Written evidence submitted by England’s Historic Cities Consortium

Submission to the DCMS Select Committee on the impact of Covid-19 on tourism

This written submission provides evidence to the DCMS select committee on the impact of Covid-19 on tourism in 13 historic cities in England and specifically their destination management organisations (DMOs).

Description of England’s Historic Cities

England’s Historic Cities are a set of DMOs that though small in scale manage a collection of top-flight historic destinations. Our visitor economies generate a combined annual visitor spend of £7.7bn and support around 113,000 direct and indirect jobs. Most of the spend comes from the domestic market but we have a high overseas profile and play an important role in attracting international visitors to the UK and dispersing them into regional England. Our cities also act as gateways to our rural hinterlands for visitors of all kinds. So for us visitors are local, regional, national and international. Our importance to UK tourism has been recognised with 3 grants from DCMS in previous years through the UK Challenge Fund and the Discover England Fund totalling £1.5m for promotion and development. We have provided a map to show the footprint of the visitor destinations that we manage.

Despite differences in remit, resources and type the DMOs working in the Historic cities group are responsible for very similar destinations - an historic city surrounded by a large rural hinterland or county. This means we share common challenges and are able to benchmark and share best practice in a meaningful way. The group has been collaborating since 2013 and comprises: Visit Bath, Visit Cambridge and Beyond, Visit Canterbury, Carlisle City Council, Marketing Cheshire, Visit County Durham, Visit Greenwich, Marketing Lancashire, Visit Lincoln, Experience Oxfordshire, Shakespeare’s England, VisitWiltshire and Visit York.

The purpose of a DMO is to coordinate, facilitate and support the enormous range of individuals, organisations and businesses that are involved in creating a thriving visitor economy and develop and promote the destination in which they operate to attract visitors. The aim of a DMO is to ensure that tourism delivers economic and social benefit to all who live and work in the locality. DMOs are nearly always public-private partnerships and, where they exist, are part of the organisational infrastructure involved in place-making and place-marketing.

Many of our DMOs are also tourism businesses in their own right. They provide a range of services for visitors pre and post arrival such as information, retail, tours and box offices and services for tourism businesses including training, networking, marketing, PR and business support. They contain experienced and highly skilled staff involved in a wide range of functions including business support, destination marketing, culture, events, visitor information and product development. The smallest has a staffing resource of 1.5 FTE and the largest 15 FTEs.

One of our central roles is supporting tourism businesses. In our consortium we directly support circa 3000 tourism businesses through membership and partnership schemes and indirectly benefit an additional 7000 businesses with destination marketing and business support activity. Most of the businesses are SMEs and micro businesses that rely heavily on us for marketing, bookings, advice, training and intelligence. They are drawn from the full set of sectors and sub sectors that comprise a
visitor economy including accommodation, visitor attractions, activities, culture, heritage, sport, retail and hospitality.

In recent months they have looked to us to help them cope with the impact of Covid-19 and the demand has been enormous. We have provided sector leadership and responded with solutions that support the Government’s public health messages. Using our communications channels, sector forums and business networks we have shared guidance, promoted and administered government support measures and monitored impact. We have become essential connectors between the national and the local helping to coordinate the pandemic response.

But we are under serious threat. If, as seems highly possible, some of our number disappear later this year, Government will lose not only a vital local resource capable of delivering desperately needed restart and recovery support, but a group of experts in tourism management in some of England’s most important visitor destinations.

1. Immediate impact of Covid-19 on the sector

The immediate impact of the pandemic has been a 30% reduction in visitor spend in our destinations which equates to a loss of circa £2.1bn. This is a conservative estimate. Lockdown coincided with the peak Easter period and is now stretching into the main summer season, so revenue loss will be considerably higher when weighted for seasonality. Consumer confidence is key to recovery, but it is likely to be slow and patchy.

The impact on DMOs has been an immediate loss of revenue on which we depend to pay wages, overheads, deliver services and keep cash flowing. DMOs are not-for-profit organisations, they do not have significant reserves to see them through crises, so for some the loss is catastrophic. Already gone is between 30% and 60% of expected revenue for financial year 2020-21. In money terms this is £4.1m lost to tourism management across 13 destinations.

The main sources of revenue for a DMO are:

- **Membership subscriptions.** These are being waived or delayed as tourism businesses struggle for survival and DMOs feel they cannot add to the pressures they face. Membership cancellations are already arriving in in boxes and bad debts are piling up as tourism businesses are unable to pay for services already delivered. With businesses going out of business this will only get worse.

