Written evidence submitted by the British Hospitality Association (RUT0291)

1. This submission is made on behalf of the British Hospitality Association (BHA), a representative body for the UK hospitality and tourism industry comprising of some 45,000 member-businesses, including hotels, serviced apartments, private rental scheme, private members’ clubs, self-catering accommodation, restaurants, food service management companies, attractions, sport stadiums, and other leisure outlets located in urban, coastal and rural areas all across the UK.

2. The BHA welcomes this inquiry and the opportunity to input on behalf of an industry that makes a substantial economic and social contribution to rural areas of England, and to offer recommendations to help unlock the full potential of our rural hospitality and tourism.

Summary of main recommendations

3. Summary

- **Fiscal policies:** a progressive tax environment that would support UK hospitality and tourism. The single most important reform would be to cut the level of VAT on accommodation and attractions to 5 per cent;

- **Marketing:** clearer structure and greater co-operation between local and devolved LEPs to put the Visitor Economy at the heart of their strategy;

- **Infrastructure:** continued government commitment to investment into broadband and infrastructure delivery;

- **Funding:** creation of Enterprise Zones to incentivise investment through a mix of time-limited tax exemptions and investment incentives for hospitality, tourism and other businesses;

- **Skills:** government must ensure that the growth requirements of the hospitality and tourism industry are represented when it comes to negotiations on departure from the European Union.

- **GREAT British Food:** we advise greater coordination across government, in particular DCMS and DEFRA, to ensure that the Great British Food campaign is at the heart of a government strategy on rural tourism. Also, we ask for the Great British Food campaigning to be extended beyond food products to hospitality and food service. As referenced by the government in their recent Rural Tourism and Local Food and Drink report, Food and Drink play a key role in the rural tourism sector and in the contribution it makes to the rural economy.

Overview – Economic contribution of hospitality and tourism to the United Kingdom

4. For the purpose of this submission, hospitality and tourism is viewed as one united industry with two distinct, yet crucially inseparable sectors, and, unless otherwise stated, all numbers provided cover both.

5. According to Oxford Economics research commissioned by the British Hospitality Association, the industry employs 4.49m people (14 per cent of total workforce) directly and contributes £143bn, or 10 per cent of, GVA in the UK. For every 10 jobs created in hospitality, a further 6 are created in the supply sector1. Hospitality’s share of regional employment

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ranges from 7 per cent in NI to 10 per cent in the South West of England. In every region of the UK, hospitality is ranked between the 4th and 6th largest employer.

6. Hospitality and tourism continues to grow year-on-year in terms of its economic and employment contribution:
- 17 per cent of all net jobs were created by hospitality businesses in the period from 2010-14;
- 6 per cent increase in overseas visitors to the UK in 2015;
- International tourism receipts up by 5.2 per cent (increase in local currency);
- Nevertheless, evidence points to significant untapped potential for British tourism.

7. The World Economic Forum Travel and Tourism Competitiveness Monitor tracks the competitive position of 141 countries around the globe, and in 2015 they positioned UK 63rd in terms of government policy and enabling conditions for business, 35th in terms of government prioritisation of the industry and 140th in terms of price competitiveness. In 17 of the UK’s top 20 source markets, the UK’s share of inbound tourism has declined over the last 5 years. The UK has fallen to 8th position in terms of international tourism arrivals (6th in 2012), while its European ‘rivals’ France, Spain, Italy and Germany are all ahead of the UK. Additionally, domestic tourism is also declining (in terms of number of trips).

Supply of tourist accommodation in rural areas

8. According to Eurostat (2013), the UK has the second largest number of accommodation establishments in the EU, comprising of some 4m beds, of which just 775k are in rural areas, 1.5m are in towns and suburbs and 1.6m are in cities. This compares poorly with the UK’s international competition, with, for example France, Italy, Spain, and Germany have 2.8m (+361%), 2.1m (+270%), 1.4m (+180%), and 1.5m (+193%) beds respectively in rural areas alone (Eurostat, 2013). Even though the arguably greater level of urbanisation and dominance of London should be taken into account, the size of the UK rural hospitality and tourism industry is lagging far behind its European competitors.

Domestic demand

9. Mintel (2015) report that 4 in 5 UK consumers take a holiday at least once per year, with almost 6 in 10 being a domestic break; however, the same research suggests that the number of domestic holidays has fallen by 7 per cent in the last 5 years (from its peak in 2009). The length of stay has also fallen considerably. In England, countryside and seaside remain the most popular destination types by GB residents accounting for 51.5 per cent of all trips. Notwithstanding the fact that devaluation of sterling should stimulate demand, helping to improve domestic and international arrivals and spend, UK export industries cannot rely on fluctuating currency as a long-term strategy. Whilst it is true that sterling’s depreciation should help the tourism sector, it should be noted that most people had already made plans their holiday plans for 2016 by the time the value of the pound fell in late June. There will be

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little or no benefit in 2016. Any benefit in 2017 and the years after have to put alongside the real concerns that are development about the UK economy.

