Tourism Alliance
the voice of tourism

REBUILDING BRITAIN'S TOURISM INDUSTRY

Achieving the Government's Tourism Recovery Plan Targets

Introduction

Tourism is one of the largest and most important components of the UK economy, comprising 3.4m employees in 303,000 businesses spread across in every constituency throughout the UK and generating over £150bn per annum for local communities. It is the UK's second largest service sector export after Finance and Business Services and, prior to the pandemic, was growing at over 5% per annum.

However, tourism is also the sector of the UK economy that has been most impacted by the global pandemic. It was first to be hit when lockdown started in March 2020 and will be the last to recover as a result of ongoing restrictions associated with international travel.

The Government has recognised the plight of the industry and launched the Tourism Recovery Plan which aims to shorten the recovery period for both domestic and inbound tourism by one year. This strategy is extremely welcome but will require the implementation of initiatives that generate an additional £20bn in tourism revenue.

The two main initiatives set out in the Recovery Plan to achieve this target are:

- £10m in vouchers from the national Lottery to visit tourism attractions
- A new domestic rail pass

While these initiatives will boost domestic tourism, they are will not increase inbound and outbound revenue and therefore will not, by themselves, generate the additional £20bn in tourism expenditure needed for the Tourism Recovery Plan targets to be met.

This document, therefore, sets out further initiatives that will generate an additional £20bn in tourism revenue that can be incorporated into the Tourism Recovery Plan. This is not a comprehensive Tourism Strategy as there are a range of other issues that need to be addressed to ensure the long-term success of the sector - such as solving skills shortages and reforming business rates. However, it will help ensure that the 303,000 businesses in the sector survive and recover, and more businesses enter the market, while we resolve these deeper structural issues.

Kate Nicholls OBE
Chair
Tourism Alliance

Summary

The UK tourism industry is one of the largest sectors of the UK economy. The 303,000 businesses in the sector generate £157bn for the UK economy and providing employment for 3.4m people. However, it has also been the sector of economy most impacted by Coronavirus with VisitBritain estimating that the industry has lost £187bn in revenue over the last two years.

And while other sectors of the economy are fast approaching their pre-covid output levels, forecasts undertaken by Tourism Economics for DCMS indicate that the industry will not fully recover until 2025.

The Government's Tourism Recovery Plan was launched in June 2021. It recognises the ongoing problems facing the sector and aims to stimulate demand in order for tourism revenue to return to pre-covid levels a year earlier than Tourism Economics' forecasts. Achieving this target will require the government to implement initiatives that generate an additional £20bn in tourism expenditure over the next two years.

The Tourism Recovery Plan contains two new initiatives to help stimulate demand. They are:

- £10 million of vouchers from the National Lottery to encourage people to visit tourism attractions
- A new domestic rail pass to stimulate domestic tourism recovery

While the industry welcomes both the recovery plan and these initiatives, it is obvious that further measures will be needed to generate the £20bn in additional tourism expenditure that is needed for the Tourism Recovery Plan target to be achieved.

This document, therefore, sets out a series of initiatives that the Government could implement to generate this additional revenue. These are:

Initiative	Revenue Generated
1. Increase Funding for International Marketing	£2.0bn
2. Introduce a Low Cost 5 Year Visitor Visa	£2.0bn
3. Retain the Reduced VAT Rate For Hospitality and Attractions	£5.4bn
4. Implement the De Bois Review	£1.0bn
5. Revise the Package Travel Regulations	£4.0bn
6. Reinstate the VAT Reclaim Scheme	£4.4bn
7. Use ETAs to Boost Business Tourism	£1.2bn
8. Introduce a Youth Travel Scheme for European Students	£1.0bn
Total	**£21bn**

Importantly, these initiatives are, in the main, cost-neutral, either generating additional revenue for the Exchequer or reducing Government expenditure.

However, in putting forward these demand-side proposals, it must be remembered that the tourism and hospitality industries face considerable supply-side constraints that need to be resolved – notably staffing shortages which are causing a quarter of businesses to reduce services. This needs to be resolved in order for the revenue from demand-side stimulus to be maximised.

