TourismAlliance
the voice of tourism

UK Tourism Recovery

December 2020

1. Introduction

Tourism is one of the UK's largest and best performing industries, generating high levels of revenue and employment across all parts of the country.

- The UK tourism industry is the sixth largest in the world, generating revenue of £155.4bn per annum for the UK economy including £28.4bn in export earnings.

- It is made up of over 240,000 interconnected businesses spanning the transport, hospitality, events and attractions sectors that facilitate inbound, outbound and domestic travel for the purposes of leisure, business and education. These businesses are interdependent, often utilising the same infrastructure, consumer base and regulatory framework.

- Together, these businesses employ 3.3m people, making the tourism industry the UK's third largest employer; every region has at least 100,000 tourism-related jobs.

3. The Impact of Covid-19 on the UK Tourism Industry

Tourism is acknowledged as being one of the sectors of the UK economy most affected by the Coronavirus outbreak, especially in association with travel in and out of the country. For example, IATA reported a decline in UK air travel of more than 90% while Eurostar cut operations by over 80% during summer and Brittany Ferries passenger numbers declined by two thirds.

VisitBritain's initial forecast for inbound tourism to the UK in 2020 was for visitor expenditure to increase by 6.6% to £30.3bn.

However, their latest forecast (12 October) is that inbound visitor numbers will decline by 74% to 10.6m and expenditure will decline by 79% to £6.1bn during 2020. This is a loss to the UK economy of £23.8bn.

With regard to domestic tourism, their latest forecast (29th July) is that expenditure during 2020 will decline by £44.9bn (49%) to £46.8bn with domestic overnight tourism being down by £12.1bn and day visitor expenditure down by £32.7bn

- **Combined, VisitBritain is forecasting that tourism revenue will decrease by £68.8bn, which equates to a loss of over 1,000,000 FTE tourism-related jobs.**

However, the potential loss of 1m jobs in the tourism sector is an under-estimate because VisitBritain's forecast:

- is based on the assumptions that there would be no major second wave of the virus that would necessitate a renewed national lockdown

- does not include job losses within the airline and airport industry,
- does not job losses in outbound tourism businesses (eg., travel agents and tour operators)
- does not include job losses as a result of reduced expenditure in the UK associated with overseas travel (eg., travel to and from an airport, overnight accommodation, expenditure in airport concessions and long-term car parking). ABTA estimates that 35% of businesses in the outbound sector remain closed and around 69,000 jobs have already lost or placed at risk as well as another 164,000 in the supply chain.
- Does not include job losses in the events sector estimated to be 525,000

The severity of the impact of Coronavirus on the UK tourism industry is supported by ONS research published on 19th November 2020. Using ONS's "Arts, Entertainment and Recreation" and "Accommodation and Food Service" classifications as a proxy for the UK tourism industry, their research shows that even before the second lockdown:

- 34% of accommodation and food service activities business have no or low confidence that their businesses would survive the next three months.
- The arts, entertainment and recreation industry has the highest proportion of its workforce on partial or full furlough leave, at 34%, compared with 9% across all industries.
- Only 63% of Accommodation and food services businesses are currently trading
- 44% of accommodation and food businesses have less than 3 months cash reserves while just 18% have more than 6 months cash reserves
- 76% of events and exhibitions companies do not believe they have the financial resilience to survive until the end of February.

The size and value of the tourism industry to national and regional economies, combined with the severe impact that Coronavirus is having on the viability of tourism businesses and the difficulty that these businesses are having accessing Government business support funding means that a sector-specific recovery programme is required for the industry.

4. A Tourism Recovery Plan

To support and protect the 240,000 tourism related businesses and 3.3m employees through the Coronavirus outbreak requires a recovery plan that comprises three key components

1. **Short-Term Business Support**
2. **Rebuilding Consumer Demand**
3. **Addressing Long-term Structural Issues**

4.1 SHORT-TERM BUSINESS SUPPORT

To help tourism businesses survive requires ongoing sector specific support to cover three core business costs.

- **Business Rates Relief**
  Business Rates Relief for tourism business needs to be extended through the 2021/22 financial year, ahead of the Government's comprehensive review of the structure of Business Rates.

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

In addition to extending Business Rates Relief for tourism businesses, it is essential that this support is reformed so that all tourism businesses receive this support. This includes:
- Tour Operators
- Coach Operators
- English Language Schools
- Destination Management Organisations
- Casinos
- Business event and exhibition organisers and suppliers
- Businesses with a rateable value in excess of £51k

Here is also a need to remove the payment of business rates on land used temporarily for events. This is usually agricultural land which is occupied for a few days annually to erect temporary structures to stage cultural and music festivals.

