

Written evidence submitted by Liverpool City Region Local Enterprise Partnership

DCMS Select Committee Inquiry

In response to the request from the Department for Culture, Media and Sport (DCMS) Select Committee inquiry into the impact of COVID-19 on the industries and organisation within its remit, please find information relating to the tourism and visitor economy sector of the Liverpool City Region.

This is a joint response sent on behalf of the City Region's Visitor Economy Board which is commissioned by the region's Combined Authority to support the development of the sector and provide strategic leadership. Through this arrangement, we represent the views of City Region's local authorities, private sector stakeholders and the various visitor economy networks.

For the Liverpool City Region, tourism and the wider visitor economy plays a central role in supporting local employment and generating economic growth. In 2019, the region attracted 66.27m visitors generating £4.98bn in economic impact, second only to the financial and professional services sector. Overall the sector supports 55.7K jobs with approximately 10,000 micro and SME businesses operating across the region's retail, hospitality, leisure, events, transport and supply sectors. Many of those employed in the sector are from the younger age group who are only starting out on their careers.

As the powerhouse that drives international and domestic visitors to the region, Liverpool alone generates in excess of £3.35bn in visitor spend per annum and employs 36,840 people. The city has over 60 hotels providing circa 7,500 rooms. It is heavily reliant on generating leisure visits through its major events, world class culture, sport, retail, food and drink, cruise and the travel trade offer. Given the city's relatively small corporate base, business events are also critical to driving levels of mid-week occupancy and increasing visitor numbers out of the peak season.

While there are a range of emerging tourism destinations within the City Region including Prescot, St Helens and Halton, the resort town of Southport is also heavily dependent on tourism. In 2019, the resort generated £598m for the local economy, employing 6,850 people, however the impact of public sector austerity, a lack of investment in product and the continuing problems of demand seasonality are significant threats to future growth. The same is also true for the city region's other resort destinations including New Brighton in Wirral.

Using this as context, our specific feedback to the questions raised are as follows:-

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

The indications are the LCR's visitor economy will be harder hit than other cities and regions. The overall impact on the city region's tourism, retail and hospitality businesses over the 3 months April to June 2020, is estimated to be in the region of £1.2 bn. The

impact for Liverpool alone is thought to be in the region of £900m, Southport £157m and Wirral £129m. This does not include the losses of businesses operating in the hospitality sector who have incurred significant costs as a result of writing off stocks such as perishable goods due to the trading restrictions imposed on 22nd March.

The longer-term impact to December 2020 is estimated to be in the region of £2.4bn and growing due to the ongoing restrictions on international travel and a depressed domestic market. This is further compounded by the fact that ongoing social and physical distancing measures will mean the sector is among the last to recover.

As with many destinations, the impacts of the enforced closure of retail, attractions and hospitality businesses has had a devastating impact on town centre footfall with reductions of over 90% recorded across our main city/town centres. In terms of accommodation, approximately four hotels continued trading during the April – June period and catered for vulnerable groups, NHS/key workers and respite provision for Covid-19 patients being discharged from intensive care. Overall occupancy levels for April and May were 59% and 50% down on the same period the previous year with the overall loss for April being in the region of £19m.

The conference market was also decimated with the Southport Theatre and Convention Centre being forced into administration having lost 9 conferences. The Arena and Convention Centre Liverpool has also been impacted with cancellations to September 2020 totaling 29 events/83K delegates. Similarly, the major events programmes in Wirral, Liverpool and Southport including the Grand National, Liverpool International Music Festival, Wirral Food and Drink Festival and Southport Flower Show all being among those cancelled or postponed at a cost of £100 million to the local economy.

As one of the main gateways into the City Region, the immediate impact for Liverpool John Lennon Airport saw all the main operators grounded with the 450K passengers projected for April being reduced to zero. Passenger projections for 2021 have been reduced to 2.5 million from a pre Covid-19 growth target of 6 million passengers. Concerns continue regarding how the airport will meet its operating overheads and business rates which make up a significant proportion of these costs.

In terms of the City Region's Destination Management Organisations (DMOs), the significant reduction in commercial income and the right decision to cancel membership fees for 2020/21, is threatening their short to medium term survival. As a consequence, the essential role our DMOs play in co ordinating marketing and business support for example will be lost unless some form of short-term contingency funding can be found for the next 12/18 months.

Overall the speed in which the lock down was imposed gave tourism businesses little or no time to prepare. Our micro and SME businesses work at the margins in terms of cash flow and their ability to cover fixed operating overheads without any immediate source of revenue has inevitably resulted in many having to close. While the dedicated short-term Government interventions for the leisure, retail and hospitality sector were welcome, the inability of these businesses to access finance from these initiatives quickly was a key barrier to survival.

