TourismAlliance
the voice of tourism

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VisitBritain/VisitEngland Triennial Review
Tourism Alliance Submission

1. Introduction

We would like to thank you for the opportunity to provide evidence for this Triennial Review. The Tourism Alliance was established in 2001 as the voice of the UK tourism industry. It comprises 50 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. We are therefore responding to this inquiry in that capacity.

At the outset, it is important to state that both VisitBritain and VisitEngland have the confidence, respect and support of the Tourism Alliance and its members. We believe that they perform an important and valuable service for the British tourism industry to a high standard within the constraints of their mandate and resources. Their activities are fundamental to the growth of tourism in the UK and its future success.

2. The Need for Public Sector involvement in Tourism Development and Promotion

People undertake travel primarily to experience a destination. The tourism industry therefore relies on destination marketing and development to attract visitors. This destination marketing and development relies on public sector funding for three main reasons.

First, the tourism industry is characterised by over 80% of the estimated 250,000 tourism businesses being small to medium sized enterprises (SMEs). These businesses have few opportunities to undertake marketing both in terms of available funds and routes to market – especially in overseas markets. To ask these businesses to come together to contribute to a destination marketing fund would simply cause the free-rider effect – i.e., a large number of businesses would not provide funding because they would still benefit from the marketing funded by other businesses.

Second, much of the benefit associated with tourism falls outside businesses that see themselves as "tourism businesses". For example, accommodation and attractions typically account for around just 40% or a visitor's expenditure. The rest is spend in retail shops, pubs, restaurants, petrol stations and railway companies, most of which would not classify themselves as being tourism businesses and would generally be unwilling to fund destination marketing.

As such, providing funding for destination marketing through taxation is universally recognised as being the most effective, efficient and fairest means of gaining contributions.

The third main reason for Government involvement in tourism marketing and development is that tourism is a central component of the UK's country's soft power strategy. The Government has a stake in how the UK is perceived both domestically and overseas and this perception is beneficial to the country in terms of both trade and investment and international diplomacy. The GREAT campaign and associated branding is testament to this.

In providing the mechanism to both gain and channel the funding required to undertaken destination marketing and development, the Government is supporting an industry that has been at the forefront delivering core Government policy – namely, rebalancing and rebuilding the UK economy.

Since 2007, revenue from inbound tourism has increased by 31% from £16bn to £21bn, creating an additional 90,000 jobs for the UK economy. On the domestic side, tourism revenue in England has increased 16% from £16.2bn in 2007 to £18.8bn in 2013, despite the pressure on discretionary expenditure, and is now 6% above the pre-recession peak.

The Office for National Statistics has recently calculated that almost a third of the new jobs generated in the UK over the last three years have been in tourism related businesses, with much of this additional employment being in the regions where it contributes to maintaining the rural economy and coastal communities. Even more importantly, 39% of those employed in tourism businesses are under 30 years old, meaning that the tourism industry is contributing the reduction of youth unemployment.

While there are multiple reasons for the growth in domestic and inbound tourism, we believe that there is considerable evidence that the activities of both VisitBritain and VisitEngland are central to the increased economic benefits that accrue to the UK from tourism.

3. The Performance of VisitBritain and VisitEngland

The Government's stated measures for the performance of the UK tourism sector are set out in the Government's Tourism Policy, which was launched in March 2011. These goals are:

i. For Inbound Tourism

- To attract 4 million extra visitors to Britain over the next 4 years. This equates to additional expenditure of £2bn in the UK economy, which creates 50,000 new jobs.

ii. For Domestic Tourism

- To increase the proportion of UK residents who holiday in the UK to match those who holiday abroad each year. For longer stays (4 nights or more) this would mean 29% of travellers holidaying in Britain rather than just 20% today (creating 4.5m extra domestic trips each year, £1.3bn more spend and 26,000 new jobs).

VisitBritain and VisitEngland have strategies for helping deliver these goals. VisitBritain's strategy, "Delivering a Golden Legacy" sets the target of inbound tourism numbers growing to 40m by 2020, which would generate an additional £13bn, while VisitEngland's "Strategic Framework for Tourism in England" sets a target of 5% p.a. growth in tourism revenue between 2010 and 2020.

In addition to the targets set in these strategies, both organisations also have yearly targets agreed with DCMS as part of their Funding Agreement. These targets relate to the delivery of key programmes and achieving a high return on investment.

i. VisitBritain

It is now over three years since the Government's Tourism Policy was launched. In that time, inbound tourism revenue has increased by £4.1bn (24%) and visitor numbers have increased by 3m per annum. As a result, 73,000 new jobs have been created. These results significantly exceed the target set for inbound tourism in the Government's Tourism Policy.

