

## Written evidence submitted by Tourism Alliance

### Impact of Covid-19 on DCMS sectors

June 2020

#### 1 Introduction

The Tourism Alliance was established in 2001 as the voice of the UK tourism industry. It comprises 55 tourism industry associations that together represent some 200,000 businesses of all sizes throughout the UK. The Tourism Alliance's mandate is to work with Government on issues relevant to the growth and development of tourism and its contribution to the economy. This evidence to the Environmental Audit Committee is provided in that capacity.

A list of member organisations is included as Appendix 2.

#### 2. Background

Tourism is one of the UK's largest and best performing industries. It is made up of 200,000 inbound, outbound and domestic travel and tourism businesses which are integrally linked to one another, often utilising the same infrastructure, consumer base and regulatory framework. As well as comprising a very high level of SMEs, the UK has some of the world's largest tourism companies including the world's largest hotel company, the world's second largest entertainment company and the world's second largest international airport.

Together, these businesses make the tourism industry the UK's third largest employer, providing jobs for 3.3m people and contributing £149.5bn to the UK economy. In international terms, the UK tourism industry is the sixth largest in the world based on value, contributing £28.5bn per annum to the UK economy in export earnings.

New work by the Tourism Alliance shows that the revenue generated by tourism for the UK economy has increased by £18.5bn per annum since 2016. This level of growth is more than twice the average for UK industry over this period and is sufficient to generate around 300,000 additional jobs for the UK economy.

One important benefit of growth in the UK tourism industry is that this growth is relatively evenly spread around the UK rather than being concentrated in urban areas or the South East. Rather, expenditure and employment is relatively evenly spread across the country, with no region in the UK having less than 100,000 tourism-related employees. In addition, tourism provides over £20bn per annum and almost 350,000 jobs for rural economies and £14bn per annum and 250,000 jobs for seaside destinations. The combined £34bn spend in rural and seaside destinations makes tourism the largest non-governmental mechanism for transferring wealth from urban to rural/seaside destinations.

The size of the UK tourism industry and the benefits that it generates for both the national and local economies have recently been recognised by Government through the agreement

of a Tourism Sector Deal under the Government's Industrial Strategy. This Tourism Deal seeks to develop the human resources and infrastructure necessary to cope with forecasts that the sector will deliver a 23% increase in inbound visitors and a 3% per annum increase in domestic tourism by 2025.

### **3. Impact of Coronavirus on the UK Tourism Industry**

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

At the beginning of the Coronavirus outbreak, the Government recognised that the UK tourism industry would be one of the most impacted sectors of the UK economy. Taking the Arts, Entertainment and Recreation and Accommodation and Food Service sectors of the economy as a proxy for the tourism industry, research by the Office for National Statistics since the introduction of the lockdown period shows that the full extent of this impact.

In relation to businesses closures and furloughing, research released on 23<sup>rd</sup> April 2020 showed that:

While 24% of all businesses in the UK had temporarily closed or ceased trading as a result of Coronavirus:

- 81% of businesses in the accommodation and food service activities industry had temporarily closed or ceased trading
- 82% of businesses for the art, entertainment and recreation industry had temporarily closed or ceased trading

While 27% of the total UK workforce had been furloughed:

- 80% of employees in the accommodation and food service activities industry had been furloughed
- 68% of employees in the art, entertainment and recreation industry sectors.

This finding that the UK Tourism Industry has been disproportionately impacted has been reinforced by DCMS's Coronavirus Impact Business Survey which was published on 17<sup>th</sup> June 2020. This research found that tourism businesses had been impacted to a greater extent than DCMS related businesses as a whole. For example:

- 68% of all DCMS related businesses considered that Coronavirus was a threat to their ability to trade viably
- However, 80% for tourism businesses thought the Coronavirus outbreak was a threat to their ability to trade viably
- 56% of All DCMS businesses said that they would not be viable within 6 months, even with Government support packages.
- However, 62% for tourism businesses said that they would not be viable within 6 months
- 74% of all businesses said that their revenue had decreased by more than half
- 92% of tourism businesses said that their revenue had decreased by more than half

- 42% of respondents said that their business was generating no revenue at all (
- 68% for tourism businesses said that their business was generating no revenue at all

However, the most important and most concerning finding from this survey was that although 54% of DCMS related businesses stated that they had accessed Government, only 31% of tourism businesses said had accessed Government support.