- **Business Funds**
  The extension of the Coronavirus Job Retention Scheme (CJRS) and the Self Employment Income Support Scheme (SEISS) is extremely welcome and will significantly reduce employer costs for tourism businesses provided that the extension continues until restrictions end and businesses can operator in a financially viable manner. However, due to restrictions associated with the Three Tier System and international travel, many businesses will not be able to operate in a financially viable manner for many more months and will need financial support until restrictions are eased.

  There are two support mechanisms needed.

  Coronavirus Restrictions Support Grant
  The introduction of the Three Tier Alert System and the second national lockdown means that many tour operators, travel agents, language schools, hospitality, attractions, events and coaching businesses remain unviable due to Government restrictions. The LRSGs are welcome but, other than for micro businesses, are inadequate to cover the ongoing costs these businesses face. The Government therefore needs to work with the industry to develop a scheme whereby businesses significantly impacted by the Tier restrictions gain the support they need to survive until the restrictions are lifted.

  A Tourism Resilience Fund
  A Tourism Resilience Fund is required to help tourism business such as tour operators and destination management companies that fall outside the Coronavirus Restrictions Support Grant survive until demand can return in 2021. On the inbound side of such a fund, UKinbound has developed and costed a capped grant award fund based on the level of turnover lost in 2020 and forecast operating costs to make sure that these businesses. which generate around 50% of the UK's inbound tourism revenue, can survive to be able to lead the recovery.

- **Rent Protection**
  Commercial rents are one of the largest overhead costs faced many businesses. At the moment, tourism businesses are protected from eviction and debt enforcement measures but are still liable for the rent incurred. This, combined with further rent demands during the period where restrictions apply, will significantly impact the viability of businesses, especially:

- those struggling with restrictions associated with the three Tier system
- those still not able to open to the public
- those reliant on international tourism

While the Government has developed a voluntary code related to how the commercial landlords treat commercial tenants and extended the moratorium on rent payments, greater protection is needed in order to protect businesses until they are able to operate viably. This includes mandating an agreed methodology for businesses and landlords renegotiating rent agreements so that the financial burden is shared between the two parties.

4.2. REBUILDING CONSUMER DEMAND

Once the survival of tourism businesses is ensured. the second component of the Recovery Plan is to rebuild consumer demand by incentivising both domestic and international travel. This requires two separate recovery plans that combine increased marketing activity with incentives for people to travel.

4.2.1 Rebuilding Demand For Domestic Tourism

There are five components for a strategy to rebuild domestic tourism.

- Reducing Costs
- De-risking Future Activity
- Increasing Investment
- Incentivising Consumer Demand
- Co-ordinated Marketing

- **Reducing Costs**

  The Government has moved to reduce regulatory costs and restrictions for business through the Business and Planning Act and by allowing businesses such as caravan parks to operate over the winter period. However, there is more that can be done to reduce regulatory burden such as:

  - Amending the Package Travel Regulations to allow small businesses working together to provide value added products that stimulate demand. This alone is calculated to boost domestic tourism by £2.2bn per annum and protect 40,000 jobs
  - Extending the VAT reduction for accommodation, hospitality and attractions for the 2021 tourism season with the aim making the reduction permanent
  - Reducing or waiving licensing costs
  - Waiving restrictions on self-catering properties being able to provide winter lets
  - Changing antiquated regulations that require overseas visitors to casinos to use cheques.
  - Reform the listed building consent regime to streamline the heritage consent system, reduce the burden on Local Planning authorities, and to improve the quality of planning applications overall.

- **Government backed business interruption indemnity insurance**

  One of the most crucial issues in rebuilding the Conference, Events and Exhibitions sectors, including the many hospitality and attraction businesses that rely on these activities, is gaining business interruption insurance. It remains very difficult for businesses to gain business interruption insurance that covers Coronavirus and few businesses are willing to risk putting on events without insurance cover as they could be cancelled at considerable cost at short notice due to local or national lockdowns.

To address this, a Government back insurance scheme is required which mirrors the scheme that was introduced in the USA to rebuild the events sector and tourism businesses as a whole in the wake of the 9/11 terrorist attacks.

