Achieving the Full Potential of the Visitor Economy

Full Report
This Review proposes how VisitBritain should work with other agencies to deliver the following key outcomes for the development of British tourism:

- Effective marketing of tourism assets
- Intervention initiatives where market failure exists
- Key support measures needed from Government
- Identification of resources to deliver a durable legacy from the 2012 Games
- Unambiguous and agreed roles and responsibilities for all public agencies
Tourism matters. It is a major source of jobs and wealth creation across Great Britain – but in many ways it is a forgotten industry, and one that features all too seldom in the political or economic debate.

The figures in this Review make the case for the industry powerfully. Tourism is an £86 billion industry, which makes it roughly four times the size of farming. It employs 1.4 million people throughout the country – 4.3% of our workforce. And it is an extremely important employer in areas that need those jobs most – in the Highlands of Scotland, for example, or the South West of England – where average earnings are lower than the national average. Tourism provides stability and prosperity in areas that without it would risk economic deprivation.

Tourism also provides us as a nation with the chance to show ourselves to the world at our very best. It is grass roots diplomacy. Every year, people from all over the world come to Britain with hazy and outdated impressions of London smogs and Sherlock Holmes. They usually leave with a different view – and with vivid memories of a vibrant, multicultural society, equally proud of its heritage but excited by the future.

The more we can do to promote this process, the better. Further, tourism offers Britain’s entrepreneurs and small business people an outlet for their ambitions and dreams. In a global economy that is dominated by multinational businesses, tourism is one of the few industries that can easily accommodate start-up businesses, allowing people to take that vital first rung on the ladder to entrepreneurial success.

The tourism industry can be forgotten for precisely that reason – because so many of its participants are small businesses without the marketing or lobbying resources of their much larger counterparts. So it is vital that Government and the industry come together to examine the ways in which they can promote and protect this important part of the economy amidst increasing global competition. This report is an important part of that process. I see it as a blueprint for the industry and, as such, something that needs to be taken seriously.
“It is vital that Government and the industry come together to examine the ways in which they can promote and protect this important part of the economy.”
Chairman's Introduction

Christopher Rodrigues CBE
Chairman, British Tourism Framework Review

When VisitBritain was asked to undertake this British Tourism Framework Review by the Rt. Hon. James Purnell MP, the Secretary of State for Culture, Media and Sport, we came to a rapid understanding that it should not be an inward-looking project.

We needed to reach out to all tourism’s stakeholders in the industry, in the public sector and in Government. Our job was not to justify preserving VisitBritain “as is”, but rather to ask what role each of the constituent parts of the industry should play if we were at one in our desire to achieve the full potential of the visitor economy. We needed to be prepared to challenge the status quo, not least the role VisitBritain should play in the devolved world of 21st-century tourism in Britain.

We were guided by Government not to focus on the case for additional funding, but rather on identifying ways to improve the efficiency and effectiveness of the industry. We were asked to do this within the confines of VisitBritain’s reduced Comprehensive Spending Review settlement, the monies spent by the regional development agencies, local authorities and the London Development Agency, as well as the funds allocated to tourism by the Welsh Assembly and the Scottish Parliament.

We have respected that guidance, though we must point out that the plan for achieving the tourism legacy benefits of the London 2012 Olympic and Paralympic Games remains largely unfunded. It is also the case that the value for money story that the recent weakening of the pound allows us to promote only has limited funding at a time when modest additional support for tourism marketing can have a rapid, real and material impact on creating and sustaining employment.
In fact, the two funding gaps are linked, because correcting the perception that Britain offers poor value for money is an essential precursor to the effective showcasing of Britain’s attractions around the Games. This is a once in a lifetime opportunity that continues to slip between our hands for the lack of a very modest amount of incremental funding, and is all the more regrettable for being the undoubted highlight of a decade of global sporting events being hosted in Britain.

Turning to our main task, which was to identify opportunities to improve efficiency and effectiveness, I am pleased to report that thanks to the wide-ranging input received from the industry and the public sector bodies involved in tourism, we have developed a set of recommendations that reflect the broad consensus that exists amongst the stakeholders in the visitor economy.

Our recommendations have significant implications for VisitBritain, other public sector stakeholders, the industry and Government. Individual institutions can implement some recommendations; others need high levels of collaboration and partnership.

The review process has already had a positive impact on the relationship between the national tourism agencies. This bodes well for the future. Achieving successful outcomes will depend on this collaboration being sustained. In this case alone, a shortage of funding is helpful as it puts a premium on sharing resources, and that is at the heart of a number of the recommendations.

The independent analysis commissioned by VisitBritain and the Tourism Alliance and undertaken by Deloitte has complemented the research conducted by the Framework Review team. The report:

1. Makes it clear that the visitor economy is an even more significant part of the UK economy than had previously been estimated
2. Reveals the high number of new business start-ups in tourism and how tourism plays a vital role both in regeneration and in the rural economy
3. Highlights the significant multiplier effect tourism has on other parts of the British economy
4. Identifies the many areas in which the visitor economy improves the quality of life for UK residents
5. Makes it clear that, if the industry is to reach its full potential, Government must play an active enabling role for the industry because:
   - The industry is fragmented
   - The industry needs active government engagement in infrastructure and policy issues
   - The industry suffers from what economists call the free rider effect, which means you cannot expect small local businesses to do what is best funded and led by national bodies

This Review has underlined not only how important tourism is to Britain and the opportunities it offers for significant future growth and employment, but also the threats facing the industry in the years ahead. Some threats are commercial and increase as the world tourism industry becomes ever more competitive. Others are policy failures that hold back the industry’s potential for continued growth.

When we began, it was clear our work was important. Now, with the global economy heading into recession, the work needed to defend and promote Britain’s fifth largest industry is nothing short of vital. Both the threats and the opportunities have become considerably magnified.

I am delighted to report that some of our recommendations have already been adopted and I am confident the rest will follow. Beyond this, the Review aims to achieve a sea change in attitudes towards tourism so that the British nation better understands why tourism matters.

I would like to thank the many people who have given their time and efforts so generously to the work of this Review. In particular, I would like to thank all those who took the time to provide their written or verbal submissions and to consult on the recommendations, my fellow Review Panel members and the VisitBritain board for their invaluable input. My thanks also to the VisitBritain team who engaged enthusiastically with the Review – particularly Bernard Donoghue, Shivah Jahangir-Tafreshi and Lucy Jones.
This Review is comprehensive, inclusive and objective. It was commissioned by the Secretary of State for Culture, Media and Sport in late 2007 in light of a reduction in government grant-in-aid for VisitBritain, the national tourism agency. It is based on four strategic objectives:

1. Marketing Britain overseas
2. Marketing England at home and overseas
3. Supporting the development of national tourism policies and the resolution of key national tourism issues
4. Securing the tourism benefits of the London 2012 Olympic and Paralympic Games

**UK tourism market**

Tourism is an important industry, largely appreciated at moments of crisis rather than in the good times, and makes a significant contribution to local, regional and national economies.

New research, commissioned as part of this Review and undertaken by Deloitte, reveals that tourism was worth £86 billion in 2007, directly employing 1.4 million people and representing 3.7% of GDP. Taking into account the overall contribution of tourism – indirect employment and economic benefit – tourism is worth £114 billion, is responsible for 2.65 million jobs and represents 8.2% of GDP in 2007.

The importance of domestic tourism to the economy cannot be underestimated, but often is. In 2007, spending by domestic residents amounted to £67.6 billion, whereas spending by international visitors (including fares to UK carriers) to Britain amounted to £18.7 billion. Domestic tourism is not just responsible for nearly four-fifths of our national visitor economy; it is vital to the health and size of our local, regional and national economies. Submissions to this Review consistently made the case that domestic tourism, the industry which supports it and the policies which
affect it need to have higher profiles and be given greater consideration in the marketing strategies of all those players – public and private alike – who work in tourism. Britain is a globally attractive and popular destination with a range of enviable tourism assets, from stunning landscapes to vibrant cities, with a rich history of tradition, heritage and culture, living alongside modern design, music, theatre and architecture. But Britain is losing its share of international visitors and the number of Britons travelling abroad for leisure vastly outnumbers the overseas visitors who come here. Whilst Britain has undoubted strengths – in accommodation, food and drink, the English language and our international connections (of history, as well as transport) – it also has some weaknesses; poor and creaking transport infrastructure; Britain is perceived as (and can be) an expensive destination; and the logistics of getting to Britain can be complex and expensive (the price and process of obtaining a visa, for example).

As relatively successful as Britain may be at promoting itself as an attractive destination, it does so on what many private sector contributors to the Review have called a 'shoestring budget', barely able to make a significant impression even in Britain's most important markets. The relatively small amounts of money which are able to be invested in overseas marketing campaigns by the collective efforts of Britain's tourism marketing organisations pale in significance when compared to competitor destinations and private sector brand marketing (such as hotels or airlines).

"But Britain is losing its share of international visitors and the number of Britons travelling abroad for leisure vastly outnumbers the overseas visitors who come here."

**The economic backdrop**

Quite apart from these and other challenges, Britain’s tourism industry is facing new challenges due to the global recession and consequences of the credit crunch. Whilst VisitBritain research reveals that potential visitors to Britain still want to travel to Britain and regard it as an attractive destination, they don’t believe that they can afford to do so for the foreseeable future. Britain, for example, experienced a 27% decrease in the number of North American visitors in September 2008 compared with the previous year.

Before we went to press, we asked Deloitte to review their tourism contribution forecasts in the light of the economic recession. These showed an immediate impact on employment figures in the tourism industry with 79,000 fewer jobs in travel and tourism in 2009, leading to a 114,000 reduction by 2010. Even the modelling for this assumed a dollar/sterling rate of 1.8, which is likely to be overly optimistic of the likely impact.

**Impact of the recession**

The tourism industry is looking to Government – national and devolved – to assist private sector efforts to promote Britain domestically and internationally as a ‘value for money’ destination as soon as possible. Against this backdrop our competitor destinations, such as France and Spain, are investing millions of euros in new marketing campaigns aimed, at least in part, at attracting the British market. The recession, challenging though it will be for the British tourism industry, also provides opportunities to change our marketing campaigns and messages; re-assert Britain’s national and regional brands in domestic and international markets; press Government for creative responses to the recession (such as the pricing and process of visas, for example) and, as a result of the strength of other currencies, highlight the double tourism benefit of a quality product offering and the current greater value for money affordability of Britain.

**Devolution**

Under the devolution legislation of the late 1990s, tourism is a devolved matter for the Scottish Parliament, the Wales Assembly Government, the Northern Ireland Assembly and, in England, for the Regional Development Agencies. But it is clear that not all policy issues or indeed funding decisions which affect tourism are devolved from central government. Devolution has also led to an increase in the number of public sector structures engaged in tourism and, as a consequence, a greater need for clarity as to what these agencies do, with whom and for what purpose. Greater effort at cooperation between public agencies and the private sector; the avoidance of duplication of effort and investment and clear objectives for the public investment in tourism is vital.

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effort and investment and clear objectives for the public investment in tourism is vital."

A national tourist board for England

Devolution has left England without a stand-alone national tourist board and, therefore, at a disadvantage. It has unnecessarily complicated the role of VisitBritain in promoting Britain overseas and developing England’s visitor economy. This Review recommends the immediate creation of a national tourist board for England, with a dedicated Chairman, Chief Executive, executive team and budget.

The creation of a national tourist board for England provides the opportunity for all of the UK’s national tourist boards and ‘strategic partners’ to realise economies of scale and to avoid duplication of effort and investment by sharing overseas, commercial and technological platforms.

Tourism policy

Devolution has seen the consequent creation of cross-sectoral national trade associations, which aim to raise the profile of tourism with the respective governments and to lobby for policy and fiscal measures to support tourism. This Review has identified three key recommendations in this area: the re-institution of VisitBritain and VisitEngland’s insight-led policy competence and capacity to complement the policy formulation work of the private sector; the creation of a cross-national ministerial working group of UK tourism ministers to address reserved matters affecting tourism such as visas, taxes and immigration policy, for example; and the creation of a cross-Whitehall policy working group on tourism, which would bring together all government departments that have an impact on, or responsibility for, policy issues affecting tourism and would be advised by a Tourism Advisory Council.

"There is a requirement to re-institute VisitBritain and VisitEngland’s insight-led policy competence and capacity to complement the policy formulation work of the private sector."

A new agreement for overseas marketing

As part of the process of the Review, the national tourist boards of Britain and Visit London (the ‘strategic partners’), together with VisitBritain have signed a new agreement which governs the use of the overseas network of offices and representatives that VisitBritain employs. It will aim to achieve the complementary marketing of all of the constituent parts of Britain for the benefit of all the constituent parts. As a consequence of this agreement and the reduction in VisitBritain’s budget, VisitBritain’s role has been redefined and streamlined in the last year. This Review welcomes the greater clarity in VisitBritain’s role and purpose, particularly in relation to its marketing role vis-à-vis the strategic partners, but is concerned that the latest cuts to VisitBritain’s core budget has compromised the organisation’s ability to maintain, let alone build, market share, and to exploit fully marketing opportunities around the world. The private sector in particular has expressed concern that even the combined individual market budgets which Britain’s marketing promotion agencies (VisitBritain, strategic partners, destination management organisations) have are insufficient to compete against other destinations.

"A new agreement which governs the use of the overseas network of offices and representatives that VisitBritain employs has been signed."

Maximising major sporting and cultural event opportunities

The nations of Britain have worked hard in successfully winning the right to host some of the most important sporting events in the world in the next few years; the Ryder Cup in 2010, the London 2012 Olympic and Paralympic Games and the Commonwealth Games in 2014. These sporting events – a decade of sport – sit alongside a huge programme of conferences, exhibitions, festivals and business events which bring new business, foreign earnings, international visitors and increased investment to all parts of the UK. All of these events, but especially the Olympic and Paralympic Games, provide a global opportunity to invite the world to visit Britain either in person or through the medium of television, radio, printed media or new technology. All of the contributors to the Review, whether from the public or private sector, have strongly recommended that the as-yet unfunded DCMS 2012 tourism strategy Winning: a tourism strategy for 2012 and beyond is implemented fully, and funded adequately as a matter of priority, and this Review endorses and shares that recommendation.
There is a strong recommendation that the as-yet unfunded DCMS 2012 tourism strategy Winning: a tourism strategy for 2012 and beyond is implemented fully, and funded adequately as a matter of priority.
Introduction

The Origins of the Review

This Review was commissioned in October 2007 by the Secretary of State for Culture, Media and Sport (DCMS is the UK government department responsible for tourism) following the decision to reduce VisitBritain’s funding by over 20% in real terms for the years 2008/09 to 2010/11.

For the previous decade, the VisitBritain budget had been static in cash terms and significant efficiency improvements had already been made within the remit of the Gershon Review.

It was clear that a cut of this scale made a comprehensive review essential as it was not possible for VisitBritain to continue delivering the same set of outcomes as in the past.

It was also timely to review VisitBritain’s relationships with its strategic partners: VisitScotland, Visit Wales, Visit London and VisitEngland; together with the nine English regional development agencies and, indirectly, with local authorities and destination marketing bodies to ensure the most effective use of the public money invested in tourism.

The Review was conducted within the limits of DCMS funding for the years 2008/09 to 2010/11. Particular attention was given to identifying how VisitBritain could work more efficiently and effectively, with the industry and its public sector partners, to deliver against its four core strategic objectives of:

1. Marketing Britain overseas
2. Marketing England at home and overseas
3. Supporting the development of national tourism policies and the resolution of key national tourism issues
4. Securing the tourism benefits of the London 2012 Olympic and Paralympic Games

This Review is focused on maximising the impact of the current central government investment in VisitBritain and VisitEngland, while at the same time creating structures, processes and platforms that optimise the impact of the significant amount of tourism funding that is now devolved to other public agencies, with a clearly articulated set of accountabilities.

