

# THE WAY AHEAD FOR HOSPITALITY

Recommendations for a more resilient hotel  
sector from the UAE Hospitality Think Tank

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... WHILE CONTINUED SUPPORT IS NEEDED TO KEEP THE INDUSTRY AFLOAT, THE MORE IMPORTANT OBJECTIVE IS TO CREATE A MORE RESILIENT AND SUSTAINABLE HOSPITALITY SECTOR THAT IS ABLE TO WITHSTAND MAJOR, FUTURE SHOCKS”

# FOREWORD

## BUILDING RESILIENCE

**B**y the middle of 2020, after four months of lockdowns and travel restrictions, the priority for the UAE hospitality sector is to ensure the survival of its hotel and restaurant businesses.

While there has been success in developing ‘staycation’ and ‘daycation’ revenues from local residents to offset the loss of international and business visitors, the majority of the actions taken to ensure business continuity have involved cutting costs and reducing outgoings. This has seen hotel shutdowns, wage cuts and large-scale lay offs.

Government authorities at both federal and emirate level have stepped in to provide support through economic stimulus, monetary easing and waivers on fees. But even as airports and hotels reopened in July, it was clear that the measures taken in the first half of 2020 are unlikely to be enough.

The travel and hospitality industries are the worst hit by Covid-19 and uncertainty about a vaccine means that they will be slow to recover to pre-Covid levels. But while continued support is needed to keep the industry afloat, the more important objective is to create a more resilient and sustainable hospitality sector that is able to withstand major, future shocks.

The pandemic has exposed vulnerabilities at the heart of the sector including oversupply of premium hotel capacity, burdensome bureaucracy, lack of flexibility and innovation, and most important of all, inadequate collaboration between hotel owners, operators, airlines and tourism authorities.

The UAE Hospitality Think Tank met to discuss the major challenges facing hotels and restaurants in the UAE. Its aim was to identify a set of actions that could be taken to address those challenges. This white paper contains the outcome of those conversations.

While government authorities are essential to enable change in the sector, the 15 recommendations contained in the white paper are not directed to government alone.

They aim to provide a framework that can be used by everyone involved in the UAE hotel and hospitality sector to help create a more resilient and sustainable industry.



THE PANDEMIC  
HAS EXPOSED  
SIGNIFICANT  
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AT THE HEART  
OF THE UAE  
HOSPITALITY  
SECTOR”

**Richard Thompson**

Editorial director  
MEED

# INDUSTRY REPRESENTATIVES



FIVE  
HOTELS AND RESORTS



# CALL TO ACTION

## CRISIS SUPPORT

- Banks to provide greater support and flexibility on key terms for facilities to the industry
- Utilities waive transfer fees, at least until end of 2020, and discount district cooling charges
- Government to provide a 25-50 per cent subsidy for staff accommodation costs
- Waive employment permit and visa charges
- Waive taxes, including municipality and VAT, and suspend non-essential security enhancements
- Release hotels from responsibility of hosting non-stranded guests who refuse to pay for their stay. Government to provide accommodation

## COLLABORATION

- Establish an official industry body to provide a forum and a voice for the hospitality sector to encourage greater collaboration and unity, and to work on behalf of all hoteliers in the UAE
- Establish a UAE hospitality industry initiative to help hotels develop their online presence and reduce their reliance on OTAs and travel agents

## SUSTAINABILITY

- Introduce a national and/or emirate-level hotel development strategy that will manage the supply of hotels and other hospitality assets in a holistic way and ensure appropriate assets are available to meet future needs
- Introduce a national payments platform to simplify and consolidate government fees

## EFFICIENCY

- Introduce new legislation and establish an industry body to support the adoption of new technology across the UAE hospitality sector
- Introduce flexible employment regulation to allow for part-time workers and employment of staff from a wider range of countries
- Update zoning regulations to enable a more flexible use of space within hotels

## SAFETY

- Introduce mechanism that enables the sharing of investment costs of new technology to improve health and safety standards across the sector
- Legislation to require hoteliers to establish a 'rainy day fund' or mandatory employment insurance to ensure staff welfare in the event of an emergency



# RETHINKING HOSPITALITY

## COVID-19 IS FORCING THE SECTOR TO ADDRESS UNDERLYING ISSUES TO BUILD A SUSTAINABLE FUTURE

On 7 July, the UAE welcomed visitors back to the country as its borders were officially reopened to international tourists after four months of isolation.

The event marked the start of a new phase in the Covid-19 crisis and brought welcome relief to hospitality businesses suffering severe cash flow challenges.

The lockdown measures introduced to prevent the spread of Covid-19 cut hotel bookings and revenues, and raised fears for business survival across the hospitality sector.

In the final week of June, Dubai hotels were reporting about 180,000 room sales per week according to data from hospitality consultant, STR Global. This is down from sales of above 700,000 per week in February.

