

Digital, Culture, Media and Sport Committee

Oral evidence: Promoting Britain Abroad, HC 856

Tuesday 8 March 2022

Ordered by the House of Commons to be published on 8 March 2022.

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Members present: Julian Knight (Chair); Kevin Brennan; Steve Brine; Clive Efford; Julie Elliott; Damian Green; Dr Rupa Huq; Simon Jupp; Jane Stevenson; Giles Watling.

Questions 71-170

Witnesses

I: Ross Baker, Chief Commercial Officer, Heathrow plc, Paul Barnes, Chief Executive, Association of International Retail,

II: Joss Croft, Chief Executive, UKinbound, Kurt Janson, Director, Tourism Alliance and Kate Nicholls OBE, Chief Executive, UK Hospitality.

Examination of witnesses

Witnesses: Ross Baker and Paul Barnes.

Chair: Order. This is our second hearing into promoting Britain abroad. We are joined today on our first panel by Paul Barnes, the chief executive of the Association of International Retail, and Ross Baker, chief commercial officer of Heathrow plc. Paul and Ross, thank you very much for joining us this morning. Before I begin with the first question, I want to ask Members for any interests that they wish to declare.

Simon Jupp: I am chair of the all-party parliamentary group for hospitality and tourism.

Q71 **Chair:** Thank you. Paul and Ross, thank you very much for joining us today. The first question probably goes to Paul. Ross, maybe you could add to it. Could you quantify the importance of retail tourism to the UK economy vis-à-vis other sectors of the economy that seem to get much more media profile?

Paul Barnes: Thank you for inviting us to give evidence today, and thank you for recognising that shopping and retail is an important part of the UK's international visitor economy. I will give you a bit of background to shopping and why it is important, then pick up on three key areas—I am happy to go into more detail—where we think Government policy could actually help, but is currently hindering, the recovery of international shopping in the UK.

Shopping is one of the most important elements for any international tourism sector and is particularly important for the UK. It is a key motivator when people are choosing where to visit for their holidays and business activities, and it is the main way when people come to the UK that they spend their money. Probably the largest single sector of international visitor spend is on shopping and retail.

We compete with international centres around the world, so we have to have a good shopping offer, and fortunately Britain is globally renowned for its shopping. This is across the whole country. You can use the tax-free shopping spend in 2019 as a guide to how much it generates. If you look at Edinburgh, for example, £92 million was spent in 2019 on tax-free shopping alone, which is less than half of all shopping. It is a major input to that local economy. In Manchester, £60 million was spent on tax-free shopping. In Liverpool, it was £32 million.

Then look at the UK's two big international centres: the west end and Knightsbridge. They are global draws. They attract people from around the world. Everybody has heard of Harrods and Selfridges, as major international stores. When you look at the west end, for example, there is no other district in the world that has this mix, combination and difference of shops in one concentrated area, including over 250 European and UK

flagship stores, mixed with hotels, restaurants, culture and entertainment. It is a major draw.

Just to give you a feel for that, I am sure that Bernard Donoghue, who was at one of your earlier meetings, would have told you that the biggest visitor attractions in the UK are Tate Modern and the British Museum. In 2019, they attracted 5.8 million visitors each. Oxford Street attracted in the same year 50 million visits from international visitors only—massively more—so I would question which is the biggest tourist attraction. I think the west end stands out as one of the big ones.

It is consistently one of the major factors for people choosing to visit, particularly for high-spending visitors from the middle east and GCC countries, of whom over 50% say that shopping is the reason they visit the UK, and for Chinese visitors, who are now by far the biggest spenders when they travel abroad. They have huge potential for growth over the following decades, and they put shopping, as VisitBritain will say, as their No. 1 reason for visiting any country. When President Xi was visiting the UK, David Cameron asked him, “What can Britain do to attract more Chinese visitors?” President Xi said, “Build more Bicester Villages.” It is as simple as that.

As well as being a major motivator to choose Britain, shopping is the major area where people spend when they come here. You cannot create and recover the UK’s international visitor economy without putting shopping right at the centre of it. In 2019, 46% of all spending of international visitors in London was on shopping—more than hotels, restaurants and anything else. It was nearly half of all their spending. It accounted, across the UK, for over £7 billion of spending in 2019.

Of course, London is seen as a national shop window. Some of our heritage brands, like Johnstons of Elgin in Scotland, Burberry in the north-east and Church’s in the east midlands, are British brands that have manufacturing plants outside London, which see London as their global shop window. You have to put shopping right at the heart of your international tourism recovery plan. Marketing agencies like VisitBritain, Marketing Manchester and London and Partners get that. They put shopping in the middle, but the Government just do not seem to get it. If you look at the tourism recovery plan—

Q72 Chair: We will come on to that. Don’t worry; there are lots of questions. I know that Damian Green is going to talk about VAT, which I know is a very pressing issue for you. On what you said about 50 million in Oxford Street, how do you define a visit? Is it just walking down the street and going into a shop?

Paul Barnes: It is visits, not visitors, because many people do multiple visits. As you say, they are 25% of all visits to the west end.

Q73 Chair: But is a visit just traversing the street? Is it just walking down the street?

Paul Barnes: Walking into the street, yes.



Q74 **Chair:** So it is not quite the same. You are comparing apples and pears. A visit to the British Museum is not the same as walking down Oxford Street.

Paul Barnes: You are absolutely right, but they visit multiple times. They come back. A visitor may come many times in a trip, or many times throughout a year.

Chair: I know Westminster has something like 8,000 restaurants and shops or what are separate retailers, which is quite an incredible statistic. Walking around Jermyn Street, as I did yesterday, there are a lot of clothes shops, a lot of empty retail spaces. Burlington Arcade has large, empty spaces as well, which are taken up with some very clever hoardings and what have you to disguise the fact. In the offering to international tourists, how behind the eight ball are we as regards the pandemic and our recovery from it?

Paul Barnes: It is early to say because international visits are just starting to pick up, but there is no question that the UK is lagging severely behind, and particularly behind our European competitor countries, even at this early stage. I will give you a couple of examples of how far behind we are. Global Blue, which does VAT refunds around the world, monitored 11 major brands and stores that have presence in the UK and in the European Union, predominantly in France and Italy, so our major competitors. They can compare the spending in their stores in the different countries. This was for the last quarter of last year, so it is hot off the press. When you look at Americans visiting and spending, the amount that they spend in that last quarter of 2021 was back up to 91% of the 2019 figures. So they had nearly recovered, quarter by quarter. In the UK, 49%. So we are not even at half of what it was in 2019.

Q75 **Chair:** Is that more because we are perceived as a destination that had more difficulties with covid than some others?

Paul Barnes: Clearly there are a number of factors. Covid hit all of Europe, but there is no question that the difference between them is massive; it is almost twice as much. Clearly there were other factors, but the fact that now in particular we are not offering tax-free shopping has meant that those who want to go and shop say "Let's go to Paris" or "Let's go to Milan" rather than London. More frighteningly, the other figure I would give you from that survey was for visitors from the Gulf states. Some of the biggest spenders are people coming from the Gulf states. In the EU, their spending is now, compared with that last quarter of 2019, 153% of what it was in 2019. It has not just recovered; it has recovered plus half. In the UK, 60%.

Q76 **Chair:** Ross, is that the experience you are having at Heathrow?

Ross Baker: Absolutely, the broader picture that Paul has painted there is very consistent with our perspective. Shopping is one of the top reasons, and for many inbound passengers to Europe it is the top reason, for choosing your destination. We have taken ourselves from being in a position where that was a significant competitive advantage for us as a

country. Now it is a major competitive disadvantage. As Heathrow, passengers globally have voted for us as the world's best airport shopping for 11 years in a row. That now changes radically given that we are suddenly at a big competitive disadvantage versus every other country in Europe.

The bigger issue is that that has a huge adverse impact on the UK as a whole. The passengers that would typically be coming through Heathrow in pre-covid numbers, with 2019 as an example, were spending in the order of £17 billion in the UK, not just on retail but on hotels, attractions, culture and shows. That is key for the economy and we are putting all of that at risk and seeing it degrade by not being in a position to offer a competitive proposition on the retail that is so important to inbound passengers.

Q77 Chair: Is that a reflection, though, of the relative decline of Heathrow to other European airports in recent times? I am thinking Schiphol, for example. Or is that more a reflection of the area that I know Damian is going to talk about in terms of tax-free shopping and as a destination?

Ross Baker: Those are distinct issues. On the timing of recovery in passenger traffic through the covid period, clearly we have had a different experience, given different circumstances and policy, from that of our European competitors. Hopefully, we now have a chance of the vaccine dividend in terms of passenger numbers and growth, but from a retail perspective, we are now at a uniquely distinct disadvantage, now that that is something that all other European countries have and we do not.

Q78 Chair: Sometimes it seems like the airline industry and airport industry are the canary in the coalmine in some respects, in terms of international growth and trends. In the last couple of weeks, with the invasion of Ukraine, have you noticed any difference in your business when it comes to potential Russian visitors? Are you seeing anything on the ground?

Ross Baker: Our concern on retail is a broader policy position, and I think it is important for the country that we see some real movement and progress on that. Clearly, there are a range of factors out there at the moment that are affecting the recovery. On the Ukraine front, we are engaged very closely with the Government, as you would imagine. But I do not see that as particularly factoring into the retail picture. That is a distinct issue.

Q79 Chair: Russian visitors—are they important, Paul?

Paul Barnes: They were, but they are not now in the high list since various visa restrictions were imposed following Salisbury. They do not really come into our equations.

Q80 Chair: Right. Are they going elsewhere? Are they still being allowed to go shopping elsewhere—in the EU, for instance?

Ross Baker: Russian flights have been ceased. Distinct from retail more broadly, it is a relatively small proportion of passenger numbers as a whole. As Paul mentioned, Asian and middle eastern markets tend to be



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particularly strong from an inbound retail perspective, but it is part of our proposition as a whole. For the US, that market is particularly interested in visiting the UK from a cultural perspective as well. Friends and relatives, student markets—there is a range of markets, but retail plays very strongly in all the global markets as a decision factor for choosing to travel to the UK.

- Q81 **Chair:** A final question before I pass over to Steve. It is on the importance of Britishness in terms of your offering, Paul. Have we over-relied on the idea of Britishness being a brand that, effectively, people can understand and see value and fairness in when it comes to our system doing things? Are we frankly now facing the consequences of over-relying on that? Perhaps brand Britain is not quite as strong as we thought.

Paul Barnes: From a retail point of view, Britain is seen as an international destination. Clearly, we have some very strong heritage brands, such as Burberry, Mulberry and Church's, which I have mentioned and which attract visitors. But we are also a major area for investment for global brands, who want to be in Britain because that is where the international spending is. The main spending is coming from the middle east and far east, and London is, or was, a very attractive place. That is why we got this investment from overseas into the UK retail sector.

- Q82 **Chair:** So it is not just about the footfall through a shop and the spend. It is actually about that intangible idea—the spread of the brand from there. That is what we are potentially suffering now. If we are not getting that footfall, we are not getting that lifeblood flowing through the system, and we are not able to keep up with our competitors, is that other area you are talking about—the desire for international brands to be here—going to suffer?

Paul Barnes: Absolutely. Let's be honest: if you are an international brand and you have seen tax-free shopping ending in Britain, it does not really affect you too much, because that tax-free shopping does not stop; it just diverts, as we have seen. In terms of people coming to spend in Chanel in the UK—we had a great example of someone coming over from the middle east who picked out, in one of the big global brands, £60,000-worth of suits to buy. When they got to the counter, they were told, "Tax-free shopping is not available anymore." They left all £60,000 there. They went to Paris—to the same shop and same brand—bought the suits there and got their tax-free shopping. They then brought them back to the UK to have them tailored and fitted, so we lost out on that. The brands did not lose out because it just diverted to their other stores.

Chair: That was a heavy weekend for my credit card, I have to say—*[Laughter.]* Steve Brine.

- Q83 **Steve Brine:** You learn things new on this Committee every day. I was thinking about retail behaviour, but now the Chairman's thrown that bombshell in.

I am interested in motivation, Paul. Do people who want to visit the



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country also go to the shops, or do they want to shop and then come to Britain? Is it motivation or destination? Do people shop when they are here, or do they come here specifically to shop? If you look at the top three things tourists do when they visit a foreign country, it is dining in restaurants, seeing famous monuments and sightseeing, and then shopping, so it is right up there, with one or two percentage points between them. I hear you on how important it is, but when you are flicking through a brochure in the armchair and looking at visiting the different sites of the world, or the wonderful beach or the snow, do you really think, "I'd love to be down that busy traffic-filled Oxford Street with buses careering past me"? Is that really a motivation to fly to London?