This strongly suggests that although the UK Tourism Industry is one of the most affected sectors of the UK economy, it is also a sector where businesses are finding it the hardest to access the Government support that they need to survive.

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

As shown in the previous section, businesses in the Tourism Sector have found it more difficult to access Government support. There are two significant issues that remain unresolved.

#### **A. The Inability of Self-Catering Operators to Access SEISS**

There are an estimated 60,000 self-catering businesses in the UK. These businesses are a very important component of the UK domestic tourism industry, accounting for 10% of the 123m million trips taken each year and for 15% (£3.7bn) of the £24.6bn per annum that domestic tourism provides to the UK economy.

In recognition of the importance of professional self-catering operators to regional economies and to differentiate between professional operators and people letting second homes for a few weeks a year, HMRC introduced the Furnished Holiday Letting Rules.

To comply with the Furnished Holiday Letting Rules, a property:

- Must be commercially let with intention of making a profit
- Must be available for letting as furnished holiday accommodation letting for at least 210 days in the year
- Must be commercially let the public for at least 105 days in the year

HMRC classifies self-catering businesses that comply with the Furnish Holiday Letting Rules as “trading businesses” (the same classification as hotels) rather than “property investment businesses” (the classification for Buy-To-Let businesses).

However, in the assessment of eligibility for SEISS, self-catering operators are being told that their income is from property investment and they are therefore not eligible for support.

This is obvious counter to the FHL Rules – if a property is deemed to be a trading businesses, then the income that the operator derives from the business must, by all logic, be deemed to be from trading and not property investment.

Can we please have a clarification from HMRC that, for the purposes of SEISS, operators whose business complies with the FHL Rules are eligible for this support. This support will automatically be targeted to professional operators as there remains the requirement that people receive over 50% of their income from their business to qualify for SEISS. These

businesses are an important part of the tourism industry, which we need to survive in order to rebuild the economy of small rural and seaside communities.

## **B. Key Leisure Businesses Not Receiving Business Rates Relief**

In recognition of the impact of Coronavirus on the UK tourism industry, the Chancellor made the following announcement on 17<sup>th</sup> March 2020:

*“I am extending this business rates holiday to all businesses in those sectors, irrespective of their rateable value. **That means that every single shop, pub, theatre, music venue and restaurant, and any other business in the retail, hospitality or leisure sector, will pay no business rates whatsoever for 12 months, and if they have a rateable value of less than £51,000, they will now get a cash grant as well.**”*

(Further statements from the Chancellor and HM Treasury confirming that this support was intended to be available to all leisure businesses are attached as Appendix 1)

The problem has arisen in the way that this announcement has been implemented.

In 2018 the Government announced that it was introducing the Business Rates Retail Discount Scheme to support small shops. One of the eligibility criteria was that, to be a retail business, customers must walk into the business premises to purchase a product or service.

When Chancellor announced that business rates relief was to be extended to the hospitality and leisure sectors, this criteria for defining a retail businesses was simply transposed onto hospitality and leisure businesses without any amendments to recognise the differences between these sectors.

As a result, we have a situation where numerous companies, which are obviously leisure businesses, are not receiving the support that they were told they would receive.

This includes very important components of the leisure industry such as:

- Tour Operators
- Coach Operators
- English Language Schools
- Destination Management Organisations

Local authorities and the Local Government Association recognise the importance of these businesses to their local leisure economy as they benefit from a strong visitor economy and losing key businesses like this will significantly impact on their budgets, including their ability to raise income to reinvest in local public services.

