

# COVID-19

## Return to Trading for Hotels



# RETURN TO TRADING FOR HOTELS

A look at how hotels can help with the restoration and growth of the tourism industry.

## Introduction

Tourism on a global basis has been decimated. Northern Ireland is no exception, having only traded without restrictions for eighty-six days in 2020, resulting in turnover at under a third of 2019 levels. Lockdown has continued into 2021 and while the vaccination roll-out has gone well, a return to trading at a pre-pandemic level appears to be a long way off.

The preservation of the tourism sector is imperative, and hotels will play an important role in this process. As the hotel industry strives for survival and future success, there is a need to underpin this with the creation of a viable trading framework, a sustainable business trajectory along with appropriate and targeted support mechanisms.

We believe there is a 5-stage pathway to set out and 8 key support measures that are needed.

## 5-Stage Pathway

Survival	Re-Opening	Recovery	Restoration	Growth
Lockdown and trading under severe restrictions.	A minimum of 6 months from re-opening but more likely until the start of 2022.	Likely to be twelve months after re-opening with threat of lockdown removed.	Less restrictive trading with a move through a gradual relaxation of regulations.	Return to normal market conditions with travel and normal trading positions in place.

## 8 Key Support Measures

VAT	Business Rates	Furlough	Curfew
5% VAT in place for tourism and hospitality.	Full Business Rates' Relief for 2021-22.	Staged and controlled end to furlough.	Removal of curfew for future re-opening.
Grants	Easement	Lockdown	Promotion
Support during lockdown and re-opening.	Clear return to trading pathway.	A plan in place if lockdowns needed again.	Upweighted campaigns and holiday vouchers.

## Support Measures

Looking at each support measure in more detail:

1. The **reduction in VAT to 5% from July 2020** was a welcome measure but businesses only had 115 days to benefit as they were locked down for the majority of the time this measure was in situ. In Northern Ireland this is of particular significance as we have a

land border with the Republic of Ireland which has benefitted from a VAT reduction since 1986. The current rate of 9% was introduced in July 2020 and will run to December 2021. Given that our market for the coming season is likely to be centred on island of Ireland travel, a return to the previous 20% rate would present a considerable competitive challenge.

2. Full **Business Rates Relief for 2021-22** is needed with a recognition of the damage the pandemic has had on trading. A staged return to full billing is needed with a REVAL in place to reflect the impact of the pandemic on trading and to allow business to meet their rate responsibility in a realistic manner.
3. A staged and controlled end of **CJRSS (furlough)** supporting businesses with restricted income streams and possibly on a sectoral basis. Business bonus support to help meet the costs of furlough and recognise the role that companies have played in job retention. The industry will be in a position to restore jobs and recruit in the re-opening phase.
4. **Removal of curfew for re-opening** to make trading viable. This measure has been shown to have little effect on the spread of the virus but has significant impact on trading and behaviours. Closing premises at 10.30pm encourages people to gather in unregulated environments, makes hotel stays less appealing and impacts on the fiscal return for already distressed businesses.
5. **Grants by way of the LRSS and LTHBSS** have been greatly welcome and a mechanism should be in place to reintroduce this support if a future lockdown is implemented. The fixed cost of hotel trading is significant and continued support during lockdown, appropriate funding to cover re-opening costs and fiscal support for reduced trading levels needs to continue.
6. **A clear pathway which plots out a return to viable trading linked to infection, control and vaccination.** The current understanding being that the sector would unlock with social distancing in place, household mixing curtailed but with risk assessed gatherings reinstated in a sustainable manner. Hotels would be open to residents and non-residents. As stated, the continuation of the curfew makes business viability questionable. The reopening process would undertake an analysis of the impact of regulations and their gradual removal based on a reduction of risk as we move from a pandemic to endemic status. It is important that the process explores the benefits of lateral testing for future trading and explores measures beyond lockdown. This would reflect the parameters involved and the metrics upon which normal trading would be restored.
7. A controlled framework to instigate **lockdown** measures if needed with parameters and mitigations in place. This would also include a support and details of the pathway out of enforced closure.
8. As business returns, **promotion** will be key. Domestic business will be the first segment to return and to stimulate this, holiday at home vouchers should be launched. There should also be an upweighting of funding for recovery campaigns and appropriate fiscal support to relaunch the Northern Ireland tourism brand.

## Conclusion

The hotel sector has invested over £650m since 2016 and is central to the tourism economy. This is an element of business that can bounce back relatively quickly, particularly given its recent investment levels. It has the ability to create employment, restore societal norms and bring fiscal benefit to the local economy. To enable a credible pathway to recovery support is required across the board.