But while Covid-19 has wreaked havoc across the region's hospitality sector, it is not the cause of many of the problems facing the industry.

Even before the pandemic, the Gulf's hoteliers were being challenged by falling revenues, rising costs and an ever-growing key count.

Visitor numbers to the region have grown strongly over the past 10 years, and in 2019, visitors to the Middle East accounted for about 7 per cent of all tourists globally, according to data from US hospitality consultant HVS. That

said, the increases seen in international arrivals has slowed over the past few years.

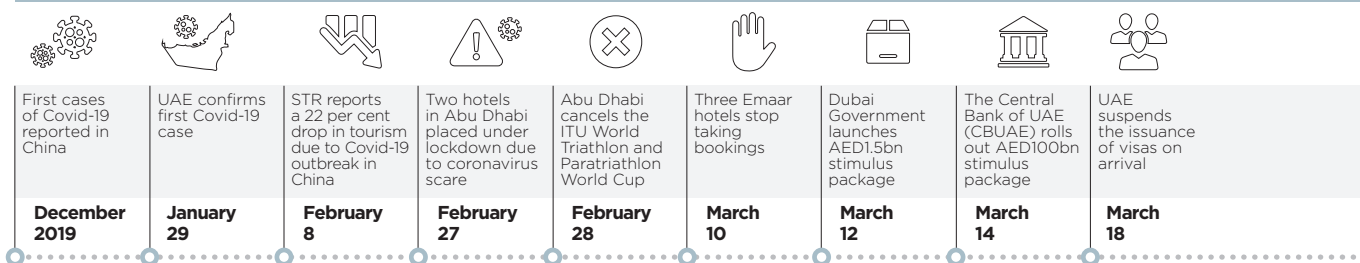
Despite high numbers of tourists, revenue per available room (RevPar) and gross operating profit has fallen. STR Global data shows that in the UAE, the average daily rate dropped by 9.4 per cent from 2018 to 2019, and RevPAR dropped by 9.7 per cent over the same period.

The declining performance on the top line, and increased cost has left many owners with a lot of pressure on EBITDA (earnings before interest, taxes, depreciation and amortisation), and as a result, a devaluation of hotel assets. On average hotels in the GCC region have seen about a 30 per cent decline in value, according to the 2019 HVS hotel valuation index.

The problems for the industry began with the drop in oil prices in 2014 and the subsequent freeze in spending by governments in many Gulf countries. This, along with double-digit increases in the number of hotels in the region, has been disastrous for owners.

The impact of Covid-19 has varied across the UAE, with Fujairah seeing a 24.2 per cent drop in RevPAR from May 2019 to May 2020, and Dubai experiencing a 42.7 per cent drop, according to STR Global. Even once customers return, the inevitable fall in hotel occupancy and capacity

### COVID-19 VS UAE RETAIL INDUSTRY



in food and beverage facilities due to safety and social distancing measures will hit revenues.

While the hotel owners and operators are the direct losers, the failure of tourist facilities will have a significant impact on the overall economy. According to the World Travel and Tourism Council, the UAEs tourism GDP in 2019 was about AED178bn (\$48.5 bn), comprising 11.9 per cent of the UAE economy. And its indirect impact on other sectors such as retail is huge. The risk of contagion from a tourism downturn to the wider economy requires governments, operators, banks and investors to work together to control costs and support a more sustainable industry.

Bringing travellers back to the region is vital to sustaining the hospitality sector. While costs can be reduced, hotels will continue to struggle without a return to higher occupancy rates.

## SAFETY FIRST

In April 2020, HVS surveyed a large pool of frequent travellers to establish the factors that will influence their hotel choices in the near term.

An overwhelming 85 per cent of respondents said that their decision would depend on how well that region has handled the pandemic, safety and security measures, and the quality of the medical system.

The UAE has been highly proactive in its actions to ensure visitor welfare and it is vitally important for the sector continue to work with the government to restore guest confidence.

An important development has been the introduction of certification schemes to ensure international cleanliness and disease prevention protocols and standards are maintained through-

out every establishment. Hotels are also introducing safety measures such as contactless service for check in and check out, keyless entry systems and digital menus. Increasing delivery services for food and beverage, while ensuring that social distancing is observed in restaurants and other communal areas are also key developments.

But the struggling industry will need to evolve to survive.

Some of the changes will require collaboration between stakeholders in the industry. For example, working together to purchase health and safety equipment could drive down the individual costs for each hotel.

In some parts of the Gulf, governments have paid for equipment such as thermal scanners and sanitation tunnels to ease the financial strain on hotels.

Regulatory changes may be required to enable change. For example, while many hotels in Europe and parts of Asia, including luxury brands, have eliminated the reception desk, this is not yet possible in parts of the Gulf.

Collaboration to link airport arrival ID checks to hotel receptions would enable a fully contactless check-in procedure bringing cost savings and a more seamless experience for guests.

