

Written evidence submitted by Marketing Lancashire

Submission to the DCMS Select Committee on the impact of COVID-19 on tourism // 19 June 2020

Marketing Lancashire

Marketing Lancashire is the agency charged with promoting the county on a national and international stage. We are a not for profit organisation working in the interest of a prosperous Lancashire. We reinvest all our partner fees into promotional activity for the county to develop Lancashire into a leading leisure, learning and business destination for domestic and international visitors, to enhance the national and international reputation of the county and promote sustainable economic development and growth. Lancashire has one of the largest economies in the Northern Powerhouse, with over 52,000 businesses generating £32 billion per year.

Visit Lancashire is the tourist board for the county and a division of Marketing Lancashire. We work closely with VisitBritain and a wide range of public and private sector agencies. Our activities in marketing and communications, commercial membership and place marketing are all designed to grow the visitor economy and develop the destination as a great place to visit, work and invest. Most recent figures (2018) show that Lancashire attracted 68.74million visitors, who contributed £4.41 billion to the local economy and helped support over 60,700 jobs.

Introduction

Marketing Lancashire welcomes the DCMS Select Committee's inquiry into the impact of Covid-19 on DCMS sectors. The crisis has had a devastating impact on a whole range of sectors and communities, but none more so than those involved in tourism and hospitality. This is an industry that is not afraid to evolve and innovate, but unlike retail or professional services, they cannot simply switch their provision online. They sell experiences that are enjoyed by residents and visitors alike, and that make the British quality of life what it is. They don't save lives, no, but they do make our lives so much richer.

They are our true 'soft power'. The quirks of a country pub, the thrills of a seaside theme park, the nostalgia of a ballroom, the exceptional quality of a Michelin starred meal, the joy of fish and chips on the beach. And yet the sector is under-valued and over-looked by Government. So much time and effort seems to have gone into getting sport played again, whilst our tourism and hospitality businesses remain firmly closed, with no clarity on when they might be allowed to open, or guidance on how they should do so when the time finally (hopefully) comes. In the meantime, more and more temporary closures are becoming permanent closures, as businesses fall through the gaps of the funding support available and find themselves unable to keep going.

1) Immediate impact of Covid-19 on the sector

During the second wave of lockdown, Marketing Lancashire issued a survey to assess the impact of Covid-19 on tourism and hospitality businesses in Lancashire. 204 businesses responded, 99% of whom had been negatively impacted by Covid-19. 87% of businesses had already seen a drop of over 90% of revenue, and 94% were closed. As expected, this has hit tourism hot spots such as Blackpool particularly hard.

At that point, 78% declared that they would not be able to last more than six months, and 50% felt they would not last three months. Although the majority had been able to furlough staff, access to finance was proving to be a challenge. 50% of Lancashire businesses were unsuccessful in their application for a CBIL loan due to low turnover, lack of time trading, or that investments in previous months meant profits were too low for a successful application. Of the businesses that tried to claim for business interruption on their insurance policy, 100% of claims were rejected, despite many businesses being covered for pandemics. As Covid-19 is a new virus not named in policies and is a global pandemic it is not being covered by insurers.

Since then the furlough scheme was extended, the discretionary grants were made available and the bounce back loan scheme was launched. All of which were very welcome, however, despite this, we are still seeing businesses fail. The Seafood Pub Company, an award-winning, ambitious and growing group of gastro pubs across Lancashire and Yorkshire, sadly announced that they had gone into administration on 15 June. A loss of ten great pubs and hundreds of jobs, but also a blow to ten communities who will have no pub to return to, despite that being one of the top four things that people in and around Lancashire are keen to do once restrictions allow.

It will have been pointed out already that due to the seasonal nature of the industry, many businesses would expect to recoup losses during the summer months and build up reserves to see them through the following winter. We have lost half of the season already, and despite initial claims that there would be a domestic tourism boom once the country was out of lock-down, consumer sentiment research is actually predicting a net loss of domestic tourism activity. And with the events and festivals that would have attracted visitors cancelled, and no clarity at all on if and when mass gatherings might be able to start again - affecting the wedding industry and business tourism as well as the cultural sector - it looks as though the industry is essentially facing three back-to-back winters. For Lancashire, we estimate this could be an economic loss of over £3bn.

2) Effectiveness of support from DCMS, Government departments and arms-length bodies

All Government support for the sector has been welcomed, especially the furlough scheme but also the grant scheme for tourism, hospitality and retail businesses. However, the latter has been somewhat of a blunt tool that although helping some has left others unable to access anything. There are tales of businesses receiving grants that are seeing it as a bonus, someone who only just signed a lease on a shop and got £25k, a taxi firm that has had £10k for each of their 5 offices, a furniture shop in a double unit that's had £50k, and yet one of our partners who owns and runs a hugely popular gastro pub with rooms received nothing because their rateable value is over £51k.

