HOSPITALITY SECTOR: RE-CONNECTING EU CITIZENS AFTER THE PANDEMIC

SPECIAL REPORT
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With the support of
Bars, cafes and restaurants are going to be vital to the process of “re-connecting” European citizens socially after the coronavirus pandemic.

However, Europe’s hospitality sector, which mainly consists of small and medium sized companies, has been badly hit by the lockdown measures imposed due to the pandemic.

For most EU countries, the tourism season re-starts today (15 June) and the hospitality sector will play a key role.

The businesses will have to cope with significant income loss since they were forced to shut down as well as liquidity issues.

In addition, for an uncertain period of time, they will not be able to function at close to full capacity as social distancing measures continue to be applied.

In this Special Report, EURACTIV.com will look through the various challenges the hospitality sector will face as well as the role of EU institutions in helping the sector revive.
Beer boss: Lowering VAT on alcohol would help hospitality sector revive quickly

MEP: Commission could issue recommendations to revive EU hospitality sector

Pubs ask for VAT cut on alcohol to face post-COVID reality

Europe’s hospitality sector makes last appeal ‘before it’s too late’

Real Facts, and Beer
Beer boss: Lowering VAT on alcohol would help hospitality sector revive quickly

By Sarantis Michalopoulos | EURACTIV.com

Lowering VAT rates on alcohol across Europe would tremendously help the hospitality sector’s efforts to turn the business around quickly and eventually recover from the disastrous economic impact of the COVID-19 pandemic, according to the Brewers of Europe.

“If Germany is able to lower VAT from 19 to 16%, then other member states could do the same,” Pierre-Olivier Bergeron, the secretary-general of the Brewers of Europe, told EURACTIV in an interview.

Europe’s hospitality sector, which mainly consists of SMEs, has been hit hard by the lockdown imposed across the continent slow down the spread of COVID-19.

Bars, pubs and restaurants are often seen as a way to connect people and many believe that in the post-pandemic era, they may play a crucial role in people’s return to social Continued on Page 5
normality.

However, a lot of these businesses are struggling to recover after the lockdown and are seeking ways to recover rapidly and return to normality as tourism season is also gradually reopening.

Nevertheless, bars and restaurants will still not be able to work at full capacity for a certain period of time, as a number of safety measures will have to be in place, such as social distancing.

Some member states have already applied lower VAT rates on food and non-alcoholic beverages and, in certain instances, on alcohol.

One such example is the German government, which recently decided to lower VAT on alcohol from 19% to 16%. For the Brewers of Europe, this is a “creative” move that should be followed by others.

THE LEGISLATION IS THERE

Bergeron said there is no need for new legislation, as the policy framework is already in place: “You can find in the excise duty legislation reduced rates for smaller brewers, reduced rates for lower-alcohol beer, deferral or even refunding of excise duty on beer that has not been consumed and that had to be destroyed. All this is possible.”

He called on the EU executive to take initiatives in this direction as it has already successfully done with the economy by encouraging EU governments to keep borders open as much as possible.

“EU Commissioner Thierry Breton has done an incredibly good job and has been giving a lot of phone calls to member states to keep their doors open for green lanes etc […] The same could apply to Commissioners Gentiloni and Dombrovskis on alcohol VAT and the relevant EU legislation,” he said.

Asked how the state could benefit from lowered VAT rates on alcohol he replied: “I can provide you with myriads of examples […] whenever governments took the bold decision to lower indirect taxation, in particular on beer, state revenue has automatically increased. This has been my experience for the past 15 years”.

According to estimates, Europe’s beer sector has lost one-third of its market due to confinement measures and the impact has been particularly apparent on small breweries which have not been able to reach out to the market.

“Back in December 2019, I was able to report that Europe accounted for more than 10,000 breweries. I think that in one year’s time, I will not likely be able to report this number. So, there’s going to be some damage,” he warned.

HOSPITALITY SECTOR Pressures the Commission

In the last couple of weeks, organisations representing the hospitality sector and food and drink industry have sent a number of letters to EU institutions asking for immediate action.

FoodDrinkEurope, which represents EU food and drink manufacturers, told EURACTIV that in general, businesses in the hospitality-tourism sector have benefited from EU and national measures taken in response to the COVID-19 crisis, including liquidity support and fiscal relief.

“In addition, we’ve called on the Commission to remind member states of the existing possibility to apply reduced VAT rates on certain food and drink products, which – if applied as appropriate – would support consumer demand to help rebuild the sector,” FoodDrinkEurope said in an emailed response.

