

## Transport Select Committee

23 September 2010

### TRANSPORT AND THE ECONOMY INQUIRY

The Tourism Alliance was established in 2001 as the voice of the UK tourism industry. It comprises 50 Tourism Industry Associations (see attached membership list) 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 it is therefore responding to this inquiry in this capacity.

#### 1. The Importance of Tourism to the UK Economy

Tourism, by its very definition, involves the transportation of people from one destination to another. For the UK tourism industry to grow, the UK transport system needs to be effective and efficient.

The importance of the UK tourism industry to the UK economy is often overlooked, yet it is the UK's fifth largest industry and contributes £115bn to the UK economy (Deloitte, 2010). It has also been one of the fastest growing sectors of the British economy over the past 20 years and employs around 2.6m people – around 8% of the total UK workforce.

Moreover, tourism is the UK's third largest export industry, with the inbound tourism sector contributing just under £20bn per annum to the UK economy – over twice the amount that the UK earns from North Sea oil.

The importance of tourism to the national economy in generating the economic and employment related growth that the country needs to recover from the recent recession was emphasised by the Prime Minister's speech on 12 August 2010 when he stated that;

*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.*

David Cameron, 2010

This importance of the tourism industry in rebuilding and rebalancing the UK economy was emphasised in the Government's coalition programme, which specifically states that;

*We will take steps to improve the competitiveness of the UK tourism industry, recognising the important part it plays in our national economy.*

The Coalition: our programme for government

This commitment to the growth of the UK tourism industry has recently seen the Government set three goals for the industry;

1. To increase the expenditure of UK residents on domestic tourism to 50% of their total expenditure on tourism (at present UK residents spend £10bn more on overseas travel than on domestic travel)
2. To regain the UK's position as the 5<sup>th</sup> most visited destination in the world

3. To generate £1bn in overseas marketing from hosting the 2012 Olympics

This submission, therefore, looks at the improvements to the UK's transport infrastructure that are required in order for tourism industry to deliver on its growth targets.

As there are two distinct components to the UK tourism Industry – domestic tourism and international tourism, comments on the UK's transport system have been divided into two sections.

## 2. Inbound Tourism

Being an island nation, over two-thirds of people arrive or depart the UK by air. These travellers account for around 80% of total inbound tourism expenditure. The availability and ease of flights to and from the UK is the foundation on which the country's travel industry is built. The Tourism Alliance provided a submission to the Eddington Transport Review in 2006 stating that, in order for the UK to retain its status as the fifth most popular global tourism destination, the Government needed to undertake steps to increase aviation capacity, especially in the South East of England.

The Tourism Alliance also stated that it was very supportive of the expansion of regional airports as they provide a very important mechanism for spreading the benefits of tourism throughout the UK and diversifying the UK's tourism product range. However, this did not detract from the fact that London is the world's favourite international tourism destination and will remain pivotal to the tourism industry achieving the growth targets set by Government.

Since the Eddington Review, the new Government has cancelled the planned third runway at Heathrow and stated that it will refuse permission for additional runways at Gatwick and Stansted. Instead, the Government is committed to the development of a high-speed rail network within the UK and linking to similar networks in other European countries. While the development of such a network would be beneficial, this is not a viable alternative to increasing aviation capacity as the UK's most profitable source destinations for tourism are countries such as the USA and Japan while the global growth markets for inbound tourism in future are China, India and Brazil.

The Tourism Alliance therefore remains of the same view that it had in 2006: that the Government needs to ensure that adequate additional aviation capacity is developed both in the South East and throughout the rest of the UK to ease congestion and ensure that the UK tourism industry is able to grow and provide the economic and employment benefits that the country needs and that this additional capacity is delivered in a timely manner.

The economic implications of not providing this additional capacity are significant. The Department for Transport has estimated that, if the recommendations in the aviation white paper were not delivered, by 2030 demand for air travel will exceed supply by 73 million passenger movements per annum and the average cost of airfares will increase by £100. Using data from VisitBritain's econometric modelling of the price sensitivity of tourism, it is possible to calculate economic impact that this would have on the travel industry:

- a) Some 10 million overseas visitors who wish to travel to the UK will not be able to book flights and will visit other destinations instead. The average expenditure by overseas visitors to the UK is currently £500 per trip. Therefore, the loss of 10 million visitors per annum would equate to £5 billion per annum in foreign revenue (in current terms) being lost. In addition, with the average airfare to the UK being approximately £400, British airlines will also lose an estimated £4 billion per annum in foreign revenue.
- b) The loss of £5 billion in overseas visitor expenditure underestimates the true impact that restricting capacity will have on the UK's inbound tourism earnings. The £100 increase in the cost of visiting the UK amounts to 11% of the total cost. With tourism price elasticity of -1.3, this will cause a 14.4% decrease in the amount of revenue that the UK economy gains from visitors that still travel into the country. This equates to a further loss to the UK economy of £4.3 billion per annum.