The region's hospitality sector is facing unprecedented pressure as a result of Covid-19, but the long-term decline in profitability as a result of rising costs and declining levels of spending represents a maturing of the Gulf's hospitality sector after decades of stellar growth.

The Covid-19 crisis presents an opportunity for the industry to come together and rethink Gulf hospitality.



IATA says that the UAE could lose 13.6 million incoming passengers

**March 19**

Nationwide malls, cinemas, cafes and restaurants shut down

**March 23**

DXB airport suspends all passenger flights to and from the UAE

**March 24**

Nationwide curfew and disinfection programme begins

**March 26**

CBUAE stimulus package boosted to AED256bn

**April 5**

Ethihad Airways to test airport technology to help identify medically at-risk travellers

**April 6**

Dubai confirms the postponement of Expo 2020 to October 2021

**May 4**

Guidelines issued to Abu Dhabi hotels for the reopening of facilities

**May 22**

Dubai opens borders for residents; tourists welcomed from July 7

**June 22**

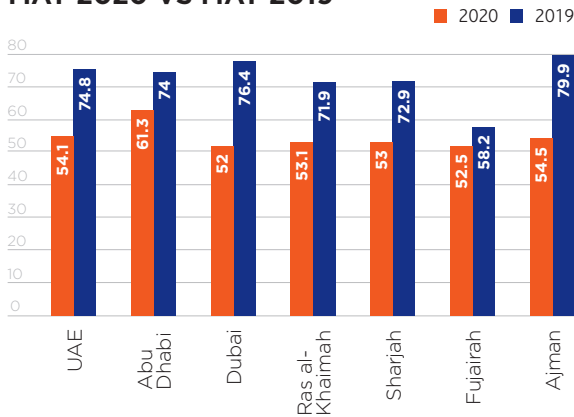
# SEGMENTED RECOVERY

## DOMESTIC TOURISM AND THE LEISURE MARKET COULD RECOVER QUICKLY, BUT BUSINESS FACILITIES WILL STRUGGLE

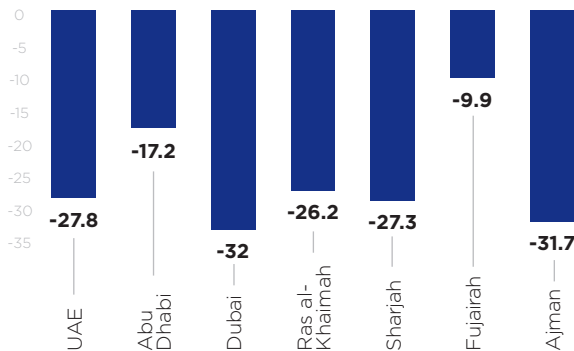
Despite an improved performance in the months leading up to the pandemic crisis, the Middle East's average occupancy in the first quarter of 2020 had slipped to 59 per cent, a 16.7 per cent fall from the same period the previous year.

According to STR Global estimates, the second quarter figure could be as low as 29 per cent, down 53 per cent on the same period in 2019.

### OCCUPANCY RATES (YEAR-TO-DATE), MAY 2020 VS MAY 2019



### OCCUPANCY RATES (% CHANGE), MAY 2020 TO MAY 2019



Source: STR

Euromonitor data estimates the figure for global inbound arrivals to be 938 million in 2020, a dramatic fall from the forecast 1.5 billion, when the Tokyo Olympics and Expo 2020 Dubai were expected to spur growth.

Even the 938-million figure could shift downwards, depending on when borders reopen and flights return, and how successfully concerns about the safety of travel are managed.

A slow recovery is expected in the region's hospitality industry, but this will be patchy, with some markets expected to return more quickly than others.

There are tentative signs of recovery in the domestic market, where 'staycations' and even 'daycations' have proved popular.

STR data shows that during the weekend of Eid al-Fitr (23-24 May), key markets in the Middle East reported 85 per cent occupancy levels, and some of the beach areas reached 70 per cent occupancy.

Experts agree that leisure destinations are likely to recover more quickly than corporate destinations, and resorts with larger footprints, where social distancing is easier, are in greater demand.

These trends in segment growth and in Covid-linked preferences are expected to continue in the short- to medium-term.

There are indications that group travel will become less popular and there will be more individual travel, especially from places like China and Russia. That means a different way of working for tour operators and travel agents.

The meetings, incentives, conferences and exhibitions (mice) sector is expected to be the last to recover.

Authorities are taking steps to improve the segment's future prospects.

Dubai Customs has signed a cooperation agreement with Dubai Tourism to organise an-



nual joint forums, conferences and workshops. On 16 July, Dubai's World Trade Centre hosted Ai Everything, the UAE's first business conference in months.