The Recovery Plan recently proposed by the EU executive offers a number of tools, both grants and loans, to Europe’s SMEs to cope with the COVID-19’s impact.

Although grants feature more prominently than loans in the Commission’s proposal, critics suggest that the pressure of the so-called “frugal” countries, which are pushing for loans, may ultimately change the final balance.

European SMEs fear taking out more loans, as this would increase private debt and not all of them are able to afford it.

FRENCH TALK ABOUT BEERS TOO, NOT ONLY WINE

Referring to the lessons from this pandemic, Bergeron admitted that there were also positive elements.

For the first time, he heard EU officials and heads of governments talking about bars and cafes as being part of the social fabric of Europe.

“I heard the French prime minister talking about beer as much as he was talking about wine, for example, and you know, the French culture is very much wine-focused. So there are things that are moving in the right direction,” Bergeron concluded.
The European Commission could recommend that EU member states take measures such as tax and red tape reductions to help the struggling hospitality sector recover from the economic losses incurred by the pandemic-induced lockdown, MEP Ivan Štefanec has said.

“Tax reductions would help to revive quickly, but we should also focus on the overall improvement of the business environment [...] simplify some of the administrative obligations that will save time and money,” Štefanec, an EU lawmaker for the centre-right European People’s Party (EPP), told EURACTIV.

“It is encouraging that several local governments tried to help the hospitality sector from local taxes and various other obligations. This is also a proof of how important this sector is for the community life,” the Slovak politician added.

As Europe’s economy cautiously takes its first steps towards returning to normality following the end of lockdown measures, the debate over the role of EU hospitality sector, which consists mainly of SMEs, takes centre stage.

According to Štefanec, hospitality facilities play an important role in

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the European culture and therefore should be financially backed to help “re-connect” EU citizens during the post-pandemic era in a careful way.

“Hospitality sector is characterized by high mobility of employees within and outside the EU. The places where the virus can be spread should be re-opened carefully,” he said and added: “I do believe that we will soon return back to a normal.”

In an interview with EURACTIV earlier this week, Pierre-Olivier Bergeron, the secretary-general of the Brewers of Europe, said no new legislation was needed in order to lower VAT rates, for instance.

“You can find in the excise duty legislation reduced rates for smaller brewers, reduced rates for lower-alcohol beer, deferral or even refunding of excise duty on beer that has not been consumed and that had to be destroyed. All this is possible,” he said.

Štefanec said mainly small craft breweries, which had had a limited number of customers and distribution points, face these existential problems.

“However, even in this regard, it turned out that many of them, despite the quarantine, found their way to their customers, for example through home deliveries and various activities.”

He added that breweries make most of their profits in bars and restaurants, and they are now trying to attract customers there again.

“They make use of various campaigns like ‘the first beer is on the house’. The summer season should make up for at least some of the financial losses suffered. Extraordinary measures should be applied in order to help small breweries solve liquidity issues. Fast access to credit is crucial nowadays.”

A RACE AGAINST TIME

EU leaders will discuss on Friday the details of the €750 billion Recovery Fund, recently proposed by the European Commission.

The executive’s proposal is backed by a vast majority of EU member states while some frugal countries, led by Austria and the Netherlands, remain deeply sceptical.

Paris expects a deal on the fund in July, during the German EU Presidency. BusinessEurope, which represents Europe’s industry, issued a statement on Thursday (18 June) urging EU leaders to waste no time and come up with a deal before the summer break.

The stakes for the hospitality sector are high and many SMEs hope the current balance of loans and grants will not change.

“After overcoming the worst period, the assistance should be gradually diverted in favour of long-term and guaranteed loans,” Štefanec said.

“The business environment cannot depend on external assistance over a long period of time. I do believe the European plan for recovery will not change, because we are on the same board and we can overcome current situation only together.”

Asked whether Europe’s SMEs could afford to take out more loans, he replied: “This varies from sector to sector. Every company can already use the guaranteed loans under the first rescue packages, which we have approved in the European Parliament. Each business entity must take into consideration the balance between the need for additional loans and other forms of funding.”

“I expect the current situation will lead to a change of some business models and at the end even to better products and services,” he concluded.

BRETON: STRENGTHENING THE ECOSYSTEM

The Commission’s proposal prioritised grants instead of loans, and according to the Commissioner for Internal Market, Thierry Breton, tourism and hospitality sectors could benefit at several levels.

The new Recovery and Resilience Facility, which consists of large-scale financial support to both public investments and reforms, comprises up to €310 billion in grants.

