



# Achieving the Full Potential of the Visitor Economy

Executive Summary

# Foreword

**Richard Lambert,**  
Director General, CBI

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Director General  
CBI



**T**ourism matters. It is a major source of jobs and wealth creation across Great Britain - but in many ways it is a forgotten industry, and one that features all too seldom in the political or economic debate.

The figures in this Review make the case for the industry powerfully. Tourism is an £86billion industry, which makes it roughly four times the size of farming. It employs 1.4million people throughout the country, 4.3% of our workforce. And it is an extremely important employer in areas that need those jobs most – in the Highlands of Scotland, for example, or the South West of England - where average earnings are lower than the national average. Tourism provides stability

and prosperity in areas that without it would risk economic deprivation.

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 Every year people from all over the world come to Britain with hazy and outdated impressions of London smogs and Sherlock Holmes.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

its heritage but excited by the future. The more we can do to promote this process, the better.

Further, tourism offers Britain's entrepreneurs and small business people an outlet for their ambitions and dreams. In a global economy that is dominated by multi-national businesses, tourism is one of the few industries that can easily accommodate start-up businesses, allowing people to take that vital first rung on the ladder to entrepreneurial success.

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



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# Introduction

**Christopher Rodrigues CBE**

Chairman, British Tourism Framework Review



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

We needed to reach out to all tourism's stakeholders in the industry, in the public sector and in Government. Our job was not to justify preserving VisitBritain "as is",

but rather to ask what role each of the constituent parts of the industry should play if we were at one in our desire to achieve the full potential of the visitor economy. We needed to be prepared

to challenge the status quo, not least the role VisitBritain should play in the devolved world of 21st-century tourism in Britain.

We were guided by Government not to focus on the case for additional funding, but rather on identifying ways to improve the efficiency and effectiveness of the industry.

We were asked to do this within the confines of VisitBritain's reduced Comprehensive Spending Review settlement, the monies spent by the Regional Development Agencies, Local Authorities and the London Development Agency, as well as the funds allocated to tourism by the Welsh Assembly and the Scottish Parliament.

We have respected that guidance, though we must point out that the plan for achieving the tourism legacy benefits of the London 2012 Olympic and Paralympic Games remains largely unfunded. It is also the case that the value for money story that the recent weakening of the pound allows us to promote only has limited funding at a time when modest additional support for tourism marketing can have a rapid, real and material impact on creating and sustaining employment.

In fact, the two funding gaps are linked, because correcting the perception that Britain offers poor value for money is an essential precursor to the effective showcasing of Britain's attractions around the Games. This is a once in a lifetime opportunity that continues to slip between our hands for the lack of a very modest amount of incremental funding and is all the more regrettable for being the undoubted highlight of a decade of global sporting events being hosted in Britain.

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

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

The review process has already had a positive impact on the relationship between the national tourism agencies. This bodes well for the future.

Achieving successful outcomes will depend on this collaboration being sustained. In this case alone, a shortage of funding is helpful as it puts a premium on sharing resources and that is at the heart of a number of the recommendations.

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

1. Makes it clear that the visitor economy is an even more significant part of the UK economy than had previously been estimated
2. Reveals the high number of new business start-ups in tourism and how tourism plays a vital role both in regeneration and in the rural economy
3. Highlights the significant multiplier effect tourism has on other parts of the British economy

4. Identifies the many areas in which the visitor economy improves the quality of life for UK residents

5. Makes it clear that, if the industry is to reach its full potential, Government must play an active enabling role for the industry because:

- The industry is fragmented
- The industry needs active government engagement in infrastructure and policy issues
- The industry suffers from what economists call the free rider effect which means you cannot expect small local businesses to do what is best funded and led by national bodies

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

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

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

I would like to thank the many people who have given their time and efforts so generously to the work of this Review. In particular I would like to thank all those who took the time to provide their written or verbal submissions and to consult on the recommendations, my fellow Review Panel members and the VisitBritain board for their invaluable input. My thanks also to the VisitBritain team who engaged enthusiastically with the Review – particularly Bernard Donoghue, Shivah Jahangir-Tafreshi and Lucy Jones.

