BACKING UK TOURISM: DESTINATION RECOVERY
August 2009

In association with:

British Chambers of Commerce
The Ultimate Business Network

Travelodge

ABOUT US

The British Chambers of Commerce (BCC) is the national voice of local business; a national network of quality-accredited Chambers of Commerce, uniquely positioned at the heart of every business community in the UK. Representing approximately 100,000 businesses of all sizes across all sectors of the economy that together employ over 5 million people, Chambers of Commerce are the Ultimate Business Network.

Written and researched by:

Chris Potter - Parliamentary Affairs Officer, BCC
Kevin Hoctor – Senior Policy Adviser, BCC

Acknowledgements:

Gareth Elliott, Senior Policy Adviser, BCC
Nick Dines, Head of Corporate Communications, Travelodge

We would also like to thank those Chambers of Commerce and businesses for their input into this research, and other organisations who helped inform much of this report's thinking.

For further information please contact:

British Chambers of Commerce
65 Petty France
St James's Park
London SW1H 9EU
020 7654 5800
info@britishchambers.org.uk
www.britishchambers.org.uk

AUGUST 2009

CONTENTS

FOREWORD

With unemployment rising and the path to sustainable economic growth still uncertain, the British Chambers of Commerce has been making the argument that we all need to help foster the UK's recovery. Sectors that have previously driven economic growth, such as construction and financial services, are likely to be considerably weaker in the near future. Other sectors with the potential for growth will need to step into the breach. This report argues that tourism is one of those sectors.

Britain's tourism industry deserves the chance to unlock its full potential, and subsequently help drive the economy out of recession. In order to do so, the industry requires a more effective system of targeted support and a co-ordinated effort between government at all levels and the industry itself.

This report, entitled Backing UK Tourism: Destination Recovery, was written and researched in conjunction with Travelodge. It examines the opportunities for the tourism sector, the system of tourism support (with examples of current practice) and makes a set of recommendations to improve tourism support in the short to medium term.

David Frost
Director General
British Chambers of Commerce

FOREWORD

Despite tourism being the fifth-largest industry in the UK - directly and indirectly employing 2.7 million people - the last decade has been one of missed opportunity and decline. The percentage of international passengers coming to our shores has fallen, despite an increase in the global number of tourists. There is also a growing £20.5 billion deficit between what British holidaymakers spend abroad and how much foreign visitors spend here. Britain's tourism industry deserves the chance to unlock its full potential, and subsequently help drive the economy out of recession. In order to do so, the industry requires a more effective system of targeted support and a co-ordinated effort between government at all levels and the industry itself. This report, entitled Backing UK Tourism: Destination Recovery, was written and researched in conjunction with Travelodge, a leading value-for-money hotel chain. It examines the opportunities for the tourism sector, the system of tourism support with examples of current practice, and makes a set of recommendations to improve tourism support in the short to medium term

Unfortunately, the economic downturn has not bypassed our industry, even though the weakness of sterling has made the UK a leading value destination. 2008 saw the first drop in visitor numbers since 2001, the year of foot-and-mouth and 9/11, whilst the first half of 2009 shows a similar downward trend. Across the world, governments responded early to a potential downturn in visitor numbers by increasing their marketing spend on tourism promotion. For example, Spain injected €400m into its tourism industry, whilst the Singapore Tourist Board invested $41m incentivising visitors. By contrast, VisitBritain saw its budget cut by 18%, sending a clear message that no more money would be made available. This report makes clear that the problem does not stem from of a lack of funding but poor decision making and allocation of existing resources. The challenge we must overcome is one of muddled policy decisions and a structure which causes confusion and indifference within the corridors of Whitehall.

The manifestation of this vacuum at the heart of the Government's approach to our industry is a lack of clear direction given to the public sector agencies with responsibility for the promotion of tourism. Whether it be the Regional Development Agencies (RDAs), local authorities or bodies such as VisitScotland, all are striving to deliver. What they are all lacking is leadership from above to ensure that the £350 million annual Whitehall investment in tourism is spent in a co-ordinated manner across the country. We believe that many of the problems mentioned above ultimately stem from the lack of heavyweight support given to the tourism industry within Government. Instead of being within the Department for Business, Innovation and Skills (DBIS), together with key issues of tax, regulation and growth, we are on the peripheries of a department - the Department for Culture, Media and Sport (DCMS) - primarily concerned with the arts and sport. As a sector, we are still creating jobs and providing long-lasting career opportunities, something very few industries in the economy can say at present. This cannot, however, be taken for granted. Listening and responding to the needs of the industry and streamlining the public sector support structure are vital to ensuring the future growth of tourism in the UK.

Grant Hearn
Chief Executive
Travelodge

EXECUTIVE SUMMARY

Following concerns from our members about the current landscape of tourism support, we have written and researched this report in conjunction with Travelodge. Over the past 12 months businesses have been exposed to one of the worst economic environments in a generation. This year the BCC's Quarterly Economic Survey of business activity has shown some of the worst results since our records began back in 1989.

Due to an inadequate support structure the tourism industry is underperforming and failing to reach its economic potential. Today, the sector also employs 1.4 million people and generates over £86 billion for the UK economy.[1] It has been estimated that the sector could yield an extra 164,000 jobs and grow into a £113 billion industry by 2018.[2] However, this cannot be done without reforms from UK government. Due to the plethora of organisations that exist to support the industry, (figure 1.3) businesses face confusion over who to engage with. Without a more streamlined support structure, businesses will continue to find it difficult to understand who to turn to for assistance for essential public sector support, such as international marketing. It should be noted that we support the Government's current funding levels, but more can be done to make the public sector system efficient and help release the economic potential of the UK tourism sector as a whole.

