

Written evidence submitted by the West Midlands Regional Board for Tourism

Response to DCMS call for evidence on the impact of Covid-19 on the Tourism sector of the West Midlands

19th June 2020

Covid-19 has created an unparalleled crisis for the region's business community, with the tourism sector the first to be affected and continuing to bearing the brunt. The Regional Board for Tourism has called on evidence gathered by West Midlands Growth Company and Shakespeare's England DMO, collaborating to run a regular survey of hotels, conference venues and attractions across the region. Five waves of survey have been undertaken, with a sample of circa 50-100 tourism businesses per wave. 200 businesses in total have submitted responses across the 9 weeks of lockdown to end May 2020.

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

Before 1st March many businesses were doing well and looking forward to the coming year with optimism.

'Positive – ahead of expectation'
'Best start to any year on record'
'Healthy - surpassing our annual budget'
'Active and in profit'
'A good start to the year. Things looked promising!'

- By the end of March 95% of businesses reported a fall in revenue, 30% had let staff go and more than half reported cash-flow problems. By mid-April 40% of businesses had closed/ceased trading. This proportion increased to 80% by 29th May 2020.
- All have seen a drop in revenue of more than 50%, and 60% are experiencing cash flow problems. Most businesses are worried that, without additional support, they may not survive to the end of the lockdown period. Some 10% say they are contemplating permanent closure in the next few weeks and another 40% say they will face failure by the end of the summer.
- Some remaining business is Covid-19 specific / adapted, for example accommodating key workers in hotels and restaurant food takeaway services

'Decimated! No coach travel at all, 48 coaches idle. No holidays or excursions being operated, all trips cancelled until the end of May. Bus operations cut by 50% and passenger numbers down by 90%!'

- Businesses expect the position to continue to worsen considerably in the coming months if the lockdown continues. If so, only 32% expect to be still open/trading at the end of June, 25% at the end of August and 20% at the end of September.
- Nearly 20% of businesses are concerned that, due to their poor cash/liquidity position, they may not be in a position to resume trading when lockdown is lifted.

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

The furloughing scheme is the most popular form of support with more than three quarters saying that they felt it was useful or very useful. The next most popular were VAT deferral (60%), business rate holidays (58%) and income tax deferral (40%). The support seen as least useful was the £25,000 cash grant (37%, primarily due to many businesses not being eligible owing to the £51,000 rate ceiling) statutory sick pay relief (27%) and business interruption loans (20%).

But businesses have highlighted a number of issues and problems with the support on offer:

- Significant numbers of them are deemed ineligible for support – notably self-employed people who have recently started up their business
- Others highlight a need for more cash grants rather than loans, and difficulties in obtaining the loans on offer
- A need for measures to deal with rent arrears is highlighted

'Self-Employed relief for new start-ups. Increased grants for smaller tourism and leisure businesses.'

'A proper Government backed loan that I don't have to bet my shirt on.'

'Coronavirus loans are useless as banks aren't looking to loan it easily and there are too many restrictions. They are also too busy trying to push their own products.'

'Businesses have already been hit by Brexit. We were just on the road to picking up a recovery and we get hit with this, no business wants to take on debt with no future resolution in sight!'

'Call on landlords to not see this as business as usual and to lobby them centrally to give rent holidays.'

The increased flexibility to bring back employees gradually has been welcomed. For some, including cultural sector partners and business tourism venues, the end of the furlough scheme simply will not allow them to retain staff, as they still will not be able to open. Redundancies have already commenced.

- An extended, phased flexible furlough scheme is called for - given that many businesses envisage a phased return to trading when lockdown is ended.
- ACE and HLF grant funding is appreciated but the sector members feel that while it may be good for freelancers and micro-businesses, the pot simply hasn't been big enough to cover the sector adequately. The more commercially successful a cultural sector business has been (i.e. the fewer grants it receives) the less support is accessible to them now, at a time when all commercial income was cut off on lockdown.
- The VisitBritain Destination Management Organisation (DMO) resilience grant for two staff members who support industry partners has been quickly implemented and the

process of application was very straightforward. The turn-around time for approval has been impressively rapid. We commend their hard work with DCMS to approve this funding.

