



TOURISM: The UK's best opportunity for growth

“I am confident that we can grow this already world class industry and make the coming years the best ever for tourism in Britain. With this strategy, we are bringing a whole new approach to tourism, removing barriers to growth and backing the industry all the way. The challenge now is to make sure we deliver on these plans and make the most of this opportunity to make Britain’s tourist industry thrive.”

David Cameron, Government Tourism Policy

This Tourism Alliance document **“Tourism for Growth”** describes potential actions to optimise the sustainable economic growth and employment available from tourism, and includes comments on the initiatives set out in the Government Tourism Policy (published March 2011).

The Tourism Alliance greatly welcomes the Prime Minister’s statement, with the launch of the Tourism Policy, that the Government’s aim is to **“take tourism in Britain to a whole new level and harness the huge potential this area holds to grow our economy”**. The Alliance sees the achievement of the goals and improvements set out in the Tourism Policy as potentially the most significant step forward for Britain’s tourism industry for many years.

The Tourism Policy is welcomed by the industry because it commits Government to a range of positive initiatives to address many key issues that the Tourism Alliance has long been advocating. But there is even more that can, and should, be done.

The value to Britain of supporting tourism growth

A recent major study by Deloitte *Economic Contribution of the Visitor Economy: UK and the nations* (June 2010) concluded that if the Government introduced policies that supported the sector, there was the potential to increase the value of inbound and domestic tourism by £58bn (3.5% pa in real terms) over the next 10 years. This view of the potential of the sector is supported by VisitEngland’s recent *England Tourism Strategy*, which aims to increase the value of domestic tourism by 63% over the next 10 years (a compound rate of 5% per annum). The speed of growth depends upon the timing and full implementation of beneficial changes.

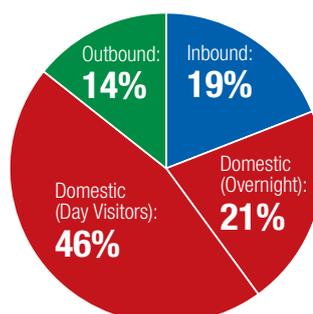
Value of Tourism (in real terms)



One new job is created
by every 100 additional
visitors to the UK

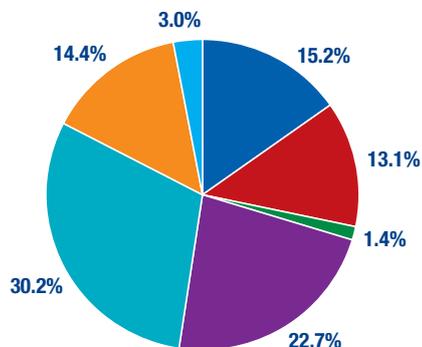
If the revenue retained in the UK from outbound tourism increases at the same rate, the cumulative increase in the value of tourism would be almost £400bn over 10 years. This would generate an estimated 700,000 additional jobs in the tourism industry and a similar number of indirect jobs in other sectors. Importantly, the benefits of increased tourism would be spread across the UK between large cities and towns and rural areas, and across a wide range of local businesses as the expenditure graph indicates.

Value of the UK Tourism Industry (%)



Britain's Tourism Industry: A Profile

Inbound and Domestic Tourism Expenditure Profile



Tourism is the UK's sixth largest industry – amounting to £105bn in revenue each year. It directly employs over 1.3m people (twice that of the education sector), generates £20bn per annum in foreign exchange (more than North Sea oil) and contributes an estimated £24bn per annum to the Exchequer through VAT and other taxation.

Tourism - main sectors

Hospitality:

70,000 establishments including world-class hotels, country house hotels, guesthouses, holiday and caravan parks, bed and breakfasts, timeshare and self-catering properties.

110,000 restaurants, bars, pubs and catering companies.

Attractions:

7,000 businesses including museums, historic houses and heritage sites, parks, gardens, theme parks and zoos.

Events:

Over 25,000 businesses staging conferences and meetings, festivals, exhibitions and concerts.

Visitor Transport:

Including over 15,000 businesses in the aviation, rail, coach, hire car, and ferry sectors.

Education:

Including English Language Schools and higher education institutions, which contribute around £13 billion each year to the UK economy through taking overseas students.

