FSB is the UK’s leading business organisation. It exists to protect and promote the interests of the self-employed and all those who run their own business. FSB is non-party political, and with around 200,000 members, it is also the largest organisation representing small and medium sized businesses in the UK.

Small and medium-sized businesses make up 99.9 per cent of all businesses in the UK, and make a huge contribution to the UK economy. They account for 47 per cent of private sector turnover and employ 60 per cent of the private sector workforce.

Many of our members are based in the tourism sector, or are based in rural communities. Increasingly, we see agricultural businesses diversifying their business activity to attract new revenue, either from marketing themselves as a tourism business, or through providing accommodation services.

Many of the challenges small businesses face nationwide can be more challenging or complex for businesses in rural communities. This is particularly true when it comes to physical and digital infrastructure, but there are a range of other challenges business owners face. This inquiry is welcomed for seeking to better understand some of these challenges.

We trust that you will find our comments helpful and that they will be taken into consideration.

It is clear that the tourism sector is an important generator of growth and jobs across the UK, and this is particularly apparent in rural communities. Spending by both domestic and foreign tourists serves to support many businesses and sustain local economies.

Nearly 8 per cent (7.9%) of FSB members are based in the accommodation and food service sector. In addition, almost one third of our members are based in rural communities (32.9%).

FSB has identified a series of steps which different stakeholders should take to help grow this important sector of the economy. In summary, these are as follows:

- Use the opportunity of creating combined authorities to create an integrated approach to marketing destinations across an entire region rather than just focusing on promoting urban attractions.
- Unify the multi-agency inspection regime to minimize disruption to tourism businesses.
- Combined authorities should better co-ordinate public transport, and improve access from cities to rural areas.
- Government should deliver the Universal Service Obligation (USO) in the Digital Economy Bill, and ensure that businesses are able to take advantage of this to improve their digital connectivity.

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1 FSB membership data
DEFRA should increase participation in bodies like the Tourism Industry Council and inter-ministerial group to make sure that central government is coordinated and focused on the needs of rural tourism businesses.

The result of the EU referendum will also have an impact on the tourism sector across a number of different issues addressed in this inquiry.

- **Simple access to European markets**: Attracting foreign tourists will be a key revenue source for many tourism businesses. The implications of making it harder for tourists to visit the UK on the tourism sector will need to be assessed and taken into account when looking at domestic policy interventions to support both tourism and the small business sector.

- **Simple access to skills and labour**: A significant number of tourism businesses rely on low skilled migrant workers, and may struggle to staff their businesses without this workforce.

- **Reassurance on the future of EU funding schemes**: Many tourism businesses will have benefited from support from EU funding streams dedicated towards assisting rural communities. While it is positive to see that funding commitments until the Autumn Statement will be honoured, longer term certainty on future funding commitments until we leave the EU is needed.

**Marketing: How well do agencies promote rural destinations across England? What more should the Government do to support this work?**

Marketing rural destinations to both domestic and foreign visitors is important in raising the profile of these areas as potential destinations for visitors. Whereas cities will often have a reputation which can attract visitors independently, the rural areas surrounding cities may often not have the same recognition from tourists to provide sufficient impetus to plan a visit. National parks often attract a significant amount of marketing attention, which can have the effect of leaving rural businesses outside of national parks further excluded.

The main concern which FSB members identified in this area relates to the often piecemeal approach taken to marketing by different agencies. We feel that there is scope to improve the integration of marketing different attractions to create a clear offer to tourists to visit an area.

Business owners raised concerns that city councils often target marketing destinations and attractions within the city, without considering the value which promoting other destinations in the surrounding rural area could deliver. Creating a unified offer for a region could attract visitors to stay for longer in an area, rather than simply visiting the city and then moving onto a different destination.

The creation of combined authorities as an administrative body could help in this regard as they would be better incentivised to promote all destinations within a region, rather than attractions within specific cities. New combined authorities should be supported and encouraged to take advantage of this opportunity as they start their operations.

**Access: What, if any, changes are needed to give people better access to the coast and countryside?**

As discussed below, transport connectivity is often poor in rural communities, making it difficult for both employees of tourism businesses, and potential visitors to access different destinations and attractions.
Planning and regulation: What, if any, changes are needed to planning and other regulations covering rural areas of special character, such as National Parks, to encourage sustainable tourism?

Small businesses in several different sectors - including tourism – have reported that one of the biggest frustrations caused by regulation has been multiple inspections by different regulatory bodies. Each visit necessitates separate preparation and paperwork, taking up a significant amount of time for business owners. FSB has proposed in the past that a single inspections regime is created, with different regulatory bodies coordinating visits within a single day. This would maintain necessary standards, but would free up time for business owners to focus on serving customers and growing their business.

The planning regime also needs to be flexible enough to allow for sustainable development, while recognising the importance of preserving national parks and other areas where the main attraction is their undeveloped nature.

Infrastructure and skills: What measures are needed to ensure transport, housing and other infrastructure meets visitor needs? How can the sector ensure there are enough people with the right skills to support customers and businesses?

