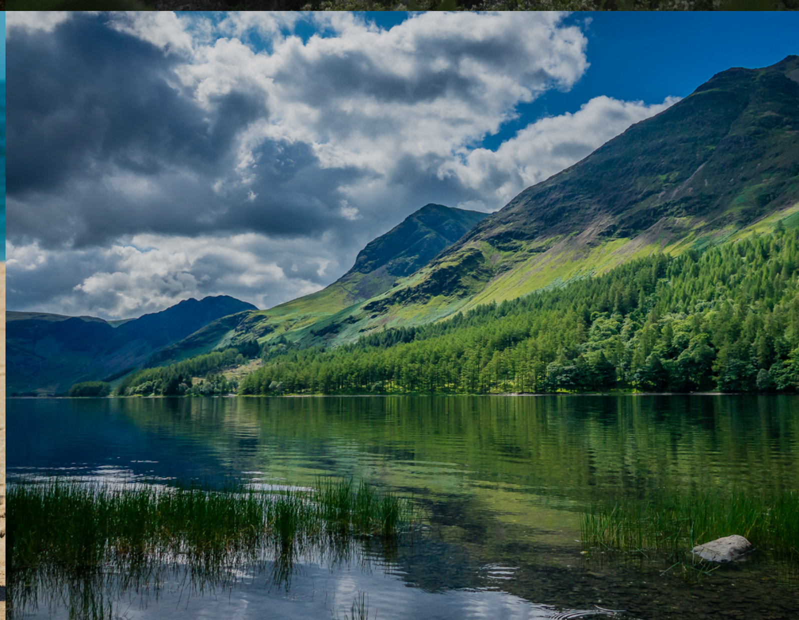
TOURISM ALLIANCE
the voice of tourism

REALISING THE POTENTIAL:

A MANIFESTO FOR TOURISM IN THE NEXT PARLIAMENT



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INTRODUCTION

Tourism is a vital component of the UK economy. Pre-Covid, the sector employed 3.4 million people in over 300,000 businesses spread across every constituency in the UK and generated 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 in 2019 and the Anholt-Ipsos Nation Brands Index ranks the UK as the world's fourth strongest tourism brand.

Global travel has recovered since the pandemic. The United Nations World Tourism Organisation (UNWTO) estimates that global international tourism expenditure reached £1.1 trillion in 2023 – a 93% recovery from the pre-Covid level. It forecasts that revenue will further increase to 2% above pre-pandemic levels in 2024 and to resume its long-term growth rate of 4% per annum from 2025 onwards.

The recovery of international tourism and the size and strength of the UK tourism industry mean that, given the right policy environment, it is well placed to benefit from this growth and can provide economic benefits at both the national and regional level while increasing revenue for the Exchequer.

We cannot presume that growth will happen automatically. The Covid pandemic resulted in many other countries realising the importance of tourism to their economies. Many introduced well-funded tourism recovery and development programmes making the international tourism market even more competitive.

The World Economic Forum points out two issues:

- The UK ranks 116th of 117 countries in terms of price competitiveness. This is largely driven by the high taxes imposed on visitors.
- The UK ranks 76th of 117 countries in terms of tourism policy prioritisation. This is down from the ranking of 55th in the previous survey.

There are many other startling matters addressed in this manifesto. It contains policy measures that the Government can and should take, many of which involve no extra spending. The UK should seize the opportunity to maximise the economic, social and cultural benefits afforded by tourism.

Tom Jenkins
Chairman
Tourism Alliance

MAKING TRAVEL EASIER

Travel is rightly viewed as a significant societal benefit. Whether it is British people taking a couple of weeks off work to spend quality time with their families, business people travelling for events and conferences, people choosing to holiday in the UK from overseas, or visiting friends and relatives abroad, the benefits economically and socially are huge. Over the last 20 years the average length of stay for tourists visiting the UK has decreased by almost 20%, mirroring trends in other developed tourist destinations. Reasons for this decline include reduced travel costs and changing work patterns resulting in people opting for multiple short breaks in different destinations rather than taking just one main holiday. With consumer behaviour moving towards short breaks, it is increasingly important that we better facilitate travel to, and within, the UK so that international visitors choose to visit us rather than competitor destinations.

Simplify the visa application process to encourage visits from visa nationals

A UK visa application form for someone from a visa national country coming to the UK on holiday is 12 pages in length, contains 87 questions for all applicants and an additional 17 questions if the applicant is under 18 or applying for a visa in a country where they are not a national.

Once these questions are completed, the applicant has to sign a 26 bullet-point declaration and provide various documentary pieces of supporting evidence.

If any of these questions is answered incorrectly or the supporting evidence is considered inadequate, the application will be declined and the application fee retained by the Government. This level of bureaucracy, combined with the financial penalty for making a mistake, represents a significant barrier to UK travel visa applications.

By comparison, a Schengen visa application form manages to gather very similar information as the UK visa application and yet is only three pages long. It contains just 36 questions that all applicants must answer, plus seven further questions related to whether the applicant has a spouse and children travelling with them, and has just a four bullet-point declaration.

While significantly less complicated, and therefore less prone to mistakes, the Schengen visa also has the benefit of costing only £73 compared to £115 for an equivalent UK visa and allows the successful applicant to travel through 27 different countries.

The Home Office should work with DCMS, VisitBritain, and industry to design a much more simplified process which continues to meet the Government's important security requirements but which is easier to understand and complete in recognition of the importance of pre-arrival welcome to visitors of which this process is an important part.

