For those that received the grant, it was clearly a welcome boost, one that provides relief, but does not provide the solution to all. Bramble Bottom Holidays are a small Holiday Cottage business in Richmond that were the recipient of such funding. In their submission to the APPG on grants they suggested that ‘*The SBRR relief grant was extremely welcome but will in no way cover all our losses. So far, we are not taking any guests until the end of June, however if the no-travel rules apply for many more months, we will need a further grant.*’

Dorchester House, is another similar case, suggesting that smaller businesses need help to keep going as lockdown extends, or they will be at risk. ‘*We received the small business grant of £10,000 which was a great help. This will keep us going through April / May / June. However, if the restrictions continue beyond the end of June then we would require further help to support us. A further grant would be the best solution, as if we took out a loan, then we would struggle to pay it back with no income.*’⁵⁸ The Government support for these smaller businesses has been welcomed, however the picture that is being painted is clear. Many are unwilling or unable to take on a commercial loan at this time for fear of collapsing. Without further support, the reality is that many of these businesses will close.

The Grant scheme by design targets smaller businesses, meaning that there are significant numbers of sector businesses that were not covered. It is important to note that many SMEs are missing out on business support grants because they operate from properties with a rateable value of more than £51,000. Many businesses that really need support are missing out. The Beeches Hotel is an independent business that has missed out on the grant scheme in this manner, due to having a rateable value

⁵⁶ A Submission by Accor Invest to the All Party Parliamentary Group for Hospitality and Tourism

⁵⁷ A Submission by UKHospitality to the All Party Parliamentary Group for Hospitality and Tourism

⁵⁸ A Submission by Dorchester House to the All Party Parliamentary Group for Hospitality and Tourism

of £77,000. In their submission to the APPG, the Beeches Hotel owners said that their RV ‘rose significantly last year, despite a decrease in sales and a reduction in profitability.’⁵⁹

For larger pub businesses and chains, an extension of the grant scheme would also be welcome. Greene King has a significant estate of pubs across the UK and are calling for the Government to extend grant coverage to businesses with an RV of over £51,000. ‘Around 10,000 pubs, including many of our own tenanted and managed properties – particularly those in city centres – are currently excluded from receiving this support, despite being unable to trade. They face the threat of permanent closure and an extension of this scheme would be invaluable to those pubs who desperately need support. Furthermore, state aid caps mean we are restricted on the number of managed properties we can claim the grant – just 28 out of 1700 properties.’

One potential solution that has been suggested is to remove the grant cap, enabling all businesses within the hospitality sector to access these grants and removing the State Aid restrictions. This vital cashflow would be a significant boost for many sector businesses as the country moves away from lockdown measures and towards a gradual reopening.

Loans and Access to Capital

If businesses in both sectors are to survive, access to capital is essential in order for them to meet their overhead costs. The Coronavirus Business Interruption Loan Scheme (CBILS) was introduced in order to provide financial support to smaller businesses (SMEs) across the UK that are losing revenue, and seeing their cashflow disrupted, as a result of the virus. Companies with a turnover of up to £45m will be able to borrow as much as £5m – up from the initial £1.2m that was announced in the Budget – for a maximum term of six years, with no interest due in the first 12 months.⁶⁰ For larger firms, the Bank of England launched the COVID Corporate Financing Facility, which would essentially allow the bank to buy debt from companies to provide capital.

Current government loans are starting to flow through, but it is still challenging for hospitality to access. Moreover, many loans are granted on conditionality that they are not used to pay rent. As the closure period for hospitality continues, a new wave of finance may need to be introduced, targeted at those in need. According to a UKHospitality study in April, 48% of hospitality businesses have applied for loans of which 57% have been rejected.⁶¹ The main reason for rejection was having existing capital, followed by those assumed to be in difficulties under the State Aid rules. Figure 5.3 shows the reasons given to those businesses that have been rejected as not qualifying for a loan.

⁵⁹ A Submission by the Beeches Hotel to the All Party Parliamentary Group for Hospitality and Tourism

⁶⁰ <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils-2/>

⁶¹ A Submission by UKHospitality to the All Party Parliamentary Group for Hospitality and Tourism

Figure 5.3 Reasons for Businesses Being Rejected Loans.

Ineligible for the loan scheme on size	Unwilling to give a personal guarantee	Bank judged the business to have sufficient capital	Bank judged the business to be 'in distress'	Bank unwilling to loan for purpose of the loan
9%	19%	28%	26%	19%

For many businesses the loans are imperative to their survival. Hickory's in their submission to the APPG alluded to this, suggesting that *'Without the loan the concept of survival/hibernation, never mind the idea of paying suppliers, becomes unlikely. Many brands are struggling to access the loans, and so over the next month or two as cash reserves run dry, more will go to the wall.'*⁶²

There is also some reluctance from businesses within the tourism sector particularly to take on debt. Loans do not appear to be an attractive option for most tourism businesses as there are grave concerns about the ability to make any repayments until turnover levels recover. This could be 2021 at the earliest if social distancing standards are part of any phased end to lockdown.⁶³

Ensuring that businesses do have access to the loan schemes that the Government has set up will be critical in the short-term survival of many businesses, particularly as the duration of lockdown measures extends. Consideration should be given to extending the Government guarantee to 100% of the value of CBILs.

The Government has taken steps to ensure that businesses can have access to finance, recently introducing bounce back loans, designed to assist medium sized businesses borrow between £2000 and 25% of their turnover. This loan is only eligible if businesses have not been Coronavirus Business Interruption Loan Scheme (CBILS), the Coronavirus Large Business Interruption Loan Scheme (CLBILS) or the COVID-19 Corporate Financing Facility. The Coronavirus Business Loan Scheme was also created to help small and medium-sized businesses to access loans and other kinds of finance up to £5 million. As part of this scheme, the Government guarantees 80% of the finance to the lender and pays interest and any fees for the first 12 months.

Insurance

For the vast majority of businesses insurance companies have not been paying out as they would be expected to. UKHospitality's submission to the APPG found that 74% of businesses have (56%), or are planning to (18%), make an insurance claim for business interruption. However, at that point, 99% of businesses that have received a response have had their claim rejected. The primary reason given for this rejection is that Covid-19 was not listed as a notifiable disease, followed by a lack of pandemic coverage. The below table highlights the reasons why businesses did not receive insurance help.

