

Culture, Media and Sport Committee

Oral evidence: Promoting Britain abroad follow-up, HC 158

Tuesday 14 November 2023

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Members present: Dame Caroline Dinenage (Chair); Kevin Brennan; Clive Efford; Julie Elliott; Damian Green; Dr Rupa Huq; Simon Jupp; Jane Stevenson; Giles Watling.

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Witnesses

[I](#): Patricia Yates, Chief Executive, VisitBritain; Kate Nicholls OBE, Chief Executive, UKHospitality; and Sarah Green, Chief Executive, NewcastleGateshead Initiative.

[II](#): Paul Barnes, Chief Executive, Association of International Retail; Hayley Beer-Gamage, Chief Executive, Experience Oxfordshire; and Paddy Gamble, Head of Insights, New West End Company.

Examination of witnesses

Witnesses: Patricia Yates, Kate Nicholls OBE and Sarah Green.

Q1 Chair: Welcome to this meeting of the Culture, Media and Sport Select Committee. Just over a year ago, the Committee published its report on promoting Britain abroad and made a series of recommendations on what more could be done to support Britain's fabulous tourist industry. We know that it was a fairly eventful time in British politics this time last year but the Government largely ignored or rejected virtually all our recommendations, even though it is clear that there is still so much more that needs to be done, which is why today we have decided to revisit this issue.

Joining us for our first panel to talk us through it are Sarah Green, the Chief Executive of NewcastleGateshead Initiative, Kate Nicholls OBE, the UKHospitality Chief Executive, and Patricia Yates, Chief Executive of VisitBritain. You are all very welcome.

Before we begin our questions, I remind the members of the Committee that you need to declare any interests at the point that you ask your questions. I will start: I have accepted hospitality from UKHospitality.

Can I start with a question for all of you, please? It has been just over a year since this Committee concluded our inquiry into tourism in Britain. I am really keen to know what the picture is like for the industry today compared with this time last year. Patricia, I will start with you.

Patricia Yates: I will focus on demand, because I am sure that Kate will do supply. On the demand side, we are forecasting £30.9 billion of revenue this year—that is up 9% on 2019—and about 37.5 million visits, which is down about 8%. People are tending to stay longer and spend more, which is the trend we want to go in.

That masks very different markets. The US market, which pre-covid was our biggest market anyway, saw amazing growth of 40% in value last year, up to about £6 billion, and we reckon that will increase to about £6.8 billion this year. The reality is that £1 in every £5 spent by visitors to the UK is spent by a visitor from the US. The UK is currently the top European destination for American visits.

If you look at China, on the other hand, which was our second most valuable market pre-2019, flight bookings are still around 50% down. We know that it will be a slow build-back because approved destination status was slower in coming back, and we think that when it comes back, it be with a roar. We are looking at 2025 for China again being our second most valuable market. For the first six months of this year, France looked really good as well, 35% up in value.

Looking at the spread of the recovery, in the first six months of this year London was up about 11% on value, England without London up about 13%, regions like the north-east up 19%, Yorkshire up 61%—I am not quite sure what they are doing—Scotland up 57% and Wales up only 1%, so there is a difference across the nations and regions as well.



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On our campaigns, we are focusing on where we drive value back most quickly. We are switching out some of the European markets and going to Australia for the rest of this year because we think that looks like a good market that is coming back. That means that we will be in France, Germany, GCC and Australia.

That all looks very positive until you put it in a competitive situation. If you compare our re-growth with that of other nations—I am very happy to send the Committee our chart showing this because I think it is new data—we are about parallel with countries like Ireland and Italy at the moment but behind France and western Germany for the grow-back. If you roll it out for the next five years, that disparity becomes bigger. Competitively, we are not doing as well as some of our key competitor markets.

Q2 Chair: Thank you very much for putting that into context for us, Patricia. Kate, what are your views on this?

Kate Nicholls: Obviously, I am going to talk more about the hospitality side, which is 80% of our tourism revenue and value and economy in the UK. Our latest economic research shows that looking at the first half of this year and the last half of last year—the full year since the Committee’s last inquiry—we have a steady recovery in the hospitality sector more broadly in terms of value. Volume remains down and profitability remains a struggle as we come out of covid. The resilience of the sector is the bit that I will come back to and focus on as the key area of concern.

In the course of 2022, despite post-pandemic challenges stifling growth and the inflation headwinds that we were facing, we still generated 4% growth in the hospitality sector, so we got back to £139 billion of revenue, which is pre-pandemic levels. We added 350,000 jobs in that recovery period and we contributed £54 billion in tax receipts to the Treasury, £20 billion-worth of exports and £7 billion in business investment, so back to the pre-pandemic highs in what we were able to contribute. In fact, the tax contribution to the Exchequer increased. Pre-pandemic it was £1 in every £3; post-pandemic it is closer to £1 in every £2 that goes back to the Exchequer in taxes, so you have a tax take of £54 billion. That underlying positive growth, though, is not real-terms growth because of the inflation headwinds we are facing.

At the same time, we have had considerable cost-of-doing-business increases. The overall input cost price inflation that businesses are facing is around 22% over the course of last year. Energy, labour and food price inflation are all in double digits since 2022 and continue to be double digit as we go forward. The inability to pass that on in prices to consumers—the average price increase has been capped at about 10%—means that the margin of viability that businesses are facing across hospitality and tourism has been slashed by around 40%. That is why you are still seeing quite a lot of headlines about business failures coming out of covid.



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Add to that the fact that we have a sort of long economic covid hitting the sector, with high levels of covid-related debt. Hospitality is the most indebted sector of the economy, as you would expect, given that businesses had to take out high covid loans to get through two years of being closed, effectively. They are not immune to all of those interest rate payment increases that consumers are also facing.

As we come out of it, we are also seeing a continuing concern about the resilience of the sector. Q3 in particular was a very tough quarter. In what should have been a busy tourism quarter, as with the rest of the economy, we saw flatlining growth—just 0.5% growth in revenues, largely driven by price, so that is not in real terms—and in Q3 the cost of living really started to bite for the first time. We saw the frequency of visits to high street hospitality, hotels and domestic accommodation in particular down by three percentage points over the course of that quarter, for the first time showing customers being price sensitive. Eight out of 10 of customers said that price increases—those were mainly regulatory and tax increases that went through in August—were the reason why they were stopping coming out as frequently.

From a business point of view, we are therefore seeing a drop in business confidence for the remainder of the year. It was at a high of two thirds optimistic at the end of Q2; it is now back to 50% pessimistic at the end of Q3. One in five are operating at break-even and one in five are operating at a loss, and that is an increase of 11 percentage points since Q2. The businesses that are the lifeblood of our tourism infrastructure, delivering the hospitality and visitor experience, are coming under increasing pressure and many are rapidly running out of road or are unable to invest and grow. Those barriers to growth remain the most significant.

Q3 **Chair:** Thank you, Kate. Sarah, do you have anything to add to that?

Sarah Green: The numbers that Patricia gave are really useful at a UK level. There is huge variation between regions, depending on international exposure. For us, having no direct US flights, our ability to capture the US market is very limited and therefore we are seeing growth coming back at a slower rate than other parts of the country. Looking at what Scotland has done, with its fantastic numbers—it now has six direct flights out of Edinburgh to the US, which has driven its recovery. International connectivity is really important.

Q4 **Chair:** That is an interesting theme. Can you talk a bit more about what you think is needed to boost tourism, and particularly business tourism and business events, outside of London?

Sarah Green: The first thing I would say is that the international passenger survey numbers are very difficult to use for a region like the north-east. The sample sizes are so small that they are unreliable. I know that there is an ongoing project on this but we will welcome the point where we can use visa data and other forms of data, because it is very difficult at the moment for us in the north-east.



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We have a specific issue in being on the border with Scotland. There is an opportunity there if we could work more closely, but there is a structural challenge in working between the border piece and cross-promoting, particularly looking at the size of VisitScotland's budgets compared with those of the region.

We need more long-term investment. We have been delighted to have the Destination Development Partnership but it is £2.25 million over two years. While we have put in a full business event strategy, the challenge for us is that we have a conference centre under development and we could not be building it at a more difficult time, with the combination of construction costs and interest rates. To put in the critical assets that we need to develop the business events market, we need to secure that investment, which is a real challenge in the current environment.

Q5 Chair: Do either of the other panellists have any thoughts on Sarah's points about how we attract business events to other parts of the UK outside of London?

Patricia Yates: We are doing quite a lot with England in taking destinations into international markets. Some of it is just that promotion—being there, meeting buyers, meeting people who are going to place the orders.

In a competitive environment, Britain does not give huge amounts of subvention, which other countries do. We have a small pot to give small amounts to destinations that are bidding for international events and we have supported about 14 destinations. There is clearly an appetite. We see when we go to international buyers' conventions that there is an appetite for business events to come back and an appetite to come back to Britain.

It is a long-term business. If you get an event now, it might not be coming in for another four or five years. Tracking that through is quite difficult when you are trying to talk about a return on investment very quickly. I think that it is a sector that is not really as visible across Government, and I say that as a tourism person. Our focus on business events is to get events in the sectors where the Government are trying to promote British excellence—AI and medical. There should be a real join-up in there because we are trying to promote British excellence, and we have not quite got that cross-Government alignment and support.

If you look at what other countries do, Ministers pitch up at bidding sessions. Think of the success of the Olympics: who turned up to bid for our Olympics? Government support and alignment across Government are really important and money is always helpful.

Q6 Chair: Cross-Government support is something that we as a Committee are very much picking up on. Kate, do you think the Government's aim of restoring inbound tourism to 2019 levels shows anything like the sort of ambition that you would like?



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Kate Nicholls: Personally, I would like to see them have an ambition to get beyond it, but the ambition of restoring it to 2019 levels was in the context of a three-year recovery strategy. I think we do need to have much more work done to get us to 2019 levels. I would like to see it in terms of volume as well as value, because the two are not disconnected, but I would like to see an ambition to have more. I would also like to see an ambition to retain more of our domestic spend, with more UK customers coming in and exploring the rest of the UK and having their domestic holidays—I don't like the term "staycation". I would like to see people taking city breaks in the great cities and coastal regions around the UK.

The Government do not pay any attention to that—they do not really focus on that at all—but that is a balance of trade deficit that we could do with blocking. If we can grow international and get more international visitors and go beyond 2019—as Patricia said, it will take money and resources to do the marketing and promotion—but also encourage more domestic holidays, we can have a better, stronger, more robust domestic market.

Q7 Chair: We managed to capitalise on the domestic holiday thing during the pandemic. Do any of you have any thoughts on how we could continue to harness that? What were the learnings from the pandemic? Obviously we do not want to shut the borders and stop any international flights—that would be a little bit extreme—but more broadly, were there any learnings from domestic tourism during the pandemic that we could move forward with?

Patricia Yates: Like international, it is a competitive environment. People can stay here or they can go abroad. You need to compete for domestic visitors as you compete for international visitors. Scotland and Wales have domestic budgets. England does not have a domestic budget to promote England, and England is probably the nation that has the least recognition in international markets. London is such a draw but getting visitors to some of the lesser-known places would obviously help businesses and sustain them through the winter period. If you are looking at levelling up, your first audience is your domestic market; it is not necessarily the international market. I think we miss a trick when we do not put the domestic into that competitive environment.

Q8 Chair: In a word, Patricia, before we move in, do you think that the Government's aim of restoring to 2019 levels is ambitious enough?

Patricia Yates: When they started, it looked like a challenge but we will meet it. We are already talking about next year being about growth. Given the environment of the economic climate we are in, tourism can show growth and can do so quickly with the right support. I think it should be more ambitious.

Q9 Chair: Kate, did you have something to add?

Kate Nicholls: Whether it is this or it is business tourism and business events, we just need to be smarter at working across Government and



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working at a local level so that we have destination marketing organisations that are not competing against each other but working harder to get more people to stay in the UK, to holiday and have their domestic breaks here and to be able to attract international tourists and business tourists too. Then you can get a positive virtuous circle.