We urge the Government to consider much more alignment with the Schengen application form. This would have significant benefits for travel from visa national countries as the reduced length and similarity with a Schengen application form would give potential visitors more confidence to apply to visit the UK. It would also encourage more outbound operators to include the UK in European travel itineraries as there would be less likelihood of their customers being accepted for a Schengen visa but rejected for a UK visa.

Introduce a new low-cost, multiple-entry visa to encourage repeat visits

Travel to the UK by people from visa national countries is an important and valuable component of the UK tourism economy. In 2019, visa nationals comprised 10% of all visitors to the UK. Not only that but this cohort spends more when travelling here, being responsible for more than 20% of spend (£6.1bn).

As well as simplifying the process for visa nationals, encouraging repeat visits from these travellers has a huge potential to grow the visitor economy and could generate an additional £1 billion per annum in revenue for the UK.

An important way of boosting repeat visits is by reducing the cost of a five-year multiple entry visa to £150.

The current UK five-year multiple entry visa costs £770, while a 10-year visa is £962. These are utterly uncompetitive compared to other destinations such as the US which charges Chinese visitors just £135 ($155) for a 10-year visa.

Research undertaken by VisitBritain in 2022 showed that reducing the visa price and extending its validity would positively impact the number of Chinese visitors and their spend in the UK, aiding the recovery of this market, which has been slow to bounce back post-Covid. In 2019 China was the number one visa national market to the UK worth £1.71 billion annually, however provisional figures for 2023 show spend to still be down 64% to £621.28 million.

Repeat visitors are also important for spreading the revenue and benefits associated with inbound tourism beyond London. For example, research by VisitBritain shows that 66% of visits to destinations in England outside London were by repeat visitors, a figure that increases to 76% for Wales.

With rising Air Passenger Duty, the introduction of ETAs, higher levels of VAT on hospitality than our competitors and the recent 15% increase in visitor visas fees, a reduced price five-year multi-visit visa would help the UK tackle our price competitiveness, encourage visa nationals to choose the UK over Europe, and encourage visitors to explore parts of the UK beyond London.

This is a rapid means of driving additional export revenue across the whole of the UK in a short period of time. There is also precedent for doing this: in 2015, the then Prime Minister, David Cameron, cut the cost of a two-year visa to that of a six-month visa. Between 2015 (pre-policy announcement) and 2017 (post implementation of visa application), the number of entry clearance visitor visas issued to Chinese nationals for the UK increased by over 33%.

Make some changes to ETAs before further roll-out to ensure we remain competitive

The UK Government is currently in the process of implementing a new Electronic Travel Authorisation (ETA) scheme. Ultimately, all non-visa nationals travelling to the UK will need to apply for an ETA. This is a similar system to the US ESTA scheme which has been in place since 2008. The EU is also implementing a similar scheme called ETIAS (European Travel Information and Authorisation System).

Since 22 February 2024, citizens of several Gulf countries can travel to the UK using an ETA. This is very welcome and will be a boost for tourism from these countries as an ETA is easier to apply for and cheaper than the Electronic Visa Waiver which visitors from these countries needed previously. For visitors from Jordan it is even better news, as they previously needed to apply for a full visitor visa.

When travellers move from requiring a visa to only requiring an ETA that is undoubted good news. But for most travellers who will need an ETA going forward this will not be the case as they will go from not requiring any kind of advance permission to travel, to now needing to apply and pay for an ETA before travel.

At the same time, the EU's ETIAS scheme is being implemented. Comparing the two schemes once again shows how the UK is failing to compete against other tourism destinations.

Looking at the difference between ETA and the EU's ETIAS scheme demonstrates the issues:

	ETA (UK)	ETIAS (EU/Schengen)
Cost	£10	€7 (£6)
Languages	English only	24 languages
Applicability	UK only	26 EU Member States and four Schengen Associated Countries
Exemptions	Irish citizens entering travelling inside the CTA	Over 70s and under 18s, family members with the right of free movement
Validity period	2 years	3 years
Required by transit passengers (i.e. those who stay airside)?	Yes – at full price	Not required

ETAs are uncompetitive against the EU ETIAS in terms of price, validity, application language and the requirement to apply to transit in the UK, even airside. This last point is crucial. This will place UK airlines at a competitive disadvantage to those in Europe and will potentially put at risk routes which require robust transfer business to maintain. Additionally, the lack of a specific exemption for short-term tourist and business visits to Northern Ireland from Ireland is a concern for the Northern Irish tourism market, 70% of whose consumers travel to Northern Ireland via the land border.

We believe the Government should pause after this initial roll out to evaluate the scheme before extending it to other non-visa nationals, such as EU and US citizens. This would give space for consideration of these small but important policy changes to be made, none of which will fundamentally undermine the Government's objectives in establishing the scheme.

Additionally, we would strongly urge the Government to look closely at where ETAs might replace visas as a form of pre-arrival checking as has happened with Jordan. As much as ETAs are an additional cost and burden for non-visa nationals compared to current arrangements, they are certainly an improvement compared to the cost and complexity of applying for a visa.

Extend passport-free travel schemes for educational and cultural trips

Since the UK left the EU, every school child, including those on organised trips, requires a full passport and, where relevant, a visa to visit the UK. ID cards, and the "List of Travellers" scheme, which is used for travel to many other countries, cannot now be used here. The policy changes made since Brexit not only create difficulties for children visiting the UK, but also for UK children taking overseas school trips.