⁶² A Submission by Hickory's to the All Party Parliamentary Group for Hospitality and Tourism

⁶³ A Submission by The Chilterns Conservation Board and Visit Buckinghamshire to the All Party Parliamentary Group for Hospitality and Tourism

Covid-19 is not explicitly listed as a notifiable disease	Force majeure	No pandemic coverage	No physical sign of the virus at or close to businesses	General pandemic cover is in place with no list of diseases, but insurer will not pay out	Other
41%	3%	23%	13%	8%	11%

Given that financial liquidity is likely to be key for businesses in overcoming this crisis, businesses see it as imperative that insurers pay out on policies that were taken out. According to The Yan at Broadwayne, a Hotel in Grasmere, *‘Insurance companies should also be encouraged by Government to honour business interruption policies that contained cover for human contagious diseases. These were taken out in good faith in the belief that all possible disruptions to the business that are beyond our control would be covered.’*⁶⁴

There is strong sector support for greater pressure to be put on to insurance companies in order to get them to take a more proactive and fair approach to legitimate claims that businesses are making, particularly those with substantive pandemic insurance or restricted access insurance, almost all of which are being dismissed on technicalities. Even a small pay-out for hospitality businesses with this insurance could help to guarantee their successful reopening and avoid them continuing to call on the public purse. In late May the Financial Conduct Authority (FCA) announced they would be launching a claim against the insurance industry to test policy wordings. The hospitality and tourism sectors have fed into this process and an announcement is expected in mid-July.

Credit insurance

To reignite the sector’s supply chain, reforms will be needed to trade credit insurance. There is strong support for a reinsurance scheme to be created to ensure that businesses have access to the Trade Credit insurance support they need throughout and after this crisis. This has now been endorsed by Government who have announced that they will back trade credit insurance.

Support for the Tourism Sector

With many businesses within the broad tourism ecosystem staring at the reality of losing their peak season, it is important for Government policy to support and promote tourism when the economy begins to open up. One potential idea is the concept of bringing in air bridges, which would allow visitors from low-risk countries into the UK without having to go through the proposed quarantine for 14 days. As discussed in Conditions for Restart, these arrangements are already being trialed in areas like the Baltic states. In order for this to happen, visitors would need an exemption from the current Government proposals. Potential markets for mutual arrangements could include the US, France, Germany and Spain – amongst others. For the Government, it will be important to support these sectors beyond the immediate crisis and help to boost the UK’s economy in order to encourage spending. Many of the long-term measures that could be taken are examined in the next chapter, Long Term Requirements.

Following the financial crash in 2008, a cut in VAT was extremely beneficial in assisting with a more rapid recovery. STR data from the financial crash highlights that while revenue and occupancy took 18

⁶⁴ A Submission to the All Party Parliamentary Group for Hospitality and Tourism by the Yan

months to recover, it took a comparable period to return businesses to profitability. The European Union's Internal Market Commissioner, Thierry Breton, has called for a Marshall Plan to rescue the EU's tourism sector.⁶⁵ It is important to note that tourism exists in a state of competition between countries, so if the UK trails other jurisdictions in reopening for tourism, and if other governments introduce tourism stimulus measures, it will impact the UK's inbound markets. The Government should note the steps that are being taken in other countries and consider replicating or taking their own steps to stimulate the tourist economy.

In Germany, a stimulus package will see the main value-added tax rate cut from 19% to 16% and the reduced rate from 7% to 5% for six months, starting 1 July. Companies in sectors hardest hit by the crisis -- including hospitality, tourism and entertainment - will receive "bridging help" worth 25 billion euros in total from June to August. Restaurants, hotels or event management companies could get up to 80 percent of their fixed operating costs reimbursed if revenues had plunged by more than 70 percent compared to a year ago.⁶⁶

Other Governments have played an even more proactive role in kickstarting their tourist economy. In Malaysia, the Government has allocated over £100 million to stimulate the tourist economy and support businesses directly. This package of support includes travel discount vouchers, where the government, in collaboration with airlines, resorts, and hotels, will offer discount vouchers of up to £20 per person. Significant Government support has also been given to Tourism Malaysia, the country's tourism board, to increase promotion on Malaysian tourism in the Middle East, Europe, ASEAN, and South Asia. These are the markets that will likely open sooner due to the spread of COVID-19. The Government has also provided over £40million to help businesses affected by COVID-19 to upgrade the skills of its workers. This includes workforce support for sectors, such as retail, hospitality and tourism. In order to boost domestic tourism, a special income tax relief is available to individuals for expenses on domestic tourism.⁶⁷

Other interesting examples have recently been introduced in Europe. In Iceland, adult residents will receive a combined ISK1.5bn (£8.4m) worth of travel vouchers valid for domestic travel from the government, in cooperation with the Icelandic Travel Industry Association.⁶⁸ In Italy similar measures are being presented in certain regions. Such a policy should be considered by Government, alongside an extensive marketing campaign. An idea to promote tourism that has gained increasing traction is the idea of introducing a bank holiday to stimulate domestic tourism markets. Businesses have lost not only their peak season, but also the benefit of two bank holiday weekends in May. Introducing a bank holiday at the back end of the year, when travel is once again permitted, would help to stimulate the UK's domestic tourist economy, promoting 'staycations.'

⁶⁵ https://ec.europa.eu/commission/commissioners/2019-2024/breton/announcements/speech-commissioner-breton-marshall-plan-european-tourism_en

⁶⁶ <https://www.france24.com/en/20200603-germany-unveils-130-billion-euro-stimulus-package-to-kickstart-virus-hit-economy>

⁶⁷ <https://www.ttgasia.com/2020/04/07/malysias-fresh-stimulus-gives-little-boost-to-tourism-sector-says-trade/>

⁶⁸ https://icelandmonitor.mbl.is/news/politics_and_society/2020/04/22/second_economic_stimulus_package_introduced/

Chapter 6: Long Term Requirements

Having examined the impact that COVID-19 has had on the hospitality and tourism sectors and looked at the immediate priorities for businesses, this Chapter will look at recovery in a broader sense, going beyond the immediate issues and looking at what policy assistance businesses within the sector will require moving forward. Winston Churchill famously used the phrase ‘never let a good crisis go to waste’ when working to form the United Nations in 1946, so while in the short term, COVID-19 has caused significant damage, the virus and its spread has given renewed focus to the needs of businesses within these two sectors. The COVID-19 crisis has provided a good opportunity to look at all the entirety of the business landscape that these sectors face that inhibit their ability to grow, invest, compete with international competitors and ultimately rebound.