Additionally, destinations such as Southport are highly seasonal and will be significantly impacted with reduced demand over the high season (April – August). The characteristics of these destinations mean many tourism businesses operate in overdraft for most of the year and are reliant on trade during these core months to become profitable or to break even. As such, it is difficult to see how these businesses will survive to spring 2021 without some form of short-term subsidy or demand stimulus.

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

Generally, the response has been good from DCMS and the other Government Departments with the dedicated grant initiatives to support the retail, leisure and hospitality businesses being essential. In addressing need however, the key issues relate to government understanding of how the sector's business base is comprised and structured. Following on from the points made above, there were significant numbers of businesses initially 'falling through the cracks' in terms of accessing support due to the eligibility criteria set by Government. The self-employed, those not registered for business rates and those businesses paying above the £51K business rates threshold were significantly impacted. While adjustments have now been made, it has come too late for many who were not able to access short term finance.

In terms of DMO support, the short-term funding provided by Visit Britain has been welcome in enabling the City Region to support and ensure the needs of the sector are represented at regional level. It is important to also acknowledge that the work of arms bodies and associations such as the Tourism Alliance, British Destinations and the UK Hospitality Association have been a key factor in providing intelligence, industry insight/guidance and lobbying Government on different aspects of policy and support programmes.

Some of the other key issues relate to the level of industry guidance provided by DCMS/Government Departments. As the country comes out of lock down, we are still awaiting guidance for the hospitality and leisure sector to operate in a way that is compliant with public health advice. Many of these businesses will take at least 3 to 4 weeks to reopen and ongoing delays will hamper their ability to prepare and generate much needed revenue (especially as Government support is scaled back). The lack of guidance has in effect turned off the taps to create any demand as end users cannot book with any degree of certainty and the critical need to launch the Visit Britain Covid-19 accreditation marque that has been designed to assure compliance with public safety messaging is also delayed.

The impacts on the sector in not being able to plan and rebuild their business will mean that serious consideration will also need to be given to support the sector well beyond October.

Greater leadership is also needed from DCMS about social/physical distancing measures that enable the sector to operate viably. The current 2 metre guidance is unworkable for many businesses in the food and drink, retail, events, attractions and conference sectors as it will simply not allow the level of capacity required to meet

operating costs. We appreciate the priority has to be public health, however we would ask that the less restrictive measures being used in other European Countries are considered.

Similar consideration also needs to be given to the ability of DCMS to reflect the sector's position to Government on key issues such the impact of the quarantine restrictions on inbound travel etc.

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

With the anticipated reductions in the size global economy of anywhere between 13% and 32%, investment from both domestic and international visitor markets will be significantly reduced. Coupled with the restrictions on international travel and the potential for domestic markets to stay away from town and city centres as a result of ongoing physical distancing measures, we anticipate that it will take a least 3 to 4 years for the City Region to reach it pre Covid-19 visitor and expenditure levels. This represents an estimated loss in overall expenditure of between £12bn - £18bn over the next 5 years.

If left unchecked, there will be a significant loss of jobs and investment that will have long lasting effects on society, especially among the young and those in our most deprived communities. In mitigating against these impacts, it is important that Government puts longer term support packages in place to protect those sectors of the visitor economy that are most vulnerable and are most disadvantaged as a result of Covid-19 restrictions.

For the Liverpool City Region, the inability of the events, conference and nighttime sectors to function over the next 12, maybe even 18 months will significantly constrain the region's competitiveness in attracting visitors. The knock effect being that the dependent amenities including our hotels, retail and food/beverage sectors will face similar uncertainly and without a clear business case for reopening, will be forced to remain closed.

It is therefore inevitable that in this increasing likely scenario, the City Region will see significant redundancies over the next two to three months as the financial support from government falls away before ending completely in October 2020. Similarly, those businesses that have increased their debt burden to overcome the short-term pressures of lock down are as equally likely to struggle if demand continues to be suppressed.

In terms of the support packages needed, some suggested interventions include:-

- **National Recovery Strategy** – Input, advise, guidance from Visit Britain and DCMS is essential to support the long-term recovery of the sector. This includes devolving some of the national tourism budgets to meet local needed and a national funding package of fiscal measures to help business through the ongoing period of restrictions. These include reducing VAT to tourism and hospitality

businesses and extending the government's financial support packages including the employee job retention scheme and dedicated grant support through to 2021.