For inbound travel, a large percentage of EU school students do not have passports. Figures vary by country but it is estimated that only 35% of Italian school children, for example, have a passport. In addition, many EU schools have children who are foreign nationals with the right to live in the EU but who do not have the right to an EU passport. As a result, most of these children now require a visa to enter the UK. Given the difficulty of complying with these requirements, the organisers of school group travel are increasingly diverting educational and cultural trips to more easily accessible destinations such as Ireland and Malta. The likelihood of any absconding from this cohort is very small – the children have families back in their resident country and they are accompanied by an adult with full documentation.

The impact of this change has been dramatic. In 2023, The Tourism Alliance undertook a comprehensive survey of businesses involved in bringing European school groups to the UK and found that:

- Between 2019 and 2022 the number of school children these businesses brought to the UK from the EU declined by 81%.
- Over the same period the number of school children going to the EU declined by only 53%, likely as a result of issues around Covid.
- Recovery from these figures is starkly different between the EU and UK.
- The surveyed businesses expected to recover their school group trips to the EU to 108% of 2019 figures in 2023.
- In contrast, the businesses only expected their UK school trips to recover to 61% of 2019 figures in 2023.

This is, of course, impacting on the many UK businesses and communities who rely on inbound school groups which used to contribute £28.6bn to the UK economy.

In December 2023, the UK and French Government implemented a new scheme for British and French school groups which mitigates some of these issues. We warmly welcomed this first step and it is starting to make a difference. This should now be reformed and significantly extended. The scheme is currently overly bureaucratic, only applies for official school groups and no other types of educational or cultural trips, and of course, only applies to trips to and from France.

What is needed is a comprehensive, simple, and secure EU-wide youth and school group travel scheme. We should embrace the opportunity to allow young people to visit the UK, contribute to our economy, and take home an understanding and appreciation of our country. In time we should look to extend this further, for instance, to other non-visa countries.

Support sustainable tourism by tackling disruption on the railways

Research by Statistica in February 2024 shows that 62% of UK residents book their main holiday at least four months before they travel. Because of these long lead-times, holiday plans are particularly prone to travel disruption resulting from either industrial action or the closure of transport infrastructure for maintenance.

This particularly impacts destinations that have limited transport infrastructure or alternative access routes such as Devon, Cornwall and the Lake District, as well as major travel hubs such as airports.

With tourism being the main source of revenue for rural and seaside economies, and international tourism being a key component of the UK economy, there needs to be much more focus on the impact of this disruption to the visitor economy, not just on commuting travel.

There are a range of initiatives that the Government needs to take including working with local authorities and metropolitan mayors on the development of Visitor Travel Plans, a long-term and sustainable resolution of industrial action affecting vital public transport connectivity, a National Coach Tourism Strategy to support tour operators, and reducing red tape such as regulations that inhibit rural accommodation providers picking-up visitors from local train stations.

Changing travel patterns post-Covid mean that there is a need and justification for DfT to review policies on when and where railway and road maintenance and repair work is done. The traditional prioritisation of weekday travel and the concentration of work during weekends and public holiday periods may no longer be the correct policy, especially depending on the location of such works.

As well as preventing travel, strikes and maintenance on the railways also force tourists on to the roads, impacting the sector's sustainability ambitions and causing further local road disruption in certain destinations.

To achieve a better balance between business and tourism travel policy, there should be a cross-Whitehall working group established between DfT, DCMS and Defra with a brief to review needs of rural and seaside destinations and suggest initiatives that will enhance sustainable tourism, encourage the use of public transport for leisure and tourism purposes and support rural and seaside economies.

Recognise potential disruption from EES and work with the EU and Member States to alleviate the problem

The EU is introducing two new electronic border control systems - the European Travel Information and Authorisation System (ETIAS), and the EU Entry/Exit System (EES). ETIAS will be an online system for pre-authorising travellers without a visa from non-EU countries before travelling into the Schengen Area or Cyprus (similar to the UK ETA discussed above), while EES will be a biometric-based system for recording when people enter and leave the Schengen Area.

These new systems, particularly EES, have the potential to cause significant problems and delays in travel between the UK and the EU (excluding Ireland). UK nationals (12+ years old) will need to have their fingerprints and facial images taken the first time they enter the Schengen Area once EES is in operation and then every three years after their last trip. Estimates are that this initial registration will take 1.25 minutes per person which gives rise to the potential for significant delays across all modes of transport.

Particularly important, however, are the problems that EES could cause at the three juxtaposed borders in the UK. This could be especially acute at Dover which has a large volume of passenger and cargo traffic, and limited footprint.

The EES system is predicated on people crossing a border one at a time and on foot, in large part at airports. However, at the ports, most people cross the border in vehicles such as cars, coaches, and motorhomes. At the moment the border control officer can walk through a coach checking passports or collect and check passports at a car window when vehicles stop outside a control booth. By contrast, the use of an e-gate or booth to collect biometric data would require everyone arriving by coach or car to leave the vehicle, enter the booth one at a time and then reboard the vehicle. This would greatly increase the time taken to process people at ports and would cause significant delays. Although the industry is still not clear on precisely what processes will actually be needed at the border.

At the time of going to press we still do not have a firm start date for EES. The EU has announced the planned start date to be in Autumn 2024. ETIAS is planned to start approximately 6 months after EES.

In any case, a large-scale communications campaign on EES, ETIAS and encouragement to make use of the proposed mobile app (where possible) must begin as soon as possible. Travellers need to be made aware of these changes so they can plan and make their journey as easy as possible.