A failure to act and address these issues could have significant consequences for the UK’s economy. It is important to ensure that there is at least a level playing field between UK businesses and their European counterparts, particularly with tourism which sees direct levels of competition between countries and destinations. As the UK’s third largest employer, without immediate critical support and a wholesale review of businesses costs, there will be business failures which will in turn result in significant job losses.

Business Rates

The costs borne by businesses across the sectors are increasingly being examined as a result of the business-critical situation that many companies now find themselves in. For businesses in the hospitality sector, one of the most meaningful pieces of support that the Government offered as part of the emergency COVID-19 economic relief measures was a freeze on business rates for 2020/21. Hospitality is the most disadvantaged sector across the whole economy by business rates. In relation to the turnover of the sector, hospitality is significantly overtaxed; it pays 11% of all business rates yet makes up 2.5% of related business activity.⁶⁹ If rates were equivalent to business activity, then the sector’s business rates bill would be just £713 million. Or in other terms, hospitality businesses are overpaying on business rates by £2.4 billion.⁷⁰

Sector sentiment towards business rates was highlighted in the responses from businesses to the APPG’s consultation questions, where 30% of businesses that responded recognised long-term business rates reform as a key requirement for the Government to help the sector post lockdown. All Our Bars in their submission to the APPG stated that ‘*The business rates system is arcane and broken. It is not appropriate to the 21st century where we have digital sales & delivery, different social habits and declining bricks & mortar retail. Digital businesses had already caused massive issues to retail and hospitality pre-COVID and many of them have flourished further during a crisis that has caused so much harm to so many people*⁷¹.’

That long term businesses rates reform has been discussed alongside short-term and emergency measures gives a strong indication of the strength of feeling within the hospitality sector regarding

⁶⁹ Report on Business Rates by the All Party Parliamentary Group for Hospitality:
https://cdn.ymaws.com/www.ukhospitality.org.uk/resource/resmgr/2019/appg/APPG_Report_Business_Rates_F.pdf

⁷⁰ A Submission by UKHospitality to the All Party Parliamentary Group for Hospitality and Tourism

⁷¹ A Submission by All Out Bars Submission to the All Party Parliamentary Group for Hospitality and Tourism

rates reform. The Treasury Select Committee last year reviewed the current system, agreeing that the complex web of reliefs show that the Business Rates system is broken and recommending that the Government examine alternatives in time for Spring Budget 2020.⁷² While sector businesses were happy to see the 2021 revaluation has been postponed, the root and branch reform of the current rating system is still vital for sector businesses. Addressing this issue in the long term is therefore extremely important for many businesses to boost their long-term recovery.

Business rates are devolved in Scotland and as such, businesses operating there have slightly different tasks with relation to business rates. One issue that was raised with the APPG was the Tone Date of 1 April 2020 as the basis of the rates revaluation in 2022. While this has not yet occurred as a result of COVID-19, there is support for this to be postponed until there is absolute clarity about the ending of lockdown and implications of closure and re-opening of hospitality and licensed businesses.⁷³

VAT on Hospitality and Tourism Businesses

Another long term ask from businesses within the hospitality and tourism sectors is to reduce VAT on sector businesses in order to stimulate the UK's inbound and domestic tourism markets. Now that the UK is out of the EU, it has full jurisdiction on VAT rates charged in the country. It should be noted that there has been a dispensation for a lower rate on tourism businesses, specifically hotel accommodation, certain restaurant services, and some types of admission charge, which the UK Government has chosen not to implement.

The UK currently ranks 135th out of 136 countries in terms of tourism price competitiveness, according to the World Economic Forum.⁷⁴ This is a significant drop off from overall competitiveness where the UK ranks 5th of 136 countries. In 2017 in a report was written for the European Commission by PwC on the impact of taxes on tourism in all 28 EU countries. the report suggested that to remain competitive, countries should keep their total taxes for tourism low.⁷⁵

Proponents of a cut in tourism VAT suggest that a reduction would enable the UK to stimulate its inbound and domestic tourism markets, benefitting businesses across both hospitality and tourism sectors – as well as consumers. It would also bring the UK in line with its international competitors. Without a reduction, both domestic and international visitors to UK's tourism destinations will be paying significantly more in terms of VAT than they would be if they visited a European country. Other countries have recognised that cutting tourism VAT can be a useful way to stimulate tourism markets, with Germany as part of its response to the COVID-19 crisis has lowered its tourism VAT levels to 7%.

Support in Parliament for a cut in tourism VAT has been demonstrated across political parties. Alison Thewliss, SNP spokesperson for the Treasury, supporting the case for a reduction in VAT in the party's

⁷² <https://www.parliament.uk/business/committees/committees-a-z/commons-select/treasury-committee/inquiries1/parliament-2017/inquiry3/>

⁷³ A Submission to by UKH Scotland to the All Party Parliamentary Group for Hospitality and Tourism

⁷⁴ http://reports.weforum.org/travel-and-tourism-competitiveness-report-2017/?doing_wp_cron=1557915763.6241569519042968750000

⁷⁵ 7Europarl.europa.eu. (2017). [online] Available at: <http://www.europarl.europa.eu/cms-data/130660/The%20Impact%20of%20Taxes%20on%20the%20Competitiveness%20of%20European%20tourism.pdf> [Accessed 15 April 2019]

budget response this year.⁷⁶ Caroline Lucas, the leader of the Green Party, recently tabled an Early Day Motion in Parliament, calling for a VAT reduction for sector businesses.⁷⁷

Air Passenger Duty

Air Passenger Duty (APD) is another area where there is significant industry clamour for reform. The UK's passenger tax is almost double that of the next highest country (Italy) and 8 times higher than the average within Europe. In 2015 trade body Airlines UK, which wants the tax to be scrapped, commissioned research from consultancy PWC. This study found that the tax suppressed demand for flights by 10%.⁷⁸

The COVID-19 crisis occurred at a time where the UK's aviation industry is already experiencing significant structural challenges. Market saturation, fluctuations of oil prices and increasing environmental concerns have been impacting flight providers for some time. This has been seen recently, with smaller providers such as Monarch Airlines going bankrupt in 2017, with Thomas Cook folding in 2019. COVID-19 has caused the UK's flight numbers to drop to levels that have not been seen in 40 years, exacerbating the existing challenges by eliminating consumer demand for flights.