We look forward to working with the Government on the development and implementation of these initiatives so that the UK Tourism Industry can continue to provide significant benefits to the UK economy and to local communities.

The Importance Of Tourism To The UK Economy

The UK has one of the largest and best performing tourism industries in the world. The UN World Tourism Organisation ranks the UK as having the fifth largest international tourism industry in terms of revenue generated. The £31bn per annum in export earnings from inbound tourism generates over 500,000 full time equivalent jobs in the UK economy and supports many of the country's cultural and historic institutions from West End theatres through to Royal Historic Palaces.

The status and potential of the UK tourism industry is also reflected in the Anholt-Ipsos Nation Brands Index - an annual survey of 20,000 consumers in 20 countries – which ranks the UK 4th out of 50 nations for Tourism. While the World Economic Forum's biennial Global Travel and Tourism Competitiveness Survey ranks the UK as the 6th most competitive tourism destination in the world.

However, alongside these global performance measures, the UK tourism industry has a range of other unique attributes which benefit local economies, Government policy and the UK's position in the world.

- **Every Regional and Local Community Benefits from Tourism**
  The 303,000 tourism businesses in the UK are spread relatively evenly across the country, meaning that all but one region employs more than 650,000 people in the sector and receives over £3.5bn in tourism expenditure from visitors.
- **Tourism is a Key Means of Distributing Wealth**
  A core component of domestic tourism in the UK is people holidaying at the beach or in the countryside. This moves £25bn per annum from urban to rural and seaside economies (£50bn per annum if expenditure in small towns and by overseas visitors is included) and represents the largest non-governmental redistribution of wealth in the UK, making tourism a key mechanism for levelling-up.
- **Tourism is an Important Component of the UK's Soft Power**
  The tourism industry helps shape how the UK is perceived overseas. International marketing campaigns (including the GREAT campaign), business and events-based tourism and educational travel all enhance the UK's global standing and project the country as an open and welcoming place for investment and trade.
- **Tourism can Deliver Sustainable Growth**
  Tourism is also an important mechanism for delivering sustainable growth for the UK economy. It supports local communities by making local shops, services and transport connections economically viable, encourages the development of local products and services and incentivises the protection of the historic and natural resources on which it is based. While strengthening the domestic tourism industry will encourage more people to take holidays in the UK, providing benefits in terms of emission reduction.

The Impact Of Covid On Tourism

The UK tourism industry comprises three main components:

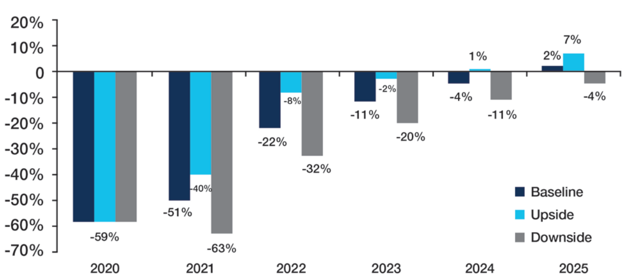
- **Inbound Tourism**
  VisitBritain, the national tourism board, has calculated that the combined revenue from inbound tourism for 2020 and 2021 was down 77% (£44bn) compared to pre-pandemic levels.
- **Domestic Tourism**
  VisitBritain has also estimated that revenue generated by the domestic tourism industry over the past two years was down 58% (£95bn) compared to pre-pandemic levels.
- **Outbound Tourism**
  ONS's Tourism Satellite Accounts show that £32bn per annum of outbound expenditure is retained in the UK economy. With outbound tourism also down 75% over the last two years, this equates to a further loss of £48bn in revenue for the UK's outbound tourism businesses.

In total, therefore, UK tourism businesses have lost an estimated £187bn in revenue over the last two years. And while DCMS estimates that over £37bn has been provided to tourism businesses through grants, loans and tax breaks, in addition to payments for furloughed staff through the furlough scheme, it is clear that the pandemic has caused deep financial damage to tourism businesses and ongoing support will be needed to aid their recovery.

