

Written evidence submitted by the Tourism Management Institute

DCMS Select Committee Covid-19 Impact on DCMS Sectors

The Tourism Management Institute (TMI) is the professional organisation for anyone working in tourism destination management. www.tmi.org.uk

TMI is a network of professionals who promote and develop destinations across the UK, Europe and worldwide. We support our members throughout their careers by providing opportunities for sharing knowledge and expertise in destination management and being a voice for destination management.

What has been the immediate impact of Covid-19 on the sector?

Covid-19 has resulted in almost total closure of all leisure, tourism and hospitality businesses and significant numbers of Destination Management Organisations have reduced operations due to revenue and cash flow impacts.

For 2020 Visit Britain have forecast a loss in domestic tourism of £22.1bn (£7.9bn from overnights and £14.1bn from day trips). This is greater than the predicted loss from inbound tourism of £19.7 billion.

Pubs, restaurants, hotels and visitor attractions have all been hit particularly hard with continued uncertainty over when they will be able to open again profitably. They have lost peak time trading including Easter, two Bank Holidays and two celebratory days (eg Mother's Day) when many business owners are concerned that these are the months and events when they 'make their money' to carry them through the leaner winter months. This suggests that the true extent of the damage caused by this crisis may not become evident until early next year.

For example, a recent report from Visit Oxfordshire identified that 74% of tourism related businesses will have to close in 6 months and 45% do not expect to survive for as much as 3 months. Some 39,000 jobs are at stake in a Oxfordshire's tourism sector worth £2.28 billion. Oxfordshire will be very typical of many counties outside of London.

Significant numbers of providers have laid off staff (as well as furlough), put investments on hold and there have been business failures. Many businesses have needed to take out business loans for survival meaning that their business models become increasingly fragile and less resistant to any future shocks. So future uncertainty is all prevailing.

Covid-19 has also had a devastating impact on travel intermediaries including tour operators and travel agents. For example, The Specialist Leisure Group, including major brands such as Shearings and Wallace Arnold provided key business to some hotels and was an important provider of base and shoulder season trade to many more.

In addition, the rail, ferries, aviation and cruise sectors have almost entirely stopped functioning with little prospect of returning to full operations for some time.

How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector's needs?

The Chancellor's Business Rates Holiday; Retail, Hospitality and Leisure Grants Fund and additional grant funding schemes, plus the Bounce Back Loans Scheme and Coronavirus Job Retention Schemes have been well received. However, some gaps remain for the sector and it remains to be seen whether businesses will be able to open quickly enough to avoid catastrophic levels of closures.

DMOs and local authority tourism functions are critical in their tourism business networks support and their potential ability to deliver recovery support to the industry if funded to do so. However, the fragile and fragmented DMO structure and reliance on commercial revenues has been exposed during this crisis. The DMO Resilience Scheme has helped commercial income reliant DMOs from business failure. However, this scheme was only intended to enable DMOs to provide core services which has meant that some have been unable to deliver a comprehensive range of services to support the sector.

Local authorities will continue to struggle to commit funding to sustain DMOs and their own tourism services. Central government cuts of 50% to local authority budgets pre-Covid means that many councils spend over 70% of their budget on social care with little spare to fund non-statutory services such as tourism. This has pressured local authorities into transforming DMO and cultural bodies into commercially funded businesses.

However, the current sub-national public economic development structures in England do little to comprehensively support the sector. Local Enterprise Partnerships take their cue and priorities from BEIS and are more focused on capital investments, housing, hi-tech sectors. Although Growth Hubs have played a role in supporting a wider portfolio of businesses.

The resources and capacities of hotel chain-branded product – and that a number of these have continued to trade for key workers etc – means that they are better placed than SMEs/micro businesses. It is these smaller businesses that make up the majority of UK tourism product that have needed support, particularly from DMOs and local authorities.

The sector is desperate to re-open safely to secure (some) summer trade. A reduction of 2m to 1m social distancing is viewed as key to much of the sector, otherwise it can only operate at around 30% capacity. Recognising that many other countries have implemented a less than 2m rule successfully needs to be recognised. However, the development and roll-out of re-opening guidance has further highlighted the fragmented approach to tourism policy across DCMS, BEIS, MHCLG, DEFRA, Home Office and HM Treasury. Pubs and restaurant re-opening

has been a matter for the BEIS Taskforce, whilst visitor economy is part of the recreation and leisure DCMS taskforce, aviation is with DfT and zoos with DEFRA. For DMOs, local authorities and businesses this is taking a lot of hard work to understand, plan and action.

It seems that it is only in times of crisis (eg Foot & Mouth 2001) that the value of tourism to the economy is recognised. However, it never seems to register strongly with BEIS or Treasury in particular. This is bizarre when tourism spend drives vast swathes of UK plc – aviation, manufactured products, construction, transport, logistics etc. It is not just ice creams!

The national tourist boards have been required to rapidly pivot and re-focus strategies and business models. This has provided some challenges around providing leadership and advice to DMOs and SMEs quickly enough and has highlighted the gap between both; particularly as there are no longer bodies at the regional level with a statutory responsibility for tourism.

