



IRISH HOTELS FEDERATION

Opening Statement

to the Special Committee on Covid-19
Response

Ref: SCC19R-I-0073

Re-opening the economy – the State's
response and support to businesses

June 2020

1. Introduction

Good Afternoon Chairman, Deputies,

The Irish Hotels Federation welcomes this opportunity to address the Special Committee on the State's response to the Covid-19 pandemic and its impact on tourism and hospitality 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, 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.

This is the greatest health crisis in living memory and we appreciate that significant resources are being committed by the Government to address the overriding issue of public health. We also welcome the great progress being made in suppressing the disease.

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.

A much greater focus on tourism is now required, given the enormous challenges ahead, putting it at the top of the Government's economic policy agenda with further immediate supports for tourism businesses being made available as a matter of urgency. We are committed to working closely with the incoming Government and Minister Catherine Martin to ensure tourism is not left behind.

The immediate impact of Covid-19 has been the elimination of over €5 billion in tourism revenue, representing a 74% drop for the full year, the closure of 85% of hotels during the lock down, a collapse in business working capital and an unprecedented level of job losses. It puts at risk over 180,000 of the almost 270,000 jobs supported by our industry throughout the country.

With the right Government supports, we project that annual tourism revenues and

employment can recover to 2019 levels over a five-year period up to 2025. (€7.7 billion tourism revenue and 270,000 people employed). Without appropriate supports, we see 2025 tourism revenue at €5.4 billion and employment returning to just 190,000 (-30%). Over a 5-year period this would represent a cumulative additional loss of approximately €7 billion to the Irish economy and additional cumulative unemployment costs of €3.3 billion.

The IHF has developed an outline plan to restore activity and employment to 2019 levels by 2025. It will also help restore the estimated €2 billion contribution in tourism taxes to the exchequer each year in addition to reducing a potential State bill of €2 billion per annum in unemployment costs. This proposed recovery plan will require a coordinated approach from Government, the State Agencies and industry stakeholders and will form part of the IHF's contribution to the Tourism Recovery Task Force recently announced by the Government and of which IHF President, Elaina Fitzgerald Kane, is a member.

We welcome the various business and employment supports that have been introduced already, but they do not go far enough. The tourism and hospitality industry has been far more severely affected and faces a more challenging road to recovery than other parts of the economy and this has not been adequately recognised as yet.

The overriding priority must be to safeguard the livelihoods of the almost 270,000 people whose jobs are supported by tourism. As such it is vital that the Wage Subsidy Scheme is continued and extended to include seasonal employees and take account of employees previously on reduced hours due to seasonality. The scheme should be continued until the impact of Covid-19 restrictions has fully abated.

Additional Government measures on liquidity and competitiveness are also required to protect tourism livelihoods and address the challenges we face.

Tourism businesses now have a significantly weakened capital base caused by restrictions introduced to suppress Covid-19. These measures should be tailored to the specific challenges facing tourism to help businesses survive and restart including significantly increased grants to assist tourism businesses reopen and survive, 0% interest on Government guaranteed finance, and a Government supported scheme for the deferral of capital and interest payments for a period of one year. Other countries such as Germany,

France and Spain have provided immediate fiscal impulse measures including direct supports to help businesses restore their capital base and re-start.

International competitiveness is key to our industry. We are calling for a reduction in tourism VAT to 5% until December 2021 followed by a permanent restoration to 9% to assist recovery and secure a viable and sustainable future for tourism. International competitiveness is an urgent issue, with Irish hotel VAT now higher than 28 European countries with which we compete.

In addition, the Local Authority rates and charges waiver period should be extended to coincide with business interruption due to Covid-19 and with a revision of ongoing charges to reflect reduced business activity during the recovery period.

The Irish Hotels Federation has worked closely with Fáilte Ireland to establish agreed operational standards for hotels in line with HSE requirements and international best practice. Our main priority has and will always be the health and safety of staff and guests. We are confident that people can look forward to a relaxing, enjoyable and well-deserved break in an Irish hotel this summer, secure in the knowledge that they are staying in a safe environment.

Hoteliers will be required to meet Public Health advice on maintaining physical distancing between people when they open. Given the extent of safety measures introduced and the traceability of guests, we believe the size of gatherings should be linked to venue capacity as opposed to an arbitrary cap on numbers. Couples planning to get married should be provided with a roadmap on gathering sizes up to the end of the year. We accept that NPHEA can change their advice at any time if there is a new wave of infection.

Tourism is a vital indigenous export industry, accounting for 4% of GNP as of 2019 and with the right supports it can again be one of the most effective ways to spread employment opportunities and prosperity across the entire country.

Chairman, thank you again for the opportunity to address this committee. Elaina and I will be happy to answer any questions you or the members may have.