Amending Visitor Visas to Boost Tourism to the UK

1.0   Introduction

On 17th July 2015, the Prime Minister launched the Government's new Tourism Strategy with the aim of "*boosting tourism right across the UK - spreading the benefits of one of our fastest growing sectors beyond the capital, helping to create jobs and rebalance the economy*".

The Strategy sets out five key policies by with the goal is to be achieved. One of these is to provide visitors to the UK with "A GREAT Welcome". One of the ways that this GREAT welcome is to be provided is by the Government taking,

> ***a long term, strategic approach on visitor visas making it easier for people to travel and holiday here, while retaining a robust migration system that protects the UK from immigration abuse.***

This paper outlines four initiatives to take forward this policy. These initiatives are designed to increase the attractiveness of a UK visa without reducing national security. In being mindful not the reduce security it must also be recognised that the vast majority of visitors are compliant and bring valued revenue and employment to the UK. Therefore, we should build our systems and our welcome accordingly.

2.0   Background

Visitors to the UK from visa-requiring markets are extremely important to the UK tourism industry and the UK economy.

Data from the Office for National Statistic's International Passenger Survey shows that in 2014 the UK received 2.5m visitors from countries where visitors to the UK need visitor visas to enter the UK and these visitors spent £3.96bn in the UK during their stay. This, in turn, provided direct employment for over 76,000 people in the UK.

What is especially noteworthy of visa-national visitors to the UK is that they spend an average of £1586 per person per visit – almost three times the amount (£560) spend by visitors from visa waiver countries.

However, despite their much higher value, the number of visitors form the visa national countries has only increased by 160,000 (6.8%) since 2007.

This poor performance is highlighted by the lack of growth that the UK has experiences from the visa national BRICS countries of Russia, China, India and South Africa. Since 2007, the number of visitors from these countries has increased

just 7% (70,000) to 1.07m despite the number of outbound visitors from these markets increasing by 101% over this period.

Of the BRICS countries, India and China are of particular importance as they are at the forefront of the Government's ambitions to increase trade. However, even here, the UK has severely underperformed.

- Visitors numbers to the UK from India have increased just 18% from 311,000 to 368,000 since 2007, while overall outbound travel from India has increased by 84% over the same period

- While visitor numbers to the UK from China have increased 49% since 2007, overall outbound travel from China has increased by 176% over the same period.

Much of this underperformance is a result of the introduction of biometric visas in 2008, required overseas visitors to travel to biometric processing centres so that their fingerprints could be taken and their iris's scanned in order to receive a visa. This reduced the UK's share of outbound visitors from these countries around 35% almost overnight.

Studies undertaken by VisitBritain have shown that this requirement, which does not apply to applicants for a Schengen visa, is a significant deterrent. As such, it has had a significant impact on inbound tourism to the UK compared to continental Europe.

The Government has acknowledged this problem by introducing a range of reforms to visa processing including the improvement of visa processing times, increasing the number of biometric processing centres and the range of visa products available and Nevertheless, these reforms have not resulted in a significant increase in visitors to the UK.

Last year visitor numbers from India rose just 3.4% while total outbound tourism from India increased by 8.4%. Tourism from China performed even worse, with visitor numbers down 6.7% to 185,000 against an increase in total Chinese outbound of 12.0%*[1]

One of the reasons for this is that although the UK visa offering has been improved, other countries have introduced improvements to their own visa products - many of which make their visa more attractive that a visa to the UK.

3.0   Four Improvements to the Visa System

There are a number of initiatives that the Government can undertake to rebuild the UK's market share in important visa-national markets such as India and China, some of which will actually reduce Home Office costs associated with visa processing.

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[1] It is noted that the number of visas issued by the Home Office to China is substantially different from the number of Chinese visitors recorded by the ONS's International Passenger Survey and, for 2014, the number of visitor visas issued in China show an increase of ove20% to some 350,000 visitors. Nevertheless, this number of visitors still substantially underperforms both the number of Chinese visitors to other major European destinations and the rate of outbound tourism growth from China.

3.1   Cutting the cost of long-term visas

In September 2014, the USA entered a reciprocal agreement with China on visas which centred on the introduction of a $160 tourist visa valid for 10 years and a student visa valid for 5 years. The US estimates that this visa arrangement will help boost their revenue from Chinese visitors from $21bn last year to $85bn in 2021

By comparison with the American $160 visa, the UK 10 year visitor visa costs $1180 making it very unattractive to Chinese visitors. Yet, it is possible to lower the price of the UK 10 year visitor visa AND to save the Home Office money.

