



northern ireland
tourism alliance

A scenic landscape photograph of a coastal town at sunset. The sky is filled with orange and red clouds, with a bright sun low on the horizon. The town's lights are visible, and a river or bay reflects the sky. In the foreground, there are dark silhouettes of trees and a large rock.

Scale of the Crisis Facing Tourism

The Voice for Tourism in Northern Ireland

Executive Summary

It cannot be underestimated the crisis facing the tourism industry as a result of Covid-19.

Tourism is a seasonal industry with almost 60% of revenues earned from April to November. The escalation of the outbreak of Covid-19 struck at the end of the quietest part of the tourism calendar with financial reserves at a minimum. Investments had been made in preparation for what was predicted to be one of our best years following the success of The Open and the launch of the new brand – Northern Ireland Embrace a Giant Spirit.

During the lockdown period (March to June), non-essential travel ceased and unlike other sectors of the economy, working from home or finding alternatives to generating income was not an option for the majority of tourism businesses. It is estimated that this period of closure has resulted in **over £300M** in direct visitor spend being lost to the NI economy. In addition, 80% of staff are on part and full time furlough, redundancies have been made across the sector and there has been a significant knock on effect to supply chains.

We have calculated the potential loss to 2020 visitor spend based on the Visit Britain updated estimates that the tourism industry in Northern Ireland could be facing losses of over **£700M** from overnight trips, a **decrease of 70%** on the estimated 2019 spend.

Businesses that have reopened are struggling to break even. There are still sectors important to tourism, such as non-food pubs (indicative date 21st September), business conferencing and the Arts that are yet to reopen.

Tourism accounts for almost 10% of jobs in our economy, in excess of 65,000 (this is based on NISRA 2017 figures) and generated in excess of £1bn in direct visitor spend (does not include day trips which could add a further £400 - £600m) in 2019 across our region, meaning that jobs and much needed investment have been severely impacted across urban, rural and coastal communities as a result of Covid-19 with over 40,000 jobs still at risk.

The industry has worked hard with consumers and partners to reschedule travel and holiday plans to 2021, to implement measures to be Covid-19 secure and provide packages and experiences tailored to the home markets in order to maximise the significantly shortened peak season.

While the industry appreciates the interventions that have been put in place by the NI Executive and the UK Government, we are heading into the Autumn/Winter period and unless the scale of the crisis is recognised and addressed, we are at risk of losing a significant part of the industry during this time. The Minister of the Economy said when announcing the establishment of the Tourism Recovery Steering Group that '*Northern Ireland's Tourism sector will have an important role to play in our economic recovery*'. Businesses need to survive in the interim to enable them to make it through to 2021 to ensure our economic recovery and prevent the end of their livelihoods and years of work invested into their passion.

The crisis we are facing is - will there be a tourism industry left to service this demand?



Tourism is a labour-intensive sector with a regional profile of jobs and visitor spend. It generates 70% of visitor spend from inbound visitors and supports multiple sectors of the wider economy. With its dominance of SMEs, strong regional presence, importance to well-being and ability to generate jobs, Tourism is critical to the recovery of the NI economy and the NI Executive's aim to create a balanced and regional economy.

Through the Tourism Recovery Working Group, industry have worked with Tourism NI and Department for the Economy to identify the key actions that must be taken to ensure the survival of the industry. These have all been submitted on numerous occasions through departmental processes but to date we still await decisions to be taken. The Executive have £169M to allocate - £53M underspend from Covid-19 schemes and £116M allocated through the Barnett Consequential from the Chancellor's July statement. This has been available from July.

Time is not on our side and it is critical that the NI Executive recognise the crisis our industry is in and quickly move to make the decisions essential to the survival of tourism in Northern Ireland.

In this paper we set out the actions that need to be taken urgently by the NI Executive, the economic impact of Covid-19, both during lockdown and since opening, and the reasons Tourism is so important to the recovery of the NI economy.

