

6 February 2014

## **Boosting the Visitor Economy**

### **Purpose**

For discussion and direction.

### **Summary**

This paper updates Members on the LGA's analysis of the visitor economy and suggested actions to address the productivity challenge.

The Board will be joined by Peter Hampson, Chief Executive, British Destinations – the national representative body for destination partnerships encompassing local government and other public-private partnerships.

### **Recommendation**

Members are invited to discuss the suggested actions in paragraph 29.

### **Action**

To be taken forward by officers as directed by Members.

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## **Boosting the Visitor Economy**

### **Background**

1. The visitor economy is the fifth largest industrial sector in the UK and one of the few experiencing strong growth - it accounts for £90 billion direct spend each year, contains over 200,000 businesses and provides 4.4% of the nation's jobs. However, with less than 40% of our total holiday spend on domestic tourism, it is also a potential area for growth by improving productivity through a higher value offer that persuades people to stay longer and spend more in destinations.
2. Councils are heavily involved in supporting the visitor economy and creating great places for people to visit. They help to ensure the quality and development of the core infrastructure of places, such as transport facilities and clean, safe and attractive public spaces. Councils invest over £100 million per year in business support, visitor information and destination marketing. They spend £2.9 billion every year on culture and heritage and support major cultural, business and sporting events; all of which are key attractions for tourists. They also provide strategic leadership on the spatial planning, regulation and infrastructure that underpins a thriving visitor economy.
3. Supporting councillors to boost growth through the visitor economy is the CTS Board's top priority and has been a theme running throughout this year's work programme – from the superfast broadband rollout, to making the most of heritage assets and councils' bringing communities together to commemorate and celebrate historic anniversaries.
4. The *Government Tourism Policy* was published on 4 March 2011 by the Department for Culture, Media and Sport. This announced that the Government aimed to:
  - 4.1. Fund the most ambitious marketing campaign ever to attract visitors to the UK in the years following 2012. The £100 million campaign, co-funded by the government and the private sector, aims to attract 4 million extra visitors to Britain over the next 4 years. That equates to £2bn more spend in our economy, and 50,000 new jobs.
  - 4.2. Increase the proportion of UK residents who holiday in the UK to match those who holiday abroad each year. For longer stays (4 nights or more) this would mean 29% of travellers holidaying in Britain rather than just 20% today.
  - 4.3. Improve the sector's productivity to become one of the top 5 most efficient and competitive visitor economies in the world.
5. In a recent keynote speech on the value of culture, the Rt Hon Maria Miller MP, Secretary of State for Culture, Media and Sport highlighted how Britain's cultural reputation helps to attract visitors from abroad and domestically.

### **An Analysis of Growth Potential in the Visitor Economy**

6. Britain runs a large tourism deficit, mainly because we are much more likely to holiday abroad than other countries. Currently, less than 40 per cent of our total holiday spend

goes on domestic tourism, meaning this is a potential area for significant growth. The Government's Tourism Strategy aims to redress this imbalance through marketing campaigns and VisitEngland's support to industry on creating great destinations. The tourism balance of payments deficit was the subject of a recent article in The Economist (**Annex A**).

*Inbound and outbound tourism*

7. Although inbound tourists are spending record amounts of money in the UK and London is attracting record numbers of visitors, this is not closing the international tourism balance of payments deficit, because UK overseas travellers have increased their expenditure by a similar amount, and the duration of inbound visitor stays is actually declining over the long-term. The international tourism balance of payments deficit increased rapidly in the decade to 2008. It has shrunk by over a third in recent years as people took fewer overseas trips, but it still stood at -£14 billion in 2013.
8. According to the Office for National Statistics International Passenger Survey, the number of inbound visitors to this country from overseas peaked in 2007 at 32.8 million, since when there were several years of slight decline followed by small increases in 2011 and 2012. After a long period during which the average spend per visit hovered at a little under £500 there has been a marked increase in the past four years, driven on by the relative weakness of sterling.
9. However, as already mentioned, this is effectively cancelled out by UK people increasing their spend overseas. The number of trips taken abroad by UK residents in September 2013 was comparable with 2012 (6.4 million each year), with expenditure up 4%. Looking at the year to date, trips abroad were up 3% and spend 5%.
10. The number of visits by overseas people fell by 2% in November 2013 while visitor spending rose by 11%. In the rolling twelve months to November 2013 there were 32.6 million visits. The number of visits remains 0.6 million down on the record twelve months of April 2007 to March 2008. The long-term trend is for the average length of time each inbound visitor stays in the UK to decline, however the figure has been fairly stable for the past six years.
11. There are two areas for potential growth of inbound tourism: firstly, rapidly growing and emerging markets. The value of the Australian market has grown on average by around £62 million and the Chinese by around £45 million per year 2008-12. The 'relative' growth in value on average over the last five years shows the rapid rise in importance of emerging markets such as China, UAE and Brazil (which have average annual growth rates of 14%, 13% and 11% respectively).
12. The second potential growth area is persuading overseas visitors to London to extend their stay and visit other destinations in England. In 2012 15.5 million visitors spent time in London, spending over £10 billion. This represents 54% of all inbound visitor spending. According to figures just released by the Office of National Statistics, London is the world's most popular destination. It attracted almost 4.9 million visitors between July and September 2013, up almost 19.5% on the Olympic and Paralympic Games in the summer of 2012. The rest of England attracted 12.8 million inbound visitors who

