Government Tourism Policy

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improving
the quality
of life for all

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Foreword by the Prime Minister

Last summer I gave a speech at the Serpentine Gallery in Hyde Park in which I underlined the importance of the tourism industry and promised that we would work with the sector to produce the strongest possible tourism strategy. Our aim is clear, we want to take tourism in Britain to a whole new level and harness the huge potential this area holds to grow our economy. I asked John Penrose, the Minister for Tourism and Heritage, to take this work forward and this document sets out how we are going to make this happen.

For the first time, Government has a tourism strategy that reaches right across Whitehall, looking at policies from a tourism perspective. From cutting red tape on business, to visa applications and airport queuing times, planning and infrastructure, this strategy encompasses all the areas that have a big impact on both the people holidaying in this country and the businesses and organisations so vital to the sector.

So Government will play our part, but we know that the real key to making Britain's tourist industry flourish lies with the industry itself and the businesses and organisations at its heart. Our strategy sets out how we will modernise tourism bodies to ensure they reflect the natural geography of a tourist area, allowing businesses and organisations to work together in partnerships to market their area in the most effective way. Most importantly, this strategy will ensure decisions on local tourism policy are driven by those that know their area best and allow the industry to take responsibility for its own future.

Over the coming years Britain will be home to a host of exciting events, from the Royal Wedding and Diamond Jubilee to the Olympics and Commonwealth games. The eyes of the world will be on Britain and we have an unprecedented opportunity to showcase what this country has to offer. That is why Government has joined forces with the private sector to create a marketing fund of more than £100 million to promote our offering abroad. I met companies working on the campaign in January and we are well on track to help generate 4 million additional overseas visitors over the next 4 years, bringing in £2 billion worth of extra spend to the UK and help to create 50 000 new jobs across the country. This just shows what Government and business can do together.

I am confident that we can grow this already world class industry and make the coming years the best ever for tourism in Britain. With this strategy, we are bringing a whole new approach to tourism, removing barriers to growth and backing the industry all the way. The challenge now is to make sure we deliver on these plans and make the most of this opportunity to make Britain's tourist industry thrive.

David Cameron
Prime Minister

Foreword by the Chancellor of the Exchequer

Tourism is one of Britain's most important industries. Our landmarks, monuments, countryside and culture are magnets for visitors from all over the world. Events like the Olympics in 2012 will attract new audiences, putting Britain at the centre of the global stage.

The 200,000 businesses in the tourism industry are vital to our economy and key contributors to the recovery. They directly provide £52bn of our GDP, 4.4% of our jobs, and have made tourism one of our fastest growing sectors. They provide employment in our most rural communities and enjoyment to millions.

Before the General Election, I pledged that once we were in Government we would take action to provide the right framework for tourism to achieve its potential. That is what we are doing.

We've delivered on our pledge to promote domestic holidays, and to improve our international competitiveness we have agreed a £100m marketing fund to promote British tourism abroad.

We've delivered on our pledge to undo the damage caused by the abolition of the Furnished Holiday Lets reliefs, taking action in our first Budget.

And today we are delivering on our pledge to provide a comprehensive tourism strategy that focuses the effort of all of Whitehall on this vital industry.

British tourism captures the spirit of all that is best in our country. I am pleased the new Coalition Government is doing everything it can to help it continue to grow.

George Osborne
Chancellor of the Exchequer

Preface

This paper outlines the UK Government's approach to the visitor economy as a whole. That means it deals with overseas visitors coming to the UK as well as British people taking domestic trips or travelling abroad, and that it covers both leisure and business travellers of all kinds. It aims to take in every aspect of the visitor economy from the initial marketing process of persuading people to holiday in the UK, through the best way to manage England's enormous range of beautiful and high-quality tourism destinations, to leaving people with happy memories and a wish to return once their visit is over.

The only areas it doesn't cover are the parts of the industry which are dealt with by the devolved administrations; principally the domestic tourism industries and national marketing of Scotland, Wales and Northern Ireland. Even so, it's essential we work closely with the devolved administrations to make sure our respective approaches are complementary. We expect to do this during the implementation of this strategy, and to build our existing relationships so that the UK Tourism industry has the best possible Government support across the entire country.

In August 2010, David Cameron gave a speech about tourism at the Serpentine Gallery in Hyde Park. It was, he said, a speech he wanted to give rather than one he had to, because the industry is an often overlooked giant within the UK economy. Devoting an entire speech to Tourism within the first 100 days of a new Government's time in office is unprecedented – DCMS officials have been unable to find any examples of previous Prime Ministers giving the industry this level of priority, ever – and underlines the industry's enormous potential for the UK's economic and cultural future.

At the end of his speech, David Cameron asked for a new Tourism Policy for the UK, to be presented to him. This document is that Policy.

2. Summary

This section summarises the visitor economy's importance to the UK, and how the Government plans to help tourism achieve its potential as a central part of Britain's growth strategy.

2.1 The Importance Of Tourism To Britain

Tourism is an often underestimated but tremendously important sector of the UK's economy. It's already one of our six biggest industries and our third-largest export earner. It accounts for almost £90bn direct spend each year, contains over 200,000 businesses and provides 4.4% of our nation's jobs[1]. Equally importantly, it creates wealth and employment in all parts of the country, not just the south-east, and it's a cost-effective way to regenerate run-down communities.

A thriving tourism industry creates beautiful places to visit all round the country, which also improves the quality of life for everyone who lives near them as well.

2.2 Our Goals

Whilst there is no doubting the importance of the UK's visitor economy there are still opportunities to grow the sector, making it more productive, competitive and profitable than it is today. Our domestic tourism industry in particular offers good growth potential because we currently take significantly fewer 'staycation' holidays than other European countries. The next few years also offer an unprecedented series of opportunities which our tourism industry must grasp. Starting with the Royal Wedding in 2011 we will stage a slew of major international events, including the Queen's Diamond Jubilee and the London 2012 Olympic and Paralympic Games. The Government will work to ensure that we harness the full potential of this industry, building on the strengths we have while also addressing the weaknesses in the sector.

Our aims are to;

- *Fund the most ambitious marketing campaign ever to attract visitors to the UK in the years following 2012. The £100m campaign, co-funded by the government and the private sector, aims to attract 4 million extra visitors to Britain over the next 4 years. That equates to £2bn more spend in our economy, and 50,000 new jobs.*

- *Increase the proportion of UK residents who holiday in the UK to match those who holiday abroad each year. For longer stays (4 nights or more) this would mean 29%[2] of travellers holidaying in Britain rather than just 20% today (creating 4.5m extra domestic trips each year, £1.3bn more spend and 26,000 new jobs). And if we can replicate this scale of improvement for shorter stays as well, we will create a further £750m of spend and 11,000 new jobs.*

- *Improve the sector's productivity to become one of the top 5 most efficient and competitive visitor economies in the world.*

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[1] Deloitte – The Economic Contribution of the Visitor Economy: UK and the nations – 2010
[2] Proportions from Eurostat figures showing levels of UK residents only holidaying in the UK and UK residents only holidaying abroad. Spend levels calculated from UK Tourism Survey

2.3 Harnessing 2012 – Attracting 4million extra visitors

To achieve our objectives for the industry and capitalise on the potential of 2012, both the public and private sectors must work together to promote the tourism industry. Because of its very nature, the industry requires unusually high levels of co-operation between competing firms, to deliver shared marketing campaigns which promote each tourist destination (such as Britain itself, or London, York, Bath or the Cotswolds). But because of the sector's high proportion of SMEs, and free-riding by firms which benefit from shared marketing campaigns which they haven't participated in, there's a high level of market failure which stops it happening. As a result the public sector has had to step in, which has left the industry – unusually for its size and importance – particularly dependent on public funds.

The result is an industry where destinations are not always marketed effectively, and where longer-term planning and investment is made harder by the risk that public funding priorities may change at short notice. To correct this we will:

- *Repair market failure by modifying the existing, long-established Tourist Boards to become smaller, highly focused, industry-led partnerships between tourism firms and government. They will be funded through long-term partnership marketing campaigns.*

- *Broaden our tourism offer by creating alternative destinations which match London, the UK's biggest and most successful single tourism destination to capture the spare tourism capacity and potential of other parts of Britain as well.*

Our plans will reduce the sector's dependence on taxpayer funding, increase the amount of money available for collective destination marketing, and create a sustainable new model of destination marketing and management. This will not only pave the way for a successful marketing campaign on the back of 2012, it will also change the way the industry operates for good and allow tourism to come of age as an independent and self-confident sector of Britain's economy.

During 2012, we intend to bring together tourism ministers at a World Summit. Our aim will be to showcase Britain's achievements, share best practice and discuss ideas for growing tourism globally across the mature visitor economies in the world.

2.4 Increasing Domestic Tourism

Britain runs a large tourism trade deficit, partly because we are far more likely to travel abroad for our holidays than most other countries. Currently less than 40% of our total holiday spending[3] goes on domestic tourism and we are worse than our neighbours too: just 20% of us holiday at home, compared to 28%[4] on average for other European countries. This means that domestic tourism offers significant scope for economic growth. The Government should look at what it can do to help the tourism sector to fulfill its potential.

- *We will consult on whether to move the first bank holiday in May. Possible alternatives include either a new St George's Day bank holiday in England (St David's Day in Wales); or a new 'UK Day' or 'Trafalgar Day' bank holiday during the October half term instead. This would lengthen the summer tourism season and create new national holidays for our domestic tourism industry to celebrate.*

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[3] UK Tourism Survey
[4] Eurostat 2008

- *Brown signs have been criticised as not meeting the needs of the Tourism Industry. We will therefore work with the Highways Agency to ensure that Brown Signs can be as informative as possible to road users, whilst helping tourist destinations.*

The Government's role is to create the right environment in which the domestic tourism sector can flourish. Our plans address the failures which previous Governments have ignored. Where possible the Government wants to do all that is possible to facilitate the growth of Britain's tourism industry.

2.5 Improving Productivity

Our tourism industry has many well-run, professional and productive organisations which offer great value for money at every price point. But, inevitably, there are some which are less successful. An unproductive industry would mean our visitor economy will progressively be relegated to being a high-end, high cost niche player. Given that much of the global growth in visitor numbers over the next 20 years will come from newly-emerging middle classes in countries such as Brazil, Russia, India and China, pricing ourselves out of the mass or middle markets would be a huge mistake. We want to encourage the industry to raise its game and prepare to embrace and an ever changing market:

- *We will give the industry and consumers responsibility for hotel 'star rating' quality schemes. Maintaining official government-sponsored schemes is expensive, and stops the industry from taking responsibility for its own standards. Consumer led websites offer significant potential to drive up standards, and we will allow the industry to work with them to ensure ratings are transparent and fair. We don't have Government rating schemes for cars or cornflakes, so why should the tourism industry need one for hotels?*

- *We will help to improve staff and management skills across the entire industry by increasing the number of apprenticeships and other courses teaching these skills. We have more well-qualified and experienced staff than ever before, but we still suffer from skills shortages. For example, hospitality and service is still sometimes seen (snobbishly) as a poor-quality job for students or low-skilled workers, rather than a structured and professional career in its own right. We will put this right.*

- *We will help the industry prepare for changes in technology, so tourism information can be provided through iphone and android apps, as well as through traditional leaflets and websites. This will make every destination far easier and more accessible for visitors to navigate, in more languages, no matter where they are.*

- *We will create an industry task force, led by senior industry figures from across the UK, to cut red tape. They will be asked to identify sector specific rules, regulations, inspections and forms which are holding the industry back so we can cut, modify or abolish as many of them as possible.*

- *We will make tourist visas far simpler, faster and more convenient to get, by increasing the number of visa biometric ID centres around the world, putting applications online and publishing application guidance in more local languages too.*

- *We will improve tourists' first experience of the UK when they land at our ports and airports, by cutting passport control queues with more e-Passport gates (for example at Gatwick South and Heathrow T3), "Smart Zones" schemes for pre-cleared travellers and, in future, a "trusted traveller" scheme with the US as well; and publishing consumer data on airport delays and waiting times, so travellers can see whether they're performing well or badly and make informed choices about which ones to use in future.*

Our plans will give the tourism sector much greater control over its destiny and ensure that they are ready to face the demands of the future. The Government's role will be to deregulate where necessary and ensure that tourism policy is coordinated across Government. Improving staff and management skills will raise standards and ensure we have the capabilities needed to expand the industry.

3. Why Tourism Matters

This chapter sets out why tourism matters so much to Britain's economy, its potential for rapid and balanced economic growth, and the Government's goals for the sector as a whole.

3.1 The Present: Tourism's Current Importance

3.1.1 It's Big…

The size and importance of tourism in the UK's overall economy is often underestimated. It's our third highest export earner behind Chemicals and Financial Services. In most years its' the 5th or 6th biggest sector of our economy, behind manufacturing and retail but ahead of construction. It generates £90bn of direct business for the economy each year, contributes £115bn to GDP when you include the supply chain and £52bn directly and is one of our biggest employers, with over 200,000 businesses providing 1.36 million jobs or 4.4% of all employment.

Appendix A (Who Goes Where? – Understanding Britain's Visitor Economy) lays out the structure and texture of our visitor economy in more detail, but in summary:

- Domestic tourism accounts for 59% of the sector's spend, while inbound travellers account for 14% and outbound 27%.

