TOURISM ALLIANCE

the voice of tourism

TOURISM AND THE UK'S ECONOMIC RECOVERY

10 Opportunities to Generate Economic Growth Through Tourism

INTRODUCTION

Tourism is one of the most important components of the UK economy. 3.4 million are employed in over 300,000 businesses. These are spread across every constituency in the UK. Tourism generates over £150 billion every year for local communities.

The UK's inbound tourism industry is the fifth largest in the world, generating £31 billion per annum in export earnings. This is a vital contribution to the country's cultural and historic institutions. The UK is competitive: the World Economic Forum ranks it as the 6th most competitive in the world. The UK brand is strong: the Anholt-Ipsos Nation Brands Index ranks the UK 4th out of 50 nations for international visitors.

The size, strength and geographical spread of the UK tourism industry means that it can provide economic growth and increase revenue for the Exchequer.

This was demonstrated in the aftermath of the Global Economic Crisis. The Office for National Statistics showed that, in the three years between 2010 and 2013, the UK tourism industry

· Provided almost a third of the additional 900,000 jobs that were created in the UK.
· Provided growth at a faster rate than most other industries
· Increased export earnings by 26.5%

ONS concluded that

"Tourism is one of the industries which has helped support the UK economy since the economic downturn in 2008."

This document highlights ten opportunities whereby the UK tourism industry can provide revenue of over £11bn per annum for the UK economy to help overcome the current global economic slowdown. These opportunities come with little or no financial cost to the Government; indeed some reduce costs while generating growth.

Tom Jenkins
Chair
Tourism Alliance

SUMMARY

The UK tourism industry is one of the largest sectors of the UK economy. The 303,000 businesses in the sector generate £157bn for the UK economy and provide employment for 3.4m people. Importantly, the UK is the fifth largest international tourism destination with overseas visitors spending £31bn per annum in the UK economy. As such, tourism is the UK fifth largest export earning sector, second only to financial services in terms of service sector exports.

While the sector was badly impacted by the global pandemic it has repeatedly shown its ability to bounce back from international crises and provide much needed growth for the UK economy.

This document, therefore, sets out a series of ten initiatives that the Government could implement to generate growth of £11.6bn. These are:

Initiative

1. Introduce a Youth Group Travel Scheme for EU Student Groups
2. Increase Funding for International Marketing
3. Introduce a Low-Cost Five Year Visitor Visa
4. Reinstate the VAT Reclaim Scheme
5. Revise the Package Travel Regulations
6. Fully Implement the De Bois Review
7. Expand and Reform the Youth Mobility Scheme
8. Reduce the VAT Rate For Hospitality and Attractions
9. Use ETAs to Boost Business Tourism
10. Reform Business Rates

Importantly, these initiatives are, in the main, cost-neutral, either generating additional revenue for the Exchequer or reducing Government expenditure.

We look forward to working with the Government on the development and implementation of these initiatives so that the UK tourism industry can continue to provide significant benefits to the UK economy and to local communities.

WHY THE UK TOURISM INDUSTRY?

There are many industries that can claim, with the right Government policies, they can generate growth for the UK economy. However, the UK tourism economy has a number of unique characteristics and advantages over other sectors of the economy that mean that it can provide that growth much faster and that the benefits of that growth will be distributed more widely across all regions, nations and communities.

- **Fast Return in Investment**

The UK tourism industry has considerable spare capacity within the accommodation, attraction and transport sectors. As such, it does not need capital investment and there is no need to wait until new facilities and infrastructure have been constructed before growth can be generated. In addition, the time-lag between introducing policy changes and generating growth is very low (generally in the order of three-six months) meaning that the benefits are much more immediate than other sectors of the economy.

- **Every Regional and Local Community Benefits from Tourism**

The 303,000 tourism businesses in the UK are spread relatively evenly across the country, meaning that all but one region employs more than 650,000 people in the sector and receives over £3.5bn in tourism expenditure from visitors.

- **Tourism is a Key Means of Distributing Wealth**

A core component of domestic tourism in the UK is people holidaying at the beach or in the countryside. This moves £25bn per annum from urban to rural and seaside economies (£50bn per annum if expenditure in small towns and by overseas visitors is included) and represents the largest non-governmental redistribution of wealth in the UK, making tourism a key mechanism for levelling-up.