spent an estimated £6.2 billion, representing 33% of all inbound visitor spend. 1.8 million visitors from overseas made 'day trips' to the UK in 2012, with these visits generating £301 million of spending.

*Domestic tourism*

13. The 2013 VisitEngland's Great Britain tourism survey (published January 2014) revealed a strong end to the year – in September 2013, Great Britain domestic overnight visits and expenditure have increased. However, comparing 2013 with previous years, the number of domestic trips and expenditure has flatlined, and the number of overnight visits has actually decreased slightly. England's performance is broadly comparable to that of Great Britain as a whole, but the overall picture suggests that there is still much work to do to encourage English people to stay longer and spend more in English destinations.
14. In September 2013 there were 10.8 million domestic overnight trips in Great Britain, a 4% increase from 2012, when there were 10.4 million trips. This was the second highest number of trips recorded in the month of September since the survey began in 2006, beaten only by 2011. There were also increases recorded in expenditure (9%, from £2.1 billion in 2012 to £2.3 billion in 2013) and nights (2%, from 32.7 million to 33.3 million).
15. In England, trips and expenditure also increased. Trips increased by 3% from 8.6 million to 8.9 million, and spend 6% from £1.7 billion to £1.8 billion. However, the number of nights was comparable to last year, down -1% from 26.5 million to 26.2 million. A similar number of domestic trips have been taken in the first nine months of this year as had been last year (93.5 million for both 2012 and 2013). Expenditure has also remained flat (up 1% from £18.1 billion to £18.3 billion), whilst nights have decreased slightly (down -2% from 298 million in 2012 to 293 million in 2013).
16. It is notable that the number of business trips were down -1% to 13.5 million, however, expenditure on business trips has increased 4% to £3.4 billion. Visits to friends and relatives were up slightly (by 2% from 30.2 million to 30.7 million), as was expenditure on these trips (up 5% from £3.4 billion to £3.5 billion). In the year to date, expenditure on trips by those aged 35 and above has increased, particularly among those aged 55+ (5%). However, spend on trips by those aged 16-24 (-8%) and 25-34 (-6%) has decreased.
17. The economic climate and people's disposable income clearly has a big impact upon holiday trends. During the economic downturn there was steady growth in domestic overnight visits. However, with economic growth and confidence returning, a risk to the "staycation" phenomenon is that people will revert to their established habits of holidaying abroad in an increasingly competitive international industry.
18. In December 2013, VisitEngland published *Tourism Trends: Key Implications*, a study into future domestic travel trends and growth potential. The study identified 5 key trends:

- 18.1. Time poor and cash strapped consumers will look to maximise their leisure spend – increasing short breaks (at the expense of longer ones) and turning “visiting friends and relatives” trips into leisure ones.
- 18.2. Broader leisure portfolios will encourage people to try new types of holiday – whether at destination level or activity type.
- 18.3. Demographic trends will heighten the importance of family trips – and traditional destinations can benefit if they adapt.
- 18.4. Nostalgia tourism – driven by consumers’ uncertainty about the future – will play a role due to its wider links to authenticity and meaning.
- 18.5. Active tourism is growing as a reaction to more sedentary lifestyles – people also ‘de-stress’ through adventure experiences.

#### *The Tourism Industry*

19. The tourism industry is characterised by its diversity. Over 80% of the accommodation, hospitality and attractions that welcomes domestic and overseas visitors is small or medium sized enterprises (SMEs) and often family owned pubs, restaurants or guesthouses. Their turnover can fluctuate and depends upon factors including how much visitors spend, how long they stay, maximising the multiplier effect of wider spend in destinations, the cost of wages and the cost of complying with regulations. Also important is the unpredictable impact of global trends on visitors’ spend, such as economic confidence and exchange rates.
20. Of course the local tourism economy also varies hugely from place to place – supporting distinctive and authentic destinations is the whole point of a tourism economy – for instance, domestic visitors are more likely to holiday in rural areas, while overseas visitors are more likely to base themselves in urban areas and spend more.
21. Many tourism businesses work in partnership with the public sector to develop an integrated and long-term approach to attracting visitors through Destination Management Organisations (DMOs), which range from informal partnerships to a company limited by guarantee. Some are also involved with Local Enterprise Partnerships (LEP) and local Chambers of Commerce. Councils play a vital strategic leadership role through their engagement with the tourism industry at these forums, and can help to ensure that DMOs are integrated with the work of the council and LEP. The spread of City Deals and the emergence of Combined Authorities adds a further dimension to a more localised economic landscape.

