The CLA represents 32,000 members who together own or manage over half of the rural land in England and Wales. Circa 5,500 of these run rural tourism enterprises as their sole business or as a major income stream within a diversified business. These rural businesses’ encapsulate a variety of different tourism businesses; from cultural attractions, gardens and estates through to holiday cottages and adventure days out. Their contribution not only in investing on our countryside but also the wider financial benefits to local economies is vital to the success of rural communities. The CLA, working with Defra and a number of other organisations, set-up and Chair the National Rural Tourism Partnership (NRTP) to help to recognise and champion these important rural businesses.

We believe the Environment, Food and Rural Affairs Select Committee inquiry into rural tourism in England is both timely and relevant in light of the changes that have been introduced by the Department for Culture, Media and Sport (DCMS) to both the governance structures for the tourism sector and new funding mechanisms through the Discover England Fund and we ask the Efra Select Committee to consider four issues as part of this important inquiry:

1. To ensure that the Government recognises the importance of rural tourism businesses to both the rural economy and the general economy by engaging fully with the industry in a transparent and collaborative manner through the Tourism Industry Council (TIC) and the NRTP.

2. To recognise the unique characteristics of rural tourism and its product offer by supporting a new rural tourism policy arrangement that complements and adds to DCMS’ Five Point Plan rather than replaces it.

3. To support the most efficient and effective use of public funds both now and in the future through the continuation of present funding mechanisms at the same funding levels after the UK leaves the European Union, and creating a more accessible application process for rural tourism businesses.

4. To enable rural tourism businesses to exploit technological change and to allow these businesses to grow through the implementation of a far more flexible planning system.

Introduction

The rural tourism sector in England is a dynamic industry with a huge potential for further innovation, growth and job creation. This can only be achieved if the right conditions and incentives to encourage investment are put in place. Over the past decade, too often rural tourism has remained low down on the agenda with Government and industry focussed on high-end, high-spend international tourism within our major cities and towns.

As the process of the UK exiting the European gets underway, the CLA believes this presents a significant opportunity for government and industry to champion rural tourism businesses and
put in place the incentives and opportunities for rural tourism businesses to grow, invest and thrive.

It also brings with it major questions about how funding for tourism will work in a post-EU world, given that currently the lead Department within the UK for tourism, DCMS, actually retains less of the monies available for projects and schemes which come through the Rural Development Programme administered by Defra. This Departmental crossover has hampered Ministerial accountability for rural tourism. The CLA welcomed significant changes in recent years, such as the Inter-Ministerial Group and the TIC, but we believe that the issue of funding must be clarified prior to the UK leaving the EU so that the sector has the confidence to continue to invest in their businesses. Whilst the recently released Tourism Action Plan from Government is welcome, particularly the regulatory changes, and shows a clear desire from Government to treat tourism as a priority, CLA are not convinced that there is a framework in place to ensure the strategy tackles the unique needs of rural tourism businesses.

The CLA is calling on Government to introduce a new and distinctive approach to rural tourism policy through a targeted five point plan to complement the current government agenda.

**Understanding and recognising the importance of rural tourism to the rural economy**

Rural tourism is of fundamental importance to the rural economy, generating £17bn GVA per year. However, it is clear that DCMS needs a far greater understanding of both the nature of the countryside and the needs of rural tourism operators. The CLA believes that a new rural tourism policy arrangement is required that tackles the problems of institutional fragmentation, ensures the better targeting and more efficient use of public resources and creates an infrastructure that genuinely stimulates growth. This new opportunity must also address the effective promotion and marketing of the tourism product, remove the constraints imposed by an overzealous interpretation of planning regulation and, as importantly, ensure the ability of rural tourism businesses to benefit from the digital revolution. These issues are considered in more detail below.

**Institutional fragmentation**

One of the key problems that has plagued the rural tourism sector over the last decade and beyond is fragmentation. This is the case at both central government and the rural tourism operator level. The effect of the inability to co-ordinate policy between government departments, in particular DCMS and Defra, has, inevitably, found its way down to individual rural tourism operators with the result that they perceive a lack of interest and guidance from central government.

The rural tourism industry has sought over a number of years to provide a link between operators and government. In 2014, the CLA put in place the NRTP to provide a “genuine partnership between government, DMOs and rural tourism operators. The fragmentation that has been the hallmark of the industry over the past decade must not be allowed to continue.”

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1 CLA policy document “Wish you were here? CLA policy on rural tourism”
Defra endorsed the NRTP and recommended that it be used as the primary vehicle through which government and the rural tourism sector could both communicate and co-operate.