While not all inbound tourism to the UK can be attributed to VisitBritain's marketing activities, it is worth noting that the Return on Investment that VisitBritain is achieving from its marketing activities is 19:1

Putting aside the GREAT campaign funding, VisitBritain's core marketing expenditure in 2013/14 was £12.1m. This generated £579m in additional tourism revenue for the UK economy (3% of all UK inbound tourism revenue) and maintains 10,300 jobs. Work undertaken by the Tourism Alliance estimates that around 18% of the expenditure by overseas visitors goes directly to Government through VAT and APD payments. Applying this to the £579m generated by VisitBritain means that the organisation provides a direct benefit to the Exchequer of £104m on a total grant-in-aid of £23m.

On this simple measure alone, VisitBritain is providing a strong return on investment for the Government. This return could not be generated by the tourism industry working on a contributory basis due to fragmentation and mutual competition.

ii. VisitEngland

There is compelling evidence to suggest that VisitEngland is also helping the domestic tourism sector achieve the goal in the Government's Tourism Policy.

ONS's Tourism Trends survey shows that British residents undertook 31.6m overseas holiday trips of 4+ nights and 20.1m holidays of 4+ nights in the UK. This means that 39% of these holidays are now being taking in the UK compared to 23% in 2010.

Therefore, measured against the Government's Tourism Policy, VisitEngland's activities are also supporting a result that exceeds the Government's target.

In addition, after years of slow decline, domestic tourism has grown at a cumulative rate of just over 5% per annum since 2010, showing that VisitEngland is also achieving the target it set itself in the Strategic Framework for Tourism in England.

Further, VisitEngland is achieving a Return on Investment of 20:1 on its marketing activities and, like VisitBritain, is providing a direct return to the Exchequer in excess of its core Grant-in-Aid funding.

Recommendations

i. That the Triennial Review note that both VisitBritain and VisitEngland are helping the sector fulfil the targets set in the Government's Tourism Policy, as well as the targets set in their own strategies and their Funding Agreements with DCMS

ii. That the Triennial Review note that the direct benefit to the Exchequer that accrues from the activities of both organisations exceeds their Grant-in-Aid funding.

4. Tourism Structures

a. Separation of VisitEngland and VisitBritain

The Tourism Alliance supports the separation of VisitBritain and VisitEngland. This move simply returns both organisations to the situation envisaged by the Development of Tourism Act 1969, whereby there are two autonomous bodies with different remits that are separately accountable for their activities.

It is our view that the CEO of VisitBritain being the Chief Accounting Officer for VisitEngland, and ultimately responsible for the actions of a separate Board over which they have no control, is untenable and that reverting to independent structures provides much greater transparency and public accountability.

This is not to say, however, that the two organisations should be totally separate. There is considerable cost-saving that can be achieved by both organisations being co-located and sharing back-office and other compatible functions. We would want this to continue so that the maximum level of Grant-in-Aid funding can be allocated to front-line marketing activities.

Recommendations

i. That VisitBritain and VisitEngland become independent bodies that are separately accountable to the Government and the industry.

ii. That VisitBritain and VisitEngland remain co-located and share back-office services in order to maximise efficiency

b. Location of VisitBritain within Government

There is an argument that, with the success of the GREAT Campaign, and the new working relationship that VisitBritain has with BIS, the organisation should be located either alongside or within UKTI as the overseas marketing arm of UK plc. Such a move would more closely align VisitBritain with other organisations charged with bringing overseas revenue and investment into the UK.

However, it is our view that there are considerable disbenefits to this approach. The main problem is that, with VisitEngland remaining at DCMS, responsibility for tourism development and promotion would be divided between two Government Departments, which would be detrimental to coherent tourism policy development. A further problem would be the separation of policy on overseas tourism promotion from policy on the assets on which the industry is based (i.e., historic resources, museums and galleries, arts and creative industries).

While the Tourism Alliance would not like to see VisitBritain relocated to BIS or UKTI, we are very supportive of there being a closer relationship between VisitBritain and UKTI to reflect tourism being the UK's fifth largest export industry and inbound tourism revenue accounting for around 400,000 FTE jobs in the UK economy. In addition, a closer working relationship would benefit both organisations through the sharing of research and intelligence on attitudes and opportunities in overseas markets.

To facilitate this, we would therefore like reciprocal Non-Executive membership on the VisitBritain and UKTI Boards.

Recommendations

i. That VisitBritain remains a NDPB sponsored by DCMS to ensure coherent tourism policy

ii. That VisitBritain and UKTI have reciprocal Non-Executive positions on each other's Boards to increase the effectiveness of overseas market activity.

c. Location of Tourism Within Government

There has long been a debate as to whether tourism should be with DCMS or BIS and there are valid arguments for both scenarios – moving to BIS would see tourism recognised as a leading industry and export earner while retaining tourism within DCMS means that tourism is located within the same department that is responsible for the resources on which it is based.