**Overseas demand**

10. As for inbound tourism, according to the Anholt GfK Nations Brand Index (2015) the UK ranks as the 3\(^{rd}\) best-recognised ‘nation brand’. According to this research, Britain’s strongest tourism dimension is ‘vibrant city life and urban attractions’ rather than ‘rich in natural beauty’, where Britain is ranked 18\(^{th}\) of 50. This is despite the World Economic Forum placing the United Kingdom 9\(^{th}\) (out of 141 countries) in terms of ‘natural resources’, with only one other European country ahead.

Indeed, knowledge of Britain outside London remains poor in comparison to other destinations. For example, according to VisitBritain (2013)\(^7\), people are at least twice as likely to know about Italian countryside and cultural sites outside of Rome comparing to the British equivalent, with more than a quarter of international travellers think that there are more ‘exciting places to visit elsewhere in Europe’ and 22 per cent ‘wouldn’t know what to do’ should they decide to travel outside of London as part of their UK trip.

**Marketing**

11. When the Regional Development Agencies were abolished in 2011, the Regional Tourist Boards also stopped operating; the Local Enterprise Partnerships which replaced them provide a mixed performance in terms of prioritising rural tourism. Overall – with notable exceptions – too few LEPs have put the Visitor Economy at the heart of their strategy. Added to this is the government’s recent decision that there is no case for government intervention in the domestic tourism economy and that all international tourism marketing should be within the remit of VisitBritain. As a result, VisitEngland has been dissolved. Funding by Local Authorities for Tourism has been drastically cut and in many cases removed altogether as Councils focus on their statutory duties. Added to this, the sheer number of Destination Management Organisations (over 200) has stretched resources and, consequentially, it has become much more challenging to deliver strategies that work for rural tourism as a whole.

12. Taking into account points raised in Paragraph 10, there needs to be a better and clearer structure and co-operation between local and national agencies – starting with LEPs recognising the value of tourism and putting the visitor economy at the heart of their work.

A member, operating two rural hotels, comments: “I think that the rural areas that our outside of the blue-chip locations such as the Cotswolds, Cornwall, Yorkshire Dales and Lake District are poorly marketed both on a national and international level. For example, there is a large proportion of the UK population who have not heard of our area, Teesdale/Durham Dales, let alone from an international point of view”.

**Transport**

13. The BHA and its members have been campaigning to ensure further investment into transport infrastructure and we welcome the GREAT Rail offer as well as the further investment into British roads announced in the Tourism Action Plan, August 2016\(^8\) by the

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\(^7\) https://d1myqg1v1ynzrd.cloudfront.net/sites/default/files/vb-corporate/markets/2013-7%20%E2%80%98Beyond%20London%E2%80%99%20Research_6.pdf

Prime Minister. Access to coastal and rural areas is often much more challenging than visiting major urban destinations. A transport strategy that recognises the importance of affordable reliable and well-connected public transport routes to these destinations is key to supporting local rural tourism.

14. One particular problem for many rural hotels is regulations governing transport of guests to or from other transport nodes. While it is possible to provide transport for a guest on an occasional or irregular basis, anyone who provides an “on-demand” passenger transport service requires either a Taxi or Private Hire Licence. Accommodation providers, especially those in rural and seaside locations are prevented from picking-up or dropping-off guests at local train stations or walking routes unless they have a Taxi or Private Hire licence. As gaining such a licence is expensive and time consuming very few accommodation businesses are able to provide this service for customers. This, in turn, is a significant deterrent for guests using public transport to visit rural destinations. We welcome the government announcement to seek to deregulate the element of Private Hire Vehicle licences and will continue advising the government on how best simplify this cumbersome area.

**Competitiveness and Taxation**

15. The United Kingdom has a punitive tourism VAT rate twice the European average, which hinders exports, and robs HM Treasury from extra revenue. On this point the British Hospitality Association would like to refer the Committee to evidence submitted to the Culture Media and Sport Committee Inquiry into Tourism by the Cut Tourism VAT Campaign in October 2014.9

16. The government must develop a competitive and progressive tax environment that would allow businesses from all across the country including rural areas to re-invest in their enterprises. The single most effective reform would be to cut the currently uncompetitive levels of VAT in line with our European competition.

**Investment**

17. The creation of Tourism Enterprise Zones would encourage new investment and help raise the quality of destinations in need of support, specific areas should be designated as qualifying for investment and Business Rates relief and a fast track route for planning applications.

**Broadband**

18. According to Google (2014)10, some 65 per cent of US travellers (leisure only) begin researching online before they making a decision where and how to travel; and for as many as 74 per cent Internet remains the main travel planning source. The same survey suggests that 56 per cent of people are inspired by internet to visit a destination, with social networking, video and photo sites being the top online source of inspiration (83 per cent of respondents). Both Smaller markets as well as major destinations are also highly dependent on the digital promotion through platform such as peer-review websites. As indeed, an independent research by Oxford Economics (2016)11 found out that TripAdvisor alone

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11 [https://d2bxpc4ajzxy0.cloudfront.net/TripAdvisorInsights/sites/default/files/downloads/2687/taoxford_tripadvisor_globalreport_2016_0.pdf](https://d2bxpc4ajzxy0.cloudfront.net/TripAdvisorInsights/sites/default/files/downloads/2687/taoxford_tripadvisor_globalreport_2016_0.pdf)
influenced some 350m trips in 2014 and 400k UK trips would not have happened without TripAdvisor. Promotion of tourism through such platforms cannot be underestimated.

