A transition pathway for the hospitality sector

Executive summary

- A more **resilient, sustainable and digital tourism and hospitality ecosystem** is needed by 2030;

- Short-term, medium-term and long-term measures are essential, **as long as necessary**, to help the sector overcome the Covid-19 crisis;

- Support the resilience of the sector with the following measures: improve the EU's capacity to manage shocks affecting travel; implement training mechanisms; follow health and safety protocols at national level; create a diversified touristic offer;

- When it comes to **sustainability**, our priorities are to tackle the carbon footprint; promote the renovation wave; develop sustainable skills for employees and managers; avoid food waste; promote sustainable coastal tourism; extend the season;

- Tourism **digitalisation** needs to count with: a fairer relationship between hospitality businesses and online intermediaries; a specific EU initiative on Short Term Rentals (STR) to level the playing field within the accommodation domain; improvement of digital skills; mobilisation of data via public-private partnerships;

- To implement these objectives, **EU and national funding** must be easily deployed for SMEs and micro-enterprises to access it.

HOTREC welcomes the Commission Staff Working document on "**Scenarios towards co-creation pathway for tourism for a more resilient, innovative and sustainable ecosystem**".

The time is right to engage in this kind of reflection and seek new ways of achieving a more resilient, innovative and sustainable tourism ecosystem. We firmly believe that hospitality has a crucial role to play in this area.

Diversity is one of our sector's greatest assets. In 2019, roughly 2 million hospitality businesses were operating in the EU: from an abundance of SMEs and micro-enterprises (99% of companies) to large multinationals, chains and franchises; from boutique experiences to large-scale events and high-standard establishments;

catering for all types of consumer needs and demands. **Our sector is a major employer** and positively impacts other businesses, for local culture and city centres. It is in the front line to deal with many crucial social issues of today: sustainability and energy efficiency, social issues, digitalization, food and farming policies. Crucially, **hospitality is about helping people connect with other people** – whether professionally or for leisure – **and the pleasures in life**: a holiday, a night out, a once-in-a-lifetime experience.

The pandemic has reminded us that many activities part of our daily lives can be easily taken away. Despite significant efforts at the EU, national, regional and local level, many hospitality businesses had to close their doors. Many of those who have survived the crisis still face huge challenges and difficulties to even the balance sheet. At the same time, the gradual reopening and return to a 'normal life' open up fresh opportunities to invest, digitalise, renew buildings and try something different.

A more **sustainable, digital and resilient tourism and hospitality ecosystem by 2030** can undoubtedly become a reality. The change will partly – and perhaps extensively – be demand-driven: hospitality establishments are there to cater for the needs of their cherished customers, and customers want, among many other things, sustainably sourced food, the convenience of digital technologies at their disposal, accessible buildings and websites, and the highest health and hygiene standards.

We believe that policies enacted at the **EU, national, regional and local level** will play a crucial role in accelerating and driving this change. Coupled and mirrored by strong **consumer demand**, we believe that policies should focus on creating incentives rather than creating obligations. **Funding support schemes** have played a vital role to help many businesses survive the pandemic but need to be continued and boosted with ease-of-access for SMEs at the core. Initiatives to promote **eco-friendly infrastructures and buildings, nurture employees and help develop their skills** will be essential. There are short term and long term challenges to address, and we believe that with the right approach, a mix of policies and respect for both the fast-movers and the more reluctant, it will be possible to achieve positive changes over the next decade.

"A more resilient, sustainable and digital tourism and hospitality ecosystem is needed by 2030"

I – A resilient and competitive EU tourism ecosystem

Europe needs a resilient tourism ecosystem that is capable of responding to external shocks. Currently, most European countries are not able to cope with the loss of tourists from abroad. To respond to this challenge, we propose to **equip tourism infrastructures and establishments to react rapidly and operate efficiently in crises** (e.g. humanitarian, natural disasters, pandemics). This initiative will boost effectiveness and foster competitiveness. At the same time, it is necessary to cope with all health and safety standards to promote Europe as a safe destination and to safeguard the protection of all workers and customers.