Paul Barnes: The answer is that the international visitor market is not just a single market with one group of people. It is lots of different segments and you need to be attractive to all those segments. What you cannot survive, as an international visitor economy, is getting large numbers of people visiting who do not spend much money, because that lowers productivity. Within the mix you have also to go for those people who are a much smaller group but do spend a lot of money, and they clearly get attracted by the shopping offer.

They will be sitting, as I have said before, either in the middle east or in the far east, and saying, "I am going to fly from the middle east. Do I go to Paris or to London, because I am planning to do shopping"? Some of those really high-spending ones, as an example, are spending on average about €55,000 a year on their tax-free shopping alone. If they have to choose, sitting in the middle east, Paris and London are equidistant. You can make your choice, and what we are seeing from those early figures from the last quarter is that they are making the choice now to divert to Paris and Milan to spend their money. While they are going there to spend it on retailing, they are diverting the money that they would have spent on hotels, restaurants, culture and entertainment. What would have been spent in the UK is now being spent in France and Italy instead, so it is not just the shopping. The shopping is the motivator for these high spenders, but everything they spend goes with them out of the UK.

Q84 **Steve Brine:** And you say your early data suggests they are going to Paris instead of London. What are your top two reasons for that, just in summary?

Paul Barnes: There are two key things. Tax-free shopping is the big one, because shopping is at the top of their priorities. Second is the visa system. The gulf states ambassadors are telling us that the system that the UK has, particularly the electronic visa waiver scheme, is now less attractive than the Schengen one. Britain has always said that we will match the Schengen offer both in terms of the process and the offer of the visa, and we are falling behind on that. It would be a cost-free measure for the Government to say, "We will upgrade our visitor visa system to at least match, if not better, the Schengen system."

Q85 **Steve Brine:** If inbound tourists spend, according to some figures I have seen, three times as much as domestic tourists when they are here, how



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do you maximise that? I am fascinated by the concept of lots more Bicester Villages in the English countryside—oh, good. How do you maximise that spend when they are here? Clearly, it is not all about London, is it?

Paul Barnes: It is around the whole of the country. If you look at some of the regional centres, they have international visits as a major part of their future economic growth. The problem is that when you take away the tax-free shopping element, it damages that. I will give you some quotes: Marketing Manchester said, “The visitor economy of Greater Manchester, which secures over 100,000 jobs, will be dealt a hammer-blow” by the decision to end tax-free shopping. Essential Edinburgh, the business improvement district in the centre of Edinburgh, stated, “Tax-free shopping is fundamentally crucial for Edinburgh city centre. On top of the existing challenges, the loss of tax-free shopping would be catastrophic for the city”. So it’s not just London. Many regional economies around the country are basing part of their future growth on international visitors. Indeed, one of the options that the Government could have had was to extend tax-free shopping to EU visitors. That was the option when we left. That was the bonus that we would have got: 360 million people living in our doorstep who knew to go to Britain to do their shopping, because it’s tax-free.

That would have given a huge boost, but in particular it would have given a boost to our regional economies. If you look at the regional airports, they don’t tend to serve long-haul flights; they serve Europe. If you said, “Britain is the place to come,” Cardiff airport, Southend airport and Manchester airport—all of those airports—would benefit because suddenly they’d see a growth in their visitor numbers. All of that was there for us to take. It was a Brexit bonus, and instead we got this Brexit bombshell of cutting off all tax-free shopping.

Q86 **Steve Brine:** Presumably, before you came to see us today, because you lead the Association of International Retail you put feelers out to all of your member organisations and said, “What is the key message?”. You have crystallised that in what you have said to us so far. Have you had a very consistent message from all of your members, across different parts of the country, different regions and different areas?

Paul Barnes: The consistent message is that, without any question, ending tax-free shopping is the biggest issue. In fact, one major store said to me that the ending of tax-free shopping is going to be harder for it as a company than covid. Covid was a cyclical issue that it is getting over, and it can get over it. This is a structural change that the Office for Budget Responsibility has said wipes out, in a blow, £1.2 billion of spending a year, which we need to recover. Yes, members across the country are saying that particularly that policy has really damaged their future growth potential.

Q87 **Steve Brine:** Did you say earlier that Government do not get it? You have spoken to Ministers. You’re saying that they are killing the golden goose, I guess. Maybe they do get it, and maybe that’s not what they want



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Britain's proposition to be.

Ross Baker: I think that's not the case. The assumption from Treasury has been that inbound travellers will continue to come regardless, and will spend regardless. Those are two fundamentally flawed assumptions. The inbound travellers aren't coming. They won't come; for many of them, this is a primary decision driver. Even if a subset of them do come, they're not going to be spending on retail, because why would they pay 20% more?

Paul Barnes: If you look at the tourism recovery plan, which has set ambitious targets for getting back to 2019 spending by international visitors by the end of 2023, it is 60 pages long, and it doesn't mention shopping once. If you look at the evidence given by the Department for Digital, Culture, Media and Sport to this Committee, it says, "There are many reasons why international tourists are attracted to the UK, including our cultural attractions, countryside and natural beauty and...our world class film and TV"—no mention of shopping. Your Committee gets it; VisitBritain gets it, clearly. Government policy makers do not seem to get how important it is.

Q88 **Steve Brine:** Do they not get it, or do they not want to include it? If I can quote that shopping is in the top three things that tourists are likely to do when they visit here, surely the Government know that too. Why do you think that they haven't included it? Is it cock-up or conspiracy?

Paul Barnes: I don't know, is the answer to that. No doubt you'll be asking the Department when they come here. When the Treasury announced it was ending tax-free shopping, it used three areas where we think it has definitely got it wrong. It overestimated the cost of extending tax-free shopping to the EU by about 300%, because it assumed that EU visitors spend the same amount as non-EU visitors. The Treasury knows they don't. VisitBritain says they spend only a third, so the Treasury is 300% out on that. It has underestimated the impact of ending it on non-EU visitors, because it reckons only 10% of people use tax-free shopping. That's wrong: over 30% use it. The Government have said that tax-free refunds represent tax-free users, and they don't—they're different figures altogether.

The third thing that is really important is that the Government and the Office for Budget Responsibility—the Treasury and the OBR—have both admitted that all they have done is look at the gross figure. They have said, "On this reduced amount of retail sales, given that we will lose a lot of it, we still will make £400 million in VAT a year". That is absolutely a plus, but they have admitted they have not looked at the negative side of it. They haven't looked at the net impact. As we have found out already, these visitors are not coming to the UK now. They have diverted away to Europe. If they are not coming to the UK, they are not spending on hotels, restaurants and all those other things. Back in 2019, tax-free shopping was £3 billion—all those other things were £15 billion. That raised £3 billion in VAT. You only have to lose 15% of that and suddenly all that £400 million is wiped out. Suddenly, we are moving into a negative impact on UK VAT and it is a major problem.

Steve Brine: Thank you, that is very clear.

Q89 **Damian Green:** Steve has covered a lot of the detail that I was going to cover. Can I drill down a bit? Is it now the case with the removal of tax-free shopping that, straightforwardly, the same goods are 20% cheaper in Paris, Milan and other big European centres than they are in London?

Paul Barnes: Around, because there are different VAT rates. I think France is 21%.

Q90 **Damian Green:** So what have other countries done about VAT rates? Can they play with them as well? Obviously, it is more restricted what you can do inside the EU, but you can still reduce to a certain extent.

Paul Barnes: All EU countries offer tax-free shopping to non-EU visitors. Interestingly, Britain is now a non-EU country. When I said that we could have offered tax-free shopping to the EU and attracted all those 360 million people to come and shop, the 60 million Brits can now go and shop in the EU tax-free. Although travel has not even started yet in large numbers, in the last quarter of 2021, the amount of tax-free shopping per week by Brits in the EU was €5 million. That is a quarter of a billion euros a year, with Brits who would have been spending money here instead going to Paris for the weekend and spending their money there. While they are there, they are spending it on hotels, restaurants and so on. We gave up that opportunity to get that huge market to come to Britain and we have given our British visitors the chance to go over and spend money that they would have been spending in the UK.

Q91 **Damian Green:** Is there any sign yet—are they advertising in this country?

Paul Barnes: Absolutely.

Steve Brine: I haven't seen that.

Damian Green: You and I are probably not regular shoppers—unlike Julian, clearly.

Paul Barnes: A good sign, Mr Green, is that we ended tax-free shopping on 1 January 2021. On 1 January 2021, the French Government reduced the minimum spending limit from 175 euros to 100 euros. They said, "Come to France to shop."

Q92 **Damian Green:** And it is working?

Paul Barnes: It is absolutely working.

Q93 **Damian Green:** Do you see that reflected in both inbound and outbound figures at Heathrow?

Ross Baker: It is still a little early to tell with covid, because passenger numbers are so heavily down still. Certainly, in speaking to passengers and to our retail assistants and all the brands across Heathrow, there are incidents every minute of every hour of every day where, in terms of the kind of Chanel example—maybe not necessarily always at the same



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transaction value—consumers are learning, “Ah, right, the 20% tax-free concession doesn’t exist. I’m not going to make the purchase.”

We also have personal shoppers at the airport. They are, in effect, the point of contact for consumers prior to travel, who will give a call to understand prices and what products are available and so on—it is all online. They then choose not to come. They say, “Ah, right. Well, if that’s the case, I’ll travel to Paris or Milan. I’m not coming to the UK.” Then, as we say, it is not just the retail in the airport; it is the retail on the high street, the hotels, the shows and so on.

Q94 Damian Green: I imagine you have been putting this case as passionately to the Treasury as you are to us—probably more passionately. What is their underlying response? What did they say to you about why they are carrying on like this?

Paul Barnes: When the Treasury made this surprise announcement—it took everybody by surprise—that they were ending tax-free shopping, they said, “Here are our forecasts of what the impact will be.” They forecast very little behavioural change at all, and therefore very little change in spending. We, the industry, said, “Here are our forecasts,” and there was a huge difference between them. The early evidence is showing that our forecasts were right and the Treasury’s forecasts were not.

The Treasury said, “Don’t worry, because we will put our forecast in front of the Office for Budget Responsibility and they can check all our figures.” Subsequently, both the OBR and the Treasury, when it had to give evidence to a judicial review, made it clear that the key figures about the cost of extending it to the EU and the full impact of the indirect cost were never independently assessed by the OBR. It never did it, despite the Treasury Minister assuring the Chair of the Treasury Select Committee, when he asked for a full independent assessment, “Don’t worry; the OBR’s going to do that.” But it never happened. We are calling on the Treasury to undertake this independent assessment of the full impact—not just the gross impact—especially now we are getting figures in, to see whether it was a good decision or not to end tax-free shopping.

Q95 Damian Green: Presumably, though, as the months go on, we do not need the OBR to assess it, because we will have real figures.

Paul Barnes: Absolutely. The point is that large-scale international visiting has not really started yet. We think that we need really quickly to assess whether, based on this early evidence, that was a good decision or not, because it may well damage the Treasury tax take, and in the meantime, to restore tax-free shopping, because people will move their allegiance. They will get used to going to Paris rather than London.

I think we could go one step further. Government and business could work together. After Brexit, we have the chance to come up with a scheme better than the Europeans have. I do not know how we do it, but business and Treasury working together, I am sure, could come up with something that is uniquely British and makes Britain not just on a par with European countries but better.



Q96 **Damian Green:** That is an interesting point. The Government have set up this department for Brexit opportunities. Are you talking to them?

Paul Barnes: We are not yet, but we can see how it works. I was running something called the UK-China visa alliance when you, Mr Green, were the Immigration Minister. We worked with the Home Office and together came up with some new ideas that the Government implemented, and we saw the number of visitor visas issued in China rise from 200,000 in five years to 800,000. Government and business working together can come up with some good ideas. Leaving the EU gives us the opportunity to do that. It is sad that the Treasury is still not in a position where it is talking to us about what we could do to make Britain even more attractive than EU states as a destination.

Q97 **Damian Green:** I am tempted to say those were the days when the Home Office could work well and efficiently with business, but that would be unkind. Do you think this is part of a wider symptom of the Government, generally, not understanding inbound tourism and what drives it?

Paul Barnes: I—[*Interruption.*]

Ross Baker: Maybe we underestimate the value and importance of inbound tourism and the opportunity there to pursue. Building on the visa point, we need to make those cheaper, faster to access, less complex to complete and ideally, in many instances, for multiple duration. When I am in China or India speaking to travel agents that are on the frontline of overseas tourism, they say to me, "You are not competitive as a country. There is huge and growing demand to be making those sorts of trips. If you can fix visas and retail, you have a significant competitive advantage to pursue."

Paul Barnes: The reason I paused was because my focus is on retail. Retail does not sit in DCMS; it sits in BEIS. As we said, DCMS does not seem to consider retail part of tourism, even though it is one of the biggest motivators to come here and, without doubt, it is the biggest income generator from international visitors. There seems to be a lack of joined-up thinking.

Chair: On that bombshell, let's go to Clive Efford.