One potential idea could be to cut or temporarily remove Air Passenger Duty to help stimulate demand as international demand for tourism begins to increase. When travel begins to be considered safe again, industry could work together with Government to look at ways to help to restore consumer confidence in travel and ensure the provision of clear guidance and information. Internationally a number of other countries have already looked to take similar steps on passenger taxes. In the USA, for example, there is an aviation tax excise holiday until the end of 2020.

A cutting or freezing of APD was popular with a number of businesses of all sizes and types who submitted written evidence to the APPG. Snowdon Mountain Railway, for example suggested *'that a Reduction in passenger duty will also help airlines and airports.'*⁷⁹

Boosting the number of international visitors to the UK would be welcomed across the UK's regions. However, for some there is the concern that any boost does not come at the expense of domestic tourism. Expectations within the industry are for domestic markets to rally first, which is now increasingly being viewed as essential to the survival of many smaller businesses. It is important to balance any plans to stimulate the UK's inbound tourism with the need to encourage UK visitors to holiday domestically.

Immigration Policy

In February of this year, the Government released its plans for a points-based immigration system. This marked the culmination of an extended period of promised reform, which has seen 3 White Papers and two Migration Advisory Committee consultations taking place over the last 3 years. As two sectors that traditionally have a high proportion of migrant workers, they were rightly concerned as to what the exact nature of the points-based system would be and the restrictions that it may impose.

⁷⁶ <https://hansard.parliament.uk/Commons/2020-03-12/debates/1C0AF88B-3EF3-4505-9065-0B0F52FDAA43/BudgetResolutions#contribution-5C0E355E-D6B3-479D-95D8-4E844A4C8278>

⁷⁷ <https://edm.parliament.uk/early-day-motion/56866/vat-on-tourism>

⁷⁸ <https://www.bbc.co.uk/news/uk-51120765>

⁷⁹ A Submission by Snowdon Mountain Railway to the All Party Parliamentary Group for Hospitality and Tourism

The details of the policy announced in January 2020 means the hospitality sector will be able to access more employees than initially thought through the skilled route. Job roles with a salary of as low as £20,480 will be considered as skilled – compared to the previous MAC suggested threshold of £30,000. The skilled visa will also become much easier to deal with as an employer.

There will however be significant challenges for hospitality and tourism businesses if the system remains in its current form. The Government has stated that it wants to see an end to unskilled immigration and as such no route has been identified for those that do not meet the point-based system (or the exceptional talent route). This effectively means that for all jobs that do not meet that level will only be available to UK nationals, those that have applied for Settled Status and those with other forms of visas, such as the Youth Mobility Scheme visa (YMS) which applies to citizens of eight countries and aged between 18 and 30, though it is capped.

These pre COVID-19 assessments of skill level and importance of job roles could be reconsidered in the aftermath of this national emergency. Prior to the outbreak, businesses widely considered the 10 months that they had been given to adapt to the new system, as being inadequate. As businesses adapt to a new business and social landscape, the rationality of imposing reforms that could harm significant sections of the UK's economy should be questioned. It should also be noted that along with the damage that COVID-19 has done to sector businesses, they are also facing the threat of more market instability depending on the outcome of the trade agreement currently under negotiation between the EU and the UK and scheduled for completion in December.

Various submissions to the APPG raised future immigration policy as a potential impediment to recovery. For example, the submission made by Hilton Garden Inn, which they called for the '*Government's proposed immigration bill to be either scrapped or relaxed, or at the very least a three-year transitional period before the points-based system comes into effect.*⁸⁰

Potential solutions or tweaks to the system could be introduced in order to protect hospitality and tourism businesses. The Government should look at introducing a temporary route for lower skilled workers, potentially for a time-limited period while business adapts to the new system and changes to the educational, training and economic landscape. As part of the UK's negotiations with the EU, an expansion of the current youth mobility scheme should be considered to avoid shortfall and drop offs in employment within sector businesses.

Future Trading Relations with the EU

Following the UK's exit of the European Union in January 2020, it is now confirmed in law that the UK will be leaving the single market on January 1st, 2021. A deadline at the end of this year has been considered by many commentators to be tight, with the disruption caused by COVID-19 distracting the relevant parties from prioritising talks. Whether a Trade Deal, or No Deal, this will impact on tariffs on goods (including foodstuffs) that are coming to and from the UK from the EU.

Food and drink are a vital part of the hospitality sector's offer, with a large proportion of this being imported from the EU. For businesses, which will still be recovering from COVID-19 at the end of the year, it is essential that trade in food and drink is unimpeded, whatever the future relationship between the UK and the EU. This means minimal tariffs on food and drink imported from the EU and the smoothest possible movement of goods that can be achieved. Businesses within the hospitality sector

⁸⁰ A submission to the All Party Parliamentary Group for Hospitality and Tourism by Hilton Garden Inn, Heathrow

would welcome attempts to reduce import tariffs with non-EU countries to help deliver lower costs and increased choice for customers.

Growing Tourism Sustainably

Climate change is one of the most important issues facing both the country and the tourism industry. Given that it is an island, the UK's tourism industry is significantly more dependent on aviation than many other major tourism destinations. Ensuring that the tourism sector can grow, while also doing so in a sustainable way is imperative moving forward.