- The business rates threshold to access grants made it impossible for city centre businesses to access. Even a small cafe in a city centre location has business rates over the threshold, so very few have been able to access the £25,000 grant scheme, even where otherwise eligible.
- Some businesses have been able to access the bank loan scheme, but aggressive creditors have swallowed up these funds. Rent or repayment holidays may solve this
- Attractions which have charitable status, (e.g. Artrix Arts Centre, Bromsgrove) have already had to close because they cannot access funding, given that their business plan was not feasible with zero income streams. We welcome the new guidance for charities out 22-4-20.
- Insurance – non-payment for business interruption has been difficult for businesses to accept.

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

The region's tourism businesses recognise the need to re-design their business models, re-build their cash position and deal with what may be a long and drawn out recovery in demand. As referenced above, a more flexible furloughing scheme would be helpful for this, and businesses also highlight the need for long term financial support to sit alongside the more immediate assistance offered so far.

'Cash support to invest in rejigging our business model, which is currently geared to summer/ outdoor revenue generation, to being able to make up the losses by trading successfully in winter.'

'Being in the events industry we had our income stream switched off in the space of a week with no clear view of when we will be able to earn again. It's questionable how quickly events both festivals and conferences will get back on their feet. Long term funds are needed to develop and try and grow out of this, covering outgoings for the next 2 years.'

'At a time of year when we would normally be getting back to a cash positive situation, we are currently staring into a precipice without an obvious way out. With the loss of spring, and possibly even summer, next winter is going to be almost impossible for us to navigate as we will not have built up the cash reserves over the summer that seasonal businesses need in order to survive a winter. There is a danger that the outdoor tourism sector will be forgotten as the economy gets back to normal in autumn/winter, because we cannot possibly survive a winter with no cash reserves from spring/summer trading.'

Support from government in the following areas will help the industry to recover

International students are a critical part of the region's economy, and attract thousands of visiting friends and relatives (vfr) visits each year.

The China education visa is different from other student visas. Our universities' overseas student numbers are likely to reduce significantly next academic year, having an enormously detrimental impact on their financial health. Align Chinese student visas with other international student visas to encourage uptake.

Request to review Package Travel Regulation so that it applies only to packages which include a travel (coach, flight, train) element.

The PTR was conceived to protect consumers who were purchasing different elements of their holiday or break from a single provider. This could be a tour operator, online travel agent, or even a hotel, B&B or destination management organisation (DMO), which sells associated elements which become a package when bought within 24 hours of one another.

This makes sense when a holidaymaker is offered a flight, transfer and hotel as one deal – if any of the elements does not function the promoter is duty-bound to support the customer. However, it also applies if a B&B offers a well-being break which includes a local supplier offering a restaurant meal, and a local spa offering a massage. It makes the ability of businesses to make sensible links with other local businesses uneconomic, as the duties become too onerous.

VAT break. A phased return to VAT levels over the coming year: 0% to 20% increasing by 5% per quarter once each business is able to reopen.

Venues and hotels, restaurants, theatres and attractions will all have to invest in social distancing measures (self check-in pods, new furniture layout, screens between customers and staff and between booths, booking-only policies for restaurants and bars, reduced delegate / visitor / audience volumes, improved AV to live-screen content between conference and meeting rooms to manage social distancing, additional cleaning, PPE for staff, training etc.) Even as demand slowly returns, these all add high costs to operations for far lower returns, because customer / delegate / audience numbers will be severely curtailed.

Ask – for venues and events. Echoing the BVEP request, the government must distinguish between organised business events where ticketed delegate flow in convention centres and venues can be managed, and mass free-flow gatherings where this is not possible. Let's not be seduced by the apparent ease of a blanket ban by number on gatherings, and miss the opportunity to nurture the return to business visits and events.

Ask – Funded campaign extending warm welcome to the West Midlands across leisure and business tourism sectors to build the narrative that the urban areas are open for business and still provide that gateway to the rural areas.

- Hotels and attractions are concerned that they will open but without a destination / regional meta-narrative to promote our welcome and reassurance as to its low risk, there will not be the demand to populate the beds and restaurants.
- For the business tourism sector, a focus on the measures to keep spaces low risk and well-managed, to encourage a resumption of the meetings and events that support our key priority sectors of the LIS.
- For the leisure visitor, that the West Midlands offers walkable cities, bike hire, canals routes, open air museums, Victorian parks, botanical gardens, castles and historic house estates, delicious street food, pub gardens etc. where visitors can meet up with family and friends for a weekend, confident that they will have a warm welcome and restorative break.