The Review aims to remove duplication, improve alignment and clarify accountabilities so that public sector funds are spent in the most effective manner and national tourist boards and agencies are best placed to attract more private sector funds for partnership programmes that put heads in beds, bottoms on seats and feet through the turnstiles.
“This Review aims to remove duplication, improve alignment and clarify accountabilities so that public sector funds are spent in the most effective manner.”
The aim of the Review

The primary objective for the Review is to identify how best to achieve the full potential of Britain’s visitor economy. This report seeks to ensure that:

• There is clear understanding of what the visitor economy is, what it contributes, the main challenges it faces and how they are to be addressed, and

• There is clarity on the respective roles and responsibilities of Government, the public agencies involved in tourism and the tourist industry itself in confronting these challenges effectively.

Views represented in this Review

This Review was carried out by VisitBritain staff assisted by representatives from all our major stakeholder groups, together with external specialists. The work was guided by an independent Review Panel and involved a widespread consultation process, involving private sector industry partners, trade associations, VisitScotland, Visit London, Visit Wales, VisitEngland, regional development agencies, local authorities, destination management partners and other representative groups. Participants and stakeholders and a summary of their submissions are listed in the appendices, online at www.tourismreview.co.uk. Ultimately, the Review reflects the views of the VisitBritain Board and the Review Panel (see www.tourismreview.co.uk).
Tourism is a key source of employment in this country, in large measure because it is an exceptionally labour-intensive industry. The tourism industry directly accounts for the equivalent of 1.4 million full-time employees in the United Kingdom, or 4.3% of the workforce. This compares with a total estimated employment figure of just over 1.3 million for all of the creative industries – including software and computer services, publishing, music, television and radio, advertising, design, the performing arts and the film industry – combined.

Employment from tourism is spread right across the country; although London is the largest tourism destination in the United Kingdom (particularly for overseas visitors) London accounts for 280,000 of the nearly 1.36 million people employed in tourism, yet in Yorkshire and Humber 243,000 people are employed in tourism, only slightly less than in our capital city and largest inbound destination. In other parts of the nation then, tourism is a much more high profile industry and a much more significant contributor to the regional economy; it represents 12% of GDP in the South West of England and approximately 13% in the Highlands and Islands of Scotland, for example.

Tourism is a growing industry in this country and across the world. In recent times tourism has been responsible for one in four new jobs created in this country. This growth has helped to compensate for decline in other sectors. In many areas where the manufacturing industry was a major employer, tourism has become a very significant source of employment as the manufacturing industry plays a reduced role in the economy and becomes less labour-intensive. Tourism also moves people into the labour market that can only work part-time or have a low skills base and might not otherwise enter employment; as such it is well placed to significantly contribute to the national ambition to raise skills across the board and to position tourism as an industry providing lifelong, exciting careers.
“The tourism industry directly accounts for the equivalent of 1.4 million full-time employees in the UK, or 4.3% of the workforce.”
Over 200,000 businesses are active in the visitor economy, of which 80% are SMEs, and there continues to be a high level of enterprise and business creation. The tourism industry typically has low barriers to entry and attracts entrepreneurial activity, starting up new small and medium size businesses. The number of registrations of new businesses related to the visitor economy accounts for 11.5% of the registrations for all businesses in the UK – well in excess of its share of the UK GDP.

There are significant indirect impacts of the visitor economy through its interaction with other businesses – by selling to, or purchasing from, other sectors. The total (direct and indirect) impact of the visitor economy was 8.2% of national GDP in 2007 – equivalent to around £114billion. Research undertaken by Deloitte and Oxford Economics for this Review indicates that the total number of jobs, directly and indirectly, employed by the visitor economy is 2.65million, or 8.4% of the total employment figure in the UK.
In addition, there are close linkages between the visitor economy and other areas of the economy that create spillover benefits for a number of sectors such as retail, manufacturing and health and life sciences. Supplementary qualitative analysis of three varied sectors, undertaken by Deloitte as part of the Review, highlights how far-reaching the benefits of the industry are:

- **Retail.** This link has been evidenced by the impact on retailers’ profits following the fall in tourism numbers in the aftermath of the London bombings in 2005. Although in many cases retail is considered a key element of the visitor economy, some major retailers who are not directly associated with the industry develop targeted strategies for tourist areas to maximise sales of goods and services more specific to visitors.

- **Manufacturing.** Although the contribution of the visitor economy to the manufacturing sector is not immediately obvious, stakeholders have suggested that there are crucial links through the supply chain, particularly in the form of manufacturing of goods and services in the transport sector, food and beverages, and hotel equipment.

- **Health and life sciences.** Well developed health care systems and improvements in technology have supported the growth of medical tourism, with consumers travelling specifically to receive medical treatments (such as surgery, dentistry, cosmetic surgery and infertility treatment).

Moreover, there is evidence of a ‘critical mass of visibility effect’, whereby tourism and associated expenditure creates benefits for British businesses and consumers. Some of this is tangible, in terms of breadth of additional choice for residents or the conservation of effects for Britain’s natural heritage, and some is less tangible, in terms of the ‘vibe’ of a place like Brighton, Manchester or Newcastle. Private sector contributors to this Review highlight that some areas of business are aimed specifically at tourists but there is often significant crossover and, in some cases, cross-subsidisation benefiting local residents.

Crucially, a vibrant visitor economy is often a cause rather than a consequence of an attractive place to live and work. Attractive places to visit make for attractive places to live and this virtuous circle has some tangible economic benefits too. This has been recognised by central and local government in their ‘Place Making Charter’ initiatives, which highlight the correlation between investment in the public realm and leisure facilities that directly benefit local residents and the enhanced attractiveness of the locality, which result in increased numbers of visitors and investors alike.

### A Hidden Giant

Despite its size, tourism has had a low profile both economically and politically; it is the hidden giant of the British economy. This fact has been recognised and reported on in successive inquiries into tourism undertaken by the House of Commons Culture, Media and Sport Select Committee, the last report being published in July 2008. It stated that tourism suffers from an information deficit, a finding consistent with other parliamentary and government reviews. This is partly because the tourism industry is not a distinct entity like many economic activities, being defined by the purchaser – the visitor – rather than the product. Tourism is not a standard industrial sector recognised in the national accounts framework; instead elements of sub-sectors such as hotels, restaurants, bars, cafés, museums, sport and other recreation activities have been grouped together, with elements of the transport and travel trade, to produce an estimation of the value of tourism.

Yet tourism reaches parts of the economy other industries do not reach. The impact ranges from its positive contribution to coastal and rural areas, to social inclusion, and employment creation at all skill levels, to being the catalyst for the regeneration and development of our urban landscape in projects such as the Salford Quays, Albert Docks, Cardiff Bay development and Leith Docks with the Royal Yacht Britannia.

And perhaps crucially, the tourism industry is one of the key shapers of Britain’s image around the world. The promotion of Britain overseas encourages people to aspire to visit the nations and regions; and the stories visitors tell on their return are central to the world’s view of Britain.
Research conducted by Simon Anholt in the context of the Anholt-GfK Nations Brand Index demonstrates that tourism plays a major part in our reputation around the world and this, in turn, supports Britain’s wider economic, political, industrial and cultural ambitions and inward investment.

The fragmentation of the tourism industry and the lack, until relatively recently, of a cohesive tourism lobby has had profound consequences for its treatment by successive governments and for the handling of tourism issues. The disparate sectors that make up the visitor economy such as museums, coach operators, commercial visitor attractions, restaurants and the many different types of accommodation, do not necessarily perceive a shared interest. Many of the businesses in UK tourism are exceptionally small: of the roughly 200,000 tourist businesses in the United Kingdom, 80% have an annual turnover of less than £250,000. These small businesses see themselves as being in competition with their immediate neighbours rather than with other locations, and are not necessarily inclined to band together to market their destination.

**Devolution**

Devolution has dramatically changed the political and tourism landscape of Britain. Under the Devolution Acts of 1998, tourism became a devolved matter and responsibilities for marketing, infrastructure, service provision, training and most policy now rest with the Scottish Parliament, the National Assembly for Wales, the Northern Ireland Assembly and at Westminster for England. One immediate consequence of this is the much higher political and media profile tourism enjoys in Scotland and Wales than had been the case previously. Another is a significant increase in public investment into tourism by the respective Parliament and Assemblies and in England through the regional development agencies (RDAs), which assumed responsibility for the strategic lead for tourism in 2003 and are funded through the Department for Business, Enterprise and Regulatory Reform. This increase in devolved budgets and activity, of necessity, requires greater efforts in national and Britain-wide co-ordination in order to avoid duplication of time, effort and money and to ensure the best return for the UK taxpayer.
Greater co-ordination between the private sector and public purse holders has begun, through initiatives such as Partners for England, but there is still much to achieve and within the current organisational structures there is no official body charged with delivering this.

There has been much debate within Government and the industry in recent years as to the exact figure of public funding that is spent by central government, through its various channels and agencies, on tourism. Understanding what precisely is meant by tourism, in this context, is not an academic exercise but a vital prerequisite to quantifying government investment in the sector and, by extension, to identify duplication of effort or investment, or gaps in funding. As part of this Review, research was commissioned to identify the top-line government expenditure on tourism, as quoted in Department for Culture, Media and Sport explanations of the Comprehensive Spending Review settlement of £350.7 million in 2006/07.

In an answer to a parliamentary question put by Jeremy Hunt MP to the DBERR Minister Pat McFadden MP, the Minister stated on 25 June 2008 that the figures given in the table to the right refer to the spending by RDAs on core tourism and leisure objectives. RDAs have also spent money on activities related to tourism initiatives such as general marketing of a region, specific regeneration projects, or human resource development. The cost of these related activities are not included (see Table 3.1).

This parliamentary answer provides a snapshot in time of RDA support to specific elements of the visitor economy in their regions, but does not indicate the scale of some of the resources which lie outside DCMS control or, potentially, influence. The RDAs of England have, undoubtedly, changed the tourism landscape in England. They have each in their own way sought to understand the nature of the challenges faced by the tourism sector in their regions and to respond to the opportunities presented to them. This has, quite naturally, resulted in different priorities in different parts of the country, but underpinning all investment decisions are commitments to focus on the quality of experience, service and the improvement of skills; the quality of a place and its broader economic and social benefits, and to increase competitive intensity, productivity and the economic value of the regional visitor economy.

### Expenditure on tourism (Table 3.1)

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(1) AWM had no specific budget for tourism in 2003/04 over and above AWM’s marketing activities for general inward investment into the region.

(2) EEDA’s business model for tourism changed significantly over this three-year period, resulting in the increased level of investment for 2006/07.

(3) LDA figures include core funding to Visit London. London is recognised by the UK tourism industry as supporting the success of other UK destinations through its gateway role and Visit London plays an important delivery role in promoting London as a gateway to the rest of the UK.

(4) ONE took over the delivery of tourism in 2004/05, which is delivered from within the agency.
**Tourism and brand Britain**

**The role of tourism in shaping a nation’s brand**

Today, every country, city and region must compete with every other for its share of the world’s commercial, political, social and cultural transactions in what is virtually a single market. As in any busy marketplace, brand image thus becomes critical – the necessary short cut to an informed buying decision.

Countries with a reputation for being poor, uncultured, backward, dangerous or corrupt will find that everything they or their citizens try to achieve outside their own neighbourhood is harder, while countries like Britain that are lucky or virtuous enough to have acquired a positive reputation find everything easier; their brand goes before them like a calling card that opens doors, creates trust and respect, and raises the expectation of quality, competence and integrity.

All countries, at some level, get the reputation they deserve, and the only sure way to a good reputation is to become a fair, prosperous, well-run and successful country. The problem is that national reputations exert enormous inertia, and generations can pass before improvements in the reality of the country eventually result in an improved image.

The ‘stickiness’ of national image is mainly due to the fact that most people don’t think very much or know very much about other countries; so those simple, widely accepted narratives about other countries are so deeply rooted in the culture of the populations which subscribe to them that they become virtually impossible to shift.

**Taken for granted in the good times, appreciated in the bad**

The powerful role played by today’s visitor economy in the life of the nation is rarely acknowledged by Government, except when external forces cause a substantial temporary decline in visitor numbers. Foot and Mouth, the terrorist incidents of 11 September 2001 in the USA and July 2005 in London and the floods of 2007 all caused a sufficient drop in domestic and international tourism volumes and pushed the industry onto the public agenda. The UK was estimated to have lost up to £5.3 billion in 2001 (Thompson et al., 2002), as trips were postponed and cancelled due to the Foot and Mouth outbreak. Yet the outbreak also shows how greater management of tourism, concerted action and intervention, and involving Government,
public bodies and the tourism industry itself, can help to protect and boost the visitor economy. If these lessons, learned in times of crisis, could be extended to normal times, then the impact on the visitor economy would be considerable.

It is difficult to avoid the conclusion that at the moment it seems it takes a crisis to get the industry noticed. Indeed, in its report ‘Tourism - the Hidden Giant - and Foot and Mouth’, published in May 2001, the House of Commons Culture, Media and Sport Select Committee stated that the Foot and Mouth outbreak’s devastating effect on British tourism "...served to bring to wider public and political attention the crucial importance of the tourism industry to the British economy".

At the core of this Review is a belief that it is time for tourism to be better recognised for what it is – one of the dynamos of the British economy, reaching parts of the economy other industries cannot reach. And that as such, it justifies more proactive government support, not just to redress evident market failures but also to ensure that we achieve the full potential of the visitor economy.

This means supporting the industry with relatively modest strategic investments, but equally importantly it means promoting cross-ministerial policies and actions that create the conditions in which the industry’s own substantial investments will flourish and further investment will follow.

The industry and public agencies have made this case for a number of years; that whilst tourism, like any other sector, requires the most conducive economic, legislative and regulatory climate in which to flourish, it also requires Government to address the opportunities and challenges faced by the industry in a more holistic manner. Few policies which really liberate or constrain our international competitiveness sit within DCMS; nearly all lie elsewhere in Whitehall. And yet there has not been a ministerial working group or Cabinet Committee on tourism which draws together all relevant departments, let alone the devolved administrations, in operation for a number of years. This has to change. At a time when our international competitors are heavily investing in their tourism product and its promotion around the world, the very least that Britain must do is to marshal its policymakers and plan for growth, and that means sitting down together and drawing up a tourism blueprint for the benefit of Britain plc.

The Deloitte research shows that the impact of the tourism industry is indeed bigger than meets the eye and the potential to raise the bar is very real. The challenge for the visitor economy in the future is how, in an increasingly competitive world, its constituent parts can retain and develop Britain’s current strong position, remain differentiated, attract high-value visitors and continue to contribute to Britain plc. With the right aligned investment by industry, the public sector and Government, the visitor economy is forecast to grow from 86.3 billion to £133 billion over the next ten years (indeed, the British Hospitality Association believes the hospitality industry to be currently worth £110.6 billion). What is certain is that without government support and greater co-ordination, this industry will continue to punch below its weight. Increasing global competition and a relative decline in the value of the average British tourism offer will ensure a continued decline in market share which, because the multiplier effect works in both directions, will be detrimental to the economy at large as well as the tourist industry.

Of course the visitor economy will not die overnight, indeed one of the strengths of the industry is its resilience, but the days of bumper tourism harvests will be behind us. The Deloitte downside scenario is that we forego 114,000 jobs and almost £20 billion in GDP by 2018. This means less employment for the young and part-timers. Less support for rural economies and coastal towns. Less urban regeneration. Less skills development. Fewer new business start-ups.

This Review focuses on doing the best with what we have, but it is difficult to ignore the fact that what we have may not be enough to achieve the full potential of the tourism economy. We can seize the opportunities, exploit our assets, plan for growth, prepare for challenges and improve our product offer and welcome, or we can resign ourselves to conducting business as usual and, in doing so, be complicit in the orderly management of decline.
The economic backdrop

Waves of economic woe have swept across many parts of the world in the past year, moving from the ‘credit crunch’, rising inflation, falling house prices and, in autumn 2008, global money markets grinding to a halt and currency markets showing excessive volatility. Before we went to press we asked Deloitte to review their tourism contribution forecasts in light of this. These showed an immediate impact on employment figures in the tourism industry, leading to 114,000 fewer jobs in 2010. Even the modelling for this assumed a dollar/sterling rate of 1.8, which is likely to be overly optimistic of the likely impact (see Table 3.2).