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# Executive Summary

## Review objectives

This Review is comprehensive, inclusive and objective. It was commissioned by the Secretary of State for Culture, Media and Sport in late 2007, in light of a reduction in government grant-in-aid for VisitBritain, the national tourism agency. It is based on four strategic objectives:

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

## UK tourism market

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

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

The importance of domestic tourism to the economy cannot be underestimated, but often is. In 2007 spending by domestic residents

UK tourism contribution	Forecast					
	08		09		10	
	A	R	A	R	A	R
	£bn	%	£bn	%	£bn	%
• Visitor Exports (inbound + travel spending + fares)	24.2		25.6		50.5	
• Personal Travel & Tourism (domestic + outbound)	110.7		114.0		179.3	
• Business Travel (domestic + outbound)	25.9		27.3		43.6	
• Government Expenditures (individual + collective)	8.7		9.2		14.7	
• Capital Investment	23.3		24.8		41.5	
• <b>Travel &amp; Tourism Demand</b>	<b>192.7</b>		<b>200.9</b>		<b>329.7</b>	
• Outbound tourism spending (fares + travel)	46.5		49.2		85.8	
• <b>FS Direct Industry GDP (in line with First Step TSA)</b>	<b>46.4</b>	<b>3.2</b>	<b>47.5</b>	<b>3.1</b>	<b>75.1</b>	<b>3.1</b>
• <b>Direct Industry GDP (includes gov. individual spending)</b>	<b>51.8</b>	<b>3.6</b>	<b>53.2</b>	<b>3.5</b>	<b>84.2</b>	<b>3.5</b>
• <b>T&amp;T Economy GDP (broader concept)</b>	<b>115.0</b>	<b>7.9</b>	<b>118.5</b>	<b>7.8</b>	<b>187.6</b>	<b>7.8</b>
• <b>Direct Industry Employment (jobs)</b>	<b>1,335</b>	<b>4.2</b>	<b>1,328</b>	<b>4.2</b>	<b>1,407</b>	<b>4.1</b>
• <b>T&amp;T Economy Employment (jobs)</b>	<b>2,587</b>	<b>8.2</b>	<b>2,565</b>	<b>8.1</b>	<b>2,817</b>	<b>8.2</b>

A - Absolute

R - Relative

% - % macro total

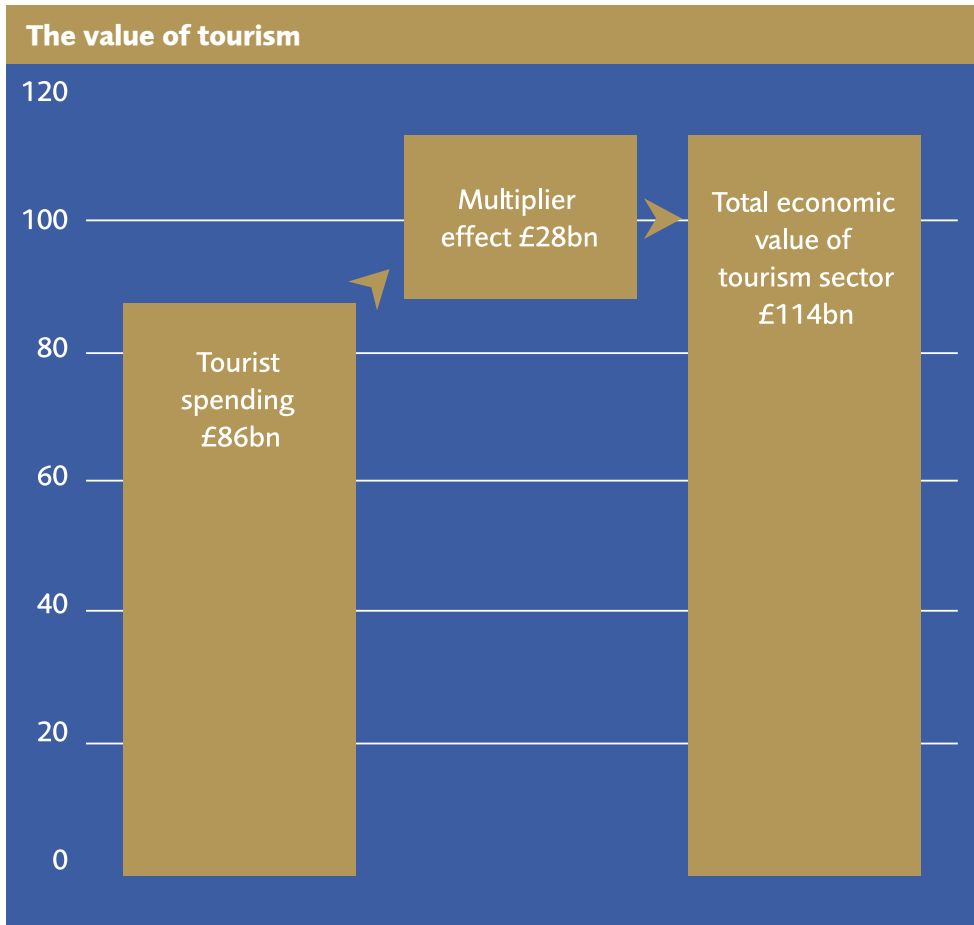
UK tourism market	Forecast			
	2007 £ bn	2008 £ bn	2009 £ bn	2018 £ bn
<b>Spending by overseas residents</b>				
Visits to the UK	16.0	16.3	17.2	34.2
Fares to the UK carriers	2.8	3.2	3.3	6.3
<b>Spending by domestic residents</b>				
Trips of 1+ nights	21.2	20.8	21.3	28.8
Tourism day trips for leisure	45.4	45.1	45.5	62.7
Rent for second ownership	1.0	1.0	1.0	1.1
<b>Total spending</b>				
Outturn prices	86.4	86.4	88.3	133.1
Real growth (%y-y) <sup>1&amp;2</sup>	-2.2	-3.3	-0.2	2.1