There are currently a number of sector-wide initiatives to ensure green and sustainable growth, including the Sustainable Aviation Initiative. This is a coalition of UK airlines, airports, manufacturers and air navigation service providers that is dedicated to developing a route whereby the UK aviation sector can meet both its climate commitments and growing passenger demand. This initiative has made considerable progress, enabling passenger numbers to grow by more than 25% between 2010-16, with emission increases of just over 4%.⁸¹ Measures to recover from the pandemic may offer an opportunity to boost efforts to support sustainable travel and tourism. The Tourism Alliance, which represents Trade Associations and DMOs from across the tourism sector, supports the creation of a dedicated Office for Sustainable Aviation Fuels (OSAF) to help make the UK a world-leader in the technology, the prioritisation of airspace modernisation to end wasteful stacking and allow more fuel-efficient flight.⁸²

Visas

In order to attract as many visitors as possible when it is considered to be safe, it is important to review the current visa system in the UK and ensure that it is practical, affordable and easy for visitors to acquire visas. A submission to the APPG from China Tourism Inbound suggested this, stating '*We need visa applications to be simplified and charges reduced or temporarily ceased.*' Such measures were also popular for hospitality businesses. Night-time Economy Solutions suggested that it was essential for the Government to '*Make it easy for as many people to visit and explore, this should include making visas easy to access and the entrance to the UK must be smooth and hassle-free.*'⁸³

The UK's visa system is frequently regarded as being sub-optimal, particularly in comparison to international competitors. Since the introduction of biometric visas in 2008, the UK's market share of major international growth markets, such as the Chinese and Indian ones, has fallen by 42%. This is partly due to price competitiveness, in the UK a short stay visa costs £95, whereas a Schengen visa, that allows access to any of the 26 Schengen countries costs around £50.⁸⁴

Potential solutions to this issue could be temporarily getting rid of visa charges, aiming to make the UK a destination of preference, or increasing the number of visa waiver countries that can use passport gates.

⁸¹ https://www.tourismalliance.com/downloads/TA_409_436.pdf

⁸² IBID

⁸³ A Submission by Nighttime Economy Solutions to the All Party Parliamentary Group for Hospitality and Tourism.

⁸⁴ A Submission by China Inbound to the All Party Parliamentary Group for Hospitality and Tourism

Tourism Sector Deal

The Tourism Sector Deal, launched in July 2019, referred to tourism as the UK's 'calling card to the world' and rightly recognising the sector as one of the key components of the UK's economy.⁸⁵ Following COVID-19, a recommitment from the Government to the key principles and aims of the sector deal would be a welcome endorsement for businesses.

One of the key components to the deal was a plan to make the UK the leading destination for business events in Europe, with an International Business Events Programme document launched alongside the Sector Deal. Demand for business travel will eventually return, although there is not yet an indication of how long this will take. There will however be some of that market that will be lost and will not return, as companies collapse or adapt to new technologies. In order to prepare the UK to be a leader in events travel, it would be wise for DCMS to review the International Business Events Programme, to ensure that it is fit for purpose when planning for a post COVID-19 reality.

Another key component of the tourism sector deal is the focus on people, specifically the creation of 30,000 apprenticeship starts a year by 2025, with a £1 million in a recruitment and retention programme to help promote careers and upskill sector businesses. It is essential to continue businesses efforts to promote sector jobs while businesses readapt to conditions post lockdown. This is particularly important as jobs within the sectors will likely be the worst affected, with redundancies expected due to the fact that these jobs will be among the last to return as the sector faces prolonged reductions in capacity. Ensuring that prospective sector workers are aware of the opportunities that exist working in hospitality and tourism and do not view the sector as a risk based on the impact that COVID-19 has had on sector employment is essential to fulfil the Sector Deal's stated aim of 'making tourism and hospitality a career for life.'⁸⁶

A key priority is also to support workers who lose their jobs to find new ones. This requires partnerships between employment services, social partners and companies to facilitate swift placement in new jobs and reskilling, with the focus on young people and including support to seasonal workers. Tourism Zones could be another way to improve and boost UK tourism post COVID-19, provided funding is made available. As has been raised above, it is imperative to find ways to stimulate the UK's tourism economy when it is considered safe to do so. Visit Britain has recommended speeding up plans to create these districts, as part of boosting potentially deprived areas that are reliant on tourist spend.

Marketing and Promotion of the Sectors

When lockdown restrictions are relaxed, the promotion of sector businesses will be essential in encouraging people to return to normal as part of their resocialisation. It is essential that appropriate planning is given to these marketing schemes and the key areas that they must include. The UK must embark on an extensive marketing campaign, aimed at boosting public confidence in the safety of travelling and using hospitality venues, as well as promoting the virtues of domestic tourism.

As we are emerging from a public health crisis, priority one must be to inspire public confidence that they are able to travel and use venues safely. Clear Government messaging is therefore essential, letting people know when they should begin to resume normal activities. Alongside this messaging,

⁸⁵ <https://www.visitbritain.org/tourism-sector-deal>

⁸⁶ <https://www.visitbritain.org/tourism-sector-deal>

the Government should support campaigns which reassure overseas visitors that the UK is a safe place to visit and that appropriate steps have been taken to ensure visitor safety.

Such an approach would be welcomed by businesses, particularly smaller and independent businesses who may be unable to afford their own campaigns. According to Scotland's Best B&Bs, it is important for the UK to establish a *'highly visible marketing campaign that the UK is a safe environment to holiday with clear information about any restrictions still in place and how businesses have adapted for their safety.'*⁸⁷

This message was echoed by The Chilterns Conservation Board (Visit Chilterns) and Visit Buckinghamshire joint response about the requirements of DMOs, identifying the need for capacity and resource to make the case to domestic visitors of the benefits and convenience of local days out. *'Previous crises (e.g. Foot & Mouth) have shown that domestic visitor markets recover first, but people will need strong public messages to boost their confidence to take those days out again. The public health message needs to be clear and unambiguous to encourage widespread return to visitor venues and to give them confidence that it is safe.'*⁸⁸

Concerted efforts should also be made to promote UK destinations both domestically and internationally to attract visitors. There should be recognition of the fact that domestic markets will rally before international visitors return, with this likely to be a much longer process. Oxford Economics forecast it will not be until 2023/24 that inbound tourist volumes will recover to their pre-Covid-19 level. Marketing of domestic tourism could therefore take much of the early focus, encouraging visitors to stay and holiday in the UK.