Options for repurposing the Tourism Sector deal must also be considered and we would welcome the opportunity of supporting DCMS and Visit Britain in this process.

Seeking to run a national domestic marketing campaign driven through Visit Britain will also have limited impact. The knowledge and expertise already exists at local level and we urge a devolved approach.

Other countries have provided incentives to their residents to use their hospitality and tourism businesses and the likes of France have put aside €18 Billion in recognition of the sectors importance. As such, the UK needs to consider more radical interventions than are currently being discussed.

- **Funding/bridge funding for DMO's** – Given the critical role DMOs play in coordinating and leading the sector locally, ongoing financial support is needed over the medium term to overcome the inevitable losses in commercial funding. As per our previous discussions with Visit Britain, our DMOs were already at breaking point in terms of the support needed for the sector in normal circumstances. Covid-19 has exacerbated the situation and with no immediate solution, it is difficult to see how support services can be sustained over the next 12 to 18 months.
- **Revenue Funding** – The City Region has secured public sector funds locally through the strategic investment fund, however the planned investment from the private sector has been reduced to zero. Whilst our strategies for leisure and business marketing, travel trade, cruise, business events are being repurposed to deal with the impacts of Covid-19, short term public funds are needed to fill the investment gap and rebuild the confidence of the private sector.
- **Business support** – Dedicated business support packages are needed for the tourism industry and the transition to the 'new normal'. Such measures include:-
 - Access to business innovation grants to support adaption to changing market conditions/trading environment.
 - Interim financial support to minimise overheads and prevent business failure during extended period of market disruption/pro longed business interruption (to summer 2021).
 - Dedicated Growth Hub support to provide sector specific advice/guidance – e.g. helping businesses innovate/adapt to new trading environments, building business resilience, financial planning, adoption of new technology to generate alternative sources of revenue etc.
 - Professional guidance re compliance with Covid-19 national regulations/standards – e.g. workplace/venue risk assessments, social distancing measures etc.

- Peer to peer support/assistance – short/medium term planning, Covid-19 business readiness, product diversification etc.
- Skills – Workforce accreditation scheme to support re recruitment and business scale up/expansion.

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

The Covid-19 pandemic has demonstrated the importance of tourism to the nation's economy, but also its susceptibility to a global pandemic of this nature. Awareness and the risks of such an event have been apparent for at least 15 years, and together with SARS and Foot and Mouth disease, we have not heeded these warnings. As a result, this has limited the impact of our response.

Against that backdrop and moving forward, it is essential that Government and DCMS build far greater resilience into the sector in terms of the way ongoing business support is tailored to the needs of the sector and its ability to respond to future shocks (especially the real threat of a second peak). This includes better alignment with key Government Departments such as BEIS and packages that help tourism business innovate using technology and digitisation for example.

Added to the above, DCMS's role in ensure government guidance around public health and standards needs to be considered. With restrictions being lifted to most tourism businesses on 4th July, the industry is still to receive sufficient guidance around the measures for social distancing and PPE etc. In many cases, a 3 to 4-week lead time will be needed for reopening and these delays will have a significant impact on revenue generation and protecting jobs as government support begins to reduce. Similarly, public health messaging needs to be consistent across all UK territories for the sake of visitor and local resident safety, as well as avoiding confusion. Finally, the importance of DMOs cannot be understated both in terms of local leadership, providing dedicated support for local tourism industries and their role in supporting, developing and implementing the national recovery strategy. Due to reductions in central funding over the last 15 years, DMO's have had to evolve into semi commercial organisations, however this dependency will arguably contribute to their downfall unless DCMS is prepared to review the current funding model.

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

The previous responses contain much of this feedback. Overall it is likely that the sector will look at digital innovation to help build resilience across several areas including online trading, developing virtual experiences and regulating visitors to ensure public health. At a destination level, new thinking is already emerging around the way public space is used and can be designed to maximise visitors whilst recognising future requirements for physical distancing etc.

However, tourism is about people visiting places and supporting local economies through the resulting discretionary spend. In that sense, volume, footfall and the

disposable income that visitors spend create successful destinations. While innovations in technology and design can be used to enhance the visitor experience, support diversification and generate new income streams, unless these fundamental conditions are met, tourism and the destinations that are reliant on it will not be able to thrive.

As a result, many of the future challenges are still unknown, and we would encourage DCMS to establish a taskforce to deal with these issues and establish the longer-term investment strategy. Within this, we would strongly recommend that representation from a cross section of DMOs is included to ensure the views of destinations and the businesses within them are considered.

If you have any further queries, please do not hesitate to contact me.

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