INDEPENDENT HOSTELS IN THE UK

THE CASE FOR EXTRA FINANCIAL SUPPORT

Covid-19

SEPTEMBER 2020

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SUPPORT OUR HOSTELS

Overview

The tourism sector has been badly affected by the coronavirus pandemic. Hostel & group accommodation has been uniquely hard hit within this sector. The purpose of this report is to set out the unique and difficult position of the small businesses represented by Independent Hostels UK and to establish the case for extra financial support.

> ***"Hostel and group accommodation has been uniquely hard hit within the tourism sector"***

We do this by explaining: -

- The value of the hostel & group accommodation sector to the health of the nation.
- The impact of closure during lockdown and the uptake of government support.
- The specific challenges of reopening hostels within Covid operating guidelines.
- The impact of the next 6 months on the viability of the UK's independent hostels
- Why the Government's Winter Recovery Plan fails to support the UK's hostels.

1 Introduction

The tourism sector, which includes hostels, bunkhouses and group accommodation, has been particularly hard hit by the coronavirus pandemic. The purpose of this report is to set out the unique and difficult position of the group of businesses represented by Independent Hostels UK and establish the case for extra financial support.

2 What is Independent Hostels UK?

2.1

Independent Hostels UK (IHUK) is a marketing organisation representing 441 independently owned hostels, bunkhouses and group accommodation centres throughout the UK. 58% England, 22% Scotland and 20% in Wales (Appendix 2).

2.2

IHUK is an organisation separate from the Youth Hostel Association (YHA) although 5% of the hostels it represents are also affiliated to the YHA.

IHUK represents 441 business and is separate from the Youth Hostels Association.

3 What is a hostel?

3.1

A hostel (also known as a bunkhouse, backpackers, camping barn or field/outdoor centre) provides affordable, welcoming accommodation for solo travellers, couples, families and groups. Guests can usually choose from a mix of shared dormitory rooms and private rooms. Likewise, toilets and showers may be shared or private. **For the rest of this report we will refer to all the accommodation in our network as hostels.**

Bunkhouses, backpackers, camping barns and field/outdoor centre are all forms of hostels.

3.2

Hostels are different from all other accommodation providers because hostels have an emphasis on communal living, shared facilities and the low cost of an overnight stay. Facilities such as shared kitchens, dining rooms, and lounges give guests the opportunity to meet others staying in the hostel. Drying rooms for wet outdoor gear, gardens and secure storage for bikes/canoes are also shared. The ability to book a bed in a shared dormitory and the provision of self-catering facilities makes the cost of a holiday accessible to people from a wide range of households.

"hostels have an emphasis on shared facilities, communal living and low cost"

4 Our Hostels

IHUK carried out a survey of its hostels in September 2020 to provide extra information for this report. See Appendix 1.

4.1

Based on this survey the majority of the hostels (59%) are sole traders or in partnership and 34% are limited companies (appendix 1.1). 45 % of IHUK hostels are owner run and 93% have five employees or fewer (appendix 1.2). 48% of IHUK hostels operate with turnovers below the VAT threshold.   Most hostels in IHUK are micro or small businesses.

"Most hostels in IHUK are micro or small businesses"

4.2

The 441 hostels in the IHUK network have a capacity of approximately 12,000 beds. The average hostel has 28 beds. Designed to accommodate groups, 77% of the hostels have more than 13 beds and 36% have more than 25 beds (Appendix 2.1).

"the IHUK network represents a total of 12,000 beds with an average of 28 beds per hostel"

4.3

The regional breakdown is shown in appendices 2.2, 2.3 & 2.4. 15% of our hostels are in city centre locations and provide accommodation mostly to young overseas visitors. 75% of our hostels are located in villages, rural communities or small towns. These hostels are a key part of the rural economy, bringing visitors and their money to many less visited areas and supporting other local businesses. They are often the only budget accommodation provider in their area.

