Written evidence submitted by The Royal Edinburgh Military Tattoo

THE IMPACT OF COVID-19 - EVIDENCE TO THE DCMS SELECT COMMITTEE

ISSUE

1. Along with others across a wide span of the tourism, culture, sport and events sectors, The Royal Edinburgh Military Tattoo (REMT - organiser of 'The Tattoo') has been given the opportunity to contribute to the DCMS Select Committee Inquiry into the sectoral impact of COVID-19.

PRIORITY

2. Routine. Submissions have been invited by Friday, 19 June 2020.

SPECIFIC QUESTIONS

3. Specific questions have been posed as follows:

- What has been the immediate impact of Covid-19 on the sector?
- How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector's needs?
- What will the likely long-term impacts of Covid-19 be on the sector, and what support is needed to deal with those?
- What lessons can be learnt from how DCMS, arms-length bodies and the sector have dealt with Covid-19?
- How might the sector evolve after Covid-19, and how can DCMS support such innovation to deal with future challenges?

INTRODUCTION

4. REMT is a charity (limited by guarantee) registered in Scotland with three wholly owned subsidiaries also registered in Scotland. The group of companies turn over in excess of £16.4M.

5. The Tattoo is an iconic (and annual) major event with global reach and cultural diplomacy/'soft power' benefits for the UK. The event is one of the 11 Edinburgh Festivals and a mainstay of the Scottish/UK tourism offer. It presents to an international live, broadcast, and digital audience while contributing direct charitable benefit to the Armed Forces and the Arts charitable sectors (~£1M per annum) and contributing direct additional economic impact of up to £100M a year. Media 'hits' across the 2019 season were judged to be >3.8Bn.

6. The Tattoo has been running since 1950. Before this COVID-19 year, we have sold out for 22 consecutive seasons. An audience of 220,000 attend the live Show (8,800 each

evening) across three weeks each August, on the Esplanade of Edinburgh Castle. 100-300 million will see the Tattoo via televised broadcasts and news reports across the world. Above all, the Tattoo is a 'customer-facing' organisation, selling tickets to members of the public in around 100 countries (in an average year) and to the national and international travel trade. In addition, we entertain around 4000 customers and VIPs (ranging across Heads of State, Ministers, senior officials and military officers, leaders in tourism, business, culture, heritage and the arts) and see ourselves as a national institution.

IMPACT AND IMPLICATIONS - THE ROYAL EDINBURGH MILITARY TATTOO

7. The Tattoo has felt the following impacts from COVID-19 and the measures designed to mitigate its effect:

8. Our outdoor spectacular on the Esplanade of Edinburgh Castle had never, in 70 years, cancelled a single performance until the COVID-19 pandemic, but the Group will now sustain losses of ~£5.2M as a consequence of cancelling the 2020 season in its entirety.

9. This year, for the first time in 70 years, we have needed to cancel the run of 25 shows. The decision to cancel was taken to avoid the potentially nugatory investment (£3.3M) of building our stands complex and booking accommodation for the cast at a carefully set decision point at 30 Apr 20, should restrictions - or failures in our supply chain - prevent us from staging the Show. Of course, we also had a major responsibility to our customers and staff in terms of public health.

10. When we made the decision on 17 Mar 20, it was clear that major events, that brought together large numbers of people, would probably be impractical before the end of August. Accordingly, we aligned our decision with the other Edinburgh Festivals and made an announcement on 1 Apr 20.

11. Most significantly, the refund process has required considerable organisational, technical, communications and human effort. Prior to cancellation, 147,300 tickets had been purchased at a value of £10.66M, for the 2020 *Platinum Edition* show. This total equated to 69.5% of the inventory. In February, we were well ahead relative to last year but started to notice the fall off in demand as the scale of COVID-19 started to invade the public consciousness.

12. Of the sales to the general public, 48,600 were UK consumers (62%) while 29,200 were booked from 69 countries internationally (38%). Of the 69,500 travel trade sales, UK travel trade partners accounted for 52,700 tickets (69%) while the international travel trade accounted for 16,800 (31%). On 1 April, we advised our customers that - for those that wished - an automatic refund would be issued within 60 days. Those who needed urgent action were invited to get in touch directly. Customers and travel trade were offered the opportunity to transfer their tickets to 2021 (or a future year), receive a refund less a charitable donation or receive a full refund.