- **Tourism is an Important Component of the UK's Soft Power**

The tourism industry helps shape how the UK is perceived overseas. International marketing campaigns, including the GREAT campaign, business and events-based tourism and educational travel all enhance the UK's global standing and project the country as an open and welcoming place for investment and trade.

- **Tourism can Deliver Sustainable Growth**

Tourism is also an important mechanism for delivering sustainable growth for the UK economy. It supports local communities by making local shops, services and transport connections economically viable, encourages the development of local products and services and incentivises the protection of the historic and natural resources on which it is based.

INTRODUCE A YOUTH GROUP TRAVEL SCHEME

OPPORTUNITY:

Generate £875m per annum in inbound tourism revenue by introducing a Youth Group Travel Scheme for student groups traveling to the UK from EU countries.

The UK's inbound youth group travel sector is an extremely valuable export industry and a key growth component of the UK's visitor economy.

In 2019, 1.2 million EU students under the age of 18 visited the UK as part of a youth group tour, to attend an English language school, undertake a school trip or take part in a cultural or sporting event. Collectively this market contributes over £1 billion per anuum to the UK economy and sustains over 17,200 UK jobs that transcend all regions of the UK, from cities and towns to the coast and countryside.

This industry has the ability to deliver economic growth, provide significant net benefits to the Treasury and drive the UK's soft power and levelling up ambitions. However, the UK's new requirement for all EU school children to have passports to enter the UK has had a devastating and unintended impact on the industry.

Following the UK's decision to leave the European Union, the UK introduced the requirement that all international visitors, including students under the age of 18, need a passport to gain entry into the UK rather than just a national ID card. The decision has decimated the youth group travel market as a high percentage of EU students do not have passports and inclusivity rules mean that school trips have to be cancelled if the requirements for travel are too onerous on disadvantaged children.

Recent research by the Tourism Alliance, UKinbound, English UK, ETOA and BETA showed that this policy has caused an 83% decline in EU student group visitors to the UK in 2022, resulting in a loss of revenue of approximately £875m and 14,500 jobs.

This is a particular problem for coastal communities which are traditionally home to many language schools. Students are not returning to these schools, resulting in an acute revenue drain in these areas, which is severely impacting local communities and also affecting local families that would normally host these students, and from whom they would historically receive a vital source of income. A good example is Hastings where English language school trips normally provide £35m per annum for the local community but in 2002 only generated £3m.

The solution is to create a new Youth Group Travel Scheme which would allow EU students under the age of 18 that have an ID Card, and therefore the right to live in the EU, to travel to the UK as part of an educational, cultural or sporting group if under the responsibility of a teacher or supervisor that is travelling on a passport.

Prior to the UK leaving the EU there was no evidence the List of Travellers Scheme was being abused as a route of entry into the UK or that school children were security risk to the UK. As such we do not believe that developing a new Youth Group Travel Scheme would make the UK border any less secure.

Introducing such a scheme would enable UK travel operators and businesses to win back the UK's share of the EU student group travel market, generating at additional £875m for the UK economy.

1

INCREASING FUNDING FOR INTERNATIONAL MARKETING

OPPORTUNITY:

Generate an additional £1.0bn for the UK economy and £400m for the Treasury by allocating VisitBritain £50m for international tourism marketing.

The global travel and tourism industry generated £1.3 trillion for the global economy in 2019. While the Covid pandemic reduced this by 71%, global tourism is now recovering strongly with the latest UNWTO figures showing that visitor numbers to other Western European countries had recovered to 79% of pre-Covid levels by May 2022.

In the UK, VisitBritian's forecast for UK international tourism recovery is that, by the end of 2022, expenditure by overseas visitors will be 76% of pre-Covid levels at £23.5bn.

While this is a strong recovery, it is lagging behind that of competitor destinations which have committed significant marketing expenditure to rebuild their share of inbound tourism revenue. For example:

- Ireland is spending €80m on international tourism marketing this year
- Spain is spending €90m on international marketing as part of a €4.3 billion tourism recovery plan
- Australia is spending £250m on marketing over the next three years
- The USA has allocated an additional £185m for tourism marketing
- In contrast, there was no announcement of additional marketing expenditure this year for VisitBritain or the GREAT campaign.

