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# **Tourism**Alliance

**the voice of tourism**

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## NOVEMBER 2015 NEWSLETTER

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### **Impact of Local Rate Retention on Tourism**

At the Conservative Party Conference, the Chancellor announced a major new policy – that, by the end of the decade, the Government would end the distribution of core grant to councils and that, instead, councils would be able to retain all locally raised business rates (currently £26bn per annum).

In addition, he announced that the uniform national business rate will be abolished (although councils can only adjust business rates downwards) and that cities that become combined authorities with an elected mayor will be able to introduce an additional levy for specific infrastructure projects.

On the face of it, this is good news. One of the problems that the tourism sector continually encounters is that some councils see tourism as a cost to them in terms of the maintenance of the public realm rather than a benefit. This is due to there being a poor link between the revenue generated by tourism and council finances. So, this move would help solve that problem by creating a virtuous circle whereby councils that provide funding for tourism development and promotion can generate an increase in tourism expenditure, which in turn will generate an increase in tourism businesses, which will provide an increase in revenue for the council that can then be reinvested back into tourism development.

However, there are considerable potential problems that need to be resolved for this policy change to work properly. For example, tourism is still a non-statutory activity for councils. This means that there is no certainty that councils will provide reinvestment back into the sector – they could simply use the industry as a cash cow to fund their statutory functions. They could even use it to fund reductions in council tax.

Also, businesses are generally located in urban areas, whereas domestic tourism in the UK tends to be concentrated in rural and seaside destinations. This means that there is considerable potential for this policy to lower funding for the councils in the areas most reliant on tourism.

Finally, there is the issue of safeguarding the finances of those local authorities that are reliant on central funding. Many of these councils are in deprived areas such as seaside destinations that need increased investment in order to be able to undertake the regeneration required to turn-about their tourism industry.

So while the direction of travel is welcomed, there is a considerable number of “devil in the detail” issues that need to be resolved before it can be said that this initiative is good for tourism.

**Regards**



**Kurt Janson**  
**Director, Tourism Alliance**

## TOURISM INDUSTRY COUNCIL

In the run-up to the election in May, one of the Tourism Alliance's main policies for the Government was to retain and reform the Tourism Industry Council so that it had a wider brief than its predecessor and could address some of the main issues affecting the tourism industry. It is therefore very pleasing that the Government accepted this view with the reformed TIC holding its first meeting on 23rd November. The new council, which includes the Tourism Alliance and around eight Tourism Alliance members (a full list of members is not yet available) has a new role of helping the Inter-Ministerial Group on Tourism (which is led by John Whittingdale with a secretariat provided by the Cabinet Office) develop policies and initiatives that will help implement the Government's new Five Point Plan for Tourism.

## INDIAN VISAS

Since the Government announced the trial of a new £85 two year multiple entry visa for the Chinese market, tour operators in China have reported that there has been a significant rise in the number of enquiries that they have received for holidays in the UK and are confident that this will translate into a rise in bookings for the 2016 season. More importantly, they are reporting a shift in the perception in the Chinese travel trade as to the UK being a welcoming destination for Chinese visitors.

On the back of this success, the Tourism Alliance, AoA and Virgin Atlantic Airways have been making a series of representations to Government to take the opportunity of the Indian Prime Minister's visit to the UK this month to announce a similar trial for the Indian market. This has included meetings with HM Treasury and Sajid Javid's PPS as well as working with the Confederation of Indian Industry and the UK India Business Council.

Part of this work has also included the publication of an article in Politics Today by Lord Lee and Virgin Atlantic Airways CEO Craig Kreeger asking the Government to extend visa changes to Indian visitors.

[Click Here](#) for a copy of the article

## NORTHERN IRELAND VAT INQUIRY

The Northern Ireland Affairs Committee is holding an inquiry as to whether the UK's VAT rate places Northern Ireland's tourism and hospitality sector at a competitive disadvantage, and whether a reduction in VAT could promote growth. Bearing in mind that the UK Government had to reduce Air Passenger Duty in Northern Ireland due to Northern Ireland residents travelling to Ireland to take lower priced air travel, there is a strong prima facie case that Ireland having a 9% VAT rate is having a similar distorting impact on the tourism industry in Northern Ireland.

The deadline for written submissions is Friday 11<sup>th</sup> December 2015. Submissions should be no longer than 3000 words.

[Click Here](#) for further details on this inquiry

## SOCIAL TOURISM AND THE ELDERLY

The Family Holiday Association recently held its annual Holidays Matter conference at World Travel Market where a range of research was presented on the state of tourism deprivation in the UK. This research highlighted the fact that the number of children deprived of at least a one week holiday a year has risen by 20% to 4.9m since the start of the recession. This represents over a

third of all children aged up to 16. In addition, the number of working age adults that are now unable to afford a one week holiday has increased by 23% to 11.8m people – which is over a third of all working age adults.

Although not in the summary, the presentation provided by Professor Nigel Morgan from the University of Surrey at the conference also highlighted the impact of the pension crisis in the UK by pointing out that the Workplace Retirement Income Commission has determined that almost three-quarters of private sector staff will be unable to “adequately exist” when they retire and that many workers retiring after 2020 should expect a “bleak old age”, meaning that tourism deprivation rates among the elderly are set to rise considerably over the next five years.

[Click Here](#) for a copy of the findings

## TWO TOURISM APPGS

As you may know, we now have two tourism APPGs – the Tourism APPG which is co-chaired by Lord Lee and Mark Pritchard MP and the new Visitors’ Economy APPG which is co-chaired by Margaret Ritchie MP and Nigel Huddleston MP.

At the moment the Tourism APPG is holding a meeting on 15<sup>th</sup> December with Home Office officials and representatives from the Airlines to discuss further improvements to the UK’s visa service in countries such as China and India.

Meanwhile, the Visitors’ Economy APPG is holding an inquiry into apprenticeships and skills development in the tourism sector which will focus on how the Government’s forthcoming proposals regarding the Apprenticeship Levy may affect the industry, concentrating on the ability of small and medium businesses to provide apprenticeships and the potential for an Apprenticeship Training Academy.

[Click Here](#) if you would like further information on this inquiry (the date for submissions is 13<sup>th</sup> November)

## THE TOURISM ALLIANCE

The Tourism Alliance is the Voice of the Tourism Industry.

Established in 2001 with the support of the Secretary of State for Culture, Media and Sport, the Tourism Alliance comprises 55 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.

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