<sup>1</sup> Current figures deflated by the UK GDP implicit deflator

<sup>2</sup> 2018 figure shows average annual real growth rate over the period 2009 to 2018

amounted to £67.6billion, whereas spending by international visitors (including fares to UK carriers) to Britain amounted to £18.7billion. Domestic tourism is not just responsible for nearly four fifths of our national visitor economy; it is vital to the health and size of our local, regional and national economies.

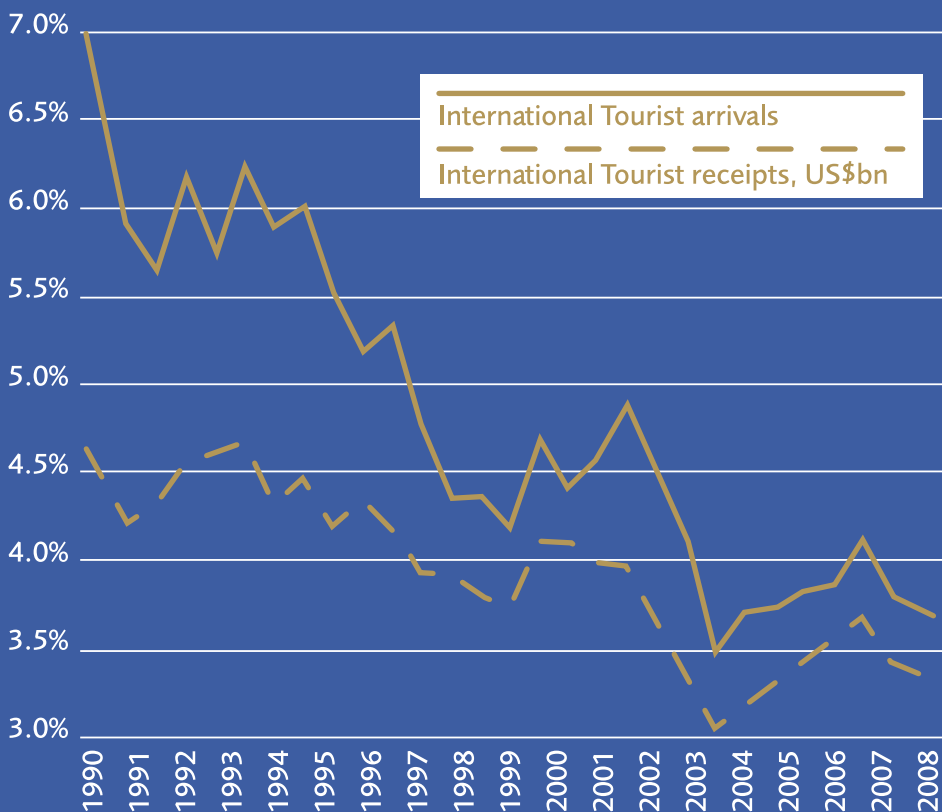
Submissions to this Review consistently made the case that domestic tourism, the industry which supports it and the policies which affect it need to have higher profile and be given greater consideration in the marketing strategies of all those players – public and private alike – who work in tourism.