Q98 **Clive Efford:** I would like to move on to VisitBritain. Do you think VisitBritain has the right priorities? Does it promote Britain, or is it too narrow, relying on too few cultural assets?

Paul Barnes: Again, I am fairly blinkered down the retail line. VisitBritain does get the fact that retail is a major part of the attraction of Britain. To that extent, VisitBritain and the other promotion agencies do promote Britain, and they do work closely with us in the retail industry to promote retail. They can see how it is a great draw for international visitors.

Q99 **Clive Efford:** We have received evidence that is critical of VisitBritain. Would you say it is effective in what it does?

Paul Barnes: It is effective in attracting international visitors for retail. For my sector, they do a good job.

Q100 **Clive Efford:** Ross, do you have any comment on that?

Ross Baker: We partner up with VisitBritain on the GREAT Britain campaign, for example, and can see that internationally that has been a real success. There is certainly some great stuff coming out of VisitBritain, but I look to others to make broader comments.

Q101 **Clive Efford:** You just mentioned visas and what people were saying to you when you visited places such as China and India. Was one of the issues they mentioned on visas the need to be able to visit multiple destinations?

Ross Baker: Absolutely—particularly for those long-haul markets, for whom a multi-centre trip is an integral part. That is very much part of the visa conversation. That plays back into retail, so you can see that this is a significant issue for us. We see that at Heathrow, where passengers on a multi-centre trip are distinctly choosing to conduct their retail in Milan or Paris because it is a two-centre trip.

Q102 **Clive Efford:** Post Brexit, is that multi-visa arrangement more difficult to facilitate?

Paul Barnes: It could be made easier, to be honest. It is mainly long-haul visitors—from the far east and China—who want to do multi-country tours. They have to get both visas if they want to include the UK, so many just leave the UK off the tour, because to get the visa they physically have to turn up and give their biometrics. One Chinese visitor told me that she and her family had to fly the equivalent distance of London to Moscow to get to their nearest visa application centre. Think of the cost of doing that just to get a UK visa.

One of the ways around that is, as the Government mentioned in their tourism recovery plan, to go down the route of more digitalisation, looking at the electronic visa waiver scheme, which we already in principle use in the Gulf states. It is not as good as the Schengen one and it needs upgrading, but we do accept that for certain people—in particular the high-spenders—you can do away with having to get that visa. I do not see why we should not be looking at some selected countries that have visitors of high value. We could be saying to them that we can reduce the level of difficulty of getting a visa without undermining the security of the UK borders.

Q103 **Clive Efford:** You say the Schengen is better at that than us. Are there other countries you would point to that have got this sorted?

Paul Barnes: Let me give you the example of the United Arab Emirates. Many people there can get an electronic visa waiver scheme, both from the Schengen and the UK. That is great. They can go on to the internet and it says, "You do not need to apply for a visa if you meet certain criteria." However, in the UK, for a six-month visa you have to apply at



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least 48 hours before. It lasts for six months, but you can only go once. It is single entry.

With Schengen, you can apply for a six-month visa immediately, get it immediately, and it is multi-entry. You can go as many times as you wish. In 2022, Schengen are going to introduce something called the European travel information and authorisation scheme, which is another form of electronic visa waiver scheme. This will give you a three-year, multiple-entry visa waiver for €7. We cannot match that. We are not matching it. It means that on top of tax-free shopping, plus a really easy visa system, wealthy visitors are going to go to Paris rather than London.

Q104 **Kevin Brennan:** It is an interesting point about the €7 visa. The Home Office uses visas as a money-making racket, doesn't it?

Paul Barnes: The Home Office will tell you that it costs more to process a visa than it is charging for it. To be honest, if you did an electronic visa waiver scheme, the costs would reduce to very little.

Q105 **Kevin Brennan:** How much does a visa cost for a visitor coming from China, for instance?

Paul Barnes: I think it is about £140 for what is now a standard two-year visa. The Home Office will tell you that it costs more to process than that.

Q106 **Kevin Brennan:** That is very unusual, because they usually make a profit off these things, and use them to cross-subsidise their other work.

Paul Barnes: Let's just say that if they had to process fewer visas, they would probably not have to spend quite so much money.

Q107 **Kevin Brennan:** Do we get many visitors from Korea? You talked about the far east, so I just wondered because Korea is obviously a very major economy in the far east. I am obviously talking about South Korea, not North Korea.

Ross Baker: Interestingly, Incheon in South Korea is somewhere whose hub airport and retail structure is such that they generate massive inbound tourism and retail transactions from the Chinese market in particular. They see that as a key part of their bridgehead and a competitive advantage.

Kevin Brennan: I went through there en route to the rugby World cup a couple of years ago—before covid, obviously. It was an absolutely extraordinary, high-tech experience. Heathrow is obviously an incredible airport, but that one really looked like an airport of the future.

Ross Baker: It is. We are very conscious that we are the front door to the UK, and that the experience of passengers when they are getting off the aircraft sets the tone.

Q108 **Kevin Brennan:** Is there room for us to market ourselves more as a destination to people from places like Korea, rather than just focusing on China and Japan?



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Paul Barnes: The answer to that is yes. All the focus is on China because of its growth and the size of the population, but there is great growth in other eastern countries; you mention South Korea, but Malaysia and others are growing, and are potential areas for us. But we face increasing competition. While those areas are growing, we are also seeing a growth in destinations that are looking to attract these high-spending international visitors.

In particular, countries in the middle east are doing long-term planning for their economies post their petrol economies, and international visitors are a major part of that. For example, the Dubai Mall now opens 24 hours a day, seven days a week, 365 days a year. It is massive, and it is purely aimed at attracting those far eastern and other international visitors. That is why the Louvre and the Hermitage are setting up satellites in the middle east, why the World cup is there and why the Davis cup is going there. You can see those countries setting themselves up to be international tourist destinations. That is the sort of competition we need to be looking at. At the moment, while all that is going on, Britain is saying, "Let's not give you your tax-free shopping."

Ross Baker: With the trade deals that we set up globally post Brexit are likely to come opportunities to set up direct connections such as flights to countries that we have not had long-haul direct connections to.

Q109 **Kevin Brennan:** What kind of countries are we talking about?

Ross Baker: Various African countries and maybe areas out in Asia. A range of countries would be part of a potential multicultural, multi-country deal. That would open up more markets from a retail perspective.

Let me also pick up on the issue of visas and costs that you highlighted. That is a key issue that I have heard played back in China and Asia as well—that we are narrowly focused on the cost of, in effect, transacting the visa. That is distinct from other countries, which are much more likely to look at the bigger picture and think about all the value that an inbound tourist is going to bring to the UK, which is why they are pitching their costs at a much lower level. We are a bit more focused on functions and budgetary sets, which then undermines our tourist proposition.

Q110 **Kevin Brennan:** What you have been describing this morning confirms a theory that I—and I think a lot of other Members—have about this Government, which is that it is distinctly fragmented and capable of putting out mixed messages on all sorts of policy areas. We see it when Ministers are interviewed on the radio and say, "Well, that's nothing to do with me; you'd better talk to the Home Office about that"—with no idea what is going on within the Home Office, in Government.

There is this tension because there is not a coherent across-Government strategy on this—between the Home Office, whose overwhelming message that they seem to put out is, "You're not welcome to Britain", and the Department for International Trade or the DCMS, who are trying to put out the message, "You are very welcome to come to Britain." Is that an unfair parody or is what I am saying accurate?



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Paul Barnes: My experience of working with the Home Office on the visitor visa issue is that it sees a clear distinction between visitor visas and other types of visas. All we tend to see in the news is other types of visas, and people coming into the country as migrants of different types.

In terms of visitor visas, it is looking for every way it can to make the UK as open and welcoming as possible so long as it does not undermine the security of Britain's borders. That is why we work closely with the Home Office to say we have to accept the politics of not undermining border security, but how do we make Britain a welcoming place for visitors? The Home Office is good at doing that—

Kevin Brennan: Is it?

Paul Barnes: —and we had some great achievements with it.

Q111 **Kevin Brennan:** Revisiting for a moment the tax-free shopping issue, am I right in assuming that the Government were suddenly faced with a potential shortfall in VAT as they saw it because of Brexit? Automatically our leaving the EU would mean that EU visitors were entitled to VAT-free shopping when they visited the UK. They panicked and thought, "What are we going to do about this?" The obvious answer seemed to be, "Well, we'll stop the whole thing. We have a dogma that we can't treat EU citizens differently from anyone from the rest of the world because that is not what people voted for in the Brexit referendum."

Paul Barnes: The Treasury has made it clear that its key reason for ending tax-free shopping was what they perceived as the cost of extending it to EU visitors once we left the EU. But as I mentioned, we know that EU visitors spend only a third of what non-EU visitors spend. So the Government's figure of £900 million in lost VAT drops immediately to £300 million.

But if you talk to stores, you will see that EU visitors are not the big spenders in retail. Only about 10p in the pound from international visitors comes from EU visitors. They generally do not come here to shop. They come here for various reasons, but if they were told that if they did shop they would get 20% off it would give an extra incentive to come over here and spend. So we do not in any way believe that the Government figure of £900 million is real. We would have loved it to be independently assessed. The Government said that the OBR would do so and the OBR never did.

Q112 **Kevin Brennan:** So basically what was supposed to be a Brexit opportunity turns out to be a Brexit calamity.

Paul Barnes: Absolutely. The Government have their levelling up agenda, and part of that is attracting people to the regions. As I mentioned, the big winners out of this would have been the regional airports that have flights to and from European destinations. It would have been an extra thing to add and say, "Come to Britain."

It is a big marketing ploy to say, "We are the only country in Europe where EU visitors can come and do tax-free shopping." It would have been a huge draw. But instead of taking that Brexit bonus, the Government just

threw it away. As you have seen, they have not only thrown that away but also allowed British people to go shopping tax free in Europe. That is costing us £250 million a year.

Q113 **Kevin Brennan:** You have made me slightly ashamed of my brand new Marks and Spencer suit that I am wearing today, which I bought at the weekend for £150. Now that I know, I could have gone to Paris and got it even cheaper and had enough for lunch—not the kind of lunch that everyone might enjoy but a small lunch. That is the Brexit opportunity for the British people—to go and shop more cheaply in Europe.

Paul Barnes: Exactly. If you are going to buy your fiancée an engagement ring and you have a budget of £20,000, just go to Paris, buy the ring there rather than here in the UK and—

Q114 **Kevin Brennan:** Fortunately, I have been married for 33 years so I do not have to face that expense.

Paul Barnes: You would get £4,000 back, which would pay for your trip, your hotel and a good weekend in Paris. Why wouldn't you do that?

Chair: You have been hanging round high rollers too long.

Q115 **Dr Huq:** I was wondering where the suit is made. Is it made in Bangladesh or somewhere?

I have some questions that might be a bit unfashionable in the levelling-up world, because they are all about London. The *Evening Standard* has a "Get London firing again" campaign, the Mayor of London has a similar one, and UCL is doing research on all this. The question I have written down is: is a successful London necessary for UK tourism to be revived?

Paul Barnes: It is right at the heart of it. It's not all of it, but it is absolutely right at the heart.

As you say, most international visitors come to London. They come to the big international airports and they use London as their starting point to go to other parts of the country, so absolutely it is, for lots of different reasons. It is an international centre that competes with other international centres such as Paris, Madrid and Milan.

London is absolutely at the heart of it, but don't forget that international tourism is also important for all the rest of the UK, and not just because of those who come to London but then travel out. Manchester airport, Edinburgh airport—they have direct flights now to China, and they were building their future international visitor economy on those flights through tax-free shopping. All that will now come to an end.

There is a great little mini-example of how, if the Government really gets its act together, you can give that boost to the regions. Chinese students are the largest group of overseas students in the UK. A third of all overseas students are Chinese—over 130,000 of them signed up. They don't stay in London; they are in universities all around the UK, in Newcastle, Leeds, Liverpool—everywhere. To come to the UK and study,



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you have to be paying around £22,000 a year just for the fees, on top of all your living expenses. It's pretty clear that their parents are quite wealthy, and they've now got an incentive to come multiple times to the UK over three years to visit their children, who are not in London but all over the UK. While they are there, spending money around the UK, it would be very simple for the Home Office to say, "When we're giving a student visa to Chinese visitors, for three years, say, why don't we also have a student family visa for three years?", rather than the current two-year one, which means they would have come again for that last year.

Why not give the families a three-year visa? It's cost-free to do that, and suddenly you have removed one of the barriers that means that these very wealthy Chinese people can come to Britain—all over Britain—and spend their money while they are here, because they have the incentive of visiting their children. That is just one example of how international tourism and the visa system and suchlike can help the whole of the UK, not just London.