Tourism Services:

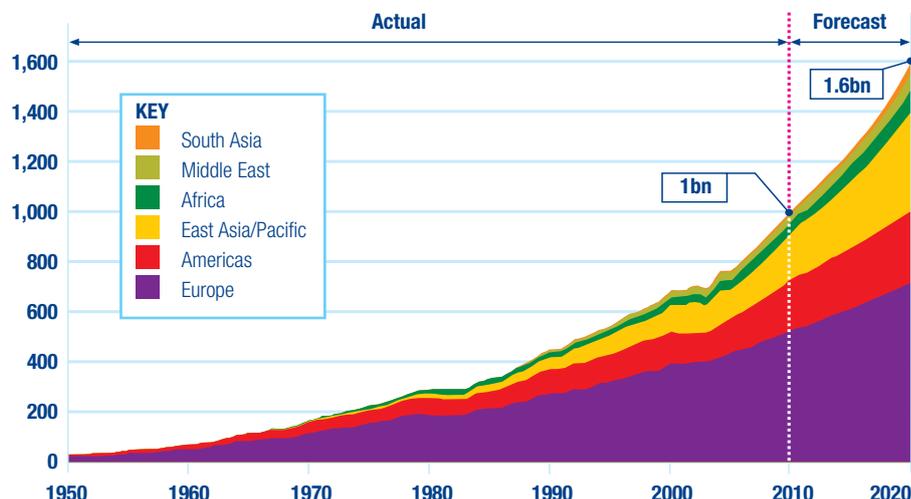
Including over 7,000 travel agents and tour operators, and 2,000 guides and information centres.

Significantly, 80% of estimated tourism businesses are SMEs. These businesses are spread throughout the country – everywhere from large cities and towns through to seaside resorts, market towns and remote villages. This makes the income from visitors an important component of all local economies, supporting businesses upon which many communities depend. It is no exaggeration to say that every community in the UK benefits from tourism, every day. Because of this, tourism is central to both rebalancing the UK economy and creating Big Society.

Tourism is the world's fastest growing activity. It therefore offers unparalleled potential to generate sustainable growth and employment – and to do this quickly. Since 1950, international tourist arrivals in the UK have risen from just 25 million at an average annual growth rate of about 7%. The revenue generated by these arrivals has risen by an average of 11% per annum – outstripping global economic growth. The potential for tourism growth in the UK to continue at this high rate is strong, as global tourism growth will accelerate with the development of outbound tourism from countries such as China and India.

Global Tourism Growth

Source: UNWTO



Should public funds be invested for tourism growth?

The Tourism Alliance policy on public expenditure on tourism is that public funds should only be invested in tourism when one or more of the following conditions applies:

1. The specific characteristics of tourism cause “market failure”; i.e. the desired outcomes cannot be achieved through commercial activity alone.
2. The income generated for the Exchequer exceeds the required public funding.
3. The purpose is to facilitate industry-wide benefits for efficiency, productivity and performance, in delivering agreed tourism policy.

Public expenditure should not be cut (as a notional “economy”) if the effect is to cause a net decrease in public revenue. All proposals requiring public funding, or changes to existing taxes, set out in this document are therefore dependant on analysis demonstrating net benefit to public revenues.

Does British tourism have the necessary conditions for growth?

All industries and sectors have the same requirements for growth to be achieved. Britain’s tourism industry is well placed in relation to most of these factors:

Demand – our heritage, landscape and culture appeal strongly to global customers, and UK residents have much to discover.

Capacity – most of our tourism services (e.g. accommodation, attractions and transport) have considerable spare capacity outside peak periods.

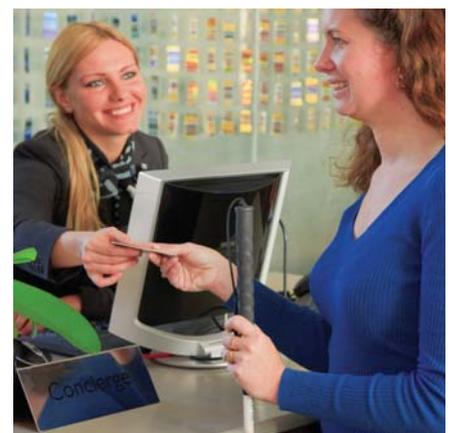
Accessibility – the accessibility of UK tourism products and services is good, as the UK is an international travel hub. We have close links to Europe by ferry and tunnel, and the country is relatively small with comparatively good public transport and road networks.

