



**Submission of the
British Hospitality Association
to the CMS Select Committee
inquiry into tourism**

At a glance

Tourism is an economic contest *between nations*. Whilst global Tourism numbers are forecast to increase, the countries which benefit most from this growth will be those who have a clear strategy for growth and leadership from the top of Government.

Tourism has continued to be omitted from the UK Government's economic growth policy. . Here are our ten steps for action:

1. The single most important reform is to cut the rate of VAT on Tourism
2. Review Air Passenger Duty
3. Actively drive the recommendations of the Airports Commission when it reports next year
4. Develop and deliver a single Visa Application Centre concept for Chinese visitors to more radically improve the application process
5. Support a city bid for Expo 2025
6. VisitBritain to take responsibility for all UK international and Business Tourism
7. VisitEngland to have responsibility for promoting domestic Tourism and improving the capabilities of Destination Management Organisations
8. Urgently review sub – national tourism structures and funding
9. Create Tourism Enterprise Zones for rural and coastal resorts to imaginatively turnaround economic decline
10. Fund tourism and hospitality apprenticeship and job creation initiatives

1. Introduction

1.1 This Inquiry into Tourism is good news. With the Election only months away, the Committee's report should create a clear action plan for DCMS. Evidence points to significant untapped potential for British Tourism. In 17 of the UK's top 20 source markets, the UK's share of outbound tourism has declined over the last 5 years. The UK has fallen to 8th in the UNWTO international tourism arrivals league, while France, Italy, Spain and Germany are all ahead of the UK. Domestic tourism also continues to be eroded. We want to remove the barriers for growth, improve our market share and drive forward our competitiveness.

1.2 The BHA is the leading national community for the hotel, restaurant, tourist attraction and food service industries. Our member companies have a combined turnover surpassing £20 billion and employ more than half a million people.

1.3 Britain has a number of huge advantages in attracting international visitors - language, history, economy, cultural attractions and developed infrastructure to name a few. **But according to evidence we are failing to realise our full potential and wish to see a number sustained changes in the policy of this and successive Governments to boost investment and employment.**

2. The Economic Contribution of Tourism

2.1 The BHA has published two reports (in October 2010 and March 2013). Our most recent report highlighted the significance of Hospitality and Tourism for jobs. Over 95% of constituencies have at least 5% of people employed in the sector with some having 20%. Later in 2013, a report from Deloitte and Oxford Economics showed that Tourism accounted for 9% of the UK's GDP and some 10% of UK employment. Hospitality and Tourism is now the 4th largest employing industry in the UK.

2.2 Employment in UK tourism industries increased at nearly double the rate of the rest of the UK labour market between 2009 and 2013 (5.4% increase).

3. Leadership from the Government

3.1 Following the Prime Ministers major speech on Tourism in August 2010, the development of the Tourism strategy was a significant step forward and the country has benefited from the 2012 Olympics. However, neither of the two objectives set out by the Prime Minister in his speech have been realised. We advocated, in two reports of October 2010 and March 2013, that the Government establish a Tourism Council along the lines of other sectors – cars, aerospace and, perhaps of more relevance to the DCMS, the creative industries. The Creative Industries Council has had a lot of success in developing a coherent strategy for its sector.

3.2 At last in 2014 we were pleased when the Minister for Tourism and the then Minister for Skills announced the establishment of the Tourism Council in June 2014 and industry leader (Simon Vincent of Hilton Worldwide) was invited to be a co-chair of the Council. The Committee will have received submissions from other organisations commenting on the relative narrowness of the Council's Terms of Reference but the Council must develop to play a vital role in the strengthening of British Tourism. The Council is concerned with employment and growth and, initially, is concentrating on ways in which to improve the skills of people in the sector. There is a widespread acknowledgement that there is much to do in improving the image of tourism businesses as a gateway to well-paid and rewarding careers.

3.3 The Council's focus on jobs means that it is the ideal forum to discuss and debate better Government/Industry partnership working.

4. The Need for Improved Competitiveness

4.1 Britain's level of VAT of 20% on accommodation and attractions is a massive blow to our international price competitiveness. We are members of the Cut Tourism VAT Campaign which has sent you a detailed submission. 80 MPs – from all parties – have expressed support for the Campaign and we are more confident than we have ever been that the Government will exploit the freedom in the EU Treaty to apply a 5% rate to visitor accommodation and attractions.

4.2 We would like the Committee to support this recommendation which we believe is the single most important reform that is needed to boost British tourism.

4.3 We continue to be concerned at the high level of Air Passenger Duty. While the Chancellor's has made reforms in this area, the high levels of APD *together with the VAT rate* mean that, as a destination, Britain is far more expensive for the visitor at home and abroad than our closest European competitors.

4.4 Whilst placing more importance on an immediate VAT reduction as a means of boosting economic growth, we support the Fair Tax on Flying's Campaign call for reforms in Air Passenger Duty and urge this Committee to do so.

