

Tourism Alliance Submission

DCMS Select Committee Inquiry: Promoting Britain Overseas

1 Introduction

The Tourism Alliance was established in 2001 as the voice of the UK tourism industry. It comprises 65 tourism industry associations that together represent some 200,000 business of all sizes throughout the UK. The Tourism Alliance's mandate is to work with Government on issues relevant to the growth and development of tourism and its contribution to the economy and is responding to this inquiry in that capacity.

A list of member organisations is included as Appendix A.

The Tourism Alliance welcomes the Select Committee's Inquiry on Promoting Britain Overseas as it comes at an extremely important juncture for the UK tourism industry with the surge in Covid cases resulting from the Omicron variant, the associated restrictions tourism businesses and the impact on arrivals into the UK that have resulted from the UK's departure from the EU.

2. Background

Tourism is one of the UK's largest and most successful industries. In pre-pandemic terms, it is the UK's third largest employer, providing jobs for 3.4m people and contributing £157bn to the UK economy. In international terms, the UN World Tourism Organisation ranks the UK tourism industry as the fifth largest in the world based on value, contributing £31bn pa in export earnings to the UK economy - making it the UK's second largest service sector export after Finance and Business Services. This revenue generates over 500,000 full time equivalent jobs in the UK economy and supports many of the country's cultural and historic resources and institutions from Stonehenge and York Minister through to West End theatres and the 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. This means that there continues to be significant latent demand for overseas visitors to come to the UK and, with the right support and policy initiatives, the UK inbound tourism industry should be able to quickly recover from the Covid pandemic.

3. Impact of Coronavirus on the Tourism industry

It is commonly acknowledged that tourism and hospitality businesses have been some of the most severely impacted by the Coronavirus outbreak. In December 2021, VisitBritain estimated that, since March 2020, inbound tourism to the UK has declined by around 80%, with the loss of £48.6bn in revenue. In addition, the domestic tourism industry has lost £97.4bn and UK outbound tourism businesses have lost a further £54bn, meaning that the UK tourism industry as a whole has lost £195bn in revenue over the last two years.

While DCMS estimates that the Government has provided over £30bn to tourism businesses over the last two years through grants, loans, tax breaks, furlough payments, it is clear from these figures that the pandemic has caused deep financial damage to tourism businesses and ongoing policy support will be needed from Government to aid their recovery.

4. Responses to Specific Questions

This section answers specific questions that Select Committee is seeking to address in their inquiry.

4.1 Does the Tourism Recovery Plan go far enough to support the industry's recovery from the Covid-19 pandemic?

The Tourism Alliance has welcomed DCMS's Tourism Recovery Plan, which recognises that the tourism industry was the first sector of the UK economy to be impacted by covid, has been the sector of the economy most impacted by covid and will be the last sector of the economy to recover from the impacts of covid.

The Tourism Alliance also supports the key goal of the Government's Tourism Recovery Plan:

- *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.*

Achieving this goal will require the implementation of initiatives that generate £20bn of additional tourism revenue over the next two years, of which 70% (£14bn) must come from overseas visitors to the UK.

However, neither of the two new initiatives launched as part of the Tourism Recovery Plan - a £10 million in National Lottery vouchers for people to visit attractions and the development of a new domestic rail tourism product – will generate any additional inbound tourism expenditure. As such, the Tourism Recovery Plan lacks inbound tourism demand driving initiatives – something that needs to be urgently addressed.

Further, the 2021 Autumn Budget and the Comprehensive Spending Review failed to include any initiatives to drive inbound tourism demand through the allocation of additional funding to either VisitBritain to undertake overseas marketing activities or the Government's overarching GREAT campaign.

As such, the Tourism Recovery Plan go far enough to support the industry's recovery and much more needs to be done if the goal set in the Tourism Recovery Plan for returning domestic and inbound tourism performance to 2019 levels a year ahead of projections is to be achieved.

4.2 What needs to be done to re-establish the UK as a holiday destination for international travellers?

In November 2021, the Tourism Alliance published *Rebuilding the UK's Tourism Industry* (copy attached) which lists a number of initiatives that would help achieve the goals in the Tourism Recovery Plan. These include:

A. Increased Funding for Overseas Marketing Campaigns

The first quarter of 2022 is the main inbound booking period for the UK inbound tourism industry and will largely determine how much the inbound tourism industry will recover this year.