Market awareness and motivation – the UK has strong international recognition and an appealing image, forming a good basis for marketing campaigns. Domestically, residents have become more aware of tourism opportunities. However with intense global competition, all potential tourists need to be kept inspired to visit.

Competitively priced products – the UK’s rich content produces very varied and satisfying experiences, which in turn deliver high value. However, the UK suffers from high levels of VAT and APD, which greatly hamper our competitiveness.

The above analysis shows that Britain has strong Demand, Capacity and comparatively good Accessibility. The aspects needing most effort are Marketing and Competitiveness.

Tourism currently generates an estimated £24bn pa for the Exchequer



Main policies

“Our aim is clear, we want to take tourism in Britain to a whole new level and harness the huge potential this area holds to grow our economy.

Before the General Election, I pledged that once we were in Government we would take action to provide the right framework for tourism to achieve its potential.”

George Osborne, Government Tourism Policy

There are two central goals of the Government’s Tourism Policy, both of which the Tourism Alliance strongly supports:

- 1. To generate an additional £2bn in inbound tourism revenue for the UK over the next four years through the establishment of a £100m “partnership marketing fund” between the industry and VisitBritain which maximises the tourism legacy from the Olympic Games, the Diamond Jubilee and other major events.**

The Alliance is, however, concerned that the Government’s committed expenditure (£12.5m per annum for four years from VisitBritain’s greatly reduced grant) is insufficient to achieve the targeted £2bn Olympic Tourism legacy and 50,000 new jobs. By comparison, New Zealand spends more than the combined marketing budgets of VisitBritain, VisitScotland and VisitWales on its “100% Pure New Zealand” campaign and, in 2011, Tourism Ireland will spend more on marketing in the UK than VisitBritain has to promote the UK in all international markets.

- 2. To generate an addition £1.3bn and create 26,000 jobs by encouraging UK residents to take more domestic holidays.**

The Alliance endorses the objective of increasing the number of domestic tourism trips taken by UK residents. However, this needs to be done by introducing initiatives that improve the quality, accessibility and value of the UK tourism offering rather than by increasing taxation or limiting capacity on overseas travel.

While the goals of the Tourism Policy are supported, tourism is an extremely competitive international industry. Potential visitors respond to marketing, choosing between an ever growing list of international destinations. The UK has considerable advantages, having a large array of tourism assets and global icons backed by a strong national brand. However, UK businesses and tourism products need to be competitive with overseas rivals if we are to gain our share of global tourism growth and maximize the UK’s revenue and employment benefits.

The Government Tourism Policy includes commitments on several key issues that are critical to UK businesses becoming more competitive and achieving the growth goals. These include:

- **Reducing Regulatory Burden**
- **Simplifying the Visa Process**
- **Improving the Planning Process**
- **Taking Account of Tourism in Government Policies across Whitehall**

The Tourism Alliance also welcomes all the Government initiatives that have the potential to generate growth. Comments on their relative significance and implementation are summarised in the table on page 8.

Tourism is a major driver
in distributing wealth
from urban to rural areas

A visit to a pub is
an essential part of the
holiday experience of 13m
overseas visitor in the UK

Major opportunities

The self-catering sector grew by over 20% last year as the British rediscovered the value of domestic holidays

There are four key issues, however, that are not fully addressed, or are omitted from the Government Tourism Policy but which provide significant potential for growth. These are:

1. VAT on Tourism Services

Of the 27 EU member states, the UK is one of only three countries (the others are Denmark and Slovenia) that do not apply reduced-rate VAT to accommodation in order to boost tourism. Similarly, the UK is one of only 13 EU countries that does not apply a reduced rate for restaurant meals to boost employment and the only major European tourism destination not to apply a reduced rate of VAT to attractions. This greatly harms the competitiveness of the UK tourism industry.

The importance of applying a VAT level similar to our main competitors is highlighted by fact that over 70% of tourism expenditure within the UK by overseas visitors is spent on three items that could be covered by a reduced rate – accommodation (40%), meals (20%) and attractions (10%). The Tourism Alliance calculates that, if VAT on UK tourism products and services was reduced to the European average, the UK's tourism earnings would increase by around 7% (£1.3bn per annum) and short-term losses in VAT receipts to the Exchequer would be recouped within three years.