5. Airport Connectivity/Capacity and Transport Infrastructure

5.1 It is not possible for the Government to prepare any strategy for Tourism unless the issue of additional airport capacity is addressed and recommendations acted upon. The Airport Operators Association has produced clear evidence of Britain losing out to Germany, France and other European countries in the all-important flight connectivity to the BRIC nations. Given the huge increase in outbound tourism expected from these countries, we must not allow ourselves to waste more time, falling further behind. Whilst the increased development of regional airports – especially those serving Scotland, Wales and Northern Ireland – are important and high speed rail connectivity an increasingly important part of the transport infrastructure for domestic tourism, the priority must be airport capacity.

5.2 We would like this Committee to actively support the recommendation of the Airports Commission when it reports next year.

6. Visas, Border Controls and the Overall Visitor Experience

6.1 There is no prospect of any UK Government joining the Schengen Agreement, but this shouldn't stop us recognising that the very existence of the Schengen Area *represents a considerable threat to Britain's competitiveness in the international tourism market*. The Government, for too long, maintained the view that applications for UK and Schengen visas had to be kept separate (with the UK process being more expensive and more complex).

6.2 The UK/China Visa Alliance, which we support, has led the efforts of businesses to persuade the Home Office that reform is needed. We have been encouraged by the statement, earlier this month, from the Home Secretary. The statement made it clear that the Government have accepted the Alliance's key recommendation: to make it unnecessary for a visitor to have to visit two Visa Application Centres – one for the UK and one for the Schengen area. The development of a single Visa Application Centre visit concept would enable visitors to submit both UK and Schengen visa applications at the same time.

6.3 We would like the Committee to find ways for the reforms to be introduced as quickly as possible.

7. Business Tourism

7.1 Business Tourism is important to Britain. It's an overlooked part of the visitor economy and, in the following section; **we make it clear that we want VisitBritain to be responsible for marketing this sector internationally.** VisitBritain used to have this responsibility but moved out of it a few years ago when its funding was cut. VisitEngland has stepped in and this has caused confusion and an inefficient use of taxpayers' money.

7.2 We see an obvious interconnectedness with the work of UKTI which has a small team supporting the *export* of Conference and Events management know-how to overseas markets but *does not* have a unit selling Conferences and Events in Britain which overseas visitors would attend. This is also an export but, more often than not, is not seen as such. In the following sections, we ask for better coordination between VisitBritain and UKTI. The DCMS recently convened a meeting of industry practitioners and there was an acknowledgement that the existing approach lacked coherence.

7.3 It's not just London that benefits from Conferences and Events. Olympia and the Excel centre are important but Birmingham's NEC is our largest facility and there are other important centres. We lag far behind some other countries and cities and opinion is mixed on whether Britain should aim to have a large scale international Convention Centre.

7.4 However, we know that London and other UK cities are considering a bid for Expo 2025. We want the Government to support such a city bid: the Convention space would improve our competitive position and be a powerful legacy for the country.

8. The Role/Funding of VisitBritain and VisitEngland

8.1 Traditional Tourist Boards are being challenged by massive changes in consumer behaviour which have arisen in the new digital economy. A recent survey by Amadeus and Google Analytics showed 84% of business travellers using YouTube to research destinations. Marketing in this new digital age is radically different and we want the Visit organisations to work more intensively in this area – especially in supporting the SME sector.

8.2 We support the continuation of both VisitBritain and VisitEngland as separate organisations and will be making a detailed submission to the Triennial Review into their effectiveness. We looked at merging the two bodies and acknowledge that there would be advantages from such an approach. However, we do not see how this could work given that Tourism has been a devolved function for some years. We now would like this Committee's support for a number of important reforms.

8.3 We would like to see VisitBritain have responsibility for all international Tourism marketing.

8.4 Presently, it is shared with VisitEngland and this causes unnecessary confusion and duplication. We recognise the difference between marketing to emerging markets and to established, near-Europe markets but believe that both should be handled by one organisation. Furthermore, we would like to see VisitBritain have responsibility for international business marketing. VisitBritain is, of course, fully involved in the GREAT campaign (which is an important 'nation branding' effort including inward investment and education) and **we recommend that the importance of VisitBritain's work is reflected in it *being viewed* as a Directorate within UKTI and its CEO being invited to the UKTI Board and vice versa.**

8.5 Tourism is an export sector and we see real opportunity for the promotion of our visitor economy if our international tourism marketing arm is firmly established within UKTI. We do not see any need for Ministerial responsibility or funding to shift from the DCMS; this move recognises the shared interests of BIS and the DCMS in VisitBritain's

work. VisitBritain has made great progress in developing its work with the Foreign Office and British Council and we want this to continue.

8.6 We are interested in the fact that VisitScotland and Visit Wales – and London & Partners – have all sought to achieve greater co-ordination between Tourism and Inward Investment and we think that VisitBritain should follow suit.