13. In the event, we have refunded a total of 116,000 tickets - 12% of the tickets sold for 2020 have been transferred to 2021 season (~3½ full shows) while a number of customers

opted to request a refund minus a charitable donation generating ~£10K for the charity. This refund rate is markedly higher at 88% than the rates experienced in other major events and festivals who have been reporting refund rates of ~10 - 15%. We attribute this difference to the relative complexity of our average customer journey (particularly for those traveling internationally) allied with demographic of our audience. Towards 2021, we are clear that there will be a major task in building customer confidence along the length and breadth of our customer journey and well beyond our own offer.

14. On current calculations, having made a range of efficiencies, we expect the business to make a loss of ~£5.2M in this financial year. Our focus is on developing and delivering other projects to build other revenues and reduce further the losses. This will entail both development and diversification.

15. Our annual 'additionality' has been measured variously at ~£77 - 100M to the Scottish economy and we are aware of a broad and deep tourism constituency that relies on our annual success. Not least, we provide an event and destination anchor for over 400 travel trade operations and sell tickets to individuals in >90 countries each year. Thus, the wider impact of our cancellation, albeit in the context of a general disruption, has been substantial. This will be felt by our audiences, staff, suppliers, partners and stakeholders.

16. Despite the losses, we still intend to make credible charitable grants to support the Armed Forces and the Arts charitable sectors.

17. Detailed planning for the 2021 season is already underway, while a range of short-term projects are being developed to sustain our brand visibility. National and international partners are poised to contribute to the 2021 season when that is confirmed. It is planned that we will go on sale for the 2021 season on 1 December 2020 or earlier if practical.

18. However, a successful 2021 season is dependent upon a number of factors that municipal and government policy might influence positively:

- Permissive conditions for travel and activity.
- Customers willing to leave home, to travel and gather in numbers.
- The development - with partners - of a 'Clean Crowd' regime (embracing public health, security and event management) alongside a targeted campaign of communication to build public trust in our event organisation, processes and people.
- Affordability for customers with a correctly priced offer.
- A working national events ecosystem (including the key enablers such as transport, accommodation, hospitality etc).
- Effective and efficient supply chains.

- A functioning and responsive insurance market that allows cost effective policies to be set in place.

19. Of course, this operational position is prompting a strategic review of our plans (our *Strategy for Growth*), our manning and an immediate re-set of the 2020/21 Business Plan. This will include the pace at which we contemplate a resumption of our plans to stage Tattoos abroad (an Overseas Tattoo was previously planned for North America in 2020/21)

20. Currently, the imperative is to understand the operational and strategic challenges such that REMT can resolve immediate challenges, remain resilient in the short term, re-establish a practical business rhythm as soon as possible, ready ourselves across the medium-term for whatever is the 'next normal' and return to sustainable business growth for the long term.

21. This sequence is broadly aligned to the Scottish Government's 4-phase plan (set for the period March 2020 - December 2022) and is intended to RESPOND to current issues, to support the sector to RESET and prepare for reopening once lockdown restrictions are eased, to support the sector to RESTART ensuring a safe reopening which is compliant and finally to look at how the sector may RECOVER.

22. Practically, the Tattoo is adopting in turn, and when the time is right for each, three stances, of increasing commitment and energy: *protective*, *shaping* and *dynamic*. The pace at which we move through these three stances will depend on how swiftly the United Kingdom and Scotland manages to transition from crisis to recovery. In this we are all hostage to the biology of the pandemic, the advent of a rigorous and sustainable testing regime and public attitudes.

23. The nature of this crisis is such that even an enterprising and self-reliant events organisation like ours is fragile in sustaining our resilience and returning to benefiting the UK. We operate with assistance in-kind from the Ministry of Defence but with no public grants, and we have absorbed the potential 2020 loss by calling on long-term reserves developed based on analysis of 'Black Swan' events and future infrastructure investment needs.

BACKGROUND

24. We have a close relationship to Scottish Government, its agencies and the City of Edinburgh - particularly in respect of heritage, culture, international engagement, tourism and the economy. We also depend on our relationships with various departments in the UK Government for our engagement in Defence, Foreign Affairs, Business and Commerce (domestic and international), Tourism and Culture, Heritage & the Arts. Accordingly, we take careful note of those policy areas that are reserved and devolved, and we are judicious in our engagement and projects to ensure that both Governments understand our challenges and the wider benefits we might bring.