Although the UK will remain a "must-see" destination, increased tourism marketing expenditure is needed if the UK is to maximise the benefits of the global recovery in international tourism in a highly competitive international market.

The benefits of providing additional marketing expenditure have been demonstrated previously when the Government committed £20m in the wake of the downturn in international travel following the 9/11 terrorist attacks which caused a 15% fall in global travel. As a result of this increased marketing activity, VisitBritain actually generated a 6.8% increase in visitors and 2.6% (£146m) increase in revenue for the UK economy.

The National Audit Office has confirmed that VisitBritain generates a Return On Investment on its international marketing expenditure of 23:1 – ie., overseas visitors spend an additional £23 in the UK for every £1 that VisitBritain spends on marketing activity. Providing VisitBritain with an additional £50m in marketing expenditure would therefore generate £1bn in inbound tourism revenue and would increase revenue to the Treasury by around £400m per annum as a result of additional Air Passenger Duty and VAT receipts.

Importantly, there would be no significant delay between the Government allocating this additional funding to VisitBritain and the Treasury recouping the allocation through increased tax receipts as the average time between VisitBritain undertaking marketing campaigns and visitors coming to the UK as a result of the marketing activity is less than six months.

2

INTRODUCE A LOW-COST FIVE YEAR VISITOR VISA

OPPORTUNITY:

Generating an additional £1bn in revenue through repeat visits and reduce Home Office costs by introducing a £150 five-year multiple entry visitor visa for international visitors.

Data from the Office for National Statistic's International Passenger Survey shows that of the 40m visitors to the UK each year, over 10% (4.2m) come from countries needing a visa to enter the UK. These visitors spent £6.1bn in the UK during their stay which provides direct employment for over 100,000 people. Importantly, the number of visitors to the UK from visa national countries has doubled over the last 10 years, far exceeding the growth rate in visitors from visa waiver countries.

Yet, at the same time, the UK's performance in visa national markets has been poor compared to the growth in outbound tourism from these countries. For example, the UK's share of the rapidly growing outbound market from India has halved over the last 15 years at a cost to the UK of £750m per annum.

One of the main reasons for this is that rival destinations have improved their visa offering. For example, a standard UK six-month visitor visa is currently £100, while a standard Schengen visa is £25 cheaper and allows visitors to travel around 26 different countries. The competitiveness of the UK's long-term visitor visas is even worse with a five-year multiple entry visa costing £670, meaning a visitor would have to return to the UK at least seven times within a five-year period for this to be cost-effective. This is something that very few visitors do. By comparison, an Australian 10-year visa is £550 and the United States charges Chinese visitors just £160 for a 10-year visa.

As the cost of processing a standard UK visitor visa is £150, the Home Office currently loses £50 on each visitor visa it processes – which totals around £200m per annum for the 4.2m visitor visas issued each year. It therefore makes economic sense for the Home Office to introduce a five-year visitor visa for the break-even price of £150 in order to reduce this loss by encouraging visitors to trade-up from a standard visitor visa. Doing this would also encourage visitors to undertake multiple trips to the UK within the 5-year period, thereby providing additional revenue for the economy.

The best way to market this visa would be to contact successful applicants for a standard visa and offer them the opportunity to upgrade their standard visa to a 5-year visa for £50 extra. This is a common marketing tool in many sectors of the economy and there is no reason it cannot be used by the Home Office to similarly generate additional revenue.
If the introduction of a low-cost five-year visa encouraged just 15% visa national visitors to upgrade from a standard visa and undertake just one additional visit to the UK, this would generate:

- £1bn per annum in additional revenue for the UK economy
- £32m in savings for the Home Office
- £125m per annum for the Exchequer in additional VAT receipts
- £100m per annum for the Exchequer in additional APD receipts

A further benefit would be to boost the UK education sector by encouraging parents to send their children to UK universities knowing that it they will be able to regularly visit them while they are studying in the country by purchasing a low cost five-year visa.