The outstanding and urgent priority at present is to help the sector get back on its feet and move away from the crisis, followed up by longer-term measures focusing on supporting the sector's resilience and competitiveness. In this respect, we envisage the following steps and actions.

1 – Short-term

Actions:

- **Extend EU and national funding for as long as necessary and beyond December 2021** (e.g., State Aid, job retention schemes such as the SURE mechanism, and cohesion funds);

- **Financial support is paramount for the sector**. The recovery is expected to be slow: companies need to adapt to new consumer demand and a new reality (e.g. deserted city centres), they need an adequately skilled workforce, and matching demand and supply to allow businesses to stay open and avoid bankruptcies;

- Our experts estimate 4 to 5 years until the industry will achieve a full recovery;

- Revamp the **European Hospitality Skills Passport (EHSP)**: a platform developed by HOTREC and its social partner **EFFAT** under the umbrella of the European Commission (DG EMPL). The EHSP allows employers to quickly find employees with the right skills regardless of where they are located in Europe[1]. This tool is especially needed now, considering the lack of skilled workforce in the sector;

- Establish and facilitate **health and safety protocols** implementation in all hospitality businesses that promote a safe environment. We firmly believe that all hospitality establishment owners wish to do their best to ensure the safest and cleanest environment possible for customers and employees. We note the development of an EU Covid safety seal but consider that progress in health and safety protocols is better addressed at the national or regional level with a close connection with relevant stakeholders;

- **Harmonisation and ease of travel**: all Member States should follow a coordinated approach concerning any travel restrictions that might be an obstacle to the free movement of citizens. This position will bring more confidence to travellers, as they will be better informed of the rules applying to them; and will reinsure the travel industry.

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[1] The EHSP was transfered and transformed into **ESCO – European Skills Competences / Qualifications and Occupations**, which covers all sectors and is not dedicated to the hospitality sector.

2 – Medium-term

Actions:

- **Avoid over-indebtedness and the loss of credit-worthy companies** via:

  ◊ Restructuring debt capital: creating a framework within which companies and banks will be able to find long term solutions that give the industry adequate time to recover;

  ◊ Strengthening equity capital and quasi-equity instruments;

  ◊ Member States to provide tax incentives for private investments;

  ◊ Member States to develop early warning mechanisms for companies at risk of insolvency.

  We call on the European Commission to continue engaging with the Member States, financial institutions and all relevant stakeholders to find concrete solutions to support viable businesses in the hospitality sector. If left unaddressed, the economic rebound will be dragged back.

3 – Long-term

Actions:

- Improve the **EU's capacity to manage shocks affecting travel**: in case of a crisis, the EU should be ready to deploy coordinated actions for exceptional situations that require restrictions on the free movement of people. This should only be deployed as a last resort, as it does not comply with the principle of free movement of people;

- **Improve access to funds**, so that **companies can change their infrastructures in a more sustainable and digitalised way**: access to funding needs to be easy, especially for micro-enterprises and SMEs. **Grants are preferable over loans**. The hospitality sector is counting on the **National Recovery Plans** to address the challenges of sustainability, digitalisation and skills. At the same time, **public/private partnerships** could also be organised, to help small companies access funding and cut red tape;

- **Make vocational and education training a priority at the national level**:

  ◊ Training and qualification of workers must be available to ensure that the sector disposes of skilled staff;

  ◊ Develop ambitious training strategies for tourism workers, including the **improvement of digital and sustainability skills** (e.g., Content Management System (CMS) systems, water management, food waste, energy efficiency) as well as interpersonal skills and languages, etc., and this in close cooperation between governments, education establishments, companies/employers, trade unions, and social partners;

  ◊ **Promote apprenticeships**, as they give young people training with a genuine vocation and provide them with an excellent entry into the labour market. Member States should ensure that apprenticeships fully comply with the **Council Recommendation on a European Framework for Quality and Effective Apprenticeships**;

  ◊ The sector needs easy financial support to up-skill and reskill (please see the previous point on "Improve access to funds").