- **Incentivising Investment**
  It is acknowledged that, even with the support available, not all tourism businesses will survive. Where businesses are struggling financially or unable to continue operating it is important to incentivise investment that will either help the business continue or allow it to quickly be purchased and restructured with the minimum loss of jobs possible.

  In 2018, the government's Enterprise Investment Scheme (EIS) was changed so that tax reliefs where no longer available to people looking to invest in the hospitality sector, resulting in a significant decrease in net investment.

  To help tourism businesses rebuild as quickly as possible, a new tourism investment scheme needs to be developed to encourage private sector investment in these businesses. This will allow the UK tourism industry to recover and rebuild faster than would be possible if businesses were allowed to collapse and had to be rebuilt from scratch when tourism flows recover in 2021.

- **Stimulating Demand**
  The success of the Eat Out to Help Out initiative to boost demand and increase consumer confidence shows that price-based incentive schemes work. Therefore, to help rebuilt domestic tourism the Government should consider:

  - Reintroducing the Eat Out to Help Out Scheme
  - Introducing a similar scheme to encourage people to visit indoor cultural, historic and leisure attractions
  - Introducing a Social Tourism Scheme similar to those that operate in numerous European countries whereby disadvantaged families and those working in “front line roles” in the NHS and other emergency services are provided with voucher to take an off-peak holiday. This provides the dual benefit of retaining tourism jobs and promoting social inclusion.
  - Introduce a “Meet Out To Help Out” scheme to support the re-opening of the conference, events and exhibitions sectors to back the Government’s objective of getting businesses back to the workplace by also enticing businesses back into meeting venues this autumn
  - Increase the exemption for annual staff functions to further incentivise companies to host events to increase employee morale and motivation. This presently stands at £150 per employee and was last reviewed in 2003. An increase in activity in this area would benefit hotels, restaurants, pubs, clubs and event venues and their suppliers, sustaining employment and increasing spend primarily at low level trading times of the year. This would also encourage employers to provide a greater incentive to employees leading to higher levels of engagement and productivity

- **Co-ordinated Marketing**
  As countries start recovering from Coronavirus next year there will be intense competition between destinations to rebuild their tourism industry. This will impact upon the decision making of UK residents on where to undertake their holiday.

  To compete in this environment the Government needs to allocate sufficient resources to VisitBritain to allow it to extend the “Escape the Everyday” campaign over the winter period and launch a comprehensive domestic tourism marketing campaign in 2021. This campaign would be further enhanced and amplified by incentivising Destination

Management Organisations to align their recovery marketing with the national campaign.

Visitor traffic is driven by a number of activities which need to be better coordinated across government departments through a shared marketing approach. Many of these activities are within DCMS – the arts, culture, performance and sport – others such as business events and trade and education reside elsewhere.

4.2.2 Rebuilding Demand for International Tourism

International tourism is one of the most affected sectors of the tourism sector and the fall in tourism revenue is significantly impacting many tourism sectors such as tour operators and travel agents business tourism and event operators, and destinations such as London, Manchester and Edinburgh.

International Tourism will also be the most competitive market internationally as the global tourism recovers, with many countries will launch well-funded and incentivised marketing campaigns next year.

To compete, the UK will need to develop and implement a campaign that stands out in what will be a very crowded market. This should comprise two components:

- Incentivising Demand
- Increased International Marketing

However, a pre-requisite for doing this is the need to remove the need for quarantining for visitors as relying on the air-corridor system to undertake marketing activity is a hostage to fortune in that it can change at any moment.

Also, while the work of the Global Travel Taskforce in introducing the new Test and Release system is welcome, the lowering of the quarantine period from two weeks to five days will have a limited impact on inbound tourism numbers due to the average length of stay in the UK being only one week.

The key to restarting the inbound and outbound tourism industry is to fully regionalise the UK's quarantine policy and FCDO Travel Advice and to replace quarantining with a system based on pre-departure testing followed by testing on arrival. This would allow for the removal of quarantining which would help bring stability and confidence to international travel. Until this system is introduced, the development of tour group bubbles would significantly help the recovery of the package and group travel sectors.

Once the ability to travel to the UK without having to undertake quarantining has been established, the following package of measures need to be introduced to stimulate demand.

