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NETWORK FOR THE EUROPEAN PRIVATE SECTOR IN TOURISM



## NET calls on the EU to match its recognition of tourism's significance with proper funding: recovery and long-term

June 2020

### Executive summary

During the immediate response to the crisis, the European Commission recognised that:

- Tourism revenue had suffered a total collapse, just at the start of the season
- Investment in the sector would not take place
- Its ecosystem is dominated by SMEs and micro enterprises
- This is what makes the tourism offer in Europe so diverse, distinctive and appealing
- The losses are cross-cutting in impact, including transport, culture and rural economy
- This crisis is different: demand has been drastically suppressed and travel discouraged

This led to unprecedented levels of consultation with the sector. This was, and remains, welcome. It was clear that the Commission had recognised tourism strategic significance and current fragility.

In these circumstances, NET is surprised and dismayed that a **tourism budget line was not included in the revision of the Multiannual Financial Framework 2021-2027.**

The possibility of **allocating funds to tourism from all other financial lines** is positive, **but it does not help micro-enterprises and SMEs.** It also does not make it clear how much financial help can be allocated to support tourism.

For tourism to provide long-term socio-economic value to its host communities, it will need systemic support to first of all survive and then to maintain the work to become even more sustainable and benefit from digitalisation. This will require massive long-term investment beyond the scope of destinations or the private sector.

Post-crisis is the optimal time to design such long-term financial instruments, and ensure the sector is supported through the recovery phase into a new, more sustainable state. The opportunity to make such an intervention in one of Europe's key sectors may not return.

A simple question arises: given the recognition of the tourism sector's importance, and the multiplier effect of financial support, why has the Commission not allocated serious sectoral funding for this crucial sector?

## NET message

NET welcomes the proposal of the European Commission for a [EU recovery plan](#), launched on 27 May 2020.

The package includes a revised EU budget 2021-2027 and a new recovery instrument, called [Next Generation EU](#), with a total estimated financial envelope of €1.85 trillion.

We also welcome that, for the first time, tourism is recognised as an important economic activity and one that is being particularly hit by the COVID-19 crisis. Next Generation EU states that tourism could see more than 70% drop in turnover in the second quarter of 2020<sup>1</sup>. The Commission Staff Working document mentions that 161 billion euros are needed in basic investment in tourism and that there is a 22% basic investment gap in tourism<sup>2</sup>.

We take note that within Next Generation EU the REACT-EU will provide cohesion support to Member States, with a budget of €55 billion. The budget should be available from 2020 and be distributed according to a new allocation key taking into account the impact of the crisis. NET hopes that **tourism will be able to profit from this aid**, taking into account the current state of play of the sector.

Nevertheless, **NET is disappointed that tourism is not assigned a concrete, targeted financial aid instrument. NET regrets that a budget line for tourism is not foreseen in the updated Multiannual Financial Framework (MFF)**, as proposed by the European Parliament already in 2019.

Embedding tourism in all the other financial programmes and funds is positive, but **there is no clear overview of the budget allocated to tourism**. Moreover, micro-enterprises and SMEs will struggle to understand the myriad of different funding opportunities and how to access them.

By and large, between March and June 2020 most hotels, restaurants, bars, holiday parks, camping sites, B&B, self-catering, cruising operations and attractions such as amusement parks, indoor entertainment centers, zoos, aquaria and so on were closed (either because of the lockdown measures or because there were not enough clients e.g. due to closed borders and travel restrictions). This meant that thousands of companies in the private sector faced insolvency and many others are still struggling for survival. The private coach industry, which provides efficient, low-emission collective transport for national and visiting tourists, has come to a standstill. The tourism sector saw a 100% decrease in turnover during the last couple of months and 6 million jobs are at risk of being lost.

These are the reasons why the sector is in dire need for **substantial short- and long-term financial support**.

### The Financial support that is needed for Tourism

In the **short term**, NET welcomes the **deployment of the State Aid** by Member States and hopes that **SURE** (instrument for temporary Support to mitigate Unemployment Risks in an Emergency) will soon be applied in all Member States.

Nevertheless, the situation is critical and businesses' **liquidity problems** need to be solved. For instance, we would recommend that best practices of State Aid that work quickly and efficiently for travel and tourism businesses are shared. The objective is that governments are reassured

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<sup>1</sup> [COM\(2020\)456final](#) – page 3

<sup>2</sup> [SWD\(2020\) 98 final](#) – page 40

that if they advance the financial support now in their respective countries, they will be financially supported in the future.

Moreover, the proposed zero-interest loans are important and should be granted that way. This is not the time for governments to impose interests on payback of help schemes.

But in the **long run** tourism needs a lot of investment in order to become even more sustainable and to provide a better offer to travellers: products need to be improved in terms of quality and sustainability; a skilled workforce needs to be trained to provide an excellent service to the client and to access and use aggregate tourism data to provide a more attractive offer; carbon footprint should be lowered, etc. The industry needs help for the green transition and the digital transformation, two of the key priorities of the European Union.

Moreover, it will take a long time for consumer trust to come back to normal levels – support will be needed for a long period.

NET also hopes that a big portion of the budget dedicated to tourism will be included in **infrastructure funds** – these are easier to access by companies at national level.

## NET suggestions

NET would still recommend that the European Parliament and the Council of the EU **uphold the creation of a specific budget line for tourism** under the review of the MFF 2021-2027 proposal for the reasons described before.

In any case, NET calls on the Commission to provide **a specific framework for the funding of businesses in tourism and projects that support the visitor economy** and, once the proposals have been adopted by Council and the European Parliament, **guidance to companies and Member States** on how the EU programmes can benefit tourism and how to access the much needed funding under the various programmes.

In the meantime, NET calls on **Member States to include tourism at the top of their financial aid provisions!**

### *What is NET?*

NET is a network of representative trade associations from the private sector in European tourism. NET's purpose is to develop common goals for industry and work with policy-makers and other partners to achieve them. Tourism is central to Europe's economic prospects. It contributes more than 10% of EU GDP and provides about 12 million jobs, largely in small and medium sized enterprises. Between them, they make up the third largest socio-economic activity in the EU.

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