Although this is an EU policy, the impact on UK citizens travelling to the EU, and on the ports which are so vital to our trade, commerce, and tourism economies, could be severe. We believe, therefore, that there is a role for the UK Government to work with the EU institutions on a communications campaign given the likely impact on UK citizens and businesses as well as the potential reputational risk to all involved.

Implement a new EU-UK Mobility Agreement as part of the TCA review in 2026

A review of the UK's Trade and Co-operation Agreement (TCA) will automatically start in 2026. This will be an important opportunity to discuss how the post-Brexit trade agreement is functioning and can help establish a shared agenda for the development of mutually beneficial policies, initiatives and agreements for the subsequent five years until the next review.

We believe that this review process provides a significant opportunity to discuss the movement of visitors between the UK and the EU, without reopening Brexit debates or reinstituting freedom of movement.

Of the 71m overseas trips taken by UK residents in 2022, two-thirds were made to Schengen countries while 55% of overseas visitors to the UK come from Schengen countries. As such, there is an incentive for both the EU and the UK to examine ways to better facilitate the movement of visitors across the EU/Schengen border. Since we left the EU, travel between the two jurisdictions has become harder, more expensive, more bureaucratic, and lengthier. None of this was automatically a result of leaving the EU and could and should be fixed. It is in both sides' interests to make travel and trade as easy and straightforward as possible.

There is also an incentive to facilitate movement of third country visitors who are looking to undertake multi-country European tours. This especially applies to the Chinese market where most visitors travel as a part of a tour group and want to include both the UK and Schengen area in their itineraries.

There is also the possibility of aligning UK and Schengen visa to facilitate this type of package holiday (see above) as well as reviewing the 90/180-day rule which restricts UK residents staying in the EU for more than 90 days in any 180 day period. This is a particular impediment to the approximately 150,000 UK residents that have holiday homes in the EU, to businesses who need their staff to travel to the EU for work purposes, and for many posted workers overseas.

Such a mobility agreement could also include measures to reduce the bureaucratic burdens around ETA, EES and ETIAS, allow UK citizens to use e-gates to enter the Schengen Area, formalise an EU-wide youth group travel scheme and institute an EU-wide Youth Mobility Scheme (see below).

The Tourism Alliance therefore urges that the issue of facilitating easier and simpler travel across the UK/EU border be conveyed to the EU at the earliest opportunity and be included in the agenda for the Trade and Co-operation Agreement talks.

ALLOWING TOURISM BUSINESSES TO THRIVE

In March 2024, the Office for Budget Responsibility (OBR) confirmed that GDP grew by only 0.1% in 2023 – less that it had forecast – and that it predicted growth of only 0.8% in 2024 – again less than the 1.8% it had previously suggested.

Given this sluggish growth, the pressure on the UK economy, and all parties' focus on strengthening GDP, it is important for the Government to introduce reforms that free businesses of unnecessary regulation and allow them to contribute to these economic ambitions. Tourism, which is the UK's second largest service sector export industry after financial services, offers significant opportunities to do this.

Reform current youth mobility schemes and significantly expand them to new countries

The Youth Mobility Scheme (YMS) is a cultural exchange programme that allows young people, typically aged 18-30, from a range of countries and territories to live, work and study in the UK for a period of two or three years and allows our young people to work abroad too. It is a core component of the UK's soft power programme.

The UK Government recognises the benefits of the Youth Mobility Scheme and has undertaken expansions to new countries such as India and Uruguay and introduced reforms such as increasing the maximum age to 35, removing the need for entry ballots in several countries and increasing quotas.

So, while we have YMS agreements with a number of countries such as Australia, Japan, South Korea and New Zealand, and with micro-nations such as Andorra, San Marino, and Monaco, we do not have agreements with any full EU member state. This is because there was never a need to have youth cultural exchange agreements with EU countries when the UK was a member state.

Now that the UK is outside the EU, it is crucial to establish YMS agreements with key European states such as France, Germany, Spain, Portugal, Switzerland, Greece, Italy, The Netherlands and Poland. This can be done on a bilateral basis as Italy has recently done with Canada. In the longer-term an EU-wide YMS agreement should be a component of a comprehensive UK-EU mobility agreement (see above).

You can read more about YMS and its importance to the tourism sector in our [Tourism Alliance White Paper on this topic available on the Tourism Alliance website].

Ensure that tourism is a viable and valued career path for young people

The Tourism Alliance wants to work in partnership with the Government to ensure there are ample opportunities for people to pursue a rewarding and fulfilling career in tourism, across all career stages. Tourism businesses need to develop and retain a skilled and diverse workforce, which can meet the changing needs and expectations of customers and ensure the UK tourism industry continues to make a significant contribution to the UK's cultural and social fabric, as well as its economic prosperity.

To achieve this, we call on the Government to support the following actions:

- Work with the sector to successfully deliver college-level reforms - The ongoing reform of level three education in England will see many existing college-level qualifications (e.g. BTECs) defunded from September 2026. The industry has worked hard with educational partners, awarding bodies, and employers, to develop replacement provision. The next Government must work in partnership with the tourism industry to embed these qualifications and ensure a long-term educational pathway into tourism for young people.
- Recognise higher education pathways into tourism - Recognise the vital role of higher education in providing advanced knowledge and skills for the travel and tourism sector, as well as fostering innovation and research, and end speculation about future funding for higher education routes into the industry.