#### **The Productivity Challenge and the Role of Councils**

22. The analysis presented in this paper highlights a number of growth areas for the visitor economy:
  - 22.1. The emerging markets of China, UAE and Brazil;

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- 22.2. Persuading domestic visitors to spend more and stay longer in destinations – in particular converting day visits into overnight stays;
- 22.3. Re-balancing the English visitor economy by encouraging more inbound visitors to London to extend their stay and visit other destinations around the country.
23. Unlocking further growth, and closing the tourism deficit, depends upon the domestic tourism industry offering the high quality experiences that will encourage people to keep holidaying at home. Improving productivity through a higher value offer is also key to SME tourism businesses being resilient to fluctuations in visitor numbers and wider economic trends.
24. There are a number of challenges which need to be addressed in order to improve the productivity of the domestic visitor economy:
25. Skills: Tourism businesses need skilled and reliable staff to give visitors a world class welcome and service. However, the seasonal nature and low pay of many of the jobs sometimes makes this difficult to achieve. Compared to other sectors there is a higher turnover of staff, career progression paths are weaker and it takes employers longer to fill vacancies. There also needs to be a better match between education and skills provision, and the workforce needs of tourism businesses in destinations.
26. Quality of the experience and place: Domestic destinations are competing with the rest of the world and offering a high quality and distinctive experience is vital. This depends upon factors including the quality, breadth and affordability of accommodation, hospitality, cultural and other attractions, the attractiveness of the wider public realm and public transport. Access to a reliable broadband connection is also important for both the visitor experience and enabling businesses to operate as efficiently as possible.
27. Welcome: Destinations need to promote themselves effectively to attract visitors and encourage them to spend once here. VisitEngland is encouraging greater collaboration between destinations through projects such as Cultural Destinations (with Arts Council England) and the GREAT campaign. Historically the UK has lagged behind other countries in the quality of its welcome. The 2012 Olympic and Paralympic Games has been credited with an improved performance in the 2013 Anholt-GFK National Brands Index. Britain's "welcome" was rated the tenth best in the world - an improvement of three places compared to last year, and the first time Britain has featured in the top 10.
28. Councils – through their leadership of the visitor economy and wider leadership of place – are ideally placed to address the visitor economy's productivity challenge. Councils are closer to tourism businesses than any other part of the state and so are well positioned to take a lead role in joining-up support for, and listening to, industry, providing information and reflecting their role within local strategic planning and priority setting. In particular, councils can make a vital contribution to creating the conditions for the visitor economy to thrive by consolidating planning reforms, improving skills, incentivising tourism investment and providing strong local leadership.

### **Suggested LGA Areas of Focus**

29. In response to the analysis presented in this paper, Members are invited to comment upon the following actions:
- 29.1. **Encourage Ministers to recognise the role of councils in addressing the productivity challenge** – Cllr Flick Rea MBE, CTS Board Chair, has an introductory meeting with Helen Grant MP, Tourism and Sport Minister, on 6 March 2014. This will also provide an opportunity to reinforce the importance of the broadband rollout to the visitor economy. Members are invited to share any other key messages for this meeting.
  - 29.2. **Engage the Chairs of VisitEngland, Arts Council England, English Heritage and Sport England in a debate on improving productivity and re-balancing the English visitor economy** – growing the visitor economy is of interest to all of the DCMS agencies. The funding and support they provide to local areas helps councils to drive up the quality of the local offer through cultural, heritage and sporting attractions and events that also contribute to our shared story and identity. The CTS Conference in March might provide an opportunity to start this debate as all the Chairs are speaking.
  - 29.3. **Continue to provide practical support to portfolio holders in their leadership role on the visitor economy** – through a programme of leadership seminars delivered jointly with VisitEngland and case studies. For example, Cllr Doreen Stephenson, Leader of East Lindsey District Council, shared with councillors at the Culture Leadership Academies how the council has attracted visitors and extended the tourist season through the SO Festival and spin-off events. This strand will also include supporting councils to involve communities in the plethora of upcoming historic anniversaries and sporting events which offer tourism opportunities across the country, including the first three stages of the 2014 Tour De France which will visit Yorkshire, Cambridge and London, the 2015 Rugby World Cup and the 800<sup>th</sup> anniversary of Magna Carta in 2015.
  - 29.4. **Promote greater understanding amongst tourism businesses about the positive leadership role councils play in the visitor economy and the benefits of joining-up destination management arrangements with a place's wider economic activity** – through the LGA's "Open for Business" project, we are calling for a localised approach to regulation where councils work with businesses in a local area to understand risks and determine what level of regulation is appropriate. Tourism businesses stand to benefit from this and we want to work with them to implement a new approach to regulation. The LGA is launching new proposals on 4 February, and the LGA's membership of British Destinations and the Tourism Alliance provides fora to take this forward with tourism businesses.
  - 29.5. **Contribute towards the LGA's wider advocacy of further devolution of growth funding and localisation of skills policy so that councils have the levers they need to address the productivity challenge** – through a joint meeting with lead members of the Economy & Transport Board.