- Prepare **short-term employment schemes** to be used if another crisis strikes. We advise transforming the **SURE mechanism** into a **permanent tool**, ready to be activated when needed. It is to note that this mechanism allowed to save thousands of jobs during the Covid-19 pandemic;

- **Create a diversified, sustainable and attractive offer that matches the client's needs and expectations:** city centres are empty, as travellers prefer rural or natural, and protected destinations. There is also an enormous loss of the usual customers in the conference rooms/restaurants/cafés/bars of cities, as telework became the new normal for many citizens. In addition, mountain tourism is unpredictable due to climate change. The solution is **adaptation/innovation** sustainably

by the industry: (e.g. organisation of activities in the different premises e.g. concerts; fashion shows; dance events; swimming pool parties/dinners; spa activities; creating more offer in rural destinations, while sustainably protecting those areas);

- Improving **accessible tourism**: we consider the further development of accessible tourism as a potential driver for market growth. Accessibility of tourism and hospitality services is to a great extent already regulated at a national level, which is better adapted to the fabric of the sector and its large proportion of micro and small enterprises. Voluntary schemes and recommendations set up by organisations of people with disabilities, often in cooperation with tourism associations, are better adapted to real-world needs and to what small enterprises can achieve;

- **Elaborating a stronger knowledge base** for the tourism ecosystem (please see "Digitalisation of tourism chapter");

- **Extending the season all year long and avoid overtourism**. Comprehensive data collection is crucial to gain a clear picture of the tourist activity scale in destinations. It can also help tourism operators to spread the demand and visitors to become more responsible. Last but not least, it can promote dialogue between residents, professional tourism organisations and authorities. There is no one-size-fits-all solution to overtourism, but it is necessary to deploy appropriate measures ensuring that Short Term Rental (STR) hosts register themselves to public authorities. Such a system should help limit the number of annual overnight stays offered by STR hosts where necessary, following dialogue among all parties in each destination (check out our **position paper**);

- **Digitalisation of Schengen visa procedures**: procedures to obtain a visa should be easier to ensure that visiting the Schengen area is easy for third-country nationals. This system will boost travel and help Europe remain the world's N°1 tourism destination.

"Financial support is paramount for the sector. The recovery is expected to be slow: companies need to adapt to new consumer demand and a new reality."

II – Greener tourism destinations and services

We encourage companies to become more sustainable and help reach the 2030 Climate Target Plan on reducing greenhouse gas emissions to at least 55% below 1990 levels by 2030. Overall, it is necessary to meet the ambitious goals that the **European Green Deal** outlines.

Companies need to be made aware that investments targeting a sustainable ecosystem (e.g. low carbon products and services) will only bring profits later in time. Skills need to be improved so that the sector employees can cope with innovation and demand. But **consumer awareness** is also essential to enable responsible choices. The impact of climate change on the environment should be taken into account when developing destinations.

We consider that research and innovation are needed to support decarbonization in tourist destinations. EU and national funding are crucial to bringing incentives to companies to invest in low-carbon or carbon-neutral construction and infrastructure.

To reach 2030 in a greener and more responsible way, we propose the following actions:

- **Tackling the carbon footprint** in the hospitality sector:

  ◊ Widespread use of the HOTREC guidance and solutions to **raise energy efficiency**;

  ◊ Support simple carbon measurement tools (e.g. the Hotel Carbon Management Initiative developed by the International Tourism Partnership and WTTC);

  ◊ EU/national public authorities to promote 'green leases' and Energy Performance Contracts as a new business;

  ◊ Renovation of buildings in hotels, higher energy efficiency, reduction of greenhouse gas emissions, encouragement of energy audits (see the point on the Renovation Wave initiative here below, and check out our **position paper**).

- **Promote the Renovation Wave in Europe**:

  ◊ Defend the principle of "**Energy efficiency first**";

  ◊ Take into account **national circumstances: universal standards should not be a one-size-fits-all solution** – national **targets** are already mandatory. We recommend a stronger focus on the implementation and enforcement of existing legislation at a national level;

  ◊ A **holistic approach** is necessary to reach the principle of the circular economy; optimise digitalization; promote the decarbonisation of heating and cooling supply;

  ◊ **Affordability and incentives** are needed, in particular for SMEs;

  ◊ Promote the **transparency principle** without increasing red tape;

  ◊ Developing **skills and attracting** new talents (check out our **position paper**).