Britain is a globally attractive and popular destination with a range of enviable tourism assets, from stunning landscapes to vibrant cities, with a rich history of tradition, heritage and culture, living alongside modern design, music, theatre and architecture. But Britain is losing its share of international visitors and the number of Britons travelling

abroad for leisure vastly outnumbers the overseas visitors who come here. Whilst Britain has undoubted strengths – in accommodation, food and drink, the English language and our international connections (of history, as well as transport) – it also has some weaknesses; poor and creaking transport infrastructure;

## The UK's global market share



Britain is perceived as (and can be) an expensive destination; and the logistics of getting to Britain can be complex and expensive (the price and process of obtaining a visa, for example).

And as relatively successful as Britain may be at promoting itself as an attractive destination, it does so on

what many private sector contributors to the Review have called a 'shoestring budget', barely able to make a significant impression even in Britain's most important markets. The relatively small amounts of money which are able to be invested in overseas marketing campaigns by the collective efforts of Britain's tourism marketing



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

organisations pale in significance when compared to competitor destinations and private sector brand marketing (such as hotels or airlines).

### **The economic backdrop**

Quite apart from these and other challenges, Britain's tourism industry is

facing new challenges due to the global recession and consequences of the credit crunch. Whilst VisitBritain research reveals that potential visitors to Britain still want to travel to Britain and regard it as an attractive destination, they don't believe that they can afford to do so for the foreseeable future. Britain, for example, experienced a 27%

decrease in the number of North American visitors in September 2008 compared with the previous year.

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

## Impact of the recession

The tourism industry is looking to Government – national and devolved – to assist private sector efforts to promote Britain domestically and internationally as a 'value for money' destination as soon as possible.

Against this backdrop our competitor destinations, such as France and Spain, are investing millions of euros in new marketing campaigns aimed, at least in part, at attracting the British market. The recession, challenging though it will be for the British tourism industry, also provides opportunities to change

our marketing campaigns and messages; re-assert the Britain, national and regional brands in domestic and international markets; press Government for creative responses to the recession (such as the pricing and process of visas, for example) and, as a result of the strength of other currencies, highlight the double tourism benefit of a quality product offering and the current greater value for money affordability of Britain.

## Devolution

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

	2008		2009		2010	
	OF	RBF	OF	RBF	OF	RBF
<b>Impact of the recession</b>	AB	AB	AB	AB	AB	AB
T&T Economy GDP (broader concept) - £bn	15.0	113.9	118.5	114.	124.1	118.0
Difference - £bn		-1.1		-4.1		-6.1
T&T Economy Employment (jobs) - 000s	2,587	2,565	2,565	2,486	2,567	2,453
Difference - 000s		-22		-79		-114
OF - Original forecast    RBF - Recession based forecast    AB - Absolute						

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## **A national tourist board for England**

Devolution has left England without a stand-alone national tourist board for England and therefore at a disadvantage. It has unnecessarily complicated

the role of VisitBritain in promoting Britain overseas and developing England's visitor economy. This Review recommends the immediate creation of a national tourist board for England, with a dedicated Chairman, Chief Executive, executive team and budget.