“To access this funding, member states will develop their tailored made national Recovery and Resilience Plans anchored in the European semester. The ecosystem could benefit from public investment projects foreseen by member states’ plans, notably to facilitate the green and digital transitions,” Breton told EURACTIV.

The French politician added that a reinforced InvestEU programme brings together all EU financial instruments to boost investment, innovation and job creation and will improve access to capital, notably for the many SMEs also present in the tourism and hospitality ecosystem.

“A new European strategic investment facility is added to mobilise €150 billion of investment to strengthen the resilience of our ecosystems and enable them to move forward with the green and digital transitions,” he said.
Europe’s hospitality sector has been hit hard by the lockdown measures enforced across the continent to contain the spread of COVID-19.

In Belgium, pubs and restaurants were forced to shut down on 13 March. The Belgian government provided one-off payments and supported employees and freelancers during the three months of lockdown.

However, the post-confinement period finds pub owners, in particular, facing a number of critical challenges.

Still uncertain about when they will be able to work at full capacity, pub owners are calling for additional measures such as VAT reduction on alcoholic beverages.

EURACTIV spoke to a number of pub owners based in Brussels, who are now getting back to tough normality, considering that enhanced safety measures are in place and customers are still reluctant to return.
Europe’s hospitality sector makes last appeal ‘before it’s too late’

By Sarantis Michalopoulos | EURACTIV.com

Hit hard by the pandemic, Europe’s hospitality sector is struggling to find a way out of the current chaos. Speaking to EURACTIV, its representatives have painted a bleak picture and called on governments to take immediate action to help the sector revive rapidly before it’s too late.

The tourism season officially starts on Wednesday (1 July) as Europe is opening its external borders to several countries. Bars, cafes and restaurants, considered an integral part of tourism offer, are trying to adjust to the new reality, which is far from the old normality.

**SPAIN: 85,000 ESTABLISHMENTS EXPECTED TO SHUT**

According to data from Spain’s hospitality association (Hostelería de España), before the crisis, there were more than 300,000 establishments, which accounted for 6.2% of the Spanish GDP and employed 1.7 million people.

“20% of hospitality establishments have closed, and an increase in this percentage of definitive closures is expected at the end of the year [...] estimates suggest that between 55,000-85,000 establishments will close permanently,” Hostelería de España told EURACTIV in an emailed response.

In terms of turnover, the most

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serious period of the crisis has seen losses of more than 90% compared to the same period last year while in terms of employment, the average decrease of around 400,000 workers is expected compared to 2019.

For the Spanish hospitality sector, an economic recovery plan should be accompanied by fiscal measures, such as reducing VAT to 4% and extending tax moratoriums.

“Specific financing lines for catering companies and the establishment of microcredits of around €25,000 of quick concession will be needed, as well as measures to support employment, such as the extension of ERTEs (temporary labour force adjustment plan) until 31 December, or the exemption of social security contributions for employees in the sector,” the association said.

DENMARK: EVERY DAY IS MONDAY

Torben E. Hoffmann Rosenstock, director of Denmark’s Horeca (hotels, restaurants, cafés), said strict safety measures such as social distancing prevent restaurants from working at full capacity and therefore being fully profitable.

In normal times, he said, Mondays and Tuesdays are done at half capacity and the rest of the week usually compensates for the two slow days.

“Now it’s Monday every day and it’s very hard to make a profit on that basis,” he said.

In addition, all hospitality establishments in Denmark are obliged to close at midnight, which means all nightclubs are completely shut down and no one knows when they will re-open.

It is estimated that the lockdown in Denmark cost the sector a 70% drop in revenue, and only takeaway services prevented a complete disaster as Danes largely switched to those services to support local restaurants.

Right after the de-confinements, he said, Danes indeed went out, also thanks to the good weather which allowed people to stay in outdoor places where restrictions are not applied.

However, the lack of tourists this summer is expected to deal another severe blow to the sector. “Every inhabitant needs to spend approximately an extra €1,000 to make up for the income lost due to the lack of tourism,” he said.

AUGUST: A CRUCIAL MONTH

The government has taken a number of measures to support employees, such as covering 90% of wages on condition that no lay-offs take place, which has saved numerous jobs.

But after supporting schemes stop at the end of August, jobs will no longer be guaranteed.

August could also be problematic for businesses as it’s the month when tax collection takes place. “We have some concern that not everybody is ready to come up with the amount of money that needs to be paid,” Rosenstock said.