The NRTP has met its original objective and communication has improved. However, the levels of engagement must be strengthened. Inadequate engagement or no engagement at all has meant that the ability for rural tourism businesses to fulfil their full potential and create an environment that encourages investment has been hampered.

Decisions that directly affect rural tourism businesses are often taken in a policy vacuum and in a less than co-ordinated manner. The various components are still not working as a whole and operate outside a defined strategic framework. The result is policy confusion and the failure of government structures to comprehend both the needs of the rural tourism sector and the practical realities on the ground.

The CLA had hoped that the new institutional arrangements that took place following the Comprehensive Spending Review would have resolved this fragmentation and led to substantial benefits to all leading to better communication, real collaboration and a more sensible co-ordination of resource.

It is unfortunate that we see no evidence that this is the case. Unless urgent action is taken, this structural failure will be to the detriment of all those who work in the sector and stymie investment and growth within the sector and our rural communities.

A new approach and a distinctive rural tourism policy arrangement

Rural tourism is unique and has a different set of characteristics, challenges and barriers to growth. Whilst we support, in general terms, DCMS’ revised five point plan we believe that there is now a new opportunity for Government to introduce a bespoke five point plan for the rural tourism sector that meets the needs of rural tourism businesses and complement DCMS’ tourism strategy.

The principles of a new and distinct rural tourism policy arrangement that meets the needs of rural tourism businesses would be:

1. **Removing fragmentation**: Without a policy framework and direction of travel that fully understands the needs of rural tourism businesses, the potential for investment and growth, and the additional income generated in local communities will be lost. What is needed is a new structure that encourages and fosters greater collaboration between the rural tourism industry and government and that promotes growth, innovation and productivity.

2. **Boosting apprenticeships and skills**: The availability of skilled labour remains a challenge for rural tourism businesses simply due to their location and a lack of transport connectivity. There is a risk that this shortage will become more acute. What is required is the development and implementation of a dedicated apprenticeship programme that actually understands and meets the needs of rural business.
3. **Creating a dedicated rural funding mechanism:** The Rural Development Programme for England (RDPE) has shown that through a creative approach the rural tourism industry can benefit hugely from targeted funding mechanisms. As we move into a post-Brexit world, it will be crucial for the government to put in place a definitive, long term funding programme that can work with the private sector to increase levels of investment.

4. **Improving digital connectivity:** It is well accepted that effective, reliable and affordable broadband connectivity is essential for rural tourism business to operate and develop. Without the right levels of bandwidth, let alone a connection, these businesses will stagnate. What is therefore required is access to a range of alternative options and technologies that suits the needs of these businesses, exploring community and business collaboration and a dedicated training programme to allow businesses to exploit the advantages of the digital revolution.

5. **Clear and far sighted intelligence:** Having access to the right information and knowing what is happening in the market is fundamental to the rural tourism industry. By creating a rural tourism intelligence function between government and the industry the right decisions can be made, based on the most up to date statistical evidence that can reinforce economic growth.

**Funding and fiscal measures: making the right connection**

Defra’s 10 point Rural Productivity Plan highlights both the importance of rural tourism funding and the problems that emerge where there is a lack of effective co-ordination. It says “Tourism is an increasingly important component of rural economies, with farms the fastest growing visitor attraction category in 2014. However, a fragmented tourism landscape and wide variety of funding sources can hamper the effective co-ordination of tourism offers and their promotion.”

Many rural tourism operators are unable to develop product sufficiently well due to a lack of funding, and the technical ability to do so either due to a lack of connectivity or insufficient skills. The availability of funding under the Growth Programme of the European Structural and investment Fund (ESIF) alleviates this in part although the future of tourism grants are now under review following the EU referendum vote. We believe that it is vital that the current level of funding for tourism post-Brexit is retained.

However, there is the scope for significant improvement in the application for these schemes. Firstly, within the industry applications are viewed as resource intensive, over bureaucratic and unnecessarily complex. This acts as a major disincentive for smaller rural tourism businesses. There is an opportunity here to cut red-tape and streamline the process making it more accessible to rural tourism providers. Secondly, there must be better communication and understanding over the availability of grants between central government, local authorities and LEPs.

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2 Defra Rural Productivity Plan, 2015, p.16
The CLA is concerned that the Discover England Fund is viewed as the panacea to the problems of rural tourism operators. As a sole fund, it appears divorced from other funding mechanisms. The CLA believes practical steps have to be taken so that rural development and Discover England funding is aligned and targeted towards developing a profitable rural tourism economy. Better linkages and a more focused targeting of resource with properly defined outcomes will allow rural tourism businesses to prosper.