Chapter One: Opportunities for the tourism sector and the economy as a whole - We set in context the tourism sector in relation to the UK economy and the wider world. We argue that the current state of the global economy and currency markets makes the industry ideally placed to attract visitors to the UK – domestic and international. With unemployment rising, the government should put more emphasis on supporting an area of the economy that relies on employment to generate wealth.

Chapter Two: Problems in the sector – We outline in detail the current problems in the sector, paying particular attention to how the UK compares with other countries. The overall tourism balance of trade for a country – the difference between international tourism receipts from inbound visitors and expenditure from its citizens in other countries – (see figure 1.1) shows that the UK is the second worst performing country in the EU for attracting tourism spending. The UK Government needs to fully ensure that we utilise its investment and resource so that visitor spending – domestic and international – is maximised.

Chapter Three: Areas for reform – We give a detailed analysis of the support structure and need for reform. The Government, and in particular the Department for Culture, Media and Sport (DCMS), have devolved power and responsibility to other public sector bodies, but have failed to set in place strong performance frameworks or national policy guidance. As a result, National Destination Management Organisations (NDMOs), regional bodies and other delivery organisations have not had a strong national steer to effectively implement decisions.

Chapter Four: Recommendations for reform – The BCC argues that there is significant room for improving the system of tourism support in the UK. This would enable the better use of available funding during a period of serious government spending constraints. We therefore make the following four recommendations:

[1] http://www.tourismtrade.org.uk/MarketintelligenceResearch/KeyTourismFacts.asp
[2] http://www.tourismtrade.org.uk/corporatepress/Mediatour.asp

1. **National leadership** – Responsibility for tourism within government should sit within the Department for Business, Innovation and Skills (DBIS) reflecting the sector's economic importance and its future role in the UK's changing sectoral mix. This department should also take full responsibility for national strategy and policy, including setting performance targets and guidance with industry. In the devolved nations, DBIS should work closely with the Scottish Government, Welsh Assembly Government, Northern Ireland Assembly and the Mayor of London.

2. **The Role of VisitBritain and its Strategic Partners** – Going forward, VisitBritain's overall strategy should include far more provision to help sub-national and private sector bodies market their organisations. To help free up resources to assist with this, the Government should manage policy and strategy - functions currently undertaken by VisitBritain.

3. **Regional implementation** – in England implementing tourism policy is the responsibility of the RDAs, whilst in the rest of the UK this is controlled by the devolved administrations. Due to no clear government guidance, RDA performance in England is at best patchy. Going forward, any future government should implement stronger oversight for regional delivery. For example, through clear national policy guidance, performance frameworks or reallocating resources to help fund VisitBritain's activities.

4. **Effective measurement of performance** – In the UK collating tourism statistics is the responsibility of the devolved administrations and the English Tourism Intelligence Partnership (ETIP). Funding ETIP would have represented just 0.09% of total public sector spending on tourism in 2006-7. Given this, and to ensure objective statistics are available, ETIP should be funded within existing budgets from central government.

OPPORTUNITIES FOR THE TOURISM SECTOR AND THE ECONOMY AS A WHOLE

Tourism is currently the UK's fifth-largest industry.[3] Directly, the sector employs over 1.4 million people and domestic and international tourists spend over £86 billion in the UK.[4] A recent report by Deloitte revealed that the direct and indirect benefits of tourism taken together were worth 8.2% of GDP and provided 2.65 million jobs in 2007 alone.[5] The tourism industry in the UK employs more people than the manufacturing or engineering industries, both of which receive significant policy attention. Growth in the sector could have a significant impact on future employment levels. The UK's combination of history, culture, natural beauty and world-famous attractions is an attractive option for international and domestic tourists alike.

There are a number of current and upcoming opportunities for the UK tourism industry that should be exploited. The depreciation of sterling means that international tourists have increased spending power in the UK, making it a more attractive destination to visit. Equally, it will incentivise increased domestic tourism, as foreign destinations become relatively more expensive. A recent report commissioned by Travelodge,[6] surveyed 3,300 British people to investigate their holiday plans for the summer of 2009 and found that the number of people going abroad has fallen from 33% in 2008 to 27% in 2009. 32% of UK citizens are now planning a holiday domestically. This picture is confirmed by the BCC's own membership; one local business in Essex notes:

"there are definite signs that exchange rates are giving the tourism industry a boost with less people travelling abroad and more overseas visitors."[7]

With unemployment forecast to rise above 3 million,[8] supporting an area of the economy that relies on employment means the sector is an ideal candidate for stronger government support. Tourism already supports around 200,000 small and medium-sized businesses;[9] however, there is scope for the tourism industry to expand and take an even greater share of international visitors. Furthermore, the sector is more labour-intensive than other industries, helping many people of all abilities improve their skill sets in the short, medium and long term. Investment in tourism can nurture future growth and deliver an extra 164,000 jobs, given that it is predicted to grow into a £113 billion industry by 2018.[10]

[3] http://www.publications.parliament.uk/pa/ld200809/ldhansrd/text/90514-0011.htm
[4] http://www.tourismtrade.org.uk/MarketIntelligenceResearch/KeyTourismFacts.asp
[5] Deloitte: the Economic Case for the Visitor Economy: Pg 1
[6] http://www.travelodge.co.uk/press_releases/press_release.php?id=352
[7] Essex Chamber of Commerce Member
[8] http://www.britishchambers.org.uk/zones/policy/press-releases_1/rising-unemployment-shows-weak-economy-still-needs-stimulus.html
[9] http://www.tourismtrade.org.uk/corporatepress/Mediatour.asp
[10] http://www.tourismtrade.org.uk/corporatepress/Mediatour.asp

CASE STUDY:

Travelodge - Tourism as a route to employment

In October 2007, Chief Executive Grant Hearn committed Travelodge to employing at least a quarter of its staff at new hotel openings through Local Employment Partnerships. This is an initiative designed to better match the unemployed with employers. An employer signs up to a partnership and in doing so they agree to interview or offer work trials to unemployed applicants. In turn, Jobcentre Plus agree to match employers with staff who are suitable for the position, with the right basic skills.