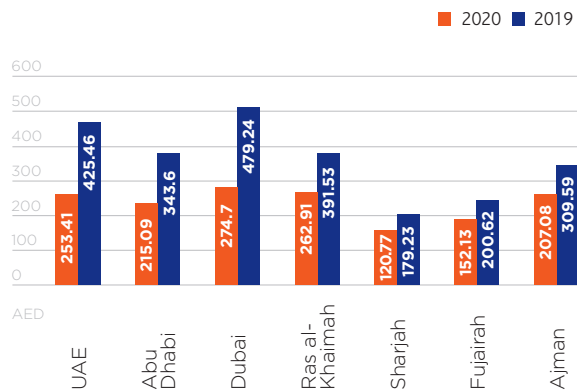
In June, Dubai Tourism released a business events calendar for the last quarter of 2020.

It will take time for confidence to return. All players are deploying significant resources to ensure the safety of travellers, and are conveying these safety assurances in the most transparent ways possible.

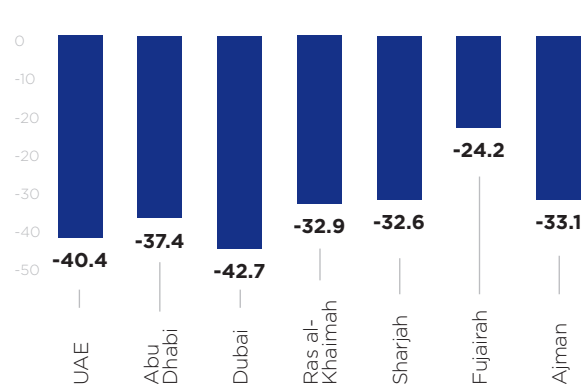
Data from Euromonitor reveals that hotels took nearly a decade to recover from the effects of the 2008 recession.

Recovery will be quicker in the post-Covid world, but return to normal business could still take 3-4 years.

### REVPAR (YEAR-TO-DATE), MAY 2020 VS MAY 2019



### REVPAR (% CHANGE), MAY 2020 TO MAY 2019



Source: STR

## GOVERNMENT ACTION

### FIRST RESPONSE

**1 March:** The Central Bank of UAE (CBUAE) forms committee with UAE Banks Federation to consider re-scheduling of loans, temporary deferrals on loan payments, and reducing fees

**8 March:** CBUAE lowers interest rate on certificates of deposit and repo rate by 50 basis points

### SUPPORT MEASURES

**12 March:** Dubai announces AED1.5bn stimulus package

**14 March:** CBUAE introduces AED100bn economic stimulus package

**16 March:** Abu Dhabi introduces AED5bn stimulus package

**5 April:** CBUAE boosts package to AED256bn

**6 April:** Ras al-Khaimah Tourism Development Authority unveils support package, including a six-month waiver of all touristic licences, and exempting tourism licensing fees and fines until 30 September

**8 April:** Ajman announces new economic incentives for sectors including tourism

### REOPENING

**17 May:** Hotel opening guidelines issued by Ajman Tourism Development Department

**18 May:** Ras al-Khaimah launches a digital platform with 420 online services that aim to maintain business continuity

**21 May:** Hotels in Abu Dhabi provided guidelines to conduct operations when reopening is permitted

**1 June:** Ras al-Khaimah outlines requirements to reopen restaurants, cafés and gyms

**5 June:** National Emergency Crisis & Disaster Management Authority issues safety and hygiene advisories for hotel establishments

**7 July:** Dubai reopens for tourism

**11 July:** Dubai announces additional AED1.5bn package. Hotels and restaurants can avail 50 per cent refund on the 7 per cent municipality fee from July -December 2020. Tourism Dirham Fee halved until the end of the year

## THE WAY AHEAD

### SUPPORTING THE UAE HOSPITALITY SECTOR THROUGH THE COVID-19 CRISIS AND PREPARING FOR A POST-COVID ECONOMY

The tourism and hospitality sector has been one of the most important success stories for the Gulf region over the past two decades. Led by the UAE, the region's investment in world class hotels, restaurants, resorts and other attractions, in parallel with the expansion of the aviation sector and regulatory reforms, has put the UAE at the heart of the global hospitality sector.

But Covid-19 has hit the region at a difficult time for hoteliers. Already facing the challenges of oversupply, increased competition, and high operating costs, the lockdown measures have cut bookings and severely disrupted revenue streams for hoteliers in the region.

Throughout, hotels have had to carry high operating costs for salaries, utilities and maintenance. With staff welfare and customer safety always the highest priority.

The reopening of the UAE's borders on 7 July and the easing of the lockdown restrictions marks the start of the next phase of the country's journey through the crisis. Hotel owners and operators must adapt their strategies quickly to rebuild revenue streams disrupted by the pandemic, while adapting their operations to the changed market conditions. This also provides an opportunity to address many deep-running challenges.

Governments have been providing support and assistance to retailers across the region as they navigate the complex process of reintro-

ducing customers, both to the country and to hotels in a controlled and safe manner.