Having now potentially peaked, inflation has driven up costs for tourists, but equally importantly for tourism businesses. The ‘basket’ of goods and services purchased by tourism businesses does not reflect the ‘consumer price index’ basket – for many businesses energy costs make up a significant chunk of expenditure, and for tourism businesses providing food and drink, the cost of these goods has risen far more sharply than the typical household basket upon which headline inflation figures are based.

This means that businesses face a double challenge; potentially weakening consumer demand (with an ever greater desire for value for money) combined with an increasing cost base. For tourism businesses to survive over the next year or two it will be essential for a tight lid to be kept on prices that are charged and hence costs; any costs considered expendable will be cut, and we face a risk that many will see quality accreditation scheme payments (or even marketing expenditure) as simply nice to have in times of plenty, but dispensable when times are tough.

A sector already feeling the pinch is the airline industry. Around three-dozen airlines collapsed around the world in 2008, and most analysts anticipate that, despite the declining price of oil, more are set to follow.

Business tourism is an important element of demand for tourism, with ‘real’ inbound business spending up 109% since 1979, compared with growth of only 18% in inbound holiday spend. However, we risk seeing a period of contraction, especially within the financial and business services sector; this currently takes the form of volume holding up and businesses finding ways to trim costs, but, if recession is inevitable, the volume of business tourism will potentially decline – indeed, hotel occupancy in London during September 2008 was sharply down on a year earlier. London remains a pre-eminent global city for ‘doing business’, but this position is under threat not only from the current economic downturn but also from the emergence of new business hubs in places such as Dubai, Shanghai and Mumbai. After a period of sustained growth for the volume and value of inbound tourism for Britain, we are now entering a spell of far weaker growth and, potentially, contraction.

Impact of the recession (Table 3.2)

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (broader concept) - £bn</th>
<th>Employment (jobs) - 000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Original Forecast Absolute</td>
<td>15.0</td>
</tr>
<tr>
<td></td>
<td>2008 Recession based Forecast Absolute</td>
<td>113.9</td>
</tr>
<tr>
<td>2009</td>
<td>Original Forecast Absolute</td>
<td>118.5</td>
</tr>
<tr>
<td></td>
<td>2009 Recession based Forecast Absolute</td>
<td>114.0</td>
</tr>
<tr>
<td>2010</td>
<td>Original Forecast Absolute</td>
<td>124.1</td>
</tr>
<tr>
<td></td>
<td>2010 Recession based Forecast Absolute</td>
<td>118.0</td>
</tr>
</tbody>
</table>

Difference - £bn: -1.1, -4.1, -6.1

Source: Oxford Economics
Exchange rates are intimately tied in with economic performance, and in the past year Britain has benefited (in terms of inbound tourism at least) from a weak pound, making Britain relatively more affordable (particularly to Eurozone citizens), and foreign holidays relatively more expensive for Britons. As with all financial markets at present, the currency markets are highly volatile, with some analysts predicting that sterling is now set to strengthen, whereas those who foresee a major government spending programme in order to lessen the impact of recession are betting on further weakening of the currency as government debt expands and the chance of hefty declines in British interest rates grows.

With such a challenging economic backdrop, it is crucial that Britain continues to punch above its weight, delivering through the public and private sectors inspirational PR and marketing that encourages worldwide visitors to put Britain on their wish list of destinations to discover. And throughout this content we will need to seed in a clear value message – that there has never been a better time to visit. A sliding pound means, of course, that while visitors will find Britain a cheaper destination to visit, the tourism industry will find marketing overseas more expensive.

The need for government intervention

In its formal response, published in October 2008 to the Culture, Media and Sport Select Committee Report on Tourism, which was issued in July 2008, the Government states that “…the justification for government investment in tourism is, in part, the need to recognise that out of approximately 200,000 businesses involved in the sector, the vast majority (80%) are SMEs with severe limitations on the extent to which they can be expected to co-ordinate marketing effort.”

“With such a challenging economic backdrop, it is crucial that Britain continues to punch above its weight … and encourages worldwide visitors to put Britain on their wish list.”
The work undertaken by Deloitte as part of the Review argues and demonstrates the need for government intervention in, and support for, the tourism industry. Despite being a large industry, with significant potential to grow on the back of investment, there are market failures which need to be addressed with that investment. These failures could prevent the visitor economy from optimising its potential. These issues include:

- **Information gaps (asymmetries).** Information is imperfect and there are significant failures where both consumers and businesses in the visitor economy suffer from information gaps, and potential visitors (both overseas and domestic) do not have the relevant information to use in their decision making. The provision of such information (or lack of it in free market conditions) is an example of market failure and manifests itself in the requirement for public provision, as outlined below.

- **Free rider problem.** A major market failure in the visitor economy is that there is likely to be no equivalent provision of marketing and co-ordination by the private sector due to the free rider problem. Due to the fragmented nature of the industry, individual businesses or a group of businesses are unlikely to market a place (country, city or region) to international or domestic markets. In addition, many tourism providers perceive themselves as being in direct competition with their immediate neighbour, rather than with other destinations and products.

- **Externalities.** There are significant positive and negative externalities arising from the visitor economy. Positive externalities exist where other businesses and consumers benefit from tourism activity. For instance, these include increased choice for domestic residents and preservation of the UK’s heritage, reinforcing the attractiveness of the UK as a location from which to conduct international business. Negative externalities exist where other businesses and consumers are adversely affected by tourism activity. Examples include the congestion impacts of tourist traffic in more popular destinations and the erosion of natural heritage where open access to spaces can lead to both economic and environmental over-exploitation of the natural environment. Negative externalities can be mitigated and positive externalities can be increased by judicious government intervention in the market through fiscal or regulatory mechanisms.

- **Skills gaps.** The provision of skills in the hospitality industry is a critical success factor for a competitive visitor economy. Large businesses provide training for specialist skills but the majority of small businesses in the sector are not able to support the development of the necessary skills. Due to labour mobility and the seasonality of the tourism employment market, there are limited incentives for businesses to invest in skills where employee turnover is high and where skill development opportunities are a limited factor in decisions to leave employment. This is a key contributor to the quality considerations mentioned above and is talked about in some quarters as ‘productivity failure’; it is often claimed that Britain lags behind comparator regions and nations in visitor economy productivity. This claim, however, is open to challenge and there is little evidence to support it.

- **Spatial dimension of market failure.** There are also spatial dimensions to market failure. The ‘honeypot effect’ whereby visitors flock to a limited number of then-congested destinations, although beneficial for regeneration and for generating economic growth, can create negative externalities, as the impact of this concentration of visitors may create problems such as congestion and environmental erosion. There are interesting questions regarding the extent to which visitors’ demands can be ‘spread-around’, which is in turn linked to whether tourists do not visit alternative areas due to information failure, or simply because they do not wish to visit. The market failures given above are specific to the tourism sector, and a response to correct these needs to be tailored for the visitor economy. There are many national and regional initiatives underway to address them and many are recognised as longstanding features and challenges. In addition, there are general policy drivers that influence the outcomes in the sector. However, a policy response to influence positively these drivers (such as transport) would include interventions across the public sector and would not be specific to the visitor economy.
“Despite being a large industry with significant potential to grow on the back of investment, there are market failures which need to be addressed.”
Tourism is a British success story. The UK remains one of the world’s most attractive destinations for foreign visitors. In 2007, the country was sixth in the league table of world destinations in terms both of visitor numbers and tourism receipts, as is evident from the tables below.

<table>
<thead>
<tr>
<th>International tourist arrivals (Table 4.1)</th>
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<tr>
<td>Rank</td>
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<td>10</td>
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Source: UNWTO

<table>
<thead>
<tr>
<th>International tourist receipts (Table 4.2)</th>
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<tbody>
<tr>
<td>Rank</td>
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<tr>
<td>------</td>
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<td>9</td>
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<td>10</td>
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</tbody>
</table>

Source: UNWTO

But today our industry looks forward to a less certain future. It faces more competition from more countries than ever before, while neither prioritising tourism nor developing the infrastructure or tourism offer to appeal to the rising expectations of the modern traveller (see Tables 4.1 and 4.2).

The strength of Britain as a tourist destination is derived from many sources – its heritage and history; London and the countryside; being home to the English language; a high brand awareness around the world of our nations and regions, such as Scotland and the Lake District; the bonds of Commonwealth and the legacy of Britain’s maritime trading history and cultural legacy; its adjacency to the c.662 million inhabitants of Continental Europe; its post-war emergence as the world’s long haul transport and business hub, perfectly positioned in time zone and geography as a stepping zone between East and West; and its widely respected strengths in the fields of education, business, science, arts and culture.

While Britain currently continues to perform well, it is vulnerable in key areas of tourism competitiveness. Recently, the World Economic Forum (WEF) in association with the World Travel and Tourism Council (WTTC) has begun to assess the competitiveness...
“While Britain currently continues to perform well, it is vulnerable in key areas of tourism competitiveness.”
of countries as tourism destinations, using a similar approach to that used in its long established National Competitiveness Index, developed with Professor Michael Porter of Harvard Business School.

Britain performs strongly overall – being rated sixth out of 130 nations – despite receiving low ratings in a number of important areas. It is rated fourth in the world for its cultural assets, as well as for its air infrastructure. Britain comes 90th in the world, however, in terms of ‘affinity for tourism’, and 127th in terms of price competitiveness.

As the World Economic Forum report points out, Travel and Tourism generated in excess of US$7trillion in revenues globally – a figure that is expected to rise to over US$13trillion over the coming decade. Many countries see travel and tourism as an important driver of growth and prosperity and prioritise the support and development of the industry. Britain faces increasing competition for the international visitor who can choose from destinations that offer better value for money, a stronger ‘brag’ factor than Britain and are closer to home (see Table 4.3).

Research shows that while the French, Spanish and Italians frequently rate their own country as their number one holiday choice, the British are not so patriotic. But whilst the tourism deficit figures show that the British appear vastly to prefer travelling abroad to staying at home, NBI research shows that ‘if money were no object’ New Zealand is the most attractive destination for the British and that the UK comes second.

Some of this reticence about taking holidays at home can be put down to Britons’ love of overseas travel and treated as inevitable national behaviour. But that would be to ignore the fact that there are some weaknesses in the British offering and, unattended to, they could be increasingly detrimental to the tourism industry.

The net result is that despite the attractions of Britain to the international traveller, the even greater British love of overseas travel causes a significant balance of payments deficit in the tourism and travel account. This gap has been growing since the early 1980s and in 2007 was over £19bn, according to figures from the International Passenger Survey (see Table 4.4).

### Clear, enduring strengths

The nations and regions of Britain possess many world-class tourism assets, which are easily accessible both to domestic and to international tourists.

### Geography

The UK’s strong position to date is due in large measure to its geographical location and its highly developed international transport links. According to CAA analysis, the UK was served by more than 1,400 separate scheduled air routes in 2007, added to which are more than a score of ferry routes and the Channel Tunnel.

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**Travel and tourism competitiveness (Table 4.3)**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Switzerland</td>
</tr>
<tr>
<td>2</td>
<td>Austria</td>
</tr>
<tr>
<td>3</td>
<td>Germany</td>
</tr>
<tr>
<td>4</td>
<td>Australia</td>
</tr>
<tr>
<td>5</td>
<td>Spain</td>
</tr>
<tr>
<td>6</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>7</td>
<td>United States</td>
</tr>
<tr>
<td>8</td>
<td>Sweden</td>
</tr>
<tr>
<td>9</td>
<td>Canada</td>
</tr>
<tr>
<td>10</td>
<td>France</td>
</tr>
</tbody>
</table>

Source: World Economic Forum’s Travel and Tourism Competitiveness Index 2008 (overall rank out of 130 countries)
British aviation giants

British-based airlines such as British Airways, Virgin and bmi have become respected international carriers, building route networks which make Britain one of the most easily accessible destinations for business and leisure travellers alike. As well as major air transport hubs such as Heathrow and Gatwick, the UK is also well served by national, city and regional airports. The revival of many cities in the UK continues to create new opportunities to attract visitors, especially when supported by the active and strategic investment of route development funds, such as in Scotland and in the North West of England.

The legacy of the railway pioneers

On the railways, private investors have completed the new high-speed Eurostar link from St Pancras in London to the Continent. In 2007, there were 1.2 billion passenger journeys on the passenger railways, generating 30 billion passenger miles. This is a record, the highest ever for normal passenger service in the UK. ATOC, the Association of Train Operating Companies, is enthusiastic and optimistic for growth, improved productivity and service standards as they set out in the booklet The Billion Passenger Railway, which envisages how the network will look in 2057.

The revolution of the low cost carriers

Low cost airlines such as Ryanair and easyJet have transformed the airline travel landscape by opening up new routes to and from Britain’s nations and regions, making travel accessible to a new generation of travellers. A staggering 350 European cities are connected to UK airports; a massive increase on 150 just 10 years ago. It is insightful to look at airport usage over the period 1996 to 2005 – the number of passengers handled at Stansted jumped from 1.2 million to 22.0 million, almost exclusively as a result of the rapid growth in low cost route networks from and to near European destinations. The recent decision by the UK Government to grant permission for increased passenger numbers on Stansted’s existing single runway will mean that it will be able to serve up to 35 million passengers a year.

The world’s largest travel market on our doorstep

The UK’s proximity to Europe, the world’s largest regional destination for tourism, is an important factor in attracting visitors, especially from within Europe itself. It should be noted that eight out of the top ten countries of origin for visitors to Britain are from near-Europe and that four out of five of all European visits are from within Europe, which is unlikely to change.

International transport hubs

In London, the UK has the most-visited city destination in the world. The City of London is one of the world’s great financial centres, attracting business visitors from all over the world, many of whom will be encouraged to venture further in the UK.
Cultural accessibility

World-renowned cultural assets act as a magnet for potential tourists from many parts of the world. Visitors cite Britain’s culture and heritage-related assets and activities (including the country’s many free museums) as key reasons for coming here. The chart above highlights that not only are these assets rated highly by potential visitors, but many say they would be highly likely to undertake such activities during a visit (see Table 4.5).

We now have a clearer picture about what actual inbound visitors do during their trip to Britain and, as is strikingly clear from the following chart, our cultural and heritage assets, alongside our world-class shopping and renowned pubs, top the list (see Table 4.6).

Attractions, architecture, museums and galleries

Britain’s architecture and arts are a significant attraction for visitors. Britain’s museums and art galleries are among the best in the world. Free entry attracts many visitors who might otherwise be dissuaded from...
discovering Britain’s cultural heritage. Cultural and heritage attractions are very definitely a cornerstone of Britain’s tourism offer and are experienced by tens of millions of Britons each year from all walks of life and parts of the country. It is therefore essential that not only are these ‘products’ maintained, cared for and further developed, but also that they continue to offer the visitor value for money and a quality experience. Each summer, VisitBritain publishes the result of an annual Visitor Attraction Survey for England. An analysis of the results for 2007 (note that not all attractions choose to participate in the survey) reveals that the top twenty ‘paid admissions’ attractions include eight which can readily be described as either ‘heritage’ or ‘cultural’ in nature: Tower of London (more than two million visits), St Paul’s Cathedral, Canterbury Cathedral, Westminster Abbey, Windsor Castle, York Minster, Stonehenge and the Roman Baths in Bath.
The UK is extremely fortunate in having 28 UNESCO World Heritage Sites ranging from the Jurassic Coast to Blaenavon Industrial Landscape, Neolithic Orkney to the Giant’s Causeway.

For many Britons thinking about holidaying at home ‘value for money’ is a key concern, so it is apposite to note that many of Britain’s top museums and galleries are free to enter. The Visitor Attraction Survey top twenty ‘free admission’ attractions in 2007 included ten cultural or heritage attractions: Tate Modern (5.2 million visits), British Museum, National Gallery, Natural History Museum, Science Museum, Victoria & Albert Museum, National Portrait Gallery, Tate Britain, Oldway Mansion and British Library.