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**Conclusion and Next steps**

30. A truly authentic visitor experience grounded in local communities and experience and serviced by high quality attractions and skilled labour can be the driver for a growing and sustainable tourism economy in England. Members are invited to give officers a steer on the suggested actions in this report.

**Financial Implications**

31. There are no financial implications arising from this report.

**Annex A** – Article from The Economist, 28 September 2013

Easy come, easy go

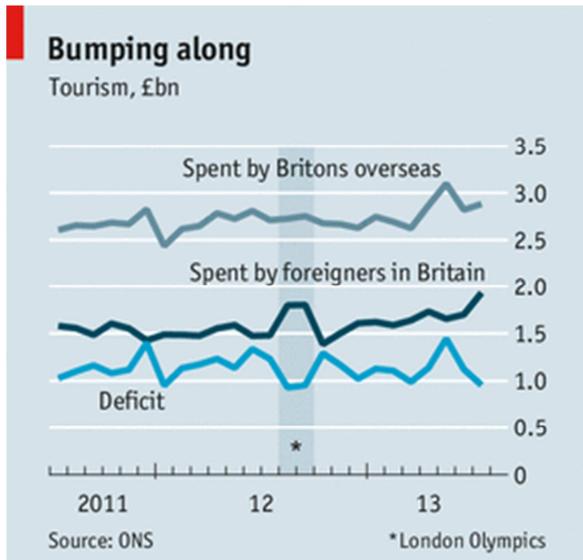
**Booming post-Olympics tourism won't boost the economy as much as hoped**

BRITONS have had some good economic news to celebrate over the past few months. Unemployment is falling, house prices in England hit a record high in July and economic output appears to be growing at its fastest pace since 2010.

At first glance Britain's tourism industry appears to be contributing to the economic bounce. Data released this month by the Office for National Statistics suggest that there has been a big increase in foreign tourists visiting Britain since London hosted the Olympics last year. In the first seven months of 2013, foreign visitor numbers rose by 4%, compared with the same period in 2012, and spending was up 12%. In July 2013 foreign visitors spent 30% more than in July 2012, setting a new record.

Hotels and attractions nationwide say they are benefiting from the unexpected boost in the tourist trade. According to data produced by STRGlobal, a consultancy, hotel-occupancy rates rose in nearly every English region in the first half of 2013. London, in particular, has seen a surge in foreign tourists since the Olympics ended: hotel-occupancy rates in the capital jumped by seven percentage points to 89% in June compared with a year earlier.

The government has been quick to attribute the tourism boom to the Olympics, in an effort to justify some of the £8.9 billion (\$14.3 billion) spent staging them. There may be some truth in this. Visits from countries keen on the Olympics increased the most: up by 24% from Latin America and 11% from China, compared with growth of 1% from Europe and a fall of 4% in visitors from North America, according to VisitBritain, a tourism quango.



Will this post-Olympics surge in visitors attracted to Britain contribute much to its economic recovery? The net impact of tourism on output depends not only on how much cash foreign visitors spend, but also on what Britons spend abroad. And although record amounts are being spent in Britain by foreign tourists, Britons have upped their spending on foreign holidays by a similar amount. So far for 2013, the gap between what Britain earns and spends on tourism has remained around the same since the summer of 2011 (see chart). The average monthly tourism deficit for January to July 2013 was £1.125 billion, only £7m less than the previous two years' average. And in spite of the influx of tourist cash this year, the tourism deficit this summer is still higher than during the Olympics.

Trading what Britain has lots of—rain and heritage—for reliable sunshine, which it lacks, may be no bad thing for most Britons. But tourism will have less to offer the economic recovery unless more Britons can be persuaded to holiday at home rather than overseas. Alas, selling rainy Britain abroad may prove easier than selling it to Britons themselves