Boost domestic tourism by reforming package travel laws

Current regulations on package travel are exceptionally onerous on many domestic tourism businesses, especially small- and micro-businesses. The requirement for insolvency insurance, bonds and liability for the delivery of services by third parties, mean that most small businesses cannot offer any value-added packages.

While there is good reason to ensure that international travel bookings are covered by the Package Travel Regulations (PTRs), we believe that for certain domestic bookings, this is unnecessary. In particular, domestic bookings which do not include a travel element should not require the same level of regulation.

The Tourism Alliance White Paper on Package Travel Regulations, available on the Tourism Alliance website, covers the issue in more detail.

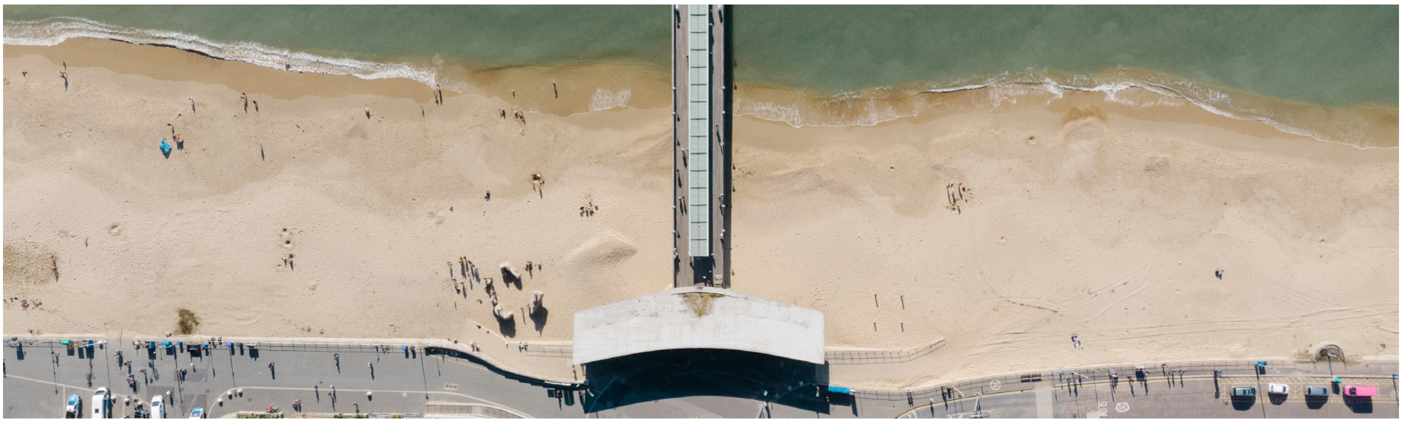
Key findings from Tourism Alliance research are:

- 47% of domestic tourism businesses stated that they never offered packaged or value-added products to their customers
- 61% of the respondents stated that complying with the PTRs was the reason why they did not sell packaged products
- 74% of domestic business said that they either “definitely would” (36%) or “probably would” (38%) supply value-added products to customers if these products were removed from the scope of the Package Travel Regulations. Only 2% said that they “definitely wouldn’t”
- On average, businesses thought that being able to provide value-added products would boost their income by 9%, with 15% thinking that it would increase their revenue by over 20%

Key findings from Tourism Alliance research are:

- Grow the domestic tourism market as a whole – 91% agreed
- Increase competition between businesses – 59% agreed (only 7% disagreed)
- Make the UK a more attractive destination for overseas visitors – 82% agreed
- Increase visitor satisfaction – 74% agreed (only 4% disagreed)
- Boost the productivity of the UK tourism industry – 68% agreed
- Improve seasonal spread – 66% agreed

We calculate that this reform could be worth an additional £2.2bn in domestic tourism expenditure. The Department for Business and Trade has consulted on the reform of PTRs and one option that is being considered is the reform that we have outlined. We urge that this reform is implemented as soon as possible.



Reform the Apprenticeship Levy rules so that businesses can better invest in people and skills

Introduced in April 2017, the Apprenticeship Levy is paid by all employers with a wage bill of more than £3 million a year. These businesses pay 0.5% of their monthly payroll towards the Levy and can draw down from the Levy and reinvest the funds in their workforce through very specific accredited training. The current rules allow companies to draw down their Levy to pay for apprenticeships, but the course must last for over a year and include off-the-job training.

However, some of the constraints of apprenticeships do not fit with the requirements of businesses in the tourism, leisure, hospitality, events and visitor economy sectors: a diverse and fast changing industry, with tens of thousands of SMEs and 3.3m employees (10% of the total UK workforce)

Shorter courses to fund 'boot camps' or other programmes which help to recruit underrepresented groups, younger workers, or older workers wanting to retrain, cannot be funded through the Levy.

We therefore ask for the following changes to the Apprenticeship Levy:

- The Apprenticeship Levy should become an Apprenticeship and Skills Levy to cover a wider range of high quality, shorter, more flexible and more relevant training and be open to seasonal and freelance workers, with up to 50% of the current levy available for non-apprenticeship training.
- Increase the proportion of transfer allowed from Levy payers to SMEs to 40%. Transfers should be permitted to charities, not for profit or local business groups.
- Remove the requirement for apprentices to have functional skills in English and maths before they can complete an apprenticeship, where occupational competency in the role does not require these qualifications. This would benefit organisations in sectors such as tourism and the visitor economy which often attract those who do not necessarily have such qualifications, but have other, often people related skills, which are so vital to the competitive nature of our sector and their offer to consumers.