- **Earned income.** DMOs are unable to provide paid for industry services or generate income from visitor services that they provide. For 8 out 13 DMOs in our group earned income provides over 75% of their operating budget.

- **Public sector funding.** This is under severe pressure. As a non-statutory service tourism struggles for support in normal times. At times of crisis resources, people and money, are diverted towards mandatory services such as social care. In Canterbury and Carlisle, where the tourism teams are part of the local authority, staff have been reassigned full time to administering discretionary business grants.

Despite some desperate financial situations and impossible workloads as a result of furloughing and increased demand, the DMOs have continued to work tirelessly to support the Government’s pandemic response and provide sector leadership. They have ensured that information flowing from government, Visit Britain, the Tourism Alliance, LEPs, Local Authorities and others reach the
thousands of businesses in their networks and ensured that local, regional and national support is joined up, both horizontally and vertically.

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

The DMO resilience fund provided by Visit England and DCMS has been a lifeline for some and is the reason that only one of our group, Visit Cambridge and Beyond, has reached crisis point. It will not be enough to ensure DMO survival medium-term, but it did prevent more going into liquidation within a few weeks.

The amount and quality of information from Visit Britain is also positive. Their ongoing research and intelligence, their representation role for UK tourism and their lead in formulating tourism recovery plans are all essential for destinations around the UK. The recent announcement of business recovery webinars and the rapid development of a Covid-safe mark for businesses are very welcome.

We have all also relied heavily on the daily bulletins from the Tourism Alliance and UKinbound and the online forums, think tanks and webinars provided by The Tourism Society and the Tourism Management Institute among others.

What we would like to see now is:

- an increased sense of urgency and faster decision making at the national level - the DMO resilience fund arrived just in time for some in our group, any later and several would have closed down;
- a second injection of DMO resilience funding to ensure our DMOs, and others, survive beyond the summer;
- clarity and certainty on restart and recovery plans with timely sector specific guidance – tentative dates and lack of guidance is particularly challenging both for our small and micro businesses who are trying to plan and the DMOs who are trying to support and advise them;
- greater use of local knowledge to shape government plans for restart and recovery which DMOs are ideally placed to provide - national initiatives run the risk of cutting across important local considerations such the views of public health officials on out-of-region visitors, the sentiment of local communities towards visitors, the provision services and facilities in any given location and the availability and capacity of public transport - train travel is particularly important to cities but is unlikely to be at capacity, or indeed much used by the public, until well into the autumn.

The point about services being open to visitors is particularly important. In Bath hotels are planning to open in early July in line with the provisional government timetable, however only 5 of city’s visitor attractions will definitely opening at the same time. This means visitors may have somewhere to sleep but little to see and do. In Greenwich the O2, one of the world’s biggest and most successful venues, is finding it impossible to open viably and until the situation changes Greenwich has lost one of the main reasons to visit the borough. Attractions across our destinations will be opening with reduced capacity while shops, restaurants, cafes and pubs adhering to social distancing measures will struggle to accommodate an influx of visitors in addition to the resident population. A national staycation campaign, for example, will need to take account of these local factors.

3. Long term impacts of Covid-19 on the sector and support needed
The future of DMOs in the Historic Cities group is very largely tied up with recovery of the sector. As organisations that derive much of their income from paid-for-services we require tourism business to be in a position to buy them and visitors to visit in quantity. We don’t expect either to materialise for at least 18 months.

- The 14-day inbound quarantine policy has closed down the likelihood of international tourism returning in any form in 2020. While domestic tourism may throw a lifeline to some, health and safety concerns mean that cities are unlikely to be first choice destinations over rural and coastal where social distancing is perceived to be easier. DMOs won’t see an uptick in revenues from visitor services until 2021.

- Many businesses are debating the viability of opening at all this calendar year and they have already lost thousands of pounds of income which they cannot recoup. They are unlikely to be in the market for training, events or membership renewals for some time, yet they will still require the support and help that DMOs provide.

- Public sector support is in the balance. Given the pressures Local Authorities face and tourism’s usual position way down the priority list we are not confident. Just three months into the new financial year Visit Lincoln’s SLA with Lincoln City Council has been revised and their funding halved. Oxford City Council has withdrawn all financial support for Experience Oxfordshire. Public sector funding hangs in the balance for at least 2 more of our group including Shakespeare’s England (Stratford-upon-Avon) who are looking at a withdrawal of public sector support in September.

Those DMOs that do survive will have smaller staffing and budgets and will scale back their operations. Several visitor information centres are very likely to close permanently, Oxford’s has already. For government and VisitEngland/VisitBritain this means a weakened DMO network and reduced destination capacity to deliver restart and recovery activity. The impact on small and micro business will be suboptimal or non-existent support and business failures are likely to increase as a result. Long term the product offer will be diminished which will affect the competitiveness of UK tourism.