But at this stage, nobody can say with any certainty how long this situation will continue, or indeed, if Covid-19 will ever disappear, creating a permanent shift in the way business is done.

The first UAE Hospitality Think Tank looked at the lessons from the Covid-19 crisis for the region's hospitality sector.

It looked ahead to what comes next, and at what steps can be taken to recover quickly from the crisis while at the same time positioning for sustainable growth in the post-Covid world.

An ideal hospitality industry in the post-Covid world would be one that:

- Supports the diversification of the economy
- Provides relief for businesses during the immediate crisis
- Creates a cooperative business environment for all stakeholders
- Promotes an efficient operation model for hotels
- Upholds highest safety standards for the welfare of staff and visitors
- Drives the adoption of latest technologies

# THE QUESTIONS

**THE UAE HOSPITALITY THINK TANK ADDRESSED FIVE KEY CHALLENGES FACING HOTEL OWNERS AND OPERATORS:**



What additional crisis measures can be taken to support hoteliers?



What can be done to increase collaboration in the tourism industry?



What actions can ensure the sustainability of the hospitality sector?



How can the UAE hospitality sector increase efficiency?



How can worker welfare and customer safety be improved?

# CRISIS SUPPORT

**T**he tourism and hospitality sector has been identified as a cornerstone of the UAE's economic growth and its drive to diversify away from oil and gas. In the first half of 2019 an estimated 8.36 million tourists visited Dubai, contributing over 11 per cent of the emirate's GDP.

But the segment has been hit hard by Covid-19. Severe travel restrictions in the second quarter of 2020 along with ongoing social distancing measures have cut hotel bookings and severely disrupted revenue streams, raising questions about business survival in the hospitality sector.

Hotels are a vital part of the tourism ecosystem and if they are allowed to fail during this crisis, the knock-on effects on interdependent sectors such as retail, food and beverage and aviation will be severe.

Aware of the risks, authorities across the UAE along with the country's banks have been quick to extend support since the earliest stages of the crisis. In March, the UAE cabinet reduced utility bills for hotels for a three month period and a six-month payment deferral of connection fees.

Hoteliers, however, remain concerned that the measures are not adequate and may be stopped too early as the downturn in business is likely to have a significant impact on revenue streams for at least another 18 to 24 months.

Hoteliers say that some of the support measures are not meeting the needs of the industry. For example, some of the relief is in the form of rebates that can be claimed at a later date, but struggling businesses need interventions to ease the immediate cashflow problems.

The first five months of 2020 saw huge declines in all of the key performance indicators across the UAE with RevPAR falling 40.4 per cent from the same period last year. Yet the operational costs for hotels remains high as owners are still paying for staff accommodation and food, insurance, maintenance, utilities and loans. Ongoing running costs for hotels is estimated to be about 30 per cent of the normal running costs.

## AN IDEAL SCENARIO

Comprehensive financial support and monetary easing is made available in addition to a reduction of taxes or utilities, ensuring that hotels remain viable.

Banks assist in business survival through temporary removal of finance charges, and provide other flexible financing solutions to clients who have been impacted by the crisis.

Removal of utilities transfer fees up to the end of 2020 and possibly beyond, as well as a waiver of districts cooling charges.

Due to the high cost of housing and feeding former employees who are unable to return home during the Covid-19 lockdown, a 50 per cent subsidy towards staff accommodation costs.

Hoteliers are concerned about the cost of obtaining work permits and visas when they re-hire staff after the immediate crisis has passed.

A waiver of all taxes, including municipality and VAT.

# WHAT ADDITIONAL CRISIS MEASURES CAN BE TAKEN TO SUPPORT HOTELIERS?

CHALLENGES	RECOMMENDATIONS
<p><b>COST OF BORROWING</b> Charges for finance can be high, damaging the short-term survival prospects of hotels. This is not in the best interests of banks or other sector stakeholders</p>	<p><b>NO CHARGE</b> Banks to provide greater support and flexibility on key terms for facilities to the industry</p>
<p><b>UTILITIES</b> The cost of utilities and maintenance remains high in hotels that are suffering from low occupancy</p>	<p><b>EXTEND WAIVERS</b> Waive utilities transfer fees, at least until the end of 2020, and discount district cooling charges</p>
<p><b>MAINTAINING STAFF</b> High, ongoing accommodation and food costs associated with staff who are unable to return home are a significant drain on hotels finances. After the immediate crisis has passed, hotels will need to re-hire staff at considerable expense</p>	<p><b>SUBSIDIES</b> Provide a 25-50 per cent subsidy for staff accommodation costs</p> <hr/> <p>Waive employment permit and visa charges</p>
<p><b>GOVERNMENT FEES</b> Indirect taxes and fees account for a large proportion of hotel expenditure. Non-essential enhancement payments to bodies such as the Security Industry Regulatory Agency (SIRA), Dubai Civil Defense (DCD), Dubai Municipality (DM) and Department of Tourism &amp; Commerce Marketing (DTCM) create significant yearly costs</p>	<p><b>SUSPEND FEES</b> Waive all taxes, including municipality and VAT and temporarily suspend non-essential security enhancements</p>
<p><b>NON-PAYING GUESTS</b> Flights have opened up, but some guests have refused to leave their hotels or pay for their stay. Owners are responsible for the costs associated with these visitors' upkeep, including related tourist taxes and fees</p>	<p><b>RESPONSIBILITY</b> Release hotels from their responsibility of hosting non-stranded guests who refuse to pay for their stay. Government to provide accommodation</p>