Travelodge has opened 41 hotels since signing up and 445 team members in total have been recruited through the scheme. The expectation is that a number will move onto Travelodge's Management Development Programme.

Given its success, Travelodge sought to take the scheme further and actively recruit from the long term unemployed. In a pioneering, award winning partnership with the London Employer Accord, Travelodge trialled a more intensive pre-employment scheme in the capital called Go Forward to recruit for its London Heathrow Central and Tower Bridge hotels.

This involved Accord giving potential recruits (who have been out of work for a long period of time and are now part of the Job Centre Plus priority group) six weeks of intensive training geared towards Travelodge's needs. Of the 78 who commenced training, 57 began work for Travelodge at a £1,360 recruitment cost incurred per employee, which compares to the average cost of £4,500 for a sustained job outcome for a disadvantaged person.

As Jim Jessop, the Account Director for the Go Forward Programme, commented, "The Travelodge Go Forward recruitments have been tremendously successful in reaching out and developing the hidden talent and potential among the Capital's unemployed. These jobs provide a valuable first step on the ladder into employment in a hotel career with real opportunities for further training and progression."

By more actively supporting similar partnerships in the tourism sector, the Government could go a long way to help foster a new route to employment.

Events within the UK such as the 2010 Ryder Cup in Newport, the 2012 London Olympics, 2013 Rugby League World Cup, 2014 Glasgow Commonwealth Games, 2015 Rugby Union World Cup, and potentially hosting the 2018 Football World Cup offer enormous opportunities for UK tourism. In procurement terms alone, the Olympics will offer over 50,000 contracts to companies. The Olympic Delivery Authority has already awarded over £3.5 billion worth of contracts to over 880 businesses, with 45% of the authority's direct suppliers based outside of London. Furthermore, a recent Oxford Economics Study [11] estimated that the gain to UK tourism would be 32 million UK-wide extra visitor nights as a result of the Games. With the opportunities that the Olympics in 2012 will clearly deliver, now is a perfect time for reform in order for the industry to benefit from future sporting events.

[11] The value of the London 2012 Games and Paralympic Games to UK Tourism, Oxford Economics Study, September 2007

At an international level the UK performs badly when compared to other countries. There has been a 17.9% drop in the UK's international passenger numbers between 1997 and 2007.[12] The overall tourism balance of trade for an individual country – the difference between its international tourism receipts from inbound visitors and expenditure from its citizens in other countries – (see figure 1.1) shows that the UK is the second worst performing country in the EU for attracting tourism spending.

Going abroad, UK tourists spend far more than international visitors in Great Britain and Northern Ireland. The Government needs to fully ensure that we utilise our resources so that visitor spending – domestic and international – is maximised. The UK is still a top destination for any tourist – with leading world heritage sites and a diverse range of tourism activities – so its status as the second worst performing country in the EU is troubling.

Figure 1.1 - EU Countries - Tourism Receipts and Expenditure (figures in euros - billions) [13]

Region/ Northern EU Country	EU-27	UK	Holland	Sweden	Poland
Receipts [14]	253161	26883	9038	7251	5744
Expenditure [15]	244757	50305	13558	9181	4574
Tourism Balance	8404	-23422	-4520	-1930	1170
Northern EU Country	Ireland	Denmark	Germany	Finland	France
Receipts	4258	4452	26091	1891	36905
Expenditure	5446	5908	58894	2724	24840
Tourism Balance	-1188	-1456	-32803	-833	12065
Southern EU Country	Portugal	Italy	Spain	Hungary	Malta
Receipts	6648	30335	40710	3373	608
Expenditure	2625	18366	13265	1687	253
Tourism Balance	4023	11969	27445	1686	355

[12] International Passenger Survey (ONS)
[13] Eurostat Pocketbooks - Tourism Statistics 2008 Edition Pg 33
[14] Receipts - Total consumption expenditure made by a visitor, or on behalf of a visitor, for and during his/her trip and stay at destination.
[15] Expenditure - spending from international inbound tourists including their payments to international carriers for international transport

Companies within the sector regularly complain of a lack of adequate leadership by government, ineffective co-ordination in the delivery of support and a lack of adequate recognition of the economic importance of tourism. The Tourism Alliance, a body representing businesses and organisations within the sector, recently criticised the Government for "its inadequate support structure and for adopting a far too laissez-faire approach to its responsibilities".[16]

Equally, in their evidence to the Culture, Media and Sport Select Committee inquiry into the tourism industry last year, the British Association of Leisure Parks, Piers and Attractions stated that the department with responsibility for tourism, DCMS, "appears to carry less weight within government than some of the other departments and therefore seems unable to spearhead joined-up thinking across government".[17]

Ministerial moves have also demonstrated a lack of commitment to the sector and its co-ordination. The current tourism minister, Barbara Follett MP, is the eighth person to have occupied this position since 1997. The 2007 Comprehensive Spending Review reduced funding for VisitBritain by 18% and the 2009 Budget announced that the tax relief on furnished holiday lettings for 2010 would be scrapped. Many struggling businesses within the tourism sector had relied on these reliefs which gave owners favourable tax treatment for capital gains tax, capital allowances and offsetting of losses. As one self-catering marketing agency commented: *"the Government's legislation to remove the tax break for holiday homes, which will remove 20% of stock, is really not a great move for a government trying to stimulate the economy".*[18]

Despite these issues, the private sector, and in particular the Chambers of Commerce Network, have set up a number of local initiatives to help support the industry. Examples within the Chamber Network highlight the diverse ways in which tourism could be better supported in the UK.