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

## Tourism policy

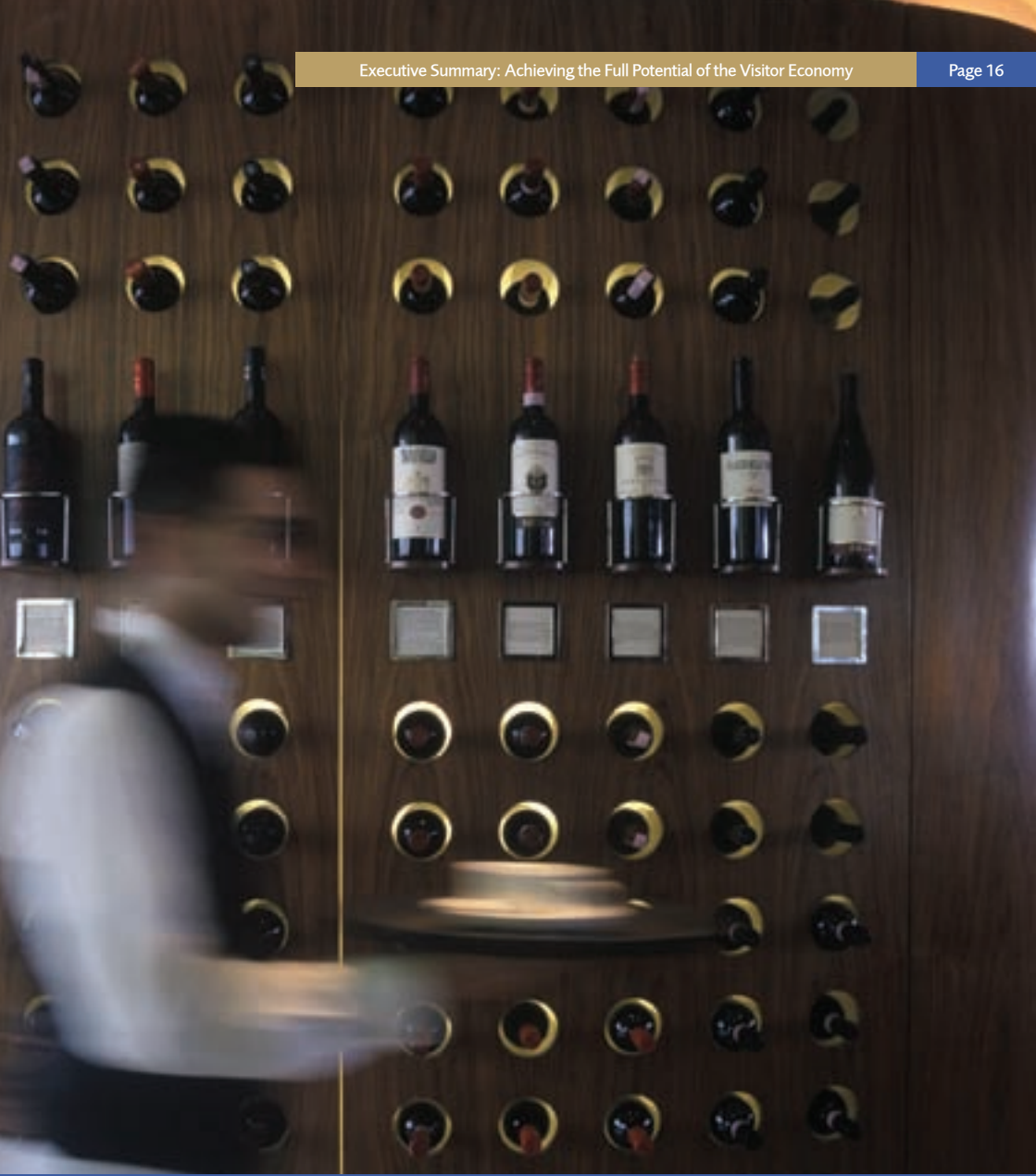
Devolution has seen the consequent creation of cross-sectoral, national trade associations which aim to raise the profile of tourism with the respective governments and to lobby for policy and fiscal measures to support tourism. This Review has identified three key recommendations in this area: the re-institution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

for policy issues affecting tourism and would be advised by a Tourism Advisory Council.

## A new agreement for overseas marketing

As part of the process of the Review, the national tourist boards of Britain and Visit London (the 'strategic partners'), together with VisitBritain have signed a new agreement which governs the use of the overseas network of offices and representatives which VisitBritain employs. It will aim to achieve the complementary marketing of all of the constituent parts of Britain for the benefit of all the constituent parts.

As a consequence of this agreement and the reduction in VisitBritain's budget, VisitBritain's role has been redefined and streamlined in the last year. This Review welcomes the greater clarity in VisitBritain's role and purpose, particularly in relation to its marketing role vis-à-vis the strategic partners, but is concerned that the latest cuts to VisitBritain's core budget have compromised the organisation's ability to maintain, let alone build market share, and to exploit fully marketing opportunities around the world.



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

The private sector in particular has expressed concern that even the combined individual market budgets which Britain's marketing promotion agencies (VisitBritain, strategic partners, destination management organisations) have are insufficient to compete against other destinations.

## Maximising major sporting and cultural event opportunities

The nations of Britain have worked hard in successfully winning the right to host some of the most important sporting events in the world in the next few years; the Ryder Cup in 2010, the London 2012 Olympic and Paralympic Games and the Commonwealth Games in 2014. These sporting events – a decade of sport - sit alongside a huge programme of conferences, exhibitions, festivals and business events which bring new business, foreign earnings, international visitors and increased investment in all parts of the UK. All of these events, but especially the Olympic and Paralympic Games, provide a global opportunity to invite the world to visit Britain either in person or through the medium of television, radio, printed media or new technology.