We have talked about spreading it around the UK but we did not do very much even to attract our domestic customers to have a city break in London. When we put dedicated resources into a "Let's do London" campaign, we got a 60% occupancy rate in the year immediately post-covid when we first reopened and we got a £32 return on every £1 invested in that direct marketing spend. It is now at a £52 return for every £1 invested in short-haul city breaks from our international customers. Marketing and promotional activity works. If we are smarter and work harder, we can get that positive boost for all the regions of the UK.

Sarah Green: Working across DCMS, we have seen real success from the creative industries—from television screen work that has been done. Small programmes without huge budgets like "Robson Green's Weekend Escapes" and "Matt Baker: Travels with Mum & Dad", which was on at Bamburgh Castle and Alnwick Castle last night, really encourage people to make a visit to see parts of England that they perhaps would not have seen.

There are things that the Government could do. Look at the Capital of Culture and how many people visit. Giving people a reason to go places is really important. People often have the intention but making it urgent and answering the question, "Why go now?" with an event or something that makes people want to go immediately gets the booking, which makes a huge difference to regions like mine when we know that 57% of people internationally do not have any view on parts of the UK outside London.

Patricia Yates: Can I come back on film tourism? We absolutely agree that it is a great driver for Britain and for the regions and nations of Britain. Our next campaign, on which we are just working up the creative with GREAT now, will be around film and TV. We will be launching it when we have the creative nailed down, so early next year.

Chair: You heard it here first. Thank you very much.

Q10 **Jane Stevenson:** I will declare that I am a PPS in the Department for Business and Trade.

We had the State Opening of Parliament last week ahead of His Majesty's 75th birthday today. Do you have any detail about the effect of that pageantry that our country does so well? How much did major events such as the platinum jubilee and the coronation fuel our tourism?

Patricia Yates: If you talk about why the American market is doing so well, it is history and heritage, and that common history, that tends to drive American visitors. There is a trap for us there because if you are



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seen as a heritage destination, people could go there in 10 years and it would be the same. The run of events that we have had, with things like the coronation, helps to refresh and tell a story of immediacy, and you can see museums putting on exhibitions that tell that story. It did have an impact in international markets.

We had a great May with not just the coronation but Eurovision, and international visitor spend was up about 13% that month. Liverpool has done some great evaluation of Eurovision, and if you look at the economic case alone, it boosted the Liverpool city region by £54.8 million; 473,000 people attended Eurovision and 306,000 headed to Liverpool to be part of it. In May, 75,000 city centre hotel rooms were sold, so their best year for some time.

Yes, those events do well. We do them well and they make a difference in international markets.

Kate Nicholls: It is the legacy effect as well. Immediately after you have had a major event like that, you see a spike in searches and an interest in booking flights and holidays and exploring. You tend to see a 10-month halo effect.

The only thing I would say is that, for those major events, we all would have been able to sell more rooms, more spaces in hotels, more restaurant bookings and more trips to the pub—people do value coming out and socialising like a local; they tell us that increasingly—had we not had some labour shortages constraining demand. We could undoubtedly do more if we could get the conditions right for growth to unleash that.

Q11 **Jane Stevenson:** Do you think the focus on London is part of the issue? Is too much of the benefit felt in one place in the UK?

Kate Nicholls: No, I think we are working harder and smarter to push the benefit out and get people to explore London, but London is undoubtedly the international gateway, with 70% of visitors coming through London. We have the biggest international travel hub. We have to make a virtue of that and then focus on getting people out and about into the regions, making sure that the transport network works, that you can get up and down the country by rail, that people have access to tickets and understand how to get about, and then tackle the last 10 miles, 5 miles or 1 mile to get to the visitor attractions, which often holds us back.

Sarah Green: It is a challenge for us as a region that we are so London-centric. Compare us with other European countries. In France, Paris has only 34% of stays. In Germany, Berlin has only 14% of stays. Rome has only 9%. It is a challenge to tell the story of the regions alongside the London story. London is undoubtedly a success. I would argue that there is no market failure there. Therefore, if there is funding and support coming from Government, I think it should be put into the regions collectively where there is undoubtedly market failure.

Q12 **Jane Stevenson:** We have some sporting events, including the Euros in



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2028. The venues for that spread into Ireland. Do you feel that will help redress some of the balance?

Sarah Green: We are incredibly excited about hosting in Newcastle. We will make sure that it is a whole regional thing and that we spread the benefit, dispersing visitors around the region and area, because the issues we are talking about are true within the region as well. We have hotspots within the region next to areas and towns with very little tourism capacity. It is really important that everybody benefits from these large events.

Q13 **Jane Stevenson:** Are you already making plans?

Sarah Green: We have already started the plans, yes, absolutely. It is also the centenary of the Tyne bridge, so it will be a very big year for us.

Q14 **Jane Stevenson:** Fantastic. France recovered better and more quickly post-pandemic than we did. Next year, France has the Olympics. What are we doing to try to attract people to make the hop over from France to the UK while they are there?

Patricia Yates: The good thing, and the reality we learn from talking to tour operators who are contracting hotels, is that they tend to avoid countries that are Olympic hosts because, at this stage, all the hotels are putting their prices up, thinking that they will get a dividend. If we remember London, we know that does not necessarily happen. For the people who are contracting now, it looks like a very attractive option to come and stay in Britain and get an easy hop over to France to see some of the Olympic events. We are very much talking about that in our missions and there is a real energy and enthusiasm for tour operators who want to play it like that at the moment.

Kate Nicholls: I do not have much to add to what Patricia just said, so I will leave it there. Operators have been building on what happened in the Rugby World Cup and exploiting that dual-city visit for international marketing. We are working with Patricia and the GREAT campaign to make sure we have that communication about it.

Q15 **Jane Stevenson:** What feedback are you getting from tour operators? Does it seem a popular option? When the Committee visited Korea, we saw dual-destination holidays, and we thought that, because of tax and various other things, we were missing a trick with that competitiveness.

Patricia Yates: It is always quite difficult to do dual campaigns because we are part of the GREAT campaign, which has a Union Jack on it. But yes, we have started talks with some of the European transport operators—you can guess—about how we might work together and promote those routes.

Kate Nicholls: Can I pick up on the point you made about when you went to Korea and there were discussions about tax? We are the least competitive destination in the world at the moment. I think we have dropped to the bottom of the rankings. We were 138th and we are now 140th. The tax on the tourism services we provide to our customers



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means that we are one of the most expensive destinations. For tour operators who are putting together multi-destination tours within Europe or other parts of the world, the challenge is whether we can get people to stay more nights in the UK and spend more money around the UK rather than just limiting it to a short stop. They will not miss out the UK, but the challenge is whether they will spend three, five or seven days out of a European tour. We want them to spend more time and more money here and get to the regions.

Q16 Jane Stevenson: Absolutely. Sarah, do you think your region can benefit from the Olympics at all? Are you thinking, "We can piggyback"?

Sarah Green: We will promote it in the pubs and people will be out and about and we will make the most of it. Whether we get more international travel as a consequence—I think that is remote, but we will create buzz around it that will maximise hospitality. As we look forward to 2028 and as part of those discussions—we have talked a lot about airports. One of the unique things about the north-east is that we have a direct ferry route into Amsterdam, into mainland Europe, and we are very keen to keep and promote that but also to build upon it and bring the Nordics ferry back and to have more ferry connectivity generally. That would benefit both trade—looking at our work in offshore wind—and passengers.

Q17 Jane Stevenson: Finally, we heard that Scotland was doing really well. Do you get any benefit from events like the Edinburgh festival?

Sarah Green: Not enough. That is where cross-promotion comes in. If we could get 1% of people who were going up to the Edinburgh festival even to stop in the north-east, it would be massively beneficial for us. In Scotland, they are putting marketing budget—because they have a domestic budget—into bringing people off the DFDS ferry into Scotland. We cannot reciprocate in the same way and either bring people out of Edinburgh airport into Newcastle or promote what we are doing up there in the same way.

Jane Stevenson: Marketing matters.

Sarah Green: It does.

Q18 Damian Green: This question is mostly for Patricia. Looking at overseas markets, if we aggregated the Gulf states, they would be the second biggest inward market for us after America. In 2022, according to your own international passenger survey, there was a 35% decrease in the number of visits by people from the Gulf states and a 27% decrease in the amount they spent here. What do you put that down to and what are you doing about it?

Patricia Yates: The Gulf tends to be very London-centric. In part, that is because of the product they want. They want a five-star product and a concierge product, and London delivers that probably better than other regions of the UK. We are shifting some of our marketing spend into the GCC to drive that market. GREAT is planning on a Saudi festival in early



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March to promote Britain and the nations and regions of Britain to Government and trade and industry buyers, and to be a showcase for Britain. That should be spectacular and huge, and there is the day job working to get more businesses experiencing regional Britain.

- Q19 **Damian Green:** In the second half of this session, we will be concentrating a lot on tax-free shopping. Is that a big issue for visitors from the Gulf?

Patricia Yates: I would put it in the competitive bucket. If you are coming from China or the UAE, where shopping is an important consideration, you can go to France on a Schengen visa, which is cheaper than a British visa, and get tax-free shopping.

We were asked by DCMS to do some research on attitudinal changes about the VAT retail export scheme and 39% of non-European international travellers—we looked at the US and the UAE—said they would either reduce their spend or turn away from Britain as a travel destination. We are also missing the fact that we could offer it to Europeans; 42% of Europeans said they would be more likely to choose Britain if such a scheme was available to them.

I know that you will get lots of data in the next session about the competitive impact, but shopping is a major draw for Chinese travellers and we are competing with our European neighbours to get the Chinese back to be our second most valuable market.

- Q20 **Damian Green:** Does the same apply to the Gulf?

Patricia Yates: Yes, it does.

- Q21 **Damian Green:** So rich long-distance travellers—well, roughly 40% of them—regard shopping—

Patricia Yates: Yes, and we have a great story. We want people to buy British brands while they are in Britain. This is not just the retail shops in Bond Street. This is about industries and the supply chain right across the UK. I think sometimes that is forgotten and it is seen as a tax break for wealthy people. It is not; it is about the supply chain right across Britain.

- Q22 **Damian Green:** Your research is just attitudinal; you do not have—

Patricia Yates: Our research is attitudinal.

- Q23 **Damian Green:** I suppose I should declare a constituency interest: I have a McArthurGlen shopping outlet in my constituency and international shopping has traditionally been very important there, so I have been lobbying the Treasury. Basically, it comes down to the fact that they say it costs the Exchequer £2 billion and others say, "No, it doesn't. That's completely wrong." You have not done that research; you have just done attitudinal research.

Patricia Yates: We have done attitudinal research. The data that the Association of International Retail has is so good that we are looking at building on that.



Sarah Green: Can I pick up quickly on the Gulf? There is a specific opportunity with the football club Newcastle United and its ownership. It would be brilliant if we could work more to twin regions with growing markets. While we undoubtedly have a huge amount of work to do in product development in the luxury market, we have learned so much by bringing influencers over with the support of VisitBritain, doing familiarisation trips, and through a Global Gateway-funded project. We saw searches rise 112% last year during the campaign period while they only rose 65% for Great Britain as a whole. Doing those campaigns and markets in Saudi demonstrates that we could make a significant difference and I think more could be done to maximise it.

Q24 **Damian Green:** Apart from that specific campaign, has there been a difference in Saudi tourism in Newcastle since they bought the club?

Sarah Green: Yes. We know from the private jet market that there has been a difference. We are now trying to capture more of the mass market, and we know that we need to make some significant changes to our product to do that. We are working with them. We have some brilliant examples. Fenwick department store is headquartered in Newcastle. They absolutely have the offer, with a food hall and so on that meets that market. We do not currently have the luxury hotel accommodation that meets the market to the standard that we would want, and there are other things: we are not open after 9 o'clock in the evening for them to eat and we do not have enough prayer rooms. We are working on modifications and we are also having active conversations with investors that we would appreciate Government support around to improve our product and maximise the opportunity.

Damian Green: It is a shock to discover that Newcastle is not open after 9 pm. This is not my image.

Sarah Green: For food.