2. Air Passenger Duty

Britain advocates "free trade" but is one of only a few countries to levy such a tax, which reduces inbound tourism (i.e. "exports") and harms the economies of developing countries. In November 2010, the Government introduced increases in APD of up to 55%. So, from long-haul markets, it now costs a family of four up to £680 simply to board a plane to the UK. By comparison, most other European destinations don't charge APD and the few that do either apply it at a very low rate (e.g. Germany charges a maximum rate of £36) or have realised the adverse impact APD has on their tourism industry and are removing the charge (e.g. the Netherlands and Ireland). With the aviation sector joining the European Emission Trading Scheme in 2012, maintaining APD would result in double taxation.

The Tourism Alliance calculates that if APD was removed, the UK's inbound tourism earnings would increase by 6% (£1.1bn per annum) and create almost 25,000 additional jobs. While APD remains for every potential inbound visitor who is deterred, the UK economy loses around £500 of income, and the Treasury loses around £130 in tax.

3. Daylight Saving

The Policy Studies Institute has calculated that if the UK introduces Daylight Saving, the tourism and leisure industry could generate up to £3.5bn in extra revenue and up to 80,000 new tourism jobs. Introducing Daylight Saving would also provide significant additional benefits by saving lives on roads, reducing CO2 emissions and helping fight obesity. As an initiative it could provide numerous national benefits at very little cost, and therefore deserves serious governmental consideration.

4. Aviation Capacity

The UK is an island and therefore requires strong transport links with the capacity to handle increased numbers of international travellers. If the UK is going to benefit from the global growth of tourism in future, there needs to be a strategy for greater aviation capacity to deliver growth as and when emissions are reduced. Such a strategy needs to both promote regional growth and capitalise on London being a major international transport hub.



Further Initiatives

While the key initiatives listed above provide the greatest opportunities for the goals in the Tourism Policy to be achieved, there are a number of further important initiatives that should be undertaken to maximise the ability of the tourism industry to provide revenue and employment benefits for the UK economy. These include:

- Determining public funding for investment in tourism marketing and other improvements on the basis of immediate and proven “net public gain”, not short-term reduction of expenditure.
- Encouraging greater collaboration between VisitBritain, the National Tourist Boards, Visit London and other DCMS agencies, in the marketing of Britain around the world; monitoring the joint-working agreement between the NTBs and publish results biannually.
- Ensuring that VisitEngland is authorised and adequately funded to support an influential network among Destination Management Organisations, to evolve new destination-centred tourism management activities, and encourage best practice.
- Supporting the creation of a successor body to “Partners for England” as an inclusive forum to engage DMOs, tourism industry organisations and others actively involved with tourism. This forum would develop collaborative programmes, and help with the implementation of the Tourism Framework Action Plans in England.
- Ensuring Local Enterprise Partnerships in England fully appreciate the current and potential importance of tourism within their areas, and encourage them to fully support the work of DMOs.
- Requiring Local Authorities to have a Tourism Policy as a framework for local business and Local Authority participation in DMOs.
- Attracting and staging international exhibitions and events in the UK, supported by the development of a national subvention fund, possibly in conjunction with UK Trade and Investment, to strengthen Britain’s bidding capabilities.
- Establishing a Cross-Cabinet Committee for hospitality and tourism to co-ordinate policy and enhance cohesion across Government departments.
- Supporting local/rural pubs through planning relaxations and grants. Make it easier to obtain planning for extensions/conversions to provide additional community services such as post offices and general stores.
- Supporting clubs, pubs and similar businesses by deregulating Licensing requirements for live music, raising the prize limit for Category “C” gaming machines, and regulating prices or increasing competition for sports broadcasting licences for public venues.
- Ensuring Impact Assessments associated with new legislation fully and fairly evaluate tourism industry effects.
- Introducing tax incentives for businesses to invest in the development of high quality tourism products such as re-introducing hotel building allowances.
- Amending the Real Estate Investment Trust eligibility criteria to include commercial visitor accommodation.
- Extending eligibility for lottery grants to all historic properties where there is significant and covenanted benefit to the public.