Recovery and Rebuild

Tourism is a major job creator across our region and has shown its resilience in the past, but the industry is facing an unprecedented crisis and in order for the survival of our tourism industry, we must have a resourced plan with **timely** decisions to ensure we have a tourism industry left to build on once the health implications from Covid-19 are under control.

We know that there is pent up demand for the 2021 season and the NI Executive must look at short and mid-term to ensure:

- Tourism businesses survive the immediate economic shock of Covid19 and adjust to the changed environment in which they are operating
- Protect the key tourism infrastructure that provides the foundation of our tourism industry
- Stimulate Demand for remainder 2020 and into 2021 and beyond

The Tourism EcoSystem – Driving the Visitor Economy

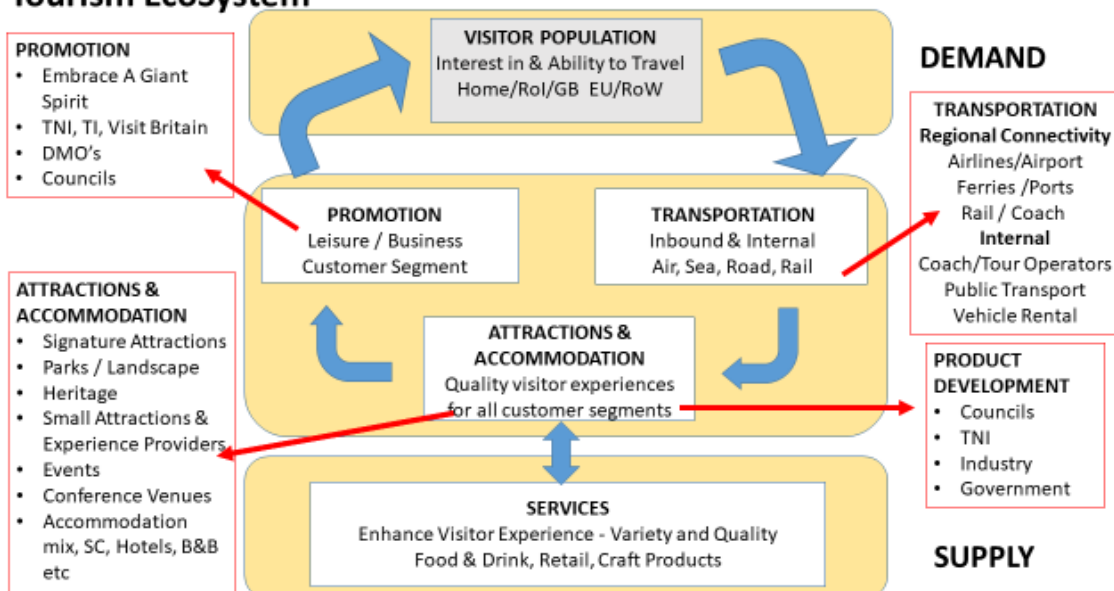
The essence of tourism is to attract visitors through the development of quality attractions and experiences and communication of the compelling reasons to visit one destination over another. Visitors bring additional spend into the local economy which in turn supports jobs and supply chains.

For example, 30% of hospitality and accommodation revenues are generated through spend by tourists. Tourism is the growth engine for these sectors.

As can be seen from the Tourism Ecosystem diagram below, for Tourism to be successful there needs to be a number of key elements:

1. Market of potential visitors
2. Reason to visit – attractions, experiences, accommodation
3. Access to destination – internal and external
4. Promotion of destination (national and regional)

Tourism EcoSystem



Actions Needed Now by NI Executive

Industry have been working through the Tourism Recovery Working Group to identify the actions required to enable tourism businesses to survive and recover. We need to see action happening now as businesses have not been able to generate enough income since reopening to make it through from October 2020 to March 2021.