3

REINSTATE THE VAT RECLAIM SCHEME

OPPORTUNITY:

Reinstating the VAT Reclaim Scheme and expanding it to cover European countries would generate an additional £3.1bn per annum in additional overseas revenue with a net benefit to the Treasury of £0.35bn per annum.

At the beginning of 2021 the UK closed its VAT Reclaim Scheme and became the only European country that does not offer tax-free shopping to visitors. This decision removed one of the main tourism-related opportunities to arise from the UK leaving the EU – to expand the VAT Reclaim Scheme to include EU countries, thus making the UK Europe's main tourism and shopping destination.

Retaining and expanding the VAT Reclaim Scheme to cover EU countries would have given the UK tourism and retail sectors a considerable competitive advantage over EU destinations in attracting visitors who would otherwise holiday in the EU, especially around periods such as Christmas. Research by Oxford Economics for the Association of International Retailers has calculated that reinstating and expanding the VAT Reclaim will boost visitor numbers to the UK by 1.6m per annum with 1m more visitors from the EU and 590,000 from outside the EU.

These visitors would spend an additional £3.1bn in the UK which would support 44,000 jobs in tourism and retail businesses and a further 34,000 jobs in supply chains. The research also shows that the additional economic activity will generate an additional £940m per annum in tax, resulting in a net benefit to the Exchequer of £350m per annum.

In light of the considerable evidence that removing the VAT Reclaim Scheme was detrimental to the UK economy, both the Treasury Select Committee and the DCMS Select Committee have recently published reports calling for the Government to reconsider this decision and for an independent assessment of the full impact of this measure to be undertaken. The Tourism Alliance fully supports the findings of these committees.

There are two other considerable benefits that would be derived from reintroducing the VAT Reclaim Scheme and extending it to EU visitors. First, because most regional airports only have flights to and from European destinations, extending tax-free shopping to EU visitors would be a particular boost to regional economics and help the Levelling-Up agenda by increasing the financial viability of establishing new air routes in and out of regional gateways. Second, it would also provide a significant boost for UK manufacturers of luxury goods who would be able to showcase their products to international visitors.

Conversely, there will be indirect losses from not reintroducing the VAT Reclaim Scheme, especially from high-spending visitors from countries such as those in the Gulf Co-operation Council (GCC) who will travel to the UK less often and spend less time here, preferring to visit shopping destinations such as Paris and Milan where they can take advantage of their VAT Reclaim Schemes.

In 2019, visitors from GCC countries and China comprised just 4% of all international visitors to the UK but were responsible for around 60% of all tax-free shopping spending. This high level of spending was also reflected in their spending on hotels, restaurants, culture, travel and entertainment. Surveys show that over 50% of Chinese visitors and over 60% of visitors from GCC countries would reduce the number of times they visit the UK and the length of time they spend here as a direct result of ending tax-free shopping. This reflects the findings of HMRC's own consumer survey results.

4

REVISE THE PACKAGE TRAVEL REGULATIONS

OPPORTUNITY:

Boost domestic tourism revenue by £2.2bn per annum by amending the poorly drafted EU Package Travel Regulations so that small domestic businesses can work together to provide discounted "value-added" products for customers.

The EU Package Travel Directive was developed to facilitate package holidays between member states. Its two primary protections are to ensure that consumers purchasing a package holiday have their money protected if their tour operator goes bankrupt, and that they are able to be repatriated if they are overseas when this happens; and, if they suffer loss or injury while overseas, they are able to seek redress in the country where they purchased the package.

However, due to the poor drafting of the EU Directive, any UK hotel, B&B or guesthouse selling a value-added product such as those listed below is deemed to be a tour operator selling a package holiday.

- A B&B or pub including tickets to a local attraction in the cost of a
- weekend stay
- A city hotel combining a night's accommodation with tickets to a show at a discounted rate
- A self-caterer organising a fishing trip for a family staying in one of their units

Defining accommodation businesses as tour operators means they are required to purchase insolvency insurance and are legally responsible if something happens to the customer while visiting the other business they work with to provide the offer.