Incentivising Demand
Simply undertaking marketing activity will not help the UK stand out in the global tourism market in 2021. It is well known from VisitBritain's research that tourism to the UK is highly price sensitive. With a 1% decrease in cost equating to a 1.3% increase in the revenue that the UK receives from international visitors. Therefore, a key component to rebuilding international tourism must be to reduce the cost of coming to the UK. This can be achieved by:

- **Waiving Air Passenger Duty (APD)**
  The UK has the highest rate of APD of any country in the world. It now represents around 20% of the total cost of a flight to the UK. Research by Airlines UK has calculated that waiving APD would generate 21 million additional passengers travelling through UK airports and save some 45% of routes that would otherwise have been lost, as well as

potentially 8,000 jobs and some £7 billion in GVA – significantly greater than lost tax revenue.

- **Introducing Low-Cost 5 Year Visitor Visas**
  Data from ONS's International Passenger Survey shows that 4.2m visitors to the UK come from countries needing a visa to enter the country. These visitors spend £6.1bn in the UK during their stay which provides direct employment for over 100,000 people. An easy way to stimulate demand from these markets is to introduce low-cost five year multi-visit visas for these markets. Tourism Alliance calculations suggest that reducing the cost of a five year visitor visa from £655 to £145 would stimulate demand for return visits, save the Home Office money by encouraging people to upgrade from a standard visa, and encourage overseas families to send their children to study at UK universities as they could visit their children whenever they wanted during the period of their study.

- **Duty Free Shopping for EEA visitors**
  With the UK leaving the EU at the end of the year, it becomes possible for the UK to introduce duty free shopping for EEA nationals, who represent two thirds of all overseas visitors to the UK. Research by VisitBritain indicates that shopping is one of the most popular activities for overseas visitors to Britain, accounting for around 25% of all expenditure by overseas visitors in the UK (£7.5bn per annum). New West End Company research estimates that extending Duty Free shopping will generate an additional £2.1 billion annually for UK retail and tourism sectors.

  The Government's recent announcement that the VAT refund Scheme will end for both EU and Non-EU visitors to the UK from 1 January 2021 needs to be urgently reviewed and it will simply make the UK less competitive to overseas visitors who will go to destinations such as Paris and Milan instead.

Additional Marketing Funding
Core funding for VisitBritain has decreased 39% in nominal terms since 2008 – from £51m to £31m. Re-establishing the UK as a major international destination will require addressing this reduction in funding and significant new resources being allocated to a co-ordinated global marketing campaign.

When UK inbound tourism demand fell sharply in 2001 as a result of the Foot and Mouth outbreak in the UK and the 9/11 terrorist attacks in New York, the Government and the tourism industry worked together to deliver a £40m marketing strategy in key overseas markets to rebuild the UK tourism industry. An even larger and more sustained campaign, alongside an expansion of the Government's GREAT campaign will be required to rebuild the UK's inbound tourism industry.

While there will be a tendency for tourism recovery marketing to be concentrated on high-value markets, any marketing strategy should focus on nearby short-haul EU markets. The reasons for this are:

- Two thirds of visitors to the UK come from the EU
- There is a shorter lead in time, meaning that people will have more certainty and be more willing to book travel

Delay Phasing out National ID Cards
The youth and student travel market is worth £27bn to the UK economy. The majority of this market is from the EU and comprises school trips, courses in English language schools and sport and interest group travel. Most young EU nationals visit the UK using ID cards as they do not hold full passports. Delaying the phasing out of ID cards past September 2021 would prevent a barrier to this large and important market being introduced when recovery is needed. Data from UKinbound shows that 7% of Europeans will stop travelling to Britain when ID cards are phased out in October 2021, which equates to a loss of £722,960,000.

This decision will also impact tour groups and school groups, who will likely holiday elsewhere rather than pay for a passport. However, allowing school and tour groups to travel on ID cards, if their group leaders/teachers travel on a passport could help the UK retain valuable group visitors.

4.3 ADDRESSING LONG-TERM STRUCTURAL ISSUES

Finally, there is also a need to look at some of the underlying problems associated with tourism structures and delivery to help ensure that the industry is more resilient in a post Brexit environment and if and when a future crisis occurs.

- **Getting Government Tourism Support Right**
  Although domestic tourism in England generates £76bn per annum supports 1.3m jobs and is a major component of rural and seaside economies, previous Governments have deemed that it is of no real benefit to the national economy and partially merged VisitEngland into VisitBritain.

  The 2014 CMS Select Committee Inquiry on tourism and the 2014 Triennial Review both determined that this was a mistake and that VisitEngland should be restored to being an independent Government body. However, in 2015 the Government ignored these recommendations, merging VisitEngland into VisitBritain, removing its marketing powers and strategy for domestic tourism growth.