# DRIVING COLLABORATION

**D**espite its size and huge importance to the UAE, the hospitality sector lacks an organisation that can act as a forum for the industry, and a 'voice'. While different stakeholders, such as hotel owners have representative bodies, the industry as a whole does not.

There is a high level of interdependency between players in the tourism and hospitality sector; every segment from aviation and retail to food & beverage and entertainment has an impact on the strength of the industry, and a failure in any of these components would disrupt the entire business ecosystem.

But while it is in everyone's best interests to ensure business survival, communication and collaboration between these related sectors is poor.

There is often little consultation on matters of mutual interest making it difficult to plan without a better understanding of related activities.

Hotel owners, for example, say that they are sometimes concerned about the unexpected cost of having to accommodate the changing brand standards of operators, particularly those relating to new health and safety measures.

They are sometimes brought in quickly and without consultation with hotel owners.

Additional requirements generally lead to a loss of revenue or an expense that is carried by the hotel owner at a time when they can least afford it.

## AN IDEAL SCENARIO

Body is established to provide a forum for the hospitality sector and to represent and coordinate shared interests.

Resources could be shared through the organisation, for example accommodation facilities could be set up for unemployed staff and repatriation flights chartered on the industry's behalf.

Collective procurement would secure lower prices from suppliers and standard contracts could be successfully renegotiated to benefit all stakeholders.

Businesses within the tourism and hospitality sector could plan more effectively if there was better communication between stakeholders. For example, the airlines' response to travel restrictions will have a huge impact on both the type and volume of tourists in the UAE. A better understanding of changing travel patterns would allow hoteliers to make more informed business decisions.

There needs to be a re-think of the relationship between hotel operators and owners.

More consultation prior to the introduction of new brand standards would ensure that they are reasonable and manageable. Operators could share any costs or losses associated with these changes.

# WHAT CAN BE DONE TO INCREASE COLLABORATION IN THE TOURISM INDUSTRY?

<b>CHALLENGES</b>	<b>RECOMMENDATIONS</b>
<p><b>LACK OF VOICE</b> The hotel industry lacks a formal body that can bring together all parts of the industry in one forum and act as a voice</p>	<p><b>INDUSTRY BODY</b> Establish a single, official body to act as a forum and a voice for the UAE hospitality sector to encourage greater collaboration and unity. Use this to share resources, secure lower prices, renegotiate contracts, provide legal support for disputes and communicate with government</p>
<p><b>COMMISSIONS</b> Online travel agencies (OTAs) reduce profit margins for hoteliers, who pay large commissions to the OTAs</p>	<p><b>OTA COMPETITION</b> Establish a UAE hospitality industry initiative to help hotels develop their online presence and reduce dependence on OTAs</p>

## SUPPORT FOR SUSTAINABILITY

**B**efore the effects of the Covid-19 crisis were felt in the region, the hospitality sector was already struggling with systemic problems.

Competition caused by double digit increases in the number of hospitality assets in the region has put pressure on hotel owners. Despite a growing number of tourists, the oversupply of hotels has led to a drop in average daily room rates, occupancy and gross operating profits.

The emergence of competing tourist destinations, for example in Saudi Arabia, is also likely to impact the region's hospitality sector.

High levels of indirect taxation, fees and fines are creating problems for the industry. Hoteliers say there are multiple entities that are able to levy charges with little coordination and no consultation with owners.

While the cost of paying these individual fees mounts up, the confusion and lack of transparency makes it difficult to challenge charges or renegotiate payments to benefit all parties.

Online travel agencies (OTAs) that offer price comparisons, reviews and customer incentives, have gained a significant market share in recent years. While they are an integral part of the tourism value chain and have played a significant role in the success of destinations in the UAE, however, they take sizable commissions for booking hotel rooms which cuts into hotel owners' profits.

As the immediate Covid-crisis passes, flights are opening and stranded guests have, on the whole, been able to return home. However, in some cases, guests have been reluctant to leave their hotels and owners are left with the costs associated with the visitors' upkeep, including related tourist taxes and fees.

### AN IDEAL SCENARIO

Though the long-term impact of Covid-19 on tourism is not yet known, it will be some time before visitor numbers return to previous levels. It is therefore essential that the future development of the hotel and hospitality ecosystem is done in a careful and considered way, to manage supply and provide the correct type of product to meet future market demands.