Q116 Dr Huq: What is your definition of London? Are we talking within the Circle line? Because there is potential here for neighbourhoods. I remember hearing—in the '90s, this was—that Camden was an unofficial, really popular hotspot, although it didn't used to be in any guide book at the time.

Paul Barnes: Some 10% of all Londoners work in the west end.

Q117 Dr Huq: Southall is not very far from Heathrow, and that could be marketed as a sort of alternative curry mile. Places like Manchester do this sort of thing; 70% of people come and see monuments when they come to the UK—we're in the shadow of Big Ben a bit now. Is there a tendency for people to get stuck in this sort of zone 1, within-the-Circle-line thing? I'm thinking of just within London, but there is also the rest of the UK. Do people get stuck like that?

Paul Barnes: Britain is a very small country compared with China. Chinese people landing in Edinburgh or Manchester don't think they are far from London, to be honest. As I said in my example earlier, to get from where they live to a visitor application centre would have been the equivalent of London to Moscow, so they don't see Britain as a big country to travel around. They can use London as their base and travel out, but they can use Edinburgh or Manchester as their base and travel out.

Q118 Dr Huq: Is it happening now?

Paul Barnes: It was, before two things: covid and the ending of tax-free shopping.

Q119 Dr Huq: Ross Barker, would you agree? Also, do you still want an extra runway when your passenger numbers have dropped so dramatically?

Ross Baker: On the London point, we have one of the most diverse customer or passenger bases on the planet. London—and the UK—is such a diverse city that the sorts of opportunities you are pointing to are very



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much there to be pursued, to promote Britain differently, in different ways to different segments.

On the expansion of the airport question, our focus has been on recovering from covid. Clearly, that has been a huge challenge for us, so we have paused our expansion plans. It's still our agenda, but at this stage our focus is on covid.

Dr Huq: If you could pause them for ever, that would be great for people in west London.

Ross Baker: What we have seen as we bounce back and recover from covid is that there is a huge demand and a role for tourism. It is critical for the economy. Having our retail proposition collectively right is easily addressable if we can fix three things. First, re-establish the VAT refund scheme—we can digitise it as a country in a way that would make it much simpler for consumers. Second, introduce a new airside tax-free shopping regime, which could be a significant competitive advantage, particularly if we include Europe in that. Third, if we introduce a rival to duty-free at ports across the UK, it would re-onshore the retail that we are now losing to Europe, as Paul has described, where European markets are promoting to UK consumers to encourage them to go and spend over there.

Q120 **Dr Huq:** Do you feel we have a sort of anti-London Government in some ways, or that levelling up is based on an anti-London seething resentment? The streets are not paved with gold. London generates a lot of the nation's economy and it has huge discrepancies within it.

Paul Barnes: We are team UK: it is Government and business working together and it is all part of the UK. We are not competing with each other: we are competing with France, Italy and the USA. We need all the different parts working together. London is the capital city and is the big attractor, but it is part of what gets people to come to the UK, and then we can work out how we get people to come out of London more and into the regions. Cutting off London as part of the levelling-up programme—which I do not think is what is being done, although that impression is given—does not help us in this international environment. Britain needs to pull out all its big guns to say, "This is the British offer, the UK offer." It includes London, Scotland, Wales, beautiful countryside—all of it together, not London versus the others.

We are competing against other international destinations that are doing everything they can to attract these particularly high-spending visitors because they can see how it boosts their economy. The Government do not seem to be doing much to be helping us on that side, especially in relation to retail.

Q121 **Dr Huq:** What would you say are the key shopping destinations outside London?

Paul Barnes: Bicester Village, near Oxford, which is a tourist attraction on its own, Manchester, Edinburgh, Glasgow and Liverpool, curiously. Lots of



people go to Liverpool because of the Beatles and such like, and while they are there they are spending money on shopping.

Q122 **Dr Huq:** I discovered Portsmouth when I had to go to the Isle of Wight. Is it only locals who go there? It is like a Bicester Village thing—

Paul Barnes: It is. There are lots of opportunities—or there would have been—to expand tax-free shopping and the attraction of those places outside London for international visitors, particularly if, like Portsmouth, there are regional airports nearby. You could have used that as the attraction, but unfortunately that has been taken away from us.

Q123 **Giles Watling:** You are both wonderful champions for the retail industry here. Many of the questions have been asked, and you have covered a lot of ground. One thing you did say, Paul, is that if tax-free shopping were reinstated, people would come back. I think there might be a time limit on that. People will be shopping elsewhere, as you said, but they will now be staying in the George V instead of the Savoy, and they might find favourite restaurants and so on. This is now an issue of time, because the more they get used to going elsewhere, the more they will stay away, so do we need to act very quickly.

Paul Barnes: There are two elements there. You are absolutely right about that. First, allegiance will be switched. We mentioned earlier the guy who came to buy his suits here—he did so because he always buys his suits here. He is now not going to do that any more: he has switched his allegiance to Paris. It is not just allegiance in terms of visiting as international tourists. Many of the people who do tax-free shopping are potentially huge investors in the UK.

If you look at what the Government are doing with GCC states, they are signing multi-billion-pound contracts to invest in the UK's economy. If those individuals are spending more time now in Paris than they are in London, they might decide that that investment is better in the place where they feel more comfortable. So it is not just about moving their tourism expenditure; it is the soft power issue of how Britain is perceived. Britain is now perceived as a less attractive country for international visitors than, say, France, and that has a big knock-on impact.

Q124 **Giles Watling:** So if we could wave the magic wand and reintroduce tax-free shopping in this country, what should we then do to get those people back? How would you do it?

Paul Barnes: There are two things. First, at the moment it is early days because of covid; the international visits have not yet started in large numbers, so it is not too late to do it. Secondly, just reintroduce tax-free shopping—great idea; I'd love it—but, as I said earlier, we could do better than that. British business and the British Government working together could come up with schemes that say, "Not only are we now back on a level playing field with France and Italy but it is even better than that." We should take that opportunity. It is one of the big opportunities that has come through leaving the European Union, and instead of seizing it, we gave everything away to the European Union



Q125 **Giles Watling:** Thank you. So a bit more flag waving. Ross, how important is it for us to have a vibrant national carrier—I am thinking of BA—to attract visitors to this country? How important is it that that national carrier offers a first-class service?

Ross Baker: Having a world-leading hub airport is key for trade and economic success. Only a handful of large hub airports in the world have more than 50 direct connections that are served on a year-round basis long haul. I can take an example of that: Mexico City, typically served twice a day out of Heathrow. You only have that kind of long-haul network if you are a hub airport where short-haul passengers are combining it with a broad catchment to make it viable to operate that Mexico City service year-round twice a day—and indeed the cargo that goes into it, all consolidated. You will never justify a route like that with just the traffic out of London. You need all of the UK and parts of Europe and so on.

Home-based network carriers are integral to the hub because they are often a key driver of the connectivity. Frontier Economics has done lots of work on the correlation between foreign direct investment where there is a year-round direct connection. You end up with significantly more trade where those connections are in place. Similarly, from a retail perspective, that opens up significant further opportunities for tourism to be able to access the UK. If there is a direct service, they will do that, whereas if you are in a regional Indian or Chinese city that does not have a direct connection to Heathrow, you are much less likely to select that as your destination. If there is a flight to Paris, I will pop to Paris.

Q126 **Giles Watling:** I was also talking more about the visual effect. If you go to, say, Changi airport in Singapore and you see BA aircraft there, that is an advertising effect, is it not?

Ross Baker: Consumers/passengers globally tell us that sense of place is really important to their choice, whether that is in the carrier they select to fly or in the airport experience. When they choose to come to the UK, they are looking for that sense of place, and that extends to the retail as much as it does to the culture, history and so on. Something that we certainly work on is for the airport to have a British feel to our proposition where we can, so that consumers have that sense of place.

Q127 **Giles Watling:** That was very diplomatically put. Do you think the Government understand the importance of a good experience when entering and leaving the country?

Ross Baker: There is certainly more to be done. The first experience of the country that an overseas visitor to the UK gets is probably going to be at the border. We had times in November last year when, for long-haul visitors, queuing levels peaked at about five hours. We need to offer a much better proposition that is better resourced at the border, and that is much more consistent. We need to progress the digital border agenda. There is work coming through on that to ensure that we offer a fantastic front door to the country.

Q128 **Giles Watling:** I have to say that in my own personal experience of flying



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to America, on one occasion I was held up at immigration for hours and hours on end, and it made me think of going somewhere else instead, so I think that is an important point.

Finally, Paul, you were chief executive of the UK China Visa Alliance, and you did a lot of work that you touched on earlier. You managed to achieve a 400% increase in China. Just to drill down a bit on that, what exactly did you do, and can you do it again?

Paul Barnes: It took a long time to find it, but it was actually very simple. The issue was having to apply for the two visas. The Home Office was doing a lot of work under the then Home Secretary, Theresa May, to look at making it easier to apply for a UK visa. They were doing a huge amount of work, but it was not making the difference.

When we actually went out to China, had a look at it and saw what was happening, the penny suddenly dropped: it is not about making it easier to get a UK visa; it is about making it easier to get a UK visa and a Schengen visa at the same time and in the same place—that was the thing. The Home Office said, “We’ll take Schengen visa forms, so you do not have to fill in two forms.” You halved the paperwork overnight. We set up a pilot with Belgium whereby you could leave your documents—your forms and passport—and when you got back, you would get both a UK and a Schengen visa at the same place and the same time.

The Government also extended the six-month visa to two years, because then you would not need to keep going to get it, but two years was a bit too short. David Cameron promised that they would look at a 10-year visa, like the Australians and the Americans have. That would make a huge difference, because you would just get your visa once and then, for the next 10 years, you would just have to get a Schengen visa and you could still come to the UK. There are lots of things, but the key to it was to make it easier to apply for the two visas at the same place and time so that you did not have to go through the whole process twice. Once you had clicked that, everything fell into place.

Q129 **Giles Watling:** Has that been applied elsewhere, such as in the US?

Paul Barnes: No. Well, the US does not need visas here. It is not such a big issue when you look at the GCC countries, because they do not tend to have to do multi-country tours. Sometimes they want to go to London and Paris, but you can quite quickly fly to the two. The far east is the main area. That was the key element.

Q130 **Giles Watling:** And, of course, Korea is emerging right now.

Paul Barnes: Korea, and other emerging far east countries. If you are coming half way around the world, you do not want to come just to Britain; you want to do a multi-country regional tour.

Q131 **Chair:** Ross, on the point about how welcoming we are as a country, I am just back from Barcelona, as the Committee knows, and when you go through the airport there, they take great delight in saying, “Are you from the UK? Yes, you go over there,” meaning the “Other passports”



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route—the other being the EU route. An EU citizen coming to the UK goes through the fast track, along with Icelandic, Swiss and other visitors. Why are we treated as second-class citizens when we go to the EU, whereas we roll out the red carpet when they come back the other way?

Ross Baker: I will focus on the red carpet. We should just be doing all we can to ensure that all inbound passengers to the UK get what is essentially the red carpet. For them, that is as much about speed and ease. The more that we can digitise the border for the majority—clearly, the primacy of the security of the border is key—

Q132 **Chair:** I understand why you do not want to answer the question, but it was very simply about why, when we go into the EU, we are treated as second-class citizens, but in the other direction, we treat them as we treat ourselves. Why is that?

Ross Baker: I think that is probably a question for the Home Office in terms of the specifics of the UK decision and for—

Q133 **Chair:** They must have told you why we have made that decision as a country and why, when we go to the EU, we are literally told, “You go over there with the rest of the world,” yet that is not the case for EU citizens coming here.

Ross Baker: What is most important for us is that we are offering and trying to give everybody as great a service as possible. In some respects, I would look to those countries that are choosing to do that to the UK as putting themselves at a disadvantage by doing so.

Q134 **Chair:** I agree with you on that, and we absolutely should be doing that. I really welcome the fact that we are saying to EU, Swiss and Icelandic visitors, “There is the fast-track lane.” But is it just bloody-mindedness on the part of the EU to make a real point of saying, “That is the Brexit queue, off you go”? Our position is much more magnanimous about it. I know that we have had a negativity about our approach when it comes to overseas visitors, but I just want to redress the balance there. What are your thoughts?

Ross Baker: Our opportunity is to differentiate ourselves on this and that means resourcing the border properly—having more officers on the border more consistently, ensuring that every desk is resourced—and digitising it more so that over time, the overwhelming majority of passengers can pass through e-gates, so that our Border Force officers can dedicate their real attention to the small subset of passengers that they want to have a really good look at.

Chair: Ross Baker and Paul Barnes, thank you very much for your evidence.

Examination of witnesses

Witnesses: Joss Croft, Kurt Janson and Kate Nicholls.

Chair: Order. This is the Digital, Culture, Media and Sport Committee, and



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this is the second panel of our second hearing into promoting Britain abroad. We are joined by Kurt Janson, Director of the Tourism Alliance; Kate Nicholls, the CEO of UKHospitality; and Joss Croft, the CEO of UKinbound. Kurt, Kate and Joss, thank you very much for joining us this afternoon. Our first questions to you will come from Giles Watling.