This is obviously a risk that few businesses are willing to take, meaning that consumers are missing out on being able to purchase discounted deals which are especially important during the current cost of living squeeze. A Tourism Alliance survey of 200 businesses has found that 74% would sell discounted deals to consumers if they were outside the scope of the PTRs and doing so would increase their revenue by around 9%, generating an additional £2.2bn per annum and creating around 40,000 jobs.

Now that we have left the EU, the Government can easily amend the definition of a "package" in the Package Travel Regulations so that it must include travel (ie., passage on a plane, train, boat or coach). This would free discounted value-added deals from the scope of the regulations while, at the same time, maintaining the important protections they provide to people purchasing package holidays.

Importantly, there is no cost to consumers. People in the UK driving or taking public transport to UK destinations do not need to be repatriated, and each business contributing to the value-added product would simply become separately liable for the performance of their component. Tellingly, while there is significant evidence that these Regulations damage the UK's domestic tourism industry, there is no evidence that they have ever provided any benefit to UK consumers purchasing value-added products.

At a basic level, common sense dictates that an accommodation operator who includes a couple of tickets to a local attraction in the cost of a room to attract customers is not a tour operator selling a package holiday and therefore should not be subject to regulations aimed protecting people being taken on overseas holidays.

Amending these EU regulations is a true Brexit opportunity that would support the UK economy, lower costs for consumers and boost regional economies as it would make tourism products and services more competitive.

FULLY IMPLEMENT THE DE BOIS REVIEW

OPPORTUNITY:

Generate £1bn in revenue for domestic tourism destinations by fully implementing the findings of the De Bois Review into the structure and funding of subnational tourism delivery in England.

6

The domestic tourism industry in England generates £76bn for the UK economy and provides around 1.3m FTE jobs, many of which are located in rural and seaside destinations. However, while inbound tourism has increased by 63% and outbound tourism has increased by 68% over the last decade, domestic overnight tourism has only increased by 18% over the same period.

This underperformance by the domestic tourism industry was one of the main reasons behind the Department of Digital, Culture, Media and Sport appointing Nick de Bois CBE to undertake an independent review of subnational tourism structures and funding in England in 2020.

This review found insufficient appreciation within Government of the importance and potential of domestic tourism to local economies, meaning that the tourism and hospitality sectors in many destinations are not achieving their full potential in terms of generating revenue and employment. The key finding from the report was that having over 170 Sub-National Tourism Boards in England meant that tourism development and promotion is:

"not economically efficient, effective or sustainable. It is not configured in such a way that best enables the Government to deliver its priorities as set out in its Tourism Recovery Plan and more could be done to integrate DMOs with the wider economic landscape."

The report goes on to recommend that the Government:

- Bring coherence to England's tourism landscape through tasking VisitEngland with the establishment of a structured and tiered network of 25 core Sub-National Tourism Boards
- Provide £51m over three years to these Boards to enable them to deliver Government priorities related to sustainability, skills, inclusive tourism and levelling up

While the Tourism Alliance welcomed the review's findings and recommendations, the Government only allocated £4m over three years for a trial of the recommendations rather than committing to the full £51m funding package. This trial simply delays the regional economic benefits that would have otherwise been delivered to local communities.

If the recommendations of the De Bois review had been fully funded, the resultant 25 core Sub-National Tourism Boards would have been allocated £2m each in additional revenue. Research shows that, as with VisitBritain's international marketing activities, these Boards could be expected to generate an ROI of around 20:1 from marketing activities which would result in an additional £1bn per annum boost for local communities.

EXPAND AND REFORM THE YOUTH MOBILITY SCHEME

OPPORTUNITY:

Boost the UK's soft power, establish cultural, political and business links and, in doing so, fill short-term vacancies in the hospitality and tourism industry by extending and reforming the Youth Mobility Scheme.

The UK Youth Mobility Scheme (YMS) is a cultural exchange programme that allows young people aged 18-30 from 11 countries to live, work and study in the UK for a period of two years.

The aim of the YMS is to promote cultural exchange, allowing young people to experience life in another country, learn a different language and develop skills and abilities that will benefit them throughout their career. It is also an important element of the UK's soft power in establishing cultural, political and business links between the UK and other countries.

However, the scheme is currently under-utilised as a cultural exchange programme and soft power mechanism due to the small number of countries with which the UK has a YMS agreement and a mismatch between supply and demand in the allocation of existing quotas between the countries.