DCMS's Tourism Recovery Plan is aimed at providing that support. In developing the Plan, DCMS commissioned Tourism Economics to model the recovery of the UK tourism industry. The graphs below outline the predicted recovery of the UK's domestic and inbound tourism industries with the baseline scenario being natural recovery without any further Government intervention.

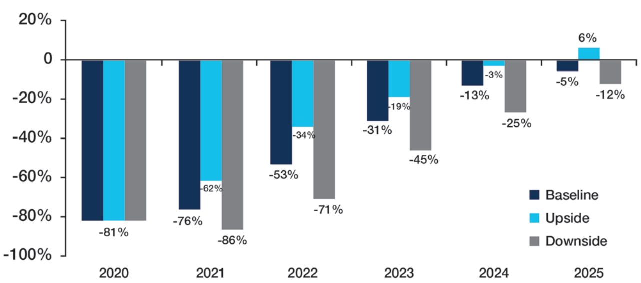
These graphs indicate that, without any intervention, domestic tourism revenue is not expected to recover until 2024 while inbound tourism revenue is not expected to recover until 2025.

Domestic overnight expenditure by scenario, UK
Relative to 2019 levels



Source: Tourism Economics

International spend by scenario, UK
Relative to 2019 levels



Source: Tourism Economics

The key goal of the Government's Tourism Recovery Plan is to bring forward the recovery of both the domestic and inbound tourism industries across the whole of the UK by one year:

- *Recover domestic overnight trip volume and spend to 2019 levels by the end of 2022, and inbound visitor numbers and spend by the end of 2023 – both at least a year faster than independent forecasts predict.*
- *Ensure that the sector's recovery benefits every nation and region, with visitors staying longer, growing accommodation occupancy rates in the off-season and high levels of investment in tourism products and transport infrastructure.*

Both of these goals are highly ambitious and are fully supported by the UK tourism industry. They require the tourism industry to meet or exceed the rate of recovery modelled in the "upside scenario" which was based on there being no Covid related restrictions on domestic and international travel from May 2021.

To shift the recovery of the domestic and inbound tourism industry from the baseline scenario to the upside scenario will require the implementation of initiatives that generate £20bn of additional tourism revenue over the next two years.

To help achieve that revenue generation target, two new initiatives were launched as part of the Tourism Recovery Plan.

- VisitBritain will deliver a £10 million consumer promotion with The National Lottery to support the domestic tourist industry
- Working with the Rail Delivery Group, the government and VisitBritain will pursue the development of a new domestic rail tourism product to accelerate the recovery of domestic tourism

While these initiatives are welcomed and will certainly generate additional tourism demand and revenue, they will not, in themselves, generate £20bn over the next two years as there is an absence of inbound tourism supply side and demand driving initiatives, which require addressing.

This document, therefore, presents a range of initiatives that will help generate the additional £20bn required to achieve the goals set in the Government's Tourism Recovery Plan. This is not put forward as an alternative the Tourism Recovery Plan but rather as a series of proposals that can be incorporated into the Tourism Recovery Plan to enhance its success. Each proposal is accompanied by a calculation of the additional tourism revenue that would be generated over a two-year period.

Together, the proposals would generate over £20bn in additional tourism revenue between 2022 and 2024.

However, it must be noted that, to maximise the revenue generated by these demand-side proposals, there are also supply-side issues that need to be addressed - the most important of which is recruitment. A survey of 500 businesses by the Tourism Alliance has found that only 18% have all the staff that they need while UKHospitality has calculated that there is a shortage of 300,000 employees in the sector and, as a result, a quarter of businesses are having to cut services or capacity. Unless this is addressed, then initiatives to stimulate demand will not deliver the revenue they should and the recovery of the tourism industry will take longer than forecast.

We look forward to working with the Government to develop, refine and implement these proposals so that the UK's tourism industry can return to providing its wide-ranging benefits to local communities and the national economy.

Increase Funding For International Marketing

Opportunity:

The National Audit Office has confirmed that VisitBritain generates a Return On Investment on its international marketing expenditure of 23:1 – ie., overseas visitors spend an additional £23 in the UK economy for every £1 that VisitBritain spends on marketing activity.

