Rt Hon Caroline Dineage MP
Chair, Culture, Media, and Sport Select Committee
House of Commons
London
SW1A 0AA

24th November 2023

Dear Dame Caroline,

On behalf of the UK's inbound visitor economy, the UK's second largest service export industry – second only to financial services and of greater export value than UK vehicle exports and oil exports from the North Sea – I am writing to share further written evidence following our recent meeting and the Committee's session on *'Promoting Britain abroad.'*

UKinbound represents over 380 UK businesses across the inbound tourism supply chain including tour operators and destination management companies (DMCs) – also known as intermediaries - accommodation providers, destinations, attractions, and service providers.
Our policy ideas and recommendations, outlined below directly address the challenges inbound tourism businesses face and how we can swiftly increase visitor numbers and boost our economy.

Inbound tourism today

As the Committee is aware, inbound tourism contributes to Britain's soft power credentials, and the UK's Global Britain and levelling up ambitions. With clear and positive links between inbound tourism, education, trade and investment, a successful inbound travel and tourism economy will assist delivery of the UK's trading objectives and economic growth.

The latest projections show that in 2023, there will be 37.5 million visits which is 92% of the 2019 level, with inbound visitors expected to spend £30.9 billion, 109% of the 2019 level in nominal terms although 90% in real terms taking inflation into account. (Source Visit Britain).

Whilst we are greatly encouraged by these figures, we firmly believe that through a constructive partnership between the tourism industry and the Government that we can continue to grow the number of visitors and crucially their contribution to UK economic growth.

In the decade prior to 2019 inbound tourism was the jewel in the UK's crown, a global success story worth £28.4 billion (£5.5bn in VAT) annually to the UK economy. It was the fifth largest export industry, on a par with our pharmaceutical and automotive industries, and transcended the four nations, supporting over 500,000 jobs (Source: Tourism Alliance) in cities and regional economies across England, Scotland, Wales and Northern Ireland.

Policy Solutions

Tax free shopping for international visitors

The reintroduction of VAT free shopping for international visitors is a key ask for the UK tourism industry, alongside the retail, hospitality sectors and many manufacturing businesses. The decision last year to reverse plans to reintroduce VAT free shopping for international visitors was disappointing for the UK's inbound visitor economy. Whilst we welcome the Chancellor's commitment in the Autumn

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Statement to look at the issue in light of recent research, we firmly believe that this should be introduced in the next Budget to avoid the UK losing more international visitors and their spend.

The Government has suggested any reintroduction would be expensive to implement, with the HM Treasury estimating that implementing this scheme would incur costs to the Exchequer of £1.3 billion in 2024/25 and £2.0 billion in 2025/26. However, Oxford Economics found that the figures given by HM Treasury, which do not account for indirect and induced effects the scheme would have, are incorrect, as the total amount of VAT refunds for 2025/26 coming to £1.17 billion, 40% lower than HMT's estimate. The report also finds that reintroducing the scheme would attract more than 1.6 million extra visitors to the UK and would lead to an increase in foreign visitor spending of over £3.1 billion in 2025/26.

Oxford Economics' report and a recent Walpole report show that while international visitors would still be willing to visit the UK, they intend to spend less and 90% of those who have used the scheme in the past said they would choose a different shopping destination if the TFS scheme is not reintroduced. Extra visitors would also spend more on services, such as hospitality and tourist attractions. British residents are spending less in the UK, choosing to take advantage by the tax-free shopping in the EU they now have access to. In Q4 2021, British spending on tax-free shopping in the EU had reached 5 million euros a week, or 250 million euros a year. The negative impacts of this on the UK's economy could have been offset by the expansion of the TFS scheme to cover Europe. Additionally, Oxford Economics estimates that the reintroduction of TFS would help sustain a total of 78,000 jobs across the UK in 2025/26.

Launching a new VAT Reclaim Scheme would generate £4.4 billion over two years for the UK economy, with a net benefit to the Treasury of £1.3bn. The UK has the opportunity to establish itself as a global shopping destination, setting us apart from other destinations and making us a more attractive holiday proposition. Reinstating the VAT Reclaim Scheme would allow the UK to establish itself as not only a VAT free shopping haven for non-EU countries but as a European VAT free shopping hub.

The international tourism marketplace is incredibly competitive and in order to maintain (and potentially exceed) our pre-pandemic position as the 5th largest tourism economy in the world (Source: WTTC), and the substantial economic benefit this brings, we need to signal to the world that the UK is open to and welcomes tourists.

Visas and Competitiveness

It is our view that UK visa fees are already too high and a drag on our competitiveness, given the 5% visa fee increase that was already introduced last year. This is before you compare it with other major tourist nations which rival the UK's inbound tourism industry. Rather than seeking to address this pre-existing competitive disadvantage visa fee increases mean that a five-year multiple entry visa will going up from £670 to £770. By way of comparison, the US charges Chinese visitors £135 ($155) for a 10-year visa. Under the latest rules, a 10-year visa from China to the UK will now cost £962.55. It is undeniable that this cost will deter tourists from China visiting the UK. Alongside this, new ETA rules laid out earlier this year have also made travel by tourists from overseas markets more difficult, with all passengers transiting through the UK required to have a new ETA, unlike the equivalent EU system ETIAS. The cost of the new ETA will be £10 compared with 7 Euros (£6) for the new ETIAS which will give visitors access to 26 EU Member States and four Schengen Association Countries, acting as a further potential competitive disadvantage. For a family of four, the ETA could increase a journey by £40, with no exemptions compared with the ETIAS scheme which has exemptions for the over 70s, under 18s and family members with the right of free movement.