CASE STUDY:

Surrey Chambers - local private sector tourism support in England

Surrey Chambers is a member of VisitSurrey, a private sector organisation set up two years ago covering all aspects of the tourism and leisure industries. The County Council had been the lead on tourism issues within the area; however, four years ago the Council disbanded its tourism section leaving it to interested businesses to set up a voluntary forum.

VisitSurrey launched its website in 2008. It received over 12,000 hits in June 2009, a figure which is steadily growing each month. The Chamber is aware of the opportunities to be gained from the 2012 Olympics, but also the present benefits to be had from working together to promote the County. Several of the bigger attractions pool their resources and have stands at major exhibitions, such as 'excursions' each year.

In November, the Chamber invited Jeremy Hunt, MP for Farnham, Shadow Secretary of State for Media, Culture and Sport to address and share concerns about the lack of support for tourism in the UK. Being independent allows VisitSurrey to set its own agenda, activities and promotions (including promotions in the Saturday and Sunday Telegraph).

The local authority and RDA have offered support to the initiative but not financially. VisitSurrey is an excellent example of what can be achieved by businesses working in partnership. VisitSurrey has a full page in the Chamber of Commerce bi-monthly magazine to highlight those VisitSurrey members who are also members of the Chambers of Commerce and offered a discount for joint membership.

Without tangible support at a local or national level it is left to businesses such as Surrey Chambers to help support the industry. This case study helps demonstrate the importance of organisations like the Chambers in assisting businesses at a local level.

16. http://www.publications.parliament.uk/pa/cm200203/cmselect/cmcumeds/65/6506.htm
17. Culture, Media and Sport Committee, Tourism Inquiry p32
18. Suffolk Chamber of Commerce Member

CASE STUDY:

VisitRenfrewshire.com - local private sector tourism support in Scotland

In Scotland, Renfrewshire Chamber of Commerce (RCC) found their NDMO, VisitScotland, to be supportive when providing marketing support to their locality. VisitRenfrewshire.com, the local Destination Management Organisation (DMO), is partly run by the RCC and covers the Renfrewshire Local Authority area. The aim of the local DMO is to sell visitor packages aimed at the domestic tourism market. These are flexible packages allowing the customer to combine a range of accommodation options from B&Bs to five star hotels with a range of activity and leisure options. Marketing is via press adverts in target areas, brochures and the VisitRenfrewshire.com website.

The income of VisitRenfrewshire.com is mainly generated by selling advertising space. This has been a challenge as marketing budgets have been cut during the recession, so the process has been much slower than anticipated. However, the organisation has generated positive publicity.

VisitScotland has been supportive of the RCC's operation since its inception and have recently given a grant of over £50,000 to expand its tourism work. This case study is a great example of an NDMO working with the private sector to assist businesses locally.

THE ROLE OF NATIONAL GOVERNMENT

The tourism industry requires effective leadership, policy strategy, oversight, and a strong championing of its cause in the corridors of Whitehall and the devolved administrations. The Government department in overall charge of tourism strategy is currently DCMS. Through public service agreements and objective frameworks the Department is responsible for, amongst other things, realising the economic benefits of tourism. [19] In practice DCMS takes no overall responsibility for tourism, instead choosing to delegate accountability for policy, marketing, strategy and implementation to a number of other organisations.

How does tourism support work in the devolved areas and the English regions?

Tourism is a devolved matter in Scotland, Wales, Northern Ireland and Greater London. Each region channels money (from HM Treasury) to its own marketing agency: VisitScotland, VisitWales, VisitLondon and the Northern Ireland Tourist Board. As of April 2009 within England (excluding London), VisitEngland has directed marketing and strategy, whilst RDAs have been responsible for implementing regional policy. These organisations are collectively known as VisitBritain's strategic partners.

VisitBritain sits at the centre and focuses on marketing Britain as a collective brand. The total spending on these organisations is listed in figure 1.2 below. Currently, we believe, there is scope to deliver greater economic benefit from the existing budget.

Figure 1.2 UK spending on tourism in 2006-7.[20]

Organisation	Spend (£million)
VisitBritain	49.9
VisitScotland (allocated by the Scottish Government)	44.0
VisitWales (allocated by the Welsh Assembly Government)	22.0
Northern Ireland Tourist Board (allocated by the Northern Ireland Assembly)	18.7
Northern Ireland Tourist Board (to the joint Northern Ireland/Eire Tourism Ireland marketing body)	12.6
London Development Agency (allocated by the Mayor of London)	22.0
London Unlimited (additional marketing and promotional funding for London)	6.0
Non-London Regional Development Agencies	29.8
English Local Authorities	126.0
Scottish Local Authorities	4.4
Welsh Local Authorities	13.0
TOTAL	348.4

19. http://www.culture.gov.uk/about_us/our_priorities_and_targets/953.aspx
20. Hansard, 11 December 2007, Written Answer number 171956

The current system presents two problems for the private sector. Firstly, the weight that the relatively small DCMS department carries within government on economic issues makes it difficult for the tourism sector to be considered an important industry within Whitehall. This is of critical importance when issues such as transport, planning, visas, migration, tax, environment and international trade, which have a huge effect on tourism, are overseen by other departments. Secondly, the tendency for DCMS to delegate responsibility to other organisations has led to tourism becoming less of a priority within the department.