19. TripAdvisor boast of over 350m individual visitors each month\(^{12}\), with the United Kingdom – behind the USA and Italy – in the list of the top ten countries researched by TripAdvisor users. This number of visitors far exceeds the number of hits to the VisitBritain site.

20. Sufficient broadband infrastructure remains fundamental in making a destination accessible (brand awareness, booking process, etc.), as well as providing the expected level of service. At the same time, Ofcom reports that some 8 per cent of premises (including households and businesses) have no access to decent broadband; and, only 36 per cent of small businesses (many of which are based in rural areas) are aware that super-fast broadband is available in their area\(^{13}\). As for mobile data, only 31 per cent of people may expect an all-network coverage (in rural areas; including 2G and 4G) indoors\(^{14}\).

21. It is essential for tourism businesses to have access to ultrafast business broadband and we welcome the announcement of £14.5m in grants to extend ultrafast broadband coverage to the South West, and government’s commitment to ensure 95 per cent of homes and businesses in the UK can access ultrafast broadband and we look forward to supporting concrete plans to achieve full coverage. Furthermore, we would like to see a programme to improve overall skills level of businesses to ensure that SMEs all across the country – especially in rural communities – can take full advantage of the Internet in generating tourism, communicating to their guests and providing the world beating service.

### Skills

22. Coastal tourism alone supports more jobs than the steel, pharmaceutical and aerospace industries combined, and it is often the cornerstone of local economies in these regions. As mentioned above, the sector commands the fourth largest workforce, with rural and coastal areas heavily reliant on the industry to provide employment – with, for example, constituencies such as Eden in the North West, West Somerset in the South West, or Forest Heath in East Anglia where hospitality alone accounts for 17, 22 and 16 per cent of total jobs respectively\(^{15}\). Furthermore, for each 10 jobs created in hospitality, 6 are created in the wider economy (with Top 3 industries benefiting the most from indirect employment being manufacturing of food products, crop and animal production and hunting, and manufacturing of beverages, etc. so closely associated with rural economy). However, issues such as shortage of skills (chefs of all cuisines in particular), for example, present a concern for the industry.

23. A BHA member comments: “The single biggest challenge that we face as a rural hospitality business is the availability of suitably skilled people. Chefs in particular are in serious shortage in the industry and the food offering for tourism businesses is often critical to the businesses success. If there was one factor that would lead me to leave the hotel/hospitality business it would be the difficulty in recruiting. I know numerous rural businesses with a food offering who have the same problem as we do. It is also a concern that some politicians want to ban zero hour contracts as the majority of rural tourism related

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\(^{12}\) [https://www.tripadvisor.co.uk/PressCenter-c0-Fact_Sheet.html](https://www.tripadvisor.co.uk/PressCenter-c0-Fact_Sheet.html)


\(^{15}\) [http://www.bha.org.uk/uk-map-hospitality-industry-economic-contributions/?l=newark+and+sherwood](http://www.bha.org.uk/uk-map-hospitality-industry-economic-contributions/?l=newark+and+sherwood)
businesses have significant peaks and troughs in demand and as such could not possibly commit to giving all staff permanent contracts of employment with guaranteed hours.”

24. We strongly support the new government’s drive to create 3 million apprenticeships in the next 5 years and, as an Association, pledge to do all we can to support this aim. Hospitality and tourism businesses, particularly those operating in rural and coastal destinations, are affected by seasonality. This in turn affects their ability to be able to commit to the full apprenticeship framework. Apprenticeship Training Academies (ATA) could allow these businesses to overcome the full framework commitment. An ATA for Hospitality and Tourism could also help ease the burden, particularly for SMEs operating beyond major cities, to source, arrange and host apprentices.

25. The seasonal nature of tourism may act as a barrier for smaller and rural businesses when taking on apprentices. Following calls from the Tourism Council (on which the BHA are represented), the industry salutes the creation of a new (pilot) apprenticeship scheme that recognises the issue and enables apprentices to complete their training over 16-18 months, instead of 12, with a break in the middle.

25. The industry also relies on sourcing the talent from outside of the national borders, from the European Union and beyond. The forthcoming negotiations on the United Kingdom’s departure from the EU will have a huge impact on the continued success of the hospitality and tourism industry. Government must ensure that the growth requirements of the hospitality and tourism industry are represented when it comes to negotiations on departure from the European Union. To put it bluntly, we cannot do without immigration to fill all jobs even with increased training and apprenticeships for British born workers.

Food

26. We advise greater coordination across government, in particular DCMS and DEFRA, to ensure that the Great British Food campaign is at the heart of a government strategy on rural tourism. Also, we ask for the Great British Food campaigning to be extended beyond food products to hospitality and food service. As referenced by the government in their recent Rural Tourism and Local Food and Drink report, Food and Drink play a key role in the rural tourism sector and in the contribution it makes to the rural economy.

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