Another key issue is transit travel. Transit passengers play a very important role in the UK inbound market and, on many international routes, transit passengers can make up a high percentage of passengers - ranging from 20% to 50%, we cannot afford to lose any visitors which might put route viability at risk. UK-based airlines' hub networks facilitate the transfer of most passengers connecting via UK airports, mainly through London Heathrow (which handled 83% of all connecting journeys in 2019), but not exclusively, with large numbers of transiting passengers also at Gatwick and Manchester. These passengers, whilst not staying in the UK, play a vital role in supporting route viability to and from the UK. The loss of a percentage of these travellers on these routes, who might be unaware of ETA on arrival and be denied boarding or favour instead connections via European hubs where they do not require an ETIAS, ultimately risks harming UK route viability and connectivity.

Over the last 10 years the number of UK visitors from visa national countries has doubled, however this is dwarfed by the growth in international outbound travel - the outbound market from India to the UK has halved over the last 15 years at an annual cost of £750 million. We need our visa and entry system to be globally competitive.

The ETA scheme has been rolled out first to Qatari nationals from October of this year followed by additional countries in the Middle East from February 2024, while dates for rolling out to the EU and rest of the world are still to be confirmed. While progress on this scheme is welcome, it is essential that any future dates for next year do not impact the UK tourism industry's peak summer season, which will be essential to furthering tourism and economic growth.

UKinbound, alongside other key industry bodies in both inbound and outbound tourism, have been calling for the Government to introduce a new five-year visitor visa set at £145 which would ensure our visa and entry systems are globally competitive. Research from the Tourism Alliance shows that an additional £2 billion could be generated in revenue for the government by reducing the cost of a five-year multiple entry visa to £145 and encouraging international visitors to upgrade from a £95 standard visa.

Youth Mobility

The UK Youth Mobility Scheme (YMS) is a cultural exchange programme that allows young people aged 18-30 from 11 countries to live, work and study in the UK for a period of two years. However, the scheme is currently under-utilised as a cultural exchange programme and soft power mechanism due to the small number of countries with which the UK has a YMS agreement and a mismatch between supply and demand in the allocation of existing quotas between the countries.

With the UK leaving the EU, bilateral agreements need to be negotiated with individual EU countries to re-establish the ability of young people to move between the UK and EU countries. There are also significant opportunities to further expand the YMS so that it is included in all future trade deals as was seen in the recent trade deal with India, which includes a YMS agreement.

We also need to make sure that all post-Brexit policies that impact inbound tourism build on the UK's welcome to the UK, with language provision on post Brexit visa a clear example of where we are set to fall significantly short of this mission. We were pleased to see YMS mentioned in the Chancellor's Autumn Statement, however expansion must go further to include these countries.

It is also crucial that we support youth travel, which is why the industry advocates for the creation of a youth group travel scheme for under 18s. This would provide a solution to the damaging impact that has been caused by the removal of EU, EEA and Swiss citizen ID cards in 2021 as a form of travel document allowing entry into the UK. This new scheme has the potential to generate £130 million for the UK exchequer annually (Tourism Alliance).

VisitBritain Marketing Budget

Whilst we are encouraged by the signs of recovery in our industry, we remain concerned at how we lag internationally, particularly in terms of marketing budget. The investment made by our neighbours and competitors comes at the same time as we have seen no additional marketing expenditure this year for VisitBritain or the GREAT campaign.

The benefits of providing additional marketing expenditure have been demonstrated previously when the Government committed £20m in the wake of the downturn in international travel following the 9/11 terrorist attacks which caused a 15% fall in global travel. As a result of this increased marketing activity, VisitBritain generated a 6.8% increase in visitors and 2.6% (£146m) increase in revenue for the UK economy.

Inbound tourism is an important component of the UK's soft power, helping to maintain our international profile and shape overseas perceptions. Many of the perceptions about the UK of international audiences are formed from and through tourism – either by visitation or through promotional messaging, and there are clear links between visits to the UK, and trade and investment into the country. We urge the Committee to support our case to Government to increase Visit Britain's marketing budget and build on the excellent work in the last few years and to put the UK on a level playing field with the rest of Europe.

Tourism is the jewel in the UK crown, a vitally important soft power, and a global success story for the UK, as was shown over the course of the Coronation Celebrations. Visitors spend a combined £3.4 billion in rural and seaside destinations, making tourism the largest non-Government mechanism for transferring wealth from urban to rural and seaside destinations. International visitors also bring life to the UK's cities, with 'Experiencing city life', cited as the most popular activity cluster.

I hope the above additional information is useful in building a full picture of the key challenges inbound tourism is facing. I very much look forward to continuing to support you in your new role and continue to be a constructive partner to the Committee.

Kind regards,

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