With the UK leaving the EU, bilateral agreements need to be negotiated with individual EU countries in order to re-establish the ability of young people to move between the UK and EU countries.
More widely, there is a significant opportunity to further expand the YMS so that it is included in all future trade deals – something that the government has started doing by including a YMS agreement in the recent trade deal with India.

There is also the opportunity to enhance existing YMS agreements so that the age criterion for eligibility is 18-35 rather than the current 18-30, and the period a person can spend in the other country is increased from two years to three years. The Government has already signed enhanced YMS agreements with Australia and New Zealand and should do this with all other existing and future YMS agreements.

There are two other significant problems with existing YMS arrangements. The first is that there is a significant mismatch between the demand for YMS visas in particular countries and the quota of YMS visas allocated to that country, resulting in an inefficient system that restricts the overall number of people that can use the scheme. For example, although there are 30,000 YMS places allocated to Australia, the number of applicants rarely exceeds 10,000. Conversely, in Japan, demand for a YMS visa far outstrips the 1,500 visas available. This imbalance between supply and demand means that while a total of 59,500 YMS visas are available each year, the total number of people travelling to the UK under YMS visas in 2019 was only 20,107.

The second problem is the current requirement that the demand for UK nationals to go the reciprocal country must exceed the quota limit before it will enter into discussions on increasing the quota. This means that, for example, the UK's YMS quota with Japan will remain at just 1,500 per annum until more than 1,500 UK nationals want to travel to Japan despite there being considerable demand by young people in Japan to travel to the UK.

To resolve this, the Government needs to introduce a system for reallocating unused quotas from low-demand countries to high-demand countries so that the overall level of YMS visas allocated each year matches the number of visas available.

7

REDUCE THE VAT RATE FOR HOSPITALITY & ATTRACTIONS

OPPORTUNITY:

Reducing the VAT rate that applies to hospitality and attraction businesses to 12.5% would increase revenue in the sector by £2.7bn per annum.

8

The 2019 World Economic Forum global survey of international tourism competitiveness shows that, while the UK is the sixth most competitive destination overall, it is the least competitive country in the world in terms of taxation on tourism products and services. This is important because the global tourism market is highly price sensitive with research by VisitBritain showing that for every 1.0% increase in the cost of a holiday in the UK, the country's tourism earnings decrease by 1.3%. This means that not only do high tax rates on tourism products and services reduce the UK's ability to attract overseas visitors, they also encourage UK residents to holiday overseas.

The benefits of having a reduced VAT rate for hospitality and tourism services have long been recognised by many other governments around the world. This is evidenced by the UK and Denmark being the only remaining countries in Europe without a permanent reduced VAT rate for these sectors.

The reduction of VAT for hospitality and tourism businesses to 12.5% during the pandemic showed that the Government recognised the price sensitivity of tourism and hospitality products and services and that lowering the rate disproportionately stimulates demand both domestically and for the UK as a destination. This is particularly important in terms of domestic tourism where tourism flows are from urban areas to rural and seaside communities.

Importantly, a September 2021 survey of 815 hospitality and tourism businesses conducted by the Tourism Alliance, UKHospitality, BBPA and ALVA showed that:

- 71% of businesses said that they used the retained revenue to invest in
- the business
- 27% of businesses said that they passed-on some or all of the price reduction to customers

This means that very little of the reduction in VAT would be used to boost profits. Research from France shows that, due to fierce competitive pressure within the sector, almost all of the reduction in VAT is passed on either through reduced costs to consumer or as higher wages for staff. Both are important considerations in generating growth during periods of high inflation.

New research undertaken by the Campaign to Cut Hospitality & Tourism VAT – *The Full Fiscal and Employment Impact On UK Hospitality And Tourism* – using the Government's own econometric model confirms the findings of previous studies that lowering VAT to 12.5% will lead to the strengthening and expansion of the sector and higher revenues for HM Treasury. This research found that retaining the VAT rate at 12.5% would generate an additional £4.9bn in revenue for the tourism and hospitality sector and create 182,400 FTE jobs over a five year period and £4.6bn in fiscal gains for HM Treasury over 10 years

Further, the resultant increase in revenue and employment in these sectors would provide a net benefit to the Treasury in just four years.