1. **Maximise the demand for tourism across our home markets** – domestic, ROI, GB. We have a shortened season, with no international or corporate travel and therefore we have to generate demand from our nearest markets through September to March. This will require:
 - a. Building Confidence and Reassurance – Welcome visitors safely
 - b. Stimulating Demand through increased funding of Tourism NI and Tourism Ireland campaigns focusing on home, ROI and GB markets, including specific City campaigns
2. **Protecting & Securing Regional Access and Local Transport Infrastructure** – this is critical to tourism and the wider economy. Our reputation as a destination which is easy to access and travel round is essential to both our leisure and business tourism success. Our airports, airlines and ferry operators are facing immense financial pressures due to low load factors on flights and weak forward bookings.
 - i. Decision made on the support package for airports
 - ii. Access Routes fund to ensure existing routes are sustained
 - iii. Decision made on the support package for coach tour operators
 - iv. Confidence campaign to encourage local residents to travel from NI airports.
 - v. Decision on Tourism Ireland bids to support partnership campaigns with airlines
3. **Enhancing Capability & Competiveness of tourism businesses**
 - i. Crisis Management Support Fund and Product Development Programme
 - ii. Support fund to attract business conferences/events
4. **Identification of National Tourism Assets/Products** - that must be protected to ensure we have a strong foundation to build on for 2021 onwards. These organisations are the ones which attract international visitors to our region, and they are reliant on GB and international visitors to generate income. Given the challenges with aviation, the impact of the UK 14 day quarantine, and the estimate that international visitors will probably not return until 2022, these organisations will have to make very difficult decisions about their business. These organisations have invested £100s of millions and are the backbone of the NI tourism proposition creating the motivation for a large number of visitors to come to Northern Ireland.
 - iii. Tailored support packages will be required
5. **Research and Promotional Campaigns** into European and International markets to generate demand for 2021 season onwards
6. **Reopening Date** and guidance for business conferences/events to enable forward planning
7. **Skills** Retention and development programme

Actions needed by UK Government

In addition, there needs to be a plan to lobby for actions required at a UK level. These include:

1. **Sector Specific Employee Support Programme** to replace the Furlough scheme which ends on 31st October. This is a problem facing the whole of the UK and we need to working with DCMS and HMT to identify potential sector specific support packages to prevent wholesale redundancies. Tourism related sectors account for 20% of total employees in Northern Ireland on furlough – approx. 50,000 jobs.
2. **Removal of Air Passenger Duty for NI**. The arguments are well rehearsed on how NI is disadvantaged by short haul APD. This will cost around £100m, but the benefits to airlines, traveller and the wider economy far exceeds the investment. Northern Ireland has been significantly disadvantaged by APD in comparison to other regions of the UK and needs to be addressed by UK Government.
3. **Approach to Duty and Tax Free Shopping**. In the UK Government proposals, to take effect from 1st January, Northern Ireland has not been included. The rules for Northern Ireland are to be agreed as part of the NI Protocol by the Joint Committee. This has immediately put us at a competitive disadvantage to the rest of the UK and handed a competitive advantage to Dublin Airport.
4. **Overseas Travel** – the impact of Covid-19 travel restrictions has decimated the aviation & travel industry and there needs to be a package of measures to replace the current quarantine system. An enhanced testing regime at entry points is required.
5. **Extension of VAT cut** – The VAT cut to 5% for Tourism & Hospitality has been welcomed, but to ensure that we are able to rebuild in 2021, the VAT cut needs to be extend beyond 12th January for at least another 12 months.
6. **Government Backed Loan Schemes and Taxes** – extension to interest holiday and terms to repay and further deferment of VAT payments.
7. **Eat out to Help Out** – this incentive has stimulated demand for the restaurant sector and encouraged people to venture out. This should be extended into the quieter months. Although this does not generate additional visits, it provides a benefit to visitors and increased business to restaurant sector.

Economic Impact of Covid-19

Tourism has been one of the most resilient and successful parts of the local economy surpassing returns on investment made in other industrial sectors and out-pacing the average in job creation.