The current Home Office 14-day quarantine for all arrivals (except Ireland) is currently making it impossible for the inbound tourism sector to function. Destinations such as London, Bath, Oxford, Cambridge, Edinburgh are heavily dependent on overseas visitors and will be disproportionately impacted.

Additional schemes that have supported BIDs and Zoos and Aquariums and legislative changes have also supported the tourism sector.

What will the likely long-term impacts of Covid-19 be on the sector, and what support is needed to deal with those?

Much will probably depend on when a vaccine is developed and effectively rolled out worldwide. Until that happens, impact will result from a combination of whether businesses can open profitably and consumer confidence.

However, in the short to medium term we are likely to see less vibrant destinations from business closures – pubs, restaurant, retail, theatre, live performance venues. This will mean that financial support, rent reviews and possibly planning reform will be required to support the High Street and resort regeneration. There is also a danger in some resorts or urban areas that businesses with depleted reserves and fragile balance sheets could start aggressive discounting and target lower end and low margin business that could damage the image and reputation of some destinations.

The domestic market is likely to grow, possibly rapidly in the short term, until outbound travel becomes possible. However, there should be long term benefits for domestic tourism as consumers feel motivated to re-discover their own country and possibly feel less inclined to take more risks with an overseas holiday. Although the travel industry has a notoriously short memory and securing long term benefits for the nation may require longer term government support. This may be a strategic opportunity to grasp, however, there may well be a need to manage visitors to avoid over-tourism in honeypots, help drive visits and benefits to a wider range of

destinations and continue to provide reassurance that providers are managing health and safety appropriately.

There is likely to be enhanced consumer interest in rural destinations and local produce. This could help these destinations develop but choke off demand for some city breaks. With potentially less business travel, some hotels may need to continue to foster domestic leisure as a replacement.

Tourism businesses will need to be helped to become more resilient and helped to improve and adapt. Further embracement of digital technology to provide better management and marketing capabilities and improved integration with the travel trade through skills and training. This will enable businesses to determine how best to manage integration with OTAs and other service providers.

What lessons can be learnt from how DCMS, arms-length bodies and the sector have dealt with Covid-19?

The government decision to not adopt the recommendations of the British Tourism Framework Review in 2009 and create an independent Visit England meant that there has not been a strategic national tourism body for England ready and able to easily lead Covid-19 response and recovery. This is at variance to the Foot and Mouth and flood disasters when national and regional tourist boards provided a stronger structure and were resourced to deliver regional and local support.

To some degree this is symptomatic of the way Government is currently run with very limited contingency planning, spare capacity and specialist expertise. In an ideal world the UK tourism sector would have a national disaster management plan to deal with a pandemic that would enable Government, national tourist boards, trade associations and Local Resilience Forums to quickly and efficiently respond and recover. This would help move the response onto the 'front foot' rather than the 'back foot' and enable the development and implementation of more timely and consistent advice, protocols and regulation to enable the industry to plan and respond much more efficiently and effectively. There's a time and a place for Government led 'taskforces' and 'round-tables' to determine policy but not when we're only 3 weeks away from potentially re-opening the sector!

At a local level there is a real need for more resilient DMOs that are backed with Government funding. DMO and local authority commercial models have been exposed and we now know that an entrepreneurial approach does not always work.

There may also be a need to ensure more joined up local multi-agency visitor management protocols are in place across the country during a crisis. Local Resilience Forums do provide a mechanism but may not have a specific visitor management role that could bring together a wider portfolio of stakeholders (eg heritage agencies, Forestry Commission, National Trust, and other landowners for example). And as a limited number of Local Enterprise Partnerships have tourism as a priority, taking their cue from BEIS and not DCMS, their contribution to recovery is likely to be longer term only if tasked and resourced appropriately by Government.

How might the sector evolve after Covid-19, and how can DCMS support such innovation to deal with future challenges?

The domestic market is much more valuable for all destinations outside of London. And whilst the domestic and international overnight markets are both worth in the order of £23-£24bn each to the UK, day visitors spend an additional £64 billion. A likely growing consumer interest in domestic trips because of safety concerns and a need to generate sustained levels of business for tourism and hospitality providers and destinations means that all sections of Government should be prioritising support for domestic tourism followed by international tourism.

There is also a need to review the content of the Tourism Sector Deal in the light of Covid-19. There seems little point in 5 potential Tourism Zones, when we probably need one whole of England Tourism Zone to help address the enormity of the impact.

There is likely to be an increased interest in the outdoors and potentially more cycling and walking. This will require a more co-ordinated approach across Government to provide the infrastructure, services and deliver the economic and health benefits. However, at the same time we may see reduced travel by the elderly which may mean the reduction of an important market unless all parts of the industry are able to respond with reassurance and adaptations.

As highlighted earlier, this crisis has also highlighted the importance of IT. Ensuring that tourism SMEs/micros can also adopt and adapt to new technology will be important for resilience and modernisation. Many businesses have pivoted to survive, but this will need to be entrenched and sustained more widely across the sector with Government support.

Top 4 key asks

1. Reopening sector quickly and safely
2. National government backed domestic campaign
3. Enhanced Visit England role and sub-national structures review
4. Targeted tourism business support to improve resilience and modernisation