Although the UK is the world's fifth most popular tourism destination, the current high levels of covid infection, coupled with the need for Day 2 testing and uncertainty regarding possible future restrictions on travel mean that demand for the UK as a destination is low. A recent survey by the Tourism Alliance has found that 42% of tour operators are reporting that their Q1 bookings for travel to the UK this year are down by at least 50% and 75% of businesses are reporting that their bookings down by at least 25%

Compounding this problem, many other countries are committing significant funding to rebuilding their inbound tourism industry this year. For example:

- Ireland has announced an additional £33 million for Enhanced Tourism Marketing & Product Development
- 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

Because of the low booking rate and the fierce competition, if the Government wants to rebuild inbound tourism this year, it will need to allocate sufficient additional marketing funds to make our voice heard in the international marketplace and allay consumer fears regarding travel to the UK.

In terms of funding, it is worth noting that the 9% fall in inbound tourism revenue associated with the 9/11 terrorist attacks was deemed severe enough for the Government and the industry to implement a highly successful £48m (around £73m in today's terms) marketing campaign to rebuild the UK's inbound tourism industry. The 80% decrease in inbound tourism revenue over the past two years is an order of magnitude greater than in 2001 and warrants a co-

ordinated marketing campaign that is at least comparable with the response in 2002.

B. Lowering Prices to Increase Demand

One of the main ways of increasing demand for the UK as a holiday destination is to lower prices. Tourism is very price elastic – research by VisitBritain shows that the price elasticity of travel to the UK is -1.3, meaning that if the cost of a holiday to the UK decreased by 1%, then the revenue that the UK gains from overseas visitors will increase by 1.3%

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 Denmark being the only country in Europe without a permanent reduced VAT rate for these sectors and that the UK Government has reduced VAT of hospitality and leisure businesses in order to increase demand.

However, the reduced VAT rate for UK hospitality and tourism businesses is due to end on 31 March 2022 – before the 2022 tourism season begins. In terms of supporting the recovery of the UK tourism industry, and especially the inbound tourism industry, this makes little sense.

As such, the 12.5% reduced rate of VAT for tourism and hospitality businesses needs to be maintained at least through 2022 with a view to determining whether the net benefits to the UK economy are such that it becomes a permanent rate similar to almost every other competitor country.

C. Introduce A Low-Cost 5 Year Visitor Visa

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 years 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, while Australia charges £550 for a 10-year tourism visa and the United States charges Chinese visitors just £160 for the same product, a tourism visa for just 5 years enter the UK costs £655, meaning a visitor would have to return to the UK seven times within this period for it to be cost-effective - something that very few visitors do.

Discussions with officials suggest that the cost of processing a standard tourism visa is either not covered, or only just covered, by the £95 charge. As 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 price a 5-year tourism visa at £145 in order to encourage visitors to trade-up from a single entry visa to a 5-year multiple entry visa. This would encourage more return travel to the UK while, at the same time, increasing revenue for the Home Office. I would also support 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.

4.3. What should the UK be doing to maintain its status as a 'soft power superpower' and further promote its culture and heritage on the global stage?

There are two main ways in which tourism can help the UK maintain its status as a 'soft power superpower' – facilitating youth and educational travel and encouraging business travel.

A. Introduce a New List of Travellers Scheme for Youth and Educational Travel

The youth, student and educational travel market collectively contributes £27 billion to the UK economy with 15.2m 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 soft power as former students are more likely to have an affinity with the UK when they return home and enter business and politics.

The EU was the biggest market for educational travel to the UK with students travelling on their ID cards as part of organised groups accompanied by responsible adult 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.

The reason for this is that 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 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.

List of Travellers Scheme is therefore needed to rebuild the UK's youth and educational travel sector. Such a scheme would allow to EU nationals and residents up to the age of 18 travelling under supervision to enter the UK for a period of up to six weeks in order to attend English Language Schools and/or visit cultural and historic attractions. While this would require a change to the Governments "passport only" border rules, this is justified as school children represent no risk to UK security and do not disappear into the black economy.

B. Fast Tracking Businesses and High Value Visitors

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 the ability of the UK to exercise soft power through trade and business activity.

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%.

Government proposals to introduce Electronic Travel Authorities (ETAs) offer an opportunity to develop a more sophisticated and targeted approach to border control which would enable low-risk business visitors (including those attending conferences and exhibitions) to be fast-tracked while, at the same time, maintaining security by requiring normal visitors.