1

The global travel and tourism industry generated £1.3 trillion for the global economy in 2019. According to UNWTO figures, the impact of coronavirus was to reduce this by 73% in 2020 and by 81% in the first half of 2021.

Although the UK is the fifth largest international tourism destination, the pandemic has negatively impacted Brand Britain globally. International headlines regarding the 'UK variant', our perceived 'confusing' traffic light and testing system have reduced the world's perception of the UK as a visitor destination. If this is not addressed quickly and adequately, potential visitors will choose competitor destinations that are perceived as easier and safer to visit in 2022 and 2023.

Compounding this problem, many other countries are desperate to rebuild their inbound tourism industry and have committed significant funding to achieve this. For example:

- Ireland has announced that it will spend €80 million on international tourism marketing this year
- Spain has announced that it will spend €90 million on international marketing as part of a €4.3 billion tourism recover plan
- Australia has announced marketing expenditure of £250m over the next three years to rebuild its tourism industry
- The USA is finalising a one-off appropriation of £185m for additional tourism marketing to rebuild its tourism industry.

However, despite increased international competition, there was no announcement of additional marketing expenditure in this year's Budget for VisitBritain or the GREAT campaign.

Given the level of global competition, rebuilding the UK's inbound tourism industry to 2019 levels by 2023 will require the level of funding allocated to international marketing to be enhanced and co-ordinated with international sales missions and subsidised attendance at international tourism exhibitions for both VisitBritain and intermediaries. This would directly aid a business' ability to export UK tourism and compete with the world, ensuring consumers choose to visit the UK, instead of one of our competitors.

Additional Revenue Generated: £2.0bn

Although the UK will remain a "must-see" destination post pandemic, its reputation has been damaged, meaning that a significant increase in tourism marketing expenditure is needed if the UK is to successfully compete in the highly competitive international market.

In 2001, the Foot and Mouth outbreak and 9/11 terrorist attacks caused inbound tourism demand to fall by just 9%, triggering a one-off £73m marketing funding campaign to rebuild the sector. Today we have a 80% decline in revenue that has lasted almost two years meaning that an equal, if not larger, level of funding is required to rebuild inbound tourism.

With a proven Return On Investment of 23:1, an additional £50m in funding for international tourism marketing over the next two years would generate £2.0bn for the UK economy and an additional £400m for the Treasury in VAT and Air Passenger Duty receipts.

Introduce A Low-Cost 5 Year Visitor Visa

Opportunity

Reduce the cost of a five-year multiple entry visa to £145 to encourage international visitors to upgrade from a £95 standard visa, thereby encouraging repeat visits which will boost tourism revenue.

The number of visitors to the UK from visa national countries has doubled over the last 10 years, far exceeding the growth rate in visitors from visa waiver countries.

Yet, at the same time, the UK's performance in visa national markets has been poor compared to the growth in outbound tourism from these countries. For example, the UK's share of the rapidly growing outbound market from India has halved over the last 15 year at a cost to the UK of £750m per annum.

One of the main reasons for this is that rival destinations have improved their visa offering. For example, a standard UK visitor visa is currently £95, while a standard Schengen visa is £25 cheaper and allows visitors to travel around 26 different countries. The competitiveness of long-term visitor visas to the UK is even worse with a five-year multiple entry visa costing £655, meaning a visitor would have to return to the UK at least seven times within a five-year period for this to be cost-effective. This is something that very few visitors do. By comparison, an Australian 10-year visa is £550 and the United States charges Chinese visitors just £160 for a 10 year visa.

As the cost of processing a standard visa is either not covered, or only just covered, by the £95 charge, and it costs no more to process a five-year visa than it does a standard visa, it makes economic sense for the Home Office to encourage people to purchase a long-term visa with a larger margin.

The best way to market this visa would be to contact successful applicants for a standard visa and offer them the opportunity to upgrade their standard visa to a 5-year visa. This is a common marketing tool in many sectors of the economy and there is no reason it cannot be used by the Home Office to similarly generate additional revenue.