Q135 Giles Watling: My first question is for Kurt. We have heard that we have a heritage tourism. Of course, the problem with that is that something like the Tower of London is always there, so you can visit it at any time, which means there is no sense of urgency to get here. To a certain extent, people might go elsewhere, where it is less onerous to visit, as they can always come here at another time. How do we get around that?

Kurt Janson: To say that we have just a heritage prospect is undervaluing what we have. We have a broad range of heritage, culture, arts, restaurants and destinations. We have a staggering array of resources here that our tourism industry is based on, and it is continually reinventing and re-evaluating itself. What we do, and what every country does—every country is in the same situation if it has fixed assets for tourism—is to come up with a proposition about why you should visit at that particular time, and that is usually associated with offers and events.

We have things like pageantry and all that type of thing that attracts people, and for particular purposes. Like any other destination, we go to market and say, “We know the UK is top of mind for you; now we are going to give you an incentive to come here at this particular time.” VisitBritain does that, as do a lot of other destination management organisations around the world. We say, “The reason for visiting now is that we are hosting”—whatever event. We use events such as the Commonwealth games next year as levers to trigger people to come at a particular time and back those events up with the special offers.

Q136 Giles Watling: Sometimes the UK is not seen as a particularly welcoming place to visit. What do you think are the key reasons for that, and is there anything that the hospitality sector can do to counter it? I think this question is for Kate.

Kate Nicholls: I think your sense of welcome starts before you set foot in the country, when you are making your decision about whether to visit. We have already rehearsed quite a few of the arguments about the ease of applying for a visa. Your welcome at the border is where you get the “Welcome to Britain” experience, and we need to get that right. As Ross said earlier, we need to ensure that we are rolling the red carpet out as much as we are able to for all our visitors, because that is their first impression, and it sets the tone for how they see us and perceive us.

When visitors come into the country, it is about making sure that we have really well trained people in the hospitality sector welcoming them in hotels, restaurants, pubs and bars. That is a major driver of why people are coming to Britain, to follow on from the question you asked Kurt. The most recent sentiment tracker done by VisitBritain, London and partners at the destination management organisations at the devolved Assemblies



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showed that over half of people are looking for eating and drinking out—culinary experiences—and socialising like a local. It is the tourist experience that adds to that cultural mix. We need to make sure that we are training and investing in our teams to be able to deliver that service—to deliver that warm welcome when they get here and they start at our hotels and they go and eat out—but it does start well before the border and with their visa application and the welcome they get when they get to the airport, wherever they arrive.

Q137 Giles Watling: You are absolutely right; we do have some of the most excellent hospitality venues in the world. They tend to be largely focused in our metropolitan centres. I could take you to any area of London and you will find excellent food and drink outlets. I represent Clacton, which has two piers and visitor attractions, but not on the same scale. There is also that terrible image of John Cleese in “Fawlty Towers”, which is abroad sometimes—the strict seaside boarding houses with poor quality food. It isn’t necessarily true. How do we overcome that?

Kate Nicholls: It is a myth and a perception, rather than a reality. As you say, it is probably 20, 30 or 40 years out of date, when people didn’t think Britain was a great place to come for gastronomy. It is coming out top in the visitor sentiment that they want to come here to eat and drink; they want that gastronomy experience, and not just in the Michelin-starred areas or in our towns and city centres, but across the country, where you can find fantastic quality food.

It is worth remembering that foreign visitors spend more eating and drinking out in the UK than all of our food and drink exports put together, but we don’t tend to value it as much when we are promoting Britain in that sense. It is a literal shop window for our produce.

It is about making sure that we have that broad-based marketing appeal that links together the heritage, the culture, the tourist attractions, the events that Kurt talked about, and the retail offer, and those soft drivers—those soft power drivers—that mean it is attractive to come to Britain in addition to what we can value and offer. Particularly in our sector, over the last 20 to 30 years, we have worked to professionalise the sector, introducing high levels of apprenticeships, entry-level training and WorldHost qualifications to make sure that our frontline staff, particularly in those international tourist centres, are giving the best possible welcome and the best possible service. We hold ourselves back slightly because we don’t value language skills in our curriculum as highly as we could, and undoubtedly having multilingual receptionists is to our advantage in those international destinations.

Q138 Giles Watling: It is really interesting that you raise that. Do you think we have suitable training here? People used to go to France, for instance, to learn to wait tables and so on. Do we have adequate training facilities?

Kate Nicholls: We do have really good training facilities scattered throughout the country—we have Edge Hotel School, which is a world-class hotel school in Essex, linked to the University of Essex. We have



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Westminster Kingsway, just down the road from here, which is catering excellence. We also have the University of West London in Ealing, which has a catering college, where you get Heston Blumenthal and people like that coming back to train the chefs of the future. We do have good quality training.

More importantly, what we have done over the last five to 10 years is to invest heavily in our vocational training and the in-work apprenticeships. Unlike a lot of other sectors of the economy, the apprenticeships that we are offering—there are about 10,000 starts a year in hospitality at all levels—are real jobs, and there are real jobs at the end of them when people complete them. We are investing very heavily in top-level skills. It is important that we have that mix—that we have the people in our restaurant managers and our exec head chefs who are able to train the workers of the future and the domestic workforce in the UK.

Q139 Giles Watling: Finally—this is probably to Joss—coming back to the metropolitan centres like the west end, there is of course a symbiotic relationship between retail, restaurants, bars and pubs. Do you feel that the Government recognise that relationship? During covid, the theatres closed and therefore the restaurants didn't open. Theatre was going to be one of the last things to reopen. Do you think the Government recognise that? Does it support it enough, and what more can be done?

Joss Croft: Certainly, restaurants, theatres, hotels—they are all part of the experience that people are looking for. Increasingly, people are looking for those experience-driven holidays, rather than just the sightseeing tours that they undertook maybe 15 or 20 years ago. Whether the Government recognise it or not, we are at a significant disadvantage in terms of our recovery. Europe is expected to recover to pretty much 83% of 2019 figures, and the USA will actually exceed its 2019 figures by 1.1%, the WTTC is saying, but the UK is only going to recover by about 75% this year. We are at a disadvantage in our recovery. Cities are struggling to recover. I heard someone from the GLA last week say that inbound visitors to London contribute five times more economically than commuters. We have to get commuters back, but cities are always going to struggle to recover if they do not get international visitors back.

Q140 Giles Watling: Why are we behind? What are we doing wrong?

Joss Croft: There are three or four key areas. The first is the image of the UK, which has taken a bit of a battering. You talked about welcome. We are now ranked 18th in the world for our welcome. Shortly after the 2012 games, we were at 10th in the world. How people perceive the welcome is massively important. Again, we know that people who feel they are welcomed in a destination are more than twice as likely to tell their friends and relatives about the destination than those who did not feel welcomed.

There are also systemic problems. A lot of the supply chain was neglected when it came to Government support. Tour operators, who bring in around 60% of all the inbound visitors to the UK, were not supported to the same

level as in our competitor nations. That has allowed them to recover quicker than we can.

The UK has damaged consumer confidence in travelling to the UK by having very strict restrictions on inbound tourism over the past two years. Have those restrictions been effective in stopping the pandemic? I am not an expert on that, but the changing restrictions necessarily mean that people do not feel confident to book, because they worry that restrictions might come in. It is for a combination of those three reasons that we are starting to lag behind in our recovery.

Giles Watling: With any luck, that will reduce, but we need to build a welcome.

Q141 **Dr Huq:** Does London see better year-round tourism because there is more to do, better places to eat and more of a “global Britain” feeling than in anywhere else?

Kate Nicholls: As you heard previously, 70% to 80% of our international visitors come in through London. London bookends their visit to the UK. Whether they go and travel elsewhere or move throughout the country, or whether they stay put in London, it forms the entry and exit point.

I think you are right that you do have a wider shoulder period coming to London, because it is less weather dependent. There is more to do indoors, and people are coming for a city break or a city activity. There is a variety of things you can do in London, and you can then move yourself out to the rest of the UK. London has the appeal for a lot of international visitors because of its culture, heritage, theatres, events and activities, but it is also the gateway to the rest of the UK.

Kurt Janson: I think you should look at London as the crown jewel of the UK’s tourism assets. It is something to be incredibly proud of and it is something to work with when marketing the UK overseas. We are an island destination and yet we are the fifth most popular destination in the world. That is an incredible achievement, especially because people do not come here for a fly-and-flop holiday. We are doing a hell of a lot right. We have some fantastic assets.

What we have not been able to do, apart from with London and Edinburgh, is turn a well-known destination into a global marketing brand. The brands of London and Edinburgh are very different things from London and Edinburgh as destinations. For example, people around the world will know Manchester and Liverpool, but they do not know the brand of Liverpool or the brand of Manchester. They know it is a destination, but not what it embraces, what to do there and what kind of experience they are going to have when they get there.

What we need to do is take well-known destinations, which is a great starting point, turn those into brands and sell the brands overseas. That is the way you get visitors to go to other places around the UK. It is thought that people come to London but that we need to get them out of London to other areas.



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I will give you a couple of statistics. Over the last 10 years, inbound tourism revenue to the UK has increased by 62%. However, the number of days that people come to the UK has declined by 8%. Now, almost 40% of people come for under a week. If people are coming for shorter and shorter periods, it gives them less opportunity to get out of the destination that they arrive in. You are trying to hold back the tide by thinking, "We will get people into London and then it is easy to spread them around the country." Instead of fighting that, we have to work with what people want to do, which is to go for short stays and short breaks, and go point to point. We need to develop Liverpool and Manchester as their own destination, with their own brand, and get point-to-point travel to these places, rather than trying to say, "We'll get them into London and push them out."

Kate Nicholls: And 48% of international visitors want to come to cities. That is what they are looking for; that is the appeal. We need to make it much easier and cheaper to get people around the UK from city to city, and to be able to make those plans and trails, as Kurt is saying, so that you can move people around the country and move the value around the country, as well as keeping it within London.

Joss Croft: If you want to know why people do not move outside London, it is partly because of the strength of London, but it is primarily because people do not know what there is to do outside London. As Kurt said, you might have heard of Manchester, but you do not know that there are fantastic things to do on your doorstep in Manchester.

The other area is transportation. People think that things are too far away. If you look at international awareness of what there is to do in the UK, people do not understand that somewhere might be less than two hours away. In any normal destination, you might arrive in London and think to yourself, "I will take a quick trip up to the north-west today", but you arrive at the station and find out that it is going to cost you almost £300 to travel to Manchester for the day. We have to get the internal access and transportation fit for purpose for international visitors.

In terms of making people more aware of what there is to do outside of London, that is probably more of a marketing challenge. That will require additional funding to our national tourist boards to get the message out there. Again, we have seen our competitors spend significantly more in getting their share of voice and promoting their destinations. Spain, for example, will be spending €90 million this year. Ireland will spending €80 million—half in the UK, but half globally. Our tourist board, VisitBritain, has launched a campaign worth £10 million this year. We are not competing in terms of our share of voice. Of course, I would suggest that our marketing is probably smarter, although not necessarily bigger, than some other destinations, but we are being out-competed on the level of spend.

Q142 **Dr Huq:** You mentioned structural things, such as transport links; when HS2 comes, the price has to be right as well.



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Joss Croft: Yes, and it is about the formulation of those prices as well. A lot of people are looking for those last-minute trips. As we have heard from Kurt, length of stay is decreasing. Take yourself as an example. If you were to go to, say, Geneva, you might think, "Well, I'll just take a quick trip to Zurich." The cost between Zurich and Geneva is probably €30 or €40, not £200 or £300, as in the Manchester example. We have to ensure that people are able to do those last-minute trips without necessarily incurring all those huge costs.

Kurt Janson: What you find is that tourism is a very complex web or ecosystem; problems in one area spill over into problems of another area. As an example of this, maybe at some point we will talk about the de Bois review, and destination management organisations and their funding. If we do not have very strong, well-funded destination management organisations, places like Liverpool and Manchester are not able to develop their brand and sell it overseas, which means that the transport is not connected. Everything is interlinked. The tourism industry needs a comprehensive tourism plan that recognises all these different components and puts them together in a structured manner. At the moment, tourism is siloed within DCMS, with the other Government Departments not really understanding it that well.

Q143 **Dr Huq:** Do you speak to regional Mayors and those kinds of people? As a London MP, I would say that we need a long-term London funding strategy for TfL because it seems very hand to mouth at the moment; there is always some last-minute settlement or something.