A coordinated or consolidated approach to fees, charges and fines would allow all parties to have a clear oversight of outgoings to enable better planning and administration.

It is essential to maintain healthy competition between OTAs to control commission levels.

Brands should invest in their online presence to reduce reliance on OTAs, but the practice of hotels undercutting OTA rates should also be discouraged.

Hotels should be released from their responsibility of hosting guests who are reluctant to leave and refuse to pay for their stay.

# WHAT ACTIONS CAN ENSURE THE SUSTAINABILITY OF THE HOSPITALITY SECTOR?

CHALLENGES	RECOMMENDATIONS
<p><b>HOTEL OVERSUPPLY</b>            The volume of new hotels opening in the UAE means that supply now outstrips demand. This has led to a decrease revenue per room per day (RevPAR) and gross operating profit</p>	<p><b>DEVELOPMENT OVERVIEW</b>            Introduce national or emirate-level plans for the coordinated development of tourism assets that will manage the supply of hotels and other appropriate products to meet future market demands</p>
<p><b>CONFUSING CHARGES</b>            Taxes, fees and fines can be levied on hotels independently by multiple bodies and organisations. Together, these costs have a significant impact on a hoteliers profits, and without an overview of the situation, it is difficult to manage and negotiate charges</p>	<p><b>CONSOLIDATE AND CONSULT</b>            Introduce a national platform to simplify government fee structures through a consolidated payment system</p>

# LEAN OPERATIONS

**T**he UAE has a reputation for high-end, luxury hotels with excellent services and facilities. While gross operating profits were good, cost-cutting was not a priority and it was feasible to meet these expectations through high levels of staffing and generous use of space and resources.

But with the drop in tourism revenues, struggling businesses have been forced to find ways to reduce costs and drive efficiency without significantly reducing standards.

Some hoteliers feel that there are opportunities for improved efficiency through greater flexibility in employment regulations.

There are restrictions on visas for certain key nationalities and it is not possible to employ part-time workers.

Many hotels in the region operate through a traditional model of operation, but the struggling industry will need to evolve to survive. Labour-saving technology including self-check-in and online payment facilities have not yet been widely adopted as regulations are not in place to support their use.

Zoning restrictions can make it very difficult for hoteliers to explore new business models to combat the inefficient use of space in hotels. Combining residential and business units or repurposed conference facilities could offer one solution to low occupancy caused by falling demand and social distancing measures, but in many instances, regulations surrounding the utilisation of space prevent such measures.

Hotels in the UAE are known for their excellent service, and customer expectations are high. This is not in keeping with global industry trends, and it may not be financially viable for all hotels to maintain this level of service in the long-term.

## AN IDEAL SCENARIO

Greater flexibility is required in the employment and visa regulations to enable hotels to hire staff on a part-time basis.

With changing market demands and staff availability, the flexibility to hire a wider range of nationalities would be beneficial.

Legislation to enable the adoption of labour-saving technology could help hotels to increase operational efficiency.

These technology-driven solutions could be used as a selling point as they also make processes quicker and easier for the customer.

For example, linking customer identity checks carried out at the airport to hotel check-in facilities would enable a quicker, smoother experience for guests.

More flexible zoning restrictions enable greater utilisation of space. Business models with mixed-use units support greater resilience in the region's hotels.

Hotels in other countries have normalised a less service-intensive style of operation where the reception desk has been removed, guests park their own cars and room service is not available.

While high-end hotels will retain luxury services. An expansion of high-quality, mid-range hotels will provide a more diverse range of product offerings to increase customer choice.



# HOW CAN THE UAE HOSPITALITY SECTOR INCREASE EFFICIENCY?

CHALLENGES	RECOMMENDATIONS
<p><b>STAFF RESTRICTIONS</b>            Employment regulations are inflexible making it difficult to employ certain key nationalities and it is not possible to employ part-time workers</p>	<p><b>REGULATE FOR FLEXIBILITY</b>            Amend sponsorship rules to allow for flexibility in working including part-time workers and the ability to employ staff from a wider range of countries</p>
<p><b>SLOW TO EVOLVE</b>            A poor uptake of technologies that would enable labour-saving facilities such as self check-in and online payment have not been widely adopted as regulations are not in place to support their use</p>	<p><b>TECHNOLOGY LEGISLATION</b>            Introduce new legislation and establish an industry body to support the adoption of new technology across the UAE hospitality sector</p>
<p><b>EMPTY SPACE</b>            There are empty units in hotels due to low demand and social distancing measures. It is often difficult for hotels to find alternative uses for this space due to zoning restrictions</p>	<p><b>RETHINK ZONING</b>            Legislate to enable a more flexible use of space, for example, combined residential and business units or multi-purpose conference facilities</p>
<p><b>SERVICE EXPECTATIONS</b>            It is expensive to maintain the traditionally high levels of service found in most hotels in the region</p>	<p><b>INCREASE CHOICE</b>            Hotel owners and tourism authorities to work together on the strategic diversification of hotel offerings in the market, particularly through high-quality, mid-range and boutique hotels</p>

# SAFETY AND WELFARE

**R**esearch has shown that safety is the most important factor in a traveller's decision making process, so it is of utmost importance that the UAE is perceived to be both low-risk and to be protecting visitors from Covid-19 infection.