25. The COVID-19 pandemic has acted indiscriminately of municipal, regional or national boundaries and a truly international effort is being required to mitigate the impact of the disease. There have been some variances in emphasis between the administrations in Scotland and the rest of the United Kingdom but these have not impacted on our operational approach to the challenges posed by COVID-19 and the measures to mitigate the impact of the virus.

26. Like most effective and efficient organisations, we conduct rigorous risk and opportunities management as part of our lessons learned process and core business planning. This regime informs our investment, growth strategy and our approach to risks (along with associated mitigation and insurance policies). The probability of event cancellation is an omnipresent shadow across all events and festivals and, we have tried over the years to take this into account in our horizon scanning, our business continuity planning and in our reserves policy.

27. We have tried to examine the potential impact of so called ‘Black Swans’ to test the efficacy of our policies, to cover a wide range of potential risks, and our reserves have been developed to take this analysis into account. We considered adopting insurance to cover the possibility of disruption due to a pandemic a number of years ago but, in the event, we could not assess accurately the probability of *an unnamed virus* pandemic (COVID-19 was then unnamed) and were unable to square the risk with the relatively high premiums offered. Now, with our reserves significantly depleted by the impact of COVID-19, we need to consider the probability of a second season’s loss (2021) due to ongoing constraints associated with virus and other potential disruptions. The risks of the latter have not diminished in the face of COVID-19 so, compound and serial risks are now greater than hitherto.

IMPACT AND IMPLICATIONS - UK EVENTS SECTOR

28. According to the *UK Events Report* published on 5 May 2020, before the pandemic the UK’s events industry in total was estimated to be worth £70Bn in direct spend, accounting for over 50% of the UK visitor economy, with leisure events accounting for £39Bn of this total.

29. The unique potential challenges of social distancing for live events over an extended period of 12-18 months could endanger most of the UK live events sector that has survived the immediate impact of COVID-19. Accordingly, conceptual (the thought process behind), physical (the means to do business) and moral (leadership and management) support will need to be established and sustained while businesses **resolve** their immediate challenges, remain **resilient** in the short term, **re-establish** their business rhythms as soon as possible, **ready** themselves across the medium-term for whatever is the ‘next normal’ and then **return** to business growth for the long term.

30. A medium and longer term UK-wide, sector-specific, resilience effort is required to deliver a robust effect across event management, production and distribution, commercial and non-commercial offers, to protect and develop key human capital, assets and to sustain the creative pipeline and its local, regional, nation and international ecosystems. This

should be aligned differently for the diverse range of events and festivals (whether publicly supported, commercial or hybrid) and their offers.

SUPPORT RECEIVED FROM GOVERNMENT AND OTHER BODIES

31. Throughout the COVID-19 crisis, we have found UK and Scottish Government officials to be accessible and supportive. DCMS and Visit Britain staff have been particularly swift to listen and counsel. The Government's CJRS package is offering us some degree of short-term flexibility on wages but will not alter our strategic position.

32. The REMT is fortunate to belong to the Major Events Organisers Association (MEOA) and this has facilitated the flow of high quality and timely information through members, each with their own connections into Government. In Scotland: The Armed Services, Scottish Enterprise, VisitScotland, EventScotland, Historic Environments Scotland (HES), the City of Edinburgh Council (CEC), the Scottish Tourism Alliance (STA) and the Edinburgh Tourism Action Group (ETAG) have all been hugely supportive. The Cabinet Secretaries for the Rural Economy and Tourism (Fergus Ewing MSP) and, Economy, Fair Work & Culture (Fiona Hyslop MSP) have been quick to engage and listened carefully to the challenges faced by the Tattoo and the events and festivals sector more broadly. The current CEO REMT (Brigadier David Allfrey) is the STA Events and Festivals Champion and as such has engaged across the tourism and events space to try and establish common themes and challenges.