Kate Nicholls: To be fair, there are learnings across the whole of the market, and I am working closely with Sarah to look at that, when we do inclusive tourism. That is one of the workstreams under the Tourism Industry Council: how can we be more open and inclusive to understand visitors from different parts of the globe with different religious and cultural sensitivities and share that among the small and medium-sized enterprises within the UK economy? In tourism and hospitality, 70% is SME. How can we help them to be more sensitive to needs like whether there is a prayer room and a compass pointing towards Mecca? How can we broaden out and share across the rest of the UK the learning and experience from what the London end of the market does so well?

Q25 **Clive Efford:** Kate, the retail, hospitality and leisure business rate relief is coming to an end next April. What is the industry doing to prepare for that and what do you think the impact will be?

Kate Nicholls: The impact, if it comes to an end in April, will be extremely significant. You will have smaller businesses in the sector facing paying their full business rates for the first time in four years. They



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currently have 75% relief and they will go back to 100%. For an average pub, their business rates will rise by an extra £15,000 to £20,000, for an average restaurant it will be around £20,000 to £25,000, and the average guesthouse or hotel will have to find an extra £30,000 in tax in April. In addition, all business rates are due to go up by September's inflation figures, so that is a 7% increase in business rates. Overall in the hospitality sector, in the tourism part of it, that will be an extra £1 billion bill that the industry will have to find when it is already struggling to break even because of the costs we have talked about.

Recently we did a survey of our members. Concern about the end of the business rate relief has shot up; we have seen an 18 percentage point increase in levels of concern. Three quarters of our members said that it would make them much less sustainable and much less stable going into next year, and 67% said that they would cut investment, 62% said they would have to increase prices—so you will have a further inflationary spike in April on the back of it—50% said they would have to cut hours and that would have an impact of jobs and earnings for people working in the sector, and 25% said they would have to close for good. Nine out of 10 of the latter are independent businesses that would be lost for good.

Undoubtedly, it will have a devastating impact on the small end of the market, and we know from what they have told us that their decision will be made immediately after Christmas. If the business rate relief is removed in the autumn statement, you will have keys handed back in and businesses closed from January. For the medium and larger end of the market, it will mean a cut in investment. Instead of opening two sites a day like we were opening pre-covid, we will be back to flatlining growth and no new openings. We have examples from across the country where people have said, "I could open two or three new sites over the course of next year," but they are not going to do it if the business rate decision goes against it.

It would have an impact at the lowest end of the market, with closures; it would have an impact on jobs across the UK; and it would have an impact on investment.

Q26 Clive Efford: What can be done to head that off? I am sure that other sectors could make similar pleas for business rate relief and assistance when they are facing such high increases in their overhead costs. What is the solution?

Kate Nicholls: I think that the hospitality and tourism sector is facing a unique set of circumstances. We were the only sector of the economy that was fully closed by law for the best part of two years and we had two and a half to three years when businesses were operating at a loss because of covid restrictions. There is a separate set of circumstances that means that those businesses are struggling to recover. That is recognised in the fact that the Government put in place a hospitality recovery strategy, and a tourism recovery strategy, that said it would take three to four years for these businesses to recover from the impact of covid.



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Turning off the support system by removing business rate relief too early—and in our view, it is a full year too early—would simply result in all of that investment in the industry to get it through covid being wasted. You would see large business failures. I think it is an exceptional set of circumstances that means this sector needs to have the support continued for a further year.

Q27 Clive Efford: If I could pursue that a bit further, there has been a lot made of the amount of business rate that terrestrial businesses pay—shops in the high street and so on—but there are online businesses that do not pay that business rate. Your sector has a lot of input from the online sector—some really big online companies—in terms of bookings and everything else,. Do you think that some sort of levelling-off needs to take place here that could assist businesses like the ones facing business rate increases?

Kate Nicholls: Undoubtedly there is a need to level off. The hospitality and tourism sector generates 5% of GDP and it pays 15% of all business rates. There is a need to fundamentally reform the system to make sure that bricks and mortar is not disadvantaged and the investment in the high street that we need for regeneration and recovery is directly at the expense of online businesses that, as you say, are not paying as much in business rates. We do need to level off and rebalance the system.

We know that the Treasury needs to raise £27 billion from business rates. The question is whether it is a fair and level playing field with all sides of the economy contributing fairly. In our sector, it is based on turnover—that is how your rateable value is assessed, particularly for pubs and hotels—so it is always going to be disproportionately higher. They have to function from the highest-value premises in the highest-value parts of the high street. That is where they are based.

So I think there is a need to revalue it. That, however, will take time. We have an immediate threat and a challenge in April—actually, it will be in January, because I think that is when people will make their decision to close or not—that we need to get over and we need to take immediate action now to support them while we adjust the system. There are some quick and easy things that could be done. You could impose a higher multiplier on online businesses. The multiplier is the pound per rateable value that you multiply up to get your total rates bill. There is no reason why you could not apply a higher multiplier for online businesses or online fulfilment centres and a lower multiplier for those high street businesses that you want to incentivise to regenerate.

As I say, that takes time. The Treasury needs to take a decision now to protect jobs, growth, investment and regeneration to avoid problems for our tourism sector when it tries to reopen in April.

Clive Efford: Sarah, you wanted to come in.

Sarah Green: It is just to reinforce Kate's point. There is not a decision for hospitality to take. They have to have space. A lot of the businesses



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that we talk to have reduced their space, with people working from home, and have found different ways to operate. This is not true of the hospitality sector, which not only provides jobs but animates our city centres and our high streets. The impact of the scarring from losing shops and empty shops is far greater than the economic impact.

We know from talking to our small businesses in particular how fragile they still are. For some, particularly those in the outdoor space, it has been a really difficult summer because of the weather. The combination of the weather, interest rates, staff costs rising and food prices has put them in a position where now they would be using their surplus from the summer for these months until they get to Christmas but they don't have that surplus, and we are seeing a number of them failing. Any further rises and they will be out for good. That is the city centre animation gone and then people do not come back into work and we go into a spiralling decline.

Kate Nicholls: Can I add to that? A lot of our small businesses operate from quite expensive properties—big properties, as Sarah said—in the city centre and therefore will be paying very high rates bills, even though they are a small business. There are small-business exemptions but they are set at a very low level, and most of hospitality—64% of pubs and restaurants—will be paying a full business rate.

Q28 **Simon Jupp:** To explain my register of interests, I am the chair of the hospitality and tourism all-party parliamentary group, the secretariat of which is UKHospitality, of which Kate Nicholls is the chief executive, and it is pretty much a given that I have accepted hospitality from UKHospitality in the past. Job done.

When you last gave evidence to us, Kate, about labour shortages, it was in the context of the pandemic and recovering from it. In my constituency of East Devon and the wider Devon area, staffing problems in hospitality remain greater than in the wider economy, and that is the case in every region where tourism is prevalent. I know that is down to a variety of issues. In my constituency it is things like a shortage of affordable housing and also relatively low wages. Do you think that is mirrored across the country and are those the main issues you are seeing as to why people can't seem to recruit into the hospitality industry?

Kate Nicholls: I will make a couple of observations. The industry has done a massive amount of work to try to recruit people into the sector, to improve the perception of the careers that are available, to invest in training, employee wellbeing initiatives, mental health and support, and other benefits over and above salaries, and to do a covid reset on terms and conditions to make sure that they have favourable benefits, and salaries have gone up by 13%—that is the average increase in wages in the last year. We are doing everything we can.

As I said at the start, we have recruited an extra 300,000 in headcount, yet we still have a vacancy rate of 8% across the sector. That is double what it was pre-covid. The reasons for that are many and varied but one, undoubtedly, is that you have more people who are working fewer hours.



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In our sector, there is an issue around students, people who are returning to work, older workers and working parents, who want to have shorter hours, and there is an interrelationship with the universal credit rules. Pre-covid the average working hours for a for a non-UK citizen were around 40 or 48. For the UK citizens who are replacing those workers that have gone—25% of the workforce was non-UK national—the average is 16 to 20 hours a week. More people are working fewer hours, so there is a challenge to keep recruiting more and more to fill that.

I don't think it is necessarily to do with the terms and conditions because we have addressed a lot of those issues and are investing heavily in our people, but there is undoubtedly an issue that in certain parts of the country where tourism is the most important economic driver and the largest employer, we just don't have access to sufficient people. There are not enough people looking for work to be able to fill all the vacancies. That is not just a hospitality problem; that is an economy-wide problem. You still have a million vacancies, and the latest figures, out today, show record levels of vacancies to pre-covid levels, despite all the effort that everybody is making to get the labour inactivity figures down and to reduce unemployment. We are almost at full employment.

Q29 Simon Jupp: Previously the idea of different visas and different ways of getting people from other countries to come into this sector have been discussed and put forward. The Government previously mentioned that the visa system should not be seen as an alternative for employers to avoid improving pay and conditions for their workforce. We know, as you just discussed, that salaries have improved in the hospitality industry. I still see a challenge locally in my patch when housing is quite so expensive—more expensive than the national average. What more can the industry do to retain staff? What are you saying to the Government when you reach that blockade, I guess, of them saying to you that you need to do more locally when there are not any people around to do it?

Kate Nicholls: There is a circle that can't be squared. In certain parts of the country, and across the economy as a whole, we don't necessarily have sufficient people to fill all the jobs that need to be done. That is not a hospitality issue; as I say, that is an economy-wide issue. You can't close down an entire sector for two years and expect the talent pipeline to spring back up. That is two years where our catering colleges, our hospitality schools and our young people in the mainstream education environment have not been doing the work experience and the pipeline through in catering. We have had to restart from scratch. There is an inevitable hiatus.

We have now got our apprenticeship starts back up to pre-covid levels, so we are investing in young people and domestic workforce, and we are also investing in over-50s. We have schemes in place for disabled people, long-term sick, homeless, ex-veterans, ex-offenders. We have dedicated hospitality recruitment from prisons. We still can't recruit sufficient numbers through those routes to fill all of the gaps.

I think that the immigration regime has a role to play in providing access to labour where you need it. Unfortunately, around 70% of our roles do



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not even fall within the skilled jobs list, so we cannot even apply for a visa for them, let alone work through what you need to do to get those visas in place. The costs are quite prohibitive. As I say, 70% of the sector is SME and the cost of recruiting a foreign national into a role and paying for that visa is about £10,000, so it is quite prohibitive to do that.

Q30 Simon Jupp: Is there a single thing that the Government could do tomorrow that would solve some of these woes in the hospitality industry?

Kate Nicholls: I can only echo the words of the Migration Advisory Committee, which said that the route through is a youth mobility scheme, more broadly and with the EU27, which would allow younger people to participate in cultural exchange. It would be two or three years for the under-30s, to allow people to move freely and have student experiences, cultural experiences and also working holidays.

Q31 Simon Jupp: That does not solve the accommodation issue, which we have previously discussed, of course.

Kate Nicholls: It does not solve the accommodation issue. Obviously, we are working as hard as we can in tourist destinations to provide accommodation for our staff as well. A large proportion of staff in hospitality live-in in those accommodations. But I humbly suggest that the tourism and hospitality sector alone can't solve housing and transport issues in the country.

Simon Jupp: No, I realise there are other factors there—bricks and mortar, mainly.

Kate Nicholls: But we can generate the tax revenue with the right environment. We can continue giving you £54 billion to fund vital public services.

Q32 Simon Jupp: And we are very grateful. Patricia, do you have anything to add? What do you think is the problem and what is the solution?

Patricia Yates: I would support the introduction of a youth mobility scheme. I know several Committee members saw that in operation in their visit to South Korea and saw the appetite to come to Britain from young people. That is a door that could be opened relatively easily. The Government know how to run youth mobility schemes.

When I am talking to businesses in the regions I hear that housing is a really big issue, as is transport, although many hoteliers are clubbing together to put on their own transport and solving that for themselves. That is often being addressed at a local level by businesses. But there is no quick easy answer.