To respond to these challenges we have five asks:

1. **A sector specific package of support** for the tourism and hospitality sectors up to March 2021.
2. **A national framework for tourism management** that describes the core role of DMO and a minimum set of functions/services that are necessary to a thriving visitor economy, with the flexibility to adjust to local circumstances.
3. **A 3-5-year financial settlement** for DMOs that ensures their existence in the medium term and recognises the public service they perform.
4. An **enhanced role and ring-fenced funding for Visit England** to manage and support an England-wide DMO network.
5. Funding and accelerated delivery of the priorities in the **tourism sector deal**.

The first of these asks is critical to the short-term survival of many businesses who have all but lost 2020 and are effectively facing back to back winters. On 23 March 2020 many tourism businesses had just completed their low season investment programmes - refurbishment, systems upgrades, staff training, product development - and were looking forward to opening up. They were stopped in
their tracks. For many making up lost ground between now and September will be impossible. The risk is they approach winter with seriously depleted, or non-existent, reserves and do not survive.

4. Lessons learned

Over the last decade DMOs have been largely defunded by the public sector and forced to become commercial entities balancing their resources between generating revenue from commercial activity and delivering a public service. Nine out of 13 DMOs in the England’s Historic Cities group rely on commercial activity for between 50% and 97% of their operating budget. The result is an incomplete and precarious network of organisations that live a hand-to-mouth existence while trying to carry out both strategic and practical destination management functions.

This pandemic has revealed just how vulnerable DMOs are and what would be lost if they disappear. We are not arguing that DMOs should be wholly publicly funded but they perform a public service should, therefore, have greater security of tenure to carry out their public purpose.

Now, as in previous crises, the role of DMOs in supporting businesses, particularly those that are small and micro, is a critical one. If, as expected, it takes several years for the country to recover from Covid-19 DMOs will be needed more than ever to both support and lead the sector and deliver on the ground for Government.

Covid-19 has highlighted the value of tourism and hospitality to the UK economy, and indeed the role it plays in enhancing people’s lives. As sector leaders DMOs have become essential partners to Local Enterprise Partnerships and Local Authorities who value their knowledge and expertise and lean on them for support. Government and arms-length bodies have relied on them to interpret enormous amounts of information and ensure it gets to businesses while the businesses themselves have looked to DMOs for information, help and advice. But we have been here before. Foot and mouth, 9/11, Eyjafjallajökull also put the spotlight on tourism only for it to move away as the crisis passed. We must ensure that doesn’t happen again and find a way to ensure long term support and investment in the sector and its managing organisations.

5. Evolving the sector and DCMS support for innovation

A good starting point would be to accelerate delivery of the 2019 tourism sector deal. We support the sector deal priorities and believe they should be shaped with input from destinations and delivered in a three-way partnership between national, regional and local organisations. Urgent progress is needed on the proposed data hub, 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.

We also call for continued investment in the Discover England product development fund. Year 5, and indeed years 6, 7 and 8 of Discover England project funding is needed to sustain the products that have been developed over the last 5 years and were just about to take off as the pandemic hit. Without renewed commitment to the programme a great deal of time, money and effort will have been wasted.

As travel and tourism adapts to new circumstances more innovation will be needed across the supply chain if businesses are to find new ways of working that are profitable. We will have to think afresh how we can inspire and educate future visitors to the UK. Increased funding for Visit Britain is
vital to take the UK to market and we would like to see a greater vertical integration in the design and delivery of marketing campaigns. We also need a clear and funded plan to integrate new products into VisitBritain’s channels and campaigns.

Historic Cities have particular challenges due to their geography and size. They find it more challenging to adopt many of the ideas being put forward by large cities who have space to spare and fewer planning constraints. For example, the idea that the Shambles in York can be given over to al fresco café culture to accommodate social distancing, as is being proposed for Soho or parts of Manchester, is a non-starter. That said our England Originals initiative, that Government has already invested in, has gone a long way towards reinterpreting and animating some of the UK’s most iconic buildings and historic destinations. We would welcome the opportunity to apply our knowledge of augmented reality, digital assets and product development more widely.

However, making all this possible requires a funded and secure national network of organisations that can provide effective destination management and tangible support to the small and micro businesses that make up 95% of the tourism sector. Without it, tourism will take a very long time to return to the level of success it enjoyed before Covid-19.

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The footprint of England’s Historic Cities