Reform business rates to stop tourism businesses from bearing an unfair burden

The UK tourism industry is built on the hospitality and leisure services that the country provides. These businesses are subject to an outdated and pernicious business tax that is in desperate need of reform. In a digital age, it effectively penalises businesses that cannot transition from bricks and mortar to online operations by increasingly loading the business rates burden on those businesses that retain traditional premises and who, in turn, have to pass that cost on to customers.

However, while it is relatively easy for the retail and services sectors to leave physical properties and operate online, this is not an option for most hospitality, leisure and tourism businesses – you can't stay at a hotel, have a meal in a pub or visit an attraction online.

The village pub, city-centre hotel, visitor attraction, Michelin-starred restaurant – all of these are facing a growing and disproportionate rates burden. Government data shows that, overall, the hospitality sector overpays by over £2 billion per annum relative to its turnover.

In recent years, this problem has been recognised and sectoral reliefs have been introduced. However, there is a constant risk that these are withdrawn and current rules mean that thousands of businesses are denied access to the support they need.

That is why business rates needs fundamental reform. There needs to be a permanent reduced rate for consumer-facing sectors like hospitality, leisure and tourism and we recommend a differential multiplier set at around a 40 per cent discount to the current rate.

We understand that business rates fund vital public services, so there may need to be some offset. But Government data also shows that there are other parts of the economy that can afford to pay more. An increase in the overall rate, or an innovative tax that looked at the gains that online businesses have made could replace any tax lost from a lower rate for the hospitality and tourism sectors.

Lower rates would incentivise operators to open more businesses around the country and deliver growth and employment, providing investment in local communities that brings benefits to residents and tourists alike. All of this generates additional revenue for the Treasury.

A lower business rates level is therefore a critical part of unlocking tourism's potential. This, paired with a fairer valuation system and improved administration, would finally bring business rates into the 21st century.

SUPPORTING DESTINATIONS, PLACES, & COMMUNITIES

Total direct tourism expenditure in the UK is over £105bn per annum, making the sector a very large and important component of the economy of many regions and local communities.

Moreover, tourism also plays a very important role in the redistribution of wealth in the UK as the main tourism flows are from urban areas to rural and seaside locations. In 2022, domestic tourism in the UK was responsible to transferring £20.5bn from the UK's towns and cities to rural and seaside destinations. This revenue provides direct employment for 350,000 people in these communities and contributes significantly to place-making and regeneration policies.

Considering the importance of tourism to all parts of the UK, the Government needs to provide the support needed to ensure that the potential benefits of tourism are maximised.

LVEP & DDP commitment and roll out with funding

Up until 2012, the Regional Development Agencies had statutory responsibility for subnational tourism development and promotion in England and allocated over £60m per annum. This was achieved through Regional Tourism Boards to co-ordinate activities with VisitEngland and VisitBritain.

Since their dissolution in 2012, there has been a tourism policy and funding void at a subnational level leading to the fragmentation of the tourism landscape with over 175 Destination Management Organisations (DMOs) competing for attention, tourists, and decreasing levels of funding.

The Government's 2021 independent review of England's DMOs found that these organisations were too fragmented and inadequately resourced to successfully compete with well-funded overseas National Tourist Boards and maximise the economic benefits of tourism to local communities.

The main recommendations of the review were that the 175+ DMOs in England be restructured to form around 12 top tier Destination Development Partnerships (DDPs) as well a series of Local Visitor Economy Partnerships (LVEPs) across England which would receive funding from Government though agreements designed to maximise regional tourism development and growth. At the same time, these LVEPs would be responsible for co-ordinating the activities of, and cascading funding to, a series of local DMOs in their region to help ensure regionwide co-ordination of tourism policy objectives.

While the Government accepted the findings and has implemented the restructuring process, it decided to test the concept by undertaking a £2.25m five-year trial DDP agreement with the Newcastle Gateshead Initiative for the North East region. The Government view is that, after this trial is completed in March 2025, the results will be analysed and a decision made as to whether the undertake DDP agreements with the other LVEPs.

The Tourism Alliance asks that there is a timely review of the trial when it concludes in March 2025 and that a commitment is made to fund LVEPs/DDPs to deliver national tourism priorities within their areas. Failure to do so will reverse the progress that has been made since 2021 on restructuring sub-national tourism structures to better support local economic growth.

Support local authorities to invest in domestic tourism marketing and place-making

The squeeze on local government funding has had a significant impact on tourism in local destinations.

Local authority expenditure on tourism development and promotion has declined significantly over the last two decades. In the current financial year (2023-24), the 317 local authorities in England are projected to allocate just £61.5m tourism – an average of £192,400 each. This is a 26% reduction from the £82m that local authorities spent on tourism in 2013/14 and is just 36% of the £159m spent in 2009/10. This represents just 2.5% of local authorities' cultural expenditure and an insignificant component of total local authority expenditure which stands at £132bn in 2023-24. This means that many destinations are unable to invest in promoting tourism which is such a vital part of their local economies and on which so many local people rely for their livelihoods.

Tourists make decisions about where to holiday based on a range of factors, but a key one is awareness of destinations and what they have to offer. Many overseas destinations do a great job of marketing their areas, but UK destinations are being outspent by overseas destinations' marketing budgets, meaning that UK holiday-makers often do not have the same level of knowledge about what this country has to offer compared to some overseas destinations.

We recognise that local authority funding will continue to be tight, and there are significant calls on council services. However, this is not just about levels of funds, but incentives and structures of funding too. With a better funding model a virtuous circle would be established.

