

Written evidence submitted by UKinbound

1 Introduction

UKinbound was established in 1977. We are the only trade association that represents the interests of the UK's inbound tourism sector and ensure it is recognised as a leading economic and employment driver in the UK.

Our mission is to help our 500+ members all across the country to manage successful, profitable businesses that are part of a vibrant and sustainable industry. Our members include tour operators, destination management companies, major attractions, hotels, restaurants and other businesses that supply and support the industry such as specialist travel publishing companies, recruitment consultants, insurance brokers, accountancy and law firms. A full list of our members can be found on our [website](#).

We provide opportunities for our diverse membership to grow and develop their businesses via a programme of events designed to connect buyers and suppliers in the travel trade. We also provide marketing opportunities, market seminars, and access to the latest industry insights.

In addition, we lobby Government on behalf of our members on key industry issues such as taxation, Visas and Brexit and engage with the media to raise the profile of inbound tourism and highlight its importance to the UK economy.

2. Background

Inbound tourism is one of the UK's success stories. In 2019, the UK welcomed 40.9 million international visits who contributed £28.4 billion to the UK economy – the highest spend for inbound tourism to date (Source: International Passenger Survey 2019).

Pre-COVID 19, tourism is the UK's 5th largest export earner and our tourism industry is the sixth largest in the world based on value (Source: The Tourism Alliance) and in 2017 was the 7th most visited in the world (Source: UNWTO).

Pre-COVID 19, in terms of employment, the tourism industry as a whole employs 3.3 million people (by way of comparison 2.9 million people work in manufacturing and 2.4 million work in the construction industry) and it is relatively evenly spread around the UK with no region in the UK having less than 100,000 tourism-related employees (Source: The Tourism Alliance).

In addition, tourism provides over £20bn per annum and almost 350,000 jobs for rural economies and £14bn per annum and 250,000 jobs for seaside destinations. The combined £34bn spend in rural and seaside destinations makes tourism the largest non-governmental mechanism for transferring wealth from urban to rural/seaside destinations and an essential component of the Government's "levelling-up" agenda.

3. Impact of Coronavirus on the inbound tourism industry

Tourism industries around the world have been hit first and hardest by the pandemic and the UK's tourism industry is no exception.

Until the pandemic, VisitBritain were forecasting for inbound visits to the UK to grow by 2.9% and for spending by inbound visitors to grow by 6.6%, setting new records in each case. However as of 3 June 2020, the forecast is now for a decline of 59% in visits to 16.8m and 63% in spend to £10.6bn. This would represent a loss vs the pre-COVID forecast of 25.3m visits and £19.7bn spend.

The majority of our members have been financially devastated by the pandemic and our latest survey shows that in 2019, just over a third of our tour operator members (34%) who responded to the survey generated turnover between £1 million and £5 million and 26% over £5 million from international visitors whereas in 2020, 22% expect to generate turnover between £1 million and £5 million from international visitors, only 2% over £5 million and over half (52%) between zero and £250,000.

Furthermore, 20% of our 'supplier' members i.e. hotels, restaurants, coach operators etc have told us that during 2019 they generated turnover between £1million - £5million and 10% generated over £5 million from international visitors compared to 2020 where only 4% expect to generate turnover between £1million - £5 million and 0% of respondents expect to earn over £5 million.

Tourism businesses by their very nature are predominantly Small and Medium Enterprises (SMEs) so do not have access to large reserves to see them through crises and depend wholly on the spring and summer months to generate enough revenue to see them through the leaner winter months.

So the support mechanisms that were put in place at the start of lockdown e.g. the Job Retention Scheme, the extended Business Rates Relief Scheme and Grant Fund (for hospitality and leisure businesses) and the Self-Employment Income Support Scheme have been vital in protecting tourism and hospitality businesses and employees across the sector and without these schemes, the majority of businesses would not have survived.

A recent Office for National Statistics survey has also highlighted the importance of these schemes to protecting tourism businesses and employees by finding that around 80% of employees in the sector are currently furloughed compared to the average of 30% of employees across other sectors of the UK economy.

However, we would like the Treasury Committee to be aware of a significant problem with the extended Business Rates Relief and Grant Scheme for the inbound tourism industry that was announced by the Chancellor on 17 March.

The Ministry for Housing, Communities and Local Government (MHCLG) who are responsible for issuing guidance to local authorities about eligibility for the extended business rate relief and grants scheme have deemed that vital tourism businesses such

as tour operators, destination management companies and online travel agencies (OTAs) in addition to coach operators, English Language Schools, tourism and hospitality charities are not eligible. Many of our tour operator members who are desperate for financial help have contacted us about this anomaly and we have written to MCHLG about this issue but to date have had no response.