ONGOING CONCERNS

33. We sense that our ongoing concerns will reflect the wider events and festivals sector. These are:

a. **Have the correct statements been issued to allow valid insurance claims and future policies to be entertained?**

Some event organisers have required specific announcements from Government to trigger the option to claim against insurance policies. It is understood that some agreements have been reached but further clarity may be required. Mainly we suspect though, insurance policies will not have been sufficiently acute to include COVID-19 risks and therefore substantial claims for event cancellation will be in the minority. The COVID-19 crisis is bound to inflate premiums for future projects and this must be sensitively regulated with an eye to the impact of COVID-19 on the insurance industry but also - and arguably more importantly - with an eye to the potential for significant cost growth across the events industry.

b. **How do we best sustain our business and financial well-being in the short, medium and long term?**

Most businesses, the Tattoo included, have sought to reduce staff and other costs where they can. The Tattoo has needed largely to rely on our carefully established reserves but Government measures (in particular CJRS) have been helpful - vital even

- in staying or delaying what are potentially difficult HR and wider resource decisions. The challenge for events businesses now is knowing when to build resources and push the throttles such that business effect can be delivered just in time. Most events businesses are naturally lean. Now, much will depend upon our ability to re-establish a vigorous business rhythm and ready ourselves for changed markets.

c. **Can we sustain our charitable giving in the short term?**

Whilst our charitable company has reserves to sustain charitable giving in the short term, long term sustainability relies on revenues and surplus in the operating companies in FY21/22. A successful season in 2021 is firmly the 'main effort'.

d. **How do we best care for our staff and suppliers?**

Currently, 20 of our core staff (40 in total) are furloughed and we have taken care to keep them close albeit 'separate' as required by the terms of CJRS. While helpful financially, this has meant that output has been reduced, and we look forward eagerly to a phased return to work. Many of our mainstream suppliers face significant challenges in business continuity while most of our technical support contractors, who are specialist and freelance, face hard times as their portfolios of work are cancelled. The challenge now is ensuring that each element in the supply and value chains are protected at best effort through Government support and our own individual and collective efforts.

e. **How many of our suppliers - and others mutually reliant within the tourism ecosystem - are likely to be casualties through the COVID-19 crisis?**

The tourism, events and hospitality sectors have been very badly damaged. A successful collective future will depend upon the travel trade, airlines, coach companies, cruise lines, taxis, hotels, restaurants, other visitor attractions and the host of supporting cast - everyone - being able to see a mutually supporting and sustainable future. Major national, regional, municipal and individual brand marketing and communications campaigns will be required to stimulate domestic and international demand and trust. The events ecosystem relies on the organic survival of *all* parties, large and small - any 'extinctions' have a wide effect.

f. **What will the 'next normal' look like and can we ready our value propositions appropriately?**

It is challenging to understand how public attitudes and tastes will be impacted by the COVID-19 experience. Success will depend on our being able to sustain our capacity and capability while remaining adaptable to the desires and demands of beyond-COVID-19 audiences. Critically, the whole of the 'customer journey' will need to be nurtured and enabled. Customers will need to make a series of decisions before they attend any large scale event: is the project affordable, whether to leave home, whether to use public transport, where to go, where to stay, how best to develop their programme, how best to sustain themselves and whether they can risk coming together with others. The whole customer journey, and its stages, needs close examination to ensure that all the risks and mitigation measures are visible and accounted for. Any shortfall in the analysis would be bound to prejudice customer behaviours.

g. **How long will it take for our audience (drawn from older demographic groups) to build their confidence to attend an event like the Tattoo?**

The sense is that the events industry will be one of the last elements in the national value chain to be allowed to re-set. A successful future is dependent upon our being able to agree to cross-sector operational quality standards that are acceptable to customers, to public health, ticketing and event management. Also marketing and communications need to be targeted to a degree at the more confident parts of the demographic such that trust builds for the more risk-averse to follow.

h. **When and if the audience returns, what special measures will need to be in place? How do we assure 'Clean Crowds'?**

One of the greatest challenges facing the country is understanding who is carrying the disease, who has some immunity and who is vulnerable. Part of the solution is a robust and sustainable testing regime but, this needs to be aligned to a contact tracking mechanism such that any virus hotspot or outbreak can swiftly be identified and isolated. A simple 'identifier' mechanism ('COV ID') will probably be needed to support ticket purchase and gain entry to venues (large and small). Ideally, these requirements would be embraced in a single, easy to use application. If testing and tracking regimes can be developed with an eye to their practical application rather than simply healthcare tracking, customer demand and preference will tend to stimulate the adoption of the systems. If customers wish to attend an event and some testing or tracking standard is required for entry then, it is judged, that a reasonable 'privacy penalty' would be acceptable. In essence, the incorporation of tracking in the events business model would be mutually supportive of public health policy and its own sustainment. Of course, these measures would be in addition to any physical social-distancing and operating regimes that are judged necessary.