- Britain consistently ranks as one of the top 6 or 7 visitor destinations in the world, and because of our open and international economy, business travel is an important (and high spending) element of both our domestic and foreign travel sectors too.

- We're comparatively weak in the lucrative international business conventions and conferences market, but are improving rapidly as large and modern new facilities such as ExCel in east London come onstream.

- In our leisure travel, we used to take package holidays abroad but are becoming increasingly self-confident and adventurous, so we're increasingly likely to 'self-package' instead – often online.

- We've always self-packaged our domestic holidays, partly because we're more confident about what we're buying and partly because package holiday firms' economics work best if you're flying to your destination, so they're naturally a much smaller part of the domestic market.

- We're taking more frequent, shorter breaks than we used to. And, finally…

- We're much more likely to holiday abroad, and less likely to take a domestic break, than other European nationalities.

3.1.2 …Balanced…

Equally, because we have so many excellent tourist destinations scattered across the country, the sector offers great opportunities to rebalance the UK's economy away from its historic over-reliance on finance, construction and the southeast. This means tourism should be a strong contributor to delivering the Government's strategy for local growth set out in the White Paper *Local Growth: realising every place's potential.*

3.1.3 …Creates New Jobs…

Tourism is particularly labour intensive compared to many other sectors of our economy, so the industry is very effective at creating more than its fair share of jobs as it expands. British tourism is expected to employ 1.5 million people directly by 2020, and 2.9 million if indirect employment (mainly amongst suppliers to the industry) is included[5]. Equally importantly the sector delivers a wide and well-balanced range of jobs and careers; it creates jobs at every skill level, in both full-time and part-time employment, in all corners of Britain.

3.1.4 …Boosts Regeneration…

Tourism is a particularly effective vehicle for regenerating run-down neighbourhoods, using relatively small amounts of new investment to revitalise existing assets. In rural areas this means our beautiful coast and countryside; in urban neighbourhoods it could be disused waterfront, iconic buildings or revitalised cultural venues such as museums and art galleries too.

The leverage effect isn't limited to physical assets either – festivals and cultural connections can be equally powerful. For example, the Straw Man Festival in Fenlands, Dr Who's association with Cardiff Bay and Liverpool's association with the Beatles' have all been key elements of local regeneration success stories.

This ability to leverage existing assets makes the visitor economy a particularly financially-efficient motor for regeneration. Compared to other sectors of the economy it requires relatively little initial funding, which then acts as a catalyst for further inward investment. Relative to other approaches it needs comparatively fewer high cost capital projects with long lead times.

CASE STUDY: LIVERPOOL

In 2004, The Mersey Partnership (TMP) was set up to capitalise on tourism regeneration opportunities. One of it's first challenges was making the most of Liverpool's year as European Capital of Culture (ECoC) in 2008.

The Liverpool ECoC attracted 9.7 million additional visits to Liverpool, constituting 35% of all visits to the city in 2008. These visits generated an economic impact of £753.8m, including an additional 4.1 million visitor nights regional hotels. 97% of trips were made by first-time visits to the city.

Estimated Hotel Nights in the North West created by the Liverpool ECoC

Lancashire 749,000
Liverpool 1,141,000
Greater Manchester 456,000
Cumbria 86,000
Cheshire 415,000
Rest of Merseyside 1,289,000
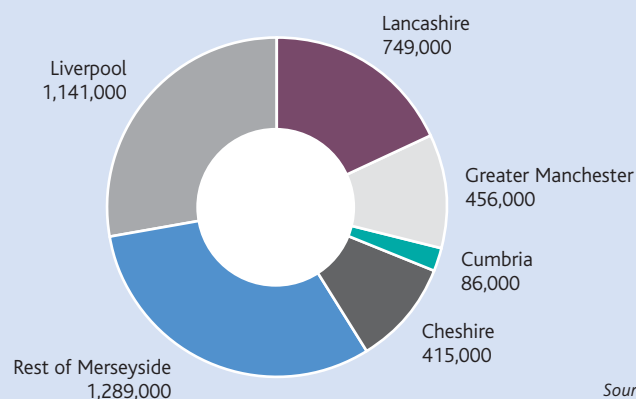
Source: Impact 08 research

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5 The economic contribution of the visitor economy: UK and the Nations June 2010Deloitte and VisitBritain

La Machine wowing crowds as part of the 2008 Liverpool Capital of Culture.
Picture: Courtesy of Liverpool City Council

In 2008 there were an estimated 27.7 million visits to Liverpool, a 34% rise on the previous year, and 75.1 million visits to Merseyside, a 19% rise on 2007, in comparison to rises of between 1 and 4% in other areas of the North West. Merseyside also saw a 4% rise in staying visits over the same period, in comparison with a 7% drop in Greater Manchester. Positive stories on Liverpool as a city grew by 71% in the national press between 2007 and 2008[6].

The effects are sustainable too. Liverpool was named in the top three UK city break destinations for the second successive year in 2009 by readers of Conde Nast Traveller Magazine (up from 7th in 2007). Overseas visitor numbers have trebled in recent years and the city is now the UK's 6th most popular destination.

[6] Creating an Impact: Liverpool's experience as the European Capital of Culture, Final Report 2010

3.1.5 …And Something More.

Finally, tourism provides something extra which few other industries can offer: an opportunity to showcase our country's great heritage and national assets in a way which doesn't just delight our visitors but also improves our everyday quality of life. It's not just that a good place to visit is usually a great place to live – although that's often true – but that, if we live somewhere which is beautiful and impressive, and which the rest of the world wants to visit, it gives us something to be proud of too.

3.2 The Future: A Promise Of Growth

Even though tourism is a large and important sector of our economy already, it has plenty of untapped potential too. It offers one of the fastest and most efficient ways to deliver rapid economic growth – Deloitte forecast that the UK visitor economy will be one of the country's best performing sectors, with above average growth of 3.5% GVA per year until 2020, as shown by the chart below.

Forecast Growth in Sectoral GVA 2010-2020[7]
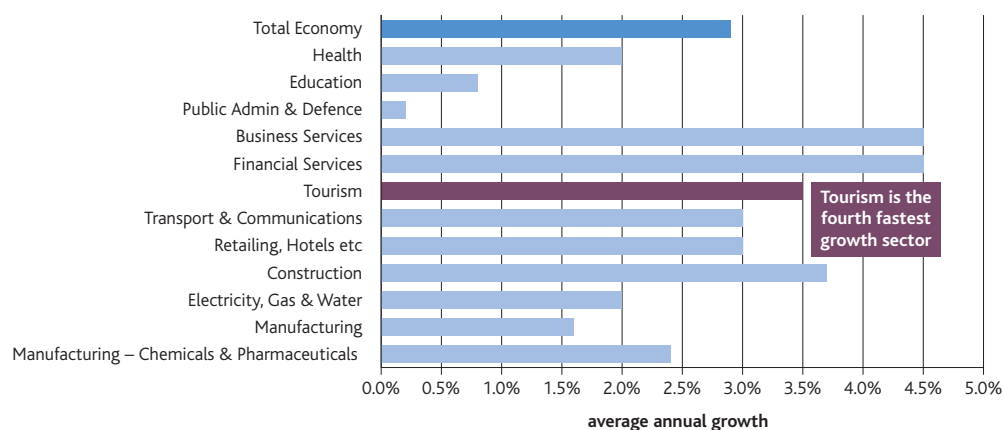
Obviously these projected growth rates are averages across all parts of the country, so it's striking that some parts of our visitor economy are already exceeding these figures substantially. For example Welcome To Yorkshire recorded 6.6% increases in tourism spend during 2008, and 10% growth in visitor numbers in 2009 too. In the current economic climate, with growth an essential element of the Government's strategy to repair the national balance sheet, these performances make the tourism sector a particularly important part of the UK economy.

3.3 Tourism's Potential For Growth

The tourism industry has the potential to become one of the fastest growing sectors of our economy. But creating – and sustaining – these higher rates of wealth and job creation won't just happen automatically: it will need plenty of hard work and entrepreneurialism from the sector itself, and help from the Government to remove the structural problems and blockages which might slow the industry down. We have several goals to help the sector achieve this potential:

[7] Oxford Economics. GVA is a measure of value added and not gross output. It is broadly similar to GDP but does not include relevant taxes and subsidies on products.

3.3.1 Creating A Sustained Tourism Legacy From The London 2012 Olympic and Paralympic Games.

The London 2012 Olympic and Paralympic Games are a huge one-off opportunity to showcase the UK to an unprecedented number of visitors, and to persuade a significant proportion of the planet's watching population that they'd like to visit Britain soon. Done properly, the London 2012 Games shouldn't just attract athletes and fans to London while the games are underway; they should show off the entire country's other visitor attractions – our rich heritage, vibrant culture and beautiful countryside – to everybody else, including domestic visitor, as well. In addition, the Paralympics offer the opportunity specifically to promote opportunities for domestic and foreign disabled visitors. This is a significant market, worth £2bn in England alone[8]. *Our goal will be to use the London 2012 games as a once-in-a-generation chance to boost Britain's tourism industry by attracting 4 million extra visitors to our country and creating 50,000 extra jobs over the next four years.*

But promoting tourism through major sporting events isn't straightforward. There are plenty of pitfalls to be avoided, as other countries have discovered when they host events like the Olympics or football World Cup. The principal trap is that potential domestic and foreign visitors who aren't avid sporting fans can be put off visiting an entire country for the whole of an Olympic year, even though the Games themselves will only last for a few weeks in a single city. The risk is that other kinds of tourist will expect the host country to be overcrowded and overpriced and, by staying away in droves, create a damaging displacement effect for most of the rest of the visitor economy. *We will launch a strong and creative marketing campaign to overcome these potential pitfalls, and capture the potential tourism opportunities which the London 2012 Games can deliver.*

But it isn't just the London 2012 Games. Providing we can deal with these marketing challenges successfully, the number of major international cultural and sporting events which Britain is expecting to host over the next 10 years means we have an opportunity to create a continuous and sustained improvement in our visitor economy. For example, in addition to the London 2012 Games themselves, Britain's future programme includes the 2012 Paralympics and cultural Olympiad; a Royal Wedding (2011); the Queen's Diamond Jubilee (2012); World Pride (2012); the Rugby League World Cup (2013); the Commonwealth Games (Glasgow in 2014); the Ryder Cup (Scotland in 2014); the Rugby Union World Cup (2015) and the Cricket World Cup (2019). *We will ensure that the tourism industry doesn't just receive a one-off boost from the London 2012 Games, but achieves a sustained step-change so it can continue operating at a new, consistently higher level of performance after 2012 as well.*

3.3.2 Boosting Spend On Domestic Holidays

Britain usually runs a large tourism trade deficit because we are far more likely to travel abroad for our holidays than most other countries. Currently, less than 40% of our total holiday spending goes on domestic tourism – roughly a 2:1 trade deficit[9]. And these recent figures are probably rather optimistic; before the effects of a low pound, recession and a volcanic ash cloud had taken their toll, the average for 2006-08 was just 31%. We're worse than our neighbours too: just 21% of us holiday at home, compared to 28% on average for other European countries. But 29% of us holiday abroad compared to just 16% in the rest of Europe[10]. The effect on our balance of payments (the difference between the amount we spend abroad and the amount of foreign visitors spend in the UK) is extremely strong.

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[8] "At Your Service: Your business case and guide to improving accessibility to customers", Visit England 2011
[9] DCMS analysis of IPS/UKTS data
[10] Eurostat Tourism Statistics 2008

Tourism's Trade Imbalance – UK spend abroad, less foreign spend in UK (£m)[11]
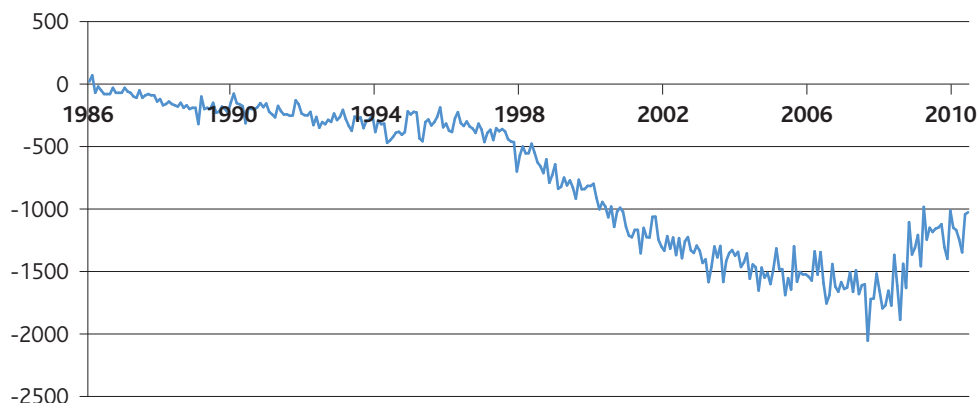
Clearly, part of the answer to tackling this trade deficit lies in attracting more foreign visitors, which is why major sporting events like the Olympics are so important. But boosting domestic tourism can make a huge positive contribution too.