Kate Nicholls: Can I add one extra point on the quick easy answer? We pay a high proportion of our payroll into an apprenticeship levy. Having some flexibility and discretion to be able to draw down some of that levy for non-apprenticeship training would undoubtedly help. We are working hard on a number of pilots with DWP about how we get people job ready, work ready and apprenticeship ready. It is taking about four weeks to give people the training to get them from labour inactivity to be



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apprenticeship ready and start on a higher level apprenticeship. We have piloted it in Liverpool and Manchester. We are going to pilot it in Cardiff, but there are challenges around how the levy works across the devolved Administrations.

Undoubtedly, we would be able to do much more to accelerate those and to take them into rural locations if we could have some of the funding from our apprenticeship levy to do the pump-prime job access training and to get people more ready. Flexibility on the apprenticeship levy would really help, particularly for seasonal businesses in tourism, where the challenge is that it has to be a 12-month programme and it has to be spread out. Having that flexibility would undoubtedly help and that could be done quite simply and straightforwardly.

Q33 **Simon Jupp:** Sarah, is there anything you want to add?

Sarah Green: You would think I might say this, but the way is to create sustainable tourism, which means dispersal into the regions that have the skills and capability to deliver. More dispersal would solve some of the problems. Also, as an immediate point, the transport strikes—particularly the bus strikes—have really impacted businesses in terms of getting staff in and so on. For businesses that run antisocial hours, that has caused particular problems. Businesses are taking it into their own hands but it is a further expense in an already fragile environment.

Q34 **Giles Watling:** Kate, you mentioned the Migration Advisory Committee in a positive light just now but this spring they conducted a review of staff shortages and decided that no new occupations in the hospitality sector should be added to the shortage occupations list. However, you made a robust case otherwise. Could you expand on that, please?

Kate Nicholls: Yes, of course. Part of the problem is the Migration Advisory Committee's very limited remit. It just looks at the labour market from an economic perspective and it doesn't take account of the broader needs of industries and the economy. It has that very targeted remit.

We did make a case. They tasked us to demonstrate what we were doing to recruit domestic workers and to demonstrate the economic impact that labour shortages were having, and then concluded that, despite having heard all of that, they didn't see that there was any need to add any shortage occupations back into the list.

Giles Watling: I believe that you particularly focused on chefs.

Kate Nicholls: We particularly focused on chefs given that the Government had taken chefs out of the shortage occupations list just last March. Reversing that seemed like a sensible and logical position, especially as chefs are the big area where it takes a long time to train people up. Our view was that that should be added to the shortage occupations list as a matter of urgency. There were other areas that we asked for as well, in particular executive housekeepers and some of the other areas that we have particular shortages in.

We also made the point that before you can apply for a skilled visa your



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job has to be listed on the skilled worker list. That list was last put together in 2010. It has not been reviewed since then. It is out of date, it is inadequate and it doesn't contain most of the roles that we want. In our sector, it is hotel manager or owner, restaurant manager or owner, or pub manager or owner, or chef, and that is it.

Q35 Giles Watling: You are calling very strongly for revision of the list.

Kate Nicholls: You need to revise that list. If we can't even make the application because the list is not up to date and doesn't contain most of those jobs, we can't use the points-based system. The points-based system should be able to work for our sector. We pay people well above the minimum standard levels and we are not looking to cut costs and undercut British workers. We are looking to recruit locally. Those skilled workers—sommeliers, chefs, housekeepers, managers—are crucial for us to be able to train up the next generation. They come from the best hotel schools. They work globally in some of the best hospitality businesses. If we want to keep our crown as world's best—and, sorry, it is probably a London-centric thing, but London has the world's best hotels, restaurants, pubs, bars, although we also have them spread across the regions—we have to have the skilled workers to help us train up the workers and leaders of the future.

Q36 Giles Watling: I think you make your point very well. Earlier this year, the Migration Advisory Committee criticised that there had been little progress in improving terms and conditions and slow pay growth, particularly for chefs. What is the sector's plan to address this?

Kate Nicholls: The sector is working hard to be able to increase salaries and benefit terms and conditions. We have done a reset around split shifts, double shifts—those long working hours. We have improved benefits, we have put in place employee health and wellbeing provisions and, as I say, salaries have increased by 13% on average. The average chef salary now is £35,000 to £40,000, average bar staff and waiting staff are between £20,000 and £25,000, and assistant managers are £30,000.

What they look at is entry level roles and entry level salaries but no other sector will get you from entry level minimum wage starting salary to management in under two years, and from entry level to £60,000 as restaurant manager or a pub manager in some of the top areas. There is no other sector of the economy that can take you to that. There is no class ceiling. There is a really good gender pay gap; it is actually the opposite way around in much of our sector. We are investing really heavily, but the Migration Advisory Committee doesn't accept the industry's evidence.

Q37 Giles Watling: Okay, you have made your point. You are doing your bit and you want the MAC to do its bit.

Kate Nicholls: And we want Government to do its bit too. Support us in what we are trying to do and where we need a bridge—where we have inevitable gaps and we are sacrificing revenue because we don't have sufficient labour. We are turning away £27 billion of revenue. I suggest



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we can't afford to do that as a country. About £7 billion of that would go back to the Exchequer in tax if we could operate at full strength.

We know from what Patricia has said that the demand is there. We need the Government to do its bit by supporting us in all the initiatives we are trying to undertake and providing the bridge that is necessary in the short term on immigration if that is the only solution.

- Q38 **Giles Watling:** You have made your case very well. Thank you very much. Patricia, I have one wider point, and it is a cause that I back because my history is in that region. We have an incredible soft power projection through our cultural exports, performing arts particularly, and I personally took theatre to all corners of the world in my days. How important is getting our film, TV and theatre coverage around the world, and supporting that, to our tourism offer here?

Patricia Yates: It is hugely important. About a third of people who travel are driven by what they have seen on screen. "Bridgerton" going on a big international player like Netflix has really driven visits to Castle Howard and to Bath. The story becomes international very quickly and people want to come and see those destinations. It drives people to destinations that they wouldn't necessarily choose if they were looking at a map because they really want to go and see something. We will absolutely be working on film and TV. We are looking to do an MOU with the British Film Commission. Of course, Britain is a real success story in the films and the filming that is done here. We have a great positive story to tell.

Giles Watling: The domestic regional destinations benefit from this too.

Patricia Yates: Yes, absolutely.

- Q39 **Giles Watling:** On that, I will turn briefly to you, Sarah. Like Damian Green, I am astounded that things close at 9 o'clock in Newcastle. My experience of going up and down Grey Street—I hear tell you can stay out till 4 in the morning. It is a very vibrant and incredible city in my experience.

My question to you pertains to my constituency of Clacton. There was a time not so long ago when we would have visits from around 26 to 30 cruise ships every year into Harwich, which is near Clacton, and that was a real boon to us. That has dropped off. I gather there is a meeting every year in Miami or somewhere where you go to bid to get people to come into your town. Do you do that in Newcastle, in the north-east?

Sarah Green: We do. We had 70 cruise ships come into Port of Tyne in the last year and it is building. It serves a purpose. The key point is that we need to make sure that we have the supply chain around that and that we maximise those visits. We are working significantly with the travel trade to get the coach trips out to the right places and make sure that people spend money while they are in the region rather than sit on the boat giving out carbon emissions. It is hard work but it can really work for you if you have the right product and you get people out and about.

- Q40 **Giles Watling:** Absolutely. So you supply all levels of hospitality so that



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the crew come ashore and the passengers.

Sarah Green: We are trying our very best to maximise—and get food on and make sure that we supply things while we are in region as well.

Q41 **Giles Watling:** But you need the hotels.

Sarah Green: We need more hotels if people are going to stop. The best thing is when cruises start with us or finish with us—particularly start, because you get the night before. That is where we want to be, not just the pass-through.

Giles Watling: Thank you very much—points well made.

Q42 **Dr Huq:** My only declaration of interest is that Kate Nicholls is an Ealing Central and Acton constituent, as all the best people are.

Chair: She knows where you live, Kate.

Dr Huq: I do not want to sound too creepy. Anyway, we were just talking about coach trips, which is relevant to what I want to raise. I want to talk about ID card policy and educational trips—the kids from France who traditionally came on a coach. Patricia, some of the evidence you have given earlier was pretty apocalyptic about how the market will collapse. Now we are three years or whatever on from Brexit, did those predictions come true?

Patricia Yates: Yes. Those were real numbers; they were not predictions. They were what was actually happening in the market. Although it has grown back, it is nothing like what it was pre-covid. There have been rumours of some progress. In the bilateral with France, there was an agreement that French schoolchildren will be able to come on ID cards. We are very much hoping that once that model is in place it can be extended to other destinations. I know that our colleagues in Germany are looking very keenly at that.

That would be a really good start. In the regional figures that I talked about, the south-east is seeing a slower bounce back from covid. If you think how many school trips pop over the channel to go to the attractions in the south-east, it is a region that has been particularly hard hit.

Q43 **Dr Huq:** The French plans have not come to fruition yet but I think it is predicted to be an experiment that other EU countries could follow. I think there have also been bilaterals on youth mobility with Denmark, Croatia and Japan but nothing concrete yet. Does anyone want to add anything on this?

Kate Nicholls: There are ongoing bilaterals on youth mobility and I think that is one of the big areas that we should keep the pressure on to make sure that the Government look at that carefully. I understand that there are bilateral discussions across parts of the EU and EU member states, and there are also bilateral discussions with Switzerland. It is a model that can work. It would help to address some of the issues and challenges that we have explored with this Committee before for youth travel but also cultural exchanges and music travelling. Youth mobility schemes do work and can be beneficial.



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Q44 **Dr Huq:** What is the Newcastle angle?

Sarah Green: We would welcome it. The Spanish market and the Dutch market will make more difference to us, but I support everybody else.

Q45 **Dr Huq:** France is only one market. There is another sector. English UK—they sound like the kind of people who might guard the Cenotaph, but they are not—is the trade body for English language schools. We have quite a few of those in Ealing. Traditionally, you get these very trendy kids clad in Benetton or whatever who come for the summer. The bottom has really fallen out of that. English UK says that in 2019 it was worth £1 billion annually, with 17,200 jobs, 50% of them aged under 18, but the most recent figures, from last year, show that 14,500 jobs have been lost. A lot of these language schools—I think they are often in seaside towns; I don't know if Newcastle has them as well—have completely folded. English UK also says that £875 million has been lost from the market.

Patricia Yates: I live in Hastings, which is a seaside town. People do not realise that it is not just the schoolchildren and the money they spend in shops and hospitality; they are very often hosted. The model is that they are hosted by host families. That entire revenue stream has been lost in some of our seaside destinations, which have had a pretty tough year this year. It has a real impact on real people as well as businesses.

Q46 **Dr Huq:** The teenagers who used to come for the summer would work in hospitality; they would get a bar job on the side. That would be part of the experience.

Kate Nicholls: Yes, some of them would work in the hospitality sector, in those parts of the industry and those parts of the countryside, but you would also have the spend, as Patricia said, in domestic hospitality, with eating and drinking out, and people would go on day trips. You have a whole ecosystem. You have the direct job losses but you also have businesses in those areas that are struggling because they do not have as much footfall and they do not have as much revenue going through. If you want to attract international visitors, you have to have a vibrant, strong domestic hospitality and tourism market and tourism businesses to be able to sustain that when the uptick comes.

Sarah Green: I think there is a soft diplomacy point. We see visiting as a first date with our region. If we can get people here and show them what we have, they are much more likely to come back. If people have experiences in their formative years, they are more likely to continue to return and enjoy it. If we cut off those opportunities for people to come first time around and they go elsewhere, they will form those relationships and loyalty with other places, which is a lost opportunity.

Q47 **Dr Huq:** The figures for people who come and do the summer exchange thing show that they come and do their degree for three years, and that is serious money. The class trip thing is not quite the same as the language school, which is individual people; they are often very moneyed people whose parents are able to pay for that experience. Do you have a message for the Government? Is what we are getting with the French



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experiment really a replacement for what we lost from before Brexit?

Patricia Yates: It is a build back, isn't it? I think we are going for what can be delivered. We were delighted when there was the concession on France. I think France pushed very hard on that. We can use that as a model to roll it out. It is not quite the same as pre-Brexit but it is at least a start.

