TourismAlliance
the voice of tourism

Culture, Media and Sport Committee
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Culture, Media and Sport Select Committee
Tourism Inquiry

Tourism Alliance Submission

1. Introduction

We would like to thank you for the opportunity to provide evidence for this CMS Select Committee Inquiry. It has been seven years since the last Select Committee Inquiry on tourism and there have been significant changes to the industry, tourism structures and Government policy in the intervening period. Britain has also undergone the longest recession in living memory which has impacted on consumers and their travel patterns.

It is therefore timely that the Committee re-examine whether the Government's approach to tourism has kept pace with these changes and assess what actions needed to ensure that the benefits of tourism to the UK economy are maximised.

The Tourism Alliance was established in 2001 as the voice of the UK tourism industry. It comprises 50 Tourism Industry Associations that together represent some 200,000 business of all sizes throughout the UK. The Tourism Alliance's mandate is to work with government on issues relevant to the growth and development of tourism and its contribution to the economy. It is therefore responding to this inquiry in that capacity. A list of member organisations is included as Appendix 1

2. Executive Summary

The tourism industry has been at the forefront of the UK's economic recovery, providing over £10bn in additional revenue and almost 300,000 additional jobs since 2010. Yet, in 17 of the UK's top 20 source markets, our share of outbound tourism has decreased over the last 5 years while the gains to domestic tourism made from the "staycation" effect appear to be eroding as the UK economy recovers and the Pound strengthens.

There is much that the Government needs to do to support one of the sector and we put forward the following recommendations for the Committee's consideration.

Recommendations

i. That all parties should commit to supporting and acting on both the short and medium term measures announced in the Airports Commission Interim Report (December 2013) and the recommendations made in the Final Report (Summer 2015).

ii. That Government urgently undertakes a review of sub-national tourism delivery in England with the aim of developing an adequately funded structure that effectively supports regional tourism growth.

iii. That the Coastal Community Fund be used as the basis for a comprehensive strategy for regenerating seaside destinations.

iv. That the Tourism Industry Council be made permanent and that its remit and membership be expanded to address cross-Whitehall tourism-related deregulation and investment issues.

v. That the Government works to (a) reduce tourism–related VAT and APD so that these taxes are consistent with other major European destinations (b) initiate a Treasury-led review of the impact of Air Passenger Duty on the whole of the UK economy and (c) reform TOMS.

vi. That a programme for introducing further improvements on visas services is developed between the Government and the industry

vii. That the GREAT campaign be made permanent, and that other funding sources from across Government from which tourism can benefit (eg RGF) be consolidated into a single pot which can be accessed through dual-key funding by Visit England and destinations

3. Tourism and the UK Economy

The UK's tourism industry is made up of a vibrant mix of inbound, outbound and domestic travel and tourism businesses which are integrally linked to one another, often utilising the same infrastructure, consumer base and regulatory framework.

The tourism industry has been at the forefront of the UK's economic recovery. Since 2007, revenue from inbound tourism has increased by 31% from £16bn to £21bn, creating an additional 90,000 jobs for the UK economy. On the domestic side, revenue has increased 16% to £18.8bn in 2013 despite the pressure on discretionary expenditure and is now 6% above the pre-recession peak.

The Office for National Statistics has recently calculated that almost a third of the new jobs generated in the UK over the last three years have been in tourism related businesses.

These jobs are distributed relatively evenly throughout the UK and, unlike many other industries, these jobs are spread across rural, urban and seaside communities.

Tourism has also been at the forefront of tackling "problem unemployment". Whereas UK businesses have an average of 19% of their staff aged under 30, 39% of staff in tourism businesses are under 30. Similarly, while businesses in the UK typically employ only 9% of people from ethnic minorities, tourism businesses employ 14%.

However, in 17 of the UK's top 20 source markets, the UK's share of outbound tourism has decreased over the last 5 years while the gains to domestic tourism made from the “staycation” effect appear to be eroding as the UK economy recovers and the Pound strengths.

4. Tourism Alliance Views on Specific Issues

The following are the views of the Tourism Alliance on the specific issues that the CMS Select Committee will be addressing as part of this Inquiry.

4.1 Consolidating and building on London’s success as a tourist destination

London is the jewel in the UK tourism industry crown. It is the most popular city destination in the world, attracting over 16.8m overseas visitors per annum who spend over £11.2bn per annum in the London economy. This supports around 200,000 jobs.

London is also the gateway to the UK for around 55% of all visitors and provides a vital global brand to attract visitors to the UK. While there are numerous improvements that could be made to further enhance London’s status as a tourism destination, the main factor needed to consolidate and build upon London and the UK’s success is to increase of aviation capacity.