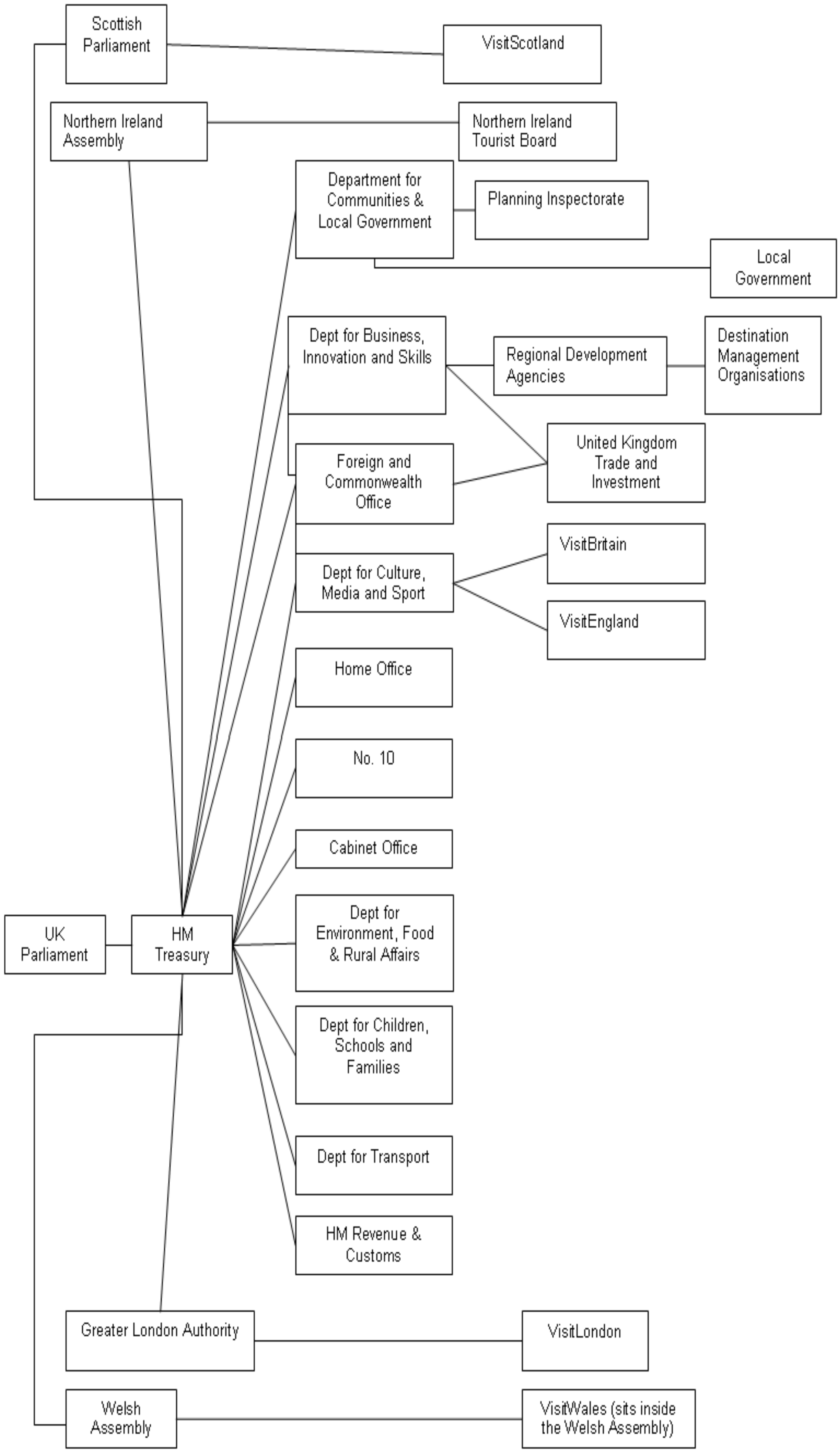
Currently, national tourism co-ordination is the responsibility of VisitBritain and its strategic partners. To date, VisitBritain has not set out any clear policy frameworks for the group of organisations that deliver tourism support. We believe that this is in part due to a non departmental body having insufficient authority to implement change.

This current lack of authority and oversight has led to diverse and confused support from RDAs to businesses within the regions. A more co-ordinated overall strategy and policy framework, led by ministers, would reduce confusion over RDAs' role and lead to a more joined up approach. As government is more accountable to the public, we believe it is in a better position to frame national policy and take decisions on performance frameworks than VisitBritain.

To its credit, the Government in March of this year followed the British Tourism Framework Review's recommendations and set up a new Tourism Advisory Council (TAC) which will meet with government three times a year. A new inter-ministerial group on tourism will also see ministers from across eight government departments meet to discuss ways to support the tourism industry and consult on recommendations brought forward from the TAC. Chaired by the tourism minister, Barbara Follett MP, the TAC is comprised of organisations from both the public and private sector to discuss issues in the sector.

However, we still find the current structure within government confusing. It is an anomaly, for instance, that the newly created DBIS holds responsibility for other major sectors of the economy like, aerospace, chemicals, construction, manufacturing, engineering and retail, but does not oversee the fifth largest sector of the economy, tourism.

Figure 1.3 Organogram of the Current Public Body Support Structure for Tourist Businesses



THE ROLE OF VISITBRITAIN

VisitBritain is primarily involved in marketing the UK overseas, operating in 36 countries. In the current global economic environment this activity is clearly very important. If done effectively, it will mean more international visitors to the UK during the all important economic recovery. However, if the status quo continues, the number of visitors to the UK could continue to decrease, ie. in 2008, the number of overseas visitors was 31.9 million, compared to 32.8 million in 2007.[21] The future allocated budget for VisitBritain has recently been reduced from £50.5 million in 2007–08 to £40.6 million in 2010–11,[22] with efficiency savings being sought to maintain its frontline services. VisitBritain's international marketing budget is also relatively small in global terms. It is rivalled by some Caribbean islands and is less than the £72 million that Tourism Australia spent on just one campaign.[23]

Despite these obstacles, VisitBritain's track record in delivering profits for UK businesses and HM Treasury as a whole is good. For every £1 that government invests in VisitBritain's domestic and international activity, the agency generates a ratio return of 36:1 for Britain's visitor economy. This equates to an average additional spend by inbound and domestic visitors of £1.7 billion that supports around 42,000 full time equivalent jobs.[24] This exceeds the 30:1 return on investment ratio target set by DCMS in the funding agreement for VisitBritain.[25] A 2004 National Audit Office report[26] also verified that VisitBritain produces over £1 billion in additional spend for the UK economy each year despite a reduction in funding in real terms. VisitBritain is also seeking to increase its private sources of funding from £24 million to £35 million by 2010–11.[27] Whilst it is a positive development that the organisation develops its commercial acumen and relationship with businesses, this should not have an impact on the organisation's ability to offer impartial services.