Coast and countryside

The British coast and countryside include areas of outstanding beauty and interest. Our diversity of landscapes, from the iconic Cotswold villages to the bucolic Yorkshire Dales, the vast beauty of the Fens and Broads to the staggering awe of the Highlands, is our best natural asset. The love affair with our landscape is not confined to the international traveller; it is no coincidence that some of the most loved (and often repeated) British television programmes in recent years have been pictorial explorations of our coastline (BBC’s Coast), inspirational beauty spots (ITV’s Britain’s Favourite View) and how our landscape has been depicted in art (BBC’s Picture of Britain). Making our coast and countryside more accessible to visitors, whilst preserving the tranquility and natural beauty for which they are famed, is a challenge but one which must be faced if we are to ensure that we benefit fully from our natural assets.

Curating, protecting and presenting our heritage

The National Trust, English Heritage, Historic Royal Palaces, the Royal Collection, Historic Scotland and Cadw (the historic environment service of the Welsh Assembly Government) have become role models for many similar agencies and organisations abroad in protecting and marketing their national heritage. Britain is enormously fortunate in having a rich architectural jewel box and a natural appetite for preserving and celebrating the past. We are fortunate too that hundreds of thousands, if not millions, of Britons, donate their money and their time to the preservation and presentation of our historical past and that their commitment to sharing this legacy means that we can reap the tourism rewards that flow from their work. It is important that our history and heritage is not simply presented ‘in aspic’ but that it is presented as a living, vibrant element of our national culture so that new visitors and new generations can understand, learn from and engage with the past rather than passively gaze upon its remains.

Theatres and festivals

London’s West End theatres, which have always been world leaders in presenting and premiering new theatre and dance, are destinations in their own right; attracting a record 12.1 million visitors in 2007. Our regional theatres and festivals, such as the Sheffield Crucible, Edinburgh Festivals and Fringe, T in the Park, Glastonbury, Llangollen International Eistedfodd, North Wales Bluegrass festival, the Manchester International Festival, London International Festival of Theatre, the Latitude Festival in Southwold, the literary and literature festivals of Cheltenham or Hay-on-Wye, also have significant international profiles and are important contributors to commissioning and showcasing new performers and writers from around the world and attracting international audiences.

Global events and world-class venues

Britain has one of Europe’s most successful events industries, with world-class entertainment infrastructure; the O2 arena, for example, is now the world’s largest live music venue. Our events and meetings industry is globally competitive and our range of venues includes some of the world’s most famous and admired buildings. We need, however, to supplement these venues with more new, purpose-built conference, exhibition and meetings venues, especially in London, so that we remain internationally competitive.

Sporting excellence and our competitive streak

The country boasts one of the world’s most successful sport’s industries; in football the Premier League is Europe’s richest and most popular. The country already boasts world-class facilities – Wimbledon, Manchester’s Velodrome, Cardiff’s Millennium...
“The nations and regions of Britain possess many world-class tourism assets, which are easily accessible both to domestic and to international tourists.”
Stadium and Wembley, for example – which will be enhanced further by the facilities being built for the London 2012 Olympic and Paralympic Games. Britain has invented many sports and through our trading links and cultural connections we have exported many of them around the world. Sport is in the British DNA and we take sporting participation, if not success, seriously. Scotland is the home of golf, Wales the spiritual home of rugby, England the actual home of rugby and cricket, and every park and garden in every part of Britain is the home of football. Horseracing is one of our most popular and iconic sports, with horseracing meets on 364 days of the year across the UK. Team GB’s success at the Beijing Olympic and Paralympic Games has engendered an even greater interest and take up in the sports where Britain excelled, such as cycling, sailing, rowing, canoeing and equestrian pursuits.

**Eat, drink and be merry**

At the top end of the market, the food and accommodation that are available in the UK are world-class: The Fat Duck at Bray has again been voted the second best restaurant in the world (*Restaurant* magazine) and 17 British hotels were ranked in the Gold list of around 110 of the world’s top hotels by *Condé Nast Traveller* magazine. Britain now has more Michelin-starred restaurants than either Italy or Spain. And that excellence is working its way down the price bands so that visitors can eat well on a budget in our gastropubs and sleep comfortably at our farmhouse B&Bs and budget, chain hotels. Yes, there are still some glaring weaknesses but there is also undoubtedly progress.

**Education, education, education**

Education in Britain is highly respected overseas. The many students who come here – 49,000 in 2007 – bring with them friends and family visitors during their studies and typically become loyal repeat visitors later in life. Some destinations, such as Manchester which has the largest student population in Europe, have created very successful marketing campaigns aimed at engaging students and enhancing their stay whilst they study in the UK and attracting their families and friends to visit.
But we have some enduring weaknesses

We are losing our share of the world travel market

In this increasingly competitive world, Britain’s tourism industry continues to lose market share – down from 6.5% of spend in 1980 to 3.8% in 2005. In 2007, our international visitor numbers remained static as the decline in visitors from our high-spending traditional markets such as the USA and Japan was not compensated for by the growth from newer markets such as Eastern Europe and India.

Our loss of global share is not a weakness per se, but a symptom of weaknesses in Britain’s tourism offering that need to be addressed (see Table 4.7).

Visas are expensive and difficult to obtain

The high cost of British visas, coupled with the introduction of biometrics, continues to impact detrimentally on our visitor economy, with 16% fewer visitor visas issued in the first six months of 2008 (13% fewer family and 23% fewer students).

In China, Britain is often excluded from a European tour due to the extra cost of obtaining a British visa and as a result, France and Germany welcome well over 500,000 Chinese visitors each year, while the UK receives less than 150,000.

The logistical difficulties of obtaining a visa – having to visit a visa office in person with all visa applicants and having the visa application form only available in English – quite apart from the price (£65 for a UK visa as compared to an average price of £47 for entry to all 21 countries of the Schengen area) means that we are internationally uncompetitive right at the point that our potential visitor decides that they would like to confirm their travel plans.

Britain is not seen as a welcoming destination

Britain ranks well below all of its European competitors for ‘welcome’. While visitors rate Britain highly for tourism (especially our culture and heritage), they underrate us consistently on welcome, value for money and service.

### Visitor experience (Table 4.8)

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<th>Rank</th>
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</tr>
<tr>
<td>8</td>
<td>Thailand</td>
<td>83</td>
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<tr>
<td>9</td>
<td>European T&amp;T mean</td>
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<tr>
<td>10</td>
<td>Greece</td>
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<td>11</td>
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<tr>
<td>13</td>
<td>Britain</td>
<td>72</td>
</tr>
<tr>
<td>14</td>
<td>Switzerland</td>
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</tr>
</tbody>
</table>

Note: Respondents were only asked about the destinations above
Source: TNS 2007

### Visitor reputation (Table 4.9)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Destination</th>
<th>TRI*M index (reputation)</th>
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<tbody>
<tr>
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<td>Australia</td>
<td>71</td>
</tr>
<tr>
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<td>Canada</td>
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<tr>
<td>3</td>
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<tr>
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<td>Germany</td>
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</table>

Note: Respondents were only asked about the destinations above
Source: TNS 2007

The Anholt Nation Brand Index analyses perceptions of a number of destinations among respondents from 20 countries. In the 2008 survey, Britain was ranked 14 out of 50 nations in terms of being welcoming, behind leading ‘welcoming’ destinations such as Canada, Australia, Spain, New Zealand and Italy.

At the end of 2007, VisitBritain commissioned TNS (Taylor Nelson Sofres plc) to conduct research among respondents from Great Britain, Germany, France,
Spain, Italy, and Ireland. All had taken at least one holiday or break in the last 12 months. Respondents were asked about their perceptions of and/or experiences of visiting a range of country destinations.

Britain was ranked near the bottom, below the European average both in terms of reputation and of visitor experience (see Tables 4.8 and 4.9).

Being perceived as very welcoming is not a prerequisite to being seen as a desirable holiday destination (France, which also scores low in the Nation Brand Index for welcome, is the world’s most visited tourism destination), but seven of the top ten countries which respondents would like to visit are also ranked as being highly welcoming. Many of these destinations have enjoyed double-figure growth in recent years. One of the many tourism legacies that could be delivered by becoming hosts of the 2012 Olympic and Paralympic Games is to work across industry and Government to transform the welcome Britain offers its international visitors – working on both the reality and the perception.

The TNS Visitor Satisfaction Research (2007) showed ‘value for money’ to be a weakness in Britain’s tourism offering. Furthermore, the similarity of visitors’ and non-visitors’ views shows that this judgement is not merely an issue of perception. The strength of the pound over the last thirty years or so has contributed to making the UK an expensive destination for overseas visitors and it is therefore crucial that we deliver on visitors’ desire for value for money.

During the course of the Review consultation process, a number of meetings were held with private sector industry leaders. At all these meetings, improving the quality of ‘welcome’ at all touch points across all sectors of the industry was seen as vital to the success of the visitor economy. The point was also made that welcome is not just an international issue – there are also issues in the domestic market around the way quality of welcome is perceived around the regions and nations of Britain. Improving the quality of customer service was seen as pivotal to addressing ‘welcome’ by all those attending the industry hearings. (The Museums Archives Galleries Council and Local Government Association also made this point strongly, especially in relation to securing the 2012 legacy.)

Quality is variable and needs to improve

Like any world-class destination, our accommodation stock varies from the best in the world to poor quality. Collectively, all those who care about quality face a continual challenge to bring more of our accommodation stock into the various quality accreditation schemes, whilst recognising that these need to be more flexible and more reflective of customers’ criteria of quality (ambience etc.) rather than fulfilling a simplistic list of room assets. The user-generated content and feedback provided by customers to hotel and booking websites, such as travellibrary.com, provide a complementary but different quality appraisal of hotels; utterly subjective but entirely ‘real-time’. The additional platform that they provide for direct customer feedback needs to be more closely embraced by the industry.

The charge from the House of Commons Culture, Media and Sport Select Committee in its ‘Inquiry into Tourism’ (July 2008) that the industry suffers from ‘an information deficit’ is undoubtedly true. Tourist boards and RDAs do not have complete information on the number of establishments in their region and have great difficulty in assessing numbers because many hotels and guest houses are not registered. The target of registered accommodation is 80% of the UK bed stock but, according to the British Hospitality Association’s recent industry analysis Trends and Developments 2008, published in September 2008, this is unlikely to be reached in the near future.

The total number of rooms and beds in the British serviced accommodation sector is difficult to calculate because of the lack of definition and poor statistics, but even despite these flaws we know that the UK hotel industry’s latest annual turnover is £40 billion and thus is a significant sector of the economy.

Another challenge is to ensure that our very successful and profitable hotel industry delivers, and is seen to be delivering, great value for money for customers. The hotel industry, especially that in London, is one of the visitor economy’s most important and best performing assets. The UK chain hotel market, for example, has enjoyed increased revenue and profit over the last few years from an already high base, supported by the growth of the UK economy.
“The challenge to the industry is constantly to grow and to develop the workforce to meet the industry and our customers' needs. That takes time, effort and money.”
Regional distribution of inbound tourism spend and trips 2007 (Table 4.10)

Source: International Passenger Survey

Total bed space occupancy by month in 2007 (Table 4.11)

Source: UK Occupancy Survey
Quality is not simply about accommodation but about the visitor experience and the people who deliver that. The devolved governments of the UK and the RDAs of England have heeded the call by the industry that greater investment in skills is required to match the investment that the best employers in the private sector already commit. The tourism industry, or any industry in the world, is about people and people are not a fixed, static asset. They move, learn, grow, leave, return, are paid or voluntary, at the top of industry or on the first rung on the ladder, have ambitions, strengths and weaknesses and require visionary management and personal development opportunities. The challenge to the industry is constantly to grow and to develop the workforce to meet the industry and our customers’ needs. That takes time, effort and money.

The visitor economy has undoubted strengths in the people who make up the industry. Britain is fortunate to be a country of choice for workers from around the world and Britain has some of the most forward-looking employment and training initiatives in the world. But there are weaknesses too; pockets of poor quality and apathy; high staff turnover; commitment to continual development and training is not universal; and there is a national lack of appreciation, seemingly ingrained in the national DNA, that the industry is not an attractive career option. Britain cannot afford not to invest in the sector’s people and their hospitality and welcome skills, especially when all our insights tell us that our customers are increasingly driven more by ‘experience’ and a warm, personalised welcome in their trips, than by a destination.

**Our transport infrastructure is creaking and needs an overhaul**

Travel within Britain is not without its difficulties and in the coming three years we may see some improvements and new opportunities (for example, the completion of upgrade works on the West Coast Mainline railway), but overall the National Audit Office recently forecast that overcrowding and higher fares looked set to dominate rail travel in Britain in the years ahead.

Road pricing may be expanded in the coming years and it will be important to recognise the needs of tourists, and the impact on tourism businesses, of any proposals that are put forward. Many inbound visitors are not aware how easily, or quickly, they can travel around Britain, which is one of the barriers to be overcome before a larger proportion of inbound long haul visitors venture outside of London.

Key capacity bottlenecks, particularly in airport slots and terminal capacity, make international travel an ever-more difficult experience, and further growth, driven largely by business travel, will inevitably impact on international tourists’ appetite to visit Britain as compared with less congested destinations. There have been no new airport runways in South-East England for decades, whilst there has been at least one new runway per decade for European cities. At the same time, domestic tourists who are determined to go abroad will favour less congested regional airports. Our road and rail infrastructure too is of variable quality with bottlenecks, large scale repairs and mile-long tailbacks on our motorways seemingly ever present.

**We are not spreading the benefits of tourism across the UK**

Inbound tourism is heavily concentrated on London, with around half of all our visitors staying in the capital. If one compares that with 11% for both Paris and Berlin, you can see that Britain has been relatively unsuccessful in encouraging visitors to go beyond its principal international gateway and to explore the rest of the country.

This means that the economic benefits of tourism are not evenly spread across the nations and regions of Britain and pressure is placed on the infrastructure of London, particularly Heathrow airport. Clearly there needs to be better co-ordination of ‘gateway’ funded projects – initiatives established to spread the regional benefits of tourism (see Tables 4.10 and 4.11).

**Seasonality limits our profitability and attractiveness**

Tourism in the UK is also very affected by seasonality with short summer seasons. This means that many British tourism businesses are not very profitable, and so they are reluctant to invest in improving what they can offer to tourists.
Trends in domestic and outbound tourism (Chart 4.12)

Global tourism trends (Chart 4.13)

Source: UKTS and International Passenger Survey
But campaigns such as VisitScotland’s ‘Autumn Gold’ and the former English Tourist Board’s ‘Go England’ have shown that it is possible to extend the season with creative marketing, support from the industry and, where appropriate, an events and festivals programme for particular destinations.

**Our visitors are heavily taxed**

A 2002 study by WTTC indicated that visitors to the UK paid the second highest amount of tax of any destination in the world. Since then, there have been further increases in taxes and charges. These include the cost of visas increasing by 37% in 2005, a £15 outsourcing charge being applied to visas in 2006 and Air Passenger Duty (APD) doubling in 2007 and increasing again in the Chancellor’s Pre-Budget Statement in November 2008. The tax burden on visitors has now reached a level where it is adversely affecting the UK travel industry’s ability to compete in the international market. For example, with the new long haul rates of Air Passenger Duty announced by the Chancellor in November 2008, it will now cost a family of four from India, travelling to London to see the 2012 Games, £560 in APD and visa charges before they even pay for their flights to the UK.

A recent study by the Council for Travel and Transport found that the amount of tax paid by European visitors to the UK is now 65% higher than the average level they would pay when visiting key competitor destinations such as France, Spain, Italy and the USA. For visitors from long haul destinations, the amount of tax paid by visitors to the UK is now 91% higher than the average of the other destinations.

**Brits are not necessarily the best ambassadors for the British tourism experience**

British residents are increasingly unwilling to take holidays and trips at home (see Chart 4.12). British nationals love to travel, but increasingly they travel abroad for their holidays. In 2007, British residents spent nearly twice as much on outbound travel as they did on domestic overnight trips, and considerably more on outbound travel than was spent by overseas residents on inbound trips.