Each new caravan holiday home generates up to £25,700pa for the local economy, while each new touring pitch generates up to £15,100pa

Britain’s Business and events sector is a recognised world-leader, generating almost 30% of the UK’s total inbound tourism revenue

Wider benefits

Tourism benefits every community, everyday and as such, will be a key component of the Government's Big Society agenda as it allows communities to grow and develop in a way that provide significant benefits for all residents. In terms of employment for example, tourism is primarily provided by small and medium sized businesses and compared with other industries, a far greater proportion of spend stays within the local community.

In the context of Big Society, it is important to note that the benefits of tourism are far wider than just financial and for employment. Tourism also brings many social and cultural benefits. Tourism plays a large role in communities being able to retain services and facilities that are essential to the maintenance of the community fabric such as local shops, post offices, village pubs and bus services. Properly managed, tourism also provides benefits through the maintenance of beaches, parks and museums and the motivation and the revenue to improve the "public realm".

Monitoring implementation of the Government policy and progress on growth

The Tourism Alliance's comments on the elements of the Government Tourism Policy suggest that many of the worthy and essential changes are, at present, only aspirations. It is vitally important to monitor progress on their delivery. How will this be done?

The Tourism Alliance wishes to do everything possible to support the beneficial initiatives outlined in the Government Tourism Policy and in "Tourism for Growth". Our members are keen to find creative ways to optimise the potential that tourism offers for the long-term sustainable growth of Britain's economy.

The Government, the Tourist Boards and the industry, through the Tourism Alliance, should collectively oversee implementation. The DCMS Ministerial Tourism Advisory Committee could be a suitable entity to do this, with evolved participation to reflect the new Government and the changing tourism landscape.

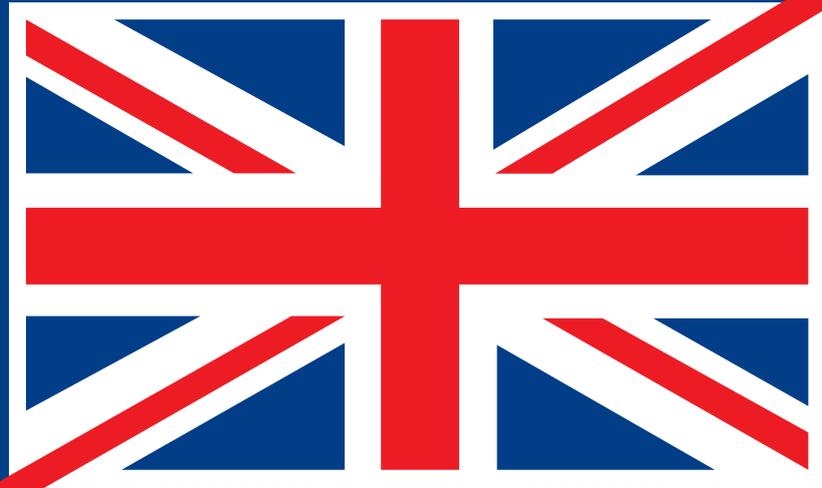
More school leavers begin their careers in tourism and hospitality than in any other industry