In addition to effective UK national strategy and leadership the tourism sector requires effective co-ordination of delivery from the national level downwards. In the UK there are six main National Destination Management Organisations (NDMOs):[28] VisitBritain; VisitEngland; VisitScotland; VisitWales; VisitLondon and the Northern Ireland Tourist Board. The groups are collectively known as strategic partners. The Scottish Government, Welsh Assembly, Northern Ireland Assembly and the Mayor of London have a statutory obligation to provide tourism support within their areas. Since the devolution settlement, the freedom given to these agencies over implementation has allowed different strategies to be developed in different regions and nations. The strategic partners meet in order to reduce duplication. Many of the organisations run marketing campaigns to raise the profile of their respective locality. These organisations have full oversight over decisions made for their area, with VisitBritain acting as co-ordinator.

While marketing is clearly a successful aspect of VisitBritain's activity and is rightfully a priority, we find the organisation's role in coordinating national policy strategy for the UK inappropriate. Ministers are in a better position to implement change and draft policy. Given the recently reduced funding from central government, we fail to see how VisitBritain can co-ordinate policy strategy at a national level and at the same time implement international and domestic promotion of the UK.

VisitBritain should instead focus on engaging local businesses and DMOs across the UK rather than act as a policy coordinator. Businesses, especially SMEs, currently have little or no support structure to market their organisations at a national or international level. To counter this, we would like to see VisitBritain expand the services it currently provides. Its National Tourism Open Platform offers businesses a great opportunity to help market their businesses at a national level. However, take up for the service is low, as only a quarter of all tourism businesses actually use the service.[29] Given that VisitBritain receives over 13 million visits a year to its commercial websites, there should be increased penetration levels of the webportal for UK tourism businesses. This would make the industry feel they had a real structure in place that delivered tangible economic benefits for them.

21. http://www.statistics.gov.uk/cci/nugget.asp?id=178
22. http://www.visitbritain.com/en/press/press-releases/funding_announced.aspx
23. House of Commons Culture, Media and Sport Eighth Report Vol 2 Ev 55
24. House of Commons Culture, Media and Sport Eighth Report Vol 2 pg171
25. House of Commons Culture, Media and Sport Eighth Report Vol 1 pg 3
26. National Audit Office - VisitBritain: Bringing visitors to Britain
27. http://www.publications.parliament.uk/pa/cm200708/cmselect/cmcumeds/133/13307.htm
28. DMOs are more commonly referred to as Tourism agencies within the sector. However in order to avoid confusion we will refer to the term used by the government, which is a DMO.
29. British Tourism Framework Review: Achieving the full potential of the Visitor Economy pg 16 and www.tourismtrade.org.uk/onlinedistribution/default.asp

As figure 1.2 sets out, VisitBritain's allocated budget for 2006/7 was £49.9 million, or 14% of total public sector spending on tourism. We are aware that there is little scope in the current budget to add to this. However, by reducing VisitBritain's role as a policy coordinator and reallocating some funding currently given to RDAs, we believe money can be found within existing budgets to help fund the increased expansion of the web portal.

CASE STUDY:

Destination Wessex - untapped private sector expertise

Destination Wessex, based in South West England, was founded in 2004 as a private sector association to promote the South West.

Their experience is that local businesses feel that public sector support has a tendency to crowd out good private sector initiatives. Destination Wessex has tried to engage with its RDA in an effort to win support for their overseas marketing; however, it has found building up its impact abroad easier with the support of key private sector players in the region. Working with other private sector organisations has enabled Destination Wessex to promote the region in key travel markets, through trade fairs such as the International Tourism Bourse in Berlin.

With the formation of VisitEngland, the sharpened focus of VisitBritain on overseas marketing, and with the overdue review of RDAs that has taken place, it is the organisation's hope that the official sector will now recognise the importance of the private sector and use its expertise better.

CASE STUDY:

Bournemouth Area Hospitality Association (BAHA) - Building relations between the public and private sector

BAHA is a member organisation representing accommodation providers, restaurants and attractions in Bournemouth. The Association provides members with networking opportunities, crime alerts and a monthly e-magazine. The organisation ensures that it has a close relationship with all tourism organisations within the region, particularly Bournemouth Tourism, which is the local DMO, ensuring that there is business involvement in resort marketing.

BAHA have developed strong relations with Bournemouth Council, a supporter of the industry who understand the full value of tourism to the local economy. They, for example, created a Recession Fund that meant businesses could bid for local government grants for tourism-associated projects. Boscombe, a suburb of Bournemouth, has also recently received £500,000 from the Government's Sea Change Project.

BAHA and its members recognise the benefits from NDMO who help attract international and domestic tourists to Bournemouth. They are very concerned frontline services will be reduced, for example VisitBritain's overseas tourism offices.

REGIONAL IMPLEMENTATION OF SUPPORT IN ENGLAND

Effective, joined-up delivery of tourism support at the sub-national level is also critical. In Scotland, Wales, London and Northern Ireland tourism policy is controlled by the devolved administrations. However, in the English regions responsibility for co-ordinating delivery has rested with the RDAs since 2003.