Because a standard UK visitor visa is £85, a visitor from China would have to come to the UK nine times within 10 years for a 10 year visa to be economically viable. This means that there is an extremely low take-up of this visa by leisure visitors with almost all visitors applying for a standard UK visitor visa.

The problem with this is that it costs the Home Office approx. £135 per visa to process these applications – meaning that they are losing £50 for each visa that is issued. This amounts to a lost to the Home Office of around £9m per annum in processing visas for leisure visitors from China.

Reducing the price differential between a standard visa and a 10 year visa by lowering the cost of the 10 year visa to the break-even point of £135 have two significant benefits. It would encourage customers to trade-up, thus saving the Home Office money, and it would provide visitors with an incentive to undertake multiple trips to the UK.

If just 10% of visitors from China up-graded to a 10 year visa, this would save the Home Office almost £1m p.a. And if those visitors took just one additional trip to the UK as a result, this would provide an additional £28m for the UK economy and create over 500 jobs.

If this policy was applied across all visa national countries, then the Home office would save £12.5m per annum, the UK economy would benefit by £400m and 750 additional jobs would be created.

3.2   Sharing Biometric Facilities with Schengen Countries

As highlighted above, having to visit a biometric centre is a major deterrent to many people applying for a UK visa. When the UK introduced biometric visas in 2008, it was expected that the Schengen countries would introduce biometric visas shortly afterwards. However, this introduction has been repeatedly delayed, meaning that the UK has been at a competitive disadvantage for the last seven years.

However, the Schengen countries now finally introducing biometric visas and have recently signed an agreement with China to establish 15 biometric processing centres throughout the country. While there is a view that this will "level the playing field" between UK and Schengen visas, the reality is that it represents a considerable risk to UK inbound visitor numbers from China.

The core European product in the Chinese travel market is multi-country itineraries. The number of these products that include the UK has been decreasing due to customers having to gain two separate visas and the hassle (real and perceived) of

taking all the members of your group to a biometric centre to have fingerprints taken and irises scanned.

We know that requiring visitors have their biometric information processed is a major deterrent to applying for a passport. Therefore, if Chinese visitors are required to go through this process twice in order to go on a European tour that includes the UK, then it is inevitable that tour operators will further reduce the number of European products that include the UK in the itinerary. This will significantly reduce the number of Chinese visitors to the UK.

To way to avoid this is to make biometric collection more user friendly for Chinese visitors by UK co-locating biometric facilities with Schengen countries. This would provide customers with a "one stop Shop" where they could have their biometric information taken for both visas at the same time.

There are a number of different arrangements for this "one-stop shop" could operate. For example:

1. The biometric capture equipment is shared, with the customer having their biometrics taken once and the information sent to both the UK and Schengen Visa Processing Centres
2. The biometric equipment is shared but the customer has their biometrics taken twice, with one set of information going to the UK Visa Processing Centre and the other to the Schengen Processing Centre
3. There are two sets of biometric processing equipment in the one location, one operated by the UK and the other by Schengen. The customer has the information collected independently and sent to the Visa Processing Centres independently

The "one-stop shop" concept has two major benefits. First, it improves the desirability of travel to both the UK and Europe by expanding the overall market and helping Europe outcompete other destinations competing for Chinese outbound tourism. Second, the sharing of biometric collection facilities with Schengen will significantly reduce costs for the Home Office.

The Home is already undertaking a pilot scheme with Belgium to co-locate visa application centres – an initiative that is strongly supported by the tourism industry. Sharing biometric collection facilities with Schengen countries would be a logical extension of this initiative which would benefit the customer, the Home Office and Europe as a whole.

3.3 Reducing the financial risk to the applicant of long term visas

We have frequently heard that people are reluctant to apply for long-term multi-entry visas due to having to pay the full cost up-front and risk losing all the money in the event that the visa application is declined (see below the visa costs for an Indian national).

Visa types	Visa application fee (INR)
Short-term (up to 6 months, single or multiple entry)	£85
Longer-term (valid for up to 2 years)	£324

Longer-term (valid for up to 5 years)	£588
Longer-term (valid for up to 10 years)	£737

This significant financial implication associated with having a visa declined leads to visa applicants applying for a short-term six month visa rather than applying for the long-term visa that they would actually like. In doing so, this severely restricts their ability to take unplanned, ad-hoc visits, leading to lost revenue for UK Plc.