- **Skills**: employees in the hospitality sector need to be trained to act in a sustainable and eco-friendly way (decrease carbon footprint; water management; energy efficiency; food waste, etc.). Managerial positions also need to learn sustainable policies so that companies can follow a sustainable path;

- **Food Waste**: HOTREC calls on public authorities and stakeholders to cooperate to reduce food waste in the sector and implement the related EU Platform on Food losses & food waste **recommendations**.

  We consider that a **national binding target** approach would **penalise** responsible enterprises that already undertook efforts to reduce food waste, and which would find it difficult to reduce further. **Indicative targets** complemented by strategic voluntary initiatives and campaigns could, in our view,

be also effective in reducing food waste;

- **Promote sustainable coastal and maritime tourism**: the creation of a network of interested parties in dialogue (regional authorities; industry stakeholders; citizens) will help extend the season, develop national and regional strategies, promote skills and innovation while strengthening sustainability overall (**HOTREC position paper**);

- **Extend the season all year long** (*see the corresponding point under the "Resilience" chapter*);

- **Promote environmental ecolabels**: we support both the **EU ecolabel** and the **Green Key**, as well-established ecolabels in the hospitality sector. Awareness-raising campaigns must encourage customers to change their attitudes and behave in line with the labels' criteria;

- **Single Use Plastics**: with the entry into force of the Directive 2019/904, from 3 July 2021 onwards, the Member States must ensure that they will no longer allow the placement of certain single-use plastic products on the EU market (e.g., plastic straws, cutlery, plates). Food containers and plastic cups are excluded, as it is up to the Member States to introduce measures to decrease their consumption. HOTREC recommends:

  ◊ **Coordination of measures** with cooperating partners at a national level to find more sustainable solutions;

  ◊ **Awareness-raising campaigns** encouraging **opt-in options** (possibility of opting for plastic – if **it is recycled** and not thrown in the nature); **Encourage research** to find more affordable solutions.

- **Monitoring activities**: we agree that the Member States in destinations should develop **Key Performance Indicators** and that the European Commission develops **methodologies for companies** to measure their sustainability performance. Such systems need to be adapted to SMEs and micro-enterprises (the vast majority of companies in the sector) should be **user friendly and avoid any potential administrative or costly burden**. Otherwise, the risk is that the mechanism will not be fit for purpose;

- **Voluntary initiatives** by the industry should be encouraged and are welcome. But **targets need to remain indicative** and **red tape must be cut**;

- **Incorporation of sustainability as one factor in the quality rating of tourism establishments**: the **latest catalogue of criteria developed by the Hotel Stars Union** – which develops harmonised criteria for hotel star classification in 18 European member countries – incorporates new criteria reflecting key sustainability objectives and incentivises hotels to take voluntary initiatives such as providing charging stations for electric vehicles or complying with sustainability labels and certificates, waste reduction and the Single-Use Plastics Directive;

- **Best practices sharing**: industry representatives should be involved in best practices sharing. Good examples could inspire more good practices. **Bottom-up approaches** should be the preferred option;

- **Awareness-raising**: communication is crucial to help consumers change their mindsets and adjust their requirements to the sustainable era.

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III – Digitalisation of tourism

European hospitality businesses aspire to reap the benefits of digitalisation and mobilise digital technologies to improve their competitiveness and provide customers with state-of-the-art services. The path towards digitalisation is however a challenge for the sector, in particular for small, micro and family-run enterprises.

Making effective use of marketing data, building a high-quality website or installing digital interfaces and services within an establishment requires an investment in time, resources, skills and long-term commitment which can appear like a mountain to climb for a small company whose focus remains its core business – providing hospitality. Businesses must handle the uncertainties of reaping concrete and tangible benefits while limiting the costs from the strategic decision to 'go digital'. The current digital business environment further discourages small hospitality businesses from taking the major step towards a better digital presence and marketing strategy.