Therefore, reintroducing the 12.5% VAT rate for hospitality and tourism businesses would not just support businesses in these sectors it would encourage them to significantly increase investment and pass on lower costs to consumers, it would make them competitive with European destinations that already have a reduced VAT rate.

USE ETAS TO BOOST BUSINESS TOURISM

OPPORTUNITY:

Generate an additional £600m in revenue by creatively using the introduction of Electronic Travel Authorisations (ETAs) to fast-track high-net-worth, low-risk visitors from visa national countries through UK entry clearance procedures.

Two of the world's largest and fastest growing source markets for tourists are India and China. Together, people from these countries take over 175m overseas trips per annum and spend £280bn in host destinations. However, the requirement for business and high-value visitors from markets such as these to gain biometric visas every time they visit the UK represents a considerable barrier to the recovery of business travel and to developing inbound tourism from these markets. As an example of the barrier caused by biometric visas, when they were introduced in 2008, the UK's share of the Chinese outbound market fell by 39% while the UK's share of the Indian outbound market fell by 37%.

If the UK had maintained its share of the outbound tourism market from these two countries, we would now be receiving 101,000 additional visitors from China and 480,000 additional visitors from India. The revenue from these additional visitors would be £491m per annum and it would have created 8,500 additional FTE jobs in the UK economy.

The problem with the current UK visitor visa system is that it is a blunt instrument that is highly inefficient in targeting high-risk visa applicants because it requires everyone from a particular country to obtain a visa. This is especially true for countries with a rapidly growing middle class such as China where the approval rate for visa applications is over 95%.

Government plans to introduce Electronic Travel Authorities (ETAs) in 2023 offer an opportunity to develop a more sophisticated, targeted approach to border control which both increases visitor numbers from visa national countries while reducing Home Office costs and lowering congestion at airports.

The opportunity is to use ETAs alongside visa applications in countries such as China and India as a way of facilitating the travel of low-risk visitors (eg., those with a high-net-worth, and business visitors including those attending conferences and exhibitions). Potential visitors that met certain security criteria would be eligible to apply for an ETA to visit the UK rather than having to apply for a visa. The effect would be to make the UK a more compelling destination for high-value, low-risk visitors from visa national countries by providing a fast-tracking service while, at the same time retaining the security of the UK's borders.

Those visitors from visa national countries that did not meet the eligibility criteria required for being granted an ETA would continue to be asked to apply for a full visa in the normal way, thereby allowing UKVI to concentrate its resources on vetting those visitors deemed to be higher risk.

Even if just 30% of current visitors from China and India qualified for a visa, this would reduce queues at immigration desks by 350,000 people per annum and save the Government around £17m per annum in visa processing costs. And if the ability to use an ETA to enter the UK increased visitors numbers from India and China by just 10%, this would generate an additional £600m in tourism revenue.

9

REFORM BUSINESS RATES

OPPORTUNITY:

Reform Business Rates which are disproportionately impacting the UK tourism industry and constraining investment.

10

There are two significant problems for the UK tourism industry in how business rates are applied. The first is that the tax is applied to physical properties and the second is that business rates are a ‘zero sum game’ which means that, if businesses closes, those that are left need to pay more to make up the shortfall.

The combination of these two factors is having an increasingly detrimental impact on the UK tourism industry. While retail businesses are transferring their operations online, it is almost impossible for tourism and hospitality businesses to operate in this way. Hotels, pubs, restaurants, historic houses, leisure and visitor attractions, betting shops, amusement arcades, piers, zoos, holidays parks, self-catering, bed and breakfasts, holiday cottages all require a physical property to operate. This means that there is little they can do to reduce their exposure to business rates. At the same time, those businesses that can reduce their exposure by operating online transfer their business rates burden onto the tourism industry.

UKHospitality has calculated that businesses such as hotels, pubs, restaurants and visitor attractions now pay £2.7bn in business rates. This represents 9% of the total business rates paid in the UK, even though the sector comprises just 4% of business turnover – an overpayment of £1.8bn per annum.