The loan scheme has also been fraught with issues, with banks turning people down for CBILs loans yet offering their own higher rate loans and/or demanding personal guarantees, despite that being against Government guidelines. The Bounce Back loans made finance more accessible for some, and just in the nick of time. The discretionary grant scheme was very welcome, particularly for those small B&Bs or boat hire companies that were ineligible for the original scheme. However, few authorities chose to 'raise the bar' in terms of rateable value with this smaller pot of money, and so some businesses have still received nothing.

In terms of DCMS, it is clear that they were listening and pro-actively asking for evidence and case studies to make the case for the support their sectors needed. Our personal North West lead for tourism, David Martin, has been very responsive and we have no doubt that he, Stephen Darke and the rest of the team will have been championing our cause and perhaps that led in part to some of the welcome changes to the support structures we had been calling for, such as the extension of furlough. However, despite their best efforts, it does feel from the outside as though the 'S' in DCMS will always have the loudest voice. I guess that shouldn't be a surprise, as there is no 'T'.

The DMO resilience fund provided by Visit England and DCMS has been a lifeline for many DMOs and has allowed Marketing Lancashire to retain staff off-furlough to provide business support to the industry. However, it will not be enough to ensure DMO survival medium-term, as we lose commercial income and local authority budgets get diverted. To give an example, Marketing Lancashire expects to lose at least £300,000 in revenue in FY20/21. The support received from the DMO resilience fund totals £18,500.

What we need is an increased sense of urgency and speed of decision making at the national level and a greater use of local knowledge and intelligence in national plans for restart and recovery. DMOs are ideally placed to provide this and can help ensure that national initiatives don't inadvertently cut across local considerations. For example, restart and recovery must take account of the availability and capacity of public transport, the views of public health officials regarding out-of-region visitors, the sentiment of local communities towards visitors and critically, the provision of accommodation, attractions, services and facilities in any given location.

A campaign to stimulate domestic tourism supply and demand simply cannot be delivered at a national level. Funds for such activity need to be devolved.

3) Likely long-term impacts and the support needed to deal with them

Covid-19 has fully exposed the fragility and hand-to-mouth nature of the tourism and hospitality industry, and the fragmented nature of the organisations and associations intended to support them. This fragility has been caused through an erosion of support over many years. Tourist boards used to be funded to provide business support to the sector, but that funding disappeared with RDAs and never got replaced. So many regular business support grants and programmes are now solely for the benefit of B2B businesses, leaving an entire sector effectively ineligible for support. This inevitably means that Covid-19 will have a greater long-term impact than would have been the case if the sector was valued and supported as it should have been.

The situation is clearly also taking its toll on the mental health and wellbeing of the sector. The resilience of tourism and hospitality business owners can only go so far when they are being turned down for the support available to others and are being left to fend for themselves. Also, the pressure of being left responsible for the safety of their staff and customers in the face of this pandemic is taking its toll, with many very nervous about opening even when they are allowed to do so, and concerned about the mindset of people returning to work.

We expect there to be a particular impact on the younger workforce – many young people in and around Blackpool, for example, rely heavily on the seasonal work that tourism provides and this has been taken away from them – many may not bounce back. The industry also employs a lot of experienced seasonal workers, many of whom return year after year, but these skills and experience will be lost as people look for jobs in other sectors.

It is still uncertain when and how the sector will be able to re-open, and it is clear that if the 2m social distancing rule remains in place, some will simply not be able to open at all, either because it is impossible, or because it is economically unviable. It seems that retail has had a bumper week in re-opening, but even if customers are keen to get back to visit their favourite attractions or go out for a meal, the industry won't be able to take advantage as they simply won't be able to let enough people in. Seated restaurants operate at 65% capacity at 1m, but just 34% of capacity at 2m. Standing areas in pubs could take 50% capacity at 1m, but just 25% at 2m. The cost to seven Blackpool attractions alone is £3.5m lost between July and the end of the year if they can only open with 2m social distancing in place.

Sadly, we expect a number of other businesses to go the same way as the Seafood Pub Company if we are unable to secure more immediate, tactical support as well as a confirmed longer term set of interventions. If we see them through the short term only to watch them fold later this year or in 2021, then all the work to date has been wasted. This is what we need now:

- Further grant funding if hospitality businesses are required to stay shut longer;
- Commitment to 'raise the bar' above the £51,000 rateable value limit for those businesses still unable to open who can prove the impact Covid-19 has had;
- Further extension of furlough scheme to support those businesses re-opening at significantly reduced capacity;
- Pressure on insurance companies to pay out on their business interruption policies;
- Review of the 2m social distancing rule – the economic impact of the difference between 1m and 2m is immense.
- Clear guidance for the wedding industry, which is currently at a standstill;
- Funding for cross-over projects between the digital and tourism sectors to create platforms that will allow tourism businesses to build back safely in a way that maximises income.