The drawing up and content of tourism strategies does not seem to follow a consistent process and has resulted in diverse and sporadic approaches in different regions. The regional strategy process is being reformed through the Local Democracy, Economic Development and Construction Bill. This will integrate RDA policy on planning, economics and tourism into a single Integrated Regional Strategy (IRS). It is critical that these strategies are agreed on quickly and are not slowed down by disputes over planning and housing issues.

Due to the complex nature of the regional delivery system, there are often four to ten local public or private sector DMOs delivering marketing support in each English region. It is to their credit that many RDAs choose to work effectively with existing grassroot structures such as local or regional DMOs or Chambers of Commerce, to offer necessary infrastructure or marketing support.

The delivery of funding through RDAs is also an important issue. Figure 1.4 shows the breakdown of RDA funding for tourism.

Figure 1.4 - RDA funding for tourism, 2003-2008 (figures in £millions)[30]

RDAs	2003-04	2004-05	2005-06	2006-07	2007-08
Advantage West Midlands	0	2.2	2.3	3.8	3.3
East England Development Agency	0.6	0.6	0.8	1.5	1.8
East Midlands Development Agency	1.9	3	4.5	5.3	4.7
North West Develpment Agency	13.3	23.7	23.8	23.9	29.4
North West Development Agency	2.7	4	5	6.1	8.9
One North East	0.75	3.3	7.1	10.8	10.6
South East England Development Agency	1.2	1.8	2.4	2.2	2.2
South West Regional Development Agency	0.8	1.5	3	3.2	2.6
Yorkshire Forward	0.6	1.7	2.2	3.9	6

[30] Hansard, 25 June 2008, Written Answer number 210493

However, throughout the UK it seems that regional delivery is hampered due to the laissez-faire attitude of DCMS and the lack of national co-ordination. This view came across in the latest Culture Media and Sport Committee hearings. Destination Performance UK, which represents 140 local authority tourism services and DMOs, commented that: "since devolution, there is a lack of leadership and co-ordination... there is no specific requirement for RDAs to work with the national body."[31]

The Tourism Society also described RDA performance as "high promotion and development expenditure in areas where there is relatively little tourism, and very little in areas where the main tourism products and volumes of tourists are present."[32] The RDAs themselves have acknowledged difficulties noting that: "National policy is inevitably broad in its sweep, is often composed of generalities, and runs the danger of being no more than a set of good intentions."[33]

This situation is in need of reform. As a result of DCMS's lack of national leadership, there is significant regional variation in RDA performance across England. DCMS has failed to create a system where cross-regional co-ordination and comparison between RDAs ensures support is better provided for businesses.

Given this, RDAs have no clear steer as to how best to implement policy. Whilst some RDAs choose to subsidise business projects (see Case Study – Destination Staffordshire) others choose instead to provide national and international marketing. This leads to confusion for tourism businesses in how they engage with their local RDA. Given this confusion in delivery, we would like to see the government implement stronger oversight over national policy guidance, and free up some resources currently spent by RDAs for more promising activities for VisitBritain.

CASE STUDY:

Pleasure Beach, Blackpool - Tourist attraction not meeting its potential

Pleasure Beach is an example of a major seaside amusement park attracting most of its visitors from the UK (between Birmingham and Glasgow). It offers a large collection of rides for all the family, shows, games, a four star hotel and a wide range of food and retail products.

The main problems they have identified are:

- the dire state of most of Blackpool's hotel rooms;
- a lack of investment in new and established attractions in the last thirty years;
- inaccurate weather forecasts which persuade potential day visitors to stay away when the local weather is so much better than the rest of the region;
- a local authority which does not have the resource to invest in a marketing strategy;
- the downmarket image of Blackpool;
- a lack of investment in infrastructure from Government.

The proposed 'SuperCasino' could have been the catalyst for the region to attract investment and new hotels which could have yielded a net benefit in revenue terms to HM Treasury. However, as a result of the decision to scrap the opportunity in February 2008, Blackpool remains one of the most deprived towns in the country with escalating unemployment levels.

Pleasure Beach have been working with Blackpool Council, ReBlackpool (a publicly funded urban regeneration company) the Lancashire and Blackpool Tourist Board and the North West Development Agency to improve these problems but it is felt that these factors can only be solved through national leadership on the issue.

It is too early to determine, but Pleasure Beach hopes that the regeneration strategy, ReBlackpool, will result in the resort being more attractive to visitors. As this case study clearly shows, tourist destinations, going forward, will require both public and private sector partnerships in order to reach their true economic potential.

31. CMS Select Committee Report, 2008 Tourism pg 34
32. CMS Select Committee Report, 2008 Tourism pg 34
33. CMS Select Committee Report, 2008 Tourism pg 34

Irregular support for the tourism industry equally applies in relation to local authorities. However, it should be noted that this is despite councils having no legal or statutory requirement to provide support. As a whole, local authorities spend directly and indirectly an estimated total of £126 million per year on tourism in England. Local government's important role as custodian of UK destinations, improving local infrastructure and facilities (parking, waste facilities and public amenities) or tourism-specific facilities, such as tourist information centres, is crucial. Some also work in partnership with other organisations, such as Chambers of Commerce, to market destinations within their boundaries, e.g. Essex County Council's 'Essex Outdoors' campaign or Doncaster Chamber of Commerce's Tourism Strategy Group (in partnership with their local authority and Yorkshire South Tourism). RDAs should act as a coordinator where local authorities, working with the local private sector, help to efficiently promote their areas.

CASE STUDY:

Destination Staffordshire - Regional coordination of local tourism support

Destination Staffordshire is one of nine sub-regional DMOs within the West Midlands, providing advertising opportunities, business support and economic development for businesses within Staffordshire, including the Alton Towers Resort.