> ***"75% of our hostels are located in villages, rural communities or small towns"***

4.4

Our guests are from all age groups and range from solo travellers to large groups. Given their locations and facilities, our hostels are very popular with UK residents who enjoy activities in the outdoors (such as walkers, cyclists and families) as well as guests wanting to experience the UK's culture and scenery.

> ***"our hostels are very popular with UK residents who enjoy activities in the outdoors"***

4.5

Our hostels promote responsible travel, green living and outdoor activities – key to the health of the nation. Many belong to the "VisitBritain Walkers/Cyclists Welcome" and "Green Tourism" schemes. Often in great locations near footpaths, mountains and water, they provide accommodation that will be required after the pandemic to promote healthy outdoor holidays at prices accessible to all.

"Our hostels promote responsible travel, green living and outdoor activities"

5 Our Hostels during Lockdown

5.1

On 23 March 2020, just as the hostels were emerging from the long winter low season, the Prime Minister told all accommodation providers (including hostels) that they were required to close. The hostels immediately had to offer 100% refunds on all the cancelled bookings.

"hostels immediately had to offer 100% refunds"

5.2

Since then 35% have been unable to re-open due to the size and shared nature of their accommodation. Others received no income from guests until they were able to reopen at reduced capacity in July. (4 July in England, 15 July in Scotland, 25 July in Wales).

"35% have been unable to re-open due to the size and shared nature of their accommodation"

5.3

In its response to the coronavirus pandemic the Government has provided some generous financial support to tourism businesses. Appendix 1.3 shows the financial support our members have accessed.

- 88% of our hostels have received the Small Business Support Grant of either £10,000 or £25,000 (83% and 5% respectively).
- 28% have received a payment through the Self-Employment Income Support Scheme (This was not available to some self-catering hostels who are required to record their hostels' profits in the property section of their tax return).
- 29% have made use of the Coronavirus Job Retention Scheme to furlough staff.
- 28% have used the Bounce Back Loan Scheme.

"88% of our hostels have received the Small Business Support Grant"

5.4

The support has enabled most of our hostels to survive the summer. It has not been at a level to replace the income normally made during this period of usually high occupancy.

5.5

Hostels exist financially through the winter on a mixture of revenue made from the summer season and large group private hire in the winter months. Due to Covid-19 both of these will be non-existent this winter.

6 Re-opening our hostels?

Appendix 2.1 shows the size of hostels in our network by bed capacity.

6.1

All holiday accommodation was permitted to open in July, subject to the UK Government and devolved administrations' rules on physical distancing, the maximum number of households and maximum number of people allowed to gather indoors as well as industry specific guidelines.

6.2

With these rules in place many of the small to medium sized hostels restyled their hostels as self-contained accommodation, let at reduced capacity to the requisite number of households. This enabled the continued use of the hostel's shared facilities with the exception of bedrooms and shower rooms, where one was required per household.

> ***"Many small to medium sized hostels re-styled their accommodation as self-contained holiday lets"***

6.3

Larger hostels with some en-suite private rooms were able to operate as hotel style accommodation with their self-catering kitchens and common rooms closed. Only rooms with en-suite or allocated showers could be let resulting in operation at a much reduced capacity.

“Some hostels re-opened as hotel style accommodation”

6.4

Medium sized and larger hostels with mostly dorm accommodation and shared washrooms were unable to re-open. Covid sanitising of large buildings for small groups was not viable. 35% of the accommodation in the IHUK network has not re-opened since lock down.

Over a third of our hostels found it was not viable re-open in any format.

6.5

In mid Sept the guidance changed, and the number of people allowed to meet indoors was reduced throughout the UK to a maximum of 6 adults, with national and local restrictions on the numbers of households. For hostels who were letting as self-contained holiday accommodation this resulted (for the second time this year) in further cancellations and refunds. This reduction in group size made many more hostels too large to open.

After the Rule of Six many more hostels found it was not viable to remain open.