Climate is the main reason given to explain why so many UK residents travel overseas. However, research shows other factors which lead Britons not to consider a holiday within Britain, and which have been the driving forces behind the boom in outbound travel from the UK over the past few decades:

- The cost to travel abroad has declined sharply with the advent of low cost carriers and the internet has made choice and booking easily accessible
- The wealth enjoyed by the majority of UK residents has grown at an unprecedented rate, enabling them to travel more
- Increased life expectancy and early retirement have enabled unprecedented numbers of 50-80 year-olds to travel abroad
- Hectic consumers feel the need to have time out somewhere that is evidently ‘different,’ in order to recharge their batteries and relax
- Some UK residents perceive Britain, and in particular British towns, as being too familiar; a formulaic mix of High Street shops, restaurant and pub chains with no local variation in menu choices
- Many Britons consider the UK to be an expensive destination for a holiday compared with European locations just a couple of hours’ flying time away, with this particularly being true for families.
Global growth in arrivals between 1999 and 2007 (Chart 4.14)

- Europe
- Asia Pacific
- Americas
- Africa
- Middle East
- UK

Source: UNWTO

Shorter duration of inbound stay drives down spends per visit (Chart 4.15)

Source: International Passenger Survey
Challenges, threats and opportunities

As well as dealing with long-standing weaknesses in tourism and the continuing challenge of value for money, Britain’s nations and regions will also need to adapt to a rapidly-changing international environment in tourism, which brings new threats to our international competitiveness and attractiveness.

The worldwide tourism market is increasingly competitive (see Chart 4.13), with many countries around the globe investing increasingly in improving what they can offer to visitors, and communicating the fact that they are doing so. The reality is that despite the UK’s growth in tourism in recent years, it has under-performed against the rest of the world, with growth rates in inbound tourism well below those elsewhere, particularly in Asia.

There is no single reason behind the declining share of international tourism that the UK captures, but one driving force is the emergence of ‘new’ destinations for international tourism. Eastern Europe has opened up as a source market and also as a destination – and it is not just Britons who have flocked to visit Berlin, Prague and Dubrovnik since the opening up of Eastern Europe. The rise of new destinations is by no means restricted to Europe; Dubai has, in effect, invented a major destination for international tourists in the space of a decade thanks to investment in product (luxury hotels, retail, beach facilities) and a national carrier (Emirates) to bring visitors to the destination (see Chart 4.14).

The chart opposite shows the growth in international tourist arrivals in the UK and different world regions between 1999 and 2007. These broad patterns of growth are forecast to continue according to the UNWTO. Intra-regional travel (rather than long haul travel between regions) will dominate tourism growth, and this dominance is likely to increase as air transport becomes relatively more expensive as concerns for the environment grow, and as the cost of long haul travel increases (because of rises in fuel costs, passenger duty, airline surcharges, emissions taxes, etc).

The economic value of each individual visitor to the UK is declining; although international visitors are wealthier, they are spending less time in the country – 43% of inbound visits are now for between one and three nights. So Britain needs more visitors or visitors that stay longer simply to enjoy the same levels of expenditure that were seen in the past (see Chart 4.15).

In short, there is more competition for the visitor dollar, euro and yen. The competition is tougher too, with many of the new family of destinations able to market themselves as offering something ‘different’ to more established destinations – often doing so at a lower price.

Stimulated by the internet (e.g. through sites such as TripAdvisor), consumers are considering new destinations – Kerala for a beach holiday, Dubai or Oman as a winter sun location, Krakow or Marrakech for a short break. Pricing is transparent so reputation alone is not enough for a destination to attract visitors.

In order to fully understand competitor strategies, initiatives and investment, the Moffat Centre for Travel and Tourism Business Development of Glasgow Caledonian University was commissioned to look at how national tourist offices are funded, how they work with the private sector and Government and the extent to which all tourism industry partners (Government, public, private, voluntary) contribute and subscribe to a national tourism plan. The report appears in the appendices to this report, available on www.tourismreview.co.uk.

Travel and economics

The economic climate is one of the most difficult and challenging that the industry has faced in many years. Quite apart from the effect that the credit crunch, inflation, recession and increasing unemployment will have on disposable income and the propensity of individuals to spend cash on travel, day trips and holidays, credit is drying up for capital investments in the fabric of the industry.

In the short-term, key costs for the travelling middle classes are increasing faster than growth in income; the cost of food, heating and transport, for example, which were falling in real terms over the last 20 years, are now increasing. This increases pressure on discretionary disposable income.
In the longer term, there may well be a step change in the cost of international travel, driven by pressure to curtail discretionary air travel through the imposition of emission taxes and other ‘green’ fiscal measures; a shift in consumer attitudes, influenced as much by social conscience as by additional costs, may also encourage people to spend their leisure time closer to home.

While there is evidence that European consumers consider their main summer vacation to be part of core expenditure, demand for discretionary travel such as second holidays and short breaks is expected to be highly elastic in terms of price. If an economic recession bites deeper, then this impact is likely to extend to main vacations also.

**Sustainable businesses, communities and environment**

Environmental issues (affecting both government action and consumer attitudes) are likely to have a major impact on UK tourism in the future. The tourism industry will need to ensure that it both develops and promotes Britain as a sustainable destination to capture future visitors, that it preserves the quality of the tourism product in the face of likely future growth in numbers and that it avoids any detrimental Government intervention. Scotland has already declared its ambition to become Europe’s leading sustainable destination by 2015.

Awareness of the need to protect the environment is growing, and tourism has found itself at the centre of the environmental debate, largely because it is seen as involving the non-essential use of resources. Tourism is therefore the target of governmental intervention and consumer pressure.

Tourists in the 21st century are likely to base their choices in travel and tourism on environmental protection and social responsibility, and we are moving rapidly to a world where international and national policy will impact upon the way that tourism industries must run their businesses. Before long, tourism businesses may well:

- Be obliged to have, and be held accountable for, a ‘carbon account’
- Need to accommodate green taxes of various kinds
- Need to take account of new standards and controls
- Need to accommodate a more demanding, environmentally-aware consumer

While tourism can have a positive effect on national resources (generating cash to preserve natural assets and the built environment, conservation and preservation of species and habitats, for example), unfettered consumption of natural resources is not an option in the future.

Global economists forecast continuing international tourism growth, ranging between 3% and 6% annually, depending on the location. As one of the world’s largest and fastest-growing industries, this continuous growth will place great stress on the remaining biologically diverse habitats and indigenous cultures which often support mass tourism.

Whilst it was the case that sustainability issues were mentioned by only a few contributors to the Review consultation, those who did raise it did so with passion. The New Forest thinks that both VisitBritain and DCMS should take stronger leadership roles and said: ‘Out of all tourism’s problems, it is the agenda for a more sustainable future which should be the backbone...
of the UK’s approach.’ Natural England also thinks that DCMS and VisitBritain should be much more visible in this area and would like to work in partnership with them to develop a national sustainable tourism policy and to address key issues such as climate change and transport policy in conjunction with industry.

Tourism development in Britain’s nations and regions must be sustainable, driven both by national and international intervention and by an ever more environmentally aware and demanding consumer. Industry leaders and policymakers, operators, destination management organisations and all those in the sector will need to be proactive, and show an acceptable ecological footprint to attract more discerning consumers.

The challenge for tourism is to contribute to social equity and cohesion, i.e. to improve the quality of life of local communities, to increase community involvement in tourism planning and management, and to provide safe, satisfying and fulfilling visitor experiences. At the same time, it needs to contribute to environmental and cultural protection by reducing pollution and degradation of the global and local environment, maintaining and strengthening biodiversity, and enriching Britain’s unique and diverse culture.

For more on the challenges that tourism faces from increasing concern over the environment, see the appendices on www.tourismreview.co.uk.

Our future visitors

The demands of the international consumer are changing and Britain’s tourism industry will need to develop product that addresses those aspirations to retain its position as a world-class destination. Britain’s international visitors are becoming older and as older people travel, there will be increasing demand for tourism destinations to cater for visitors with mobility, eyesight or hearing difficulties.

Changes in the family unit will also continue to impact upon tourism. There will be an increase in ‘inter-generational’ travel, with grandparents taking their grandchildren on holiday, more older single people due to higher rates of divorce, and more same-sex couples, all with their own distinct requirements.

The trend towards couples postponing having a family means that the nature of family holidays may change as parents in their forties travel with young children, rather than parents in their twenties. Older parents may be able to afford to spend more on family holidays than younger parents, and are likely to have different preferences in terms of where to go and what to do while on holiday.

Customers from mature markets will, in the future, be less destination-loyal and increasingly demanding. They will want to visit new places and have better experiences. They will increasingly search for experiences rather than destinations, as ‘what to do’ becomes more important than ‘where to go’ in consumer choice across the globe and across socio-demographic groupings.

These consumers also refuse to be categorised and fit into neat boxes – making them much harder to reach through traditional marketing routes. For example, the same consumer might travel on Ryanair, stay in a 5* hotel, grab lunch at McDonald’s and spend heavily on a theatre or sporting ticket.

Tourism, and particularly inbound tourism, will continue to remain highly sensitive to global shocks and geo-political events. While impossible to predict, it should be prudent and sensible to assume that future global events, whether natural or man-made, may have a destabilising impact upon tourism in Britain. In the same way as terrorist attacks or health scares such as SARS and Foot and Mouth disease had a sudden and negative impact on tourism, future shocks will inevitably have similar consequences.

Tourism in Britain therefore needs to be robust and flexible, attracting a variety of different types of visitors, who visit for different reasons. Developing a strong domestic tourism market, so being less dependent on inbound tourism, will also make the visitor economy more resilient.

Online and en route

The continued growth in penetration of the internet and growth of second-generation sites will require continuing investment in new online routes to market. The current levels of duplication (although reduced in recent years), inefficiency and competition
between the different digital platforms used by the different UK tourism bodies will lead, ultimately, to a decline of competitive position. With investment remaining at current levels, it will be difficult to exploit fully the new routes to market represented by social networks and mobiles. A number of initiatives in these areas have been and will be launched, but they all compete for scarce development resources. Perhaps more importantly, engagement with website visitors will remain low. Digital operations will not make a significant incremental contribution to Britain’s tourism revenues without a clear strategy, new structure and different funding arrangements.

The development, functionality, operating practices, resources and budgets of the agencies are restricted by the constrained Grant in Aid funding regimes in which they mostly operate. Total spend on digital activities still represents a minority share of overall VisitBritain budgets (£9m, or 20%, in 2008/09). The need for more committed resources has been one driver for VisitScotland and Visit London to structure their digital businesses as commercial enterprises.

The internet and other digital media will continue to revolutionise how consumers find information, plan their trips and make their bookings. The internet gives consumers easy access to a global tourism marketplace, making prices transparent and booking easy. Travel sees some of the highest rates of online booking and this proportion will continue to grow, providing access to massive new markets. While only 5% (although that equates to 60 million people) of Indians have internet access today, the proportion is growing rapidly.

As internet usage continues to grow globally and broadband penetration increases, developments such as social networking, user-generated content and internet video make it possible to engage more deeply with people than ever before. Consumers will increasingly be able to find quickly what they want on the web, either through search engines or via their friends. They may look at reviews on sites such as TripAdvisor before they go on holiday and will share with friends their own views, pictures and videos during and after any visit. Many of these exchanges will take place on current social network or content-sharing sites. Content providers run the risk of being bypassed unless they adapt their content to exploit these third-party sites.

The internet will continue to erode the competitive advantage of large businesses with traditional marketing muscle. Small and medium-sized companies can theoretically get their product to the world. Quality and value for money will become paramount as peer-to-peer recommendations and other kinds of user-generated content become more credible than tourism agency star ranking schemes.

2012 - a once in a generation opportunity

In 2012, London will host the biggest sporting event in the world in the Olympic and Paralympic Games. The potential legacy opportunity for British tourism is enormous – the greatest in a generation. This is a unique opportunity to use the catalyst effect of the Games and the global platform that it provides to over four billion people worldwide to address long-standing issues in our tourism infrastructure. This is our moment to showcase 21st-century Britain to a generation of travellers in an increasingly competitive international travel market.

Tourism is the industry that will deliver the economic benefits of hosting the Games across the nations and regions, and deliver a potential £2.1 billion revenue. And yet the DCMS’s own strategy Winning: a tourism strategy for 2012 and beyond is unfunded, potentially squandering this once in a lifetime opportunity.

There is strong recognition overall of the potential benefits of the Games both to London and to the rest of the UK in the submissions to this Review, although few respondents commented on structures around this. Visit London sees the Games very much as London’s Games, feels that it highlights their gateway role to the rest of Britain and is expressly keen to avoid duplication with VisitBritain’s national promotional role. Visit Wales stated that a detailed implementation plan, prepared in conjunction with industry and the devolved administrations, with realistic levels of resource allocated to it, will be key to securing the greatest possible success. The British Resorts and Destinations Association and the Isle of Man call for a centrally funded and co-ordinated Games and for the Games tourism legacy effort or ‘legacy team’
“Tourism is the industry that will deliver the economic benefits of hosting the Games across the nations and regions, and deliver a potential £2.1 billion revenue.”
to fulfill their potential. The Isle of Man suggested that this could be centrally funded and supported by volunteers. TUI, one of the world’s largest tourism businesses, suggested that there is a role for VisitBritain to co-ordinate and engage cross-discipline public bodies towards a common legacy role.

Many UK destinations have made a strong call for maximising and spreading the tourism benefit; VisitScotland in particular believes that if Britain delivers a successful Games, then tourism nationwide will benefit.

Contributors to this Review identified the main areas of opportunity as:

- Encouragement of pre- and post-Olympic Games trips around the country
- Encouragement of those visitors (both domestic and overseas) who will be avoiding London to visit the rest of the UK instead
- Maximisation of national and international media interest in the build up
- Utilisation of the Olympic Games to engage the private sector
- Raising the profile of careers in the tourism industry
- Maximising the PR opportunities afforded by the torch relay
- Realising the economic and PR benefits of pre-Games training camps which take place in the UK and of those non-London Olympic sites, such as Windsor and Weymouth and football stadia
- Improvements in quality standards and skills across the industry

To ensure that all of this happens, TUI, the British Hospitality Association and the Isle of Man recommended in their submissions to this Review the establishment by VisitBritain of a strategic objective for the tourism legacy for Britain to 2020 as crucial.

Governments, public agencies and industry have combined successfully to win competitions to host a number of important sporting events, which bring many new opportunities for the UK tourism industry.

In addition to the success of winning the 2012 Olympic and Paralympic Games for London, Glasgow was recently successful in its bid to host the 2014 Commonwealth Games and hopes are high for the England bid to host the 2018 FIFA World Cup.

We are seeing a major new tourist market emerging, with people prepared to travel internationally for sporting and other events. Major sporting events (the Games, Commonwealth Games, Ryder Cup) as well as non-sporting events (Liverpool’s programme as European Capital of Culture, for example) will increasingly serve to develop tourism in the locations where they take place. This is not just for the duration of the event, but through the legacy of interest that it leaves behind.

Many contributors to the Review consultation, including National Tourist Boards and Regional Development Agencies, made the point that VisitBritain should support all major national events wherever they are held and that opportunities around the Glasgow 2014 Commonwealth Games and future opportunities to host the Ryder Cup, for example, should be fully exploited.

Where major international sporting events have been managed effectively, the benefits to the host country have been vast – the Barcelona 1992 Olympic Games, the Sydney 2000 Olympic Games, Manchester 2002 Commonwealth Games and Germany FIFA 2006 World Cup are all proof of this. The warmth and vitality shown during these events has improved perceptions of the host city/nation and increased inbound tourism.

**Britain’s tourism team**

The UK tourism industry is first and foremost a private sector industry consisting of nearly 200,000 businesses, some very large national and international hotel groups and airlines, as well as some small voluntary organisations and charities. However, for the industry to work effectively, there needs to be a three-way partnership between industry, the public tourism agencies and central government.