The emirates have been proactive in taking measures to curb the pandemic in the region, and efforts to restore visitor confidence have met with great success.

Ras Al Khaimah was the first city in the world to receive both the 'Safeguard Assurance' Label from Bureau Veritas and the World Travel and Tourism Council (WTTC) Safe Travels Stamp. Dubai quickly followed suit. Al Hamra International Exhibition and Conference Center is the first MICE facility in the Middle East to be Bureau Veritas certified.

Practical measures to curb infection, such as disinfection tunnels, thermal cameras and movement monitoring systems are available, but expensive.

Hotels may not be in the financial position to introducing these measures without assistance from the government or other stakeholders.

Essential measures taken by the government to control the Covid-19 outbreak in the UAE have included the almost total suspension of international travel.

The UAE does not charge federal income tax, which makes it an attractive destination for migrant workers. This works on the premise that, in the event of job loss, a foreigner can return to their country of origin and will not require financial support from the local government.

However, the Covid-19 crisis illustrated an unexpected weakness in this approach as thousands of unemployed people have not been able to leave the country and are stranded without salary, accommodation or the means to buy food. In the case of hotels, the responsibility for providing these necessities has fallen on owners, but this drain on resources could not have come at a worse time for these struggling businesses.

## AN IDEAL SCENARIO

Hotel chains have already introduced global audit systems to certify that hotels are clean and safe. A dedicated health and safety manager ensures that protocols for cleaning and disinfection are followed and regular staff health screening is carried out.

Hoteliers could reduce the cost of technology-driven safety measures by working together to procure equipment. This would increase purchasing power to drive down prices.

Because it is in the interests of all industry stakeholders to ensure the safety of staff and customers, financial contributions towards technology purchases could be requested from the government and hotel operators.

Hotels employ a large number of overseas staff and it essential that measures are put in place to ensure their welfare in the event of any kind of emergency.

This could be a 'rainy day fund' set up by each hotel or it could be in the form of mandatory income insurance.

# HOW CAN WORKER WELFARE AND CUSTOMER SAFETY BE IMPROVED?

CHALLENGES	RECOMMENDATIONS
<p><b>TECHNOLOGY</b> Technology to reduce the risk of infection is available, but it is expensive. With reduced revenues, hotel owners are not currently in a position to invest in this equipment</p>	<p><b>JOINT CONTRIBUTION</b> All industry stakeholders contribute to the procurement of technology to improve the health and safety standards in hotels</p>
<p><b>STAFF WELFARE</b> Large numbers of unemployed hotel staff cannot be repatriated because of ongoing travel restrictions. There is no system of support and food and accommodation costs must be covered by their former employers at great expense</p>	<p><b>EMERGENCY SUPPORT</b> Ensure staff welfare in the event of an emergency in the form of a 'rainy day' fund set up by each hotel ,or mandatory employment insurance</p>

# ABOUT MEED

**M**EED has been integral to delivering business information, news, intelligence and analysis on the Middle East economies and activities for over 60 years.

Attracting a key senior management audience through its content and activities, MEED is a media brand, publication and data business that covers a spectrum of services which inform, engage, connect and ultimately support our subscribers and partners in their business development and strategic growth.

Acquired by GlobalData Plc in December 2017, MEED is now part of one of the largest data and insights solution providers in the world with the capacity to build global communities for our clients.

Our purpose is to support the region's companies make better and more timely decisions through our innovative data solutions and grow through our comprehensive and world-class marketing solutions.

To find out more email: [info@meed.com](mailto:info@meed.com)

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# ABOUT MASHREQ

**E**stablished in 1967, Mashreq is the oldest bank in the UAE, with award-winning financial solutions and services.

Throughout its 50 years' history, Mashreq has differentiated itself through innovative financial solutions, making it possible for its customers to achieve their aspirations.

Today, Mashreq has a significant presence in 11 countries outside the UAE, with 21 overseas branches and offices across Europe, the US, Asia and Africa.

Mashreq launched its new Vision and Mission recently, outlining its commitment towards its clients, colleagues and the community.

In line with its vision to be the region's most progressive bank, Mashreq leverages its leadership position in the banking industry to enable innovative possibilities and solutions for its customers across corporate, retail, international, treasury and Islamic banking.

Mashreq is proud to be the first financial institution in the UAE to be awarded the Gallup Great Workplace Award for four consecutive years from 2014-17.

Mashreq also continues to invest in recruiting, training and developing future generations of UAE national bankers.