7 Operating in the New Normal

7.1

Our hostels understand the public health reasons for the restrictions on their businesses. They have been committed to playing their part in the fight against COVID-19, turning away bookings from larger groups even as they watch their businesses failing.

Hostels have played their part in protecting the nation from COVID-19.

7.2

During COVID-19 it has not been possible for any of our hostels to accommodate their traditional groups of guests, which provide their main source of income. Groups of friends, walking clubs, schools, reunions of friends & families, cycling clubs etc, are all groups of individuals from many different households. Such groups will be unable to holiday together while there are any restrictions on households mixing.

Hostels' traditional guests will not be able to holiday together for the foreseeable future.

7.3

Hostels who are letting as self-contained accommodation are often operating massively under capacity. Considering that the average hostel capacity across the network is 28 beds it is easy to appreciate why these buildings are uneconomic to operate when let to very small numbers of people. These hostels are also unable to accommodate many of their traditional solo guests such as independent travelers or walkers and cyclists on long distance routes.

“hostels are operating massively under capacity”

7.4

Hostels who are operating like a hotel with their shared areas closed are not able to offer the social interaction and self-catering facilities normally available at a “hostel”. With these important aspects of their accommodation shut, they are not offering their full product and are in competition with other accommodation businesses (hotels, B&Bs) who are able to offer their usual service.

Hostels are not able to offer the most unique aspects of their accommodation.

8 The future for our hostels

8.1

The Job Support Scheme (replacing the Coronavirus Job Retention Scheme) and the new the Self-Employed Income Support Scheme could aid 28% and 29% of our hostels respectively but to a lesser extent then in the previous 6 months. These figures are based on previous uptake, see Appendix 1.3. The Government support used by 88% of our hostels, the Small Business Support Grant, has not been continued. This coincides with the further reduction on the number of people allowed to holiday together and the start of the low-season.

The Government support most used by our hostels has not been continued in the Winter Recovery Plan.

8.2

In response to the IHUK survey question “How long do you think your business can survive in the current financial climate with no further Government financial assistance?” (Appendix 1.4) 36% our hostels responded less than 5 months. This indicates that over a third of the hostel and group accommodation in the UK will not make it through the winter. The same data predicts that 64% will not be around by this time next year.

A third of our hostels predict they will not make it through the winter.

8.3

These are businesses which in normal trading conditions are financially sound and profitable. They have been placed in this predicament solely because of the COVID-19 pandemic and the operating restrictions which have been imposed as a result.

Hostels are financially sound and profitable when operating in normal conditions.

8.4

We believe that the people of the UK will need hostel accommodation on the other side of the pandemic. Hostels provide low cost holidays which encourage people to enjoy the outdoors and healthy lifestyles. On some long distance walking trails, hostels are the only accommodation available and form part of the essential network needed to support these popular tourist routes.

The UK needs hostels to promote healthy outdoor holidays at prices accessible to all.

8.5

The closure of any hostel will have a devastating effect for our hostel owners and their employees. Just as importantly, it will have an adverse effect on the communities in which our hostels are located and other local businesses.

Closure of hostels will remove employment and revenue sources from the communities around them.

8.6

The 2021 season begins in April and this is the next time our hostels would expect guest income to rise. Financial support is required to get a third of our hostels to that date. An ideal resource would be an additional “Support Grant” directed specifically at group accommodation and hostels in the tourism sector.   This could have a similar value to the previous “Small Business Support Grants” and would be of low cost to the Government.

A support grant specifically for group accommodation and hostels would get businesses through till spring

9 Conclusions

9.1

IHUK members are a collection of viable businesses supporting the rural economy, sustainable tourism and promoting healthy active outdoor holidays.

9.2

The communal nature of the hostel environment means that hostels have been affected by the COVID-19 guidance in a more adverse way than other accommodation providers.

9.3

Most IHUK hostels have received some Government financial support which has helped their businesses to survive the impacts of the coronavirus pandemic so far. The Small Business Support Grants were the most widely accessed form of support.