- 3 million tourists visit Northern Ireland annually
- Visitor spend contributes in excess of £1bn to the economy¹
- 70% of spend is generated by visitors from outside of Northern Ireland²
- Regional spend profile 40% Belfast, 60% outside Belfast
- Supports in excess of 65,000 jobs - regional profile 30% Belfast 70% jobs outside Belfast

Tourism had seen growth of 35% from 2014 to 2018. Over the last decade momentum has grown in Northern Ireland as a destination. The huge success of the 148th Open which beamed our breath taking landscapes to millions of people across the world, the growing legacy of the Game of Thrones, the most successful television series globally, the world recognised reputation of our food & drink, our world leading attractions such as Giants Causeway and Titanic Belfast has put us on the map. It was anticipated that 2020 would exceed 2019.

This was the back drop when Covid-19 struck just at the end of the low season, when tourism businesses were at their most vulnerable. Tourism businesses have been at the forefront of the catastrophic economic impact of Covid-19 with income dropping to zero overnight when lockdown was imposed. We estimate that the lost income from visitor spend was around £300m during the lockdown.

Throughout this report we have used different sources of information to estimate the impact of Covid-19 on Tourism. However, we have very little official reporting and to truly understand the scale of the crisis facing tourism we need to understand the state of businesses at the end of the high season and the financial viability of businesses to get through the winter season. This must go beyond our traditional reporting of visitor spend. We must assess financial viability of key businesses, forecasts of demand for 2021, jobs at risk etc. For example, the Irish Government have produced a series of sector reports, including Tourism, setting out the economic impact of Covid-19 and Visit Britain have produced updated estimates of the impact on Tourism in 2020. In Northern Ireland we don't even have the official figures for 2019.

The support that has been provided by UK Government and NI Executive has provided a life line to the tourism industry, but with 79% of tourism businesses not being eligible for the local grants and business rates relief, and the inability to make enough income due to the issues detailed below, tourism is on the precipice of disaster.

Reduced Trading Capacity

A lot of businesses have not been able to open at full capacity due to the requirements for social distancing and although this has been reduced to 1M + mitigation, it still has had a significant impact on the numbers of visitors that businesses are able to service at any one time. In addition, businesses have had to cover the high costs of implementing and maintaining measures to ensure that their businesses are safe for staff and visitors and that everything is being done to reduce the transmission of Covid19.

The figures for hotel occupancy in July showed that across Northern Ireland, occupancy rates were at 25%. Some areas such as Londonderry, exceeded the average with occupancy rates of 31.9%. But other areas, particularly in Belfast, hotels reported occupancy rates of just 21.4%. All of this is in stark contrast to the same period last year, when occupancy was at 88%. During August there has been an improvement with occupancy rates to around 56%. However, all the figures are significantly lower than the levels we would normally see at the peak of this season.

¹ This relates to spend by visitors making overnight trips. Day trips are not included in NISRA figures. This could account for anywhere between £400m and £600m of additional spend generated by visitors.

² GB is our largest market (27% visitors & 34% spend)

Our main attractions, such as Giants Causeway, Titanic Belfast, National Museums, Hillsborough Castle are operating at between 10 - 30% of capacity compared to this period in 2019. They have significant costs to maintain their attractions and buildings and with 4 months of no trading, reserves have been significantly depleted and they have had to make redundancies to be able to have any chance of being financially viable in the longer term. These attractions have seen significant investment from private and public sources and will be impossible to replace should they go out of business. The impact on the wider tourism industry is incalculable as these are the main demand generators and attractors of visitors from outside of Northern Ireland.

Access and Connectivity

Air Access

The aviation sector is feeling the full force of the economic impact from Covid-19. Even though we have seen the introduction of routes to replace those lost through the collapse of FlyBe and there has been growth in passenger numbers in July and August, we are only at 20% of passenger numbers compared to the same period in 2019, which is unsustainable for airports and airlines. Our airports have received some government support to ensure the continuation of essential travel and delivery of goods, but airlines and our airports are facing immense financial pressures due to low load factors on flights. This is a situation that cannot be sustained. Without support, regional connectivity is at risk which will have a detrimental impact on the whole of the economy.