Destination Marketing Organisations (DMOs) will on most occasions play the key role in doing this. Support for Devolved Governments and Tourism Associations was also raised in submissions made to the APPG. Elm Grove Country House raised in their submissions that there should be *'funds for each devolved government to give to both their tourism arms and to the DMOs in those countries - to use in complimentary marketing campaigns.'* have also will Scotland Visit and Britain Visit as such Bodies⁸⁹ a key role to play in marketing domestic tourism when cross regional travel is permitted.

⁸⁷ A Submission by Scotland's Best B&Bs to the All Party Parliamentary Group for Hospitality and Tourism

⁸⁸ A Submission by The Chilterns Conservation Board and Visit Buckinghamshire to the All Party Parliamentary Group for Hospitality and Tourism

⁸⁹ A Submission by Elm Grove Country House to the All Party Parliamentary Group for Hospitality and Tourism

Recommendations

- The Government must recognise the important role that hospitality businesses will play in restoring a sense of normality and social interaction when the UK emerges from lockdown. **Ensuring that the necessary financial support for businesses in the hospitality and tourism sectors is essential** if they are to stay open and cope with a prolonged period of reduced foot-fall. Without continued and generous assistance, many businesses will fail.
- It is essential that the **Government provides clear guidance for businesses** about what is required of them in terms of adhering to social distancing and other requirements in good time ahead of reopening.
- A closely coordinated approach to the loosening of restrictions would be preferable for businesses that operate in both England and devolved nations. While there are of course health imperatives that will dictate if this is the case, where possible regulations should be the same or very closely aligned.
- Avoiding a ‘false start’ reopening, where businesses are able to open for a period of time before having to shut again is essential. The Government must consider that if this were to happen it would be terminal for thousands of sector businesses and hundreds and thousands of sector jobs.
- The Government should work with the sector to **review the 2-metre social distancing** guidance.
- **A common framework is required for businesses of all types to open in a manner that is safe for consumers and for staff.** Industry led protocols have been introduced and provide a strong framework for businesses to carry out risk assessments in the manner that they would for other
- The Government’s extension of the Coronavirus Job Retention Scheme until October is extremely welcome, although more detail is needed. It is important that **support is maintained at current levels until different businesses are able to open at a break-even point.** The Government should consider sector specific support packages for employees who work in sector like hospitality and tourism. Without continued support, it is extremely likely that significant redundancies will occur in the sector.
- **Urgent Government action and legislation is needed to foster a resolution on rent.** Without this many business face bankruptcy. The Government should consider extending a ban on

lease forfeiture and enforcement action for 9 months, allowing breathing space to allow parties to negotiate rent terms.

- **Hospitality grants should be extended to all premises with a rateable value of more than £51,000** and dispensation sought for an exemption from State Aid as appropriate. As the closure period for hospitality continues, a new wave of finance may need to be introduced, targeted at those in need. Consideration should be given to extending the Government guarantee to 100% of the value of CBILs.
- It is essential that there is a **functioning and responsive insurance market**. A key concern raised in evidence that was submitted was that insurers frequently were not paying out on policies as a result of coronavirus. With cashflow at an all-time low in the sectors, the Government should do more to ensure that insurers pay out in line with previously existing policies.
- The present crisis has thrown light on a range of regulations and business practices which are no longer fit for purpose and which have or will hamper recovery efforts. It is essential that **when the Government looks at the restart process it starts the process of reviewing and overhauling outdated business regulation**.
- The Government should **follow through on its commitment to review and overhaul the current system of business rates**. The current system of business rates disproportionately hits hospitality businesses, with the sector paying 11% of all business rates yet making up only 2.5% of related business activity.
- The **Government should cut tourism VAT to stimulate the UK's tourist economy**. VAT in the UK currently stands at 20%, in comparison to Italy and France at 10% Germany 7% and Belgium and the Netherlands 6%.
- The Government must consider ways to support UK domestic and inbound tourism. This could include **the cutting or suspending of Air Passenger Duty to encourage inbound tourism**.
- On Immigration policy, given the significant challenges that have faced the sectors this year, the Government should consider introducing a temporary route for lower skilled workers, potentially for a time-limited period while business adapts to the new system and changes to the educational, training and economic landscape.
- In order to **promote sustainable tourism in the UK**, the Government should consider introducing an Office for Sustainable Aviation Fuels (OSAF) to help make the UK a world-leader in

the technology, the prioritisation of airspace modernisation to end wasteful stacking and allow more fuel-efficient flights.

- A joint **Government-Industry initiative to promote technology use in the sector** should be considered.
- The Government must embark on a **highly visible marketing campaign to promote that the UK is a safe environment to holiday** with clear information about any restrictions still in place and how businesses have adapted for their safety. The effective promotion of domestic tourism will be essential for the successful rebound of businesses in both the hospitality and tourism sectors.
- The Government should **urgently consider the creation of ‘air bridges’ with other countries** to encourage inbound tourism to the UK. It is imperative that this does not diminish efforts to promote domestic tourism in the UK.
- The Government should **create an additional Autumn bank holiday**, recognising the sacrifice made by key workers during the lockdown period and boosting the tourism economy by encourage domestic tourism. This should include cooperation with industry to create travel vouchers to promote domestic tourism.

Pathways to Recovery: A Summary

A full Executive Summary and the APPG recommendations are available on pages 8 and 49 respectively. This summary will provide a two-page summary of the findings of the report and the key recommendations of the All Party Parliamentary Group.

Impact of COVID-19 on the Hospitality and Tourism Sectors

- COVID-19 has significantly impacted the hospitality and tourism sectors in the UK. From March 20th businesses have been closed, with only 11% of hospitality businesses functioning as normal during the lockdown period. Even by December, the best-case scenario has a one-third decline in trade (31%), with a best-case scenario in August being a loss of over half (53%) of the market.
- Tourism is unlikely to rebound quickly, with international estimates suggesting that tourist arrivals for the year will be down by over 30%. Most projections for the UK's tourism sector do not anticipate sector recovery until at least 2022.
- Consumer confidence is likely to have been severely impacted by COVID-19 and will take some time to return. A recent Ipsos Mori poll suggested that 71% of UK respondents would be nervous about leaving the house when lockdown measures ended.