Kate Nicholls: It also goes back to my point about business rates. A longer-term recovery will be needed across the range of hospitality and tourism businesses. These are build-back mechanisms. The numbers are coming back slowly, whether it is visitors from the UAE or China coming back. We are only at 27% of our pre-covid levels of Chinese visitors so far. It will take time to build back. The business rate support should not be ended too prematurely. If you cut off this infrastructure too quickly, you will see closures and they will not be able to recover when the numbers return.

Q48 **Dr Huq:** Yes. Some of what I have seen shows that people, instead of going to language schools in your seaside town or in Ealing or in Newcastle, are going to Malta, Ireland, even Israel, which is a shame because the English language surely comes from England.

Kate Nicholls: Yes, and it is the return and the repeat visiting. If we get them early, as Sarah said, they come back, they tell their parents and their parents come back and have a family holiday; they come back to study longer; they come back when they are wealthier; and they are repeat visitors. We know that if we get them early and young they come back to the UK and they have a love for it.

Chair: I am conscious of time. Everything that you are saying is fascinating and I don't want to miss out on any of it, but can we keep our answers and our questions as pithy as possible, please, so that we can get through everything?

Q49 **Kevin Brennan:** I do not remember many school kids absconding on their visits to the UK—this devastating problem that the Government are worried about—but well done to the French for getting some change on it, I say.

Patricia, there was a particular problem identified earlier with the way you interact with the Cabinet Office on your marketing plans, and the delays that result from Cabinet Office inability to process things quickly enough for you to be fleet of foot in your marketing strategies. That length of time was a problem for securing approval for your spend over a certain amount. I think £100,000 was the threshold, wasn't it? Has that been solved?

Patricia Yates: The threshold is still the same but the system has loosened up quite considerably. We have multi-year agreement on the big strategic spends. The programme board is in a couple of weeks. Baroness Neville-Rolfe now chairs that. I think there is an appreciation that we work in a commercial world and if we want to work with commercial partners we need to have budgets—



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Q50 **Kevin Brennan:** Are you completely confident that the delays you experienced in 2022 will not happen again?

Patricia Yates: I think with the current personnel it is working well.

Kevin Brennan: Personnel can change very rapidly.

Patricia Yates: Personnel can change very quickly, but I think there is a better understanding of how we work and that we need approvals—

Q51 **Kevin Brennan:** But, ultimately, structurally, this needs to be solved, doesn't it? If you run into similar problems in the future it could be—

Patricia Yates: We have a system that is working well at the moment, I would say. If it gets worse we will work our way through that.

Q52 **Kevin Brennan:** There has been some reference to cultural tourism and so on, and I declare my interest as chair of the all-party parliamentary group on music. What is your assessment of music—the UK music industry and venues and so on—as an attraction to tourists? It is an internal and an external question. Kate, you look keen to answer.

Kate Nicholls: It is hugely important. That day-to-day visiting for concerts often gets overlooked. It ties in with Giles's question about theatre. There is a symbiotic relationship between the domestic hospitality services support network and music and theatre in the regions—and this is one where you do get a regional spread. We often overlook the fact that lots of people will travel great distances to go to a concert. A lot of people travelled from Europe to come to London to the O2 when Madonna opened her world tour, as well as some of the local bands and areas that you go to, and the festivals.

Q53 **Kevin Brennan:** It would be remiss of me not to point out that Madonna has played in Cardiff as well, and that Taylor Swift will be playing Cardiff next summer.

Kate Nicholls: Taylor Swift is a classic example of where you announce the tour dates and the hotels are booked out well in advance. You have people travelling when Taylor Swift is playing—I think she is playing up in the north-west as well as playing in London. You have people who are travelling across the globe to come to Taylor Swift concerts.

Q54 **Kevin Brennan:** When Ed Sheeran played in Cardiff a couple years back, he had three nights sold out at the Principality Stadium. It has a capacity of about 70,000 or so, so that is 200,000 people.

Kate Nicholls: That often gets hidden in our tourism figures and considerations because you don't see the value that it gets. That is why it is so important that we have action to make sure that touring musicians can come to the UK, that the UK doesn't get missed out of international tour destinations, and that we reflect that strategically in the importance that we place on tourism at the centre of Government.

Q55 **Kevin Brennan:** Brexit has been a bit of a disaster for that, hasn't it? We used to be the base for Europe for international touring, and now we are not.



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Kate Nicholls: We need to make sure we don't lose that. That is the crucially important bit, especially as you see artists restricting their tour activity and going for bigger centres and stadium tours. We need to build in at central Government level an understanding and appreciation that tourism and your domestic hospitality infrastructure is critical to delivering on all of those opportunities, whether it is sport, theatre, creative industries or music, and that we value all of them, big and small, whether they happen infrequently or frequently—as in the case of sporting fixtures—and we recognise that they have an economic footprint and are economically important to the UK. If we want to have those vibrant parts of the economy, we need to make sure we have a healthy domestic hospitality sector.

Q56 **Kevin Brennan:** Is it also important that grassroots music venues, and not just the big arenas and stadiums and so on, remain part of the ecosystem?

Kate Nicholls: It is critical, whether that is music or comedy. You have a lot of comedians who will go to their local pub—we have a lot of them in Ealing that are the first places that people played, whether that is The Who or Queen. In Ealing we had quite a lot of those people starting out. We have a comedy festival where really big-name artists will try their material out for the first time in the back room of a pub. If we lose the pubs, restaurants and hotels that provide those grassroots music venues you do not get the artists of the future being able to develop.

Q57 **Kevin Brennan:** Yes, and bespoke grassroots music venues themselves. Is there potential for future growth in this area of music tourism? What do you think the Government ought to be doing to support that policy-wise?

Patricia Yates: Music is associated with the UK by about half of our international visitors. I have talked about history and heritage being so strong but you need to get immediacy. Music does that for us. We work closely with UK Music, who did a report on tourism, which I wrote the foreword to. I think there is co-operation across DCMS arm's length bodies that we understand the importance of this.

We have talked a bit about seaside towns—well, I have. If we are thinking about extending the season, which we absolutely need to do, particularly given that the summer has been so poor, that means looking at the culture on offer and building up festivals and events that will attract people to go to places out of season. Getting that vibrancy all year round is an important part of making tourism more sustainable.

Kate Nicholls: But you have to have the supply. If you are going to have all of those artists coming around, you need the bigger and better hotels in other parts of the country. You have to have a rates system that supports regeneration in the areas that you want it, and you will have to look at the youth mobility issues again.

Sarah Green: Music is brilliant because it allows differentiation between places and it brings places to life. Lots of different cities have their own independent music scene, which differentiates what that city looks like.



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We do very well out of the Sam Fender effect and he is an ambassador for us. It is the cultural impact of being out there and touring and bringing people back and people wanting to be part of that.

There is something about the music development agencies at a local level. Sunderland has done incredible work to regenerate its city centre around music, and it is music at a local level as well as huge bands like Bruce Springsteen coming. You need it at every level. Our understanding is that it is the smaller music venues—that entry level—that are really struggling at the moment.

Kevin Brennan: “The fog on the Tyne is all mine, all mine.”

- Q58 **Julie Elliott:** Sarah, it is a year since the announcement of Destination Development Partnership and that your organisation would run it. It did not go unnoticed that the Government, when they announced it, said they were working with Visit Northumberland and Visit County Durham; I had to look at the fine detail to see that it covered Sunderland, but never mind. We will forgive them for that. How do you think it is going, what have been the main learnings, and can you comment on whether there has been enough funding available from Government to deliver what you were expected to deliver?

Sarah Green: £2.25 million in, effectively, two years is not a long time to change the systemic market failure that we have in our tourism and visitor economy, but it is really appreciated that it is a start. We have been able to work together across all seven local authorities with the two organisations that have been identified as local visitor economy partnerships—Visit Northumberland and Visit County Durham—to create a consensus, and work with the North East Mayoral Combined Authority as it comes on board at the same time to look to a 10-year strategy for the visitor economy.

The DDP element is supply-side restricted, so we cannot spend any of that on marketing. My biggest concern is the timeframe between the programme of activity that we have and the delivery that is expected. Supply-side measures take a long time to come to fruition and for us to see the visitor numbers, and we need significant investment in our region. I think that through our approach we can develop that, but it will be a long-term play and we need more funding beyond the £2.25 million. Other regions also need to benefit from the position that we have been put in.

- Q59 **Julie Elliott:** What have the gaps been? Is it the restriction on funding—the ringfencing of funding? What are we learning from it?

Sarah Green: We are learning that actually it is quite complex. It is bringing together seven local authorities operating across all elements, from transport to skills and inward investment. Bringing all of that activity together—the cultural sector, the heritage sector, the sports sector, events, business events—is quite a big beast, and we are putting the foundations in place, but it will not be a short win. It will take us time to see the numbers come through.



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Q60 Julie Elliott: Is there any one thing that you would change in the way it is set up that would have an impact?

Sarah Green: I think we will benefit from having a geography that matches where the mayoral combined authority is going. That will enable us to draw down further funding and to become part of the regional infrastructure. If we had had a different geographical make-up that would have been more of a challenge. But I will say that I do not think our LVEPs are big enough in our region. There are three local authorities that are not covered by our LVEP structure. My view is that we should be operating at the DDP level to give us the scale to compete with other regions that have organisations of that scale. We will be working with VisitBritain at the next round of LVEPs to discuss how we can work together more closely.

Patricia Yates: Newcastle was chosen as an area that punches below its weight in international markets, so there was work to be done there. As Sarah said, there is a limited amount of money and a really tight timescale. The importance of getting it right in the region and getting results is because we are accrediting LVEPs. The ambition of the de Bois review, which looked at the structure across England, was to get DDPs covering the whole of England.

The Government thought they would just do a pilot, so the pilot is the north-east, and the west midlands looks as if it will come in as a self-funded pilot. We need to be able to demonstrate that this works because we need to make a really good case in the next SR that this is a model that needs to be rolled out right across the country. There is a huge onus on and impetus and support for Sarah in getting this right.

Q61 Chair: Finally from me, in a few words, what do you think will be the consequences for the visitor economy of the Government's plan for a registration scheme for short-term lets?

Patricia Yates: It is one of those measures that has been called for so much that I think it is almost inevitable. There is a challenge in regions of local authorities not knowing how much bed stock they have and therefore not being able to manage that in any way. I should declare an interest because we are one of the bodies that have said we would run the system.

It is really important that the system is national and not split up by local authority—we could learn from mistakes other people have made—that it is light touch and easily done; that it is comprehensive, so everyone offering beds for the night should be included in the system; and that it is cheap and easy for businesses. We are supportive of it.

Q62 Chair: Thank you. Do you have anything to add on that or anything else before we let you go?

Kate Nicholls: I agree entirely and we support it. It needs to be national—nationwide, ideally—and it needs to be mandatory. It needs to cover anybody who is providing accommodation so that you have a safe and level playing field. It needs to be taken forward as rapidly as possible.



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There are a lot of other issues that are tied up in discussions around short-term lets, and accommodation and housing has been raised by this Committee. Nobody can make any meaningful decisions on any of those aspects unless they have the data. At the moment we do not have transparency around what housing stock is available, what is there as a short-term let, whether it is traditional holiday accommodation or something that could be used for housing. Not all short-term lets will be capable of being used for housing, but we do not know where they are at the moment, so local authorities cannot make plans. Local authorities cannot identify where there are problems and put forward enforcement.

My plea is to move forward as rapidly as possible with the registration scheme, make it national and mandatory, and then look at the other issues that come alongside it afterwards.

Chair: Very good. I thank all of our witnesses: Sarah Green, Kate Nicholls OBE and Patricia Yates. We will have a very short suspension while we bring in our next group of panellists. Thank you all very much.

Examination of witnesses

Witnesses: Paul Barnes, Hayley Beer-Gamage and Paddy Gamble.