The imposition of Value Added Tax (VAT) at 20% for tourism related activities is a major obstacle for rural tourism operators which simply raises prices and makes the product uncompetitive. We believe that consideration needs to be given to a reduction in VAT to 5% for accommodation and attractions if the growth generated by the rural tourism sector is to continue. Although we accept HM Treasury’s argument that such a reduction would lead to a reduction in receipts in the first year of operation this is based on the premise of unlimited turnover. Given that the majority of rural tourism businesses are SMEs we would suggest that the application of a reduced rate could be applied to businesses with a turnover of less than £500,000. This would allow for growth as well as incentivise those who wish to diversify.

An integrated infrastructure that promotes an improved skills base

In terms of infrastructure, quite clearly adequate and effective transport networks are crucial, both for the visitor and the tourism business. There remain too many obstacles at present and there appears to be no coherent strategy in terms of transport links to improve access outside of London. We remain to be convinced that the Discover England Fund is capable of making any material difference in this regard.

The availability of labour is crucial to any tourism business – this is particularly the case with rural tourism businesses that requires workers to be flexible. Tourism Alliance data notes that one in four workers within the tourism sector are non-UK nationals. As such, the decision to leave the EU and the potential to limit the availability of a non-UK workforce will undoubtedly be of significant concern to these businesses. The CLA believes that the Government must put in place a dedicated strategy to ensure rural tourism businesses can attract the talent and skills they need now and in the future. This means ensuring a sufficient supply of reliable skilled labour working in our hotels, B&Bs and tourist attractions.

Promoting the rural tourism product

As recognised by the Select Committee, marketing of rural tourism products is vital. It is also a joint exercise between the operator and the Destination Management Organisation (DMO). However, all too often there has been a disconnect between the objectives of the DMOs and the operators. This concern is furthered by an emphasis from government on inbound visitors. Although the CLA agrees in principle with the policy decision to integrate Visit Britain and Visit England, we see no evidence to date that Visit Britain has changed its structure significantly to encapsulate a targeted marketing approach for rural tourism interests. Whilst we do not want to see the separation of the two marketing bodies, we strongly believe that Visit Britain must put in place a strong rural tourism marketing presence.

Changing the landscape for a new rural tourism policy
It is unfortunate that for too long, the rural tourism sector has been considered a “tea shop economy” that provides low skill seasonal work. This is simply not the case, with rural tourism businesses reliant upon the skills and the professionalism of their staff to run businesses and compete in the market place. However, rural tourism businesses do face a problem of a seasonal working structure impacting on staff retention. In order to secure a robust economic platform, there is a need to grow a “365-day industry” that does not negatively impact on the landscape but offers increased visitor numbers and an enhanced visitor experience. Changing the employment structures of the service industry is therefore essential.

There is also a significant role for Local Planning Authorities to play in enhancing the landscape for rural tourism businesses to grow and invest. What we see too often is the misinterpretation of planning regulations that stifles the growth of rural tourism businesses with planning authorities seemingly having little regard to the importance of business in sustaining local communities. Without the ability for many in the countryside to diversify their businesses, such as investing in rural tourism, rural communities will simply stagnate. The CLA believes that a more conscious effort is needed by planning authorities, particularly those in national parks, to ensure an appropriate balance in promoting the presumption in favour of sustainable development which is a core element of the Government’s National Planning Policy Framework.

The need for effective digital connectivity

Digital connectivity and the availability of fast, reliable and effective broadband is now a key requisite for any rural tourism business. This is required both in terms of advertising and taking online bookings, and meeting an increased demand from consumers for connectivity through mobile and fixed line communications.

That is why the CLA welcomed that the importance of further strengthening the digital presence of the UK tourism sector was recognised within the government’s flagship Five Point Plan, “Backing The Tourism Sector” in 2015 but remained concerned that the plan contained no clear recommendations or concrete commitments, simply an aspiration to improve the digital presence of these businesses. The revised Plan of August 2016 fails to adequately address these concerns.

Whilst the CLA recognise commitments with regard to digital connectivity are in place across government, including the rollout of superfast broadband under the BDUK programme to 95% of all premises by the end of 2017 and the introduction of a Universal Service Obligation, the pace of roll-out remains too slow. Every single day a rural tourism business has to wait to get a fast, reliable and affordable connection, let alone a connection at all, is a risk to that business’ viability and a barrier to investment.

It is vital that an additional emphasis is put on creating a greater understanding and better communications about what potential options for connectivity through alterative technologies are available to these businesses in the short to medium term. There also remains a compelling case for these businesses to be able to access skills training in IT in order to be able to add value to both the product and the business.
But on current evidence we are not convinced that effective channels of communications exist within Government and relevant Departments that aligns the development of tourism policy with the Government’s digital strategy.

*September 2016*