Equally, it's inevitable that strong and uncontrollable external forces such as exchange rate movements or the vagaries of our weather will mean our balance of trade will be highly volatile from year to year. Nonetheless, in spite of the volatility we must create an underlying trend of rebalancing this area of the visitor economy. *There will be big variations from year to year but, over time, our goal should be to persuade more of us to holiday at home. In measurable terms we should Increase the proportion of UK residents who holiday in the UK to match those who holiday abroad each year. For longer stays (4 nights or more) this would mean 29% of travellers holidaying in Britain rather than just 20%[12] today (creating 4.5m extra domestic trips each year, £1.3bn more spend and 26,000 new jobs). And if we can replicate this scale of improvement for shorter stays as well, we will create a further £750m of spend and 11,000 new jobs.*

3.3.3 Raising The Sector's Productivity & Performance

Even though Britain ranks 6th in the world as a tourist destination, our tourism businesses aren't as competitive as those in other countries. As the chart below shows, our ranking on this measure has declined to 11th place.

International competitiveness[13]

Rank	2007	2008	2009
1	Switzerland	Switzerland	Switzerland
2	Austria	Austria	Austria
3	Germany	Germany	Germany
4	Iceland	Australia	France
5	USA	Spain	Canada
6	Hong Kong	UK	Spain
7	Canada	USA	Sweden

[11] International Passenger Survey

[12] Proportions from Eurostat figures showing levels of UK residents only holidaying in the UK and UK residents only holidaying abroad. Spend levels calculated from UK Tourism Survey

[13] World Economic Forum Travel and Tourism Competitiveness Report 2009

Rank	2007	2008	2009
8	Singapore	Sweden	USA
9	Luxembourg	Canada	Australia
10	UK	France	Singapore
11	Denmark	Iceland	UK

Clearly it will be impossible to maintain or improve Britain's ranking as an attractive destination for people to visit if our tourism industry is becoming less capable of providing the right kinds of facilities and services once travellers arrive here. Equally, a relatively unproductive industry means that Britain will progressively be relegated to become a high-end, high cost niche player in the international visitor economy. Given that much of the global growth in visitor numbers over the next 20 years will come from a newly-emerging middle class in countries such as Brazil, Russia, India and China, pricing ourselves out of the mass or middle markets will swiftly relegate Britain from the 6th most popular destination in the world to the periphery of the industry. *So we will refocus and reform VisitEngland to become an industry-led sector body charged with driving up productivity in our visitor economy. This will ensure we remain a competitive, value for money and attractive destination for a large and growing proportion of international visitors in future. This means becoming one of the top 5 most competitive visitor economies in the world, and staying there consistently in future.*

3.4 Key Drivers of Economic Growth

The Government is focused on securing economic growth and even though the Tourism Industry is the 5th of 6th biggest sector of our economy there is still plenty of untapped potential. Of course the industry is, like most others, affected by macroeconomic factors such as fluctuating exchange rates which are beyond the scope of government intervention. But nonetheless government can help by tackling barriers to growth.

Where the Strategy addresses policies under the responsibility of other Departments across Whitehall, for example, on transport and regulation, the Government will feed the concerns of the Tourism industry into wider work to improve the conditions for growth for all businesses. In particular the Government's Growth Review is examining how to remove planning and regulation barriers to growth for all industries, including Tourism.

Success lies in making the industry more competitive, and harnessing consumer power. This means we must harness a series of drivers to achieve these goals; competition and investment, enterprise and the availability of information.

3.4.1 Competition and investment

The tourism industry is disproportionately driven by small and medium-sized enterprises compared to other industries. This is good for competition, ensuring a diverse consumer offer, but it can discourage cooperation which would improve quality and information, as it increases the risk of free-riding. In addition, there are relatively high fixed costs of entry, compared to other industries, which keeps prices high. Levels of customer service and management qualifications in the industry also have further scope for improvement, particularly if we want to rank among the top 5 most competitive destinations in the world. In addition, for an industry of its size, the tourism sector is

surprisingly dependent on public funds for much of its destination marketing activity. The industry has very diverse destinations meaning that individual examples of successful co-operation to improve quality and information don't spread easily. The London 2012 Olympic and Paralympic Games are a huge opportunity to address this market failure and showcase the UK.

3.4.2 Enterprise

 Some regulation is essential to protect consumers, employees and competition but too much creates barriers to businesses reaching their full potential. For the tourism industry, the current system for obtaining planning permission is slow, complex and hard to predict, making it harder for accommodation providers and tourism attractions to expand and adding extra costs too. In addition, the high proportion of small and medium-sized enterprises in the tourism industry means it particularly feels the burden of regulation, as smaller businesses generally find it harder to cope with bureaucratic burdens than larger businesses which benefit from economies of scale.

3.4.3 Information

Given the significant potential for economic growth that domestic tourism offers, it is vital that we understand how information and the quality of the visitor experience drive decisions on where to go on holiday and whether to make return visits. Too much information could work against the success of the industry, if visitors are unable quickly and easily to find what they need to make an informed choice. But the web now means that visitors can access information on quality and value for money much faster, cheaper and more flexibly too. And it creates new opportunities for the industry to advertise, consolidate and target information for visitors as well. On quality, consumers lack information on the star rating systems for hotels – there's no universal system which comprehensively reflects of visitors' opinions, but many websites provide valuable extra information allowing visitors to make decisions against their own criteria. It will be important for the tourism industry to understand how to make the most of the challenges and opportunities these changes present. Negative perceptions of British food, weather and price also have an impact here, and providing better information will be crucial to showcasing the full range of British tourist destinations.

4. Delivering Change: Stronger, More Focused Tourism Bodies

For an industry of its size, the tourism sector is surprisingly dependent on public funds for much of its destination marketing activity. This is partly caused by the sectoral need for tourism firms to co-operate in promoting a shared visitor destination (such as Bath, York or Stratford), rather than just their individual attraction, restaurant or hotel. As a result the benefits of co-operation are unusually important for the visitor economy compared to many other sectors. And they are particularly difficult to realise for two reasons:

- The industry has a very high proportion of small and medium sized enterprises (SMEs). Large numbers make it harder to take and implement collective decisions, and increase the danger of 'free riding' by firms which don't participate but which nonetheless benefit from everyone else's joint investments.
- The industry also has a large number of different destinations of varying sizes, types of attraction, local political leadership, transport links etc. Because of this diversity, individual examples of successful co-operation don't spread easily or routinely to other parts of the country.

The result of these obstacles to partnership and co-operation is a widespread market failure of investment in collective destination marketing. This has led, in the past, to intervention by local and national Government in an attempt to fill the gap, which is why the vast majority of destination marketing has been publicly funded for many years. But given the current fiscal situation, and given that market failures are generally undesirable in any case, allowing this status quo to continue is both unaffordable and unacceptable. We shouldn't expect taxpayers to pay for the marketing budget of any other sector of our economy, let alone an industry as large and successful as this one, but creating the conditions which will cure the underlying market failure won't be easy or quick.

In the short term there's probably a legitimate – if temporary – role for the state, to fill the gap in promoting destinations while we create and grow the structures and organisation which will be needed for the sector to organise and fund its own collective marketing in future. The long term position will depend on how much market failure can ultimately be removed: if it can be eradicated entirely then taxpayer funded marketing can be reduced to a permanently low level equivalent to normal levels of business support offered to other industries (whether through tax policy, export assistance, public diplomacy etc). But if it can't be removed then there may be calls for a higher, permanent level of taxpayer funded marketing which would be both economically undesirable and politically fragile. ***So we will create strong, new and independent tourism bodies, to eliminate these structural problems and allow the industry to take responsibility for its own future.*** The rest of this chapter will lay out the structures and funding arrangements which will be needed to create this new system in future.

4.1 VisitBritain: Marketing The UK To The Rest Of The World

4.1.1 A New Partnership Marketing Approach

If we're going to market the UK successfully to potential international visitors in future, particularly with so many high-profile international sporting and cultural events coming up, (including the Royal Wedding and Diamond Jubilee) we will need a sizable budget to promote ourselves to the rest of the world, and to ensure we don't fall into any of the potential pitfalls described in 'Creating A Sustained Tourism Legacy From The 2012 Olympic and Paralympic Games' above. Given the constraints on public spending and the importance of weaning the industry off public subsidy we have had to find other ways of financing the necessary activity.

We are therefore striking a series of deals with national and international businesses to create a £100m partnership marketing fund to take advantage of the unique opportunities afforded by the London 2012 Games and other major events which will be taking place over the next few years. Through this promotional campaign, which will take place in the run up to, during (and crucially) after the 2012 Games, we are aiming to deliver four million additional overseas visitors over the next four years, £2bn in extra visitor spend and 50,000 new jobs.

For this approach to be sustainable the sponsorship opportunities must be normal, commercial deals under similar terms to those available elsewhere in the industry. If we attempt to force or cajole firms into uneconomic decisions then we may create a short-term fund during the run-up to the London 2012 Games, but the new system won't last beyond then. A properly commercial approach, on the other hand, should generate an unprecedentedly large £100m fund with £50m of public money and £50m from private partners, such as British Airways,LastMinute.com and Radisson Edwardian,to promote Britain abroad. It should also ensure that every part of the campaign will be closely scrutinised for its commercial effectiveness as well.

It's also important to realise that this shouldn't be a one-off exercise. Assuming that this approach works properly both during and after the London 2012 Games, it should form the template for all our marketing of Britain to the rest of the world for many years after that as well

4.1.2 A Refocused VisitBritain

Creating and then using the fund to execute successful marketing campaigns will be a major organisational and commercial challenge. *To ensure this crucial part of our new policy is delivered properly, we are refocusing VisitBritain (VB) onto researching, creating and delivering a series of marketing campaigns to attract ever-greater numbers of inbound travellers to the UK. Nearly all other responsibilities will either be transferred to VisitEngland (VE) or simply abolished as unnecessary distractions from their core purpose.* As a result, whilst maintaining a streamlined advisory role to Government, we will be able to cut out a lot of VB's administrative overheads and redeploy the resources to maximise its marketing budget. VB already works closely with the Foreign and Commonwealth Office (FCO), UKTI and the British Council to give our international marketing programmes the best possible network of contacts and promotional footprint, and will continue to do so in future too.

All VB's marketing campaigns need to be properly targeted on different segments of the market – for example business travellers have different requirements from leisure visitors or visiting friends and relations (VFR) – and vary according to the demography, purchasing power, interests and nationality of potential visitors in each market too.

This means that VB must maintain its high-quality pool of technical marketing expertise to research, create and deliver these campaigns, and that they should measure and assess their success using the same techniques as any commercial marketing department too.

4.2 New Industry-Led Local Tourism Bodies

Once foreign tourists have chosen Britain, or when domestic tourists decide to take a 'staycation' holiday here instead, we will need strong and independent local tourism bodies to promote our different destinations effectively. The problem is that, while there are some notably capable and highly respected local Tourism Bodies (often called Destination Management Organisations, or DMOs, in industry jargon), the industry is clear that there are some which have lost their way too. The best examples tend to work as respected partners with local tourism firms, who are happy to work alongside because they can measure the impact of their local tourism body's marketing activities on their revenues. The worst are expensive talking shops which achieve very little, or 'civic pride' marketing organisations whose campaigns are better at massaging committee members' egos than driving footfall and boosting sales for local tourism attractions.

Clearly it's important we have as many high-quality and respected local tourism bodies as possible. *So we will modernise and update local tourism bodies to become focused and efficient Destination Management Organisations (DMOs) which are led by and, increasingly, funded through partnership with the tourism industry itself.*[14]

4.2.1 Local Decision Making

It's essential that each local tourism body is responsible for a genuine tourism destination which reflects the natural geography of an area's visitor economy, rather than local public sector or electoral boundaries which is what typically happens at present. If this central principle is compromised then destinations won't be marketed coherently or effectively, and customers will be treated inconsistently or unpredictably as they move across invisible public-sector boundaries which bear no relation to the place they're visiting. This type of decision is best taken locally by those who know their areas and their businesses best, so we will;

• *Ensure the new bodies have boundaries which are defined by local visitor economy businesses & attractions rather than by Government, Regional Development Agencies (RDAs), Local Authorities (LAs), Local Enterprise Partnerships or others.* This means that local tourism firms must be able to join – or leave – whichever tourism body they want, or even to join several if their business is large enough to justify it.

• *Allow tourism bodies to band together into larger groupings if needed, so they can work together to convert short-term visits to a single destination into higher-value and longer-lasting tours of a wider area.* As with Local Enterprise Partnerships these larger groupings would be entirely voluntary, rather than imposed by Government at any level, and would allow key larger-scale destinations (e.g. the Cotswolds, the Peak District, Yorkshire or Cornwall) to market themselves effectively, whether their geography happens to coincide with public sector or electoral boundaries or not. In many cases the groupings will share more than just marketing; they may also decide it would be cheaper and more efficient to pool back office services or other functions too.

• *Accept that destination boundaries will be messy.* If destinations are defined by local tourism firms, and those firms can join or leave as they wish (or even join multiple

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[14] This recommendation relates to England. The marketing of local destinations in Wales, Scotland and Northern Ireland is the responsibility of the Devolved Administrations.

local bodies if they prefer), it's very likely that there will be gaps between boundaries which no local tourism body will cover, and that some destinations may straddle the boundaries of Local Authorities or Local Enterprise Partnerships as well. Rather than striving for a bureaucratically-neat solution which doesn't match the reality of each destination on the ground, we will need to accept that this bottom up approach will create boundaries which reflect a fluid and changeable ecology and work within whatever framework emerges.