Kate Nicholls: We do talk to the regional Mayors about their development strategies and employment strategies, given that hospitality and tourism is such a big employer—and a disproportionately large employer in major city centres. We also talk about their tourism and hospitality recovery plans. The Mayor of London, in addition to what has been done at VisitBritain, has done a Let's Do London campaign, which focused on domestic tourism last year. We got to 60% recovery for overnight stays in London last summer on the back of that campaign. Marketing spend and marketing promotion, and active promotion to people who would not otherwise have thought about coming, does work; we just need to make sure, as Kurt says, that it is joined up, that it is understood across all of Government, and that it is valued.

One of the questions that you asked earlier was, "Does the Government understand and value inbound tourism?" I am not sure that the Government understands and fully values inbound or domestic tourism—the multiplicity of motivators and the way in which behaviour changes and people move around the country. I think it gets taken for granted, it is not fully understood, and there is not much joined-up thinking that looks at those motivations. We rely on a very narrow prism of culture and heritage; we need to add to that the passion tourism pieces—whether that is sports or music—that sit alongside culture. People do come over to this country for football matches; they do come over for major international music festivals, music events and concerts. We do not tend to capture that in our current set of statistics, and if you cannot capture it and sense it



and value it, you do not appreciate it, you do not understand how it makes an economic contribution and, crucially, you do not then leverage it to make sure that somebody coming over for an international tourism summit or a business event or a sporting event does something else on the back of it. That is what we need to be doing better to be able to extract greater value from the assets that we have.

Q144 Dr Huq: On the issue of people and skills, I remember asking George Osborne—remember him?—a question about the curry crisis. At the time, in the Indian restaurant trade, two restaurants a week were closing because they could not get the chefs. The answer from the Brexiteers, and one of the sub-headings of the Brexit campaign—I think Priti Patel said, “Save our curry!”—was: “Once we leave, we won’t be subject to these restrictive EU labour laws.” What happened there? I had an email today from someone still going on about the curry crisis. Also, my local restaurants had a lot of EU staff who went home, and they are having difficulty filling posts.

Kate Nicholls: There are labour shortages across the UK, in common with countries across the globe. You cannot press Ctrl-Alt-Delete on the global economy and expect supply chains and labour systems to restart seamlessly. It is not unique to hospitality; it is common across the UK economy. And it is not just the UK; my sister organisations in North America and Europe are all saying the same thing—they are all having difficulty getting labour and getting people back into work.

We have about a 10% vacancy rate across the hospitality sector across the UK. It is more acute in London and some of our other regional tourism hubs, where you are seeing real labour shortages and very low levels of unemployment. That is not the case in London, where we have a mismatch of higher levels of unemployment but high vacancies, but in parts of the south-west, you are down at about 3% unemployment and we still have quite high vacancy rates across hospitality and in the supply chain. In the hospitality supply chain, you have a vacancy rate of about 8%, and in hospitality itself it is about 10%, and it has been since we reopened this summer. That is impacting the ability to service and meet the demand. Before the omicron wave hit in December, we were struggling to meet demand across the UK, particularly in certain London hotels and restaurants, where we simply did not have enough staff.

Joss Croft: It is also not just a labour shortage crisis—as Kate has mentioned, that is not just in tourism—but a skills crisis. Even before the pandemic struck, we were really struggling to recruit staff with the language skills that we need. We talked earlier about the importance of being able to offer a global, world-class welcome to people, and it is important that we are able to do that in languages as well.

A lot of operators—these are the operators who package up the UK and sell it internationally—need language skills as well. We have seen a lot of Europeans returning home, either due to the Brexit decision or because of covid, and they are not necessarily able to return, so we are really struggling to get the language skills to be able to deliver that world-class

service or to contract the business that we need. We know that between 2006 and 2016, there was a one-third reduction in the amount of students in this country learning a modern language at A-level. Again, there is a systemic problem in terms of building our home-grown talent and skills to be able to deliver that world-class welcome, particularly now that we are less able to recruit in from overseas.

Q145 Jane Stevenson: I would like to come back to your relationship with Government. In our call for evidence, we heard calls for a dedicated tourism Minister at Secretary of State level to really co-ordinate this industry and to help. Do you think that would be a massive stride forward? Can I get some sort of idea of your current dealings with Government? How often do you speak to people and should it be more often?

Joss Croft: From my perspective, we have very good relations with DCMS and officials. Nigel Huddleston is an excellent tourism Minister, but he looks after arts, culture, heritage, the Commonwealth games and civil society as well.

This is a £28.4 billion export industry—as big as pharmaceuticals and almost as big as automotive exports. It is huge. It contributes to the UK's soft power credentials overseas. Those who travel to the UK are 6% more likely to invest in the UK, trade in the UK and have their children educated in the UK. It is big business. It definitely warrants a Minister of State and a specific Minister of State, given the size of the portfolio and the size and value and the importance of the industry.

Kurt Janson: I would echo Joss. The problem that we find with tourism is that DCMS controls very few of the levers that control tourism; instead the Home Office, the Department for Transport, the Treasury and other Government Departments have the main levers that impact the growth of the industry. What DCMS needs is to have someone who can go across Government Departments and who has the power to get other Ministers to come on board and develop a coherent set of policies for developing the tourism industry. It is especially important at the moment.

As Joss said earlier, WTTC is saying that global international tourism will get back to 93.5% of its value by the end of this year. When the Government developed the tourism recovery plan, they projected that it was going to be 2023. At the beginning of this year, VisitBritain pushed that back to 2025. We have had two years slippage in our recovery in the space of about eight months, whereas global tourism is going to bounce back.

We need to get out and do more. There are a lot of levers that we need to pull. We need to get out full strength on marketing, because every other destination around the world has seen its tourism industry decimated as well and they are spending big money. The €80 million from Tourism Ireland—that is £16 per person for every person in Ireland being spent. VisitBritain is spending 30p. That is what we are up against at the moment.



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We are not doing anything on visas. In fact, we are going the opposite way on visas with students—telling European students that they need to have full passports rather than ID cards to come here, which is decimating that part of the industry. Paul talked earlier about how we are telling people that they can't do duty-free shopping here any more, and that is decimating that part of the industry.

We have actively put up barriers to people coming here when we desperately need to be doing everything in our power to attract them, and that takes a cross-Government approach, with a coherent tourism recovery strategy. The one we have got at the moment has two things in it: we are going to put £10 million of vouchers into visiting attractions and we are going to have a domestic rail pass. That is not going to recover the losses that we have suffered in the industry.

Kate Nicholls: I would echo what Kurt just said about the ambition and the need to drive further forward if we are going to get back to 2019 levels. It is important to think about it in context. I know we are looking particularly at the promotion of Britain overseas and inbound tourism, but domestic hospitality and tourism on top of inbound is a £130 billion industry—or it was before covid hit. In 2019, that is what we were valued at—£130 billion—with 3.2 million people employed and 300,000 businesses within the sector. It is bigger than aerospace, automotive and pharmaceuticals put together and accounts for twice as much employment as the financial services sector. It generates £40 billion of tax for the Exchequer, which is the equivalent of the Defence budget, or the social care budget, or the Brexit divorce bill—whichever you prefer.

It is a huge important industry and, crucially, it was set to grow 5% year on year and generate £10 billion of investment into high streets—that is capital investment, spades in ground, and jobs, growth and levelling up in practice. It is the industry that will deliver levelling up as rapidly as it possibly can. If you support us with £1 today, somebody will go out and spend it over one of our counters tomorrow, and you will generate a job on the third day. No other industry will generate jobs, growth and investment at pace and in all parts of the UK, delivering levelling up in practice. That is why you need the comprehensive strategy.

Your starting question was about our interaction with Government and the importance that Government place on it. That cannot rest with one Minister. We think we have an advantage as a result of covid. The Government had to work in very different and unusual ways, so I would have to say that I had unprecedented access to Ministers, to be able to make sure that they understood the devastating effects of decisions in real time. It was not just DCMS; we now have a hospitality Minister in BEIS—we had nobody, no unit, looking after hospitality at all; we only had inbound tourism being looked after. There is also a Minister for food, who looks after the food supply chain in DEFRA. Those three Ministers have been working together coherently.

Kurt is right that we need to be much more ambitious if we are to deliver on that pledge to bring forward the recovery by a year, but the positive



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result of the tourism recovery plan, and the key thing that it did, was to set up at Cabinet level a cross-governmental Committee chaired by the Secretary of State for DCMS to look at the visitor economy and at what was needed to get those levels back. It is one thing to get back to 2019 levels of revenue, but we are facing into inflationary headwinds in the sector of about 10% to 15%. You will need to overdeliver on 2019 revenue levels if you are going to repair the industry. That is what we need to look at—we need to be ambitious, because otherwise we will not get back the additional revenue and spend as quickly as we possibly can. The slower it takes, the less we can invest in local constituencies and communities across the UK.

Q146 Jane Stevenson: Thank you for that interesting answer. Is there space for the regional Mayors we have heard about, the devolved Administrations and local government around the UK? Does the hospitality or tourism Minister, if one were to be created, need something broader than we expect? Does it need to encompass all those different players if it is to be able to take decisions?

Kate Nicholls: I think it does at the moment. We have a Tourism Industry Council, a Hospitality Sector Council and a Food and Drink Sector Council. I will leave aside the Food and Drink Sector Council, because that is much more to do with farm to fork. Again, however, it is about looking at tourism in a holistic way, because what we do in the environment and with farming has an impact on our ability to deliver regional tourism and the vibrancy of that tourism offer in those local areas.

The first two councils that I mentioned have devolved Administration and regional input, so we have London & Partners involved—that is the Mayor's agency—to look at inward investment. We have good engagement, but we need to make sure that it is not in such a silo. We need to make sure that we join the dots across DCMS. DCMS does not join the dots between tourism, sport, culture, music, heritage—they are all seen individually and separately. So when we look at business events, major sporting events or music, that is all dealt with separately.

Then we need to join the dots across the rest of the Government, to look at it in the round as to what policies we need to support the recovery of this vital economic industry. It is important both domestically and as an export earner. For example, at Expo in Dubai—we are looking at the Department for International Trade—the UK pavilion is quite cerebral and very focused on trade, products and manufacturing; it does not bring into play the whole of the culture and soft power that we talk about so much and that we can bring to bear. It does not join the dots, to give you a sense of what it is to do business in Britain, what it is to visit Britain. We do not have that. We need to be much better at doing that.

Q147 Jane Stevenson: Presumably that means more investment. If we had a Secretary of State, do you think that such problems would be avoided with the shopping rebates? Are we basically just missing a trick when we have something like the Queen's platinum jubilee to sell that Britishness and to bring visitors?



Kurt Janson: A series of decisions made over a long time have got us to where we are now. For example, when the regional development agencies were abolished, with that went statutory control of tourism at sub-national level. We got rid of the bodies that actually had a statutory responsibility for tourism growth and development and did not give that responsibility to anyone else. Apart from just the funding that went with it—about £60 million a year—the councils picked up the slack, and at the time they were spending £122 million on tourism development and promotion. As the squeeze on councils has increased, they are spending just over £50 million today. Forget about inflation over the past 10 years; their expenditure has dropped off the side of a cliff. They are not able to put money into tourism development and promotion at the local level. To compound that, the decision was made to get rid of VisitEngland—a stand-alone, arm’s length body—and incorporate it as a small unit within VisitBritain. At the same time, the Treasury made the decision that no money should be spent on domestic tourism marketing in the UK. That was gutted as well.

We have ended up in a position where there is no money for promotion development at the regional level, and there is very little at the central level. There is no responsibility for it, so how are we going to develop the places, the brands, the product offers and sell them overseas if no one has got that role, or any funding to do it? That was one of the main reasons for the de Bois review—to get recognition in the DCMS that the strategy is really broken and needs to be fixed if we are to go forward. Unfortunately, that review seems to be caught up in CSR spending decisions as well, and we have not had a Government response on it yet.

Q148 **Jane Stevenson:** Is there anything you want to add, Joss?

Joss Croft: The original question was “What is engagement like?” It is fantastic. It is interesting that the majority of regional mayors are developing strategies in response to covid recovery and more generally on their visitor economy. In the north-west for example, they recognise the importance of the China link that they had, which was driving up average spends massively because of the huge number of Chinese visitors that they were getting. Edinburgh and Glasgow have developed their own tourism recovery strategies. We are seeing that at local and regional level, but whether the money is there to then invest in that is a separate question.

Jane Stevenson: Thank you.

Q149 **Kevin Brennan:** Kate, I just want to tease out what you are actually telling us. You said that Ministers with responsibility for food, for hospitality and for tourism are working coherently across government. Then you told us that Government are not joining the dots up, and that even DCMS, as a Department, is not joining up the dots. Are you just being diplomatic, because you do not want to be too critical and you welcome the access you have to Ministers? In reality, is the truth that the Government are pretty hopeless at joining the dots?

Kate Nicholls: The structures that I just outlined are very new and have come out of covid, so it is undoubtedly taking time for that to bed in, and



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therefore the central message is, "Could do better." There is much more that we could do strategically—

Q150 **Kevin Brennan:** Do a lot better, or a little bit better?