Failing to support these businesses puts at risk many thousands of businesses that generate a large percentage of the £25bn per annum that the UK earns from inbound tourism. This arbitrary distinction also lacks any credible basis as it results in situations such as:

- i. A travel agent that sells a customer a ticket for a tour is eligible for support but the tour operator that actually takes the customer on the tour is not eligible for support
- ii. Car hire businesses are eligible for support because the customer picks up a car from the premises but coach hire businesses are not because the coach company picks up the customer

- iii. Children's nurseries are eligible for support but Language schools that generate £1.2bn per annum for the UK economy from hosting over half a million overseas students each year are not eligible for support

It would be very easy to amend the Guidance to Local Authorities on Business Rates Relief to include these business types, so that it properly reflects the Government's intention to provide support for all leisure businesses.

Alternatively, the guidance on the Discretionary Grant Scheme could be amended so that these businesses were prioritised in the allocation of funding.

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

While the extension of the furlough scheme until the end of October and the proposals to improve the flexibility of the scheme are welcome, tourism businesses will require further support to prevent significant business closures and redundancies within the sector. The reasons for this include:

- Opening in July will mean that many domestic businesses will only have around three months to generate sufficient revenue to survive through winter until the 2021 tourism season
- Reopening a business requires a business to commit to high levels of expenditure during a period of low cash-flow and uncertain demand. Faced with the additional burden of being required to pay some of the wage costs of furloughed staff within a month of reopening, they will be forced to make decisions to undertake redundancies.
- As 90% of the world's population live in countries with restrictions on international travel, there is still no certainty that significant international travel will be possible during 2020, meaning that airlines, airports, and businesses dependent on the expenditure of international visitors, especially accommodation, attractions and shows in London, will not be able to generate any meaningful revenue this year.
- Businesses such as tour operators and events and conference organisers will face the cost in the development and marketing of products without being able to generate revenue until 2021
- The financial viability of many tourism businesses, from theatre and museums through to pubs and restaurant will be severely constrained by social distancing rules, meaning that they will be not be able to support the additional burden of paying for furloughed staff.

The combination of increasing furlough costs, social distancing restrictions, the length of time it will take to rebuild tourism flows and the short period to generate revenue before the end of the 2020 tourism season, mean that a second wave of tourism business closures and redundancies will begin in August which will probably could exceed the redundancies and closures that occurred when the lockdown started.

To prevent mass business closures and redundancies in the tourism sector, the Government needs to develop a Comprehensive Tourism Support Programme which includes a sector

specific furlough scheme that acknowledges the challenges the industry faces over the next nine months until the start of the 2021 tourism season.

At a minimum, furloughing for tourism businesses must continue in its current form until the end of October with a review at this stage to determine how support should be targeted after this period. As well as being required to protect one of the largest and most successful tourism industries in the world which generates £28bn in export earnings, this sector specific support is justified on the basis of parity with other businesses. This parity comprises two factors:

- That while businesses in other sectors of the economy have been able to operate through staff working at home or on the basis that staff could not work at home, the vast majority of tourism businesses have not been able to operate at all.
- That other businesses that have had to close, such as non-essential retail, will have been able to open and receive full furlough payments for six weeks before being required to contribute to payments, tourism businesses will only be operational for three weeks before being required to pay contributions.

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

Although the UK tourism industry generates revenue of over £145bn, only £28bn of this is from inbound tourism. Although over £87bn per annum is related to domestic tourism, which is the section of the industry that aid the levelling-up agenda by transferring around £35bn per annum for urban to rural and seaside economies, previous Governments have deemed that domestic tourism is of not real benefit to the national economy and partially merged the English Tourist Board (VisitEngland) into VisitBritain.

The 2014 CMS Select Committee Inquiry on tourism and the 2014 Triennial Review both determined that this was a mistake and that the English Tourism Board should be restored to being an independent Government body.

However, in 2015 the Government ignored these recommendations, merged the English Tourist Board into the British Tourism Authority and removed its marketing powers removed – despite 80% of the value of tourism in England being domestic.

The result of all these changes is that the Government structure for tourism support and development in England is confused, inefficient and remains inconsistent with devolution 20 years after the establishment of the devolved administrations. The Coronavirus outbreak has highlighted this problem.