Government Tourism Policy initiatives

Items in order as referenced in Policy	Probable Impact of likely changes on Tourism Growth	Government commitment to growth change ● going ahead ● uncertain ● unagreed	Tourism Alliance summarised comments
£25mpa Partnership Marketing Fund to achieve the Olympic legacy with 2m more visits and create 50,000 new jobs	*****	●	Inadequate public funding, and too late, to maximise potential growth. The resulting employment growth would be less than stated.
Increase Domestic Holiday taking	*****	●	Assuming more UK spend, not substitution/conversion from Day Visits.
Re-focus Tourist Boards	***	●	Impact depends on degree of revitalisation. Must have greater impact, not less.
Move May Day Bank Holiday to autumn	*	●	Will usefully extend the season if implemented.
"Free-up" the Hotel ratings scheme	(nil growth effect)	●	Evolution to meet customer needs would happen anyway.
Improve skills	***	●	Government funding unclear, much of industry not currently committed.
Promote the development of apps	*	●	Funding support unclear, market demand would create anyway.
Cut Red Tape (Better Regulation)	*****	●	Policy is very favourable but commitment to act uncertain.
Simplify Visa process	**	●	Improvements to process are helpful, cost and criteria are strongly negative.
Improve Welcome and the entry process	*	●	Worthy intentions need to be implemented with UKBA and others.
Ensure a post-2012 higher level of performance	*****	●	Aspiration is unmatched by funding and/or deliverables.
Raising the sector's productivity and performance to be global top 5	*****	●	Will require continuous progress to overtake improving competitors and little evidence of specific programmes or funding to achieve this step-change.
Require VisitBritain to change activities	(negative)	●	VisitBritain, working with industry, were best placed to determine activities, – discontinued functions were useful to the industry.
Destination-centred local tourism bodies in a LEP structural framework	**	●	Precipitate enforced changes are causing great disruption and uncertainty. Best DMOs existed before. LEP's future prioritisation of tourism is uncertain.
VE "Hands-off" the evolution of DMOs and reducing the VE national support role	(negative)	●	More likely to make the lack of cohesion worse, than stimulate effective collaborative activities and product improvements across the industry.
Encourage DMOs to evolve to be "self-righting" without public funding	*	●	Adequate funding for continuity and reorganisation is essential. Longer term input from public funding would pay dividends.
Tourism bodies to influence RGF application approvals	*	●	RGF funding and duration is limited. Will Tourism bodies views be acted on?
LA funding to reflect the local importance of tourism	**	●	Effective if retained funds are sufficient for significant involvement.
Change VE Board composition to boost DMO representation	(negative)	●	Destinations should be represented, but sectoral expertise is equally if not more important, and must not be lost in rearranged Board.
Revisions to ATOL and Package Travel Dir.	*	●	Useful and necessary updating revisions.
Tourism (Brown) Signs – Revise Regulations	*	●	Needs caution to avoid unintended complexity and negative consequences.
Encourage local bodies to take over TICs	*	●	Those that satisfy adequate demand will survive on more commercial basis.
Improve Tourism information provision	**	●	Needs adequate ongoing public funding to improve on natural evolution.
Boost trips to out-of-London destinations and trips	***	●	Very important initiative but policy, action and funding support is unclear.
"All weather" product improvements	*	●	"Shortcomings" greatly overstated – and unclear what Government policy can do or what will be funded.
Investigate Domestic "packaged" holidays	*	●	Unlikely to produce significant market-demand-modifying outcomes.
Make Planning process easier and more supportive	**	●	Good intent, if carried through in the future devolved and freed-up planning system.
VAT – reduce to European levels	*****	●	Government has indicated a willingness to consider – analysis is essential to satisfy Treasury evaluation needs, and demonstrate net gain.
Reduce queuing and check-in times	*	●	Requires many changes to mindset and arrangements.
Make Transport sector aware of Tourism	**	●	Useful statement but consistent recognition by Government departments and providers is necessary to effect.
Air Passenger Duty	*****	●	Government resistant to changing – opportunity to boost inbound, and benefit developing destinations. Note: UK benefit reduced by domestic outbound increase.
Daylight Saving (not in Policy)	*****	●	Highly beneficial potential benefits for tourism and leisure throughout UK.

Note: Items on which Government has a stated policy, but delivery is unfunded, or it is doubtful they can be fully implemented, are denoted as ●



TOURISM FOR
GROWTH

The Tourism Alliance is the Voice of the Tourism Industry, comprising 50 Tourism Industry Organisations that together represent some 200,000 businesses of all sizes throughout the UK.

The purpose of the Tourism Alliance is to identify and develop policies and strategies to raise standards and promote quality within the industry and work with and lobby government on all key issues relevant to the growth and development of tourism, to maximise its contribution to the economy.

Contact information

Policy Director: **Kurt Janson**

Tel: +44 (0)20 7395 8246

Fax: +44 (0)20 7395 8178

Mobile: +44 (0)7946 428123

Centre Point, 103 New Oxford Street,
London, WC1A 1DU

Email: info@tourismalliance.com

Website: www.tourismalliance.com

Members

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Association for Tourism in Higher Education
Association of Leading Visitor Attractions
Bed and Breakfast Association
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English Association of Self Catering Operators
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Historic Houses Association
Historic Royal Palaces
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