In England as a whole, the Department for Culture, Media and Sport is the sponsoring central government department for tourism, although many of tourism’s interests and concerns are the responsibility of other ministries. Within the DCMS, tourism lies within the Sports and Leisure Directorate, and comes within the remit of the Minister for Culture, Creative Industries and Tourism.
The Department has responsibility for tourism strategy – for example in leading the 2012 tourism strategy. The UK Parliament provides scrutiny of the work of the DCMS and its non-departmental public bodies in tourism, including VisitBritain. VisitBritain is also accountable to the National Assembly for Wales and the Scottish Parliament for its work in promoting Wales and Scotland respectively.

One of the characteristics of the tourism industry is that its interests and concerns reach across so many central government departments and agencies from its sponsoring Department, the DCMS, through DBERR, the Foreign and Commonwealth Office and DEFRA to the Border Agency and the British Council.

Members of the industry have grown frustrated with what they perceive as the lack of central government leadership in policy making for the tourism industry. In its submission to this review, the British Resorts and Destinations Association (BRADA) said: ‘...the perceived lack of strategic leadership is the direct consequence of stripping the strategic and policy functions out of the British Tourist Authority and English Tourism Council when VisitBritain was formed... This would not have been such a problem had the DCMS not neglected to make adequate provision for it elsewhere.’

Following devolution in 1998, direct influence by central government ministers on many of the levers of tourism has been further reduced as it has been shared and devolved across the UK. Responsibility for investment and other kinds of involvement in tourism in Scotland, Wales and London are now matters for the devolved administrations, as they already were in Northern Ireland. In the Scottish Government, tourism lies within the Department for Finance and Sustainable Growth, in the Welsh Assembly it sits within the Heritage portfolio and in the Northern Ireland Executive it sits in the Department of Enterprise, Trade and Investment.

In England, strategic responsibility for tourism lies with the nine RDAs. England’s RDAs were first launched in 1999, with the London Development Agency following in 2000. Their mission is to spread economic prosperity and opportunity to everyone in the nine regions of England. When establishing the RDAs, the then Prime Minister said he wanted to ‘...bring fresh vitality to the task of economic development and social and physical regeneration in the regions,’ through a business-led approach.

The RDAs do this through providing strategic direction for economic development. They work to make lasting improvements in the economic performance of all regions and to reduce the gap in growth rates between the regions.

Under the Regional Development Agencies Act 1998, each Agency has five statutory purposes, which are:

- To further economic development and regeneration
- To promote business efficiency, investment and competitiveness
- To promote employment
- To enhance development and the application of skills relevant to employment
- To contribute to sustainable development

Following a Sub-National Review of Economic Development in July 2007, the Government has proposed that RDAs will, in the future, have responsibility for integrating regional economic development alongside planning, transport and housing into a single strategy.

As part of this, the Government is looking to create, for each region, an overarching growth objective underpinned by five outcome-focused performance indicators:

- GVA (gross valued added – a measure of the contribution to the economy of each individual producer, industry or sector in the United Kingdom) per hour worked, as a measure of productivity
- Employment rate, showing the proportion of the working age population in work
- Regional basic, intermediate and higher level skills attainment, to show skills levels, consistent with the Government’s central target on skills
- Regional expenditure on research and development as a proportion of GVA, as a measure of innovation
- Regional business start-up rate, as a measure of enterprise
Tourism Industry Map (Chart 4.16)

Greater London Authority
- London Development Agency ★★★
- Visit London ★★★
  - Private Sector Members

Welsh Assembly Government (incl. Visit Wales) ★★★★★
- Wales Tourism Advisory Board
  - Welsh Association of Visitor Attractions ★
  - Wales Tourism Alliance ★

Olympic Delivery Authority
Food Standards Agency
Office of Fair Trading
HM Revenue & Customs ★

Other Departments of State incl. DifD, DIUS, MoD ★
Cabinet Office
COBRA

Dept for Transport
  - Civil Aviation Authority
  - Commission for Integrated Transport
  - Highways Agency
  - Strategic Rail Authority

Tourism Alliance ★★

Key British tourism bodies:

- Automobile Association ★★
- Airport Operators Association ★★★
- Association for Tourism in Higher Education ★
- Association of British Travel Agents ★★★
- Association of Leading Visitor Attractions ★★★★
- Association of Licensed Multiple Retailers ★
- Association of National Park Authorities ★
- Advantage West Midlands ★
- Bed & Breakfast Association ★
- British Airports Authority ★★
- British Airways ★★
- British Air Transport Association ★
- British Amusement Catering Trade Association ★
- British Association of Leisure Parks, Piers and Attractions ★★★
- British Association of Conference Destinations ★
- British Hospitality Association ★★★
- British Holiday and Home Parks Association ★★
- British Beer & Pub Association ★★
- British Educational Travel Association ★
- British Institute of Innkeeping ★
- British Marine Federation ★

◊ Multiple bodies are involved in British tourism and a number are members of key industry groups as indicated:
“Multiple bodies are involved in British tourism”
Open to view a map of the British tourism industry
Delivery of the RDAs’ tourism strategies is contracted in most cases to their respective regional tourist boards or destination management organisations, known collectively as regional delivery partners.

Local authorities are, in many ways, the unsung heroes of British tourism and are certainly the custodians of destinations. They are responsible for providing basic tourism infrastructure (car parks, public toilets, and in some cases, tourist information centres) and for cleaning, maintaining and making the public realm attractive places to live and to work, as well as to visit. Some also choose to undertake marketing activities to promote tourist destinations within their locality. It should also be noted that there is no legislative duty for local authorities to undertake any tourism activity at all; that so many do so is because they see the place-making, economic and other benefits that flow from tourism as profiting local residents and businesses.

VisitBritain is the national tourism agency responsible for promoting Great Britain as a whole overseas and for marketing England domestically within the UK and internationally in a number of European countries.

Even before the 1969 Development of Tourism Act, which established the pre-existing national tourist boards on a statutory footing – and created a completely new board for England – the industry has been able to market itself to potential visitors through these boards and destination management organisations (DMOs), which are usually part-funded by a local authority or, nowadays, an RDA. Many trade associations also collectively represent businesses in the tourism industry.

The plethora of entities involved in tourism is shown in the chart on the previous page. While the chart clearly demonstrates the widespread involvement of industry, public sector bodies and the Government in the visitor economy, it also highlights the difficulty in getting all the players to work in partnership and speak with a single voice (see table of structures, Chart 4.16).

**A voice and board for England**

Consultation with public and private sector stakeholders during this Review confirmed widespread dissatisfaction with the way that English tourism was handled strategically at national level and a desire to move to a new model within the devolved framework which exists within England. Consultees identified the following weaknesses in the current England framework:

Strategic leadership of tourism at regional level is devolved to the RDAs and the bulk of public sector investment is under their control. The national strategy, however, is overseen by VisitEngland, currently an unfunded advisory non-departmental public body, whilst operational responsibility lies within VisitBritain. There is no consistency between the targets within VisitBritain and the objectives and metrics applied by the RDAs. This has been partially responsible for a lack of ownership of shared national and regional strategies for English tourism.

The lack of clarity regarding ‘ownership’ of tourism within the public sector has caused frustration within the private sector and, it is claimed by some private sector contributors to this Review, is a barrier preventing engagement and a deterrent to participating in co-operative marketing. There is an overwhelming need to ensure that public sector bodies work more closely together if they wish to continue to engage with the private sector.

A collaborative forum for public and private sector partners, Partners for England, has gone some way to generate a shared sense of purpose and partnership, but this is largely dependent on the goodwill of the participants. A number of contributors to this Review from both the private and public sectors have stated that without a more formal structure, the current initiative will struggle to deliver a fully integrated approach for England. A tripartite solution is needed to fully integrate national, regional and industry interests and reflect the post devolution structure.

The fact that funding support for tourism comes from multiple government sources (DCMS, DBERR, DCLG, the RDAs and local authorities) means that funding targets and key performance indicators are not aligned; indeed, the RDAs currently have no tourism targets set for them centrally by DBERR.
“This Review confirmed widespread dissatisfaction with the way English tourism was handled strategically at a national level and a desire to move to a new model.”
There is a ‘disconnect’ between national tourism strategies in England (from the DCMS, VisitBritain and VisitEngland – even at the current inadequate level), the RDAs (with their responsibility to DBERR to deliver non-tourism-specific outputs), and the local authorities (without statutory authority, under funding pressure, having to deliver via Local Area Agreements, against non-tourism-specific performance indicators).

To resolve this, there needs to be recognition by DCMS that the current laissez-faire attitude is not delivering adequate solutions. DCMS could make specific requests to DBERR, and DBERR could endorse the recognition of all co-ordinated aspects of tourism, to be optimised in each RDA’s Regional Economic Strategy. The DBERR commitment to ‘working in partnership’ has no impact currently on tourism, but their authorisation, encouragement, and a direction to reflect fully tourism in RDA’s supported programmes could generate much greater cohesion throughout the RDA-funded network. This would also have an increasing impact, as RDAs are required to deliver more via MLAs and LAAs (as an outcome of the Sub-National Review).

Section 7(2) of the Regional Development Agencies Act 1998 enables the Secretary of State to give guidance and direction to an Agency in relation to the exercise of its functions. The diversity and fragmentation of the tourism sector, and the need for coherent strategies and programmes, is reason to seek such a direction for tourism in future.

Local Authorities, despite not having any statutory responsibility for tourism, could be required to produce and maintain a current tourism strategy for their area, which would provide a framework to relate to regional initiatives and would be reflected in LAAs. Given a stronger strategic framework, VisitEngland could work effectively with Partners for England, acting as the forum for the evolution of forward tourism strategy.

Almost without exception, the public and private sectors have responded to the Review with a strong call for a more distinct England body to lead stakeholders in the development of a national tourism strategy ‘from the bottom up,’ coupled with a clear agreement on who owns its constituent parts. Unlike the current national strategy which is focussed on marketing and quality, leaving the RDAs to work on a broader agenda including skills and regeneration, there is a strong view that the national strategy needs to encompass the broader agenda.

A reflection of the sheer frustration that the industry feels at having to wade through layer upon layer of organisations in order to work with the public sector is provided by Virgin Trains in its submission to this Review:

‘The main practical issues that we face lie in the organisational complexities of the marketing of Britain. A working example is that in order to promote Liverpool, we have been approached by Liverpool Capital of Culture, Liverpool Council, North West Development Agency and VisitBritain as a whole. It is obviously difficult and inefficient for us to have a close relationship with all these entities, so an improvement from our point of view would be to produce more holistic campaigns with a single contact. I am sure that Virgin Trains is not alone amongst private sector providers of tourist services in finding this a problem. It is a real deterrent to undertaking joint marketing in many cases, simply because we cannot justify the time and effort of dealing with so many different, and often competing, bodies. Whilst I understand the reasons for the devolution of tourism activity, and its likely continuation, I would urge you to consider how the public sector side of the industry can be structured better to leverage the contributions which the private sector could make to your marketing programmes.’

With the operational activity for England being undertaken by VisitBritain, England is not currently perceived to have parity with VisitScotland, VisitWales and Visit London. Not only does this add to the confusion of private sector stakeholders, it also leads to suspicions from stakeholders in Scotland and Wales that resource is being diverted from VisitBritain’s international activities to support England’s (domestic) needs.
Getting the right policies for success

A devolved tourism world in which the construction of policies that will directly affect tourism does not take place within the government departments which ‘sponsor’ the tourism industry is, potentially, a recipe for confusion, if not disaster. Tourism is too important to the economy of our nations to be left in this highly bureaucratic, complicated, yet, oddly, non-formalised state of affairs. An £86billion industry, whatever it is, cannot just hope that it won’t be forgotten by one government department, whose understanding and appreciation of it is crucial to the industry’s future existence, just because it is sponsored by another government department. Clearly, things have to change.

Scotland, Wales and London have their own tourism strategies, determined by their respective Governments, drawn up in consultation with the industry and delivered, in part, by the public agencies funded from the public purse. England has no equivalent national tourism strategy (DCMS’s Winning: a tourism strategy for 2012 and beyond being an event-specific initiative). In its absence it can only be assumed that the ‘national tourism strategy’ is an amalgam of VisitBritain’s various England strategies (marketing, quality, etc.) and the net sum of the strategies of the RDAs and the vast array of individual destination management organisations and regional delivery partners. This, too, is inadequate and must change.

Contributors to this Review have consistently said that whilst tourism funding from Government is a good illustration of the relative level of importance that Government attaches to tourism, it is not the full picture. A demonstration of government commitment and support, given at the right time and right place, can often be more important than grant-in-aid. There is widespread dissatisfaction across the industry and public tourism bodies about the perceived low level of importance given to tourism by Government generally, and about the effectiveness of the DCMS in defending and advocating for the industry across Whitehall as compared to the other (smaller) industries within the DCMS portfolio such as arts, sports, culture and the creative industries. Finding an effective means for the contribution of tourism to the economy to be fully recognised across Whitehall in a ‘joined-up way’, measured in frameworks by the Treasury, will make a significant contribution to this challenge.

The responsibility for the development and implementation of a national tourism strategy, which is applicable for all of the nation and not solely driven by the opportunities afforded by hosting the 2012 Games, needs to be clarified and simplified. Strategy formulation in the future will be improved through the integration of important new elements:

Use and reuse of the Economic Case for the Visitor Economy Framework and Model, developed by Deloitte and Oxford Economics and commissioned by VisitBritain and the Tourism Alliance, adapted as necessary to accommodate the interests and perspectives of the Treasury. Having a measurement model that is accepted by the Treasury will create a language for planning, which both the industry and Government can trust.

Application of a ‘UK tourism balance sheet scorecard.’ Tourism, like any industry, consumes national resources. As the need to know what resources we consume (energy, water, etc.) becomes more important, it is vital that we have a framework to assess the net cost/benefit of tourism to the economy and to the national balance sheet. Strategic planning for tourism therefore needs an analytical framework to accommodate this. The work undertaken by Oxford Economics includes a cost/benefit methodology which could be developed as a strategic planning tool.

Further improvement to the statistical information base. There is widespread scepticism within the industry, shared and echoed in the recent Culture, Media and Sport Select Committee Inquiry Report in Tourism (July 2008), of the accuracy and pertinence of national tourism statistics provided in major surveys (the International Passenger Survey, which measures inbound visits to the UK; the UK Tourism Survey, in which consumer interviews drive assessment of domestic tourism; and the Leisure Day Visits Survey, which surveys day tourism). There are many other sources of tourism planning statistics acquired by VisitBritain which enhance the robustness for national planning purposes, but improvements to the core surveys would be welcomed.
A response to the long-standing criticism of a lack of solid data for planning use has been the establishment of the English Tourism Intelligence Partnership (ETIP) and is a good, practical example of what Partners for England has been able to achieve. A Tourism Intelligence Unit, funded by the English Tourism Intelligence Partnership and founded by Partners for England, was set up by the UK Statistics Authority (formerly the Office of National Statistics) in August 2008. The aim of the Unit is to make improvements to national and regional tourism statistics, especially those that relate to the tourism industry, the visitor economy and the economic impact of tourism.

One of the first items on the work programme of the Unit is to review existing Tourism Satellite Accounts (TSAs) and to plan how these could be used and developed in future. The establishment of the Unit and its work programme is to be welcomed. Contributors to this Review have strongly suggested that the value of the Unit’s work could be even greater enhanced by the Government’s adoption of the recommendations of Denis Allnutt’s Review of Tourism Statistics, which would create a solid base of data upon which all could rely.

Recommendations for a process by which policy making can be improved, insights more effectively shared, industry consensus on the most important policy issues and interventions agreed and more reliable data with which to plan are laid out in the next chapter.
“A demonstration of government commitment and support, given at the right time and right place, can often be more important than grant-in-aid.”
A Conclusion
For England

A Successful and Resilient Industry, but Efficiency and Effectiveness can be Much Improved

Doing nothing is not an option in an increasingly competitive and challenging environment. The tourism industry - private, voluntary and public sectors combined - needs to be focussed and subscribe to an overarching strategy with a few key goals to which all stakeholders can align. Whilst the public sector has a large responsibility for the strategic investment in place, skills, destination marketing and, indeed, custodianship of destination, the private sector is the dominant force in the industry.

