

Jeremy Hunt
Secretary of State
DCMS

TOURISM ALLIANCE BUDGET SUBMISSION

First let me pass on my personal congratulations, as well as those of the Tourism Alliance Board, on your appointment as Secretary of State and to the Ministerial team that you have assembled. We were very appreciative of your interest in tourism matters while in opposition, especially your support on the FHL Rules and work to move tourism up the political agenda. That the Coalition Programme Document undertakes to improve the competitiveness of the tourism industry, given the challenges we face, is a very welcome change.

We look forward to working with you and John Penrose to realise the opportunities offered by the UK's tourism industry. In doing so, the Tourism Alliance recognises, and is keen to support, the Government's expressed priorities of reducing the deficit, eliminating poor value and non-essential public expenditure, and achieving sustainable economic growth.

While this is obviously going to be a difficult budget, with substantial savings having to be found across Government, I would like to take the opportunity to touch on a few issues for your consideration within DCMS and in your discussions with the Treasury and cabinet colleagues.

1. National Level: Optimising the Roles of VisitBritain and VisitEngland

We fully accept the need to find savings across all Government departments, and within DCMS we know that there will be hard choices to make to achieve this.

At the same time, we believe that tourism expenditure is an investment that generates very high returns for the Government and the UK economy. As you know, VisitBritain's audited results show that the marginal cost of attracting each additional inbound visitor is only around £15, yet each additional visitor contributes about £150 in tax directly to the Treasury and £500 to the economy. Similarly, VisitEngland's work is equally important in keeping tourism expenditure circulating within the UK economy, supporting British jobs.

We believe that there are opportunities to significantly enhance this return on investment. The major opportunity for VisitBritain relates to capitalising on the international media attention associated with the 2012 Olympics, to raise Britain's profile in key overseas markets. To this end, VisitBritain's overseas network and expertise in source markets are significant assets. Previous one-off public/private partnership marketing campaigns such as the post-Foot and Mouth "Million Visitor Campaign" in 2002 have shown that they can be used to leverage private sector involvement in one-off, high-impact targeted marketing campaigns, achieving very significant returns for the UK.

The opportunity afforded by VisitEngland relates to the new England Strategy. This marks a major step forward in the co-ordinated development and promotion of England as a tourism destination. Aligning public funding for domestic tourism to the England Strategy would provide greater efficiency and effectiveness, boosting revenue generation and employment.

2. Regional and Local Levels: RDAs and Local Enterprise Partnerships

The Coalition programme states that, unless they are supported locally, RDAs will be replaced by Local Enterprise Partnerships. The Tourism Alliance accepts this and supports improved empowerment and funding at the local level. In undertaking this change, the process of shifting tourism responsibility and funding arrangements from RDAs to LEPs needs to be co-ordinated so that it is not detrimental to tourism cohesion at sub-regional and local levels. If this can be achieved, in co-ordination with the England Strategy, there is a real opportunity for local destinations to develop and implement improved plans that boost local economies, with additional and better-skilled employment, and improved product quality.

While it is not directly a budget issue, it is the SMEs in tourism that will benefit most from a reduction of the regulatory burden, to which your Government is committed.

3. Competitiveness and Taxation

The Coalition document puts forward the business priority of *“taking steps to improve the competitiveness of the UK tourism industry, recognising the important part it plays in our national economy”*. This is something the Tourism Alliance has long advocated and fully supports, while recognising that number of potential challenges to achieving this could arise in the budget as a result of the need to reduce the deficit.

In developing the new Capital Gains Tax rules, care needs to be taken to ensure tourism businesses are recognised as “trading” and are therefore eligible for “entrepreneurial” reliefs. This is of particular importance for FHL businesses as revenue generated by this sector increased by 21% in 2009 and was a major contributor to maintaining employment in seaside and rural areas.

Another area for consideration is Air Passenger Duty. The Tourism Alliance recognises and supports the need for aviation to limit and pay for its environmental cost. We are fully supportive of proposals for APD to be levied on a “per plane” basis rather than a “per passenger” basis in order to provide an incentive for airlines to invest in more environmentally friendly aircraft and to increase load factors.

Over the past year, the value of the pound has decreased significantly against the Euro and the US Dollar. If APD is restructured in a tax neutral way, we will be able to take advantage of this opportunity to increase inbound tourism revenue to the UK. The risk being that, if APD is increased, we will negate this opportunity and potential inbound visitors will simply fly to competitor destinations, taking their money with them.

A third major competitive issue is the VAT. Most of the UK’s European competitors (including Germany, France and Spain) have introduced lower rates of VAT for their restaurant, accommodation or attractions sectors. The argument for doing this is that these sectors are labour intensive and lower rates help main employment.

So while it would be understandable if VAT was to rise in the UK, the impact on the competitiveness of the UK tourism industry needs to be understood. We note that in the Queen’s speech it was announced that the Government will create an independent Office of Tax Simplification to suggest reforms to the tax system. While previous studies have suggested that lowering VAT would stimulate tourism demand and increase revenue for Government, the creation of this body provides an excellent opportunity to produce an independent assessment on this issue, so as to maximise the contribution of tourism revenue for the Exchequer.

If you would like discuss these points or need any information to support them, please do not hesitate to contact me or Kurt. The Tourism Alliance is ready to help you ensure best value for any public funds that are invested in tourism and optimise the contribution of tourism to the essential recovery and future economic growth of the UK economy. We look forward to working with you for greater success



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