Q63 **Chair:** Joining us for our second panel are Paul Barnes, the Chief Executive of the Association of International Retail, Hayley Beer-Gamage, the Chief Executive at Experience Oxfordshire, and Paddy Gamble, Head of Insights at the New West End Company. A very warm welcome to all of you. This panel is focused on tax-free shopping but we will begin with some wider questions about the tourism industry, if that is okay with all of you.

Hayley, you will have heard our previous panel discussing the pressures on the visitor economy and what they have been facing over the last year. Do you have any insights that you want to add to that from what has been experienced in Oxfordshire?

Hayley Beer-Gamage: I think it is fair to say that overall, if we look at the figures, it is bouncing back quicker than anticipated and that was in the tourism recovery plan. To echo some of the comments in the previous session, we have to take into account the high levels of inflation within that. From our economic impact data it looks like growth and value is significantly up, but we are up against hugely increased levels of inflation, so it is not comparable in the truest sense.

We are operating in extraordinary times. I think it is fair to say that 2023 is seemingly a very positive year for the sector. We are seeing a bounce back in inbound markets. We are seeing people really travel, and behaviour and their patterns going back to what it was pre-pandemic. It is really the first year when free-flowing travel has been available and the opportunity to do so has been there again. We are seeing extraordinary spending patterns. People are spending like they have not done before because they are wanting to make the most of this opportunity.

My concern is that 2023 is not an ordinary year. It is extraordinary. I think when we get the data from 2023 it will be really positive, both in



value and in volume, but in 2024 we will have to make sure that consumer behaviour does not shift back to being very nervous, given the range of global economic conditions that we are currently operating in.

The visitor economy is in a much stronger position than we anticipated it would be, but with the wider challenges, which we have heard about previously—whether that is workforce issues, elements like VAT RES, which I know we will discuss, or supply chain—there is a lot that is still really impacting the sector. It is important that this Committee looks at the data behind it and the issues that are still happening, and does not look at the headline statements, because I do not think they will be a true reflection of the sector for this year. Going forward, we want to return to a productive visitor economy sector that is growing in real terms.

Q64 Chair: Did the comments of our previous panellists chime with you on things like staffing issues in hospitality and the long-term impact on businesses?

Hayley Beer-Gamage: Absolutely. There is a real nuance in supply and demand at the minute in the sector. We are seeing demand like we have not seen it before. Pent-up demand in the sector for visitation and wanting to come to Great Britain and England is significant.

We just do not have the supply to deal with it, due to a range of issues. Some of it is physical supply—physical assets—and having enough bed stock. We still have a large number of bed stock out of the supply system through Government contracting, and that is an issue. It is not just a London-centric issue; we have it up and down the country and we still have that in Oxfordshire.

The other side of supply is that we do not have the workforce. We have way more jobs than people, and businesses cannot fill them, despite incentivising, and despite competitiveness, particularly across hospitality, becoming rife. We are seeing hotels and restaurants, in particular, going from a seven-day-a-week operation down to a five-day-a-week operation. A lot of that is hidden. If you look on the channels, it will look like they are sold out. The reality is that they are closing for a couple of days a week because they need to run a fully functional five-day-a-week service and operation. That will have a huge impact on revenue as well.

We want these businesses to be profitable and viable. If they are running only a five-day-a-week operation, they simply cannot do that. There are some real challenges around supply and demand.

Q65 Chair: Thank you, Hayley. Do any of the other panellists have anything to add on that?

Paul Barnes: I would like to put it into context. One of the things that we have seen is the robustness and the potential for this sector. We went from zero when it was all closed down to probably record years across Europe in terms of international visitor spending. It shows how quickly it can return and it also shows how quickly it grows.

In the run-up to the pandemic, the sector was growing at three times the



growth of the UK economy generally, and it will only get more. In particular, when you see lots of concentration on the impact of AI, one of the impacts of AI is massive global wealth growth and lots more leisure time. Where does that money and that leisure time go? It goes to international travel and visit.

The good thing for Britain is that we are one of the top 10 destinations. We are a world leader in this. We should be saying, "Hey, look, it has recovered quickly, it is growing stronger, the potential for growth is there. We are a world leader. We should be investing in this industry and building on it." That growth covers everybody across the whole of the UK. As Kate said earlier, it is an industry that allows people across the UK to go from entry level to much higher level very quickly. It is an industry we should be supporting. You shall see with some of the figures we will bring out later that that is not happening at the moment. Britain is missing out on that growth.

Paddy Gamble: From a London or west end perspective, I will just reiterate the importance of international visitors. In 2019, about 57% of retail transactions were from international visitors. I think year to date it is just under 50%. Historically, we always saw a strong relationship: if the volume of international visitors went up, retail spend went up; if it went down, retail spend went down. What we are seeing now is a complete disconnect. That strong relationship has changed as we have emerged from the pandemic.

Q66 **Julie Elliott:** Hayley, how closely are you engaging with the learnings from the Destination Development Partnership pilot?

Hayley Beer-Gamage: As you discussed towards the end of the last panel, we are watching with a keenness and eagerness and a huge will to support, because we need the DDP to work. If the new framework and structure for England, as recommended in the de Bois review, is going to be successful, we need the DDP to work and be successful.

It is still very early days. As you heard Sarah alluding to earlier, it is a short amount of time to spend a sizeable amount of money and be effective. I do not think we are at the stage of seeing the learnings of the DDP but we are very conscious of the timeframes that have been set and the timeframes that Government will have to make a decision on whether it is successful going forward. We are concerned about that. In the next round of funding from Government, that will decide whether it can be allocated to enabling more DDPs up and down England.

While we understand and recognise that Government made a decision to go for a pilot, which has been allocated to the north-east, there is huge support for the new LVEP framework nationally across England, and VisitEngland are rolling out the new LVEP accreditation. Experience Oxfordshire was one of the first 13 regions to get LVEP accreditation, which we are really proud of. However, LVEPs come with no funding whatsoever. It is a huge amount of time, resource, energy and commitment just to get through the accreditation process, and then you are committed, quite rightly, to reporting on Government initiatives and priorities to make sure that you are delivering on the LVEP accreditation.



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If LVEPs are not resourced either, there is a concern that this strong new framework might not succeed.

We are engaged, we are watching and we are supporting, but it is fair to say that, with the recommendations of the de Bois review, when it was not a funded scheme, there is concern across the regions as to how successful this can be going forward without funding.

Q67 **Julie Elliott:** You have said you are watching the DDP. Are you hopeful that they will roll out nationally?

Hayley Beer-Gamage: I think the ambition in the de Bois review was always that you have this top tier of DDP, which is the larger regions that can have more impact and be much more focused beyond marketing on supply, as they were saying earlier, and then you have the LVEP structure that supports that, which is a broader number of organisations that have still made England more succinct than it is in the current DMO structure.

We need DDPs to be implemented across England for us to have a more effective regional structure, because it was fragmented, unorganised and haphazard. This is really required to tidy it up and be competitive with other areas, so that we are not competing with each other and there is much more of a strategic framework nationally so that we can be reporting into Government effectively. Absolutely, we want to see more DDPs across England.

Q68 **Kevin Brennan:** I was going to ask about that. I think you have answered the point, but I was taken by what you said, Hayley, about hotels opening for five days a week. I had not heard about that before. Is that a well-known fact out there in the public domain?

Hayley Beer-Gamage: It is a very sensitive fact, to be honest, because it is not something that the sector wants to talk openly about.

Q69 **Kevin Brennan:** So if I asked you which hotels were only opening for five days a week, you wouldn't be able to tell me. Is that what you are saying?

Hayley Beer-Gamage: I certainly would not be able to tell you in a public forum. It is not unique. It is not just happening in Oxfordshire and it is not just one hotel. We have cited examples across our varying networks, whether that is LVEP, England's Historic Cities or local groups. It is happening a lot more and it is hidden.

Q70 **Kevin Brennan:** If you ring them up or you try to book through a platform or whatever, it will just show the hotel as being booked out, will it?

Hayley Beer-Gamage: Yes, absolutely, because reputationally they do not want closure.

Q71 **Kevin Brennan:** You might be booking three days but two of those days might be closed. Can you tell me what day of the week they tend to go for when they close down?

Hayley Beer-Gamage: For hotels, it is tending to be a Sunday, Monday



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night closure. For restaurants, it is tending to be Monday, Tuesday.

- Q72 **Kevin Brennan:** Would you describe the labour shortages in hospitality, in the hotel sector and so on, which we have been hearing about again this morning, as a crisis in the industry?

Hayley Beer-Gamage: Absolutely. We have such great and wonderful product up and down the country and we are not able to showcase it because we cannot staff it and we do not have the workforce behind it. If businesses cannot solve and resolve those issues, as I said, a five-day-a-week operation is not viable. That is not what anybody goes into business to do. If that is a long-term issue that cannot be resolved, I think you will start to see more and more business closures.

- Q73 **Kevin Brennan:** So it would not be putting words in your mouth to say that there is a labour shortage crisis in the hospitality and tourism sector.

Hayley Beer-Gamage: Absolutely, and it is customer-facing—it is customer service—but housekeeping staff is a real—

- Q74 **Kevin Brennan:** What is the answer to solving that crisis?

Hayley Beer-Gamage: We have touched on it already this morning, so I do not want to go over the same points, but the salient issues are that we had a couple of years where we lost a bit of pipeline in terms of the learning curve and the hospitality and tourism colleges and all those things, and that during the pandemic people decided to leave the sector and confidence in coming back to the sector is not there, because—

- Q75 **Kevin Brennan:** Those are the causes. What is the solution?

Hayley Beer-Gamage: I think the solution is trying to show that we would not be as vulnerable as a sector if it happened again. I think that a lot of the nervousness about the workforce coming back in is, "What if the world were to close down again? What is the protection? How do we ensure that hospitality and tourism and leisure businesses are viable coming through the other side?"

I think there is an education. We have spoken about salaries. I do not think we talk enough about how fair and reasonable the salaries are. We do not talk enough about what great career opportunities there are in the sector. Again, that pipeline from entry level to senior level is very quick. There is a lot of PR in there. A lot of higher education and academia are trying to push these courses through.

- Q76 **Kevin Brennan:** Is part of it increasing supply of labour by being less restrictive on people coming in to work from other jurisdictions?

Hayley Beer-Gamage: Absolutely. Unfortunately, the pandemic masked the immediate impact of Brexit and the workforce issues. We need to make it more favourable and more flexible. We have already heard that people are working shorter hours rather than longer, so there is a deficit there despite more people coming through the work flow to work in the system.

- Q77 **Kevin Brennan:** I have occasionally been known to visit a public house, and in doing so one thing I have noticed, certainly in London in recent



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years, is the extent to which everything closes randomly without warning. It used to be when I grew up that you knew exactly when the pub was going to close and you behaved accordingly. It was going to be 10.30 or 11 o'clock, and a bell would ring at 10 to 11 for last orders. Time would be called and then you would have an opportunity to leave. I did something at Abbey Road last year and visited a pub afterwards and at 9.30 pm, with the pub full of people, it suddenly closed. Is that part of this phenomenon of labour shortage? Is it just because they do not have the staff to stay open, even when there is good trade available?

Hayley Beer-Gamage: I question why they were closing if they were full of people—to be perfectly honest, that does seem extraordinary—but we have seen that, under casual hours and contracting, if hospitality venues are quiet and they do not have guests in, when you look at the cost, with the increasing costs of electricity, staffing and so on, it is more financially viable to close than it is to keep something open for a few hours for a couple of people.

Q78 Kevin Brennan: In the long term that uncertainty about when businesses are going to be open cannot be good for trade.

Hayley Beer-Gamage: It is not good for trade at all. It is not good for trade in hospitality, when you are talking about opening hours; it is not good when we are talking about supply for accommodation, because we have travel trade desperate to contract businesses, particularly from the inbound market, that want to come in and they cannot contract because it is not there. There is no consistency. It is a really difficult operating environment for the business owner/operator and for the consumer, because the information you need is not there.

Q79 Dr Huq: On the end of tax-free shopping, we have heard anecdotally that people from the Gulf states, the US and China are now going to Paris and Milan. They are diverting away from London. I am a London MP, which is why I am asking this. What has the impact been on the businesses you represent?

