

Growth Fund Consultation  
 St Mary's House  
 9-11 London Rd  
 Sheffield S2 4LA

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## Regional Growth Fund Consultation

The Tourism Alliance was established in 2001 as the voice of the UK tourism industry. It comprises 50 tourism industry trade and marketing associations that together represent some 200,000 business of all sizes throughout the UK (see Appendix 1 for membership list). 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. It is therefore responding to this consultation in that capacity.

### 1. Introduction

Tourism is generally agreed to be the UK's sixth largest industry. A recent study by Deloitte and Oxford Economics, *The Economic Contribution of the Visitor Economy*, found that the total direct and indirect contribution of tourism to the UK economy in 2009 was £115bn (8.9% of GDP) and that the tourism sector supports some 2.65m jobs throughout the UK both directly and indirectly. It includes travel undertaken for leisure, for business and to visit friends and relatives and comprises some 200,000 enterprises - 80% of which are SMEs. The Deloitte report concludes that the UK tourism industry has the ability to grow by 60% over the forthcoming decade to provide £188bn per annum for the UK economy provided that there is adequate public sector support.

Because travel and tourism is an integral component of modern life, the actual and potential benefits associated with it are spread relatively evenly throughout the UK with almost all regions receiving more than £5bn per annum in tourism expenditure and employing over 100,000 people directly in the sector.

	Expenditure (£m)	Employment (FTE positions)
Scotland	8,840	176,800
Wales	3,420	68,400
England	71,300	1,426,000
West Midlands	5,860	117,200
East of England	6,920	138,400
East Midlands	5,250	105,000
London	16,360	327,200
North West	7,690	153,800
North East	2,200	44,000
South East	13,950	279,000
South West	8,020	160,400
Yorkshire	5,050	101,000

## 2. The Benefits of Investment in Tourism

The tourism industry has a number of distinctive characteristics uniquely suited to generating employment and rebuilding the UK economy. Being a service industry, it is highly labour intensive. It also has low barriers to entry and considerable unutilised capacity. These attributes make it able to respond quickly to changes in demand, and highly efficient in rapidly creating employment. And, of course, tourism jobs cannot be relocated overseas. Moreover, the employment opportunities generated by tourism tend to be focused toward resolving some of the core employment issues facing the UK. Specifically, increased tourism produces;

### 1. Increased Youth Employment

More school leavers begin their careers in tourism and hospitality than in any other industry.

### 2. Increased Employment in Rural and Seaside Communities

Data from the UK Tourism Survey shows that 58% of domestic tourism expenditure is undertaken in rural and seaside areas. The high level of tourism expenditure in these areas means that the tourism sector now employs more people in rural areas than the agricultural industry.

### 3. Increased Social Inclusion

The sector employs a highly diverse workforce (in terms of ethnicity and socio-economic diversity), and has a greater level of part-time employment than any other part of the economy.

There are also two other crucial factors that make tourism an ideal sector for generating regional growth

### 1. High Return on Investment

Due to the high latent demand for travel to, and within, the UK, tourism produced a very high return on investment. Analysis by the National Tourist Boards, VisitBritain and VisitEngland repeatedly show that the ROI from tourism is in the order of 30:1 – meaning that the local economy gains £30 for every £1 of public funding invested in it.

### 2. Rapid Return on Investment

The average booking period for tourism travel is less than three months, meaning that the high return on investment generated by tourism is quickly translated into regional growth and employment.

## 3. Answers to Specific Questions

- a. *What type of activities, that promote the objectives outlined above, should the fund support and how should the fund be best designed to facilitate this?*

On 12 August 2010, in a major speech on tourism, the Prime Minister stated that;

*“I want to talk about just how incredibly important I think our tourism industry is and what we need to do now to make the most of it not just here in London but right across our country. For too long tourism has been looked down on as a second class service sector. That’s*

*just wrong. Tourism is a fiercely competitive market, requiring skills, talent, enterprise and a government that backs Britain. It's fundamental to the rebuilding and rebalancing of our economy. It's one of the best and fastest ways of generating the jobs we need so badly in this country."*

The Tourism Alliance believes that the tourism sector provides one of the best opportunities to provide significant, sustainable economic growth for the UK economy – a view underpinned by Deloitte's analysis and shared by the Prime Minister. As such, tourism development initiatives need to be activities for which Regional Growth Fund support is available.