Kate Nicholls: A lot better across government to be able to make sure that they maximise and see the potential that this sector can deliver for them. We are just at the starting point of that inter-ministerial cross-Cabinet group meeting to look at the visitor economy and at what more could be done. Kurt is absolutely right; the main areas of concern that we have articulated and that colleagues have articulated before are controlled by the Treasury and Home Office. Therefore you are always going to have to exert pressure to get change in policy in those two areas, which are the biggest areas that will inhibit us when we are talking about what we want to do and must be placed in the context. I was trying to articulate that there is the potential for that to be improved, but we could do an awful lot better.

That does not necessarily need money; you need the strategic thinking at the top levels of Government that sees, recognises and understands that this is an important driver of economic growth, and to make sure that when we think about trade and exports, we automatically include tourism as one of our big exports, as well as the music and culture that go alongside it. I was trying to pull out those points. I wasn't trying to be diplomatic; I was just trying to explain that although we have been through an unprecedented situation, some positive changes in the machinery of government have resulted from that, and we need to work to ensure that they are exploited to the full.

Q151 **Kevin Brennan:** You say it does not take money, but we have heard that Ireland is spending more on trying to reactivate tourism from the UK alone than the UK Government are spending on trying to reactivate visitors from the whole of the rest of the world.

Kate Nicholls: Yes, and Pennsylvania has more in its marketing budget than the whole of Visit Britain. We do have small budgets that we are working with. We have world class-beating assets that we rely on—the world's best hotels, bars, pubs, restaurants, food, attractions, heritage, culture, music, museums and art galleries. We rely on the fact that they are top in the world in their respective categories, and on the fact that we have those assets to exploit and do not need to put as much money behind them. When we look at those large amounts of money for spending, there is a perception issue in the Treasury that they are large amounts of public money that could be used more effectively. That is my single message: the money we spend could be leveraged more; we could get more bang for our buck if we were more joined up strategically.

Q152 **Kevin Brennan:** The Treasury would love to hear that message, I'm sure. Are you worried that the new cross-governmental mechanism is chaired by the Secretary of State for DCMS? This is not a comment about the person, but about the role, which in this Government does not have any heft?



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Kate Nicholls: That is always the concern, which is why I think it is helpful that we now have a hospitality Minister in the Business Department as well, so it is seen proactively as part of business and the economy, which was previously a big oversight. We need to upweight it.

Q153 **Kevin Brennan:** Does anyone know why we don't have a railcard for tourists? When I went to Japan for the rugby world cup, it was great.

Kurt Janson: We do have a railcard scheme for people visiting

Joss Croft: We have a BritRail pass, which is available.

Q154 **Kevin Brennan:** How much does it cost?

Joss Croft: I can get the details for you directly—I don't have them here. It is not available to Brits to buy.

Q155 **Kevin Brennan:** We heard that one of the big issues in getting people around the country is that if you rock up at Euston and try to get a ticket to the north of England—or Paddington to get a ticket to Cardiff, which is much nicer—it is likely to cost you a couple of hundred quid to travel on the day, because basically we use price discrimination against anyone who is travelling at short notice. Is it much taken up and viable?

Joss Croft: It is taken up by certain markets. For example, Australians, when they travel, come for a long time—much longer than other markets—and likewise Canadians. They are much more likely to travel around the country, so the BritRail pass is used by them. One of the challenges is having the forethought to be able to use it, whereas customers may not have that.

Q156 **Kevin Brennan:** That would be true if you went to Japan. The only difference is that they would not charge you an arm and a leg if you bought a ticket on the day.

Kurt Janson: It has a certain market, as Joss says, of people from long-haul destinations who stay here for a while and want to do the whole of the UK because it is their one and only opportunity to ever come to the UK, but as I was saying previously, that is a very small part of the market. The vast majority of people come here for only a few days, and 65% come here from European countries and stay here for a very short time, just doing city breaks. That is the bulk of our market.

Q157 **Kevin Brennan:** Could you clear something up? I think it was you, Kurt, who said earlier that in the last decade, in terms of visitor welcoming stats, we had gone from 10th in the world to 18th, but that had coincided with a 62% increase in visitors. How does that work?

Kurt Janson: The 62% increase was in visitor revenue—

Q158 **Kevin Brennan:** I see. What was that driven by?

Kurt Janson: Basically, we have more visitors coming over here. They come over more often.



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Kevin Brennan: That goes back to my question. If we suddenly become far less rated for our welcome, why are more people coming here?

Kurt Janson: Welcome is only part of the experience. We want to improve the welcome, because it improves things overall, but there is a vast array of things that people come for: history, culture, restaurants and events.

The welcome is a component. Our welcome rating has never been brilliant compared with other countries, but we have always been the fifth or sixth most popular destination in the world. People weigh up a total package of things when coming to the UK. They say, "Okay, the welcome is not what it should be, but there are a range of other reasons why we would want to come here."

Joss Croft: There is another element behind it. We are an enduringly attractive destination. We are on everyone's bucket list. We heard from Mr Watling that one of the problems is our timelessness—we are not timely enough. People say, "Yeah, it's Britain. I want to go at some point but guess what? I am off to Vietnam this year, because Britain will be there for next year."

Until 2019, we saw increases year on year. The rest of the world is growing faster than we are. While our welcome is important, on contemporary culture we are fourth, which is a fantastic score. However, we dropped from second to fifth place overall in our tourism ranking. Yes, we are probably progressing, but other countries are progressing faster than us.

Q159 **Kevin Brennan:** Finally, I want to ask about skills. You talked about the skills gap, particularly in hospitality in the UK. It seems to be a perennial problem, which was possibly filled for many years by highly skilled, well-trained and well-motivated staff, often from the European Union. How much of a gap has that left, and how realistic is the current Government policy and approach on skills? How will those genuinely fill that skills gap?

Kate Nicholls: I would argue that we have not really had a skills gap—we have had a labour gap, both before covid and certainly much more acutely coming out of it. Something that our sector does brilliantly is take anyone at any skill level and with any entry-level qualifications—or no qualifications—and skill them up and invest in them. We can take someone who is older and has been made redundant somewhere else and train them up and skill them. We invest in our people. No one starts in hospitality without some of that basic training, and now we work through continuous professional development.

We had a vacancy rate of about 5% going into covid. It is now 10%. That is a feature of the labour market, both before and after covid. We have a tight labour market in the UK, with low unemployment. We have a slight increase in economic inactivity coming out of covid, and a small number of workers have not come back to the sector.

One in five hospitality workers—it is probably similar across tourism, but hospitality makes up about 80% or 90% of employment, so I will just talk about it—did not come back from furlough. The numbers were split equally between foreign workers who went home and could not come back because of covid restrictions for quite a long time and UK workers who did the same. Lots of younger workers left the cities and went back home to mum and dad or to cheaper places to work and live while the covid crisis went on for a long time. There were people who left the industry altogether and found a different job, and there were people who did not return to work at all.

Overwhelmingly, it is the uncertainty about hospitality being a stable career of choice that we are still battling. There was a period in which the industry was closed down and people have no certainty about what their shift pattern is week to week, let alone their earning capacity, which has been put on hold. That is something that we are going to have to work hard to overcome, and that is what we are doing to attract people back.

Fundamentally, on the skills point, we rely on vocational skills, particularly when we are talking about kitchens and chefs. You cannot close down an industry for two years and expect the talent pipeline to remain undisrupted. We have a two-year hiatus in our talent pipeline, with people coming through catering college, people coming to work vocationally and doing their apprenticeship in the industry. That has been disrupted, so there is a gap, which we are working hard to fill.

Pre-covid, about 25% of the sector's workforce was non-UK. We have not seen a reduction, for those who are on the payroll and are paid permanent workers, in numbers and the mix of EU, rest of the world and the UK. We have seen a big change in the seasonal workers who are coming through.

Q160 Kevin Brennan: What are the percentages for those two—permanent payroll and seasonal?

Kate Nicholls: It is split probably equally—50:50—because unlike a number of other sectors, we don't actively recruit abroad; we recruit locally. That is the advantage of hospitality: you can probably walk to your work or have a small amount of travel. We have always recruited locally. It just so happens that in certain parts of the country the workers are more likely to come from a different background or may not be UK nationals.

We have seen some slight changes. More of that is driven by covid and travel restrictions than by Brexit. The final one to mention, which I forgot, on my list of people not returning is foreign students. They do make up a large proportion of our workforce, and we don't have them back in the same numbers—or the ones that we do are Chinese and from GCC countries, who don't tend to work while they are studying over here.

Those are the particular challenges that we have, but we are putting in place, at pace, a number of measures—skills bootcamps, kick-starts and



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apprenticeships—to be able to drive forward and train up the workforce of the future.

Kevin Brennan: Thank you.

Q161 **Steve Brine:** Kurt, you were talking about where we come in the league table for warmest welcome. Why don't we do very well on that? I always wonder about this. When you see people stumble out after they have collected their baggage, why are there not people at the big airports to say, "How can I help?"?

Kurt Janson: "Welcome" is a more generic term. The issue is with the perception of the country as being welcoming to visitors. A lot of that is down to the staff that you meet along the way, but it's also down to the systems in place. We heard previously about five-hour queues at Heathrow. That is not a personnel issue; that's just a problem with—

Steve Brine: Process.

Kurt Janson: Process.

There is the issue of visas, for example. We are not seen to be welcoming on visas. For example, you can pay €80 to get your Schengen visa for 26 countries and you can just travel freely around Europe. It's £95 just to come to the UK. That is not seen as being particularly welcoming. So there's a whole lot of things that we can do—changing our visa system, as Paul mentioned, and other things that we can do—to show ourselves as more welcoming.

I will give another example on the visa side. The Government is going to bring in ETAs, which is great; it's good for security. We could use those to improve the welcome for visitors from developing countries like China or India, because we have a very unsophisticated, very blunt visa system at the moment: it says you're either a visa national country or you're not.

I think 96% or 98% of visitors from China get a visa when they apply for one, but we still keep that system in place. What we could do with ETAs is have a two-tier system whereby, if you meet certain requirements—for example, your bank account is a certain amount—you are safe to come here. If you are coming over on business, coming to a conference—something like that—you apply for an ETA, and they say, "Yes. You're no risk, coming to the country just on an ETA." People who don't meet those thresholds could drop down into the visa system, so we could then have a fast-track system that would help business, help the events industry and help the perception of us as being a welcoming destination, while still maintaining the security that the Home Office wants in order to be able to check anyone more thoroughly.

So there are things that we can do to improve our welcome just by changing those processes and providing products like the long-term low-cost visa for five years. Those things would improve our welcome and the perception of us as a country.



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Steve Brine: Okay; thank you. We'll leave it there.

Q162 **Julie Elliott:** We have had quite a lot of evidence from people telling us that Britain is an expensive place to visit and not good value for money. First, would you agree with that; and secondly, if you do agree with it, what can we do about it?

Joss Croft: I will start off on that. The UK is seen as a premium destination; we are not a cheap destination for people to travel to. But it's less around the cost and more around the value for money. There are various impediments.

We have heard about the cost of visas. To travel to the UK on a five-year visa is, I think, £565; to get the 10-year visa to the States, it's \$160. So price is No. 1. Our air passenger duty is higher than most other air passenger duties around the world. VAT is going back up to 20% later this month, and we will then have the second highest level of VAT on accommodation in the whole of Europe. We have heard about the cost of travel up to Manchester for a day trip from London of £200 to £300, as opposed to, say, €30 or €40. There are a lot of systemic costs that are confronting people when they travel to the UK.

A lot of the time, people mind less because they are getting good value for money because of the quality of the experience they are getting here in the UK, and because they are able to get huge elements of value for time, as well—for example, from the different experiences you can get within a short period in England, Scotland, Wales and Northern Ireland. You can cram a lot of that into the value proposition, as well.

But I think about some of these taxations. If you look at the World Economic Forum ranking of competitiveness across the world, on price competitiveness we are 140th out of 140 countries around the world. We are not doing very well at all on price competitiveness. None the less, we are an attractive brand, and people will always pay that additional premium for an attractive brand, which they would not for one that is not premium.

I think there is an element of Government policy in pulling some of those levers that might make us a more affordable destination. Again, Kurt will have the details, but on price elasticity, for every pound that we put up the cost of coming to the UK, we lose £1.3 in the revenue we get. There are policy levers that we can pull to make the UK a more affordable destination, which would only encourage that sense of value for money as well.

Kurt Janson: I absolutely back Joss there. It is quite astounding that we rank at the bottom of the table. It is more the taxation of tourists. We have the highest taxation of tourists of any country in the world, and yet we are the fifth most popular destination in the world. That shows you the quality and strength of the product and the service.