- *Provide a fallback for 'orphan' areas where needed.* Even though we won't attempt to force destinations into neat boundaries, we must not ignore tourism businesses in areas which aren't covered by a local body. In these cases, VisitEngland will act as 'tourism body of last resort', to support business to develop and grow, connect to other tourism and or business associations so these businesses have an organisation to join if they wish.

- *Allow thematic Tourism Bodies as well.* Finally, we will allow Tourism Bodies which are based around a particular type of holiday (eg caravanning, boating or walking) to be created alongside those which cover a specific geographic area as well. This will give tourism firms more choices over which body to join, adding competition to drive up the quality of DMOs all round and providing better choices for firms in 'orphan' areas (see above) as well.

Hadrians Wall Heritage Ltd is a great example of a Destination Management Organisation. Picture © Britainonview Rod Edwards

4.2.2 Giving Tourism Bodies Responsibility For Both Marketing And Management

Having allowed local tourism firms to define the boundaries of each destination, we must give them a clear mandate to develop their local visitor economy according to whatever priorities they identify. In the past, some tourist boards have had a wide range of – often unclear or poorly focused – responsibilities which simply added to the problems of the poorer performers. *The new tourism bodies should be Destination Management – rather than simply Marketing – Organisations.* The difference is important because improving destinations is not just about building and marketing strong individual attractions – although that's tremendously important – but also requires an attractive public realm which is carefully designed to accommodate the needs of visitors too. So, for example, effective Tourism Bodies will want to ensure that Tourist Information Centres (TICs) are well-sited and run – in many cases they may manage them directly – and are properly e-enabled through websites and apps as well. They will have views on whether local signage for visitors (including the brown 'tourist destination' signs on motorways) works effectively, whether tourist welcome staff are properly skilled and creating the right atmosphere, and whether their destination's key public spaces are well-maintained and properly designed to frame major local attractions in the best possible way.

So the new local tourism bodies must act as the voice of the visitor in their destination (since tourists aren't, by definition, voters with influence on the local council), and of the businesses which form the local visitor economy too. This means *they must be strong partners with Local Authorities and Local Enterprise Partnerships in place-making as well. But we will not create new institutional or bureaucratic structures to make this happen: good Tourism Bodies are already being listened to with influence and respect by Local Authorities and nascent Local Enterprise Partnerships, and more centrally-imposed bureaucracy and process will not make bad DMOs more influential.* The only exception to this general rule is that local tourism bodies may still need help for liaison with national bodies – for example, with the Department for Transport and the Highways Agency – which is where existing formal and informal links between Local Authorities, Local Enterprise Partnerships and central Government will still be useful and necessary. As always, it will also be possible for individual local Tourism Bodies to appeal to the Minister for Tourism for help if needed too.

The partnership with Local Enterprise Partnerships will be especially important. DCMS and VisitEngland have already begun engaging with the Local Enterprise Partnerships announced thus far and are encouraging co-ordination with the relevant DMO(s) in their area. Good DMOs should speak for both the visitor and the visitor economy, and will be listened to with influence and respect from local authorities and Local Enterprise Partnerships if the importance of tourism within the wider economy is understood. Local Enterprise Partnerships and DMOs should seek to work together to integrate destination management into wider economic strategies so that it can support the area's wider ambitions around driving enterprise, growth and employment. This should ensure that tourism is not seen in isolation and is linked to the broader economic agenda across the Local Enterprise Partnership area (e.g. skills development and delivery of infrastructure). However, it will be for individual Local Enterprise Partnerships and DMOs to develop their own working arrangements, based on their analysis of local conditions, challenges and opportunities.

To achieve the right kind of influence and partnership with Local Authorities, the best existing Tourism Bodies have a strong, shared vision with the local community about what they want their destination to be. Good examples are Liverpool, which set out to

become a centre of culture and the arts, and Bath for its heritage. The shared vision may be relatively clear because of a local inheritance of some kind – Bath's architecture is hard to miss, for example – or it can be created through a single galvanising event such as Liverpool's year as European Capital of Culture, or Manchester's need to rebuild its city centre following the terrorist bomb in 1996. Creating a strong urban regeneration bid can also provide the kind of focus and forum needed to catalyse local debate, and help to forge the necessary community consensus and vision for a destination's future as well.

4.2.3 Getting Governance Right

It's vital that local tourism bodies remain responsive and responsible to the local tourism industry firms and attractions which they're being created to serve. This means that their governance must follow a series of important principles:

- *They must be partnerships between the public sector – usually the Local Authority – and local businesses and attractions, including newly-formed Local Enterprise Partnerships.* The precise legal form of these organisations may vary depending on local wishes and legacy institutions. They could be membership-based associations based on mutuals, subscriptions, companies with shareholders, charities with trustees, co-ops with members or some other structure, providing they use an existing, recognised and respected legal form. The only common requirement will be that, no matter what legal form they take, their governance must give majority power over hiring, firing and directing the management to local private and third sector visitor economy organisations instead of the Local Authority, Local Enterprise Partnerships or other Government bodies.

- *They must be self-righting organisations if (or when) results aren't satisfactory, without needing political intervention or bailouts from public funds.* It's inevitable that, amongst the scores of local Tourism Bodies which will probably be formed around key English tourism destinations, some will perform better than others. Again, regardless of their precise legal form, it's essential that their governance allows each firm within a local Tourism Body, and each DMO within a larger grouping, to vote with their feet and leave to join a rival alternative if they wish, so the management can never feel they have a monopoly where local tourism firms have no choice but to join.

4.2.4 Ensuring Financial Sustainability

Once the boundaries, role and governance of the new tourism bodies have been defined, we must ensure they're properly funded and less reliant on public funds. We will arrange their funding so that:

- *They are funded through the same kind of sustainable, commercial partnership marketing and sponsorship deals with tourism industry firms which has already been described in 'VisitBritain: Marketing The UK To The Rest Of The World' above.* This won't immediately wean the industry off public funds – the sector will still need higher levels of public money while the new arrangements are being set up and establishing a reputation and track record of effective marketing campaigns – but it should create a more sustainable and independent set of institutions over time.

- *Tourism bodies can act as partners in Local Authority or Local Enterprise Partnership bids for large-scale projects or regeneration funds.* These bids should be significantly stronger and more credible with the support of a capable and influential local Tourism Body, because of the tourism industry's high potential for rapid economic growth and community regeneration. The Government has already announced the Regional Growth Fund (RGF), worth £1.4bn, to support exactly these kinds of bids and the

visitor economy should be a strong source of high-quality bids to support the new Regional Growth Strategy. ***We will ensure that the Tourism industry has a strong voice in the approval process which assesses proposals for RGF funding, whenever bids relating to the visitor economy are being evaluated.***

- ***Local authorities have a strong financial incentive to invest in local Tourism Bodies, because of the sector's excellent prospects for driving economic growth.*** Until now Local Authorities have no financial incentive to put money into tourism or other projects which would benefit the local economy, because they lost 100% of any extra business rates which were created and still had to deal with the increased pressures on local infrastructure too. As a result, because tourism isn't a statutory responsibility of Local Authorities, there was a danger that they would simply spend their tourism funding on something else instead. Thankfully this problem has now been solved, because the Government has already announced plans to modify Local Authority funding to nudge councils in the right direction by giving them a financial stake in the economic growth which it would create in their areas.

- ***Local Authority – or Local Enterprise Partnership – funding properly reflects the importance and impact of the local visitor economy in each area, so they have enough cash to match fund the private sector money in their Tourism Bodies properly.*** This will mean ensuring that the new Local Authority funding formula reflects the number of visitors staying in each area, so that places where the visitor economy is strong (and where larger numbers of visitors impose bigger seasonal strains on local services and infrastructure too) see this reflected fairly in their central Government grants.

4.3 VisitEngland: Helping Local Tourism Bodies Fulfil Their Potential

The role of these new, stronger and more focused tourism bodies is, by definition, local. And even where they elect to group together to market a wider area, they will still be working within relatively small geographical boundaries. No matter how many local tourism bodies eventually emerge, and regardless of the areas they cover or the groups they form, we will also need a national body to develop and promote English tourism in parallel with VisitScotland, VisitWales and the Northern Ireland Tourist Board. So we will refocus VisitEngland into a small, highly efficient, industry-led national body for English tourism. The new VE will:

- ***Act as the national body for English tourist firms and destinations.*** They will decide for themselves what services they will need but, very probably, these will include collecting and publishing industry statistics and performance data, briefing local and national Government on industry trends and problems (e.g. proposals on how to remove red tape) plus possibly providing a few shared services if required.

- ***Act as a source of best practice:*** Particular areas of opportunity include accessibility, where businesses which become more accessible and which provide disabled people with the right information can tap into a market worth £2bn[15]: sustainability, so we can grow tourism responsibly and to look after our natural assets[16]; and rural tourism which is already worth £7.3bn[17] and where there are major opportunities for growth.[18]

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[15] "At your service: Your business case and guide to improving accessibility for customers": VisitEngland 2011
[16] The Government's vision for how tourism and the tourism industry can work with, maintain and enhance the environment will be set out in the Natural Environment White Paper
[17] Natural England
[18] Visit England will shortly publish a Rural Tourism Action Plan

- ***Have the same kind of industry-led partnership and governance arrangements as local Tourism Bodies,*** as described in 'Getting Governance Right' above. Every local tourism body which satisfies these governance qualifications will be entitled to be a VisitEngland partner, plus any national tourism businesses and stakeholders who wish to contribute as well. The Government will immediately move to ensure that the Board of VisitEngland comprises industry led voices with a strong relationship with DMOs. Over time we will ensure that DMOs hold the majority of VE board seats, so they outnumber those appointed by Government.

- ***Act as the 'Tourism Body of last resort' for tourism businesses in orphan areas without a local body of their own*** (as described in 'Giving Tourism Bodies Responsibility For Both Marketing & Management' above).

- ***Offer advice to local tourism bodies which are developing new projects to promote their destination,*** in partnership with local tourism businesses. Any direct services will only be available on a fully contestable basis.

- ***Act as the custodian of the national product database.*** VE already operates this database, which is an essential tool underpinning many local tourism websites. There are very significant potential economies of scale to be achieved by local tourism bodies having access to a common database so VE will ensure local partners and businesses have access to the database and will work with local tourism bodies to make sure it or its successors are available for the industry to use in future.

5. Raising Industry Standards: Harnessing Consumer Power

Britain's tourism industry has plenty of examples of extremely well-run, highly professional and productive organisations in both the private and charitable sectors (including many museums, galleries and heritage properties) which offer great value for money across the entire spectrum of possible price points. But, inevitably, there are also some which aren't particularly good too. Rather than attempting to 'manage up' the quality and value for money of an entire industry through some kind of central bureaucratic 'star rating' scheme, we will strengthen the voice and power of consumers so visitors can make better-informed choices, with clear and accurate information about hotels, attractions and transport links provided in an easily understandable format, at the time they need it. This will sharpen competition and raise productivity faster and more effectively than any Government bureaucracy could dream of achieving, so the rest of this chapter lays out how we will achieve this.

5.1 Reformed Star Ratings

5.1.1 Problems With The Old Star Rating Systems

Traditionally, tourists trying to decide where to stay in their chosen holiday destination – whether they wanted a hotel, pub, caravan site or campsite – would be guided by price, or the implicit quality guarantee of a trusted brand of hotel or tour operator, or by one of the various different star rating systems which assessed and graded the accommodation that was available. The same approach applied to some restaurants, and a few attractions too. For many years this was the best available system, but it had several flaws:

- None of the systems was universal, so customers who didn't want or couldn't find a branded or rated hotel or restaurant had to take a chance on the large number that were completely unrated. And they had little or no opportunity to discover whether their holiday hotel was what they wanted until after they checked in, by which time it was usually too late.

- Because there were multiple different rating systems, run by a variety of public, private and third sector operators, they were hard to compare. So visitors couldn't tell whether, for example, three stars or three crowns meant the same thing. Or how they compared to a 'standard' room in one of the larger branded hotel chains either. Disabled people looking for accessible facilites found this particularly difficult to navigate.

- Ratings reflected the rating organisation or brand management's view of quality, rather than visitors' opinions. Most rating systems were well-enough run to reflect a consensus view of what customers wanted, but couldn't reflect personal preferences – some visitors might put a premium on accommodation which is highly sustainable and 'green', for example, or which serves vegan food – to any significant degree.

- Some of the hotels, restaurants, campsites and other firms which were being rated felt coerced to join particular schemes, whether it was the right thing for their business or not. This complaint usually arose whenever local or national Government

tried to rationalise the many different schemes into a single, overall standard. Since the firms often had to pay for the privilege of joining a scheme, many of them resented this approach.

5.1.2 Possible Improvements

Many Governments have attempted to rationalise these various competing rating schemes. Three arguments are used to justify this approach:

- Consumers aren't getting the right information to make informed choices about what they're buying until it's too late.

- The multitude of competing brands and tour packages, plus overlapping rating systems, is simply too disorganised, messy and untidy to be efficient or acceptable in a well-run industry.