Over 70% of inbound visitors arrive into the UK by air, making the Aviation Commission’s work on determining how best to supply the additional runway needed by 2030 critically important to the tourism industry.

We believe that all political parties must respect the process that the Commission is undertaking, as any further delay to the development of much needed additional aviation capacity will damage the UK’s tourism industry.

Recommendation

i. That all parties should commit to supporting and acting upon both the short and medium term measures announced in the Airports Commission Interim Report (December 2013) and the recommendations made in the Final Report (Summer 2015).

4.2 Encouraging Tourism Outside London

As mentioned above, over half of all international visitors enter the UK through London. While we fully support the ongoing development of regional airports in order to provide increased opportunities for point-to-point connections, there will continue to be a need for an international hub from which visitors can easily access the whole of the UK.

However, there are a number of international tourism trends that are mitigating against regional spread. First, tourists are taking more, but shorter, holidays. This means that it is increasingly difficult to spread visitors away from the gateway by which they enter a country.

Secondly, the global tourism market is becoming increasing competitive as new destinations are continually developed. This means that it is increasingly hard for destinations that are not global brands to register on consumers' radar.

Overcoming these challenges requires there to be a strong, functioning network of Destination Management Organisations (DMOs) that are adequately resourced to driving regional tourism growth. However, since 2007, resources have diminished considerably.

First, the abolition of the RDAs in 2010, which had statutory responsibility for sub-national tourism development, saw around £65m p.a. of tourism development and promotion funding removed from regional economies.

Second, the main source of public funding for tourism at the subnational level is Local Authorities. While tourism is not a statutory responsibility for councils, the vast majority recognised the benefits of tourism to their local economy and either part-funded a local tourist board or undertook tourism development and promotion work in-house.

With the recession, council funding of tourism activity has declined significantly - from £122m in 2007/8 to £85m in 2014/15 - with further cuts likely in future years. This 30% decrease in council funding is far greater than the overall 7.5% reduction in total local authority expenditure over the same period.

The net result is that public funding of tourism development and promotion at the sub-national level has decreased by £102m (55%) since 2007/8.This decrease has reduced the viability of DMOs which, in turn, impacts on their ability to draw visitors away from London.

The Tourism Alliance strongly believes that the sub-national tourism in England is effectively broken and that this will increasingly effect regional tourism economies. It will also adversely impact on the success of the Government's Tourism Policy, which is predicated on there being a strong, effective DMO network throughout England.

There needs to be an urgent review of sub-national tourism that results in the establishment of an environment whereby Local Authorities remain engaged in tourism development and, together with DMOs, are able to effectively deliver regional growth. Such a structure would link Local Authorities and DMOs to both LEPs and the VisitEngland's Strategic Framework.

Recommendation

i. That Government undertake an urgent review of sub-national tourism delivery in England with the aim of developing an adequately funded structure that effectively supports regional tourism growth.

4.3 Reversing a long-term decline in seaside destinations

In terms of expenditure, seaside destinations still account for 32% (£3.5bn) of all holiday expenditure in England, slightly above the 30% (£3.3bn) spent on holidays to cities.

A recent report by Sheffield Hallam University, *Seaside Towns in the Age of Austerity*, found that the number of jobs created in seaside towns during the recession had increased and that, overall, seaside towns are in relatively good health.

However, the report goes on to highlight that this growth has not been even and that there are destinations that need significant support in order to re-establish themselves as vibrant, growing communities.

The Tourism Alliance believes that there is a significant opportunity available to Government to provide a real step-change in regeneration for these destinations.

The Coastal Communities Fund was announced in 2011 to support the economic development of coastal communities by promoting sustainable economic growth and jobs. It is funded by 50 per cent of the revenue generated by the Crown Estate's marine assets. The Government has committed itself to the CCF until 2016/17 and the amount committed has increased from £23.7m in 2012/13 to £32m in the current funding round as revenue generated from the marine assets has increased.

At the moment, there is a scatter-gun approach to the allocation of the funds with a large number of locations getting a small amount of funding. This approach is not going to resolve the regeneration problems affecting many large coastal destinations.

To make the most of this Fund, we would like to see it used as part of a holistic Government programme to regenerate key coastal towns. The funding would be allocated as part of a package that includes enhanced capabilities for councils to tackle housing and social issues so that real progress can be made on regeneration.

Recommendation

i. That the Coastal Community Fund be used as the basis for a comprehensive strategy for regenerating seaside destinations

4.4 Reducing Regulatory Burdens on Business

Over 70% of tourism businesses are micro-businesses that are particularly prone to the costs associated with regulatory burden. As such, the Tourism Alliance has long been an advocate for deregulation.