A low cost 5-year visa would also help the recovery of the UK education sector by encouraging parents to send their children to the UK knowing that it they will be able to regularly visit them while they are studying in the country.

Additional Revenue Generated: £2.0bn

- If the introduction of a low-cost 5-year visa generated just a 15% increase in visa national visitors, this would generate:
- £2bn in additional tourism revenue over two years

It would also generate:
- £63m in additional revenue for the Home Office
- £250m in VAT receipts
- £200m in APD receipts

2

Retain The Reduced VAT Rate For Hospitality And Attractions

Opportunity

To retain the VAT rate that applies to hospitality and attraction businesses at 12.5%.

A 2019 World Economic Forum global survey of international tourism competitiveness shows that, while the UK is the 6th most competitive destination overall, it is the least competitive country in the world in terms of taxation on tourism products and services. This is important because the global tourism market is highly price sensitive with research by VisitBritain showing that for every 1.0% increase in the cost of a holiday in the UK, the country's tourism earnings decrease by 1.3%. This means that not only do high tax rates on tourism products and services reduce the UK's ability to attract overseas visitors, they also encourage UK residents to holiday overseas.

The benefits of having a reduced VAT rate for hospitality and tourism services have long been recognised by many other governments around the world. This is evidenced by the UK and Denmark being the only remaining countries in Europe without a permanent reduced VAT rate for these sectors.

It is well known that the hospitality industry has been one of the most impacted sectors of the UK economy. UKHospitality's Tracker shows that sales in the 15 months up to June 2021 were £100.2bn (60%) below the same period to June 2019.

A September 2021 survey of 815 hospitality and tourism businesses conducted by the Tourism Alliance, UKHospitality BBPA and ALVA shows how important the 12.5% VAT rate is for their survival. Over 75% of operators regarded retaining the 12.5% rate as 'important' or 'crucial' to the survival of their business, with

- 71% reporting that they are using the retained revenue to invest
- 46% reporting that it is being used to cover the costs of Covid-19 compliance
- 27% reporting that they are passing-on some or all of the price reduction to customers

Importantly, if VAT reverts to the standard rate of 20%, 4 in 10 businesses expect this to lead to further cutbacks and job losses and 10% say that they may face closure as a result. Conversely, if the 12.5% rate was extended indefinitely, 70% of businesses report that they will put the saving towards investment in their businesses, increasing total investment by 12% and boosting turnover by 8%.

New research undertaken by the Campaign to Cut Hospitality & Tourism VAT – The Full Fiscal and Employment Impact On UK Hospitality And Tourism - using the Government's own econometric model confirms the findings of previous studies that keeping VAT at 12.5% will lead to the strengthening and expansion of the sector and higher revenues for HM Treasury. This research found that retaining the VAT rate at 12.5% would generate an additional £4.9bn in revenue for the tourism and hospitality sector and create 182,400 FTE jobs over a five year period and £4.6bn in fiscal gains for HM Treasury over 10 years

Further, the resultant increase in revenue and employment in these sectors would provide a net benefit to the Treasury in just four years.

Additional Revenue Generated: £5.4bn

Retaining the 12.5% VAT rate for hospitality and tourism businesses would not just support businesses in these sectors as they repair their balance sheets, it would encourage them to significantly increase investment and pass on lower costs to consumers, it would make them competitive with European destinations that already have a reduced VAT rate. This would boost domestic and inbound revenue by £5.4bn over two years.

Implement The De Bois Review

Opportunity

Implement the findings of the de Bois Review into the structure and funding of subnational tourism delivery in England to help deliver the Government's agenda, boost tourism development in local communities and ensure the success of 2022's celebratory events.

4

The domestic tourism industry in England generates £76bn for the UK economy and provides around 1.3m FTE jobs, many of which are located in rural and seaside destinations. However, while inbound tourism has increased by 63% and outbound tourism has increased by 68% over the last decade, domestic overnight tourism has only increased by 18% over the same period.