The British Beer and Pub Association estimates that following the 2017 revaluation, pubs’ rates increased on average by nearly 15%, while research by the South West Tourism Alliance shows an increase of 43%-71% for professional self-caterers (those with more than 13 beds). These increases are not sustainable and are crippling tourism businesses across the country.

What is needed is a fundamental review of business rates and a hard look at alternative methods of taxation. While it is right that Government seek to rebalance the tax system so as to capture new businesses in the digital space, it must see this as contributing to, rather than supplementing, the revenue from business rates. In order to make business rates fair, the Government must seek to include all businesses in today’s modern economy.

Business rate increases act as a real disincentive for investment. Scotland has introduced a ‘Growth Accelerator which delays increases in business rates by a year after investment. The Levelling-up, Housing and Communitees Select Committee Report into High Streets and Town Centres has suggested that this should also be introduced across the rest of the UK. This would help businesses reinvest without the immediate penalty of a rate rise, creating a virtuous circle of investment.

While the tourism industry welcomes the statement in the 2022 Autumn statement that business rates relief for eligible retail, hospitality, and leisure businesses is being extended and increased from 50% to 75% business rates relief up to £110,000 per business in 2023-24, reliefs are only a temporary fix and demonstrate the complexity and financial burden businesses face under the current system. Until reform can be enacted, the Government should seek to provide business with clarity and certainty by giving long-term commitments to reliefs.

There also needs to be changes to the criteria for leisure businesses to be eligible for Retail, Hospitality and Leisure Relief as many important components of the tourism industry such as tour operators, coach operators ‘English language schools’ and events operators are currently ineligible for the relief.

THE TOURISM ALLIANCE

The Tourism Alliance is the Voice of the Tourism Industry, comprising 65 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 is in order to maximise its contribution to the economy.

The policies and positions outlined in this document are those of The Tourism Alliance. They do not necessarily reflect the views and positions of any individual member association of the Alliance.

Contact information

Executive Director: Richard Toomer

M: +44 (0)7576 303127
E: Richard.Toomer@tourismalliance.com
W: www.tourismalliance.com

Full Members
ABTA The Travel Association
AGTO Association of Group Travel Organisers
AIPO Alliance of International Property Owners
ALVA Association of Leading Visitor Attractions
ANTOR Association of National Tourist Offices and Representatives
AOA Airport Operators Association
ASAP Association of Serviced Apartment Providers
ATHE Association for Tourism in Higher Education
BACTA Bed & Breakfast Association
BBPA British Beer & Pub Association
British Destinations
BETA British Educational Travel Association
BGC Betting and Gaming Council
BHHPA British Holiday & Home Parks Association
BIAZA British and Irish Association of Zoos and Aquariums
British Marine
UK Events
CAMC Caravan and Motorhome Club
Camping and Caravanning Club
CLA Country Land and Business Association
CPT Confederation of Passenger Transport
CTA Coach Tourism Association
CVTA Churches Visitor and Tourism Association
EHHA European Holiday Home Association
ETOA European Tour Operators Association
English UK
Family Holiday Charity
GTBF Group Travel Business Forum
Heritage Alliance
Historic Houses
HHA Holiday Home Association
HRA Heritage Railway Association
IEM Institute of Event Managers
ITG Institute of Tourist Guiding
NCC National Caravan Council
NCTA National Coastal Tourism Academy
National Trust
OIA Outdoor Industries Association
PASC Professional Association of Self Caterers UK
Premier Cottages
RDO Resort Development Organisation
RHA Road Haulage Association
TCN Tourism Consultants Network
Tourism For All
TMI Tourism Management Institute
The Tourism Society
UKHospitality
UKinbound
YHA
Associate Members
Cumbria Tourism
Experience Oxfordshire
Experience West Sussex
Go New Forest
Liverpool City Region LEP
Marketing Cheshire
Marketing Manchester
South West Tourism Alliance
Tourism South East
Visit Brighton
Visit Cornwall
Visit Gloucestershire
Visit Greenwich
Visit Great Yarmouth
Visit Kent
Visit Northumberland
Visit North Norfolk
Visit West
Visit Wiltshire
Observers
Local Government Association
VisitBritain
VisitEngland