The Tourism Alliance estimates that tourists pay around £8bn pa in VAT on purchases made on tourism products and services in local destinations. Even if just 1% of this was reallocated back to destinations on the basis of their visitor numbers, this would provide £80m for councils to spend on areas like:

- Tourism development and promotion
- Extending seasonal spread and developing destination management strategies to tackle over-tourism
- Attracting business events
- Staging of cultural events
- Supporting local business to develop new and innovative tourism products
- Investment in sustainable travel and tour itineraries
- Place-making projects to invest in local infrastructure, benefiting tourists and locals alike

Support coastal tourism by cleaning up our beaches and water

Seaside and coastal destinations are an important component of the UK domestic tourism offering with UK residents undertaking 15.8m overnight trips and 80m day visits in 2022. The visitors undertaking these trips spend a total of £7.5bn in local communities which supports an estimated 130,000 FTE jobs in these locations, dwarfing, as an example, the £1bn in revenue generated by UK fisheries.

However, perceptions of coastal destinations centre round the quality of the seawater and the cleanliness of beaches, even among visitors whose main activities on their stay at these destinations do not focus on undertaking water-based activities.

Recent revelations regarding the level of sewage being discharged into waterways and beaches in the UK now seriously threaten attempts to revitalise seaside destinations through tourism development. There is a growing presumption among potential visitors that the natural environment of the UK's seaside destinations is likely to be heavily contaminated and should be avoided. These perceptions are supported by Government tourism figures that show that the number of day visits to coastal and seaside destinations decreased by 9% over the main summer period in 2022 while day visits to the countryside increased by 58%. Also, while overnight visitor expenditure in seaside destinations increased by 31% over 2022 as a whole, this was half the rate of the overall increase in domestic overnight expenditure of 65% that occurred between 2012 and 2022 as tourism industry recovered from the Covid pandemic.

To protect coastal communities, the Government's plan to resolve failings in the water industry and reduce pollution outflows must focus on destinations where economies and employment rely on tourism revenue. This needs to be supported by moves to restore public confidence in being able to visit beaches and undertake water-based activities safely.

Finally implement a new registration scheme for tourism accommodation

The Tourism Alliance has long campaigned for a new statutory registration scheme for tourism accommodation businesses.

The need for such legislation is two-fold. Firstly, it would encourage all providers of accommodation to understand and follow laws and regulations, especially around health and safety, and would give insight for authorities as to who might not be doing so. This would be a significant boost to consumer protection. Not complying with safety guidance is not just a risk to visitors but represents a significant reputational risk to the UK tourism industry as a whole.

Secondly it would provide data and insights for local authorities and industry as to where tourism accommodation actually is, along with its nature and the size of the sector in various destinations. This is vital before policymakers make any changes which would impact on the tourism accommodation sector, which in turn affects the broader visitor economy across communities.

The Government held a consultation on the introduction of a registration scheme for short-term holiday lets in 2023, fulfilling a commitment to do so in the Government 2021 Tourism Recovery Plan. The proposal to introduce a registration scheme received almost unanimous support from the tourism industry, including the self-catering sector, local authorities and consumer protection groups.

Progress since then has been rather slow. The Government has now committed to taking forward a national and mandatory scheme, but we need to see a commitment to action. Given the broad cross sector support for the introduction of a registration scheme, the Tourism Alliance urges the Government to progress with developing and implementing the scheme as soon as possible in co-operation with the tourism industry.

THE UK IN A COMPETITIVE TOURISM MARKETPLACE

It is important to remember that all policy decisions taken by governments are not done in a vacuum. Tourism is an extremely competitive global marketplace and consumers are savvy enough, especially with the knowledge they need at their fingertips online, to make decisions based on costs – real and perceived – and other factors such as 'welcome'. As discussed above, the UK continues to struggle to compete with many other destinations, but there are policies we can adopt to raise the UK off the floor of the global competitive rankings.

Invest in VisitBritain's international marketing to boost inbound tourism

New research by the Tourism Alliance shows that central Government funding for tourism development and promotion in the UK is one of the lowest of the major global tourism destinations with a spend of just £0.81 per person compared to an average of £5.88 across the nine other countries surveyed.

As a result of the low level of investment in international marketing and promotion, the UK receives just £391 per person in revenue from overseas visitors compared to an average of £689 across the other countries surveyed.

This highlights that fact that tourism is the same as any other product or service in that the more that is invested in marketing, the higher the sales of the product will be and the greater the revenue generated.

VisitBritain has consistently shown over many years that it achieves a very high return on investment from its marketing activities. In 2019/20 its activities generated £793 million in additional visitor spend – an ROI of 21:1 on the funds deployed (the ROI increases to 30:1 for VisitBritain's Business Events Growth Programme between 2018 and 2022) and directly generating over £150m in tax for the Exchequer through Air Passenger Duty and VAT payments alone. This is three times the £52m per annum that the Government allocates to VisitBritain through its Grant-In-Aid settlement for its whole operation.

This return on investment mirrors that of other successful National Tourism Boards (NTBs). For example, a 2019 report by Oxford Economics "The Return on Investment of Brand USA marketing" found that Brand USA (the US NTB) generated an ROI of 20.9 in terms of additional inbound tourism revenue, which resulted in $375m in additional federal tax being paid - 3.2 times the $117m allocated to Brand USA through the Commerce Department's Travel Promotion Fund.