Operational Guidance

- Businesses are preparing to open sub-economically for some time. It is essential that the conditions to reopen and restart are well thought out and proportionate. For businesses, one bad customer experience on reopening could be terminal.
- A common framework is required for businesses of all types to open in a manner that is safe for consumers and for staff. Industry led protocols have been introduced and provide a strong framework for businesses to carry out risk assessments in the manner that they would for other threats.
- Staff will also need more training in order to be able to manage social distancing and to meet higher hygiene standards.
- Not all businesses in the hospitality and tourism sectors are the same and a phased approach to reopening will allow for a gradual reintegration of the hospitality sector, when different businesses are ready. The prevailing view from respondents to the APPG is that this will benefit the unlocking of the economy as whole.
- The Government is currently calling for social distancing of two metres between individuals. This would cause significant difficulties for many businesses, with 68% that were surveyed suggesting that they would not be confident of surviving with social distancing measures of 2 metres.
- Strict hygiene and safety precautions for travellers are a key part of the push to fully unlock borders ahead of summer tourism. The Government should consider following the examples of other European countries and introduce travel bubbles, essentially partnerships enabling travel between countries with low COVID-19 case rates.
- The management of public spaces will continue to be key, and pragmatic enforcement will be crucial in ensuring the balance between public safety and businesses being able to operate effectively is met. Consideration should be given to relaxing planning laws and pavement licensing rules to optimise business space when they reopen.
- A 'false start' recovery would devastate businesses, who would have to make preparations to reopen, before closing immediately. It is imperative that when businesses get the green light to reopen that they are permitted to do so from that point onward.

- Current Government guidance is for a 14-day quarantine period for travellers that enter the UK. This should be reviewed ahead of reopening.

Government Support

- Government financial support of sector businesses has been crucial, with many crediting existing measures, specifically the Coronavirus Job Retention Scheme (CRJS) for their survival. However, the reality is that if this support does not continue, thousands of jobs and businesses will be at risk.
- Businesses have reported initial difficulties in accessing Government supported grants which were announced to support small businesses with a rateable value up to £51,000. By Mid-April, studies suggested that only 25% of applicants had received these.
- A resolution on rent is needed urgently by businesses. Without this, many will be at risk of failure.
- The provision of effective credit insurance will be critical and a failure in this market could severely hamper the ability of many businesses to successfully reopen.
- Government supported loans are vital for two sectors that are currently struggling with financial liquidity. A recent study found that 48% of hospitality businesses have applied for loans of which 57% have been rejected.
- Several Governments have looked to stimulate their inbound economies with voucher schemes, providing citizens with incentives to travel. In Malaysia the government, in collaboration with airlines, resorts, and hotels, will offer discount vouchers of up to £20 per person.

Key Recommendations

Supporting Businesses

- Businesses need an urgent resolution on rent. Without this, many will face bankruptcy. The Government should consider extending a lease forfeiture for 9 months, allowing breathing space to allow parties to negotiate rent terms.
- A holistic review of business costs should be taken by the Government. This should include reviewing all businesses taxation, particularly business rates, which discriminates against businesses within the hospitality and tourism sectors.
- The longer the closure period for hospitality businesses continues, the higher the likelihood that many will require a new wave of finance. This is particularly likely if sector businesses miss out on the majority of their income for the 'peak' season. Consideration should be given to extending the Government guarantee to 100% of the value of CBILs.
- A common framework is required for businesses of all types to open in a manner that is safe for consumers and for staff. Industry led protocols have been introduced and provide a strong framework for businesses to carry out risk assessments.
- The Government should consider introducing a temporary route for lower skilled workers, potentially for a time-limited period while business adapts to the new system and changes to the educational, training and economic landscape.

Promoting Tourism

- The Government should create an October bank holiday, recognising the sacrifice made by key workers during the lockdown period and boosting the tourism economy by encourage staycations. This should include cooperation with industry to create travel vouchers to promote domestic tourism.
- Tourism VAT should be cut to 10% in order to stimulate the wider tourist economy.

- The Government must embark on a highly visible marketing campaign to promote that the UK is a safe environment to holiday with clear information about any restrictions still in place and how businesses have adapted for their safety.
- The Government should consider cutting or suspending Air Passenger Duty for inbound flights to the UK.
- The introduction of 'air bridges' would help to encourage inbound tourism to the UK. This would require a loosening of the quarantine measures for inbound visitors.
- Government should introduce 'air bridges' with other countries to encourage inbound tourism to the UK.

Annex

This report was produced by UKHospitality

Authors: Richard Clifford, David Sheen

The following businesses submitted written evidence to the All-Party Parliamentary Group for Hospitality and Tourism:

Greene King

Aberdeen City and Shire Association

Accor Invest

Air B&B

ASM Global

BACTA

BBPA

BHHPA

Brecon Beacons Tourism

British Marine

Canal and River Trust

Chilterns Conservation Board

North Wales Tourism

Ennismore (Confidential)

Godwick Hall

Hadley Hotel

Historic Houses

Mitchells and Butler

Moto

National Association of Areas of Natural Beauty

Night Time Economy Solutions

Revolution Bars

SIBA

Sustainable Restaurant Ass

The Coniston Hotel

Travelport
Handpicked
French Brothers Ltd
5 Acre Barn
Adventure Bar
Adventure Beyond
Adventure International
Afon Rhadir
Alexandra Hotel
All Out Bars
Amber Taverns
Anglesey Sea Farm
Annabel's Cabaret and Discotheque
Brighton Student Union
Salford Student Union
Anglia Ruskin
University of Heartfordshire
University of Bournemouth SU
Birmingham Guild of Students SU
Bucks SU
Birmingham Edge Hill SU
Goldsmiths University Students Union
Herriott Watt University
Keele University
Kent University SU
Kings College Student Union
Leeds Trinity
London Speech and Drama
Manchester Met Student Union
Staffordshite Student Union
Teeside University Student Union