9.4

Without extra financial support this winter 34% of hostels are predicted not to survive until the tourist season next year.

9.5

The future health of the UK will be impacted if hostels are no longer available to promote healthy outdoor holidays at prices accessible to all.

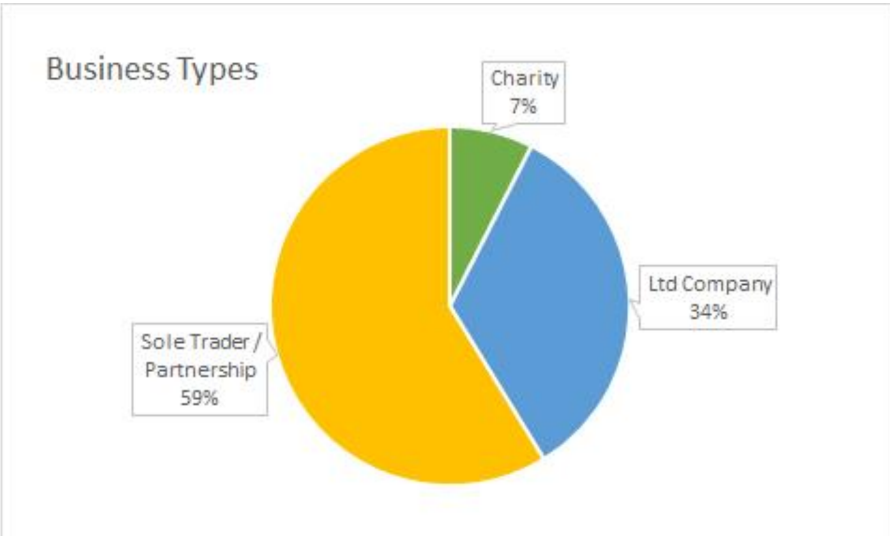
9.6

An ideal support would be a “Support Grant” directed specifically at hostels and group accommodation in the tourism sector.