Last but not least, he stressed that despite government pressure, the reality shows that banks remain cautious and reluctant to grant loans to companies.

Denmark has ruled out the possibility to extend the supporting measures until the end of the crisis and the hospitality sector is now pushing for growth-related alternatives such as total refund of the VAT.

“We are the only country in Northern Europe which doesn’t offer a full refund on VAT for Danish and foreign companies, on their restaurant spending [...] This could make a great difference,” Rosenstock said.

According to him, granting low-interest loans to be paid back over a long period of time could also be an option in the right direction which would help businesses run properly.

CZECHIA: NEED FOR CONCRETE AND INNOVATIVE MEASURES

Lubos Kastner, co-owner of Czech gastronomy group Hospodska, said the lockdown has resulted in a 40% drop in sales while projections for the summer period are -30%.

“The first indications are that 5% of operators intend not to open after COVID-19. 10% is expected to limit existence in the autumn due to shortfall in sales. Hence total bankruptcy of operators will most probably be around 10-15%,” he said.

Kastner insisted that rents will have to go down. “Rent is a big part of our costs, so it is crucial that we find a supportive model here,” he said, adding that long-term supporting tools such as VAT reduction or direct support is needed.

“We cannot expect that business will return fast to former levels. Without support, the industry would be under dramatic pressure. However, no specific plans in this direction were announced”.

Kastner said in order for the sector to survive, innovative solutions should be introduced.

“Innovative ways for marketing and revenue management need to be followed as businesses now face smaller groups, smaller frequency and smaller purchase baskets [...] Operators will have to reduce losses through adjusting our offer to new online sales channels,” he said.

That is why, he said, they have launched a fully digital order&pay system in their Prague outlet, using QR code technology.

“That will help to optimise waiters’ time and limit the need for paper menu [everything is accessible on mobile phones]. Everything is served to the guest as per his/her orders, they can pay anytime and leave.”
Real Facts, and Beer

By Pavlos Photiades | The Brewers of Europe

Abraham Lincoln is often (mis-) quoted as saying “I am a firm believer in the people. If given the truth, they can be depended upon to meet any national crisis. The great point is to bring them the real facts, and beer.”

Pavlos Photiades is the president of The Brewers of Europe.

The origins of “…and beer” are certainly much disputed. However, the sentiment the phrase carries may still find meaning in the modern world, in the midst of the current pandemic and all the turmoil it has provoked. We need confidence in the truth and we absolutely need beer, if we are to rise to meet the challenges of this crisis.

In terms of the “real facts” (about beer): before the lockdown closed almost every bar, café and restaurant in Europe, one third of all beers were served and enjoyed in hospitality, creating 1.7 million bar and restaurant jobs and adding €24 billion in value to the EU economy.

All that activity was rightly put on hold to mitigate the worst of the coronavirus spread, keeping

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customers and staff out of the social venues where they may have been at risk of catching the coronavirus. It meant of course that the people were not able to socialise and connect in person. This isolation was keenly felt throughout society as we all adapted, confined to our homes and unable to seek the company of most of our friends and family.

Now hospitality establishments are beginning to reopen across the continent, ready to welcome back consumers who wish to reconnect with each other over a drink. Yet people need to have the confidence that those places will not only be as dependable and convivial as they were before the shutdown, but that they will also be returning to safe and responsible environments.

Without that confidence, combined with the social distancing restrictions that remain in place in most countries, the people may not be back to their beer as quickly as they might have hoped. Despite being open, businesses are going to continue to struggle to overcome the inevitable decline in customer numbers and sales, compared to the buoyant sector we experienced last year. It means that the suppliers and employers in the rest of the beer and hospitality value chain will also suffer as a result.

It is strongly recommended that EU, national and local governments pursue the following options under existing EU legislation: VAT reductions in hospitality on the service of food and drinks – including beer; further grants and flexible loans; and adjustments in excise taxes to support the products and sectors most impacted by lockdown – for example, with the return of taxes paid on beer that ultimately went unsold.

These measures would go a long way to supporting not only the hospitality sector as a whole, but also the brewers, many of whom rely heavily, or even exclusively, on those places for their profits. Deprived of those sales, many of Europe’s 10,000 plus breweries, large and small, may never brew and sell beer again.

It is a fact that every job saved at a brewery means an additional 16 jobs saved in the wider economy.

So, if Europe is to avoid a deep crisis, it would be wise to listen to Abraham Lincoln’s misattributed insight, and ensure that those in the hospitality sector can get down to the business of reconnecting people – over a beer of course.