- **A fairer relationship and competitive balance between hospitality businesses and major online intermediaries are essential**: In the hotel sector, powerful OTAs have a hold on the online reservation market. While their services are highly valuable for businesses and consumers alike, they engage in gatekeeper behaviour towards hospitality establishments – by limiting their access to transaction-generated data and preventing them from freely setting their prices via narrow price parity clauses, among other things – which entrench a relationship of dependency and act as a barrier to their digitalisation. In the restaurant sector, food delivery platforms have offered many establishments a vital lifeline during the past year of lockdown, but they have at the same time emerged as potential gatekeepers and command very high commission rates on establishments.

  The regulatory tools devised under the Digital Markets Acts need to be mobilised to address this structural imbalance which is at present detrimental for hospitality businesses. The Vertical Block Exemption Regulation (VBER), currently under revision, should uphold national bans on narrow price parity clauses and stop providing a 'safe-harbour' such clauses in the EU.

- **Ensuring that 'what is illegal offline is illegal online'**: Despite efforts to ensure regulatory compliance, intermediary platforms at times circulate offers of tourism services that are illegal concerning local, regional or national laws. Such offers, which are particularly prevalent in the short-term rental (STR) accommodation sector, undermine consumer trust and exacerbate unfair competition with the highly-regulated hotel accommodation sector.

  The Digital Services Act must ensure that illegal offers of STR accommodation services are swiftly and rapidly taken down by platforms circulating such offers and that local authorities are empowered to act upon offers that do not meet local regulatory requirements, such as registration, health and safety and taxation rules as well as rules aiming to prevent over-tourism, such as limits to the number of nights that may be offered by an STR accommodation host.

- **Towards a level playing field with STR accommodation via a specific EU initiative**: Alongside the Digital Services Act, a specific initiative is required to provide local authorities, STR hosts and accommodation platforms with a comprehensive, predictable and manageable framework to
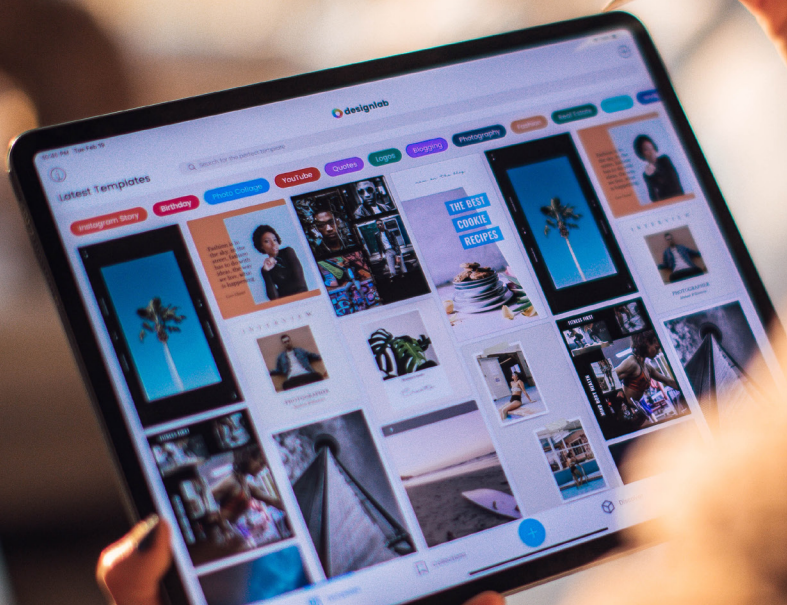
appropriately regulate and oversee STR activities. Such a framework should outline how to devise, implement and monitor consistent rules across the EU aiming to ensure that STR hosts are accordingly registered by relevant authorities, are held fiscally accountable, respect rules aiming to prevent over-tourism and housing market shortages and comply with health and safety rules. The framework should also clarify which kind of data should be circulated by relevant parties and support local authorities to process, interpret and mobilise relevant data for regulatory enforcement.