  The Coronavirus outbreak has highlighted the importance of domestic tourism and the need for England to have a National Tourism Board to support the sector during times of crisis. As such VisitEngland needs to be reinstated as an independent National Tourist Board, given the same powers, responsibilities and resources as VisitScotland and Visit Wales and charged with developing a comprehensive England Tourism Strategy to provide growth and resilience in the sector.

- **A Sustainable Funding Mechanism for Destination Management Organisations (DMOs)**
  The coronavirus outbreak has highlighted the need for Destination Management Organisation to both provide support for local tourism businesses and to develop and implement tourism recovery plans for their area. However, just when the need for DMOs is the greatest, these organisations are having their funding cut and having to make staff redundant.

  Since the abolition of the Regional Development Agencies in 2010, there have been no bodies or organisations charged with the statutory responsibility for tourism development and promotion at the sub-national level.

  Local Authorities are the main funders for the majority of DMOs but, as tourism is a non-statutory duty, their funding for regional tourism development and promotion has decreased from £182m to just £54m since 2008.

  For DMOs to provide support for local businesses they need a mechanism for assuring long-term sustainable funding. A DCMS-sponsored taskforce should be established to determine an appropriate fiscal mechanism for enabling DMOs to gain the resources required to support local businesses and drive the recovery of the local economy.

- **Business Registration**
  As mentioned previously, 70% of tourism businesses (168,000) are micro-businesses employing less than 10 people. A large number of these businesses are not members of

trade associations, DMOs or other bodies, making communication with them very difficult.

The problem of communicating with tourism SMEs and micro-businesses is longstanding but has been exacerbated over the last five years with the rise of the sharing economy which has resulted in many new entrants into the sector, most with no knowledge of operating a tourism accommodation business.

The Coronavirus outbreak has highlighted this problem with the Government, local authorities and trade bodies all struggling to reach micro businesses with the information they need to help them through the crisis – both in terms of the rules and restrictions they need to comply with and the Government support programmes available.

The Development of Tourism Act 1969 already contains the provisions needed to implement a registration scheme, it just requires the political will to use these existing powers.

- **A Competitive Tax Regime**

  The global tourism market is highly price sensitive. Research by VisitBritain shows that for every 1.0% increase in the cost of a holiday in the UK, the country's tourism earnings decrease by 1.3%.

  The World Economic Forum undertakes a global survey of the international competitiveness of tourism industry every two years. The latest survey from 2019 shows that while the UK is the sixth most competitive overall, it is the least competitive of the 144 countries surveyed in terms of price competitiveness, largely due to having the highest rate of APD in the world, one of the highest rates of VAT of accommodation, attractions, arcades and meals, and one of the highest rates of fuel tax.

  High rates of tourism taxes both suppresses demand for domestic tourism and also reduces the UK's ability to attract overseas visitors.

  Using the Treasury's own Computable General Equilibrium Model and research by Deloitte and others shows that, over 10 years, reducing VAT to 5% would: –
    - Improve the UK's exports by £23bn
    - Create 121,000 jobs
    - Deliver £4.6bn to the Exchequer

  In addition to tourism-related taxes such as VAT and APD, taxes on investment in tourism assets such as the 45% income tax rate on Heritage Maintenance Funds reduce the maintenance and development of the historic resources on which the UK tourism industry is based. A reduction of this tax rate to 20% would ringfence (heritage attractions' own) money for essential repairs, incentivise the continued use and preservation of historic sites, and provide a net economic benefit to rural economies of £85.5 million by 2023.

  The recent reduction in the VAT rate applied to hospitality and attractions to 5% for a six-month period will provide a significant boost to the sector but a more thorough reviews of taxes on all tourism products and services is required to rebuilt the UK tourism industry and ensure its ongoing ability to generate revenue and employment for the UK economy.

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Tourism Alliance Membership – 2020

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British Destinations
British Educational Travel Association
British Holiday & Home Parks Association
British Marine Federation
Business Visits & Events Partnership
Camping & Caravanning Club
Caravan and Motorhome Club
Churches Visitor and Tourism Association
Coach Tourism Association
Confederation of Passenger Transport
Country Land and Business Association
Cumbria Tourism
English UK
European Holiday Home Association
European Tour Operators Association
Family Holiday Association
Go New Forest
Group Travel Business Forum
Heritage Railway Association
Heritage Alliance
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National Coastal Tourism Academy
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