

## OCTOBER 2015 NEWSLETTER

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### **The Challenge Fund Challenge**

One of the main trends that has become apparent in tourism funding over the last few years is the Government's use of Challenge Funds to replace traditional funding models. This new model came to the fore with the Regional Growth Fund after the RDAs were abolished and has now spread throughout Government to include the Coastal Communities Fund, the Northern Fund, the Rural Tourism Fund, the South West Fund, the UK Challenge Fund and the LEADER Fund.

We now have a situation where Challenge Funding is so prevalent that around £40m will be allocated to tourism projects in 2016 compared to just £26m being allocated through Grant in Aid. There is also the prospect of VisitEngland being allocated a Challenge Fund through the Comprehensive Spending Review that could boost this to over £60m per annum – over three times the GIA allocation.

While all funding allocated to tourism growth is welcomed, one of the more concerning aspects of the increasing dominance of Challenge Funding over GIA funding is that there is little evidence that this is actually the best model for increasing tourism benefits for the UK. There is neither a research nor a theoretical basis to support this approach, yet there are a number of obvious flaws with the Challenge Funding model.

For example, Challenge Funding is, by definition, a one-off allocation. This is fine for capital projects but is less suited to funding marketing programmes which require longer-term investment. Also, Challenge Funds, especially where controlled by different Government Departments and subject to different criteria, incentivise organisations to fund-chase, thereby reducing the return on investment to the UK as a whole. Finally, the overall cost to bidders in competing for Challenge Funds can be greater than the level of funding provided leading to a net decrease in tourism benefits.

Which leads us to the real kicker – those involved in the Northern Fund and the South West Fund are in a cleft stick that has serious implications for the UK tourism industry.

If they are successful, this will create the view in Government that Challenge Funds are the model for future tourism funding. However, if these initiatives are unsuccessful, then Government's view will be that responsibility for tourism funding should be devolved.

The challenge is therefore to make sure that the current initiatives are successful while, at the same time, migrating tourism funding to a more stable mechanism.



**Kurt Janson**  
**Director, Tourism Alliance**

The Tourism Alliance, together with the Airport Operators Association and Virgin Atlantic, has produced a paper to outline a series of four proposals for improving the attractiveness of the UK visitor visa offer. These improvements are designed to help rebuild the UK's market share in high-growth visa-national countries, some of which will actually reduce Home Office costs associated with visa processing.

The four proposed improvements to the visa system are:

1. Cut the cost of a long-term visitor visa to encourage customers to trade-up from a standard visa and undertake additional trips. Issuing more long-term visas rather than standard visas would save the Home Office money as they currently lose £50 for each standard visa issued due to the cost of processing applications.
2. Sharing biometric facilities with Schengen Countries to provide customers with a "one stop shop" where they could have their biometric information taken for both the UK and Schengen visas at the same time.
3. Reforms to reduce the financial risk to the applicant of long-term visas. Visitors are currently deterred from applying for a long-term visa due to having to pay the cost upfront and risk losing all the money in the event that the application is declined.
4. Further reforms to Direct Airside Transit Visas (DATV) such as reducing the number of countries impacted by the requirement and further reducing the cost of the DATV.

[Click Here](#) for a copy of the visa paper

## **ALCOHOL WHOLESALER REGISTRATION SCHEME**

HMRC is launching a new scheme to reduce the risk of counterfeit alcohol (on which no duty is paid) being sold to customers. Under the scheme, wholesalers will have to apply and pass tests to be accepted onto a HMRC register. For retailers such as tourism businesses who sell alcohol to customers, it will be illegal to buy their alcohol from anyone who is not registered.

Due to technical issues with the online registration system, the launch date of the scheme has been put back to 1st January 2016. The key dates to note are:

- From 1st January 2016, alcohol wholesalers will need to apply online to register for the scheme.
- From 1st January 2016, HMRC will start to review applications to decide if businesses are "fit and proper" to be accepted onto the register.
- From April 2017, all retailers that sell alcohol to customers will need to make sure that any UK wholesalers they buy from are registered with HMRC. HMRC will provide an online look-up database of approved traders for buyers to use.

In the meantime, HMRC is encouraging buyers to review their supply chains to ensure that they are doing all they can to source genuine tax-paid alcohol and also to check that their wholesalers are aware of the scheme.

[Click Here](#) for more information

## **LIB DEMS CONFERENCE**

The Liberal Democrats adopted a number of new policies that support tourism at their recent party conference in Bournemouth. These include reducing tourism VAT and bringing back term-time holidays.

The Liberal Democrats are the first main political party to back the move to cut the rate of VAT on visitor accommodation and attractions from 20% to 5%. The conference heard that 25 out of 28 EU states already apply a reduced rate of VAT on tourism. And if introduced nationally, the VAT reduction is expected to create 123,000 jobs and £4 billion of extra revenue over 10 years.

On bringing back term-time holidays, the party warned that the current ban on missing lessons is socially divisive as it forces poorer families to break the rules or miss out on holidays altogether. Their policy says that head teachers should have the discretion to grant up to ten days absence a year.

[Click Here](#) for more information on the tourism VAT announcement

[Click Here](#) for more information on the term-time holidays announcement

## APPRENTICESHIPS LEVY CONSULTATION

The Tourism Alliance has sent a submission to BIS's Apprenticeships Levy Consultation which invites views on proposals to establish a levy on large employers to help fund 3 million new apprenticeships.

Our submission voices concerns about the introduction of the compulsory levy, chief of which is that it would be too bureaucratic and fails to take into account in-house training programmes that many businesses operate. We believe that rather than forcing businesses into a compliance-based regime, they should be incentivised to provide training for their staff – i.e. there should be a “carrot” rather than a “stick” approach.

The main problem with the current system is that it is complex and bureaucratic and that the Government's focus should be on resolving these problems rather than trying to develop a new system which itself has the risk of being equally complex and bureaucratic.

[Click Here](#) for a copy of the Submission

## SAVE THE DATE

Please save the date for the Tourism Alliance's annual Parliamentary Reception which will be held on Monday 7th March 2016 at 4:30pm – 6:30pm, in the Members' Dining Room at the House of Commons. The Reception is the flagship Parliamentary event of English Tourism Week and is kindly sponsored by The Caravan Club and the Family Holiday Association.

The Tourism Alliance will also be coordinating the MP's Tourism Constituency Day on Friday 11th March 2016, where MPs from across England will be invited to visit their local tourism industry.

Both events are part of English Tourism Week which runs 5th-13th March 2016. This will be the fifth English Tourism Week and the theme will be "gardens". More information, logos, resources and a list of activities will be available shortly on the English Tourism Week website.

[Click Here](#) for more information on English Tourism Week

The Tourism Alliance is the Voice of the Tourism Industry.

Established in 2001 with the support of the Secretary of State for Culture, Media and Sport, the Tourism Alliance comprises 55 Tourism Industry Organisations that together represent some 200,000 businesses of all sizes throughout the UK.

The purpose of the Tourism Alliance is to identify and develop policies and strategies to raise standards and promote quality within the industry and work with and lobby government on all key issues relevant to the growth and development of tourism, to maximise its contribution to the economy.

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