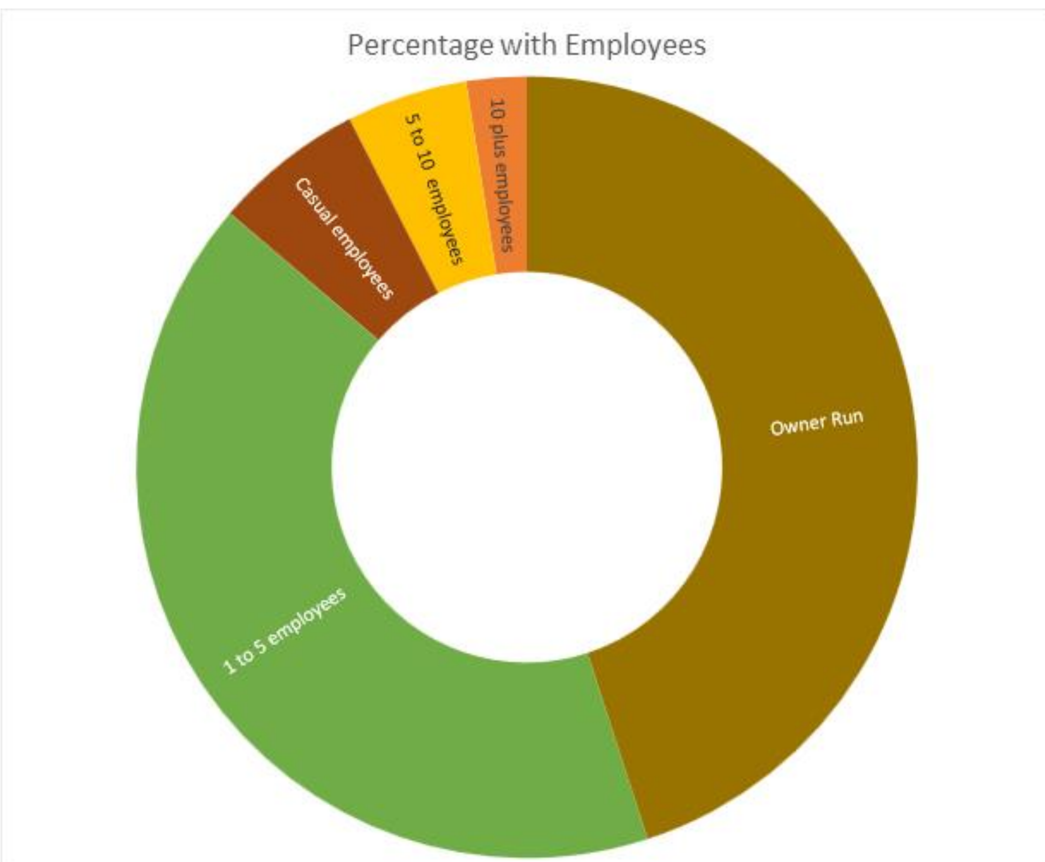
Appendix 1

From a survey of the IHUK network taken in September 2020 with responses from 83 hostels.

