



# **IRISH HOTELS FEDERATION**

Briefing Document

to the Joint Committee on Media,  
Tourism, Arts, Culture, Sport and the  
Gaeltacht

**Ref: JCM-I-237**

roundtable discussion on the impact  
of Covid-19 on the hospitality sector.

**March 2021**

## **1. Introduction**

Good Afternoon Chairman, Deputies,

The Irish Hotels Federation welcomes this opportunity to address the Joint Committee in this roundtable discussion on the impact of Covid-19 on the hospitality sector and hotels and guesthouses.

The Irish Hotels Federation is the representative body of the hotel and guesthouse sector in Ireland and is a key stakeholder in Irish tourism and hospitality, working closely with our industry partners to ensure the right conditions are in place for tourism and hospitality to grow and prosper, thereby contributing to job creation.

Public health is always the number one priority for hotels and the IHF would like to reiterate our full support for Government in the task of suppressing Covid-19.

We would like to thank the Government for the supports that have been put in place to help our industry. They are very much appreciated and are making an enormous difference to our prospects for survival and recovery and to the people who have lost their livelihoods due to Covid- 19.

Covid-19 has had a catastrophic impact on our industry manifesting itself in job losses, revenue losses and a significant reduction in business financial resources.

We are focused on the process of restoring the economy and the livelihoods of the almost 270,000 people who worked in our industry before the pandemic. These jobs represent 11% of total employment nationally and with 70% located outside of Dublin the regional contribution is vital to communities throughout the country in every county and town.

There is a crisis of confidence now unfolding given the ongoing restrictions on tourism and hospitality, the additional uncertainty around the roll out of vaccines and the requirement for increased restrictions on the movement of people.

Due to Covid-19 we estimate that revenue across the hotels sector fell by in excess of

€2.5 billion last year (an unprecedented drop of 60%) with a loss of 9.5 million bed-nights and that annual room occupancy plummeted to a record low of 30%. Revenue reserves have been depleted, and many otherwise viable businesses are running short of cash. The immediate outlook remains exceptionally challenging this year with bookings levels at historic lows – averaging just 21% in terms of room occupancy across July and August according to our latest IHF industry survey.

Nationally, overall unemployment is now at 24% including PUP recipients – compared to 4.7% unemployment at the end of 2019. Unemployment is almost 57% in the 15-24 age category. Fáilte Ireland estimates a loss of 160,000 jobs in tourism, with accommodation and food services making up 104,000 of these. High unemployment is an enormous drain on the exchequer and it is in everyone's interest that it be reversed as soon as possible.

The key to restoring employment quickly is the survival of the businesses that can drive recovery. Our industry led the charge in employment growth after the financial crash, creating 90,000 jobs between 2011 and 2019 which was particularly evident in regional employment where in many cases tourism is the only show in town from an economic and community perspective. We can be an important part of the recovery, but our businesses require additional financial supports as presented here today.

The cost of these Government Financial Supports is small relative to the malaise of enduring unemployment and can be offset quickly by a reduction in unemployment supports. Speeding up the restoration of the livelihoods of people in our industry will also have an enormous impact on their mental health and wellbeing.

### **The Key Additional supports required:**

- **Employment Wage Subsidy Scheme (EWSS):** Extension of the scheme up until the end of March 2022 to enable tourism businesses rebuild and retain their teams.
- **Covid Restrictions Supports Scheme (CRSS):** Targeting businesses with 75% drop in revenue, we suggest a doubling of payment amounts irrespective of the level of Covid restrictions as well as removal of the current €5,000 weekly cap.

We ask that this Committee examine the narrow interpretation of the ‘double payment up to a maximum of €5,000’ announced last December. The revenue guidance refers an entitlement to claim the “double week” (subject to the weekly cap of €5,000) and NOT a double payment limit of €5,000. This means that despite all the additional costs incurred due to the opening and closing and regardless of the requirement to satisfy the 25% turnover limit, we estimate that 44% of hotel bedroom stock is excluded from CRSS entirely and 74% of room stock did not qualify for the full double payment. (The €5,000 limit equates to a €4.2 million annual turnover or 58 bedrooms per hotel. Hotels with less than 22 rooms could typically avail of the double payment).

- **Local Authority Rates:** Extension of waiver for tourism and hospitality businesses until end of March 2022. After that, payment of local authority rates should be based on reduced levels of activity due to the crisis and until the industry has recovered.
- **Restart Grant Plus:** Further Top-up Payments from 31 March 2021 at double the payment amounts from last year, as a contribution towards the cost of re-opening or keeping a business operational and re-connecting with employees and customers including measures to ensure employee and customer safety.
- **Warehousing:** Tax Warehousing to include this quarter and to push out the commencement of the pay back by one year.
- **Tourism VAT:** Clear commitment to retain 9% tourism VAT at least up until 2025 to assist recovery and provide certainty for tourism businesses.
- **Refund on Energy Pass-Through Charges:** we are seeking a 70% refund on State-controlled fixed energy network charges (gas and electricity) in line with drop in energy consumption and hotel revenues due to Government restrictions – backdated to start of October 2020.

### **The Key Banking Measures required:**

We believe that it is appropriate now for Government to ask the Regulator and the banks to take a longer-term view in their approach to dealing with people and businesses in

our sector. There is great disappointment given that, in the light of the second COVID-19 outbreak and the resulting government restrictions in many EU countries, the European Banking Authority (EBA) had decided to reactivate the guidelines on moratoria by introducing a new deadline for the application of moratoria of 31 March 2021, replacing the previous date of 30 September 2020, the Irish Regulator and Banks chose not to adopt this approach. There is a perception that unnecessarily restrictive credit policy is hiding behind reviews in the ‘case by case’ approach taken and we believe this case-by-case assessment policy should be open to scrutiny.

We suggest:

- A Further six-month moratorium on bank term loans to support cash flow.
- Additional mortgage deferment for employees impacted by the crisis.
- Reactivating the Future Growth Loan Scheme long-term loan (7-10 years) which has been fully subscribed and is no longer available.
- Removing the policy of excluding employees, working in businesses that avail of the EWSS scheme, from new mortgage applications and other personal funding applications.

### **The Key Finance Measures Required:**

Some businesses will require recapitalisation when the pandemic is over. Bank appetite to increase exposure is limited and alternative sources of finance will be required to ensure appropriate capital structures are in place to drive recovery and development. There is an opportunity for the Government to incentivise activity in the alternative finance market to facilitate longer term solutions. We suggest that consideration be given to:

- Providing Capital Gains Tax incentives to investors for designated businesses including hotels and guesthouses.
- Introducing a Temporary Employment Investment Incentive (TEII) scheme that avails of the current suspension in State aid rules with simplified qualification criteria and administration procedures.
- Using the ISIF Pandemic Stabilisation and Recovery Fund as a structure to provide long term debt and equity to larger scale operators and to smaller operators through

dedicated hotel investment funds.

- Providing an enhancement to the COVID-19 Credit Guarantee Scheme that can be applied to viable businesses that require restructuring and re-financing due to Covid-19.

Thank you.