Paddy Gamble: I have worked very closely with a number of brands across the west end to look at the impact on international visitation versus 2019. We will use the likes of flight data to understand the volume of international visitors from the US, for example. In the case of the US, it is largely back to 2019 levels. Then, based on the historic trend that I talked about, where there is a really strong relationship, we would expect spend to be back to 2019 levels. That is not the case. At a total broad international level, we are about 30% below 2019 levels, with travel in line with 2019 levels. As you delve into certain markets, there is an even bigger disconnect.

You touched on the importance of middle eastern or GCC spend this morning. Again, there is a huge disconnect between travel and spend with those markets. With China, while travel is still way off full recovery, there is again a huge disconnect between spend and visitation. I can go through different markets and different retailers, different segments across the west end. It is a pretty consistent story.



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Paul Barnes: We have just presented some evidence to the Treasury to look at the impact across the whole of the UK of ending tax-free shopping. You have to put this into the context of what the Treasury forecast the impact would be. When you asked me to come along and give evidence about 18 months ago, the discussion was about the difference between Treasury's forecasted impact and everybody else's forecasted impact. We now have actual data, so we can see what is right.

The Treasury forecasts at the time are based, and continue to be, on the assumption that tax-free shopping has little or no impact on the behaviour of international visitors, either in choosing to come to the UK or in how much they spend. That is the basis for their position. What they say is that if you get rid of tax-free shopping, it will not make any difference—people will still come and stay—and that if you extended it to European Union visitors, that would not make any difference; there would not be any more people coming and they would not spend more money. That is their exact position and it was laid out in a debate in September in Westminster Hall, which you were at.

There is where they are and we can now compare two elements. First, what has been the impact of ending tax-free shopping for Americans, GCC and non-Europeans? Secondly, what is the potential that we have lost by not extending it to the EU? We would have been the only country in Europe where EU visitors could come and spend tax free. I will focus on the first bit and then I will come back later, if you will let me, on the second bit.

What has been the actual element? The thing we need to remember is that 2022-23 was a really strong year. There was a big bounce back in international tourism, pent-up demand and also lots more money to spend because people had not been spending while they were in covid lockdown. I will not go into the details—we presented the report to the Committee, and all the mechanics and the assumptions are there—but the headline figures are this.

We looked at France, Spain and Italy, which I will call mainland Europe, compared with the UK. In mainland Europe, spending was up 98% on 2019 levels, so it was 198%. In Britain, it was minus 28%. That is a massive difference. That is a 126% difference between the two. You would have to stretch the bounds of definition of "little or no impact" fairly wide to have that fit into it.

Our estimate is that has probably cost UK retailers about £1.5 billion in lost spending that they would have had across the whole of the UK. We also think that if the Treasury had left tax-free shopping and then benefited from all the additional spending from visitors who would have come here to do tax-free shopping but are now diverting their spending to France, Spain and Italy, it would have been up about £200 million compared with what it is now.

That is where we are at the moment, and that is actually the good news. The bad news is that when you look at 2023, it is getting worse. There are two things about 2023. The first is how it has changed with people from America, for example, because they are some of the big spenders.



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In 2022, Americans were spending almost double what they spent in 2019 in mainland Europe. In Britain, we were just back to 2019 levels. So, double in mainland Europe; back to 2019 levels in the UK. In 2023 so far, in the UK we are still stuck at 2019 levels, and mainland Europe is nearly three times 2019 levels. People are still coming from America; they are just not spending their money in the UK.

The final bit I will throw into that is that the big group of people missing are the Chinese visitors. The 2022 data does not include Chinese people because they were in lockdown. In 2019, a third of all tax-free shopping was done by Chinese people. When they come back, they will be really important. All the data shows they are much more price sensitive than any other international visitors. If the cost goes up, their spending goes down.

Do not forget that Chinese people, but also people from America and others, do not come to one country when they come to Britain; they are doing a multi-country tour. They can easily say, "When we come to Britain, we will cut our days down because we are not going to spend so much time because we are not going to Bicester Village, or whatever, and we won't spend anything here because we will spend it when we are in in France." That is what is happening. That is the Chinese visitors.

We have Heathrow figures for the spend and visitor numbers in September this year compared with September 2019. This is the most up to date we have. Tax-free shopping is done on the high street but also can be done airside, so this is looking at airside. In September 2023, Chinese passenger numbers through Heathrow were 98% of 2019 levels. It has got back to that level. Spending in the shops in Heathrow is 28% of 2019 levels. We have lost 72% of the spending of the biggest market because they are saying, "Why would we spend here? We will just wait because we are going to Paris in a few weeks' time. We will buy it all there." The £1.5 billion I talked about is not money that is not being spent. It is still being spent. It is just that we have sent it away from Britain and it is now being spent in Spain, Italy and France.

Q80 **Dr Huq:** What is the word from Bicester?

Hayley Beer-Gamage: Obviously we are very fortunate in Oxfordshire that we have the Value Retail flagship that is Bicester Village. With that comes great comparative data on how the villages are performing generally. They have seen a significant deflection of those who would normally come into Bicester Village and spend, particularly into Paris La Vallée. It is significant and is impacting spend.

Q81 **Dr Huq:** Is it just the high-end swanky? That is the perception, isn't it—that it is the west end that is losing out?

Paddy Gamble: That is the perception, and it is wrong, in my understanding.

Dr Huq: The other panel talked about supply chain issues, about where these things are made.

Paddy Gamble: We intentionally collected our data across all areas of



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the west end and across what I would call all market positions—mid-market discount through to the high-end retailers—and the data was pretty consistent that there was a disconnect between international visitation and spend. If you went into Primark in 2019 there would have been a VAT refund desk and they would have talked about it. It is incorrect to believe that it is just the high-end brands that are being impacted.

Paul Barnes: It is not just the spending on retail and shopping. The £1.5 billion figure I gave is spending on shopping, but of course if you are not coming here to shop and you are spending less time here, you are spending more time and more money in France, Spain and Italy. You are spending more on hotels, restaurants and everything related to it, on which you are paying VAT.

Just this month, World Travel Market, in its annual report, looked at the recovery of all the various nations in terms of spend by international visitors in those countries compared with 2019. Guess which country was No. 10 of its top 10 countries in Europe? It was Britain. Spend in Spain and France—the whole spend, not just on retail—was about 130% of the 2019 level, so they have recovered to 2019 plus a third. Britain has just recovered to 2019 levels, so we do not have that extra third. If you put a value on that, if we had recovered at the same rate as Spain and Italy, which you would normally expect, with another 30% on the £28 billion that was spent in 2019, that is £9 billion we could be getting.

Q82 **Dr Huq:** I don't suppose we have any figures for the 39 days it came back under the Liz Truss Government.

Paul Barnes: Nothing came through on that.

Dr Huq: We don't have any figures for that?

Paul Barnes: It wasn't reintroduced. It was announced to be introduced, but wasn't.

Hayley Beer-Gamage: There is a point to add there that we have managed to globally confuse everybody by removing it and then reinstating it. A lot of the questions we get when we are dealing with the international trade is, "What is the current situation on VAT RES? Can we or can't we?" We have managed to confuse the world in our narrative, and that has to be reviewed and clarified.

Q83 **Dr Huq:** In that Westminster Hall debate you mentioned, the Government seemed to be doubling down on this. Christmas is coming and that is the ideal market. You see collapsing high streets. Do you think they are just getting a bit vindictive on this one?

Paul Barnes: I would like to think that Treasury has now had time and is looking at the evidence that is coming through. There are two things to say on that. First, the Treasury has made it very clear—luckily, we have it all down in writing, because there was a judicial review and so they had to give formal evidence. We can call on that and look at the decision-making process. The Treasury officials said that the reason they decided that they could not put down any figure for what the behavioural change



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would be was because they did not have data on that from retailers. Now we have the data and we have given it to them, so you would think now is the time for them to review those figures.

The Prime Minister said at conference this year about HS2 that when things change—when the data change—you have to have the courage to change your decision. We have now given them the data that shows that things have changed. The forecasts they have done are wrong. Curiously, that 28% drop in spend is almost exactly the same figure that the OBR forecast would be the fall. The only trouble is that the OBR was not asked to have a look at the Treasury's forecasts until after the decision had been made.

Dr Huq: They should listen to you, to the Mayor of London, to Heathrow, to so many other trade bodies saying this.

Paddy Gamble: Yes, we are looking at real data. We are not producing a forecast; we are just telling you the results of what has happened since the removal. As Paul has said, you compare that to a forecast that the OBR produced and it shows that they were right. We are not forecasting anything. We are looking at what has happened.

Q84 **Damian Green:** As we have had so much advertising for Bicester Village, I feel obliged to advertise the McArthurGlen outlet in Ashford as well—other centres are available—though I am sure Bicester Village is wonderful.

Can I drill down a bit? In the mass of statistics you have produced—as you know, I am fundamentally on the side of the argument that tax-free shopping would be beneficial to the economy as a whole—I am still not quite sure of your counter-figure to the Treasury's wrong static analysis that just says, "It would cost us £2 billion because we are not collecting this." Do you have a credible counter-figure to say it would either cost you X or gain you Y?

Paul Barnes: We commissioned Oxford Economics to produce a report on what the impact would be, both on the economy and on Treasury receipts. The Treasury dismissed their findings and said, "We don't recognise these figures," but when you look at what they forecast, compared with the actual, Oxford Economics got it right and the Treasury did not.

Let's look at what Oxford Economics said about the impact on the Treasury. They said it would not cost £2 billion. There are two reasons for that. The first is that the £2 billion figure is far too high, mainly because the Treasury assumed that European visitors spend the same amount as non-European, whereas all the data worldwide say that they spend only a third. The Treasury's £2 billion was about £1.2 billion, if you take that into account, in terms of the cost of refunding VAT.

When you look at the benefits from people spending more time coming in to use our hotels, restaurants and suchlike, and coming to Britain more, that would generally generate about £1.5 billion. Oxford Economics believe—and all their forecasts have been proved right by the data—that



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there would be a net impact of £350 million to the Treasury, not a cost of £2 billion.

I am not saying we are right or wrong. I am saying probably just have a look at it again. The differences are so large and the actual data is so different from the Treasury's forecast that it may be time to have a look at it again.

Q85 Damian Green: The argument, to nail it down, is that if they reversed this policy it would help the Chancellor.

Paul Barnes: Absolutely. The Treasury have made it very clear that all they have looked at is the cost of refunding the VAT, and we think that is too high because they made their calculations slightly wrong. They then said, "We are now assuming no behaviour change so there will be no benefits whatever." We say, "No, there is behaviour change. You can see it, and those are the benefits you need to add." The impact would be a net positive to the Treasury.

Q86 Damian Green: I hope you do not, but suppose you lose the argument. How important is that to the future of, say, the west end or Bicester Village?

Paddy Gamble: The west end is competing for visitors, so it will impact, potentially, the propensity for someone to come back to the west end. We are not just looking at retailer data. We have also surveyed international visitors to the west end and asked, "Would you spend more if there was tax free? Would you be more likely to come back if there was tax free?" The percentage of "yes" responses to those questions is in the high 70s, so there is a longer-term impact on visitation to the west end.

The west end is also competing with the likes of Paris for brands. Imagine a US brand says, "I need my first store in Europe. Where do I go? Is it London, Paris or Milan?" That decision will be based upon the economics of: "How much money can we make in that location? How profitable can we be? What will it do to my brand?" So, again, it could potentially have an impact there.

Hayley Beer-Gamage: We have to look at this not just as London or Bicester Village. This is national. The Tourism Alliance has been undertaking some work with DMOs across the country. There are 27 DMOs, from north to south and east to west—Newcastle, Manchester, Devon, Oxfordshire, of course—and we have all signed a pledge to say that this is going to significantly impact us in destination. It goes beyond retail to whether they come to stay in the first place, whether they stay longer, whether they spend money on culture, heritage, hospitality and all of the other things. The impact is beyond capital-centric or those key retail hubs. It is a national thing that will impact the whole visitor economy sector, not just retail.

