So much potential, so little information

Kurt Janson, Policy Director at the Tourism Alliance, looks at the aims for the future of British tourism and the problems with accurate information…

Nobody doubts that the tourism industry is a major economic driver for the UK economy. It has been one of the largest and fastest growing sectors in Britain over the past 20 years and today generates £74bn per annum (£13bn in inbound tourism receipts, £27bn in domestic tourism, £32bn in daytrips and £3bn that accrues to British carriers), and accounts for 4.5% of the UK's GDP (3.4% of GVA). The £13bn per annum received from inbound tourism also makes the industry one of Britain's largest export earners.

With the World Tourism Organisation (WTO) forecasting that tourism growth will continue at a long-term average rate of 4.1% per annum, the Government has set the target of increasing tourism to a £100bn industry by 2010.

Importantly, the benefits of this additional tourism expenditure will not accrue to just one sector but will be spread throughout the economy. Studies show that over 40% of tourism expenditure, and a similar percentage of employment, is in areas such as clothing, food and retail goods.

In addition to tourism expenditure being spread across a wide range of industry sectors, it has a wide geographic spread, with the £59bn domestic tourism industry redistributing wealth from urban to rural areas. UKTS figures (2003) show that 88% of domestic expenditure occurs outside London, with over 60% occurring in rural, seaside and small town destinations.

Tourism is a labour-intensive industry due to the requirement for high levels of personal service. Therefore, while other industries have suffered falling employment through globalisation and increased mechanisation, the tourism industry has grown to the stage that it now generates 2.1 million full-time equivalent (FTE) jobs in the UK (equivalent to 7.4% of the total UK workforce). This compares with 446,000 people employed in agriculture and fisheries, 1.8 million in transport and communications, and 2.2 million people in construction.

Tourism's outperformance of other sectors of the economy is reflected in the growth of employment in the sector. Since 1985, tourism related employment has increased by nearly 70%, while total employment across all sectors has risen by less than 20%. And in spite of crises such as the Foot and Mouth outbreak, September 11th and the war in Iraq, tourism related employment has grown by 9% over the last five years, compared to 4% for the economy as a whole.

The future potential of the industry is illustrated by studies that show that one FTE job in the tourism industry is created for every £40,000 in additional revenue that is generated. On this basis, if the revenue generated by tourism increases to £100bn by 2010 in line with the government target, this will generate an extra 300,000 FTE jobs within the sector.

'Therefore, while other industries have suffered falling employment through globalisation and increased mechanisation, the tourism industry has grown to the stage that it now generates 2.1 million full-time equivalent (FTE) jobs in the UK (equivalent to 7.4% of the total UK workforce).'

Yet, despite the undoubted current and potential benefits of tourism, Britain's share of the world tourism market has been decreasing. The WTO estimate that, by 2020, Europe's share of the global tourism market will have decreased from 58% to 46%. This decline is highlighted in world tourism rankings, where Britain has already slipped from fifth to sixth position in terms of revenue generated by inbound tourism and is likely to be overtaken by China in the current year.

In addition, Britain's tourism balance of payments are the worst they have ever been. In the 1980s, the tourism balance of payments ran at a surplus and, even until 1998, the tourism deficit was only just over £4bn. Now the tourism deficit stands at £17bn per annum and shows every sign of increasing further.

The reason for this sudden widening of the tourism deficit and Britain's slipping in international tourism league tables is related to the boom in budget airlines and the introduction of the euro. Together, these changes have increased the price transparency of holidays across Europe and removed the barrier of expensive air travel for those trying to take advantage of cheap holidays.

As Britain is not a cheap destination, the British tourism industry has come under increased pressure to reduce costs in order to compete. However, there is a limit to the cost reductions that the industry can make. Indeed, a study by the British Tourist Authority in 2003 showed that the main reason that Britain was a high cost destination was that our taxation of tourists is one of the highest in the world.

> **'Although information was available from individual businesses and components of the tourism industry, there were no national statistics available to determine what impact the bombings were having on inbound or domestic tourism.'**

The study showed that an American family of four pay twice as much tax during a week's stay in Britain than they do visiting competitor destinations on the continent. The main cause of this imbalance is that Britain charges Air Passenger Duty (APD) of £20 per person on travel outside Europe and that accommodation in Britain pays 17.5% VAT, compared to the European average of 8.5%.

While it is unrealistic to assume that government will suddenly remove APD and alter tax on accommodation so that the British industry can compete with their continental counterparts on a level playing field, there are a number of other ways that the Government could support the industry.

At the top of the list is investing in the improvement of the national tourism statistics. For a sector worth £74bn to the British economy, national tourism statistics (especially domestic and day visitor statistics) are woefully inadequate.

The poor state of tourism statistics was highlighted during the recent bombings in London. Although information was available from individual businesses and components of the tourism industry, there were no national statistics available to determine what impact the bombings were having on inbound or domestic tourism. Even now, over two months after the seconds attack of 21st July, national statistics on the impact of the bombings on inbound tourism are just starting to come through.

Much worse is the availability of national statistics on the impact of the bombings on domestic tourism. Information on the impact on domestic tourism will not be available before January 2006 (six months after the event) and statistics on the impact on day visits (which constitute £32bn) may never be available, as there is currently no budget to undertake a survey.

Understandably, an industry that comprises close to 200,000 businesses and requires high quality information to base investment decisions, considers this to be an unacceptable situation. However, it is not just the industry that considers that tourism statistics are inadequate and require governmental investment.

In 2004, the Department of Culture, Media and Sport published an assessment of tourism statistics. This report found that there were major gaps in Britain's national tourist statistics and that significant resources needed to be devoted to improve their quality. These gaps included:

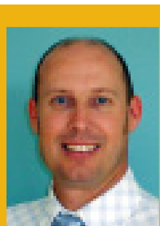
- Good quality lists of accommodation providers and other tourism businesses;
- Frequent and timely statistics of day visitors;
- Frequent and timely indicators of short-term market trends;
- More detailed statistics of tourist expenditure;
- More comprehensive and robust local statistics.

The report concluded that major expenditure is necessary to improve the main tourism surveys to ensure that they provide statistics that are fit for purpose, and warrant the reliance that the industry and local and central government agencies place upon them. It then went on to recommend that £7-8m be invested to establish a Tourism Statistics Unit that would undertake this work, and analyse and distribute the results to the industry and government agencies.

DCMS accepted this recommendation and forwarded the report to Len Cook, the National Statistician. In response, he agreed that "this review leaves no doubt that there would be benefit in looking more strategically at alternative ways of providing a strong common direction and coherence to official tourism statistics".

However, for all this enthusiasm and agreement that something has to be done, little has been. The DCMS has not provided additional funding, the Tourism Statistics Unit has not been established and the Department's implementation plan limply states that 'it is not possible to put timescales for implementation, let alone state what will be in forthcoming work plans'. Effectively, the improvement of Britain's tourism statistics has been shelved.

Unless something is done to change this situation, it will be increasingly difficult for the industry to achieve government's target of £100bn by 2010. It will also be increasingly difficult for government to determine whether their target has been achieved.



Kurt Janson
Policy Director
Tourism Alliance
Centre Point
103 New Oxford St
London WC1A 1DU
Tel: 020 7395 8246
Fax: 020 7395 8178
Kurt.Janson@cbi.org.uk
www.tourismalliance.com