But fragmentation and the small size of most participants means that, rightly and inevitably, their focus will be on the delivery of their own objectives, with limited capacity to support strategic programmes. We need to reform existing structures and procedures to make England internationally competitive, attractive, efficient and productive, with our tourism offering characterised by high quality and value for money.

A new England structure

England needs a national body to complement the work done by RDAs, DMOs and local authorities and to rank alongside VisitScotland, Visit Wales and Visit London. The new England body will be a stand-alone, strategic leadership body which for the first time truly represents the public and private sector stakeholders of English tourism. It will work in partnership with VisitBritain, the RDAs and local authorities, and the private sector to create a national tourism strategy, optimise marketing investment, and develop the visitor experience across England. In this evolved structure, and with a fully inclusive brief, VisitEngland will take its place alongside the other national bodies to drive economic growth and excellence in English tourism.

The principal functions fulfilled by the new England entity will be:

- The national tourism strategy. Development of, and support for, England’s tourism strategy, policy development and advocacy, research, communications, reputation management and public accountability.
- Marketing. Marketing of England and its component parts, leading on a national digital platform, being a voice for England’s tourism to the media, providing strategic leadership for England’s visitor information.
- Industry engagement and the visitor experience. Driving the development of the quality of the visitor offer, business development and key account management.
"We need to reform existing structures and procedures to make England internationally competitive, attractive, efficient, productive."
The England division of VisitBritain will evolve to provide a vehicle for tripartite engagement between the DCMS and VisitBritain, the RDAs and local authorities, and the private sector. The organisation will be constructed in such a way that it is clearly accountable to key stakeholders and investors in English tourism and have key performance indicators which reflect this.

As the DCMS is not currently minded to change the current funding arrangements and to fund VisitEngland directly, VisitBritain and VisitEngland have worked together to achieve a solution which will establish an ‘arm’s length’ relationship between the two bodies to the maximum extent possible within the statutory funding framework. VisitEngland will become solely responsible for the development of a national strategy for England and ensure the delivery of the strategy through an agreed implementation plan with partners. It will be the custodian of the strategy, ensuring that partners are delivering to the agreed measures and objectives.

Whilst its executive will remain technically employees of VisitBritain, a Chief Executive will be appointed to report directly to the Chairman of VisitEngland and accountability will primarily be exercised by putting in place a funding agreement between the two bodies. This is analogous with the relationship between the DCMS and VisitBritain. In the longer term, the Board and CEO of VisitEngland may wish to work towards a formal, legal separation from VisitBritain.

The Partners for England Forum (P4E) will continue to provide the platform for public, private and voluntary sector stakeholder engagement with VisitEngland, with clear terms of reference.

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Tourism and brand Britain

The second challenge relates to the country’s regional ‘sub-brands’. The devolution of power and resources to regions is a powerful tendency in modern politics, especially when those regions have distinct cultural identities that demand the right to self-determination and self-expression. In political and social terms, the devolution agenda is hard to criticise, but from the point of view of national competitive advantage it can be highly counterproductive. The essence of social justice is diversity, but the essence of good marketing is simplicity, and this tension is seldom fully resolved.

When dealing with markets for tourism, investment and exports, the question of whether to represent and promote the nation as a single entity or as a series of ‘sub-brands’ really depends on the audience’s familiarity with that nation. If, for example, one is marketing UK tourism to North Americans, there is a strong argument for more ‘specialised’ marketing of regions, cities, counties and even towns; in order to keep regular customers interested, the offer needs to become ever richer and more detailed. If, on the other hand, one is competing for tourists in a market where there is little knowledge of one’s country – such as marketing Britain in China, India, Russia or Brazil, for example – then the argument for “branding Britain” is stronger. When the customer is unable to distinguish reliably between, say, England and Ireland, it is clearly not the time or place to be marketing the Cornish Riviera or Nottingham. As a general rule, if ‘sub-branding’ is likely to appeal to an expert audience, it is worth doing; if it is more likely to create confusion, it should be avoided, and regional resources should be pooled into supporting the national ‘master brand’.

In the end, countries like Britain need to adopt what I call a ‘box of chocolates’ brand architecture. The brand on the outside of the box is ‘Britain’, and when familiarity is low we should market the box. When familiarity is higher, we can open the box and introduce the individual chocolates; each one is distinctive, with its own flavours and appearances, but bearing a strong family resemblance and a clear connection to each other and to the brand on the box.

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“VisitEngland will become solely responsible for the development of a national strategy for England and ensure the delivery of the strategy through an agreed implementation plan with partners.”
Ten-point Strategy

Achieving the Full Potential of Britain's Visitor Economy

There are many players involved in the British tourism industry. It touches multiple government departments and public agencies and the industry itself is fragmented. There is no commonly agreed set of priorities to bind these bodies together and to ensure we achieve the full potential of tourism for the British economy. This chapter proposes the following ten-point agenda for the stakeholders to follow:

1. Consolidate Britain’s position in traditional international markets and invest in emerging markets, building on VisitBritain’s overseas network

2. Create product development and marketing initiatives that are actively supported by the industry and increase the value of inbound tourism spend

3. Further develop UK-wide tourism internet platforms and shared new media strategies to support the industry and national tourist boards

4. Create a new English tourism lead body, create an English tourism strategy and agree processes for partnership with, and accountability to, stakeholders and appropriate performance metrics

5. Engage the industry in national tourism policy development and delivery (including 2012 tourism strategy) and the nation in support for the tourism industry

6. Urge Government to create a cross-Whitehall and cross-ministerial group to be advised by a newly created government-sponsored Tourism Advisory Council, which draws together senior practitioners from industry and the public sector to engage with the government departments whose policies impact on tourism

7. Ensure that the visitor economy is considered in the development of public policy

8. Redefine the role of VisitBritain and agree new ways for it to work with its stakeholders and develop metrics to demonstrate its performance and value

9. Secure agreement on future public and private sector funding and the resources needed to deliver the 2012 Games’ tourism legacy

10. Create inspiring new marketing campaigns, based on a value message, and press Government for creative policy responses which would support the industry through the credit crunch and recession
“Consolidate Britain’s position in traditional international markets and invest in emerging markets, building on VisitBritain’s overseas network.”
The ten-point plan is discussed below in more detail

**Action point 1:**
Consolidate Britain’s position in traditional international markets and invest in emerging markets, harnessing VisitBritain’s international network of overseas offices to deliver new international market segmentation with VisitScotland, Visit Wales, VisitEngland and Visit London (the strategic partners).

During the course of this Review it has been possible to define and agree a model and common principles with tourism board strategic partners, whereby the resources in each overseas office can be used to meet the needs of all tourist boards (Scotland, Wales, London, England as well as Britain, where this is the agreed best brand or brands to be promoted). In practice, the overseas network and capability within VisitBritain will evolve and become an overseas network operator, operating against agreed services and meeting the needs of strategic partners in different ways, depending on the nature of the market.

VisitBritain should act as a co-operative overseas agency supporting the five brands of Britain, England, London, Scotland and Wales as equal partners, provide the strategic partners with services wherever it is appropriate to do so in order to maximise value for money, efficiency and effectiveness and extend reach, namely via the provision of an overseas office network, digital and commercial/distribution platforms, insights and connections.

Taking a smarter and more sophisticated approach to the effective use of the lead brands of Britain that we have at our disposal is a great leap forward for our industry. Tourism may be devolved but our customers are not. The destination brands of Britain may compete with one another for regional spread, but together, as a Britain brand family, we must work as one to compete against the world. Knowing how and when to deploy lead brand for best international competitive advantage is not a sign of compromise but of marketing nous.

In October 2008, VisitBritain and the strategic partners signed a ‘Heads of Agreement,’ setting out a new framework to govern their working relationship:

- VisitBritain and the strategic partners should engage in joint business planning and will identify synergies of purpose, looking for opportunities for joint or complementary working across all areas of the business
- VisitBritain and the strategic partners will be proactive in sharing best practice
- VisitBritain and the strategic partners will develop shared and joint metrics wherever it is appropriate to do so and, for England, use the English Tourism Intelligence Partnership to improve domestic data
- VisitBritain and the strategic partners will develop rules of engagement in order to minimise confusion amongst industry partners
- VisitBritain’s overseas network is a much valued resource that the strategic partners have no wish to replicate and which should be deployed for the benefit of all the parties
- In all areas where VisitBritain will provide shared services to the strategic partners, in particular, but not exclusively, digital and commercial/distribution services, they will be designed to add value to or reduce costs for the strategic partners and to extend their reach, and VisitBritain will consult fully in their ongoing development
- The brands of Britain, England, London, Scotland and Wales will operate within the market mapping framework as recommended by the Britain Marketing Board, with VisitBritain acting as the ‘brand embassy’ representing the five brands; England will do all it can to encourage the English regions to operate within this framework through Partners for England
- VisitBritain is the guardian of the Britain brand and will consult with strategic partners to ensure that it complements their destination brand values; the strategic partners are the guardians of their national and regional tourism brands.
The agreed market mapping framework is:

- **Type A markets:** Devolved short haul markets (such as France, Spain, Germany, Italy, Netherlands). In these markets, the primary role for VisitBritain will be as an ‘Insight Provider’ – providing real consumer insight, data and information. A secondary role will be maintaining travel trade relationships, pursuing PR opportunities and working with public diplomacy partners to keep all parts of Britain top of mind. With the support of strategic and regional partners, there may also be a role in promoting a more joined up Britain for key events (e.g. the Olympics) or against key strategic ambitions (e.g. creating a greater longer stay market) and for global brand partnerships.

- **Type B markets:** Devolved long haul markets (such as the USA, Australia, Canada). In these markets, a full portfolio of all the British brands will usually be deployed. VisitBritain will lead the process of defining the right nature and mix of initiatives for the whole portfolio of brands. It will act as a co-operative overseas agency supporting the strategic partner brands, including the Britain brand.

- **Type C markets:** Britain-led short haul market (such as Poland, Norway, Russia). In these markets, VisitBritain’s role is to develop awareness of the component parts of Britain and to agree the appropriate mix of Britain and other brand programmes with partners.

- **Type D markets:** Britain-led long haul market (such as India, China, Malaysia, Brazil). The role here is to drive and co-ordinate the pioneering aspects of marketing: in general to extend reach across the region. While VisitBritain is unlikely to do everything, it should take responsibility for ensuring that the tactics add up to a strategy that is good for the long-term health of British tourism.

The physical location of VisitBritain’s overseas offices will match the need of the service offered, but will also seek to share the fixed assets of public diplomacy partners, where the space is available and rental costs are competitive.

**Action point 2:**

Evolve product development and marketing strategies which are actively supported by the industry and increase the value of inbound tourism spend.

This should be achieved by building on existing good practice and strategies:

- a) Responding to the interest and associations of the global generation groups – baby boomers, generation x and generation y – which are most likely to provide the best return to Britain
- b) Developing experience-based marketing expertise
- c) Capitalise on key events and business opportunities
- d) Challenge the perceptions, as well as the realities, of barriers to Britain such as value for money, quality and welcome, via offer-based and partnership marketing activity profiling, for example, price-based products such as 3* hotels and new restaurant formats
- e) Deploying the portfolio of national and regional tourism brands in the most appropriate markets
- f) Delivering tourists beyond London and in the shoulder seasons
- g) Supporting further place-making initiatives, such as the ‘Charter for Destination Management’
- h) Harnessing the unique potential of the London 2012 Olympic and Paralympic Games
VisitBritain’s three-year strategy, due for publication in the Spring of 2009, will be informed and driven by industry needs, ambitions and insights, supplemented by its own research and the conclusions of this Review. It will reflect the insights included in this Review, be based on a critical appreciation of our strengths and weaknesses and be guided by the challenging economic climate in which the industry operates. It will focus on how we can maximise the best prospects for growth to Britain, growth from individual markets and also from demographic groups.

With a significantly reduced operational budget for VisitBritain, strong indications that the Government’s next Comprehensive Spending Review for the period 2011/14 will be even tighter than recent years and being at the cusp of a global recession, this is a challenging time for British tourism.

VisitBritain must work closely with the industry in order to reflect the priorities for the tourism industry in its future CSR bid, and with the DCMS and HM Treasury to ensure that its ambitions and achievements can continue to contribute to wider government objectives and satisfy fully the Treasury on the return that it can and does deliver for the British tax-payer.

**Action point 3:**
Further develop UK-wide tourism internet platforms and shared new media strategy to include shared UK-wide capabilities for industry and national tourist boards.

A Distribution Services entity will be established by VisitBritain. Its mission will be to achieve the maximum consumer ‘reach’ for the greatest number of suppliers, for the minimum aggregate grant expenditure, by delivering and optimising a shared Distribution Services capability for tourist boards and commercial partners across Britain, its nations and regions.

Its principal roles will be:
- Maximising consumer reach
- Providing a better, more engaging customer experience
- Delivering shared platform capabilities to drive efficiencies in technology development
- Providing distributable platform capabilities beyond the reach of individual partners

Initially, the Distribution Services entity will be created as a VisitBritain subsidiary and funded through grant-in-aid. This funding will be offset through a (growing) income stream from the provision of transactional services and the entity will be targeted to become a net contributor to VisitBritain. It will explore and adhere to constraints on commercial activities provided by State Aid legislation.

As and when appropriate, the entity might be structured as a limited company or a company limited by guarantee, with other tourist board and private sector equity.

**Action point 4:**
Create a new English tourism lead body, create a strategy for England’s tourism industry and agree processes for partnership with, and accountability to, stakeholders.

As this Review has progressed, some conclusions have been so common-sensical and so clearly popular that to delay their implementation until the publication of this Review would have been folly. Putting VisitEngland in a position whereby it can operate independently from VisitBritain is one such popular, sensible, much anticipated act.

Much progress has been made in recent years in bringing the English tourism family together through the Partners for England initiative. With a clearer separation of VisitEngland from VisitBritain and nationwide ambitions for VisitEngland to work towards greater parity with the other national tourist boards, there is a great deal to be optimistic about in achieving consensus about ambitions and objectives, articulating a strategy and allocating responsibilities.

The England tourism strategy and ten-point plan must be driven by industry and the regions, endorsed by them and they must play their part in their implementation. Partners for England, the de facto ‘English tourism parliament’. It will continue to evolve, becoming more representative and will not just ‘industry-proof’ the strategy but determine and, ultimately approve the strategy and action plan, being clear about priority areas for action and, even more importantly, where responsibility for implementation lies. VisitEngland’s Board will have responsibility for developing and co-ordinating the national strategy and delivering its own part of the strategy and plan, working closely with other delivery partners such as the RDAs.
“VisitBritain must work closely with the industry in order to reflect the priorities for the tourism industry.”
With a higher profile for VisitEngland and the creation of an English tourism strategy, the parity of the English Tourism Minister in the DCMS alongside the Scottish, Welsh and Northern Irish Ministers becomes more apparent.

The advocacy role of the English Minister for Tourism within the industry, within Whitehall and with the other national Ministers for tourism in Britain is vitally important in a devolved UK and a fragmented Whitehall approach to tourism. Partners for England, VisitEngland and the broader English tourism family must commit themselves to ensuring that they give their Minister the tools, information, support and opportunities he or she requires to better serve and lead the industry.

**Action point 5:**
Engage the industry in national tourism policy development and delivery (including 2012 tourism strategy) and the nation in support for the tourism industry.

Raising the profile of tourism with Government, policy-makers, the media and others is a ‘painting the Forth Bridge exercise’; it always needs to be done because the value of tourism is either forgotten, taken for granted, misunderstood or only appreciated at moments of crisis. If the industry is to achieve the most conducive legislative and fiscal environment in which tourism can flourish, then its policy representations must be met by a political audience already familiar with the industry’s strengths and weaknesses and willing to exploit the opportunities for Government to assist, rather than hinder, the industry’s growth.

As an industry, our default setting should be unanimity and unity; co-operating industry-wide on policy representations to Government, supporting the endeavours of the Tourism Alliance, the Wales Tourism Alliance and the Scottish Tourism Forum as the national, cross-sectoral lobby bodies and looking to sector-specific trade associations such as Business in Sport and Leisure, the BHA, the British Beer and Pub Association, the British Holiday and Home Parks Association, the Coach Tourism Council or the Bed and Breakfast Association to lead for the industry on issues on which they are experts. We are fortunate to have strong, knowledgeable trade associations in our industry but if we are to flex our muscles more effectively we need to harness the advocacy potential of our national tourist boards and the lobbying potential of our industry in a more disciplined and strategic manner.