Paul Barnes: If I may just extend that through, because that allows me to come on to the second bit about the opportunity lost, particularly to the regions, by not extending it to the EU, which we were obliged to do; having left the EU, we have to treat everybody the same. That is the reason why the Treasury said they were going to end it altogether—



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because, they said, the cost of extending it is too great. But that was on their assumption that it would make no impact anyway and you would not get any other people coming; you would just be giving people their VAT back on shopping they would already have done.

Of course, we do not have actual evidence because we did not go down that route, but Europe did. British people can now shop tax free in Europe, and you see the impact there. Don't forget that the Treasury says, "No impact on behaviour." Well, British people are in line to spend around £1 billion tax-free shopping in Europe in 2023. In 2023, bed nights from British people in France, which is the main destination if you jump on Eurostar or whatever, are up 260% on 2019. Bed nights from other countries—Germany and Holland and suchlike—are about 10% or 20% up. What is it that has made the British suddenly spend so much time in France compared with other European countries? The only major difference is they can now go and shop tax free.

If you extrapolate that £1 billion spent by British people in Europe—and this is back-of-a-fag-packet stuff, but worth looking at—the population of the European Union is six times the size, so that is £6 billion. VisitBritain says that 25% of all spending is on shopping, so you could multiply that by four, but because this may be shopping-led tourism, let's say it is 50:50. So that £6 billion could be £12 billion. It is not just in London, because it is coming from Europe, and all the regional airports fly to European destinations. You can see regional airports marketing to places where they have flights and saying, "Come on over, do your tax-free shopping, have a long weekend, spend in our hotels" and all that sort of thing.

The Government—well, all parties—are looking for growth measures. They want fast growth measures. If you had said to the Government, "Here is a potential growth measure that has come as a result of leaving the European Union. There is the potential for £12 billion of new foreign money to come into Britain every year. It will go to all the different regions, and it will happen almost in year one. There is no big investment and wait for the return. The French have shown it happened in year one," don't you think they would have said, "Oh, let's look at this in some detail"? Instead, it was dismissed on the VAT element by the Treasury, who just said, "Oh, VAT might be too much," and that was it. It went. This is a potential £12 billion market thrown away. I just think that the Government should at least say, "Let's have a look into that," from a growth perspective, not a VAT tax loophole perspective.

Q87 Jane Stevenson: I am going to go back to Bicester. It feels like we are all going back to Bicester today, but it is a really good case study because the company also has outlets in the EU. They have Frankfurt, Brussels, Munich, Milan and Barcelona. Do we have any statistics from those? Hayley, I do not know if you have statistics to compare trade at the UK Bicester to the ones around Europe.

Hayley Beer-Gamage: We can certainly get that data for you. We do not have it to hand currently, but from talking to Value Retail, it goes back to the huge deflection that they are seeing from Bicester Village to



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the European villages across the board. Paris, in particular, has seen a huge uplift.

The other thing that they are flagging is competitiveness. We have to remember that particularly a lot of what this Committee is looking at is global competitiveness, and those destinations that are offering tax-free shopping are being very aggressive with it. We are seeing European destinations advertise on the London underground, in the regional airports and saying exactly what Paul has been saying: "Come to our destination." That is having an impact.

We should not underestimate consumer sentiment and trade sentiment. When they are talking about their decision making for 2024 and beyond, this does come into it. Again, if you are looking at a product like Value Retail, which has that huge brand positioning and huge following—many people will travel across Europe and now the world to go to these high-quality, high-end retail experiences—they will be looking at where they can get more bang for their buck and where they can get better value, and it will have an impact.

I think it is really interesting, particularly with Value Retail—without making this too much about Bicester Village—that it was always their flagship. People globally always wanted to come to Bicester Village as a flagship, despite the building of villages across the globe and on territory in places like China. What we are getting through, particularly from talking to the China market and the US market, is that it is a deterrent that that is now not in place.

We are currently really only dealing with sentiment because we do not have that forward-booking trajectory, but we would be foolish to think that it is not going to have an impact when we are already getting a huge level of inquiry around what is happening with tax-free shopping. That is across the board, whether that is FIT, travel trade or MICE.

I have been doing a lot of work on territory in international markets recently, and it is a question that I am consistently getting: "Will this stay or will this go?" They are trying to make the decisions about what will make the best possible experience, what is more affordable, and how people can fit in more. It is absolutely going to have a further impact. I am very happy to try to get some more of that data for the Committee.

Paddy Gamble: We did get data that would be comparable to that. A lot of the brands that we worked with have stores in Paris, for example. When we submitted our evidence to the Treasury, it was very much looking at the relationship between travel and spend in both London and Paris, and then the relationship between the two markets. I talked about the impact that we are seeing in the west end. They were not seeing that in their Paris stores and there was overperformance. You draw the conclusion. What is the key difference? It is the lack of tax-free.

Paul Barnes: This is really important, because it goes back to what I was saying right at the start about the vision for this sector and how important it is because of the growth potential there. Other countries are recognising this and we are not. As a result of that, we are seeing big



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brands saying, "Let's put our capital investment in Paris, not London, because that is where the international tourists are going." We are seeing the middle east opening up now, and they are moving to prepare for their post-petrol economy by looking to our international visitors, which is why you get the World Cup, big malls and all these things saying, "Come to the middle east." You are seeing it in China and the far east. They see that the future is international tourism.

Britain is a top 10 destination, but we are falling well back and the more we fall—it is a spiral of decline. If the brands are saying, "Where do I invest in the world?" and we say, "Don't do it in London because the international shoppers aren't going there," we go down and down and down. It is not just about saving a few million here and a few million there on VAT, which we question anyway; it is about Britain's global position. We have this massive unique opportunity, having left the European Union, to be Europe's centre for international shopping and we have given it away to France, Italy and Spain.

Q88 Jane Stevenson: I think that it is consideration of the wider economy, absolutely. My car sometimes accidentally steers off the M40 and I end up driving to Bicester. I do not know what they have put in my electric car but it seems to find its way there. Actually, it has been going to Bicester for many years, since not long after it opened. The area around it and the Oxfordshire economy seems to have developed extraordinarily. There are many hotels on that stretch of motorway and many other retail offers springing up for ordinary domestic shopping. The Committee would certainly be interested if you have figures from the wider economy and their estimates of how much that could be enhanced. What plans is Oxfordshire making?

Hayley Beer-Gamage: Oxfordshire has seen huge growth on the back of the Bicester Village investment, and particularly in the Cherwell district, where Bicester sits. The village itself is quadruple the size it was when it first opened. The impact that has had on jobs and housing and infrastructure, and the reinvestment of that into things like section 106, has been incredible.

We have a number of pipeline projects, with big international brands pitching to come into Bicester specifically, because it has the global brand recognition that Value Retail and Bicester Village have brought to it. We have had a huge number of hotels open and some huge attraction investment go in, and it is because that flagship is there, absolutely. That has not just helped Bicester; it has helped Oxfordshire as a whole.

Remember that, when you are talking to your inbound markets in particular, they do not recognise geography. Bicester is in England—it is in the UK—and that is why they are coming. It has had a huge impact. There are certainly some more finite stats and data that we can get. If you were to speak to Cherwell as a locality, Bicester Village has made that district much more economically buoyant than it was before. Prior to Bicester Village, growth in that particular area was very slow, and they have seen huge levels of inward investment on the back of it.

Q89 Jane Stevenson: Paul, you have covered a lot of what I was going to



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ask about the potential of opening up tax-free shopping to European visitors and around airports, but I want to ask Paddy to come in briefly. Do you have any estimates of the effect on London's economy of the tax-free European visitor market?

Paddy Gamble: Our view is that it would reverse the negative impact that we have seen. We have asked international visitors whether they would spend more and they have said, "Yes, if tax-free was available." We asked them whether they would come back if tax-free was available and 77% said yes. That would help. We are currently sitting about 30% below. The hope would be that it would reverse it and drive increased visitation and grow it beyond, because you are tapping into that market that it was not available to before.

Paul Barnes: Let's be very clear: it is a totally new, unique market. Tax-free shopping has always been on long-haul flights from America and China. You probably come to Europe once every three or four years and it is a big thing and costs money. If you are European, it is a short flight on a cheap airline and you do it three, four or five times a year. It is a totally different market that needs exploring. It is not the long-haul market multiplied by a few times.

Q90 **Jane Stevenson:** Absolutely. I presume Oxfordshire would support that. There are places like Birmingham Airport, certainly, near my patch, that—

Hayley Beer-Gamage: If you look at our demographic locally, prior to the pandemic we had a £2.5 billion spend in Oxfordshire from the visitor economy. Only 10% of our 30 million visitors were inbound but they accounted for 50% of that £2.5 billion spend. Of that, 25% was spent on retail. That is because we had all of these incentives to be coming and it was a significant driver. If we were to lose that, I think that those figures would plummet massively the other way.

Q91 **Clive Efford:** Most of my questions on the Treasury have been covered, but DCMS is saying that it is exploring mitigations in the absence of any change from the Treasury. What can it possibly be doing?

Paul Barnes: If I am honest, nothing. It is just tinkering. The big issue is we have sent a message out to the two big markets—China and the GCC, but also America—to say, "If you are coming to Europe, great, we want to see you, but don't shop in Britain." That is the message being sent. They are doing the multi-country tours anyway, so just saying, "Shops might give you a little bit of discount here or whatever," or, "We might make it a bit nicer," does not in any way recompense for the fact that we are saying, "Everywhere else in Europe you shop and you get your VAT back, but in Britain you don't." It is as simple as that. That is the message that goes out.

People are confused, too, as we have heard, because they hear, "It's coming back," and then, "No, it's not." Eventually, people just say, "We will cut the time that we spend in Britain. We might not even go to Britain, to be honest. We will drop it off because we have to get a separate visa to include it. You can do all of Europe on a Schengen visa,



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then we have to get a British visa to go to Britain. By the way, if we are only going to be there for two or three days because we are not going to do our shopping in Bicester Village any more, let's just not go to Britain."

That is the reality behind the economics. The economics are just adding up figures. This is the reality of what people think. They say, "Let's just not go to Britain. It's not worth it." They are coming, but they are coming for less time and spending less money. When that future growth comes, and particularly with the Chinese, which is led by shopping, Britain will not be their No. 1 choice.

Hayley Beer-Gamage: Previously, the Treasury were basing the figures and the cost of this on quite an archaic administration of said scheme. The fact that this can now be digitised means that it can be simpler, more efficient and more effective. I think that is an important consideration, and I think a lot of businesses would support and like to be involved and contribute to that. Digitising the scheme is a really positive way forward.

If the Committee and the Government were not minded to consider it in its whole, there could be other mitigations. First and foremost, we absolutely would just like it reinstated. However, could you look at a minimum spend, for example, as a really effective way to help pump more money back into the economy? "Yes, you can come, and if you spend a minimum amount then you are entitled to get your tax-free shopping." We can think outside the box on this and not make it a simple replacement. There are other options that Government could explore.

Paul Barnes: I absolutely agree. If there is anything good that has come out of this it is that we have wiped the slate clean. If the Government do decide to reinstate it at any time, we can work with Government and business together to build the best tax-free shopping in the world. At the moment we have nothing. We were equal with France and we have gone below that level. We do not want to go back to the level we were at; we want to go to higher than that. We have the opportunity to do it if we have a positive view on this from Government.

Chair: Thank you very much. That is a great note to end on. I thank this panel and all our witnesses today. It is very clear from everything that we have heard today that there can be absolutely no complacency about Britain's position as a global tourist destination. We know that there are some amazing businesses and some incredible people who are working so hard to bring visitors to the UK, but we have heard about the challenges that they are facing across the board. We know from what you have said that there is a limit to what DCMS alone can do. We need the Treasury and the Home Office on board with this as well and to be aware of what is required to enable our tourist sector to thrive.

Our next step will be to invite the Treasury and the Home Office to come and give evidence to the Committee and to discuss this in more detail. I look forward to them accepting our invitation and coming to see us in the new year. Thank you for all the evidence that you have given us today to substantiate that.