This underperformance by the domestic tourism industry was one of the main reasons behind the Department of Digital, Culture, Media and Sport appointing Nick de Bois to undertake an independent review of subnational tourism structures and funding in England in 2020.

This review found insufficient appreciation within Government of the importance and potential of the visitor economy to local economies, meaning that the tourism and hospitality sectors in many destinations are not achieving their full potential in terms of generating revenue and employment for local communities. The key finding from the report was that having over 170 sub-national tourist boards in England meant that tourism development and promotion is:

"not economically efficient, effective or sustainable. It is not configured in such a way that best enables the Government to deliver its priorities as set out in its Tourism Recovery Plan and more could be done to integrate DMOs with the wider economic landscape."

The report goes on to recommend that the Government:

- Bring coherence to England's tourism landscape through tasking VisitEngland with the establishment of a structured and tiered network of Sub-National Tourism Boards
- Provide £51m over 3 years to 25 core Tourist Boards to enable them to deliver Government priorities related to sustainability, skills, inclusive tourism and levelling up

The Tourism Alliance welcomes the findings and recommendations of this independent review and asks that the Government accepts the report's recommendations and provides adequate resources, through VisitEngland, to establish and fund a strong network of sub-national tourism boards that are charged with delivering key Government policies at the local level.

This funding would also enable these tourism boards to contribute significantly to the success of the 2022 Festival UK and associated events, and to the Government's levelling up agenda.

Additional Revenue Generated: £2bn

The recommended £51m in government funding will help consolidate and refocus sub-national development and promotion by providing core tourist boards with much greater financial stability. This will enable them to have a much stronger tourism marketing voice that can compete with the substantial sums overseas destinations spend on attracting UK consumers. If the 25 core sub-national boards are able to generate just £2m each in additional marketing revenue as a result of this funding, research shows that they can generate an ROI of around 20:1, resulting in an additional £2bn per annum for local communities over a two year period.

Revise The Package Travel Regulations

Opportunity

Allow businesses to work together to provide discounted "value-added" products for customers to boost domestic tourism.

The Package Travel Regulations (PTR) are EU legislation designed to facilitate package holidays between member states. Its two primary protections are to ensure that consumers purchasing a package holiday have their money protected if their tour operator goes bankrupt, and that they are able to be repatriated if they are overseas when this happens; and if they suffer loss or injury while overseas, they are able to seek redress in the country where they purchased the package.

However, due to the poor drafting of the EU Directive, any UK accommodation business selling an added value product is deemed to be a tour operator selling a package holiday. Value-added products include:

- A B&B or pub including tickets to a local attraction in the cost of a weekend stay
- A city hotel combining a night's accommodation with tickets to a show
- A self-caterer organising a fishing trip for a family staying in one of their units

Defining accommodation providers as tour operators means they are legally responsible if something happens to the customer while visiting the other business. This is obviously a risk that few businesses are willing to take, meaning that UK consumers are missing out on being able to buy cheaper holiday products and services.

A Tourism Alliance survey of 200 businesses has found that 74% of businesses would sell value-added products to consumers if they were outside the scope of the PTRs and doing so would increase their revenue by around 9%, generating over £2bn pa and creating around 40,000 jobs.

Amending the definition of a "package" so that Package Travel must include travel (ie., passage on a plane, train, boat or coach) is a very simple way of freeing value-added products from the scope of the regulations while, at the same time, maintaining the important protections they provide to people purchasing package holidays.

Importantly, there is no cost to consumers. People making their own travel arrangements to get to the accommodation do not need to be repatriated, and each business contributing to the value-added product would simply become separately liable for the performance of their component. Tellingly, there is no evidence that these regulations have ever provided any benefit to UK consumers purchasing value-added products.

Additional Revenue Generated: £4.0bn

Common sense dictates that an accommodation operator who includes a couple of tickets to a local attraction in with the cost of a room to attract customers is not a tour operator selling a package holiday.

Removing value-added products from the scope of the regulations would encourage small local tourism businesses to work together to provide customers with more discounted offers. This would benefit both consumers and businesses and boost domestic tourism revenue by around £4bn over two years.