All of the contributors to the Review, whether from the public or private sector, have strongly recommended that the as-yet unfunded DCMS 2012 tourism strategy *Winning: a tourism strategy for 2012 and beyond* is implemented fully, and funded adequately as a matter of priority, and this Review endorses and shares that recommendation.

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



**“There is a strong recommendation that the as-yet unfunded DCMS 2012 tourism strategy *Winning: a tourism strategy for 2012 and beyond* is implemented fully, and funded adequately as a matter of priority.”**

# Ten-point Strategy

## Achieving the Full Potential of Britain's Visitor Economy

**T**here are many players involved in the British tourism industry. It touches multiple government departments and public agencies and the industry itself is fragmented.

There is no commonly agreed set of priorities to bind these bodies together and to ensure we take the steps now necessary to achieve the full potential of tourism for the British economy. The Review proposes the following ten-point agenda for the stakeholders to follow individually and collectively.

These ten priorities are just that – the ten most important things to do now. They assume the stakeholders continue to pursue their own interests and are designed to complement that work, not replace it. The priorities will change over time. These are right for now.



1. Consolidate Britain's position in traditional, international markets and invest in emerging markets building on VisitBritain's overseas network
2. Create timely, relevant product development and marketing initiatives that are actively supported by the industry and increase the value of inbound tourism spend
3. Further develop UK-wide tourism internet platforms and shared new media strategies which support the industry and national tourist boards
4. Create a new English tourism lead body with responsibility for developing an English tourism strategy
5. Engage all the stakeholders in the ongoing development of national tourism policy and the nation in support for the tourism industry
6. Create a cross-Whitehall and cross-ministerial group to be advised by a newly created government-sponsored Tourism Advisory Council drawing together senior practitioners from industry and the public sector to engage with the government departments whose policies impact on tourism
7. Ensure that the visitor economy is considered in the development of public policy
8. Redefine the role of VisitBritain and agree new ways for it to work with its stakeholders and develop metrics to demonstrate its performance and value
9. Secure agreement on future public and private sector funding and the resources needed to deliver the 2012 Games' tourism legacy
10. Create inspiring new marketing campaigns, based on a value message, and press Government for creative policy responses which would support the industry through the credit crunch and recession

# Our Choice

## Grow or Decline

**T**ourism is everybody's business; we all have a stake in its future development and growth. We can as a nation choose to invest for growth and thereby build our national economy. Or we can fail to take action and accept the gradual decline of the industry and its worth.

In the absence of sufficient infrastructure investment, the contribution of the visitor economy to the UK will decrease over the coming ten years. For example a 10% reduction in foreign visitor arrivals over the next five years would translate into 68,000 fewer jobs and a cumulative loss in GDP terms of almost £10 billion by 2012. If the likely loss of domestic visitors to overseas travel is taken into account the decline is 114,000 jobs and almost £20 billion. And even this scenario assumes our global competitors do not take advantage of our decline.

Taking a more proactive approach to the development of the UK visitor economy

(including addressing investment, marketing and market failure issues) could allow the UK to sustain its share of inbound tourism.

This would result in just over 49 million overseas visitors coming to the UK every year by 2018, creating a UK tourism market of £136.2 billion and creating over 50,000 more jobs by 2018.

However the lack of funding of the 2012 tourism legacy programme means there is now a real risk that the full Olympic legacy opportunity cannot be delivered. We reap what we sow. To realise all of the benefits which flow from tourism – jobs created,

vibrant communities regenerated, health and wellbeing improved, overseas investment in the UK increased, our cultural and natural assets appreciated and celebrated and Britain's contribution and place in the world acknowledged – we must invest, politically and financially.

We need to recognise the importance of a thriving domestic tourism industry both in its own right and because of the platform it creates to attract international visitors and we cannot assume, as we once did, that the world will come to our shores unasked and unprompted because we are a 'must-see' destination.

We have to work hard to win every visitor and to earn every penny of the money that they wish to spend with us. When they do visit we must welcome them as honoured and special guests, as investors in our nation and as contributors to our Exchequer. Visitors who have chosen to spend their precious time and hard-earned money in Britain above every other nation on earth.



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

To find out more about the British  
Tourism Framework Review, visit  
**[www.tourismreview.co.uk](http://www.tourismreview.co.uk)**