Q163 **Julie Elliott:** Is that not saying that they are coming despite that? If we did something about some of this, we would get more people coming.



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Kurt Janson: Yes—it's an absolute no-brainer, if we could remove some of those barriers that have been put up. Because successive Governments have come along and thought that they will put those taxes on tourism, and tourism keeps going up, so they think, "Brilliant, we'll keep doing that." But then we come to the situation we've got at the moment, where we find we are really lacking that competitive advantage, when we need to rebuild the industry and get back to where we were. This is the time to re-evaluate how we've been treating the tourism industry as a cash cow, golden goose, call it what you will. We actually need to address these issues because they are a long-term barrier to the industry.

Kate Nicholls: I echo everything that my colleagues have said. I would add a couple of extra points. This is a very different set of circumstances that we are coming out of, post covid. We are facing much more intense competition from every other market in the globe that is trying to do exactly the same as we are trying to do: attract more people into the country and keep more domestic visitors in the country to have short breaks and holidays in their markets, as well.

Being uncompetitive on price puts us at a significant disadvantage. We are seeing an increase in cost-centric concerns for visitors who are looking to come back. If you look at the latest VisitBritain statistics about consumer sentiment, cost issues are the sixth most important issue of concern for coming to the UK for short-haul markets—so our European competitors—but they are fourth when it comes to the long haul. Anything that we do to make ourselves more expensive is unhelpful.

The other missing element is that it is also about UK people, staying in the UK, having their staycations and short-term breaks. That is the way that we spread the value of tourism much more evenly around the country, because UK visitors go to different parts of the country than international visitors do.

The single biggest thing we did to drive demand and support the sector was to introduce a lower rate of VAT for tourism services, for accommodation, eating and drinking out, and tickets to visitor attractions. We saw an immediate uptick in demand. More than half the industry passed that VAT cut on in full, to drive that demand over the summer of 2020.

Over the summer of 2021, we insulated consumers from cost price increases that were already coming through and hitting the businesses, because we kept that lower rate of VAT. That is significantly going to hurt the sector when it comes to an end at the end of this month and goes back to 20%. We are going to see significant price increases—not just for international visitors, which might deter them and push them to other markets but, most importantly, for UK visitors who want to go out.

Members across my trade association were suggesting that UK consumers could see 10% price increases for going to hotels and holiday parks, having a caravan break, eating and drinking out, and going to attractions.



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The more that it costs them to go out, the less they will do it and the less they will have to spend, and the slower the economic recovery.

Kurt Janson: Take that example of the B&B owner in Clacton. They are not competing with someone in Cumbria or down in Cornwall. They are competing for customers with people who are living in London, and who are getting €40 million-worth of advertising from Ireland. They are competing with the Spanish tourist board, who are throwing €90 million at overseas marketing and trying to attract people to go overseas. That little place in Clacton is sitting there going, "How can I compete with this when the Government has just increased my costs by 10% by putting up VAT at the very time that the tourism season is about to start?"

Q164 **Julie Elliott:** Could I put that back to you? If the Government were to do one thing in your sectors, would keeping the lower threshold of VAT be the thing?

Kate Nicholls: Yes, if we are looking at immediate recovery and ensuring that we have a flying start to the summer season—the VAT cut comes to an end before we really start Easter. Given what we saw with omicron, which delayed our recovery by about three months as a result of losing Christmas, the single biggest thing that could happen now that would help to keep prices low for visitors and improve the balance of payments deficit by attracting more UK visitors as well as our international ones—and coming back to the price competitiveness point—would be to retain the lower rate of VAT for at least six months.

Joss Croft: For me it would be looking at the competitive spend in marketing the destination. We are being so wildly outspent on this. In the very short term, given the fact that we are a premium destination, we need to be shouting about the wonderful things that there are to do in the UK in 2022, be that the Commonwealth games or the platinum jubilee. We have to be shouting out there to get our share of voice larger and to maintain our position as an attractive destination.

Kurt Janson: I am going to go down the middle. I used to work for the New Zealand tourist board, developing tourism policy and tourism development plans for New Zealand, which has done reasonably well despite my now being over here. I have worked in tourism here for 25 years, and the only thing that I have never seen here is a coherent tourism strategy for the UK as a destination, both inbound and domestic. That is what I would go for—something that brings all the Government Departments together and addresses the VAT, the air passenger duty and visas. A coherent visitor recovery strategy document that pulls all these threads together into a coherent package is really what we need.

Q165 **Simon Jupp:** Good afternoon to the panel. I want to take us back, if I may, to the covid pandemic, and reflect on what the industry has had to tackle over the last two years. The key to the offer that we now provide domestically and internationally is based on the businesses that survived the covid pandemic. How far did the Government support go to protect the hospitality sector in that period? I am going to come to Kurt first.

Kurt Janson: The figures for loss of revenue for the tourism sector, not from us, but from VisitBritain—therefore, from the Government—is that the domestic industry over the last two years has lost £95 billion of revenue. The inbound tourism industry has lost £44 billion of revenue. The outbound sector—a lot of the expenditure on outbound has been to the UK, as people go—has lost another £40 billion. Add that all together and you have just under £180 billion of revenue has been lost to the industry.

The Government have supported the industry—their figure for that is £37 billion—which has been enormously useful in stopping a lot of businesses going under. We would have had complete carnage if that had not been made available, so we are grateful for it, but it still leaves a hole of about £140 billion that businesses are trying to recover. They are in an incredibly fragile state and will remain in a fragile state for the foreseeable future as they try to rebuild their reserves and pay off the debt they have accumulated over this period.

There has been a lot of support, and it has stopped a lot of tragedy, but the support needs to be ongoing, because these businesses are in a position where it is very touch and go, and we need to pull policy levers, not give them grants—we have passed that stage. We are now on to the policy stage, working out what levers we should pull to allow these businesses to get back on their feet, start employing people, make revenue and contribute to their local communities.

Q166 **Simon Jupp:** Kate, do you have anything to add to that?

Kate Nicholls: The Government support was undoubtedly unprecedented for the hospitality sector, which is on the frontline of delivering tourism services and the tourism experience. As a result, we only lost 10,000 businesses—10% of hospitality businesses—and only 660,000 jobs. Those are big numbers, and there are personal tragedies behind each and every one, but it is undoubtedly the case that without the level of Government support we had—particularly the immediate grants and support to hospitality—those numbers would have been far greater. The second-biggest thing for businesses after furlough was the VAT cut. That was seen as essential for those businesses to be able to survive, thrive and manage the uncertainty over 18 months.

However, as Kurt says, we are coming out of this pandemic and we have managed to save most businesses, but they are in a very precarious state. Those that are left are heavily in debt. You have around £10 billion of covid-related debt sitting in the sector, which is going to take two years to pay down. They are going to remain fragile for another two years. Covid for us is going to last. We are going to have a long economic covid. One in three hospitality businesses has no cash reserves. Christmas was going to be critical to rebuilding the cash reserves. Normally, you would carry about 16 weeks. Having omicron and losing Christmas was the big difference. Businesses have high levels of debt, shattered balance sheets and very low levels of cash reserves. We are undoubtedly going to see business failures over the next two years as we come out of that process. That is why it is so important that the support does not taper off too soon

and that we have the policies in place to make sure we have a coherent strategy for growth, recovery and the rebuilding of the tourism and hospitality sectors.

Q167 Simon Jupp: I take your point on further support. Looking back at the previous support that was offered by Government, clearly businesses did fail. If we zoom into certain parts of the hospitality sector, was there any specific area where the Government support did not really do the job it was required to do?

Kate Nicholls: In hospitality, it was particularly late-night businesses in the city centre that bore the brunt of it. For hotels, normal restaurants and pubs, it was around one in 10. Pubs were slightly better at navigating it. They were at about 6% for business failures. Of city centre restaurants, one in five failed during the pandemic. The level was the same for late night business. Those include live music venues and nightclubs—businesses that were closed the longest. It is unsurprising that those that were hit first, hardest and longest have struggled to recover the most. It is our cities that have struggled. Consistently, city-centre recovery for hospitality businesses is roughly 15 percentage points down on the rest of the UK. We also see a lag in Scotland, Wales and Northern Ireland, where restrictions were in place for longer.

Q168 Simon Jupp: You touched on the financial implications of the last two years, and said that some of these businesses are teetering on the edge. Looking at the future, with those businesses in difficulty, is the sector able to recover quickly enough to service the increase in inbound tourism that we all want to see? Joss?

Joss Croft: I will just build on the statement from Kate for a second. Undoubtedly, leisure, tourism and hospitality were sectors that were massively supported by Government during the pandemic. Tourism was one of the highest beneficiaries of furlough, but, of course, furlough ended in September. The borders were still closed until 24 January. Between September and 24 January, people could trade. However, most people are not actually travelling to the country until later on this year, and a lot of businesses will not receive revenue until those passengers have travelled. Furlough was very useful, but I know that many parts of the sector will say that it continued for too long. For inbound tourism into the UK, it did not continue long enough.

Then, within the supply chain—not the people who were on the frontline, such as the hospitality businesses, but the people who are bringing the people in, in terms of packaging it up—the intermediaries, who bring in 62% of all the visitors to the UK, did not receive leisure and hospitality grants. VAT refund made no difference because people were not travelling. “Eat out to help out” didn’t matter because the tourists were not here in the first place. The ARGs that people are receiving at the moment can be anything between £2,000 and £6,000. Many of my members are spending £20,000 to £50,000 per month in outgoings.



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We saw, in Germany, that intermediaries were supported through grants, and their furlough continues through to this April. They were actually receiving loss of earnings payments as well. Undoubtedly, leisure, tourism and hospitality, as an overall sector, was supported to a massive degree, but parts of it, in that supply chain—whether my tour operators, coach operators or events organisers—did not necessarily receive that support.

On moving forward, it is difficult because balance sheets have been depleted. Again, we heard about the marketing of Britain, but my intermediaries alone are spending £100 million a year, as opposed to the £90 million that Spain's national tourist board might be spending. They cannot spend that £100 million this year—they just don't have it—so, again, the share of voice will be diminished there.

It is at just this point, when things are opening up, that businesses with those depleted reserves are really struggling. A couple of my members have gone into administration over the past couple of months because, as the business opens up, they are required to make those deposits before the passengers travel later on in the year. They are not able to make those deposits, and are folding as well. Even within furlough, which, again, was hugely well received by my industry—massively well received—a lot of people still had to have staff coming in for non-revenue-raising activities, such as issuing refunds and cancellations, and they were having to pay those staff because they were working, but not on revenue-raising activities.

Q169 Simon Jupp: I am conscious of time. I have one more question for you, and if none of you has an answer, we will move on. It is about innovations. Covid, of course, made an awful lot of industries innovate. Typically, of course, you cannot visit a pub virtually—well, you could, but it would not be that much fun—but how have the hospitality and tourism industries been able to innovate their offers?

Joss Croft: I will be very quick on this. We have seen people wanting to keep their customers engaged through this process so that they do not lose interest. That is through content marketing and the virtual tours we have seen, with some of the fantastic attractions around the world, which people are able to see. They are not able to do it and are not quite able to experience it, but it's not bad in keeping them engaged.

We have seen a lot of digital innovation. A couple of my members now, for example, are doing self-guided tours using handheld mobile devices. They are also bringing a CSR element into that, with some type of social purpose, so you can do tours of Edinburgh where a homeless person will take you around. More and more, we are seeing international consumers wanting to travel with a purpose—to do good through travelling and to experience good—so people have started to innovate in that place as well.

Q170 Simon Jupp: That is great. Kate, is there anything that you have been able to see the hospitality industry innovate on? I have seen restaurants, for example, offering at-home meals. You have to cook, so they are clearly not as good as the actual real thing, but still a step in the right



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direction.

Kate Nicholls: It is never as good as the real thing. It is always better to go out. A vending machine can give you food, but only hospitality can give you the service and the experience that makes you feel good, brings you together, and, crucially, does the washing up.

Simon Jupp: You haven't even tried my cooking!

Kate Nicholls: We saw a massive amount of innovation. If you think that the sector was, arguably, probably the hardest hit, the level of investment and innovation coming out when we re-opened was huge. People pivoted their businesses.

I will come to the real innovation—the tech and stuff—but we should not forget that they housed NHS frontline workers. They housed and fed the homeless. They fed children in their communities, and all of those sorts of things. They did do a lot of innovation in pivoting their businesses to become shops and support their local communities.

In addition, we saw massive investment in online ordering and distribution, so that contactless payments and transactions were going through. Then, in transforming back-of-house, you have AI that is doing labour scheduling, making it more effective and productive, and reducing the margins that it costs to do that, along with AI in guest service in hotels.

Simon Jupp: Great. I think the Chair is very keen to move on.

Chair: Yes. Thank you very much, Simon. That concludes our session today. Kate Nicholls, Kurt Janson and Joss Croft, thank you very much for your evidence.