5

Reinstate The VAT Reclaim Scheme

Opportunity

Reinstate the VAT Reclaim Scheme and expand it to cover European countries to boost high spend visitors and to make the UK Europe's Shopping Destination.

At the beginning of 2021 the UK closed its VAT Reclaim Scheme and became the only European country that does not offer tax-free shopping to visitors. The OBR estimates that this will lead to a drop of £1.2bn (38%) in retail sales compared with 2019.

However, there will also be indirect losses, especially from high-spending visitors from countries in the Gulf Co-operation Council countries (GCC) and China who will travel to the UK less often in future and spend less time here, preferring to visit shopping destinations such as Paris and Milan where they can take advantage of their VAT Reclaim Schemes.

In 2019, visitors from China and GCC countries comprised just 4% of all international visitors to the UK but were responsible for around 60% of all tax-free shopping spending. This high level of spending was also reflected in their spending on hotels, restaurants, culture, travel and entertainment. Surveys show that over 50% of Chinese visitors and over 60% of visitors from GCC countries would reduce the number of times they visit the UK and the length of time they spend here as a direct result of ending tax-free shopping. This reflects the findings of HMRC's own consumer survey results. Research undertaken by the industry calculates that the total decrease in spending by tourists from the ending of the VAT Retail Export Scheme to be between £1.1 bn and £1.8bn, meaning that there will be a net loss of VAT as a result of removing the VAT Reclaim Scheme.

In addition, the ending of airside tax free shopping threatens the financial viability of some of Britain's regional airports since it used to contribute up to 40% of their revenues. For example, Dixons Carphone recently announced that it will permanently close all of its UK airport stores after 30 years in the travel retail industry, as a direct result of the removal of airside tax-free shopping.

Noting this, the Treasury Select Committee has called for an independent assessment of the full impact of this measure.

In addition to reinstating the VAT Reclaim Scheme for non-EU countries, now that we are outside the EU there is also the opportunity to expand the scheme so that it covers EU nationals. This would provide the UK tourism and retail sectors with a considerable competitive advantage over EU destinations in attracting EU visitors to the UK who would otherwise holiday in the EU, especially around periods such as Christmas.

It has been calculated that extending the scheme to visitors from the EU would increase the number of EU visitors by 3.8%. This would imply an additional 948,000 visitors who themselves would spend an additional £590-£890 million.

Additional Revenue Generated: £4.4bn

Research undertaken by the Association of International Retailers has found that reinstating the VAT Reclaim scheme will increase in spending by tourists £4.4 billion over two years, with a net benefit to the Treasury of £1.3bn.

Use ETAs To Boost Business Tourism

Opportunity

Creatively use the introduction of Electronic Travel Authorisations (ETAs) to create a mechanism whereby high net worth, low-risk visitors from visa national countries can be fast-tracked through UK entry clearance procedures.

Two of the world's largest and fastest growing source markets for tourists are India and China. Together, people from these countries take over 175m overseas trips per annum and spend £280bn in host destinations.

However, the requirement for business and high value visitors from markets such as these to gain biometric visas every time they visit the UK represents a considerable barrier to the recovery of the business travel and to developing inbound tourism from these markets. As an example of the barrier caused by biometric visas, when they were introduced in 2008, the UK's share of the Chinese outbound market fell by 39% while the UK's share of the Indian outbound market fell by 37%.

If the UK had maintained its share of the outbound tourism market from these two countries, we would now be receiving 101,000 additional visitors from China and 480,000 additional visitors from India. The revenue from these additional visitors would be £491m per annum and it would have created 8,500 additional FTE jobs in the UK economy.

The problem with the current visitor visa system is that it is a blunt instrument that is highly inefficient in targeting high risk visa applicants because it requires everyone from a particular country to obtain a visa. This is especially true for countries with a rapidly growing middle class such as China where the approval rate for visa applications is over 95%.

Government proposals to introduce Electronic Travel Authorities (ETAs) offer an opportunity to develop a more sophisticated and targeted approach to border control which both increases visitor numbers from visa national countries while reducing Home Office costs and lowering congestion at airports.