This is what we need longer term:

- Extension of the season and support for the call for additional bank holidays in autumn;
- Council tax freeze for self catering properties and B&Bs;
- Extension of the business rates 'holiday' with payments phased back in over the next three years;
- Reduction or removal of VAT for the sector so that they can remain competitive;
- A specific support plan for the tourism and hospitality sector to see it through until March 2021 and after that funding to deliver the tourism sector deal priorities;
- A national framework for tourism management that describes the core role of DMOs and a basic minimum of functions and services that are necessary to a thriving visitor economy with the flexibility to adjust to local circumstances;
- A 3-5-year financial settlement for DMOs in the medium term that recognises they perform a public service and should consequently receive public support.

4) Lessons learnt

Many tourism and hospitality businesses have struggled to adapt to the crisis. Some have been able to offer key worker accommodation and/or switch their dine-in food offer to a delivery service. However, this is often not generating enough revenue to cover the cost of the staff needed to deliver the services on offer. Those that have created online content to help keep them front of mind and provide their customers with a means of engagement and entertainment through lockdown, have been unable to commercialise that content.

It is understandable that retail, hospitality and leisure were grouped together in terms of grant support, but this approach led to a blanket offer that supported some more than necessary and left others struggling to survive. Whilst it is arguably easy for the retail sector to switch from physical stores to online sales, much of the tourism and hospitality industry is simply unable to do so – you cannot experience a theme park online, you cannot enjoy an online overnight stay – yet those businesses least able to trade during the lockdown are those that were closed first, and are being allowed to open last.

Covid-19 has seen interest in tourism increase in Local Enterprise Partnerships and Local Authorities who have valued the knowledge, expertise and help of their DMO colleagues and leant on them for

intelligence, coordination and communications functions. But we have been here before. Interest increased after foot and mouth, 9/11, volcanic eruptions etc. but it wasn't maintained. When this crisis passes tourism will be once again be taken for granted and increasingly starved of funds and support unless attitudes change. We must find a way of capturing and maintaining the current interest and support that is now evident among LEPs, local authorities and Government and maintain it in the medium and long-term.

5) How might the sector evolve and how can DCMS support such innovation to deal with future challenges

There is no one-size-fits-all for this wonderfully diverse sector. It is made up of multi-million pound companies employing thousands of people and micro businesses creating bespoke, memorable experiences. We need to ensure that we don't lose this diversity, it is why Britain has been so successful at tourism to date, attracting the millions of visitors that we do. However, we also need to recognise that the sector is a critical part of our overall proposition – a key reason why people choose to live and work where they do. The sector serves much more than just 'tourists'.

The value of domestic tourism is also hopefully now (finally) understood. Treasury may previously have seen this as generating no added value, just moving money around the country, but as we now look to domestic tourism to become the saviour of millions of tourism jobs, we must also consider how best to stimulate that demand. It must be done at a local level, through both product development and promotional activity.

A good starting point is developing, funding and accelerating the actions described in the 2019 tourism sector deal. We need to support the sector to become more productive and resilient to any future shocks. The sector deal priorities remain entirely relevant, but they need to be shaped with input from destinations and delivered in a partnership between national, regional and local organisations. Urgent progress is needed on the proposed data hub development, skills will need even more urgent attention to cope with the changed marketplace post Covid-19 and a long-term programme of business support delivered both nationally and locally is needed to drive productivity.

In order to achieve this, we need a review of the national framework for tourism management. An enhanced role and ring-fenced funding for Visit England to engage and support the DMO network combined with a 3-5-year financial settlement for the DMOs themselves will make evolution and innovation more successful. Instead of tourism zones targeted at just a few areas, we need to support the entire sector to drive up productivity and claw back the jobs that have been and will be lost as a result of Covid-19.

Lastly, DCMS needs to embed awareness and expertise about the value of the sector at all levels in Government. We have had three different Tourism Ministers in the last year alone, which is indicative of the importance placed on what is the fifth largest and fastest growing sector in the UK. At least it was. Covid-19 hit and Government was slow to react, particularly to create targeted support programmes that were relevant to the tourism and hospitality sector. They did not know what the sector needed because they did not understand it and they did not value its worth. We need to evolve a mindset, this cannot be allowed to happen again.

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