Both inbound and outbound travel is necessary to support the viability of air routes. There is no expectation of the return of corporate travel until mid-2021 at the earliest and the travel trade in NI have been badly impacted particularly with FCO restrictions on all but essential travel. The UK imposed the 14-day quarantine which has seen popular destinations taken off the exemption list, which has had a drastic impact on outbound bookings. In a recent survey by NI Travel News, **less than 1 in 5** travel agents believe they have the financial resources to survive the current situation, with **45% of jobs** at risk within next 6 months.

Sea Access

Sea access is another important element of NI's regional connectivity. Increased freight has provided some relief to the huge reduction in passenger numbers, but this is not a situation that can be sustained.

Coach Transport

Coach operators are facing extreme pressures, both financially and the significant reduction in numbers of people that can travel on a coach. Group tours are an important part of our ecosystem, and without the coach operators we will be missing an important element of our transport infrastructure. We are seeing an existential crisis with no bookings and unprecedented cancellations as people change plans as a result of Coronavirus. The level of cancellations and lost work for local coach companies has been disastrous with financial loss figures in excess of £21M. The Minister for Infrastructure has now been given responsibility for this after months of wrangling, and this must be implemented with urgency.

Disproportionate Impact on City Tourism

There has been a marked difference in the tourism activity between City and rural/coastal destinations which can be seen starkly in Belfast due to the following reasons

- 85% of Belfast's tourism spend comes from Out of State Visitors
- Reduced access and ability to travel significantly impacted
- Urban spaces seen as less safe during pandemic
- Business Conferencing still awaiting reopen date with over £30m in spend lost (mid-week, high spend, September to May)
- 2020 cruise season cancelled completely with loss of 128 ship visits
- Majority of office workers still working from home
- Hotel Occupancy 21.5% July, 56% August

Belfast is the gateway for Tourism in NI, and Belfast tourism has grown at a faster rate than the rest of NI due to its attractiveness as a city break & business tourism destination. This drives tourism across the region.

In Derry, hotel occupancy for July was slightly better at 31%, but again significantly down on 2019. The close down of the cruise sector has also impacted, with 7 ships cancelled this season.

We are now in the period which would traditionally see the ramp up of business tourism, which is critical to driving spend within the city during what is a quieter period for leisure tourism.

It is critical to our overall success that our City tourism is able to rebound quickly. This will mean focused marketing campaigns about City Campaigns particularly into GB, alongside reassurance campaigns on the Covid-19 secure measures that are in place in our cities and the tourism businesses and experiences.

Business Tourism

Business Tourism has been a growth part of the tourism industry since the significant investment in the ICC Belfast. This investment leveraged around £250M in private sector investment from our hotel sector. Business events provide important mid-week, year-round, high value revenue for the industry primarily into Belfast. There is still no reopening date for ICC Belfast and with the main part of the conference season running from September to May, this will also impact on the businesses who support conferences and events as well as the wider tourism and hospitality sectors.

A lot of the business has been rescheduled for 2021 and beyond, however there is an opportunity to develop hybrid approaches to secure business that will lead to more significant business in the future. In 2018, business tourism accounted for around 20% of visitor spend.

Conference business worth £98m to the Belfast city economy is currently booked and it is critical that this mid-week, high spend business is retained. A date for the reopening of business conferences is required to enable planning and reassurance for the business booked for 2021.

Visitor Spend

The sector reopened with self-catering from 26th June followed by the rest of accommodation from 3rd July. Other tourism businesses have reopened during July, with most attractions now open.

Although there has been a strong take-up in the number of local people taking a holiday at home and those visiting from the RoI, these visitors are traditionally the lowest spenders. The table below uses the spend per trip for 2018 and shows the difference in spend by place of origin.

Place of Origin	Total Overnight trips	Total Spend	Spend per Trip
NI	2.3M	£299M	£130
RoI	0.6M	£108M	£184
GB	1.4M	£327M	£230
Other Europe & International	0.8M	£233M	£297
Total	5.1M	£968M	£190

Join us in shaping the future of Tourism in NI

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