We, therefore, welcome the announcement in the European Commission's Staff Working Document to pursue a legislative initiative on STR accommodation services to address unfair practices in the collaborative economy.

- **Supporting the move towards accessible and high-quality websites: The pending entry into force of the EU Accessibility Directive offers many hospitality establishments a unique opportunity to redevise their websites in line with WCAG web accessibility standards.** The benefits of WCAG-compliant websites stretch beyond catering for the needs of certain disabilities: they are simply better websites for all users and will be a key milestone when assessing the state of digitalisation of the industry. We believe that dedicated funding support to help establishments support the costs of developing WCAG-compliant websites would be highly beneficial.

- **Support the digitisation of tourism destinations and SMEs**: There is a pressing need to support the digitalisation of tourism SMEs and local authorities, as recognised in the Commission Staff Working Document. As such, **we welcome proposals and funding initiatives aiming to address the low levels of digitalisation of tourism destinations and SMEs**, as well as the digitalisation of cultural heritage.

As highlighted previously in this document, access to relevant funding schemes needs to be easily accessible for the interested parties: minimal bureaucracy, proximity (with the active involvement of the EU Member States, regional and local authorities to guide and support funding applications) and flexibility need to be guiding principles for the effective deployment of funding schemes to support digitalisation. In this regard, digital innovation hubs are key to support this move as well as share and promote best practices.

- **Developing better digital skills in the tourism sector**: Improved digital infrastructure and tools go hand-in-hand with better digital skills for tourism SMEs and destination authorities. **We, therefore, welcome initiatives to address low levels of digital reskilling and upskilling of tourism SMEs**.

- As is the case with digital funding opportunities, Member States and regions must be given an essential role to ensure that training is easily found and promoted towards the interested parties effectively. Funding to support the delivery of training by private companies should also be considered as many have specialised in 'niche markets', such as supporting hospitality establishments to devise strong online marketing strategies and develop data analysis capacities. As the sector moves towards increased digitalisation, cybersecurity will also become important skills for hospitality businesses.

- **Mobilising data via public-private partnerships**: Last but not least, improved sharing of data among all stakeholders in the tourism sector is an important objective and has strong potential to leverage the competitiveness of hospitality businesses and provide tourists with an enhanced experience. We welcome the announcement in the staff working document to **support implementing EU data legislation, such as Data Governance Act for the ecosystem, support the preparation with stakeholders of a Code of Conduct on tourism data sharing** and encourage and facilitate data sharing; and to **identify data gaps to properly monitor the digitalization in the tourism ecosystem**, and proposes new data to be collected, leveraging new data sources and the data generated by the tourism service providers.

  We encourage the European Commission to think big but act on a gradual, step-by-step basis when developing the Common European Data Space for Tourism. The focus should initially be placed on better sharing, organising and mobilising openly available data that all stakeholders are willing to share, such as data generated by public services (e.g. public transport, cultural heritage sites, museums) and statistical data generated by private entities (e.g. overnight stays in accommodation services, tourist arrivals in airports). It is also relevant to build upon the recent agreement between Eurostat and accommodation platforms to provide more detailed data, to support the development of an initiative on the STR as mentioned above.

- **Address data retention by online platforms acting as intermediaries for hospitality businesses**. Certain data is valuable and the possibility for private companies to monetise such data remains important. At the same time, **we firmly believe that the business users of online platforms, namely hospitality establishments whose services are intermediated by OTA platforms (accommodation) or delivery platforms (restaurants) should be able to freely access general marketing-relevant data generated by user visits and transactions made via these platforms, and freely access detailed (and non-aggregated data should they wish) linked to user visits, behaviour and transactions which concern their establishment**. Such data is at present seldom shared with interested establishments and the lack of access to such data counts among the disincentives the platform economy creates concerning the digitalisation of hospitality SMEs. The Digital Markets Act may offer a possibility to address such practices by platforms that are in a gatekeeper position but further binding initiatives are required to ensure that such data are appropriately shared with relevant business users.

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