Sustainability - that we keep the values of sustainability and environmental awareness at the heart of our return to business across the sector. The government's agenda to support measures reducing carbon emissions and fighting impacts of climate change must remain at the heart of our recovery activity. When Covid-19 is a collective memory, the disaster of climate change will be with us. We will be judged by our values now, in extremis, as well as further down the line.

Birmingham Airport, our international gateway, has played its part in Covid-19 – becoming part of the response infrastructure. Their fixed costs continue and they have but a handful of flights a week. Return to international travel is also dependent on other nations' controls, and carriers' ability to resume operations. VisitBritain is not anticipating any significant resumption of international business this year.

Airports' expertise to be central to any regulatory changes in managing flights and passengers

On-going exploration of travel corridors to countries with low infection rates

Judicious abolition of 14-day quarantine for particular leisure and business tourism inbound markets

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

The single key lesson to be learned is that support to businesses must be facilitated quickly. A significant number of early responses to the first waves of our survey demonstrated this frustration because they were concerned that they may go under before it arrives.

'Stop talking about the grants and get it filtering through. Talk is cheap. NOTHING has happened yet.'

'Get grants and loans quickly! Still no answers to when we can apply or receive moneys.'

'None of the promised support has yet come to fruition'

The communication from VB, the Tourism Alliance and Trade Bodies has been exemplary. This has allowed DMOs to share accurate and timely information with their industry partners.

The forced isolation has accelerated the use of technology for communication and enabled flexible working from home for those for whom this is possible – it has driven virtual and digital responses to the outbreak from tour guides, cultural and arts partners.

The value of having access to a private outside space or a large public outdoor space is being realised and health and wellbeing, already a focus before the pandemic, are at the forefront of people's minds. The ability of people to take a domestic summer break will therefore be immeasurably important to many. Clear guidance for re-opening, as soon as possible, is critical to the health of the tourism sector.

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

Many companies have adapted their business models to cope with the challenges. Much of this is a short term fix, and two thirds of businesses will not retain the changes after lockdown ends. There are, however, some examples of successful adaptations – notably relating to digital and on-line approaches (for example more active use of on-line content, digital channels, on-line sales and offering on-line tours) - which are likely to be sustained in the longer term and may benefit from support from DCMS.

'Online meetings and events have proved very successful with new audiences.'

'Started selling our shop stock online, moving our guidebook to a digital version, looking at doing online productions'

'We have adapted by offering paid online game versions rather than team building and in person events. We have also been offering free virtual games streaming events to provide brand awareness and to help promote our paid games'.

'Just more activity with social media really, to keep in touch with our customers. Regular updates to them on the website have been well received too. We are adopting a policy of trying our best to look after staff, customers and suppliers - and this is working well. Businesses will be remembered for how they acted during this crisis.'

'I have focused on measuring customer experience across digital and phone channels - looking at the virtual customer journey. This includes digital messaging, helpdesk support and how well people interview virtually (as most have never done it before).'

Looking towards the recovery phase businesses are also looking for (i) support with marketing and promotion and (ii) market intelligence and insights to help identify new

‘Free promotion via national and regional tourist boards in international markets.’

‘Marketing campaign to support domestic tourism markets.’

‘Analysis of what might be the longer-term implications for the sector beyond the current moment: e.g. which markets might return most quickly and which will take longer to recover.’

business opportunities.

Innovation will be key for all re-opening businesses. There are many challenges ahead.

Transport is a critical part of the visitor experience. Innovations in design and hygiene on public transport will be critical to encourage a return to mass transport, rather than the use of private cars, which are difficult for urban and rural honeypot areas to manage in terms of parking and traffic flow, in addition to maintaining high air quality, low noise pollution and excellence in public space design.

We are already seeing business failure in the retail sector, even as the high street re-opens; retail is a critical element of the tourism offer. With cultural venues and conference and event venues yet to open, and theatres unlikely to reopen soon, there will be fewer businesses to service our visitors, to maintain the vibrancy of towns and cities, and to attract new visitors in the longer term. An on-going focus on the high street and new ways of stimulating urban vibrancy will continue to be important.