The Alliance was part of the Ministerial Taskforce on Deregulation established by John Penrose in 2011 to investigate measures that could be undertaken to repeal or amend legislation to support tourism businesses. This Taskforce published a 44 page report in January 2012 that highlights over 60 amendments that would help tourism businesses.

However, the outcome has been disappointing with only a few regulations being amended to date. One of the main reasons for the slow progress is that the vast majority of the legislation that impacts on the industry is outside DCMS's responsibility, which reduces the ability of their officials to deliver "tourism-friendly" outcomes.

Therefore, to advance the removal of regulatory burden, and to prevent any unnecessary burdens associated with forthcoming legislation, the Tourism Alliance advocates that the newly formed Tourism Industry Council (which brings together ministers from DCMS and BIS) be made a permanent body with its role and membership expanded to address regulatory burdens that impact the ability of tourism businesses.

This Council should also assess and make recommendations on the use of investment incentives and capital allowances to boost regional tourism growth.

Recommendation

i. That the Tourism Industry Council be made permanent and that its remit and membership be expanded to address cross-Whitehall tourism-related deregulation and investment issues.

4.5 The application of taxes and fees to visitors from overseas, for example in relation to Visas, VAT and Air Passenger Duty.

Since the last tourism inquiry there have been significant increases in the costs on visitors to the UK:

i. A standard tourist visa has increased by 66% from £50 to £83
ii. APD on a return flight from the USA has increased 245% from £20 to £69
iii. VAT has increased from 17.5% to 20%

The World Economic Forum, in its 2013 report on the Global Tourism Competitiveness, ranked the UK as the 5th most competitive tourism destination in the world – up from 7th in 2011 and 11th in 2009. However, due to high VAT, APD and fuel duty rates, and the UK is 138th of 140 countries in terms of price competitiveness.

The tourism industry has brought together considerable evidence over the past three years that tourism taxes are having a detrimental impact on the industry. This includes research using the Treasury's own computable equilibrium model that shows reducing VAT to 5% would create 123,000 additional jobs and raise an additional £3.9 billion for the Exchequer over 10 years.

Similarly, recent research by PWC shows that cutting or abolishing Air Passenger Duty completely would not only stimulate tourism and boost the UK's economic growth, it would also be revenue neutral for the Exchequer.

Consequently, we see that there is no legitimate reason not to move to a position whereby the tax on visitors to the UK is consistent with that applying in competitor European destinations.

Finally, in 2013 the European Court of Justice ruled that Margin VAT (TOMS) should be imposed on all tourism package sales, both between businesses and to consumers. The UK Government has decided not to apply this ruling, whose application would have a substantial negative impact on the industry. This position, which is widely applauded, is contingent on European reform being underway. So it is important that such reform is initiated.

Recommendation

i. That the Government works to (a) reduce tourism–related VAT and APD so that these taxes are consistent with other major European destinations (b) initiate a Treasury-led review of the impact of Air Passenger Duty on the whole of the UK economy and (c) reform TOMS

4.6 Visa and Border Arrangements

There have been significant improvements in the processing of visas since the last Inquiry. These initiations are strongly supported by the industry. However, the fact remains that the UK's share of outbound travel from China, Russia and India in 2013 is 40% lower than it was in 2007 before biometric visas was introduced.

Also, we face increased competition from other countries who are also improving their visa offering. For example:

- Italy has announced that it will turn around all visa applications in 36 hours.
- The EU is discussing further simplifications to the Schengen visa application procedure, including opening 12 Schengen biometric centres in China which and retaining biometric data for 5 years to reduce renewals.

Therefore, we need to be continually improving our visa offering, including:

i. Migrate Visitors from Six Month to Long-Term Visas

At the moment the Home Office loses £48 on each six month visitor visa that it issues (the cost of processing is £136 and the customer is changed £83). However, 5yr and 10yr visas are very expensive (£511 and £737 respectively) meaning that there is little incentive for leisure visitors to apply. It would make sense to lower the cost of a long-term visa to the break-even point, thereby encouraging customers to trade-up to a 5 or 10 yr visa, saving the Home Office money and providing visitors with an incentive to undertake multiple trips to the UK.

If just 10% of visitors from China up-graded to a 5 or 10 year visa, this would save the Home Office almost £1m p.a. And if the 10% of visitors that up-graded to a long-term visa took just one additional trip to the UK as a result, this would provide an additional £49m for the UK economy and create 875 jobs.

ii. **Sharing Biometric Facilities**
From 2015, visitors from China will need a biometric visa to enter Schengen countries. We are very concerned that potential visitors looking to undertake a European tour will be put-off by needing to visit both a UK and Schengen biometric centre– thus diminishing the number of European tours that include the UK. To ensure that this does not happen, we advocate sharing UK biometric centres with Schengen countries. This "one-stop shop" approach would be a win-win for the UK and the Schengen countries while also reducing Home Office costs.