In the post-Covid environment countries are investing heavily in rebuilding their tourism economies – for example, in 2024, Tourism Ireland will spend £63m on marketing, Brand USA will spend £202.5m and Australia will spend £65m on a single campaign. VisitBritain's settlement needs to be increased from the standstill funding that it is currently receiving if the UK is going to win back its share on international tourism revenue.

Establish a new tax-free shopping regime for international visitors

At the beginning of 2021 the UK closed its VAT Reclaim Scheme and became the only European country not to offer tax-free shopping to visitors.

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 Retail (AIR) calculated that reinstating and expanding the VAT Reclaim Scheme would 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 pa in tax, resulting in a net benefit to the Exchequer of £350m pa as well as boosting regional economies and providing a showcase for local luxury goods manufacturers.

The re-establishment of these schemes would create a new EU retail tourism market and place the UK in a unique position to make the most of this opportunity. AIR has calculated that this new market would be worth £10bn annually, and because of the air connections between Europe and the regions and nations of the UK, £5bn of that would be spent outside London. That would create 200,000 tourism and retail sector jobs, encourage connectivity via regional airports to tourism destinations and retail hotspots around the country, and provide a massive levelling-up boost.

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.

International Passenger Survey figures suggest that the removal of the VAT Reclaim Scheme is impacting the important Chinese market which, while representing just 4% of all international visitors to the UK, was responsible for around 16% of the UK's inbound tourism revenue. In 2022, Chinese outbound tourism recovered to 96m (62% of its pre-Covid level), while only 47,000 of these travellers came to the UK - just 5% of number the UK received in 2019.

Therefore, we continue to call for the reinstatement of VAT RES and airside VAT-free shopping at the earliest opportunity in order to boost tourism and export earnings.

Reduce the VAT rate for hospitality, events and attractions

The 2021 World Economic Forum Travel & Tourism Development Index shows that the UK as a destination ranks 116 of 117 countries in terms of price competitiveness. A large part of this is due to the UK charging the highest rate of Air Passenger Duty in the world and one of the highest levels of VAT on tourism services and goods such as accommodation and entrance fees for attractions. By comparison with the 20% VAT applied in the UK, the average VAT rate applied to tourism accommodation across Europe is only 10%.

This lack of price competitiveness 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%.

The reduction of VAT for tourism and hospitality 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.

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 restoring the VAT rate to 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.

The resultant increase in revenue and employment in these sectors would provide a net benefit to the Treasury in just four years, while a reduction in VAT to 5% tickets for festivals and local events would support the viability of many smaller local events which are the main promotional activities that drive visitors to key destinations.

Resist calls for further taxes on tourism

There are increasing calls for local authorities to be given powers to introduce a tax on visitors staying in tourism accommodation. The justification for this is that visitors impose costs on the provision of public services and the maintenance of the public realm and that these costs fall on local residents. The view is that many overseas destinations have imposed tourism accommodation taxes to ensure that visitors “pay their way” and that this has not impacted the tourism industry in these locations.

However, the Tourism Alliance’s ‘Taxing Tourists’ report, available on the Tourism Alliance website, shows that people taking holidays in the UK already pay their way and more because the high level of VAT on accommodation. Comparing the total level of tax paid by visitors to 12 major tourism destinations in Europe, the USA and the Middle East with the amount of tax that international and domestic visitors already pay in the UK. The results show that even after including all applicable bed taxes and sales taxes, the average level of tax paid by visitors to the UK’s competitor destinations is 14% compared to the 20% paid by visitors staying in the UK, even without a dedicated tourism tax or bed levy.

The only destination which charges more in total accommodation tax than the UK is Amsterdam, and does this as part of a plan to actually deter tourism and reduce the number of visitors, recognising that a high tax regime is effective at fulfilling that ambition.

As people holidaying in the UK already pay more in tax than those to almost any other destination, the key issue is that this revenue goes to central government and is not recycled into the maintenance of tourism destinations. Therefore, rather than imposing an additional local tax on UK visitors, which would make the UK even more uncompetitive as a destination, existing tax levels need reformulating to ensure a more equitable distribution of tourism revenue between central and local government.

As discussed above, The Tourism Alliance would welcome a debate as to how the high levels of taxes that tourists already pay could be restructured so that local communities that host visitors receive greater benefit from local tourism expenditure. We believe that resolving this issue would provide a mechanism for significantly supporting tourism in lots of destinations, including supporting the regeneration of coastal and rural areas.

CONCLUSION

The four key pillars of this manifesto – making travel easier; allowing tourism businesses to thrive; supporting destinations, places and communities; and the UK in a competitive tourism marketplace - are the ones that any UK Government regardless of its political stripe should adopt as the building blocks of an effective tourism strategy as we head towards a general election, and beyond.

The tourism industry stands ready to supercharge the UK's economic growth, and distribute that growth around the country, and to do so in partnership with the Government. In this manifesto we outline a range of practical policy solutions which would give effect to these four key tourism pillars.

The tourism sector has demonstrated resilience in the face of extraordinary change and challenge in recent years. Significant issues remain, and the barriers to growth are still far too real. But if parties and governments wish to view the visitor economy as a vital element of its plans for growth, as we believe they should, we hope the ideas presented in this document will provide a blueprint as to how they can do that working in collaboration with the tourism industry.

THE TOURISM ALLIANCE

The Tourism Alliance is the voice of the tourism industry, comprising more than 75 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 Government and Parliament on all key issues relevant to the growth and development of tourism is in order to maximise its contribution to the economy.

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National Trust
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