- The industry has a very high proportion of small and medium-sized enterprises – often lifestyle businesses making rather marginal profits – where quality and value for money are extremely variable. Because Britain has a reputation for being a high-cost destination, we can't allow low-quality or cheap providers to give the rest of the industry a bad name. Forcing them to join a rating system will drive up standards and improve value for money by making them clean up or close down.

Of these arguments, the first is tremendously important and should be taken very seriously. All of us, as consumers, need clear and accurate information before we buy something. Any industry which forces its customers to take a big risk by paying upfront for a large purchase – and a holiday is one of the largest things we buy each year – without enough advance information about what we're buying, runs the risk of systematically disappointing a large proportion of its customers. Past mis-selling scandals in other sectors – like pensions – show how these problems can tarnish an entire industry.

The other two arguments are less impressive. The first (that the industry is too messy and needs to be taken in hand and tidied up) implies that someone – presumably a wise, trusted and brilliantly intelligent politician – should be appointed to manage this part of the industry, and that they will do it better than the thousands of businessmen and women whose successful firms already support hundreds of thousands of jobs in the sector. This is both politically arrogant and commercially dangerous; just because a successful sector's collective business decisions look untidy to someone in Westminster or Whitehall shouldn't create an excuse for politicians to interfere if they feel like it.

The final argument (that rating systems are needed to force up standards) is weak because many firms are entirely unrated, and would only feel any pressure if the system became mandatory. But a mandatory system would impose dramatically more bureaucracy, inspections and regulatory costs on the entire industry. This would reduce rather than improve the productivity of the industry overall, and force our visitor economy into a high-cost high-quality niche whether it was economically justified or efficient or not. Again, this approach assumes that politicians or bureaucrats should decide where and how the industry should compete, rather than letting businesses do it themselves.

Given these problems it's hardly surprising that previous attempts to create a standardised and universal grading scheme weren't very popular. By common consent within the sector, the scheme hasn't driven up standards, is elitist and doesn't acknowledge the importance of value for money at all price points. Many firms have lost confidence in it, or simply refused to join at all. As a result, **_the Government will stop trying to corral tourism firms in England into joining an official rating scheme._**

We will leave decisions on whether and how to modernise, shrink or close the existing state-sponsored scheme to the industry itself, through the newly-refocused VisitEngland. All firms will, of course, still have to satisfy fundamental standards of health, safety etc as part of the existing Local Authority inspection regime, which will continue. And tourism firms will also still be free to join any or all of the other local or national rating schemes (such as the AA's hotel ratings) if they're right for their businesses as well.

5.2 Stronger Consumer Feedback: Websites Make Customers King

Not only are star rating schemes causing problems, but they are rapidly becoming out of date too. Increasingly, websites such as Tripadvisor or Expedia offer immediate and accessible feedback from previous customers to anyone considering whether to stay at a wide range of hotels, eat at a restaurant or visit a nearby attraction. This means they achieve the key aim behind any existing rating scheme: they provide better information to help visitors decide what they're buying, in a convenient and easy to understand format, before it's too late for them to change their minds. Unsurprisingly they're growing fast, with some claiming growth of 50% or more per year.

The industry expects these websites progressively to take over many of the traditional functions of an old-fashioned rating system, and cure some of their flaws too. For a start they will be universal, because every firm will be rated by its customers whether it joins the scheme or not. And the feedback and ratings will, by definition, reflect a complete and up-to-date spectrum of what customers really want, rather than what the providers or rating agencies think they'd prefer. This means they won't be elitist, and will accurately reflect if a particular hotel or restaurant offers good value for money, whether it is cheap and cheerful or expensive and luxurious. Finally, many of these sites allow sophisticated searches for customers who want accommodation with particular or specialist features, such as hotels with a low carbon footprint, good accessibility for disabled visitors or gluten-free food.

Interestingly, the tourism industry firms which are being rated on these websites are cautiously positive about their growing influence. The customer ratings can be extremely blunt – sometimes brutal – but well-run firms say they're increasingly using them as a valuable source of customer feedback on whether they're doing a good job, and what they need to work on to do better. This process is incredibly powerful, and will either drive up standards or drive out poor providers faster than anything any Government-sponsored scheme can do.

The new websites aren't perfect, of course. They have to guard against malicious or inaccurate postings from customers with a grudge, or from unscrupulous firms which may attempt to divert customers from nearby competing hotels or restaurants. But consumers will naturally gravitate to the sites which are most reliable, and stop using the ones which aren't, so there's a strong incentive to ensure the content is clean and accurate. Equally, few of them can boil all the customer feedback down into a single, simple summary rating (the equivalent of a star system) just yet, although many of the firms behind these websites say it is technically feasible and should be available soon. And finally, of course, websites are no use to tourists who aren't comfortable with technology. This is a shrinking minority of potential customers, but still represents a substantial proportion of the market.

The Government will encourage any rating schemes or customer websites which improve the quality of information which visitors can use to choose the right holiday for them, so they make informed choices rather than discovering problems when it's too

late. We will also encourage every scheme to provide specialist information on travel, accommodation and attractions which is accessible to disabled people, and which is sustainably 'green' as well. The fastest way to ensure the industry gives proper weight to these two important issues is to allow customers whose needs aren't being met to voice their frustrations directly, and to praise (and use) providers who 'get it' as well.

5.3 Developments in Consumer Protection for Travellers and Holiday Makers

At the moment, UK holidaymakers who buy a package holiday through a package tour operator are covered by the Package Travel Regulations, which ensure that if any of the firms providing an element of the package fail to deliver what they promised, the organiser must make suitable alternative arrangements or provide a refund. In the case of packages including a flight, the organiser must have an Air Travel Organiser's Licence (ATOL) administered by the Civil Aviation Authority. This scheme ensures that travellers get their money back if the tour operator goes bust.

But more of us are booking the different parts of our holidays separately ('self packaging') or are buying through websites or travel agents which pull the different elements of a trip together by booking direct with individual firms. In these cases even though the end result may look like a package it isn't protected in the same way. This means that ATOL and other schemes only cover a declining proportion of the market.

There are other sources of consumer protection too. Tourists who pay for their holiday using a credit card (for sums over £100) are covered, but only some debit cards will provide the same protection. Some people are also covered by clauses in travel or their home insurance policies. Travel insurance usually covers health and belongings but some policies also cover (or offer as an add-on) the bankruptcy of suppliers such as airlines or hotels. Air travellers are also protected by European legislation which covers delayed or cancelled departures, as recently occurred when flights were grounded because of volcanic ash.

On 3 February this year, the Government announced its 'in principle' decision to reform the ATOL scheme to improve clarity for consumers about which holidays are covered. Subject to consultation planned for Spring 2011, the proposed reforms would:

• Extend the ATOL scheme to include 'flight plus' holidays. This would cover trips including a flight where the various elements are purchased within a specified short period – essentially looking like a package holiday but falling outside the existing legal definition.

• Deter businesses from misleading consumers about their level of protection. Some companies offer holidays which might look like packages but make the transaction as an "agent for the customer" without explaining to the customer that this means forfeiting ATOL protection. The new proposals are designed to provide customers with a clear and honest explanation so they can make informed decisions.

• Replace the wide variety of documents which companies currently issue with standardised information for travellers, making it clear when their trip is ATOL protected. Work on this is already underway, with the Civil Aviation Authority and the travel industry developing an easily recognisable certificate for protected holidays.

The European Commission is currently reviewing the Package Travel Directive (PTD) 1990 and is expected to publish its proposals for revision in the summer of 2011. We will respond formally to the Commission's proposals when they have been published.

Options for more radical reform of protection, such as passing more choice and responsibility to consumers or extending to other forms of transport, will be considered as part of the review of the PTD.

5.4 Better Tourist Information.

Once visitors have reached the UK they will need information about local transport networks and which local attractions and facilities they can visit when they arrive at their final destination. There are several issues to consider here:

* The information must be available in multiple languages, so it is accessible to a large proportion of our inbound foreign visitors as well as domestic tourists. And it must be accessible so that disabled visitors can assess their travel and accommodation options properly too.

* As with all consumer information, it must be available at the right time and in a convenient format so that visitors can make a properly-informed decision. This may mean improved physical signage at air and ferry ports or train stations; better advice to travel agents so they can advise their customers properly before they ever arrive at their destination; or simply more information at the local Tourist Information Centre (TIC).

Given the rapidly-expanding number of ways that information can be presented in the digital age, there is a very large opportunity to improve the industry's performance in this area. *We will improve visitor information by:*

* *Reformulating the rules on our existing 'Brown Tourist Signs'.* At present these aren't supposed to provide advertising for visitor attractions, but merely to prevent people who've already decided where to go from getting lost. *The Highways Agency will work with DCMS and other interested parties to ensure its approach best reflects the needs of drivers and gives the industry a helping hand at the same time.*

* *Encouraging the newly-refocused local tourism bodies to take over responsibility for their local TIC wherever there is local agreement and support, as part of the new partnership structures described in 'Delivering Change: Stronger, More Focused Tourism Bodies'.*

* *Encourage destinations to work with technology suppliers and industry to provide improved visitor welcome and information* to launch and maintain local visitor iphone and android apps so tourists need never get lost, and will always know where to find the nearest bank, hotel, Mexican restaurant or public toilet. The scope of these apps – and of many TICs – could also expand to offer information and services for booking tickets at local attractions, or for checking availability too.

* *Ensuring that VisitEngland's destination management guidance and visitor information advice software is available to every local tourism body, so that they – and outside firms wishing to present the information to visitors in new and innovative ways – can continuously update and modernise the way information is presented to visitors and travel firms to take advantage of new technologies as they become available.*

* *Ensuring that pricing and ticket availability data (for rail and underground tickets as well as local attractions) are also freely available through these websites and apps, so that visitors can find the best prices and tickets for their travel more easily than at present.*

* *Tasking VisitEngland with ensuring that our entry ports and rail stations are accessible and easy to navigate for overseas visitors, and that any marketing*

opportunities which they present (such as Welcome To Yorkshire's extremely successful 'Railway Children' show at Waterloo) are identified and grasped promptly.

Signs in their own language have made it easier for Japanese tourists arriving in the Cotswolds. Picture © First Great Western

5.5 More Consumer Choice and A Rebalanced Economy: Creating Attractive Alternatives To Foreign Destinations & London

Within Britain's overall tourism industry, London is easily our strongest and most attractive destination. It hosts the lion's share of our overseas visitors and has one of the greatest concentrations of visitor attractions – from royal palaces and internationally-ranked museums to top flight theatres, shopping and cuisine – anywhere in the world.

But if we're to boost our ranking as an international tourism destination, and also provide more attractive alternatives for British travellers considering whether to holiday in the UK rather than abroad, then *we must broaden our offer so that other parts of the country can match London's excellent performance as an internationally-attractive 'attack brand' destination.*

This approach will also help to rebalance our economy away from London and the southeast, and will support the Government's Regional Growth Strategy too. There are two elements required to achieve it:

- *We must identify areas of the country with enough top-quality visitor attractions within a reasonably defined area which can provide a similarly varied and compelling visitor experience to rival London.* We can't expect to lure visitors to other destinations if they're materially less interesting once they arrive. The process for identifying these 'super-destinations' or 'attack brands' which can attract and hold visitors' interest for a stay lasting a week or more, is outlined in the section on 'New Industry-Led Tourism Bodies. In many cases these areas will work strongly alongside, or match exactly, the newly-emerging Local Enterprise Partnerships or existing Local Authorities, and some (such as Yorkshire, the Peak District, the Cotswolds or Cornwall) are being planned or are underway already.

- *We must make it easier and more convenient for visitors to reach other parts of the country.* This is a major issue for many inbound foreign tourists, because of the hugely superior international air, sea and rail links in the southeast. Put simply, for most foreign visitors London is the closest and most compelling destination they encounter when they first set foot on British soil. Fortunately the Government has already announced it is seeking to create the right conditions for regional airports to flourish, and to support a national high speed rail network to connect Heathrow and the Channel Tunnel to the rest of the country more quickly and conveniently in future. We must also ensure that once in areas outside London, tourists are able to get to destinations of interest, be they sporting venues, our beautiful countryside or our coast.

6. Driving Productivity Gains: Making The Industry More Competitive

It will be impossible to maintain or improve Britain's ranking as an attractive destination for people to visit if our tourism industry is becoming less capable of providing the right kinds of facilities and services once travellers arrive here. Equally, a relatively unproductive industry means that Britain will progressively be relegated to become a high-end, high cost niche player in the international visitor economy. **The Government will work in partnership with the industry to drive up productivity in our visitor economy, so Britain remains an internationally competitive and attractive destination for both foreign and domestic travellers to visit in future.** The rest of this section explains how we will achieve this in the tourism sector:

6.1 Staff And Management Skills In The Visitor Economy

There are plenty of outstandingly well-run companies throughout the industry. But because expectations are so high, the behaviours, personality and skills of staff and management in some firms aren't always good enough to deliver a high-quality professional experience for guests whether domestic or international. Interestingly, other research also highlights that in general we are better at process and training than demonstrating the behaviours that show warmth and hospitality, and which in turn drive recommendation and loyalty.