Our visitors to Britain are investors in Britain; their spending in this country creates jobs, brings new money into the economy, and pays the wages of public sector professionals like nurses, police officers and doctors from the tax that they pay in VAT or Air Passenger Duty. Initiatives like British Tourism Week and its national equivalents in Scotland and Wales are important public affairs vehicles to educate politicians, the media and public alike on the contribution that tourism makes to every constituency and community.

**Action point 6:**
Create a new Government-sponsored Tourism Advisory Council that draws together senior practitioners from industry and the public sector to engage with the government departments whose policies impact on tourism.

As well as harnessing the industry’s energies to improve the representations that the industry makes to Government, we also need to improve the channel of communication through which Government and industry communicate. We need a better dialogue, not just a refinement of our monologue.

As has been identified elsewhere, tourism is a cross-Whitehall, cross-national issue and requires a cross-Whitehall, cross-national approach. We need a forum that brings together Ministers with responsibility for the issues and policies which impact on tourism – from planning to aviation, licensing to visa pricing – and industry leaders to determine how we can create and implement policies which will grow our industry and minimise or eradicate those policies that restrict it.

**Action point 7:**
Ensure that the visitor economy is considered in the development of public policy.

A key weakness in the current framework of British tourism is the sector’s limited ability, compared to other sectors, to act (a) as a reactive consultee in public consultations affecting tourism and (b) as a proactive source of ideas and best practice analysis to ensure that the visitor economy is held in appropriately high regard by opinion formers and decision makers across the public sphere. A new Strategy and Insights Department at VisitBritain, supported by increased
policy capacity, will act as an interlocutor between Government and industry and raise awareness of the importance of tourism in the British economy. It will work to support the industry in ensuring that the impact on the visitor economy is considered in the development of public policy and that government policies support the industry’s growth. Often, policy barriers occur when intervention in other spheres impinges on visitor economy outcomes. VisitEngland, similarly, will have a policy remit and competence focusing on devolved, England-specific tourism policy matters.

The VisitBritain unit will propose government policy which maximises the industry’s competitiveness, including encouraging:

- The advocacy of the contribution and importance of tourism to the British economy
- Continued new tourism business formation
- Increased investment in the British tourism product (economic development and regeneration)
- Improved visa product, pricing and processes
- Improved quality of the visitor experience
- Development of tourism-related skills and lower-end labour market employment
- Development of a Britain-wide sustainable tourism strategy
- Enhanced tourism crisis response capability
- Improved transport infrastructure and the planning process in order to encourage capital investment in the tourism product

**Action point 8:**
Redefine the role of VisitBritain and agree new ways for it to work with its stakeholders and demonstrate its performance and value.

To solve the problem of the fragmentation of the various public agencies that are responsible for tourism, there should be a new role for the national tourism agency, VisitBritain.

The new VisitBritain will have three main areas of responsibility:

- Co-ordination of industry research, developing insight-based policy and formulating strategy for Government and industry
- Provision of a core marketing capability of insights, connections to trade and global press and marketing execution, as required; marketing Britain in global markets within the new framework agreed with the strategic partners
- Establishment of shared platforms – such as the overseas network, digital marketing and associated e-commerce – for use by industry and the national tourism organisations, which will enable them to become more efficient and effective

**Action point 9:**
Secure agreement on future public and private sector funding and resource plan for delivery of the 2012 Olympic tourism legacy.

As the national tourism agency, VisitBritain has a key role to play in maximising the benefits for UK tourism from hosting the 2012 Games. There is a potential legacy of a visitor industry that provides a welcome experience second to none; with good value and
good quality accommodation embracing sustainable practices, ample facilities for visitors with disabilities, and a skilled workforce providing the first-class service that the modern visitor expects and demands.

Rights-holding broadcasters and media will be looking to extend coverage much further than the sporting action of the Games themselves. In partnership with Visit London, VisitBritain has the opportunity to engage with broadcasters and media to ensure that Britain as a destination receives unparalleled media exposure to an audience of billions around the world through these channels.

Sponsors will also be looking to leverage their association with the Olympic and Paralympic Games around the event, and a destination message is one of the ways in which sponsors can do this.

Through working with Olympic partners, either internationally or domestically, VisitBritain has the opportunity to target and reach a huge number of new potential consumers with a fraction of the investment that this would normally require.

A concerted campaign by VisitBritain across broadcasters, media and Olympic sponsors using the 2012 Games as a platform would provide the UK with unmatched exposure around the world over a four-year period. This is a cost-effective strategy that will allow us to revitalise Britain as a destination in traditional markets such as the US and Japan from where visitor numbers are falling, to showcase Britain to the emerging economies from where future growth in international travel will come and where Britain’s market share is falling, and to enthuse and inspire young people who are the travellers of the future and who do not consider Britain to be a contemporary or exciting destination.

But realising this ambition and achieving this legacy will not simply happen as a natural consequence of winning the opportunity to host the 2012 Games; it must be fought for, planned for and invested in. The industry will continue to press Government for sufficient resources to ensure that Britain wins its Olympic tourism prize. Not to invest in success would be to squander the once-in-a-generation opportunity offered by the 2012 Olympic and Paralympic Games.

Action point 10:
Create inspiring new marketing campaigns, based on a value message, to support the industry through the credit crunch and recession.

In July 2008, with 'economic slowdown' making national news, VisitBritain and Visit London agreed to co-fund research into the impact of the 'credit crunch' on domestic day visits, short-breaks and holidays. The objective was to gain insights into how those organisations should reposition their marketing campaigns to minimise the effect of the economic slowdown on the domestic visitor economy.

These insights will shape an intended £6.5m (£3m Grant-in-aid and £3.5m non-government funding) ‘value’ marketing campaign to be undertaken by VisitBritain and VisitEngland, to launch in April 2009 and to support Britain’s tourism economy through recession. Research commenced in September 2008 (post-Beijing Olympic and Paralympic Games). While this was in process, the effect of the economic slowdown turning into a recession and the impact this has on the domestic tourism market was borne out in the findings.

The campaign will deliver a consistent value message globally, executed locally. The value messaging will run domestically and internationally in Europe and the USA as number one priority markets, in partnership with the nations and regions.

This Review strongly recommends that VisitBritain, the national and regional tourist boards share insights and co-operate with creative marketing responses, which focus on value messages in order to support the industry at a time of challenging economic pressures. Additionally, the Review recommends that VisitBritain, the national and regional tourist boards, trade associations and the industry press local, regional and national government for additional financial support for the tourism industry’s marketing efforts.

Moving forward, VisitBritain, together with the industry, will monitor and react to market trends and economic conditions to create and adapt campaigns accordingly.
“The Games provide Britain as a destination the opportunity to receive unparalleled media exposure to an audience of billions around the world.”
The economic impact of the visitor economy is driven by visitor numbers and associated spending and these, in turn, are driven by key factors:

- Cost, e.g. bilateral exchange rates
- Destination attractiveness
- The strength of consumer spending
- GDP – the health of the economy
- Investment in tourism infrastructure

The relationships between these five drivers are complex and interdependent. This means that a relative weighting of importance, for instance, is not practical. It is useful, though, to distinguish between short- to medium-term drivers and longer term drivers of the visitor economy.

In the longer term, the health and development of the tourism industry largely depends on supply-side factors such as the effective delivery of infrastructure and the relative attractiveness of the destination. These factors will influence economic activity and thus GDP over the long-term. In the short- to medium-term, however, those drivers influencing demand conditions are likely to dominate. Exchange rate fluctuations, consumer sentiment and prospects for economic activity in the UK and the main origin markets will drive outcomes. And all this at the cusp of a UK and global recession.

The long-term drivers correspond to the areas that policy intervention can aim to tackle, whilst it has to be acknowledged that shorter-term drivers, such as cyclical fluctuations in output, consumer spending and exchange rates cannot be influenced by policymakers in this context.

If tourism is to seize the opportunities of growth, demonstrate ambition and maintain its relative position as a significant contributor to the UK economy, the industry, public agencies and Government will need to increase their levels of commitment and investment. Deloitte’s economic analysis forecasts that the value of the UK visitor economy will grow from £86billion to £133billion over the next ten years (see Tables 7.1 and 7.2).

This increase will bring with it the consequent employment growth and support of regeneration, with the rural and seaside development that is lauded by central and local government, but it will not materialise without continued policy and financial support from the public sector and central government.

Indeed, these forecasts of increased tourism activity are built upon the assumption that tourism facilities, accommodation and transport infrastructure are...
“The industry, public agencies and Government will need to increase their levels of commitment and investment.”
### The absolute and relative economic contribution of the UK visitor economy (Table 7.1)

<table>
<thead>
<tr>
<th>UK tourism contribution</th>
<th>2008</th>
<th>Forecast</th>
<th>2009</th>
<th>Forecast</th>
<th>2018</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Absolute £bn</td>
<td>Relative % total</td>
<td>Absolute £bn</td>
<td>Relative % total</td>
<td>Absolute £bn</td>
<td>Relative % total</td>
</tr>
<tr>
<td>Visitor Exports (inbound &amp; travel spending &amp; fares)</td>
<td>24.2</td>
<td>25.6</td>
<td>50.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Travel &amp; Tourism (domestic &amp; outbound)</td>
<td>110.7</td>
<td>114.0</td>
<td>179.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Travel (domestic &amp; outbound)</td>
<td>25.9</td>
<td>27.3</td>
<td>43.6</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Government Expenditures (individual &amp; collective)</td>
<td>8.7</td>
<td>9.2</td>
<td>14.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Investment</td>
<td>23.3</td>
<td>24.8</td>
<td>41.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel &amp; Tourism Demand</td>
<td>192.7</td>
<td>200.9</td>
<td>329.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outbound Tourism Spending (fares &amp; travel)</td>
<td>46.5</td>
<td>49.2</td>
<td>85.8</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>FS Direct Industry GDP (in line with First Step TSA)</td>
<td>46.4</td>
<td>3.2</td>
<td>47.5</td>
<td>3.1</td>
<td>75.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Direct Industry GDP (includes gov. individual spending)</td>
<td>51.8</td>
<td>3.6</td>
<td>53.2</td>
<td>3.5</td>
<td>84.2</td>
<td>3.5</td>
</tr>
<tr>
<td>T&amp;T Economy GDP (broader concept)</td>
<td>115.0</td>
<td>7.9</td>
<td>118.5</td>
<td>7.8</td>
<td>187.6</td>
<td>7.8</td>
</tr>
<tr>
<td>Direct Industry Employment (000s jobs)</td>
<td>1,335</td>
<td>4.2</td>
<td>1,328</td>
<td>4.2</td>
<td>1,407</td>
<td>4.1</td>
</tr>
<tr>
<td>T&amp;T Economy Employment (000s jobs)</td>
<td>2,587</td>
<td>8.2</td>
<td>2,565</td>
<td>8.1</td>
<td>2,817</td>
<td>8.2</td>
</tr>
</tbody>
</table>

Source: Oxford Economics

### UK expenditure in the visitor economy (Table 7.2)

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Spending by overseas residents</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visits to the UK</td>
<td>16.0</td>
<td>16.3</td>
<td>17.2</td>
<td>34.2</td>
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<tr>
<td>Fares to the UK carriers</td>
<td>2.8</td>
<td>3.0</td>
<td>3.3</td>
<td>6.3</td>
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<tr>
<td>Spending by domestic residents</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trips of 1+ nights</td>
<td>21.2</td>
<td>20.8</td>
<td>21.3</td>
<td>28.8</td>
</tr>
<tr>
<td>Tourism day trips for leisure</td>
<td>45.4</td>
<td>45.1</td>
<td>45.5</td>
<td>62.7</td>
</tr>
<tr>
<td>Rent for second ownership</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Total spending</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cuttturn prices</td>
<td>86.4</td>
<td>86.4</td>
<td>88.3</td>
<td>133.1</td>
</tr>
<tr>
<td>Real growth (%y-y) 1 &amp; 2</td>
<td>-2.2</td>
<td>-3.3</td>
<td>-0.2</td>
<td>2.1</td>
</tr>
</tbody>
</table>

1 Current figures deflated by the UK GDP implicit deflator
2 2018 figure shows average annual real growth rate over the period 2009 to 2018

Source: Oxford Economics
upgraded – both in terms of capacity and quality – in line with increasing demand. Numbers of overseas visitors are expected to grow to over 45 million visitors by 2018 from 32.6 million in 2007, with an equivalent percentage rise in domestic tourism trips. Tourism’s overall share of UK investment spending – estimated to be close to 9% at present – will, at the very least, need to be sustained, if not increased, for this growth to occur.

In the absence of sufficient infrastructure investment, the contribution of the visitor economy to the UK will decrease over the coming ten years. For example, a 10% reduction in foreign visitor arrivals over the next five years would translate into 68,000 fewer jobs and a cumulative loss in GDP terms of almost £10 billion by 2012.

If the likely loss of domestic visitors to overseas travel is taken into account, the decline is 114,000 jobs and almost £20 billion, and even this scenario assumes our global competitors do not take advantage of our decline.

Taking a more proactive approach to the development of the UK visitor economy (including addressing investment, marketing and market failure issues) could allow the UK to sustain its share of inbound tourism. This would result in just over 49 million overseas visitors coming to the UK every year by 2018, creating a UK tourism market of £136.2 billion and creating over 50,000 more jobs by 2018. However, the lack of funding of the 2012 tourism legacy programme means there is now a real risk that the full Olympic legacy opportunity cannot be delivered.

**Everybody’s business**

We reap what we sow. To realise all of the benefits which flow from tourism – jobs created, vibrant communities regenerated, health and well-being improved, overseas investment in the UK increased, our cultural and natural assets appreciated and celebrated and Britain’s contribution and place in the world acknowledged – we must invest; politically and financially. We cannot assume, as we once did, that the world will, one day, unasked and unprompted, inevitably come to our shores because we are a ‘must-see’ destination. We have to work hard to win every visitor and to earn every penny of the money that they wish to spend with us. When they do visit we must welcome them for who they are and what they represent – honoured and special guests, investors in our nation and contributors to our Exchequer, who have chosen to spend their precious time and hard-earned money in Britain above every other nation on earth.

Tourism is too important not to plan for its future, not to take seriously, not to get right. It deserves the right framework, visionary leadership and the harnessed energy and resources of all who have a stake in its success.

“We cannot assume, as we once did, that the world will, one day, unasked and unprompted, inevitably come to our shores because we are a ‘must-see’ destination.”
Appendices

The following appendices are available on www.tourismreview.co.uk

British Tourism Framework Review Terms of Reference
British Tourism Framework Review Governance
British Tourism Framework Review Task Group Membership
Deloitte/Oxford Economics Report: The Economic Case for the Visitor Economy
TEAM: UK State of Tourism
A Sustainable Future for Tourism
House of Commons Culture, Media and Sport Committee: Tourism Report 2008
VisitBritain/VisitEngland Framework Plan
Summary of Submissions to the British Tourism Framework Review and Consultee List

Bibliography

The following documents are available on www.tourismreview.co.uk

Current National and Regional Public Tourism Funding
Corporate Edge: Portfolio Management Strategy
Digital Futures Overview Report
England Roles and Responsibilities Matrix
Moffatt: Global NTO Benchmarking
DCMS: Winning: A Tourism Strategy for 2012 and Beyond
VisitBritain Strategic Plan for the London 2012 Olympic and Paralympic Games
“Taking a more proactive approach to the development of the UK visitor economy could allow the UK to sustain its share of inbound tourism. This would result in just over 49 million overseas visitors coming to the UK every year by 2018, creating over 50,000 jobs.”
“Tourism is too important not to plan for its future, not to take seriously, not to get right. It deserves the right framework, visionary leadership and the harnessed energy and resources of all who have a stake in its success.”

To find out more about the British Tourism Framework Review, visit www.tourismreview.co.uk

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