8.7 This would leave VisitEngland with the responsibility for promoting domestic Tourism only. We believe that it should not be the responsibility of a national organisation like VisitEngland to campaign for visits to one part of the country *at the expense of another*. But we are convinced that marketing for *increased domestic business* as opposed to *substitute* business is absolutely essential and VisitEngland is best placed to do this. Added to this marketing role, **we see VisitEngland as having a key role in developing the professionalism and capability of Destination Management Organisations. We believe that the grading/accreditation of properties continue to be a key responsibility of VisitEngland.**

8.9 We know that the Government has been confronted with a huge public deficit in recent years and that funding has been found for the GREAT campaign. However, Tourism has shown itself to be an engine for economic growth and, as a sector which is so people intensive, one that can drive forward employment. With this in mind, we believe that the Government should plan for real terms funding increases in the *marketing and development functions* of the Visit organisations. Administration costs should be maintained at existing levels to encourage continued efficiencies and the sharing of back office/support functions.

9. Sub-National Structures in England

9.1 This is an area which continues to cause great concern for our members.

9.2 The Government abolished RDAs and with them went also the Regional Tourist Boards. Local Enterprise Partnerships have been formed but very few have embedded Tourism as a key part of their growth strategy. Funding by Local Authorities for Tourism has been drastically cut and in many cases removed altogether as Councils focus on their statutory duties. Destination Management Organisations were envisaged as local tourist bodies which reflected local realities and would not be centrally determined. Some DMOs are doing well - with great leadership, a good balance between public and private sectors and a clear strategy. But too many DMOs are ineffectual.

9.3 Our member companies spend well in excess of £250 million each year on above and below the line marketing in the UK and this investment must show commercial return. Whilst our members have been supporting the marketing campaigns of the Visit organisations and London & Partners, there is a real hesitancy about supporting efforts of some DMOs because of concerns about their capabilities.

9.4 We are in favour of increasing the funds available to VisitEngland to specifically improve the professional capability of the DMOs and to encourage LEPs to understand the economic contribution of Tourism.

9.5 There has been a shortage of public funding going into Tourism promotion and some areas are contemplating the introduction of Tourism Business Investment Districts (TBIDs). Our members are unwilling to switch more and more money from their own UK marketing spends to fund unproven DMOs.

9.6 The City Growth Commission, in a report issued earlier this month, has called for devolution to new metro – bodies of tax raising powers – one of which could be a Tourism Sales or Bedroom Tax. **We are concerned that cities and other local government councils will exploit this potential devolution as a way of supplementing income from the Council Tax and Government Grant without regard to the long-term development of Tourism and the visitor economy. It would be highly damaging to the growth prospects of the sector if Britain's *already* uncompetitive position on price was made worse through the introduction of ill thought-out local taxation unfairly applied just to hotels. However, we can see the benefits for Tourism and the visitor economy by devolution of powers in transport, economic regeneration and planning to more powerful city regions.**

9.7 The whole area of sub - national structures needs to be reviewed as a matter of urgency. It is an ideal area for the Tourism Council to address as part of its remit on jobs. City administrations with more powers and greater ambition can aid the visitor economy but important issues of our overall price competitiveness as a country must be addressed as well.

10. Rural and Coastal Resort Regeneration

10.1 The Committee has rightly drawn attention to the importance of rural and coastal communities. It's difficult to make generalised statements because some resorts have weathered the structural changes in the Tourism market and the recent recession well whilst others have declined drastically. But it is clear that Tourism remains a vital part of the rural and coastal economy. Employment in Hospitality accounted for about 15% of *all* jobs in the two Blackpool constituencies, more than 13% in Great Yarmouth and 19% in St.Ives according to research by Oxford Economics in 2013 and published by this Association.

10.2 The Coastal Communities Fund should be used as part of a better co-ordinated move by the Government to regenerate rural and coastal communities with larger, more impactful and inspiring schemes. Investment in roads, housing reform in the towns and high-speed broadband connectivity are needed.

10.3 The creation of Tourism Enterprise Zones would be an imaginative reform: to encourage new investment into raising the quality of destinations, specific areas should be designated as qualifying for investment and Business Rates relief and a fast track route for planning applications.

11. Employment and Skills

11.1 The BHA has supported the drive to employ more apprenticeships by **launching The Big Hospitality Conversation** in every region of the country. Working with charities, DWP, NAS and companies we have brought employers together and, over the last year, created over 35,000 hospitality jobs for 16 to 24 year olds. The Tourism sector provides a fabulous opportunity for young people to start their careers and we want future Government funding and support for apprenticeships more tailored to the needs of the SME sector which has struggled to cope with some of the complexity of the first Trailblazer schemes.

12. Encouraging Investment & De-regulation

12.1 As you would expect, we make submissions to the Treasury about the importance of relief for capital investment and the need for hotels to be included in the Enterprise Investment Scheme. We set up a Tourism De-regulation Task Force which made over sixty proposals for reform.

12.2 We would like the support of this Committee in continuing to press the Government to lighten the regulatory burden on businesses. Our sector has shown itself to be the most powerful engine for job creation in Britain and we want the barriers to further growth taken down.

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