The businesses that are represented by Destination Staffordshire may also work with the area's nine local authorities and other local tourism associations, creating the potential for organisations to duplicate work. In order to prevent this, the RDA, Advantage West Midlands (AWM), has been trying to coordinate an overarching strategy for the region to reduce duplication and share best practice. This has improved the situation, but time and effort is required to ensure that relationships and communication are maintained.

The RDA also allocates funding to Destination Staffordshire (alongside a number of other businesses and other DMOs in the region). The procurement process to apply for funding from AWM has been arduous. With bureaucracy and filling in multiple forms, there is little structure and much delay. Projects in the region have been agreed in principle, only to be subject to change shortly thereafter.

As a result, organisations facing this uncertainty find it difficult to create viable business plans. Furthermore, long term projects that require sustained investment crucial to the region's development are often overlooked. Recently, after meetings with AWM, the situation is starting to improve. However, this still needs to be managed and monitored.

Unless clarity on the 'RDAs' role in offering support to the tourism industry is delivered, businesses will continue to be exposed to uncertainty, risk and delay when dealing with the public sector support scheme.

EFFECTIVE MEASUREMENT OF PERFORMANCE

In order to understand the issues being faced by the sector and to be able to monitor improvement, it is critical that robust statistics are produced. Currently, the devolved administrations are responsible for producing statistics in Scotland, Wales, London and Northern Ireland. In England, however, the tourism industry has argued for a long time that national statistics collated by DCMS do not enable a proper understanding of the industry and its performance. This is in part due to the difficulty in defining tourism as a sector; indeed, the Standard Industrial Classification has six different sub categories for tourism but not an overall one that enables a single composite view.

In 2004 the DCMS and the Office for National Statistics (ONS) commissioned the consultant, Denis Allnutt, to conduct a study on how to improve the collation of tourism data. The report looked at specific improvements to individual surveys and more general improvements to the overall provision of statistics. The main conclusion was that a Tourism Statistics Unit (TSU) should be established to provide comprehensive statistical analysis and close the large gaps in statistical quality resulting from poor sampling and response rates.

The result has been that the English Tourism Intelligence Partnership (ETIP) has been set up from 2008-11 to oversee tourism statistics within England. A small Tourism Intelligence Unit (TIU), consisting of a small two man team, has been set up in the ONS to help coordinate statistical delivery. Unfortunately, this took until August 2008 to organise, four years after the Allnut Review made its recommendations. One of the review's recommendations stated that at least £7-8 million per year should be spent on improving tourism statistics. [34]

The current allocated budget for ETIP is £300,000 per annum, funded by VisitEngland and all the RDAs. [35] This level of funding for tourism statistics is still a major source of concern for the industry. Funding ETIP would have represented just 0.09% of total public sector spending on tourism in 2006-7 (see figure 1.2). Were tourism to move to BIS, as this report recommends, the percentage would be even smaller. Given this extremely small cost, we believe that investment in ETIP and its funding from central government would help support the growth of the sector as a whole in the medium-to-long term.

[34] http://www.culture.gov.uk/images/research/NSReviewEsummary.pdf
[35] http://www.etip.org.uk

Given the combination of the size and potential of the UK tourism sector, the weaker pound and upcoming UK-based events, there is a need to adequately support the growth of this industry. Clearly in the current financial climate and considering the state of the public finances, increased government spend on tourism is unlikely and unrealistic. Therefore, the BCC believes that reforms will enable better use of existing funds – ensuring they are deployed in the right area. We therefore make the following four recommendations:

1. **National leadership** – Responsibility for tourism within government should sit within the Department for Business, Innovation and Skills (DBIS), reflecting its economic importance. A Minister should be solely in charge of tourism across England, with a remit to be a powerful long-term champion of the sector. Regional Ministers should support the Tourism Minister to drive through reform in the English regions, and the Tourism Minister should also work closely with counterparts in the devolved administrations. DBIS should also take full responsibility for national strategy and policy, including setting performance targets and guidance with industry and in conjunction with the devolved nations.

2. **The Role of VisitBritain and its Strategic Partners** – VisitBritain should be given the necessary freedom, support and funding from government to enable it to focus on its important role in marketing the UK abroad and co-ordinating this activity across the public and private sectors. Going forward, its overall strategy should include more provision to help sub-national and private sector bodies to help market their organisations domestically and overseas. A more active Ministerial and departmental role will help lift the burden of policy co-ordination that is currently placed upon VisitBritain, so that it can concentrate on marketing.

3. **Regional implementation** – in England implementing tourism policy is the responsibility of the RDAs, whilst in the rest of the UK this is controlled by the devolved administrations. From our research, there is widespread disparity in the way RDAs deliver tourism support. We believe RDAs should work to ensure that strategies at a regional level consistently engage business effectively, support tourism and focus on delivery. Going forward, any future government should implement stronger oversight for regional delivery, for example, clear national policy guidance or performance frameworks, or reallocate resource to help fund VisitBritain's webportal.

4. **Effective measurement of performance** – In the UK collating tourism statistics is the responsibility of the devolved administrations and ETIP. To ensure that robust statistical information about the sector is available, greater funding for ETIP should be found within existing budgets from central government. Funding ETIP would have represented just 0.09% of total public sector spending on tourism in 2006-7. Current contributors to the cost of ETIP should be consulted about how these funds could be used to support UK tourism more effectively.

British Chambers of Commerce
The Ultimate Business Network

BRITISH CHAMBERS OF COMMERCE
65 PETTY FRANCE
LONDON SW1H 9EU

T +44 (0)20 7654 5800
F +44 (0)20 7654 5819
info@britishchambers.org.uk
www.britishchambers.org.uk