Recommendation

i. That a programme for introducing further improvements in visas services is developed between the Government and the industry.

4.7 Assessing the success of the "GREAT" campaign and the Regional Growth Fund

The Tourism Alliance is very supportive of the GREAT campaign and the RGF.

With the GREAT campaign, the UK now has a coherent and recognisable brand to use in domestic and overseas markets. It is something that a number of other countries have been doing for many years and it has been repeatedly demonstrated to be a key component of a country's "soft power".

The second main benefit of the GREAT campaign is that it has pulled together the UK's outward facing organisations so that they work together. This can only be good for improving the effectiveness and efficiency of public expenditure.

However, it needs to be stressed that despite the advantages of the GREAT and RFG initiatives, there are problems that need to be addressed.

The principal problem is that these initiatives are "one-off", with funding only guaranteed for a few years. This makes it very difficult to plan and undertake the long-term marketing activities required to truly compete in the international and domestic tourism markets. It is therefore not a viable substitute for reductions in the core funding of either VisitBritain or VisitEngland.

While the budgets for Visit Scotland (£50.3m) and VisitWales (est. £20m) have increased since the last Select Committee Inquiry, the combined budgets for VisitBritain and VisitEngland have fallen by 47% - from £55.1m in 2007/8 to £29m in 2014/15.

We are very concerned that the reduction in funding to both VisitEngland and VisitBritain has gone beyond what was justified to gain efficiencies and is now impacting on the critical mass that these organisations require to effectively promote tourism in the domestic and overseas markets. For example:

1. **The American Market**
   America is the UK's single most import source market for tourism with visitors contributing over £2.5bn to the UK economy and maintaining over 45,000 jobs. However, while outbound tourism from America has risen by 51% (from 40.8m to 61.6m) between 2007 and 2013, the number of visitors to the UK has decreased by almost 20% from 3.2m to 2.6m.

   A key reason for this is that VisitBritain's marketing budget in the USA is now under £1m (less than that of Aruba).

2. **VisitEngland cf Tourism Ireland**
   VisitEngland has a marketing budget of less than £5m per annum to encourage UK residents to undertake a holiday in the UK. Conversely, last year Tourism Ireland spent £18m in the UK marketing holidays in Ireland.

To build on the success the GREAT campaign and the RGF, we would like to see them be made permanent, with the funding consolidated into the core Grant-in-Aid of the relevant government agencies. This would facilitate the long-term planning required to maintain the UK's international competitiveness at no additional cost to the Government.

Recommendation

i. That the GREAT campaign be made permanent, and that other funding sources from across Government from which tourism can benefit (e.g., RGF) be consolidated into a single pot which can be accessed through dual-key funding by Visit England and destinations.

Again, I would like to thank you for the opportunity to provide evidence as part of this Inquiry. The Tourism Alliance would very much welcome the opportunity to also provide oral evidence to the Committee.

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Appendix 1 Tourism Alliance Membership

ABTA - The Travel Association
Airport Operators Association
ALMR
ALVA
ANTOR
Association for Tourism in Higher Education
BALPPA
Bed & Breakfast Association
British Beer & Pub Association
British Destinations
British Educational Travel Association
British Holiday & Home Parks Association
British Hospitality Association
British Marine Federation
Business in Sport & Leisure
Business Visits & Events Partnership
Camping & Caravanning Club
Churches Visitor and Tourism Association
Confederation of Passenger Transport
Country Land and Business Association
Cumbria Tourism
EASCO
English UK
European Tour Operators Association
Experience Nottinghamshire
Family Holiday Association
Farm Stay UK
Group Travel Business Forum
Heritage Railway Association
Historic Houses Association
Historic Royal Palaces
Holiday Centres Association
Institute of Tourist Guiding
Liverpool City Region LEP
Marketing Manchester
National Caravan Council
National Trust
New Forest Destination Partnership
Outdoor Industries Association
Premier Cottages
Resort Development Organisation
South West Tourism Alliance
The Caravan Club
The Tourism Alliance Brighton and Hove
The Tourism Society
Tourism For All
Tourism South East
UKInbound
Visit Cornwall
Visit Kent
Visit Wiltshire
Visitor Attractions Group
Welcome to Yorkshire
Wyndham Worldwide

Observers
Local Government Association
VisitBritain
VisitEngland