- b. *Do you think that these are the right criteria for assessing bids to the Regional Growth Fund?*

The Tourism Alliance agrees with the proposed criteria and believes that tourism development is able to clearly demonstrate and support green economic growth criteria and gain private sector leverage.

In general, we believe that scarce public funding should be provided to facilitate essential national programmes (consistent with any future national strategy) or which reflect both need and the relative potential for growth.

As around 80% of tourism businesses are SMEs, we would also support the consideration of small bids as these will be of particular use in stimulating tourism development initiatives in rural and seaside areas.

- c. *Should a Regional Growth Fund become a long-term means of funding activity that promotes growth?*

The Tourism Alliance supports the permanent establishment of a regional growth fund as this would be better able to provide continuity and long-term sustainable economic gains. However, the activities of the fund would need to be co-ordinated with the activities of the LEPs and a large range of existing national funding agencies to ensure that scarce public funds were spent in the most efficient and effective way. Also, it must be ensured that any ongoing funding was in addition to, rather than a substitute for, the ongoing allocations by these agencies. Unless this is done, there is a significant risk that the bidding process will waste resources and add to uncertainty for applicants. Co-ordination with other funding sources must ensure that unjustifiable duplication of funding eligibility is avoided.

Thank you for the opportunity to comment on this consultation. If you or your officials have any queries or require clarification, please don't hesitate to contact me.



Ken Robinson CBE  
**Chairman**  
Tourism Alliance

Registered Office:

The Tourism Alliance Limited, 6 Pullman Court,  
Great Western Road, Gloucester, GL1 3ND.  
Company Registration No 05106422

President: Richard Lambert  
Chairman: Ken Robinson CBE  
Policy Director: Kurt Janson  
W: [www.tourismalliance.com](http://www.tourismalliance.com)  
T: +44 (0)20 7395 8246 F: +44 (0)20 7395 8178  
E: [kurt.janson@tourismalliance.com](mailto:kurt.janson@tourismalliance.com)

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Centre Point 103 New Oxford Street London  
WC1A 1DU

## **Appendix 1: Tourism Alliance Members**

Association for Tourism in Higher Education  
ABTA – The Travel Association  
Association of Leading Visitor Attractions  
Bed and Breakfast Association  
British Association of Leisure Parks, Piers & Attractions  
British Beer & Pub Association  
British Educational Travel Association  
British Hospitality Association  
British Holiday & Home Parks Association  
British Marine Federation  
British Resorts and Destinations Association  
Business In Sport and Leisure  
Business Visits and Events Partnership  
Camping and Caravanning Club  
Confederation of British Industry  
Confederation of Passenger Transport UK  
Country Land and Business Association  
Cumbria Tourism  
Destination Performance UK  
East of England Tourism  
English Association of Self Catering Operators  
English UK  
European Tour Operators Association  
Events Industry Alliance  
Farm Stay UK  
Guild of Registered Tourist Guides  
Heart of England Tourist Board  
Heritage Railway Association  
Historic Houses Association  
Historic Royal Palaces  
Holiday Centres Association  
Holiday Cottages Group  
National Caravan Council  
National Trust  
New Forest Tourism Association  
Outdoor Industries Association  
South West Tourism  
The Caravan Club  
Tourism for All  
Tourism Management Institute  
Tourism Network North East  
Tourism Society  
Tourism South East  
UKinbound  
Visit London  
VisitCornwall  
Visitor Attractions Forum  
Welcome to Yorkshire

### **Associate Members**

Local Government Association  
SouthWest RDA (representing the RDAs in England)  
VisitBritain  
VisitEngland