 Management and leadership skills are essential too, so individual firms are properly equipped to grasp every opportunity that's available and deliver higher rates of growth successfully. The recently launched strategy, Skills for Sustainable Growth, outlines continued support for the developing of leadership and management skills for small and medium enterprises as a key to allowing these companies to grow and make full use of their workforce.

Fortunately the sector has made appreciable progress in both these areas over recent years, although more improvement will still be needed to create an industry which ranks among the top 5 most competitive in the world. The Sector Skills Council (primarily People1st, although others such as Go Skills, Skills Active and Skillsmart Retail have a presence and influence in the sector too) has dramatically simplified the number of qualifications on offer, reducing the overall number by 50% from around 500 to 250 to create clearer career paths across the sector, and launched www.uksp.co.uk to help people find local training provision. They've also introduced successful new apprenticeships, and expanded the number of participants as a result of the announcements in Skills for Sustainable Growth. People1st have also developed new customer service qualifications, including specific work on welcoming disabled people, and the National Skills Academy for Hospitality have launched a welcome campaign 'Smiles of Britain', alongside a new hospitality performance benchmark. The results have been that more employers are providing training for their staff than ever before and the industry now has the highest expenditure on training per employee of any sector in the economy – £2,425.

We will work with People 1st, the National Skills Academy for Hospitality, and the industry, to improve the behaviours, personality and skills of tourism sector staff still further, so we can deliver a consistently higher standard of professional welcome.

Great service and a friendly welcome are key to generating loyalty from tourists. Picture © Britainonview/Simon Winnall

6.2 Driving Product Improvement: Making The Industry More Resilient In Bad Weather

Our weather is substantially better than many people think. For example Rome has more rain than London, Sydney has more than Leeds, and 'foggy London town' is less so than San Francisco.

In fact, Britain's weather is comparatively mild throughout the year. People from hot countries like our summers because there's plenty to do without permanent air conditioning. And people from cold climates like our winters because they aren't too harsh either. Our major advantage is that many of our attractions and countryside can be enjoyed in all weathers, whereas other locations – such as the Caribbean during hurricane season, or ski resorts when there's no snow – can't.

This means that, while a few market segments are off-limits – we shouldn't expect dedicated sun-worshippers to holiday in Britain instead of Spain or Greece each year, or to claim a market-leading position in the ski holiday market – there are plenty of other market segments – such as couples planning a short city break, or families looking for an outdoor activity holiday – which we can and should expect to target successfully.

But once we've positioned ourselves correctly, we will need to configure the industry to treat the weather as an opportunity rather than a threat. Other sectors have already done so; successful firms in Britain's highly-competitive retail industry know their sales are hugely affected by the daily weather and, instead of using it as an excuse whenever their results are bad, try to deal with it better than their competitors. Sir Stuart Rose (Chairman of Marks & Spencer) summed this up – rather bracingly – as 'weather is for wimps', and our tourism sector needs to take the same approach. Revealingly, other countries are already addressing this issue; for example the Scandinavians believe that 'there's no such thing as bad weather, just the wrong clothes'.

So we must configure more of our destinations and attractions around 'all-weather' products wherever possible and practical, and mandate the new industry-led VisitEngland to help and advise firms and destination managers in the sector on how to achieve the transition successfully. To be fair, many parts of the industry have made significant strides in this direction over the last 15 years. Most destinations now have a few all-weather attractions, and many DMOs have information telling visitors what to do when it rains. There are plenty of examples of activity holidays which deliberately take place when the weather is most challenging – the Ten Tors challenge for schools takes place on Dartmoor in the winter, for example, and is hugely popular. And many traditional summer attractions have broadened their offer to extend their season, such as Weston-super-Mare's new pier which now offers conference facilities, weddings and indoor theme park rides as well as slot machines and candyfloss. But too many attractions and destinations still view themselves as summer season businesses which make a little extra money if the weather's good in May or October, rather than investing in whatever will help them make reliable returns every year in January and February instead. Rural areas in particular have the most to gain from encouraging visitors during the "off" season as their attractions are typically the least likely to be resilient to the weather. We still though have a long way to go before the industry as a whole will have made the adjustments we need.

The question of resilience to bad weather illustrates a broader issue too – the need for the entire industry to invest continuously in improving its product offer, without Government direction or intervention. This is essential if the improved rates of growth and productivity which we're planning aren't to be a single, one-off step, but part of a

continuous and permanent process instead. New challenges – such as whether the industry is properly set up for families, for example – will crop up all the time and must be addressed successfully as they arise. ***We will mandate the new industry-led VisitEngland to research and identify shortfalls in our visitor economy, with VisitBritain which will advise on how we perform relative to our most successful international competitors, to assist and advise firms and destination managers on how to update and upgrade their product offerings accordingly.***

6.3 Investigating Domestic Package Holidays

In general package holidays work best when visitors have to fly to their destination, because travel companies can deliver better value if they've presold an entire plane with 100% seat occupancy and can bulk-buy hotel accommodation as well. This means that British domestic tourism has seen declining levels of package holiday activity, apart from small-scale specialist tour operators in sectors such as heritage or walking holidays, or a few coaching firms such as Shearings.

There are, however, a few possible opportunities which we will examine further. They are:

- Whether our domestic tourism industry can use the increasingly popular 'self-packaging' travel websites to attract more visitors by making it easier, simpler and more convenient to put an English holiday together compared to a trip to France, Spain or Greece.

- Whether rail companies and tourist bodies can do more to promote the use of tourist rail passes for UK residents, particularly whether changes need to be made to take into account the much changed landscape of local tourism bodies.

We will form an industry taskforce, led by senior figures in the visitor economy, to evaluate these issues and consider whether structural changes might unlock additional sources of value or not.

6.4 Moving The First Bank Holiday In May

At the moment the tourism season has two small early peaks, at Easter (particularly when it falls later in the year or if the weather is relatively good) and the first May bank holiday. But it only really gets going from the Whitsun bank holiday, which coincides with the half-term holiday in the summer school term. It then lasts throughout June, July and August but tails off swiftly at the beginning of September.

The best way to deal with our relatively short tourism season is to encourage the industry to create more all-weather packages, so the sector becomes truly resilient to poor weather throughout the entire year (as described above). But we could also extend the tourism season significantly if the first May Bank holiday was moved to create a new 'landmark' holiday celebration as well. There are two variations on this idea:

- Move the holiday a week earlier, to coincide with St George's Day on April 23rd. This would create a new 'National Day' holiday for England. It would give English people more opportunities to be patriotic than at present, where the flag of St George is rarely seen except at football matches, and would get the tourist season off to an earlier and much stronger start.

  Equally importantly it would do more than simply give people a different date to take time off work: it would create a new reason for collective celebration and community co-operation. This would not only boost the Big Society, but should also nudge people

towards spending the new holiday celebrating in Britain rather than holidaying abroad. We would also consult with the Welsh Assembly over giving them the power to decide whether or not to move the Early May Bank holiday to coincide with St David's Day on 1st March.

• Move the holiday to the October half term to create a new UK national holiday. This could either by a "UK Day" to create a new 'national day' for the country as a whole or it could commemorate military victories such as Trafalgar Day instead. As with the St George's Day proposal above, it would give us an opportunity to be patriotic where none exists at present, help to strengthen the Union and underpin the Big Society too.

From the tourism industry's perspective it would prolong the season effectively, complement recent moves to build up Hallowe'en and Bonfire Night into larger and more serious national celebrations, and create stronger incentives to celebrate in the UK as well. As an extra bonus, celebrating UK Day in late October should stop retailers from putting up their Christmas decorations until after it's finished too.

In spite of these arguments from within the industry, the existing bank holiday at the start of May is well established so the disruption caused by moving it could be socially and economically significant. ***We will consult with all sectors of industry as well as with voluntary and community sector organisations, to decide whether the costs and disruption of either of these ideas would be large enough to outweigh the potential improvements to our economy and national pride. The government also understands the need to ensure that public holiday dates reflect the priorities and preferences of the whole of the UK. Consequently, we will consult with the devolved administrations to ensure that changes to public holidays are only made if they are likely to enjoy widespread public support.*** We will also consult on the best time to introduce any planned change – in all probability this would not be until 2013, after the upcoming Royal Wedding and Diamond Jubilee, where extra bank holidays have already been agreed.

6.5 Improving the Planning Process

One of the most frequently-cited restrictions on our visitor economy is the difficulty of getting planning permission to develop or expand a tourism attraction. The current system is too complex, slow, expensive and hard to predict, which makes business investments harder and creates a permanent drag on our economic performance.

That said, it's also imperative that we protect our communities from being blighted by inappropriate or ugly developments and to preserve important and nationally significant historic buildings and landscapes – which are a vital part of our tourism industry – too. As a result, the Government has already announced plans to make the planning system in England simpler, faster, cheaper and easier to use by returning more decision-making powers to local councils, with fewer complicated national guidelines to create opportunities for expensive, complex and time-consuming legal appeals. Specific examples of these changes will include:

• Abolishing centrally-imposed development strategies (such as the much-hated and unlamented Regional Spatial Strategies) and replacing them with local decisions on development and land use in each area, taken by local Councils which are accountable to the residents who elected them.

• Abolishing the Infrastructure Planning Commission.

• Creating a fast-track approval process for any planning application which receives no objections from neighbouring properties.

- Creating a presumption in favour of any application which satisfies the criteria of being a genuinely sustainable development.
- Increasing the number and type of small-scale changes to a property which count as 'permitted development', so they don't need planning permission at all.

DCMS and Visit England will work with the Department for Communities and Local Government to help Local Authorities develop local plans which allow tourism businesses to expand and flourish.

6.6 Better Regulation – Cutting Red Tape

The tourism industry has a comparatively high proportion of small and medium-sized enterprises (SMEs) – they account for 80% of businesses in the sector- so it is particularly vulnerable to over-regulation because smaller companies generally find it harder to cope with bureaucratic burdens and form-filling than larger ones. Fortunately the Government has already announced a series of initiatives which are tailor-made for our visitor economy, including:

- Imposing a 'one-in, one-out' discipline on every new law and regulation, meaning that everyone must cut or reduce an old piece of red tape before new ones can be introduced and the bureaucratic burden and costs of the regulation which is being deleted must be larger than the new one that's being introduced. This means that every new law and regulation should create a net deregulatory effect. We will systematically cut the regulatory burden, rather than adding to it.
- Imposing sunset clauses on regulations. Regulations will cease to be law after seven years unless Parliament has confirmed they are still necessary and proportionate, or they were explicitly set to have a longer timeframe.
- Undertaking an immediate and radical review of every quango and merge, close or reduce as many of them as possible. Since many quangos act as regulators or inspectors, reducing their scope will reduce the size of the regulatory burden immediately.
- Starting an immediate review of employment laws to make them less of a minefield for employers, by making them more flexible and intuitive while still protecting staff from unfairness.
- Intervening earlier and more strongly in the European lawmaking process in Brussels to ensure that any new proposals for EU regulation are properly costed and take a low-intervention, low-cost approach in every case.
- Implementing key proposals in the recent report on health and safety regulations. For the tourism industry these include consolidating all Health and Safety legislation into a single set of accessible regulations; allowing appeals against local authority decisions to ban an event on Health and Safety grounds; replacing the Adventure Activities Licensing Scheme with an HSE-monitored code of practice instead; and introducing a compulsory "Scores on the Doors" scheme for Restaurant Food hygiene to drive up standards too.

To maximise the impact of these moves on the visitor economy we will create a task force, led by senior industry figures to identify sector-specific rules, regulations, inspections and forms which are holding the industry back. We will work with this task force to cut, modify or abolish as much of this red tape as possible, in collaboration with other Government Departments across Whitehall.

6.7 Tax Cuts

Given the state of our public finances, there is relatively little scope for tax cuts in any area. Nonetheless Government has made a series of carefully-targeted changes which will help businesses in the visitor economy. They are:

- The Government, in its first budget reversed plans to abolish longstanding tax breaks on furnished holiday lettings, meaning that the financial foundations for this important section of our visitor economy will not be undermined or shaken up.

- Employment taxes affect businesses in the visitor economy particularly strongly, because the industry has a relatively high proportion of employment (compared to the average for the rest of the economy) for every pound of sales and profit earned. This means that employer National Insurance contributions have greater impact on the tourism sector than many other parts of the economy. For the next three years the Government will exempt new businesses outside London and the South East from paying employer National Insurance contributions on the salaries of the first ten people they hire.

- Britain is facing increasing competition from other countries which are eager to establish themselves as business-friendly and helpful to companies deciding where to invest in and create jobs, or to entrepreneurs considering whether and where to start new firms. Equally, given the difficulties which many established firms have been facing in getting loans from banks or the money markets, the ability to retain more of their profit as an internal source of funds can help troubled firms to survive, or strong ones to grow faster. As a result the Government will cut the main rate of Corporation Tax to 24 pence and the Small Companies Rate to 20 pence. We will also consider how to simplify small business taxes as well.

- Smaller firms (which form a large proportion of the UK's visitor economy) are often eligible for small firms business rate relief but fail to claim it. We will consider how to make it automatic, to increase the proportion of small firms who claim this valuable tax break.