i. **Can we return to sustainable business growth for the long term?**

For events and festivals businesses that survive the cash flow challenges of the lock-down period, we judge there is a reasonable probability for medium term sustainability. The tourism and the entertainment sectors - in their widest sense - are adaptable and energetic and should pick up quickly if trading conditions are permissive. However, if supply chains are badly damaged and corporate knowledge needs to be rebuilt then recovery is bound to be slower. The danger for any events though will be their starting the 2021 season with resources at a low ebb. Any disruption during that season would be likely to have a disproportionate impact. For the Tattoo, if trading conditions are favourable, the losses incurred in this trading year can be made up within two years but reserves (many with specific purposes) will take longer to re-establish. Realistically, it may take as long as 3 - 4 years to reset our growth strategies to pre-2020 levels of ambition.

LONG-TERM IMPACT AND SUPPORT NEEDED

34. Key areas of support are required to sustain and redevelop the sector: a robust inventory of specialists and organisations/businesses with processes, organisations and people who have adapted to the new conditions, the necessary market penetration, demand and value chains, and longer term investment to ensure that the UK remains to the fore internationally.

35. **Immediate Support for the Sector.** There are still gaps in the available support for individuals and businesses. Across the range of measures that are already in place, there is a need to extend the Self-Employment Income Support Scheme and CJRS, widen eligibility for business rates relief; extend loan support; and offer assistance for businesses struggling with commercial rents and leases. UK Government might also consider extending the cultural Government Indemnity Scheme to live events where insuring for cancellation due to public health issues has become prohibitive for major UK assets. At a practical level, real investment is needed to support event delivery against the backdrop of social distancing. This goes way beyond queuing, access control and seating and impacts on all parts of the event operation: fire escapes, toilet facilities, food and beverage distribution and hygiene measures more generally. All of this comes at a huge cost.

36. **Support for Development in the Medium Term.** Significant campaigns are required to stimulate the demand for events (large and small) and the associated enabling measures (transport, accommodation, public health measures *et al*). These campaigns should be targeted within the UK and abroad. To stimulate and reward a return to growth, a close examination is needed of all 'anti-growth' factors in the tourism, events, festivals and hospitality economy. The variety of extant levies and taxation should be examined with a view to aiding businesses to converting uncertain revenues into growth as swiftly as possible. Amongst other measures, temporary relief on VAT might be considered against tickets, booking fees and customer hospitality sales until trading conditions improve. This might be relatively simple to implement sector-specific incentive for creative and hospitality businesses. This measure would help to channel support towards live events staged by non-subsidised businesses in the independent commercial sector who have often been unable to benefit from other kinds of COVID-19 support. The more resilient these businesses can remain; the more public finances will see pay-back through payroll and other taxes. The call from UK Theatre to extend Theatres Tax Relief and in our case Orchestral Tax Relief should also be considered for its potential to support recapitalisation of the live events sector more widely.

37. **Support for the Longer Term.** A package of innovation support measures would enable UK live events to re-engineer their business models and leverage best practice, live performance protocols, new live formats and hybrid (mixed live and digital) event experiences. Current anecdote suggests a demand for culture to sustain and entertain people. Folk are looking forward to coming together in person for collective experiences as soon as this is safe and viable. Investment in developing and sharing practices, formats and content for changing audiences - in social distancing contexts - across the sectors (including

tourism, sport, culture, hospitality, events and festivals) would help sustain the flow of new content.

38. **Approach.** DCMS and Other Government Departments can support the recovery best by:

- Establishing clear lines of communication across the UK sectors impacted by COVID-19 such that issues and ongoing risks can be swiftly understood and considered for public policy intervention if/where needed. Each sector will face unique challenges and each one will require policy intervention in one form or another.

- High quality and timely horizon scanning and market intelligence are vital. The cascade of pertinent factors, deductions and potential responses need to be fast-running, clean and clear.

- Nationally coordinated and resourced marketing and communications campaigns are required to support national, regional and sector brands while stimulating both domestic and international markets.

- Tourism and the events sector deliver important export revenues and UK Government support therefore needs to reflect on factors beyond the domestic story through visa applications, international health regulations, the opportunities for trade and the like.

39. Current indications suggest that if major events (including sport) can be supported by Government in their sustainment and revival, their recovery will help rebuild confidence in the host of smaller events, the events supply and value chains and in the UK as a stage and a visitor destination.

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