To resolve this, and ensure greater resilience in the industry so that it is better able to cope with crisis like the Coronavirus outbreak, the English Tourism Board (VisitEngland) needs to be reinstated as an independent National Tourist Board with the same powers, responsibilities and resources as its counterparts, VisitScotland and Visit Wales.

With all three Home Nations having their own National Tourist Board, VisitBritain could then be their overseas marketing body delivering the GREAT campaign under a joint memorandum of understanding. Getting the national structure for tourism delivery right needs to be supported by the provision of adequate resources to deliver the Tourism Sector Deal and allow England and the UK to compete in the global market. This includes a continuation of funding for the GREAT campaign in overseas markets, committing further

resources to implement the new International Business Events Action Plan and providing sufficient funds to boost domestic tourism.

The Tourism Alliance is committed to encouraging sustainable growth and working with Government to help achieve this aim. As such, we would be very keen to give oral evidence on this subject.

Kurt Janson  
Director

## **Appendix 1 Statements From the Chancellor Confirming that Business Rates Relief Would be Available for All Leisure Businesses**

The following is a selection of the many statements confirming that all businesses in Leisure Sector are eligible for Business Rates Relief.

### **A. Chancellors Speech – 17<sup>th</sup> March 2020**

*“I announced last week that for businesses in the retail, hospitality and leisure sectors, with a rateable value of less than £51,000, they will pay no business rates this year.*

*That means every single shop, pub, theatre, music venue, restaurant - **and any other business in the retail, hospitality or leisure sector – will pay no business rates whatsoever for 12 months**, and if they have a rateable value of less than £51,000, they can now get a cash grant as well.*

*I repeat again: we will do whatever it takes.”*

### **B. HM Treasury Press Statement – 17<sup>th</sup> March 2020**

The HM Treasury press statement accompanying the speech also stated that the Chancellor was:

*Providing £20 billion of business rates support and grant funding to help the most-affected firms manage their cashflow through this period by:*

- **giving all retail, hospitality and leisure businesses in England a 100% business rates holiday for the next 12 months**

### C. Chancellors Economic Update to Parliament - 17<sup>th</sup> March 2020

Following the announcement, the Chancellor provided an Economic Update to Parliament, reiterating that the support was to apply to any businesses in the Leisure industry.

*I announced last week that businesses in the retail, hospitality and leisure sectors with a rateable value of less than £51,000 will pay no business rates this year. Today, I can go further and provide those businesses with an additional cash grant of up to £25,000 per business to help bridge through this period.*

*Additionally, I am extending this business rates holiday to all businesses in those sectors, irrespective of their rateable value. **That means that every single shop, pub, theatre, music venue and restaurant, and any other business in the retail, hospitality or leisure sector, will pay no business rates whatsoever for 12 months**, and if they have a rateable value of less than £51,000, they will now get a cash grant as well.*

### D. Questions to the Chancellor on Business Rates Relief – 17<sup>th</sup> March 2020

Following the Update, MPs asked numerous questions regarding eligibility and were, again, told that the support was available for all businesses

#### **Felicity Buchan (Kensington) (Con)**

*“This morning in the Treasury Committee, we asked the Chancellor to throw the kitchen sink at the economy and I thank him because he has certainly done that. However, small businesses in my constituency of Kensington have an issue, because most of the business rate relief is funnelled only if the rateable value is under £51,000. But they are suffering in the same way as other businesses. Will the Chancellor look into that?”*

#### **Rishi Sunak**

*“I am pleased to tell my hon. Friend that, as a result of the measures I have taken today, **any business in the retail, hospitality and leisure sector, regardless of its rateable value, will now qualify for 100% business rates relief for these next 12 months.**”*

In answering questions as to whether businesses in the exhibition sector, including support businesses, were eligible under this scheme, the Chancellor stated that the only eligibility requirement on businesses is that they have physical properties and pay business rates. It is important to note that in stating that an Energy Generator Hire Company was eligible, the Chancellor is specifically indicating that businesses premises do not need to be retail in nature to qualify for support.