The way it would work would be that potential visitors would apply to enter the UK – those that met certain criteria related to business travel or net worth would be invited to complete an ETA online, while those who did not meet the criteria be asked to apply for a full visa in the normal way. As well as enhancing the UK's soft power, it would also allow UKVI to concentrate its resources on vetting those visitors deemed to be higher risk.

4.4 How can the UK capitalise on its exit from the European Union?

There are two significant ways in which the UK can capitalise on leaving the EU in terms of tourism – Amending the Package Travel Regulations and Reintroducing the VAT Reclaim Scheme

A. Amending the Package Travel Regulations

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. 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

Defining accommodation providers as tour operators means they are legally responsible if something happens to the customer while visiting the other business. For example, if the customer staying at the B&B is injured while at the attraction, the B&B owner is legally responsible. 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 domestic 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.

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. The problem is easily resolved by amending the definition of a “package” so that Package Travel must include travel (ie., passage on a plane, train, boat or coach). This would free-up domestic accommodation

businesses to provide customers with value-added products while, at the same time, maintaining the important protections the PTRs provide to people purchasing package holidays.

Importantly, there is no cost to consumer protection in doing this and there is no evidence that the PTRs have ever provided any benefit to UK consumers purchasing value-added products.

This is the quintessential example of unnecessary EU red tape holding back UK businesses.

B. Reintroducing the VAT Reclaim Scheme

Shopping is an increasingly essential component of undertaking overseas holidays with research by VisitBritain showing that, alongside the UK's history and culture, it is a key factor in visitors' decisions to come to the UK.

Shopping is an especially important factor for visitors from China and GCC countries, who comprise just 4% of all international visitors to the UK but are 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.

With the UK leaving the EU, there was the opportunity to expand the scheme so that it covered EU nationals, thereby making the UK Europe's shopping main destination which would have not only boosted both the UK tourism and retail industries but would have supported UK goods manufacturers.

Yet, at the beginning of 2021, the UK closed its VAT Reclaim Scheme altogether 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.

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.

Surveys show that over 50% of Chinese visitors and over 60% of visitors from GCC countries will 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.

The Tourism Alliance therefore asks that the Government urgently review this policy as having a global VAT Reclaim Scheme is one of the most significant advantages the UK's tourism and retail sectors can gain from the UK leaving the EU.

Again, I would like to thank the Select Committee for undertaking this important inquiry. If there are any aspects of this submission that you would like further clarification or detail regarding, please let me know.

A handwritten signature in black ink, appearing to read 'Kurt Janson', with a long horizontal flourish extending to the right.

Kurt Janson
Director

President: Sir David Michels
Chairman: Kate Nicholls MBE
Director: Kurt Janson
Email: kurt.janson@tourismalliance.com
Telephone: 020 31170664 **Mobile:** 07964 428123
Website: WWW.TOURISMALLIANCE.COM
Tourism Alliance: 29 Andrewes House, London EC2Y 8AX

Appendix A

Tourism Alliance Membership

ABTA - The Travel Association
Airport Operators Association
AIPO
ALVA
ANTOR
Association of Group Travel Organisers
ASAP
ATHE
BACTA
BIAZA
Bed & Breakfast Association
Betting and Gaming Council
British Beer & Pub Association
British Destinations
British Educational Travel Association
British Holiday & Home Parks Association
British Marine Federation
Business Visits & Events Partnership
Camping & Caravanning Club
Caravan and Motorhome Club
Churches Visitor and Tourism Association
Coach Tourism Association
Confederation of Passenger Transport
Country Land and Business Association
Cumbria Tourism
English UK
European Holiday Home Association
European Tour Operators Association
Experience Oxfordshire
Experience West Sussex
Family Holiday Association
Go New Forest
Group Travel Business Forum
Heritage Railway Association
Heritage Alliance
Historic Houses
Holiday Home Association
Institute of Tourist Guiding
Liverpool City Region LEP
Marketing Cheshire
Marketing Manchester
National Caravan Council
National Coastal Tourism Academy
National Trust
Outdoor Industries Association
Professional Self Caterers Association
Premier Cottages
Resort Development Organisation
Road Haulage Association
South West Tourism Alliance
The Tourism Society
Tourism For All
Tourism Management Institute
Tourism Consultants Network
Tourism South East
UKHospitality
UKinbound

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Visit Cornwall
Visit Greenwich
Visit Kent
Visit Northumberland
Visit West
Visit Wiltshire
Welcome to Yorkshire
YHA

Observers

Local Government Association
VisitBritain
VisitEngland