We believe that, rather than the location of tourism within Government, it is more important that there be a coherent cross-Whitehall approach to tourism. This is particularly important due to the wide range of Government departments whose responsibilities impact on the tourism industry. For example, the Home Office (visas), DfT (aviation, road and rail), HM Treasury (Air Passenger Duty and VAT), DEFRA (rural and seaside economies) all have a role to play in tourism development and growth.

The Tourism Alliance is therefore an advocate of the newly formed Tourism Industry Council which brings together ministers from DCMS and BIS to improving skills, increasing the quality and quantity of jobs available and boosting enterprise in the industry. However, we would like to see this Council become permanent and its role expanded in order to address policy issues that impact of the ability of VisitBritain and VisitEngland to provide growth and employment for the UK economy.

Recommendations

i. That the responsibility for tourism remains within DCMS.

ii. That the remit and membership of the Tourism Industry Council is expanded to include representatives from all relevant Government Departments in order to address all policies that effect the tourism industry.

d. Sub-National Tourism Co-ordination

VisitEngland does not have a remit for sub-national tourism development or promotion. Therefore, to be effective in its role of maximising tourism benefits for England, it needs to work in partnership with Destination Management Organisations (DMOs). Similarly, VisitBritain requires a strong sub-national tourism network to spread overseas visitors around the UK. However, this is becoming increasingly difficult as these organisations have been under considerable pressure over the past five years. The majority of tourism businesses are not involved with any DMO and, in many places, there is no DMO for them to join.

There are two main reasons for this. First, the abolition of the RDAs in 2010 saw around £65m per annum removed from sub-national tourism development and promotion.

Second, the main source of public funds for tourism organisations at the sub-national level has traditionally been Local Authorities. While tourism is not a statutory responsibility for councils, the vast majority recognised the benefits of tourism to the local economy and the need for their involvement either part funding a local tourist board or undertaking tourism development and promotion work in-house.

However, with the recession, council funding of tourism activity has declined significantly - from £122m in 2007/8 to £85m in 2014/15 and is set to fall considerable further. This 30% decrease in council funding on tourism is far greater than the overall 7.5% reduction in local authority expenditure over the same period. The Government's Tourism Policy presumed that Local Authorities could raise additional funding by retaining part of potential increases in business rates, this has not proved possible.

The net result is that public funding of tourism development and promotion at the sub-national level has decreased by £102m (55%) since 2007/8.This dramatic decrease in sub-national public funding has caused a number of problems that urgently need to be addressed.

- The number of Destination Management Organisations has grown to well over 200 as the regional tourism structures put in place by the RDAs have fragmented.
- As the number of DMOs has increased, their viability has decreased with many now close to closure
- There is a substantial risk many of the targets in the Government's Tourism Policy that depend of their being strong, well-funded DMOs, will not be achieved.
- The ability to disperse tourists away from London and into the regions has diminished substantially.

The Tourism Alliance strongly believes that the subnational tourism structure in England is now effectively broken and that this will significantly impact on the ability of both VisitBritain and VisitEngland in undertaking their functions and achieve their goals.

Recommendations

i. That the Triennial Review recognises the significant problems that have been caused by cuts to public funding of tourism at the sub-national level and, therefore, the inability of the tourism sector to fully realise its potential economic contribution to local, regional and national economies.

ii. That a recommendation is made that the Government takes urgent action to ensure the ongoing viability of DMOs so that Government, VisitBritain and VisitEngland can achieve their tourism targets.

5. Growth Opportunities

The UN World Tourism Organisation predicts that global tourism will increase 66% by 2030, with much of this growth coming from large emerging markets such a China, Brazil, India, Russia and Indonesia. Outbound tourism from China alone has increased from 20m to 97m in the last 10 years. Similarly, in the domestic market, with 85% of people who undertake a domestic holiday rating the experience as excellent, there are significant opportunities to encourage UK residents to undertake more domestic holidays and help return the UK to a producing a tourism surplus.

However, the ability of the tourism industry to provide continued growth and employment for the UK economy is dependent, to a large degree, on the Government being able to provide the requisite level of support for the sector to exploit these opportunities.

a. Funding For VisitBritain and VisitEngland

Tourism is a devolved responsibility in the UK with the Scottish Parliament and Welsh Assembly being responsible for funding Visit Scotland and VisitWales. Of the four National Tourist Boards, Visit Scotland has the highest level of funding (£50.3m during the 2014/15), whereas VisitWales has a budget estimated to be approaching £20m.

While funding for Visit Scotland and VisitWales has increased significantly since devolution, Grant-in-Aid for VisitBritain and VisitEngland has decreased. This reduction in funding has been particularly severe over the past seven years due Government austerity measures. Although VisitEngland’s funding was maintained in the last Comprehensive Spending Review (VisitBritain’s decreased by 5%), combined funding for the two agencies has fallen by 47% over this period - from £55.1m in 2007/8 to £29m in 2014/15.