There are also calls from within the tourism industry for preferentially low rates of VAT for the visitor economy. These proposals take a variety of forms and describe different potential impacts of a cut in VAT. ***The Government will continue to keep all taxes under review, and will consider proposals for new reliefs carefully, but the financial position we inherited means we must give priority to maintaining our fiscal base.***

7. A Better Way To Travel: Improving Our Transport Infrastructure

In international comparisons of our transport infrastructure, Britain performs relatively well. We rank 11th in the world overall, in the top twenty for ground transport and tourism infrastructure, and in the top ten for air transport infrastructure and ICT infrastructure. This helps our outbound travel industry by making the outbound and return legs of our holidays more convenient, and means that inbound foreign visitors rate our airports, roads and rail reasonably generously too. Nonetheless these rankings are lower than our overall position of 6th, meaning they're dragging down our overall performance.

There is extensive investment already taking place in many of our entry ports. For example Heathrow has completed Terminal 5 and expects to renew all the other 4 terminals in the next 4 years in a programme worth £1bn per year. Gatwick is investing £1bn over the next five years and there are plans to improve ports infrastructure across the country. Done properly, these changes should modernise and update Britain's main ports of entry to create a well-designed and high-quality first and last impression of the UK for every visitor passing through. Nonetheless, there are several areas where our infrastructure is causing concern:

7.1 Entry Visas

Visitors from countries which require entry visas can sometimes find the application process difficult and expensive, particularly in comparison with visas for the Schengen countries. Their visas are easier to obtain – although they will introduce proper biometric applications in 2011 so much of this difference will disappear – and, although they cost roughly the same, entitle travelers to visit 25 countries while a UK visa only covers one. ***Given the state of the country's finances it will be extremely difficult to cut UK visa costs to become significantly cheaper than Schengen***[19] ***– the current fee is significantly below the processing cost of a visitor visa already – so we must add value by making the process quicker, simpler and more convenient instead.***

Of course, any changes must not compromise national security by diluting the checks which our visa system needs to perform. But nonetheless the process can become more customer-focused and convenient at the same time. As an example of the kinds of problem we're currently creating for potential visitors, in some larger developing countries, visitors have to travel considerable distances to reach a visa centre. The round trip might clock up more miles than they will travel when they're in Britain itself and inevitably adds significantly to the cost of their visit. Equally, application forms aren't always available in local languages (although guidance notes usually are), aren't always available online and could possibly be designed more simply too. ***We will improve visa availability without compromising national security by:***

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[19] The Schengen agreement allows passport free travel within the twenty five European countries which are signatories, once a person has entered the area.

- *Delivering online application facilities as fast as possible.* Currently around 35% of applications are made online, and we aim to reach more than 90% by the end of 2012.
- *Looking at a shorter, simpler application form for lower risk applicants.*
- *Making guidance available in local languages wherever possible, and in the future to examine the case to do the same for application forms.*
- *Share visa centres with trusted allies, to increase their numbers so they're closer together, making them easier and less expensive to reach.*

7.2 Port Transit Times

The time taken to get through our entry ports is generally good, but in some of our busiest airports such as Heathrow or Gatwick it can take too long. Some of this is simply a function of their size and complexity, compared to many smaller, quicker regional airports, but not all.

7.2.1 Minimum Check-In Times

For long haul outbound flights, the need for a 2 hour check-in adds dramatically to the wait, even though the check-in process is very similar to short-haul flights with a 40 minute or 1 hour check-in. There may be a legitimate need for extra loading time for larger long-haul jets such as the Boeing 747 or Airbus A380, but not that much and lots of airlines and airports are recognising this by offering much shorter minimum timings, particularly for online checkin. We also know that check-in times are sometimes not always dependent on the airline, but the time needed to complete the various airport processes e.g. security checks. *While welcoming the progress made so far, we call on airlines and airport operators to work together to reduce further the need for long check-in times so that passengers can get through our airports as fast as possible.*

7.2.2 Inbound Passport Control

In most of our entry ports the queue for passport control is generally short, but performance in our largest airports can slip during peak times, particularly for non-EU travellers. Clearly, we need to improve conditions for legitimate travellers whilst maintaining the security of our border. *We will aim to reduce queuing times for as many inbound travellers as possible by introducing more e-Passport gates, which offer British and EEA passengers with chipped biometric passports a secure, self – service alternative to the conventional manual control at the border. Two additional sites (Gatwick South and Heathrow T3) will be added by April 2011* subject to the airport refurbishment plan at each of the terminals. 55 more are already in use at 13 terminals around the country. We also expect further technical improvements which will allow us to broaden the number of travellers who are eligible to use ePassport, and to deploy them more effectively too.

In future we want to combine leading technology and new airport arrangements to clear passengers in advance, to speed them through passport controls once they land. So we will introduce automated gates with a new smart zone concept – for these pre cleared passengers – over the next 12 -18 months. We are also working towards a trusted traveller scheme with the US.

7.2.3 Transparency

Given the new Government's commitment to transparency, and for putting citizens in the driving seat, we should discuss with airlines, airport operators, passenger groups and regulators how to collect and publish data on port transit times, to inform consumers about the likely waiting times and potential delays at their airports from now on.

The South East Airports Taskforce is currently exploring this suggestion as part of its work on performance indicators. They will publish their findings and recommendations in July 2011, at which time the Government will consider whether there is scope for the wider application of any proposals.

For passport controls, performance is already monitored against national targets and UKBA works closely with port operators to keep these to a minimum. *From April 2011 UKBA will be publishing details of its performance against national targets.*

7.3 Prioritising Improvements & Repairs To Road & Rail Networks

Because Britain is a densely populated country, our road and rail infrastructure is relatively crowded and more prone to traffic jams or delays compared with many other countries, though commitments from the Department of Transport to improve road flows and relieve traffic congestion will hopefully improve the situation. In general the interests of visitors and local residents are identical here: visitors need the same road and rail services to be working smoothly at the same times as everyone else, so in most cases our existing processes to plan and prioritise improvements to our road and rail networks should work equally well for the visitor economy too.

Rail repairs though, which are governed by a strict cost-benefit analysis, are normally undertaken when the rail network is at its quietest and this can often mean that they take place in the holidays when commuting and business traffic is at its lowest. The effect on tourists can be compounded by the fact that they are less likely to know about the disruptive engineering work and, being unfamiliar with the journey are more likely to need reassurance and assistance in undertaking their revised journey.

We need to do more to understand the impact that this has on tourism, both in terms of the economic effect on the UK's tourism industry and also on the measures that could be implemented to mitigate the impact that the disruption causes. *So the Government, with tourism organisations, will work with the rail industry and Passenger Focus to update the available evidence relating to tourist use of the rail network through the National Passenger Survey as well as other available surveys and reports.* This evidence can then be used to:

- Renew the value attributed to tourist journeys, enabling the most cost-effective decisions to be made
- Identify areas and situations where more effective communication could better warn tourists of upcoming disruptions reducing the impact of disruption
- Identify potential new commercial opportunities for tourist focussed train tickets
- Further raise awareness of the issue with rail companies, Network Rail and the Office of Rail Regulation to allow them to take it into account in their work

It will also be imperative that local Destination Management Organisations work with local rail companies to form a partnership that can be mutually beneficial.

At a Governmental level, DCMS will ensure that tourism interests are properly represented in transport infrastructure investment, prioritisation decisions (such as the high speed rail programme, Cross rail, Thameslink) and reviews by the Office of the Rail Regulator.

7.4 Air Passenger Duty

The costs to the aviation industry have risen in recent years due to increases in oil prices and Air Passenger Duty. Clearly, the tourism industry will need to adapt to deal with these economic and regulatory pressures. The issue of changes to the aviation tax system has been raised by a number of tourism stakeholders in recent months.

The Chancellor stated at the Budget in June 2010 that the Government would explore changes to the aviation tax system and that major changes would be subject to consultation

Appendix A

Who Goes Where? – Understanding Britain's Visitor Economy

Because the size and of our visitor economy is so frequently underestimated, and its patterns and texture are so widely misunderstood, it's important to understand how the basic building blocks of the industry fit together. In particular, most people tend to focus on visits abroad – either those made by British travellers to other countries, or overseas visitors coming to the UK – when, as the table below shows, domestic tourism is far larger and more important to the industry overall.

Percentage of Tourism expenditure in each section of the industry[20]
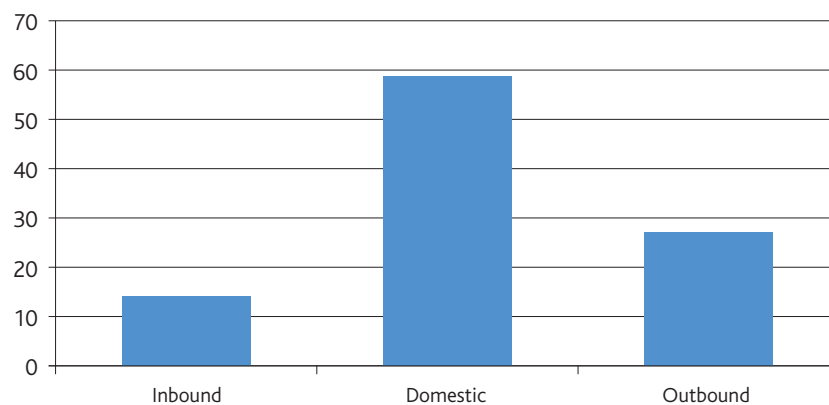
That said, it's important to acknowledge that even though domestic tourism accounts for a large share of total visitor economy spending, it adds relatively less value to the UK economy than its share might suggest. That's because a proportion of the spend on domestic tourism would have happened anyway, if the visitors had simply stayed at home, whereas foreign visitor spending adds 100p in every pound to the UK's GDP.

The rest of this section will lay out the size, patterns and trends affecting the different segments of the market.

A1. Domestic Tourism – Day Visits

This is a frequently overlooked element of our visitor economy but, in fact, it's worth over £40bn to the UK economy and is the largest part of the industry. Typically, day visits mean a shopping expedition to a city centre, or exploring towns, the countryside or visiting the seaside. But, as the graph below shows, we're also fond of pursuing our hobbies and attending entertainment and because this is Britain, we're fond of gardens too.

[20] DCMS analysis of IPS / UKTS data. Note. The domestic column includes day trip spending. The outbound column is amount of expenditure within the UK on outbound holidays.

**Percentage of Day trips that include certain activities**[21]
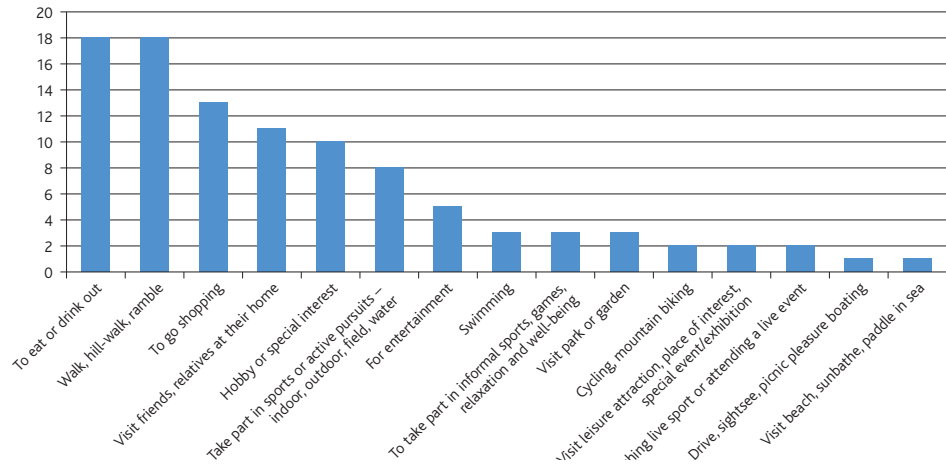
Because day trips add relatively less value per pound of visitor spend, some analysts and commentators view them as the industry's poor relation. But many others see day trips as a valuable marketing opportunity: a chance to pique the interest of a visitor so they decide to return for a longer stay later, when they can explore a destination more deeply.

A2. Domestic Tourism – Overnight Travel

These are mostly shorter breaks and often second or third holidays, usually self-sourced and self-packaged. Including visits to families and friends, and a large amount of business travel. It's the second largest section of the industry, accounting for 126 million trips, 399 million bed nights and £22bn in spending.

**Domestic Holiday Activities (£m)**[22]
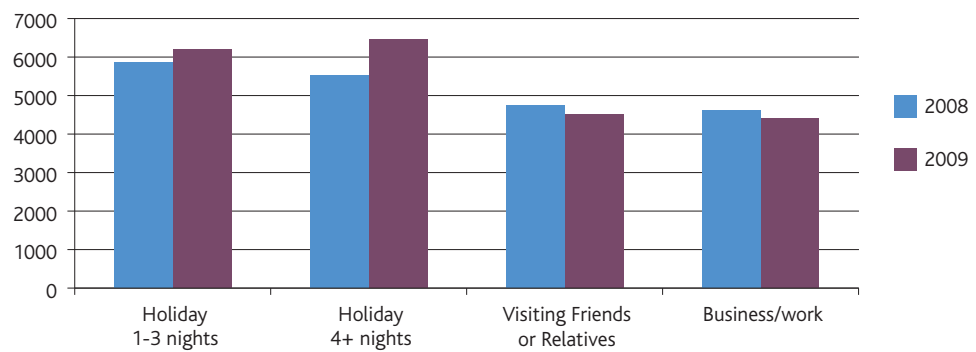
As you'd expect, the spend per trip is significantly higher than on day trips and overnight trips add more value to our economy, because they aren't simply displacing spend which would have happened anyway.