In addition, it increases the customer's frustration with the UK visa system as each time they apply for a short-term visa, they have to undertake another trip to the Biometric Processing Centre.

The Home Office should therefore consider reforming the visa system so that either

1. Applicants for a short-term six month visa can indicate on their application form if they are willing to up-grade to a long-term visa if their application is successful (they would need to indicate what duration they would commit to paying for an the Home Office would reserve the right to approve a six month visa but not allow the applicant to upgrade)

2. Applicants pay the full fee for long-term visas and receive a refund, minus the processing cost, if the application is declined.

   These approaches would de-risk the potential financial loss to the individual from applying for the long term visas and show the UK as being more welcoming to visitors.

   It is essentially up-selling to people considered safe to visit the UK, and could be positive for the Visa Service related to their revenue generation targets because potentially it could encourage more longer term visas being issued (more visa revenue) with the additional benefit of being a more efficient use of resource thus lowering their transaction costs and by reducing the number of short-term applications.

3.4 Transit Visas

At the moment, foreign nationals from a number of countries outside of the European Economic Area or Switzerland need a Direct Airside Transit Visa (DATV) if they are changing planes in the UK without going through immigration control. Countries that require such a visa include China, India, South Africa, Nigeria and Vietnam.

The Government has recently made a number of reforms to the transit visa regime. Last year it was announced that it would be possible for travellers to transit through the UK by air without a transit visa if they hold a valid US, Australian, New Zealand or Canadian visa, even when these are not the countries of destination.

In addition, the Government unveiled an exemption from the need for a transit visa for Chinese tour groups travelling through the UK to a Schengen country, the cost of a DATV was reduced to £30, and the requirement to purchase a transit visa was abolished for nationals from Ecuador, Bolivia and Montenegro.

While these measures are extremely welcome, we believe that the Government could go further, so as to increase the UK's international competitiveness compared European rivals. Consideration should be given to the following reforms:

- Increasing the number of exemptions that allow nationals from high-growth developing countries such as India and China to transit the UK without requiring a DATV. Currently, holders of visas issued by Australia, Canada, New Zealand and the US are able to use them to transit the UK. However, Indian nationals transiting through France and Germany are exempt from having to purchase a Schengen equivalent airport transit visa if they are a holder of a valid Schengen visa or a holder of a valid visa from another EU or EEA state, as well as Canada, Japan or the US. This increases substantially the number of Indian nationals who do not need to purchase such a visa, and reduces the attractiveness of the UK as a hub through which to engage in onward travel. Meanwhile, Indian nationals transiting through a number of other Schengen countries, such as the Netherlands (another leading European aviation hub), do not require an airport transit visa at all. With respect to China, nationals from this country who are transiting through a Schengen country are not required to purchase an airport transit visa either.

- Further reducing the cost of a DATV to £20, to create clear blue water between the UK and our Schengen competitors (where the cost of an equivalent airport transit visa is currently 60 euros).

- Reducing the number of countries impacted by the DATV requirement – under Schedule 1 of the Immigration (Passenger Transit Visa) Order 2014 (http://www.legislation.gov.uk/uksi/2014/2702/pdfs/uksi_20142702_en.pdf), nationals or citizens from a total of 55 countries are required to purchase a transit visa in the UK. This compares unfavourably with Schengen, for which the equivalent list is much smaller. For example, countries such as South Africa, Vietnam, Burma, Egypt, Macedonia and Jamaica are not included on this list. The UK Government should conduct a review to consider whether there is scope for exempting nationals or citizens from these countries from having to purchase a transit visa, balancing the need to make the UK a more attractive transiting destination with important and non-negotiable national security considerations.

- The Home office is currently running a trial in which Chinese tour groups are exempt from needing a transit visa when passing through UK airports. This arrangement needs to be made permanent in order to boost the viability of new routes into the Chinese market.

  We believe that these reforms will make the UK a more attractive destination for transiting passengers, and help make more viable potentially valuable air routes from the UK to strategically important developing countries around the world.

4.0   Summary

Global competition for visitors from high-growth visa-national countries such as China and India is intense and, although the UK has undertaken considerable steps in making the UK's visa offering more attractive, the Office for National Statistic's International Passenger Survey figures show that the UK's share of outbound visitors from these markets has decreased significantly since 2007.

As such, more needs to be done to improve the attractiveness of the UK visitor visa offering. We believe that significant progress can be made on this while, at the same time, providing cost-savings to the Home Office and maintaining the UK's security by using pricing as a lever, improving the "value" of visitor visas and sharing processing facilities with Schengen countries.