We are very concerned that the reduction in funding to both VisitEngland and VisitBritain has gone beyond what was justified to gain efficiencies. We believe that current funding levels are not only preventing both organisations from taking advantage of the opportunities outlined above, but are now impacting on the critical mass that these organisations require in order to effectively undertake their current marketing programme in the domestic and overseas markets.

One piece of evidence that the VisitBritain funding needs to be reviewed comes from the American market. America is the UK’s single most important source market for tourism with visitors contributing over £2.5bn to the UK economy and maintaining over 45,000 jobs. However, while total outbound tourism from America has risen by 51% (from 40.8m to 61.6m) between 2007 and 2013, the number of American visitors to the UK has decreased by almost 20% (from 3.2m to 2.6m) over this period.

A key reason for this is that VisitBritain’s marketing budget in the USA is now less that £1m. As a comparison, Tourism Ireland is spending twice this amount in the USA just on their Autumn marketing campaign. It is worth noting the American visitors to Ireland are currently increasing at 11% per annum while American visitors to the UK are decreasing by 2%.

The reduction in funding to both organisations has resulted in significant restructuring in both organisations and an increased reliance on funding from private sector companies and initiatives such at the GREAT campaign and Domestic Tourism initiatives such as the Wallace and Grommit Television promotion. The Regional Growth Fund is available for tourism but is presently ill-suited to considering tourism-related bids meaning that the tourism-related allocation is less than 1% of RGF funding.

While the tourism industry is fully supportive of the GREAT campaign and the establishment of contestable funding pots, there are problems associated with VisitBritain and VisitEngland's' increasing reliance on this form of funding.

i. Successful tourism development and promotion work in overseas and domestic markets requires long-term funding. Having tourism promotional activities bases on contestable or "one-off" funds is not a sustainable way to developing tourism markets.
ii. Making the NTBs increasingly dependent upon contestable funding tends to change their focus from maximising tourism benefits to maximising the organisation's income.

We believe that the application of tourism funding should be determined by VisitBritain and VisitEngland for their respective areas of activity and not be available only as part of a separate Government-defined, and non-tourism-specific campaign.

There is a place for contestable funding for tourism development. However, this type of funding should be additional to core funding rather than a substitute for core funding.

b. Business Tourism Funding

One of the main areas that has been impacted by a lack of tourism funding is Business tourism. Discretionary business expenditure is worth £39.1bn to the UK economy and comprises 35% of all tourism expenditure. It comprises events, conferences and incentive travel. Despite the level of discretionary travel and the high value of business travel, funding cuts now mean that VisitBritain now undertakes almost no business travel work and VisitEngland is only able to spend £700,000 on the sector. This lack of funding needs to be addressed.

In addition, there needs to be Events Strategies developed for Britain and England that mirrors those already in place for Scotland and Wales. They should build on the work that VisitEngland currently undertakes and cover business, sporting and cultural events. These strategies also need to be supported by, and co-ordinated with, English bodies such as Sport England and Arts Council, and UK bodies, such as the British Council and UKTI, in order to maximise their effectiveness.

c. Co-ordinating Domestic Public Expenditure

The GREAT campaign has shown what can be achieved by the UK's overseas agencies working together to implement a common marketing campaign.

We believe that a variation of this model should be adopted in the domestic market. DCMS is responsible for much of the asset base on which the domestic tourism industry is based including the arts, heritage, culture and sport. The Department should require its agencies to work together on promotional activities so as to maximise the benefits of public expenditure and boost regional growth. While this could include complementary or separate branding, the promotional activities of public agencies should be linked to VisitEngland's "Strategic Framework for Tourism in England".

This model could also be extended to include other Government agencies such as Natural England and to the new funding being provided to LEPs as a significant number have included tourism development in their strategies.

Recommendations

1. That, with the economy growing again, a re-evaluation is made of the balance between core funding and "one-off" and contestable funding for tourism development and promotion.
2. That the GREAT campaign be made permanent, and that other funding sources from across Government from which tourism can benefit (e.g. RGF) be consolidated into a single pot which can be accessed through dual-key funding by Visit England and destinations.
3. That VisitBritain and VisitEngland formulate business tourism strategies and are adequately funded to develop this important market sector.
4. That DCMS brings together its tourism related agencies to develop a co-ordinated strategy for marketing that ties-in with the Strategic Framework for Tourism in England.

Again, I would like to thank you for the opportunity to provide evidence as part of this Review. If you would like any further information on any of the issues raised in this submission, please let me know. Alternatively, if it would help you to have a round table discussion with the industry on the structure and function of tourism delivery in the UK, we would be delighted to host such an event.

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