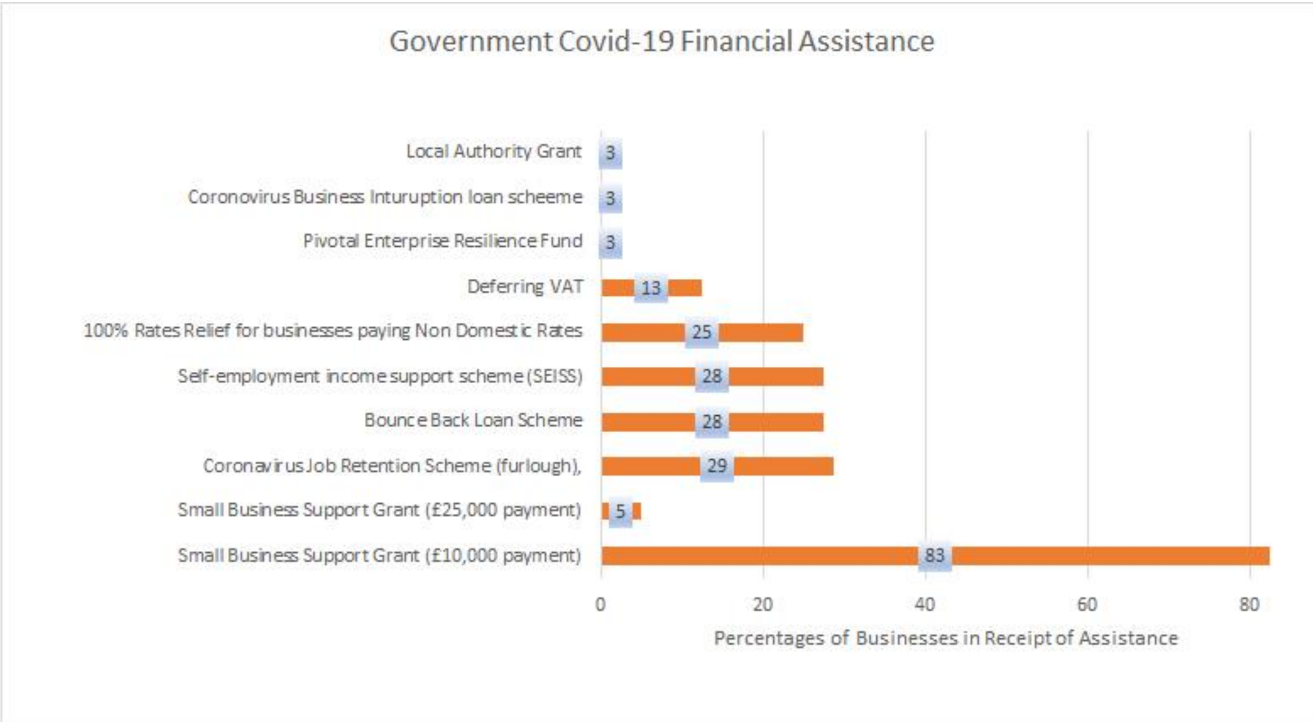
Appendix 1.1



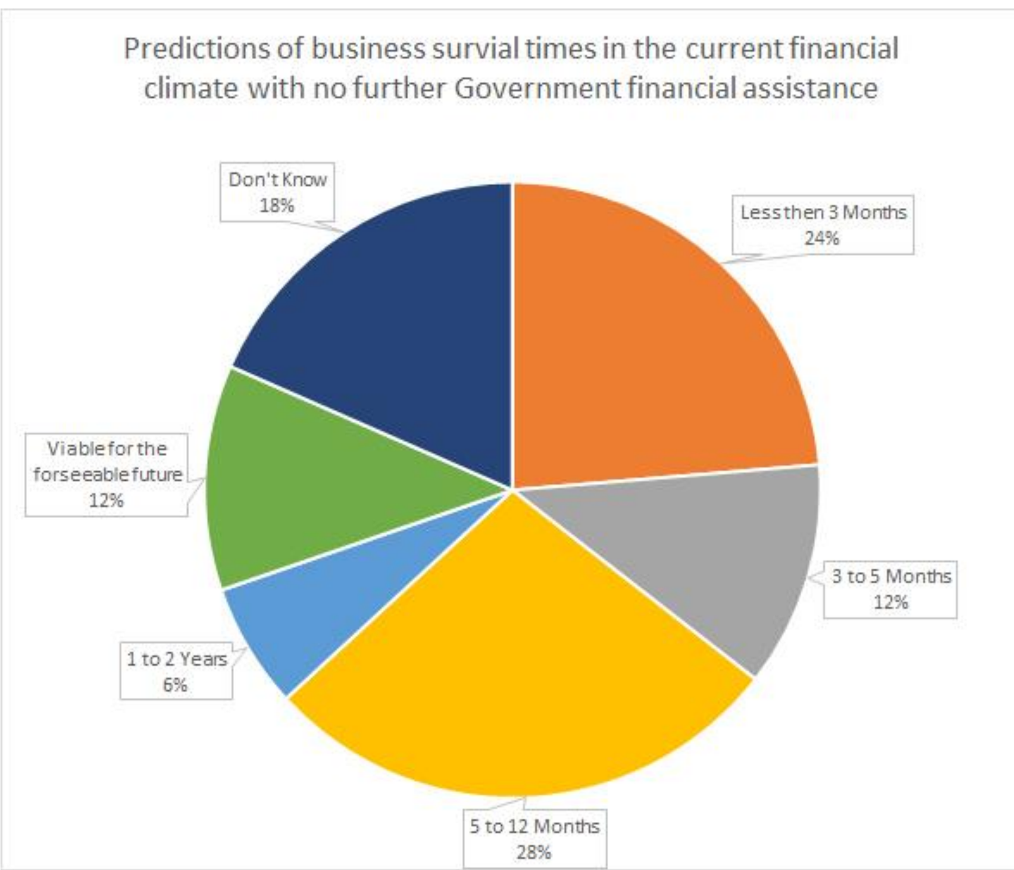
Appendix 1.2



Appendix 1.3



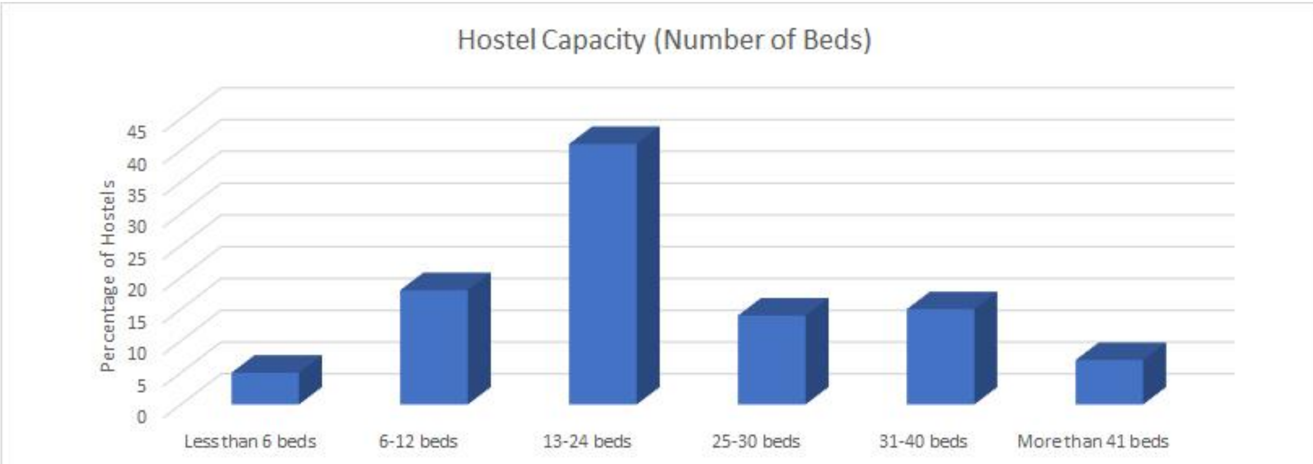
Appendix 1.4



Appendix 2

From data kept by the IHUK network, updated Autumn 2019.

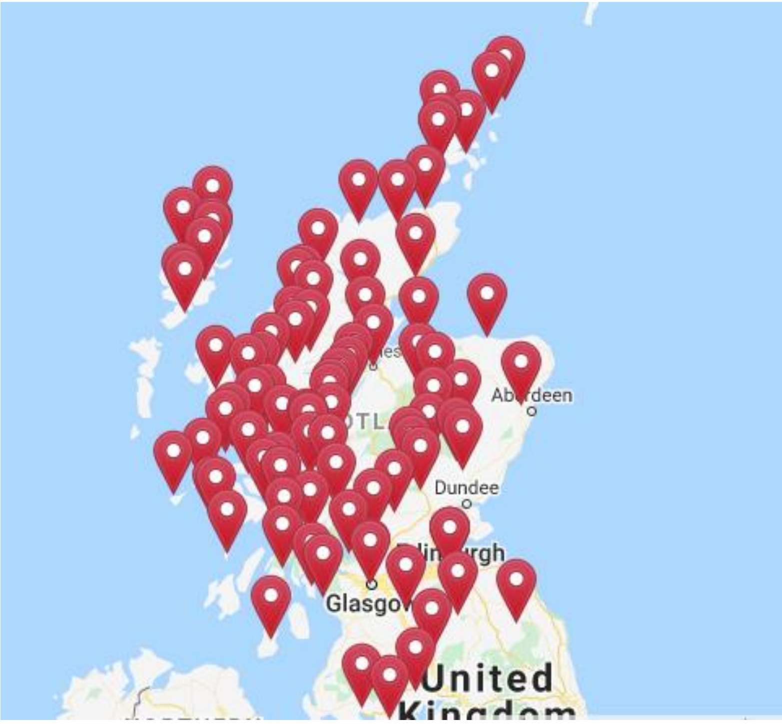
Appendix 2.1



Appendix 2.2 – Distribution of Hostels in England, 58% of network

Appendix 2.3 – Distribution of Hostels in Wales**,** 20% of network.

Appendix 2.4 – Distribution of Hostels in Scotland, 22% of network.



Acknowledgement

This report and the survey contained within it are inspired by a similar survey conducted by Scottish Independent Hostels in July 2020, and the associated report submitted to the Scottish Government on 17th July 2020.

Enquire for copies of the SIH report to sih@hostel-scotland.co.uk

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