It is clear that both poor digital and physical infrastructure in rural areas pose challenges to rural tourism businesses. Poor transport connectivity can make it difficult for tourists to access destinations and accommodation – and may cause tourists to avoid rural areas on the basis it is too difficult or time consuming to travel there.

Younger workers will often rely on public transport to access employment, meaning that businesses in rural areas may find it difficult to recruit or retain suitable staff if transport connectivity is poor.

Poor fixed and mobile digital connectivity causes challenges for many businesses, who can struggle to market themselves effectively, or to interact with customers and suppliers if they are not reliably able to access the internet.

Poor digital connectivity may also make visiting rural tourism businesses less attractive to consumers. As the importance of online access grows across the general population, consumers will increasingly expect ubiquitous coverage and will be less willing to accept a lack of access to the internet. If rural tourism businesses are not able to meet these consumer expectations, they will struggle to attract visitors, and customers will receive a lower quality of service than they would otherwise expect.

Transport

FSB carried out a survey of our members in 2015 which investigated the impact that poor rural transport can have on businesses. The main findings of this research can be found here. One focus of our report was on the effect on tourism businesses owing to a poor road and public transport network.

Small businesses in the tourism sector reported different challenges compared to the wider small business sector, primarily by being far more likely to view poor public transport connectivity as

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holding the development of their business back.

29 per cent of businesses in the tourism sector cited low density of public transport as a key difficulty for their business, and 27 per cent said the low frequency of public transport caused problems for their business. This compares to 12 per cent and nine per cent respectively for rural small businesses across all other sectors. While the numbers reporting poor transport connectivity as being a barrier to the success of their business are not especially high, it is clear that businesses in the tourism sector are more likely to find this an issue compared to other businesses.

Tourism businesses were also more likely to identify an issue with customers being unable to access their business, with 15 per cent making this claim compared to just five per cent of non-tourism sector small businesses.

Businesses in the tourism industry need a steady stream of new and returning visitors to maintain their financial viability. Without suitable transport connections, fewer tourists are likely to be able to make the effort to visit these communities. This means revenue generated from tourists is likely to be disproportionately concentrated in major cities rather than benefiting all of the country.

Beyond these challenges, workers in the tourism sector are often likely to be both younger and lower paid, representing the two groups most likely to use buses and public transport to access employment. Tourism businesses therefore are also likely to suffer detriment if they are unable to recruit or retain employees owning to poor transport connectivity.

Poor public transport connectivity will have a disproportionate impact on employees in the tourism sector as they will often work shifts which are at different times to the bulk of the working population. This means that they will be less likely to have public transport options available to them at the times they are either looking to travel to or from their place of employment. This could again make it more difficult for tourism businesses to recruit and retain staff.

The creation of combined authorities again offers an opportunity for local government to better coordinate transport within a region, and improve connectivity within rural areas. Of equal importance would be improving the connections from cities into the rural hinterlands – offering employees and tourists alike easier access to rural destinations.

Multi-operator ticketing – enabling passengers to use a single ticket across different operators and administrative boundaries - could also help tourists through reducing the difficulty they may otherwise face in travelling between different destinations across different administrative boundaries, or in leaving towns and cities to visit rural communities. This of course does presuppose that public transport routes are already in existence.

Digital connectivity

The existence of a digital divide between urban and rural communities is well established. Rural communities are significantly less likely to have access to fibre connectivity – and mobile coverage is also much poorer. Ofcom has also reported that small businesses are also less likely to have access to superfast broadband compared to the residential market.

Poor digital connectivity hinders the ability of businesses in all sectors to grow and innovate. As consumer demand for digital connectivity increases, businesses in the tourism sector will find it particularly important to improve the quality of their digital connectivity in order to meet consumer expectations.
We recognise that improvements to both fixed and mobile coverage have been delivered through both public and private sector investment, and that there are a series of reforms in the Digital Economy Bill which could help improve digital connectivity across rural Britain.

The Universal Service Obligation, which will create a right to request download speeds of 10Mbps will help to improve connectivity for residential and business properties with poor connections. The Government does however need to ensure that small business premises are able to benefit from the USO.

Reforms to the Electronic Communications Code (ECC) and the planning regime, which are both currently part of the Digital Economy Bill, will help mobile operators to deploy new mast infrastructure in rural areas. This will help improve geographic mobile coverage across the country. We continue to support the inclusion of these separate reforms with the Digital Economy Bill.

**Defra role: What more should the Department for Environment, Food and Rural Affairs do to ensure government departments (including Departments for Communities and Local Government, Business, Innovation and Skills, Culture Media and Sport and HM Treasury) support rural tourism?**

Central Government coordination is required across a number of different departments to deliver the reforms needed to help rural tourism businesses thrive. While DCMS are the lead department for tourism policy, DEFRA have a role in ensuring that rural tourism is given sufficient attention by the Government.

The creation of a Tourism Council, and the inter-ministerial group for tourism are both welcome developments, and DEFRA ministers should actively participate in both forums to make sure that their policies are geared towards helping this sector.

*September 2016*