Taken together, these two effects mean that, by not increasing airport capacity, the UK will forego £9.3 billion per year (in 2002 terms) from overseas visitors by 2030. This equates to forgoing over 200,000 FTE jobs in the sector.

There is a counter argument that, although aviation capacity constraints will result in lower revenue and fewer jobs from inbound tourism than would otherwise be expected, this will be more than compensated for by the rise in domestic tourism that results from people who would otherwise travel overseas being forced to take holidays at home. The problem with this argument is that, if capacity is constrained, outbound travellers from Britain will out-compete inbound travellers for the available seats as potential overseas visitors will simply switch to alternative destinations as the price increases. The net result being that a greater percentage of the people on the available flights will be British outbound travellers. As a result, Britain's tourism trade deficit will continue to worsen, rather than improve if aviation capacity is restricted.

### 3. Domestic Tourism

Domestic tourism is one of the England's largest and most successful industries. It increased by 4% in 2009, with residents taking 103m trips and spending £22bn on goods and services. In addition, these residents also undertook around 900m day trips, spending a further £46bn. Together, this expenditure supports around 1.3m full time jobs in the UK economy.

The Government's target is to increase the expenditure by UK residents from 30% of their total expenditure to 50%. If this is achieved, and assuming outbound tourism remains static, domestic tourism will generate an additional £10bn and 200,000 jobs for the UK economy.

The UK Tourism Survey shows that around 70% of tourism travel is from urban to rural and seaside destinations. Due to the nature of this travel, private vehicles account for 74% of all tourism trips, with only 21% of trips being undertaken using public transport (4% of which is by air). The figures are very similar for day visitor travel, with 68% of trips being undertaken using private vehicles and only 15% being undertaken using public transport other than aviation.

The reason for the high usage of private transport for tourism travel within the UK is that it provides a number of core benefits over using public transport. These benefits include;

1. Cost effective (especially for families)
2. Ability to transport loads (essential for family holidays)
3. Door-to-door transport (no need to interchange with children and luggage)
4. Travel at the destination (transport around the destination is as important for tourists as transport to it)

The principal disadvantages of private transport are that it adds to the already overly high levels of traffic congestion and damages the environment in comparison to the much greener public transport option. These disadvantages – largely intangible to the individual – are not, on their own, sufficient to outweigh the more immediate tangible benefits to the 74% of car users. Indeed, we are realistic in understanding the importance and convenience a large percentage of our population place on traveling by car and do not seek to dramatically impinge on that. However, simply maintaining the status quo will not enable the growth in domestic tourism that we all seek to happen.

Despite the fact that Britons undertake around 1 billion tourism-related trips each year and the tremendous benefits that are to be had by promoting a switch from private to public transport, it is commuter and intercity travel that dominant the Government's transport strategy, *Delivering a Sustainable Transport System*. This strategy targets improving the reliability of the transport system and reducing congestion and crowding problems in "key urban areas, on inter-urban corridors and at international gateways, for which we pay an economic price".

One of the rationales for the strategy concentrating on commuter and intercity travel is that tourism accounts for only 6% of all journeys undertaken in the UK. However, there is a fundamental economic reason why tourism-related transport needs to be better incorporated into the Government's transport planning strategy. This being that, increasingly, alternatives

to commuter and business travel are being developed that reduce the need to travel without reducing economic productivity (eg., remote working and teleconferencing). By contrast, there is not ability to substitute a tourism journey - a destination can only receive the economic and employment benefits associated with tourism if the visitor travels to the destination. If this journey cannot be made, the host community receives no benefit.

Despite these differences between commuter and tourism travel, the needs of both travellers are the same. The number one issue for any person using public transport, for whatever reason, is: how punctual is the service. To provide punctual services, public transport needs to be afforded priority on the roads. People will not be enticed out of their cars if the option is simply to sit stationery in the bus or coach in the next lane to them on the motorway.

The maths is simple. Two people in a car verses (an average load of) 26 people in a coach or bus. Whether travelling for reasons of tourism or commuting, the private vehicles is the least efficient use of road space and causes the greatest damage to the environment.

#### **4. Conclusion**

Tourism is one of the UK's largest industries in terms of earnings, employment and the generation of export earnings. The coalition Government has recognised that the industry is integral to the rebalancing of the UK economy, generating growth and increasing employment, and is in the process of setting ambitious targets and developing a new national tourism strategy to achieve this.

The provision of an effective and efficient transport infrastructure is fundamental to the delivery of this strategy and its associated targets. This requires there to be adequate capacity at all entry-points to the UK, especially in the South East, and for the national transport strategy to recognise and incorporate the needs of tourism travel for the domestic tourism industry.

The government must take a strong lead in promoting modal shift and find ways to encourage local authorities not to take the simple, short sighted political option of doing nothing.

Thank you for the opportunity to provide evidence to this Inquiry. 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