University of Central Lancashire
University of Chichester
University of Edinburgh
Greenwich Student Union
Manchester University Student Union
West London University Student Union
Worcester University
Royal Holloway University
Apple Tree Broadway
Arc Adventures
Arora Group
Association of English Cathedrals
Avenue Shanklin
Banks Property Services
Barn Utopia
Barsby Associates
Bay to Remember
Bearcroft Limited
Beautiful Wales
Beccles Public Hall and Theatre
Bee Cottage
Bethsadia
Betteshanger Park
BETWS-Y-COED & DISTRICT TOURISM ASSOCIATION
Bike Wales
Blackberry, Bramblewoof and Briar Pathc Cottages
Blaenpant Mansion
Blenheim Lodge
Blue Swallow Guest House
Boathouse Climing Centre
Bodowyr Caravan Park

Boroughgate B and B
Borth Wild Animal Kingdom
Bourne Leisure
Bramble Bottom Holidays
Brighton Restaurant Association
British Activity Providers Association
British Airways ASI
Broadrayne Farm
Broadway Boulevard
Brookhouse Lakes
Broomhill Manor
Brunswick Guest House and Apartments
Bryn Derwin
Bryn Melyn Appartments
Budds Barns
Cae Mor Hotel
Call of the wild
Cambrian Safaris
Canvas and Campfire
Cawdoor Collective
Centre Parks
Ceredigion County Council
Cerrig y Barcud Holiday Cottages
Chardon Hotels
Chequers Kitchen
Chiltern Open Air Museum
Chiltern Yurt Retreat
China Travel Inbound
Coast to Coast Packhorse
Coastal Voyager
Cohort Hostel

Cold at Night companies
Connell Coastal Cottages
Cornwall All Year
Cotswold Walks
Crafnant House - Bed & Breakfast
Crake Tree Manor Crosby Ravensworth
Crumplehorn Cottages
Cumbria Tourism
Cyntwell B and B
Dorchester House
Drake and Morgan
Earth and Ocean Thai Restaurant
Eat Sleep Drink
Edward Bence- Bence Hotel
Elm Grove Country House
Epic Fishing Trips
Esme House
Essex Sea Fishing
Event Prop Hire
Fabric London
Fallow Fields Camping
Fazenda Leeds
Fluid Adventures
Freedom Leisure
Garvault House- Hotel
Gemini Charters
Georgian House Hotel
Glebe House Cottages
Glen Mhor Hotel
Glenhope and Glenhope
GO APE

Go Karting Association Submission
Go New Forest - Bridge House (Bed & Breakfast)
Go New Forest - New Forest Country Inns
Go New Forest - New Forest Activities
Go New Forest - Horseshoe Cottage (Self-Catering)
Go New Forest - Foresters & Keepers Cottages (Self-Catering)
Go New Forest - Cottage Lodge Hotel
Go New Forest - Red Shoot Camp Site
Golf View Hotel
Greenbank Hotel
Gusto Pronto
Gwdyr House
Gwynfryn B&B
Hartwell House Hotel
Heritage Great Britain
Hickorys
Hilton Garden Inn Heathrow
Hippodrome
Holcome Guest House
Holiday Inn
Holiday Let (no name) North Cornwall
Hoo Farm
Hospitality Association York
Hotel and Catering Association- Rye Bay Sussex
House of Logs
House of Play
J and K Coaches
Kahiki Hideout
Kingsmede B and B
Lakeland House Conniston
Lamplighter Dining Rooms

Lasswade Country House & Restaurant
Leeds University Union
Level Bolton
Lindeth Hotel
Lindethfell
Lingmoor Hotels
Little Hall Cottage
Loch View B and B
Lyon Leisure
Maes-Y-Garth
Marches LEP
Market Restaurants
Master Innholders
Meerkat Charters
Messingham Zoo
Miclarin- Isle of White
Milburn Grange Hotel
Mistress Charter
Nautilus Dive Charters
New Holmwood
Newquey Boats
Ninebanks Youth Hostels
Nineoaks Angling Centre
North East Wales Executive Transfers
North Wales Tourism - Dunoon Hotel
Number 4 ST Ives
Number 43 Arnside
Optimist Charters
Orwell River Services
Our Joe- Charters and Fishing holidays
Overscaig

Padus Bars
Park Plaza
Pathfinder Boats
UK Clean Initiative
Peach Pubs
Pebble Hotels
Penrhos Golf
Pink Pig Farm
PKC Group
Play Avenue
Queensbury Hotel
Quest Adverntures
Raby Estates
Radley's and Applebys
Raiseview UK
Ramsey Hall
Roald Dahl Museum
Rose in Vale
Royal Lancaster
Scotland's Best B&Bs
Scottish Tourism Alliance
Sea Shells by the Beach
Sefton Park Hotel
Shakespeare Birthplace Trust
Shakespeare's Globe
Shanklin Beach Hotel
Shanklin Holiday Homes
Skydive Hibaldstow
Skyscanner
Snowdon Mountain Railway
SPA Pavillion

St Brides Spa Hotel
Steam and Glory
Stonegate
Summergrove Halls
Swallowtail Hill
Tamar Otters
Tanyresgair Cottages
Teamworks Karting
The 25 Boutique B and B
The Apple People- Apple Farm Hotel
The Bank Wrexham
The Beeches Hotel
The Blueposts
The Boathouse Pub
The Deltic Group
The Fearn's Guesthouse
The Green Man Winchester
The Heritage Alliance
The Lowry Hotel
The Market Restaurant
The Mercer Project
The Parisi Hotel
The Queens Hotel
The Queen's Hotel and Victoria Cloisters
The Rowley Estates
The Secret House
The Seren Collection
The Westbury Mayfair
The White Hart
The Yan
The Zetter Group

Thompson's Limited
Thorley Taverns
Tree top cottages
Treweens Hotel
Trolleybus Museum Sandhoft
True Blue Fishing
Tu Hwnt I'r Afon Inn
Tyn Rhos Hotel
UKH Scotland
Under the Hatch
unnamed Welsh business
Urban Leisure Group
Vale of Rheidol Railway
Waterook Lakeside Accomodation
Weecott Hotel
Welsh Canal Holiday Craft Limited
Welsh Hideaways
West Wight Cottages
Westbury Lodge
Weston Park Hotel
White Horse Inn
Winndemire Marina
Wroxeter Hotel
Y Talbot- Hotel
Yeo Group
YHA Borth
Trintity St David Wales SU
The Courtyard