The opportunity is to use ETAs alongside visas in countries such as China and India as a way of facilitating the travel of low-risk visitors (eg., those with a high net worth, and business visitors including those attending conferences and exhibitions). Potential visitors would be able to apply for an ETA and, if they met certain criteria, could travel to the UK without the need for a full visa. The effect would be to make the UK a more compelling destination for high value, low risk visitors from visa national countries by providing a fast-tracking service.

Those visitors from visa national countries that did not meet the criteria required for being granted an ETA would simply be asked to apply for a full visa in the normal way, thereby allowing UKVI to concentrate its resources on vetting those visitors deemed to be higher risk.

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Additional Revenue Generated: £1.2bn

Even if just 30% of current visitors from China and India qualified for a visa, this would reduce queues at immigration desks by 350,000 people per annum. It would also save the Government around £17m per annum in visa processing costs. And if using ETAs increased visitors numbers from India and China by just 10%, this would generate an additional £1.2bn in tourism revenue over two years.

Introduce a Youth Group Travel Scheme for European Students

Opportunity

Introduce a scheme that allows students under 18 to enter the UK on a single travel document in order to boost educational travel from Europe.

The latest statistics published by the British Educational Travel Association (BETA) show that the youth, student and educational travel market collectively contributes £28.6 billion to the UK economy with 14.6m youth and student travellers visiting or studying in the UK each year. Not only do these visitors support over 265,000 UK jobs in the education sector, they are also important for the UK's future economic growth as former students are more likely to undertake trade with, and invest in, the UK when they return home and enter business.

Within this overall figure, around 550,000 students come to the UK for short periods of a few weeks to study English as a language and almost 1 million more as part of organised educational school trips to visit historical and cultural attractions. While these visitors comprise less than 4% of the total number of visitors to the UK, the £3.2bn that they spend in the country constitutes over 11% of the UK's total annual tourism earnings.

The EU was the biggest source market for educational travel to the UK with students travelling to the UK on their ID cards as part of organised groups accompanied by teachers or guardians. However, since the requirement for all visitors to the UK to have full passports was introduced on 1 October 2021, this market has collapsed because many EU students do not have full passports and most European parents will not go to the trouble and expense of obtaining passports for their children just to go on a school trip to the UK. The extent of the problem is highlighted by a survey English UK undertook in 2019 which found that 65% of English language schools in the UK had more than half of their European students travelling with ID cards.

As a result, English UK are now only expecting 100,000 English Language Students to visit the UK in 2022 visitors, with the school groups that used to come here now travelling to competitor English Language School countries within the EU travel area such as Ireland and Malta.

While it is still possible for student groups to use an old 1961 Council of Europe's group passport scheme to enter the UK using just National ID cards, there are significant problems with this approach in that only 17 EU countries have signed up to this scheme and only two countries actually issue collective passports because they have not previously been necessary. Also, the Home Office has stated that it intends to remove the collective passport entry route in future which means that it is difficult to encourage the other 15 EU countries to put systems in place to issue collective passports.

A Youth Group Travellers Scheme is therefore needed to rebuild the UK's educational travel sector. Such a scheme would allow supervised groups of EU nationals and residents under the age of 18 to travel to the UK for a period of up to six weeks to take part in group educational tours, school immersions, English Language Courses and organised cultural and educational visits aimed at youth and student groups.

Additional Revenue Generated: £1bn

Introducing a Youth Group Travel Scheme comes at negligible risk to the UK's immigration policy as the scheme is only open to supervised student groups, which are not a security or economic threat.

The successful introduction of such a scheme would not just save the educational travel industry, it has the potential to generate over £1bn per annum in additional revenue and, over time, will significantly enhance the UK's soft power.

The Tourism Alliance

The Tourism Alliance is the Voice of the Tourism Industry, comprising 65 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 is in order to maximise its contribution to the economy.

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Members

ABTA - The Travel Association
Airport Operators Association
AIPO
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British Destinations
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Churches Visitor and Tourism Association
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European Tour Operators Association
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Liverpool City Region LEP
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National Caravan Council
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