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Ms. Margrethe Vestager
Executive Vice-President
EU Commissioner for Competition
European Commission
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By email: margrethe-vestager-contact@ec.europa.eu

Brussels, 12 July 2021

Dear Vice-President Vestager,

HOTREC is the umbrella Association of Hotels, Restaurants and Cafés in Europe. Pre-pandemic the sector employed more than 12 million people and represented 2 million companies, 90% of them are micro-enterprises (and 99% SMEs).

First of all, we would like to thank you for your reply with regard to the prolongation of the State Aid Temporary Framework, dated from 3 February 2021. We very much welcomed, by then, the revision proposed by the European Commission, which allowed a vast majority of our hospitality establishments not to close their doors indefinitely. The extension of the Temporary Framework to the end of 2021 was a positive step; as well as the increase in the aid ceilings; the possibility of conversion of loans into grants; or the possibility to use two different legal bases to ask for support: either Art. 107/2 TFEU ('natural disasters or exceptional occurrences') or Art. 107/3 TFEU ('remedying a serious disturbance in the economy').

We also welcome all measures taken by the EU institutions to support the sector (Recovery and Resilience Facility; Cohesion Funds; Sure mechanism; EU COVID certificate; Council Recommendations on lifting travel restrictions, Reopen EU Website, amongst other measures).

Nevertheless, if by the end of 2020, the sector was confident that 2021 would bring better prospects for the industry, throughout 2021, the continuous lockdown measures and travel restrictions have showed the opposite. In fact, the EU Industrial Strategy recognises that Tourism was the sector hardest hit by the crisis[1]. According to Eurostat latest data, the turnover of the accommodation and food services sector dropped by 50,1% in Q1 2021 compared to Q1 2020[2]. Overall, employment levels in the EU27 dropped by 1,6% in Q1 2021 compared to Q1 2020[3].

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[1] COM (2021) 350 final
[2] Eurostat data: link
[3] Eurostat data: link

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While we very much hope that the vaccination roll-out and the progressive reopening will help companies to restart, there are no prospects for a swift recovery– all forecasts are pointing to a return to 2019 volumes by 2024 – many hospitality establishments are facing business related issues on a continuous basis.

To be ready for the new economic reality that hospitality will face in the post COVID-19 environment, as well as the long-term challenge of sustainability, we strongly encourage the EU institutions to continue supporting the sector with different mechanisms, in a way that we are able to keep jobs and avoid insolvencies.

As the Commission is considering a possible future support package, we are calling for the following measures to be adopted:

1 - State Aid

- Further prolongation of the Temporary Framework is needed **beyond December 2021**, as the magnitude of the crisis is greater than expected and European destinations are heavily dependent from international travel. State Aid might be needed until **2024** - year when the majority of the companies estimate that their turnover will return to 2019 levels.

- **HOTREC urges the Commission to consider a significant increase in the ceilings**
  Proposals:
    - With regard to limited amounts of aid **-** from 1.8 million € - increase to an amount of **5-10 million €**
    - Fixed costs – from 10 million € - increase to an amount of **20-50 million €**
    - (otherwise the support will inflate every time measures are extended)
    - Cap aid per months for connected companies – from 3 million € - increase to 10 million

  In several countries, many establishments have reached the ceiling at the end of Autumn 2020. Many others will reach it during summer 2021. These businesses struggle to survive, as they don't have enough costumers (international travelers in particular).

- **Conversion of loans into grants**: we would welcome further extension of this measure, at least until **the end of 2022** (without the need of the approval by the European Commission)

- **Support for uncovered fixed costs:** in some EU Member States, the support is only approved on a selection of the **variable costs,** (not all costs), when calculating profit contribution. This leads to significant under-compensation.

- Clarify when can Member States **use Art. 107/2 of the Treaty** as the legal basis for support**:**
    - It seems Member States do not use Art. 107/2 often;
    - **Indirect damage** between restrictive measures and damage should be included in the article: some countries did not close the hotels on a mandatory basis. But

recommendations from government not to travel for non-essential purposes were put forward. This means hotels had no clients (and many needed to close).
  - **Restrictive measures** should be more broadly defined to include recommendations (e.g. there are countries that only have recommendations in place, instead of full lockdowns, but where the economic situation is equally very difficult).

- **Start-ups: companies without commercial activity in 2019 and beyond** (either because they did not exist yet or because they were closed for works) as well as companies created after 01/01/2021 **should be part of the State Aid**: all these companies might not be qualified to receive support, since their situation should be compared to January 2019 when they were not yet active. Nevertheless, they were faced with unprecedented circumstances during the year.

We welcome the announcement of the complete revision of the State Aid rules. This will hopefully bring more clarity and legal certainty to companies.

2 – Insolvencies

Avoid over-indebtedness and the loss of creditworthiness of valuable companies should be made a priority. By all means, the date for categorising companies in terms of viability should remain 31/12/2019.

Action can be taken via:

- **Restructuring of debt capital** (replacement of short-term loans by long term solution)
- Creating a framework within which companies and banks will be able to find **long term solutions** adequate to the time it will take for the industry to recover
- Strengthening of **equity capital and quasi-equity** instruments
- Member States to provide **tax incentive**s 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 Member States, financial institutions and all relevant stakeholders to find concrete solutions to support **viable businesses of the hospitality sector**. If left unaddressed, consequences will be devastating for the sector.

All actions should be simple and efficient considering that 99% of the companies are SME.

3 – Support to employment

We very much welcome the **S**upport to mitigate **U**nemployment **R**isks in an **E**mergency (SURE) mechanism. SURE was critical in providing financial assistance in the form of loans from the EU to affected Member States to preserve employment during the crisis.

We call on the EU institutions to turn the Sure mechanism into a **permanent tool** that can be used in case of an emergency situation.

For the moment, short term employment mechanisms are still needed for the sector, as not all establishments opened yet, and others face difficulties in remaining open due to the lack of clients. A transition mechanism is needed at least **until Spring 2022.**

We trust our suggestions will be taken into account and remain at your disposal for any questions you might have.

Yours sincerely,

Jens Zimmer Christensen
President of HOTREC

Marie Audren
HOTREC Director General

Cc.
Mrs. Mairead McGuiness, Commissioner for Financial services, financial stability and Capital Markets Union
Mr. Nicolas Schmit, Commissioner for Jobs and Social rights
Mr. Thierry Breton, Commissioner for Internal Market