#### **Andrew Griffith (Arundel and South Downs) (Con)**

*“Difficult times require bold measures, and I commend my right hon. Friend for twice in the space of a week coming to this House and demonstrating that he will do whatever it takes. I support the comments on employment support, but may I ask him also to extend hospitality and leisure benefits to the equally hard-pressed exhibition sector?”*

**Rishi Sunak**

*“I thank my hon. Friend for his support. With regard to the exhibition sector, **those that have physical properties and business rates will be eligible for the scheme** that we announced today and the cash grant. I am happy to have further conversations with him as well.”*

**Greg Smith (Buckingham) (Con)**

*“I warmly welcome the enormous package of measures outlined by the Chancellor. This morning, I spoke to Energy Generator Hire in Kimble Wick in my constituency, which has lost most of its order book and is uncertain about the future. Can he confirm whether event hire companies are included in the envelope of leisure and hospitality?”*

**Rishi Sunak**

*“**Those that have business properties will be eligible both for the relief and the grant, which will cover a significant number of events companies that have premises.** Obviously, if they do not have premises, they will not qualify for business rates relief, but should be eligible for some of the other measures that I have outlined today.”*

A specific question was also asked about the English Language Schools

**Stephen Hammond (Wimbledon) (Con)**

*The support for the retail, hospitality and leisure sectors is welcome, but he could make it even more effective if he extended the same package to those who are in the supply chain of those industries and the businesses that disproportionately supply customers for those industries, such as **English language schools.***

**Rishi Sunak**

*My hon. Friend makes an interesting point, and that is why all Secretaries of State have been tasked by me to engage with their affected industries to see whether there are further specific measures of support that are worth our exploring.*

## **E. Written Question on Charities – 21<sup>st</sup> April 2020**

In answer to a specific written question regarding the eligibility of Charities in the Leisure sector, Treasury Secretary confirmed that these businesses were eligible for the Business rates Relief and the Grant Fund

**Mary Kelly Foy (City of Durham)[N] (Asked on 25 March 2020)**

*To ask the Chancellor of the Exchequer, whether he plans to extend the small business grant funding of £10,000 for all business in receipt of small business rate relief or rural rate relief to charities in receipt of charity rate relief.*

**Jesse Norman replied on 21 April 2020**

*Charities operating in the retail, hospitality and leisure sectors will also benefit from the business rates holiday for these sectors, and grant funding for properties with a rateable value below £51,000.*

**Appendix One**

**Tourism Alliance Membership**

ABTA - The Travel Association  
Airport Operators Association  
AIPO  
ALVA  
ANTOR  
Association of Group Travel Organisers  
ASAP  
ATHE  
BACTA  
Bed & Breakfast Association  
British Beer & Pub Association  
British Destinations  
British Educational Travel Association  
British Holiday & Home Parks Association  
British Marine Federation  
Business Visits & Events Partnership  
Camping & Caravanning Club  
Caravan and Motorhome Club  
Churches Visitor and Tourism Association  
Coach Tourism Association  
Confederation of Passenger Transport  
Country Land and Business Association  
Cumbria Tourism  
English UK  
European Holiday Home Association  
European Tour Operators Association  
Family Holiday Association  
Go New Forest  
Group Travel Business Forum  
Heritage Railway Association  
Heritage Alliance  
Historic Houses  
Holiday Home Association  
Institute of Tourist Guiding  
Liverpool City Region LEP  
Marketing Manchester  
National Caravan Council  
National Coastal Tourism Academy  
National Trust  
Outdoor Industries Association  
Professional Self Caterers Association  
Premier Cottages

Resort Development Organisation  
South West Tourism Alliance  
The Tourism Society  
Tourism For All  
Tourism Management Institute  
Tourism South East  
UKHospitality  
UKInbound  
Visit Brighton  
Visit Cornwall  
Visit Greenwich  
Visit Kent  
Visit Wiltshire  
Welcome to Yorkshire

Observers  
Local Government Association  
VisitBritain  
VisitEngland