

A 12 point plan to support recovery in Ireland's tourism sector

Introduction

The tourism and hospitality sector has been hit hard by COVID-19. The impact of this has been evident in the closure of the majority of businesses and the laying off of employees working within the sector.

The roadmap now in place, which will see the gradual easing of the restrictions and the phased reactivation of economic and social activity across Ireland, will provide the framework for what is likely to be a slow and difficult recovery for many businesses in the tourism sector.

This in itself will not be enough. At BDO, we recommend a range of measures that policy makers and key stakeholders across Ireland's tourism sector must consider to support the sector in its recovery and to once again establish its position as a key driver of economic activity in Ireland.

BDO's 12 Point Plan



FINANCIAL SUPPORTS

Affordable working capital, grant aid and equity investment

SOCIAL DISTANCING

Capital grant to facilitate social distancing and use of outdoor spaces



CAPITAL INVESTMENT

Public Private Partnerships, creative solutions for state and private sector co-operation i.e. EIS/Development Fund

TAX CREDIT

A once off staycation tax credit in the amount of €250



INNOVATION

Support & encourage innovation, R&D tax credit

EMPLOYEE SUPPORTS

Continue *Temporary Wage Subsidy Scheme*, phased move to percentage of wage payments



BDO's 12 Point Plan



BUSINESS CONTINUITY

Business Continuity Fund used to meet ongoing fixed costs until trading resumes

VAT

VAT rate being fixed at no more than 9%



INSURANCE REFORM

Reform of the Irish insurance market needs to be progressed as a matter of priority. Explore idea of a tourism sector mutual insurance scheme

DOMESTIC TOURISM MARKETING

New domestic tourism marketing campaign 'Keep Discovering'.



TOURISM PROMOTIONAL STRATEGIES

Focus on activities & products that are more conducive to or facilitate social distancing

INFORMED DECISIONS

Strategic decisions based on comprehensive market research & analysis.



1. Financial Supports

The tourism sector is characterised by many small, family run indigenous businesses, where financial returns and levels of profitability are low.

The solution to the current crisis will *not be achieved by providing these businesses with costly and in many cases additional, unsustainable debt facilities.*

Creative solutions must be found that can *provide affordable working capital, grant aid and equity investment* to those businesses that can demonstrate a viable business model post COVID-19.

2. Social Distancing

There should be an easing of restrictions by local authorities on the use of outdoor spaces for pubs, restaurants and other similar businesses which will have to adhere to social distancing guidelines.

Financial assistance, in the form of capital grants, should be made available for capital works aimed at facilitating social distancing, for staff and customers alike.

It will be important however that large scale capital investment in social distancing be considered in the context of what may only be temporary measures.

3. Capital Investment

The capacity of both the public and private sector to invest in tourism infrastructure is likely to be restricted in the aftermath of COVID-19. More creative solutions need to be developed that would allow the state and private sector to act in common purpose in tourism capital investment.

Public Private Partnerships (PPPs) may offer such a framework for the state and private sector to act jointly to deliver important tourism assets and infrastructure, and utilise the full width of our tourism and heritage assets.

Some consideration should be given to the creation of either a revamped EIS or Development/ Venture Capital Fund (comprised of public and private sector funds) which could be deployed and invested in tourism projects on a commercial basis.

4. Tax Credit For Domestic Tourism Spend

A once off staycation tax credit in the amount of €250 should be made available to all employed and self-employed workers to encourage them to take a domestic holiday (with registered providers) in Ireland between now and the end of 2021.



5. Innovation

COVID-19 is likely to mean that many businesses in their pre COVID-19 format/ setting will no longer be sustainable or viable. Financial support and advice should be provided to support and encourage innovation in the tourism and hospitality sector.

The introduction of a research and development style tax credit that would encourage business or service model innovation should be pursued as a matter of priority.

6. Employee Supports

Continued support through the **Temporary Wage Subsidy Scheme** should be provided after businesses reopen in order to allow a gradual return to work as business levels dictate.

This could be followed by a phased move to a percentage of wage payments, to assist in the gradual crossover from subsidy to sustainability.

7. Business Continuity Fund

The reality for many businesses is that reductions in capacity as a result of social distancing measures mean that it makes little sense to resume trading while these restrictions are in place.

A Government funded Business Continuity Fund could be used to meet ongoing fixed costs (for a period of time) until these businesses can resume trading.



8. VAT

The reduced VAT rate of 9% (2011-2018) has been credited as a very successful stimulus that contributed to the tourism sector's recovery out of the last recession.

An even stronger reduction is needed now, with the rate being fixed at no more than 9% once the economy returns to pre COVID-19 levels. This will bring the rate back in line with that of many of our European competitor destinations.

9. Insurance Reform

Difficulties *securing affordable public liability insurance cover was a real problem for many tourism business* in Ireland pre COVID-19. This problem is likely to be exacerbated and impact even more on tourism businesses until a vaccine is found.

The reform of the Irish insurance market needs to be progressed as a matter of priority to ensure that affordable insurance is available to all businesses in the sector.

Options for the establishment/ provision of a Mutual Insurance solution should be explored. The Irish Public Bodies Mutual provides a template for a mutual scheme working effectively in an Irish context.

10. Domestic Tourism Marketing

At the start of the year Fáilte Ireland announced plans for significant investment in a new domestic tourism marketing campaign 'Keep Discovering'.

The roll out of this campaign should recommence in earnest in the lead up to Phase 4 of Ireland's Re-opening Roadmap Plan to coincide with the re-opening of the majority of Irish tourism businesses - albeit within social distancing guidelines in place.



11. Tourism Promotional Strategies

In the short to medium term, tourism promotional efforts should focus on those activities and products that are more conducive to or facilitate social distancing (walking and cycling, surfing, golfing, boating, cruising, self-catering holidays).

Each of Ireland's thematic tourist brands can be promoted with an emphasis on open space, natural freedom of movement and distancing.

COVID-19 may permanently change the wider approach and appetite for international business, conferences and incentive travel. Tourism promotional efforts and strategies will need to be readjusted to reflect these and other changes in tourist/ visitor behavior.

12. Informed Decisions

Future strategic decisions for the tourism sector need to be based on comprehensive market research and analysis. Issues to be considered include:

- **What measures/ approaches are being adopted by other countries** - social distancing, contact tracing, VAT, supports and interventions for the tourism sector;
- **What is current consumer research telling us?** - Domestic versus international holidays, perceptions on what countries it is safe to travel to;
- **Demand** - Where is demand likely to come from and what type of tourist experiences will they be looking for?;
- **Supply** - What will be the future capacity for air travel, hotel occupancy, restaurants, visitors experience etc.?.;
- **Demand & Supply implications** i.e. if demand is high, will restricted capacity drive price increases?

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