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[21] Natural England
[22] UK Tourism Survey

A3. Outbound Visits

Most of our overseas travel is for holidays, although we also go abroad on business and to visit friends and relations (VFR) as the graph below shows.

Outbound visits spend 2005-2009[23]
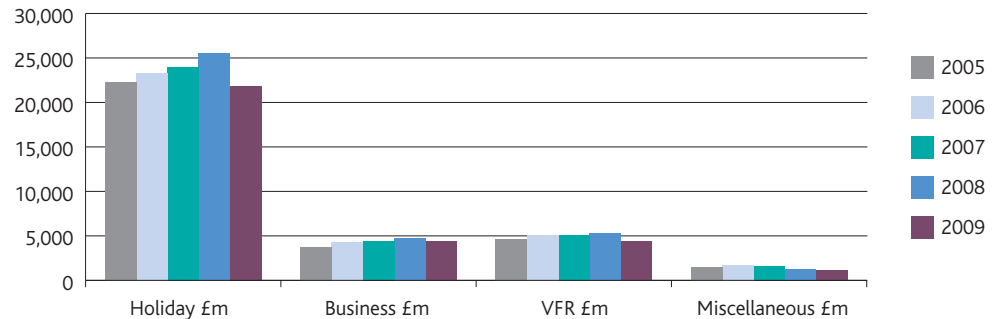
Traditionally, our holidays have been a relatively long stay (at least a week, and often a fortnight or more) arranged by a package tour company to a country where the weather is reliably sunny – principally Spain or France. This is still our most popular type of holiday, but the pattern is changing rapidly because of several important trends:

• Compared to our parents' generation, we are increasingly confident and experienced travellers who aren't intimidated by 'abroad'.

• The internet has made assembling 'do it yourself' packages far easier without using a tour operator.

• Budget airlines have made cheap airfares accessible without taking charter flights.

As a result the proportion of self-assembled, shorter breaks is increasing and, particularly when we're taking an additional break on top of the annual pilgrimage to somewhere hot and sunny, we're visiting a far wider range of destinations too.

A4. Inbound Leisure Visits

For most foreign holidaymakers, visiting Britain means a packaged tour of sights, attractions and shopping in London, with a few day trips to visit heritage and cultural attractions such as Oxford, Bath or Stratford as well. As with British travellers abroad, however, the pattern is changing as shorter, more varied self-packaged trips become more popular. This trend is particularly strong amongst visitors from our core markets such as western European countries and the USA, where travellers are already more familiar with the UK and may want to look beyond the most obvious and heavily visited destinations.

The good news is that, internationally, we have a very successful tourism industry. As the charts below show, we rank 6th in global visitor arrivals and between 5th and 7th in the international earnings league table.

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[23] International Passenger Survey

International Tourist Arrivals[24]

2009 Rank	Destination	Arrivals (m)	2008 Rank	2007 Rank	2006 Rank	2005 Rank	2004 Rank	2003 Rank
1	France	74.2	1	1	1	1	1	1
2	USA	54.9	2	3	3	3	3	3
3	Spain	52.2	3	2	2	2	2	2
4	China	50.9	4	4	4	4	4	5
5	Italy	43.2	5	5	5	5	5	4
6	**UK**	**28.0**	**6**	**6**	**6**	**6**	**6**	**6**
7	Turkey	25.5	8	9	n/a	n/a	n/a	n/a
8	Germany	24.2	9	7	7	8	9	9
9	Malaysia	23.6	n/a	n/a	n/a	n/a	n/a	n/a
10	Mexico	21.5	10	10	8	7	8	8

International Tourist Receipts[25]

2009 Rank	Destination	Receipts US$bn	2008 Rank	2007 Rank	2006 Rank	2005 Rank	2004 Rank	2003 Rank
1	USA	94.2	1	1	1	1	1	1
2	Spain	53.2	2	2	2	2	2	2
3	France	48.7	3	3	3	3	3	3
4	Italy	40.2	4	4	4	4	4	4
5	China	39.7	5	5	5	6	7	7
6	Germany	34.7	6	7	7	7	6	5
7	**UK**	**30.1**	**7**	**6**	**6**	**5**	**5**	**6**
8	Australia	25.6	8	8	8	10	10	n/a
9	Turkey	21.3	9	10	9	8	8	9
10	Austria	tbc	10	9	10	9	9	8

But even though we're firmly in the top rank of world class tourist destinations, our position is under threat. Turkey and Malaysia have broken into the top ten in recent years and China continues to climb the table too. Not only that, but there are several powerful industry trends which will make our position increasingly difficult to maintain:

- The number and variety of alternative international tourism destinations is growing rapidly, which means we face stiffer competition to persuade tourists to visit the UK

[24] UN World Trade Organisation
[25] UN World Trade Organisation

rather than somewhere else. This is partly because the number of countries which are now safe enough to visit has grown enormously in the last 25 years, and many more of them are deliberately trying to develop their tourism industries because of its potential for rapid economic growth.

- At the same time, a fast-growing global middle class is emerging which should guarantee strong worldwide growth in tourism for many years to come. This is very good news overall, but creates a significant challenge for Britain's relative ranking: most of the fastest growing markets of the future are in the BRIC nations (Brazil, Russia, India and China) and southeast asia where our brand is weakest. The reason why we rank so high in the world visitor economy is because we have strong and long-standing links with most of the countries which have historically produced the vast majority of the world's tourists: either through trade with developed nations in the old G8, through language and shared culture with USA and the Commonwealth, or through simple geographic proximity with much of Europe. With the notable exception of India and some Asian tiger economies which are also members of the Commonwealth (such as Malaysia), none of these advantages exist for the most important future global tourism markets. That's why the Prime Minister recently led a large trade delegation to India, and has similar plans to strengthen our links with China too, but Britain's tourism industry clearly needs to build on this platform rapidly.

A5. International Business Travel

The UK's open and international economy means that we attract and make a relatively high proportion of routine business trips compared to other countries. Business travellers have a comparatively high spend per visit and, as the chart below shows, the main impact on the UK's economy comes from general business travel.

Business Visit Spending (£m)[26]
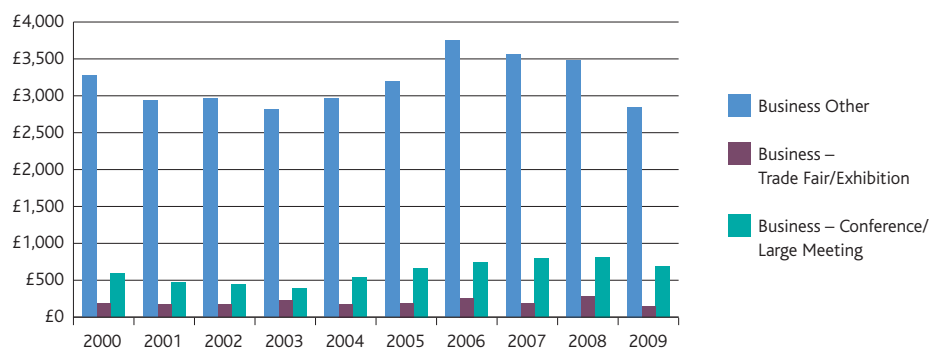
It's also important to note that international conferences and exhibitions are more important than these figures imply, because the UK currently has a relatively low share of this market. The United Kingdom also failed to make the top ten countries for international meetings, ranking 11th with 3% of the global market.

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[26] Visit Britain

World Top Ten Countries for International Meetings[27]

Country	Number of meetings	Percentage of all meetings
1. USA	1085	9.4%
2. Singapore	689	6.0%
3. France	632	5.5%
4. Germany	555	4.8%
5. Japan	538	4.7%
6. Belgium	470	4.1%
7. Netherlands	458	4.0%
8. Austria	421	3.7%
9. Italy	391	3.4%
10. Spain	365	3.2%

This comparatively low ranking is principally driven by Britain's historic lack of world-class conference and exhibition venues, but the situation is starting to change. Large-scale investments in new and improved or expanded venues such as ExCel in London, Edinburgh International Conference Centre, Manchester's Central Convention Centre and smaller venues such as Harrogate, plus a more professional marketing approach to attracting these events, are improving Britain's international rankings.

A6. Is Britain An Attractive Tourism Destination?

The most important factors for tourists choosing a holiday destination are the country's weather; its natural beauty; whether it offers value for money; the quality and warmth of the welcome which visitors receive and whether there are plenty of interesting cultural or heritage things to do while they're there. These factors are consistent over time, and don't vary appreciably for tourists from different countries either, so they explain the choices of UK holidaymakers deciding where to take their annual holiday as readily as travellers from Italy, USA or Russia. There are, however, important variations and patterns within the overall picture:

- Tourists don't need every holiday to provide all these elements, particularly if they visit more than one destination each year. Many people will happily take a short break to a destination with unreliable weather, for example, if they've already spent a week sunbathing on a beach earlier in the year.

- Some segments of the market have distinctly different priorities depending on their stage of life and interests. For example, on average, 20-somethings are more likely to take short breaks to visit music festivals like Glastonbury, Reading or Leeds while middle-class professionals are often more interested in visiting castles, museums and art galleries.

- Geographical and cultural proximity matter more than this ranking shows. It's both cheaper and more convenient to visit somewhere which is easy to reach from home

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[27] Union of International Associations

and, for nervous or inexperienced travellers, experiencing an environment which is less 'alien' is more enjoyable too. So most sunseekers from Europe go to Mediterranean countries, for example, while those from USA or Canada go to the southern USA or central America. Of course some types of travellers demonstrate the importance of these factors in precisely the opposite way, by deliberately seeking out places which are as out-of-the-way and different from home as possible. But either way it underlines the importance of these criteria.

So, if these are the most important criteria for persuading visitors to choose the UK, how are we doing? The chart below gives the answers.

How the World Rates the UK compared to 50 nations[28]
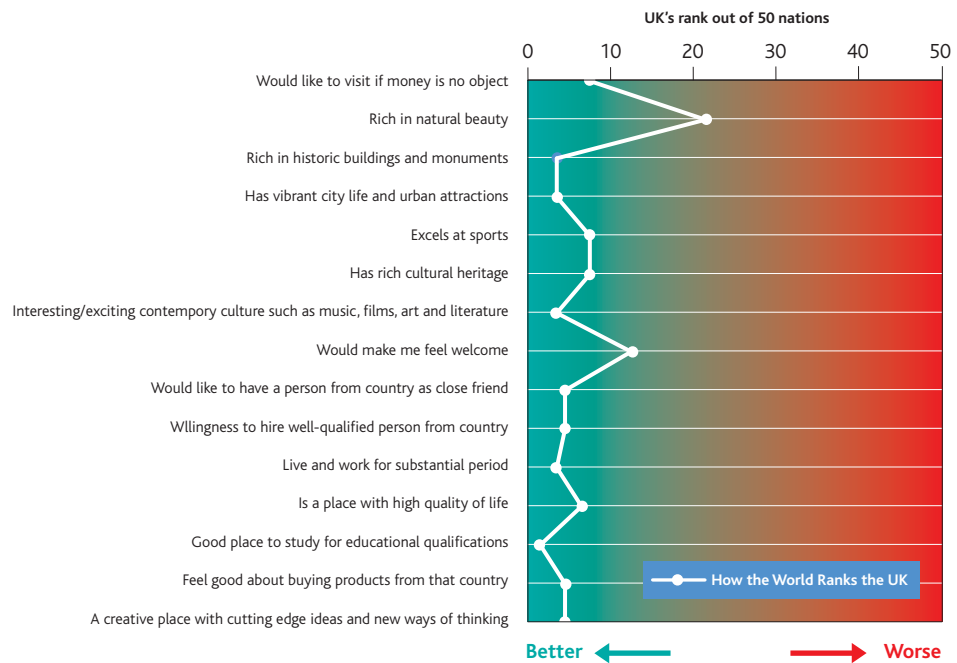
This shows that the UK is definitely a successful and attractive visitor destination, for foreign and domestic travellers alike, and that we've earned our overall top 6 ranking (see 'Inbound Leisure Visits' above) across a broad range of criteria.

The problem is that 4 of the 5 most important criteria – the weather, value for money, natural beauty and welcome – are where we earn our lowest scores. The UK only really shines on one of the top five; culture and heritage. This shows the enormous attractive power of our castles, museums, art galleries and festivals – many of which are free – but it's still a relatively narrow and potentially fragile foundation for such an important part of our economy and, crucially, leaves us vulnerable to new tourist developments in other countries. Competition from new heritage destinations (think of Cambodia with Angkor Wat, Peru with Machu Picchu or China with the Great Wall, the Terracotta Army and the Forbidden City) is growing massively and can only get tougher in future too.

As a result, we can't rely solely on our culture and heritage to maintain Britain's ranking as an attractive tourist destination. Broadly, the recommendations in this policy paper are intended to strengthen our visitor economy's performance in the other key areas where we're relatively weak, to ensure we maintain and improve our position as one of the world's best country's to visit, no matter what.

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[28] 2010 Nation Brand Index Survey