The view that these are not leisure businesses is based on customers not entering the premises to make a purchase. Not only is this distinction completely arbitrary and displays a complete lack of understanding as to how leisure businesses operate, it is counter to repeated statements from the Chancellor and HM Treasury that ALL businesses in the leisure sector are eligible for support.

Local authorities have also raised the importance of supporting these businesses, and the wider tourism supply chain, with the Local Government Association. All local authorities benefit from a strong visitor economy and losing key businesses will significantly impact on their budgets, including their ability to raise income to reinvest in local public services.

Failing to support these businesses also puts at risk many thousands of businesses that generate a large percentage of the £28bn per annum that the UK earns from inbound tourism. This arbitrary distinction also lacks any credible basis as it results in situations such as:

- ✓ A travel agent that sells a customer a ticket for a tour is eligible for support but the tour operator that actually takes the customer on the tour is not eligible for support
- ✓ Car hire businesses are eligible for support because the customer picks up a car from the premises but coach hire businesses are not because the coach company picks up the customer
- ✓ Children's nurseries are eligible for support but language schools that generate £1.2bn per annum for the UK economy from hosting over half a million overseas students each year are not eligible for support

We are therefore asking Government to amend the guidance to Local Authorities on Business Rates Relief as quickly as possible so that it properly reflects the Government's intention to provide support for ALL leisure businesses.

4. Future Support and Key Asks

It is very welcome that the Government has started to lift the restrictions on the tourism and hospitality industry, so that businesses can start work on the recovery of the UK

economy, however it needs to consider the different types of customers from whom sectors earn part or all of their income.

The majority of our members rely heavily on spending by international visitors (as detailed in our survey results above), who are unlikely to return in significant numbers until Spring 2021. Therefore removing some of the cost reduction measures before international visitors have returned in significant numbers, will result in cash flow pressure that could damage their ability to survive and inevitably lead to significant redundancies. This would throw away all the benefits of, and investment in, the furlough scheme to date.

So in order that the UK still has a thriving tourism industry for many years to come it is vital that the following key measures are put into place:

- ✓ Extension of the **Business Rate Relief (and grant) scheme** to all leisure businesses (for the reasons set out above)
- ✓ Easing of the UK's **quarantine measures** as soon as it is safe to do so. We know that the Government are fully exploring all options available such as travel corridors and extensive testing, so that international tourists can return as soon as safely possible. However to note that even if quarantine is lifted and travel corridors are established with other countries – these are unlikely to include some of the UK's most lucrative inbound markets such as the USA, China and the UAE leading to minimal revenue generating opportunities for our members. Furthermore, many international visitors have already cancelled their visits to the UK over the peak summer months due to our high level of CV19 cases and uncertainty around the UK's quarantine policy.
- ✓ Extension of a flexible **Job Retention Scheme** until March 2021.

Whilst the peak summer months are likely to see a partial recovery for domestic tourism and some of our members such as attractions, hotels, restaurants and bars will be able to benefit from this recovery, intermediary businesses such as tour operators and destination management companies (who are responsible for bringing in 50% of all international visitors and approx. 70% of those from the USA and China) will still not be able to earn enough revenue to see them through the lean winter months.

International travel restrictions has meant that the industry is now facing the equivalent of three winters in a row.

I ask that you consider a tapering of the Job Retention Scheme and greater flexibility to give temporary additional support to this small number of important businesses until such time as international visitors return to the UK. This relatively minor additional support would help to retain thousands of jobs, ensuring that Government spending on these schemes to date is not wasted and these important businesses can survive to save jobs, help rebuild the economy and grow the UK's tax base.

Many other European countries have done this, in order to allow businesses to make the best use of staff to ensure business continuation. In particular it would help if

part-time furloughing was allowed so that staff could work just two or three days a week, so reducing the costs for government and businesses while securing the long term viability of the business and minimising job losses.

- ✓ **Interest free loans for 24 months.** With the inbound tourism industry likely to earn very little revenue until March 2021 at the earliest, it will be difficult to start paying back loans which have been procured 12 months earlier. We are asking therefore that Government backed financial loans for tourism and hospitality businesses remain interest free for a period of 24 months i.e. until March 2022.

- ✓ **Restoring Consumer Confidence.** The amount and quality of information from VisitBritain since the start of the pandemic has been very positive. Their ongoing research and intelligence, their representation role for UK tourism and their lead in formulating tourism recovery plans are all essential for tourism businesses and destinations around the UK. We have also relied heavily on the daily bulletins from the Tourism Industry Emergency Response (TIER) group which is administered by VisitBritain.

Going forward, it is vital that VisitBritain receive the funding that they need to mount substantial domestic and international consumer confidence campaigns to help the industry recover.

Thank you again for the opportunity to provide evidence to this inquiry. If you would like further information or clarification on any of these issues, please do not hesitate to contact me.

June 2020