BACKING THE FUTURE FOR HOSPITALITY AND TOURISM

TOGETHER WE ARE DYNAMIC

SEPTEMBER 2015
TOGETHER WE CAN SOAR
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The hospitality and tourism industry is a lynchpin of the UK economy, our fourth largest industry, employing 4.49 million people.

Hospitality alone accounted for one in five of all new jobs created in the UK between 2010 and 2014. Over the past five years the industry has delivered 331,000 new jobs and is on track to deliver a further 100,000 new jobs by the end of the decade. It represents 10% of GDP, equivalent to £143 billion.*

This growth has been charted in a new report by Oxford Economics to measure the impact of our industry over the last five years, and to estimate its potential for the next five years.

Our members are justly proud of our industry. Few others can boast the immense career opportunities and prospects we offer to people of all levels of skill and qualifications. With huge potential for career progression, we represent a powerful force for social mobility and up-skilling.

The hospitality and tourism industry is one of the most visible; we are the first point of contact that most visitors have with the UK. Every time visitors eat out, pick up a coffee, visit an attraction, go on a ride or stay in a hotel, they come face to face with people from our industry. We take our role as ambassadors for the UK seriously, we do it well and we are improving our services all the time.

We applaud BHA members for their achievements over the last few years, and it is our ambition to ensure the future success of UK hospitality and tourism. But set against a backdrop of intense international rivalry, government policy can make or break our ambition. Such an important industry needs and deserves the support of government in both economic and in policy terms.

We know that the Prime Minister and the Chancellor of the Exchequer recognise the value of our industry and the jobs we create.

We need the UK government to make hospitality and tourism an economic priority, as other countries do — most notably China, the United States and across Europe.

* The total Gross Value Added (wages and profits) contribution of hospitality alone to UK GDP is £143 billion, from direct, indirect and induced effects combined.
WHO ARE WE?

The British Hospitality Association is the forum for leading businesses in the UK hospitality and tourism industry. We serve and represent over 40,000 private sector establishments. Working together with industry and government, we aim to deliver three goals:

• competitive advantage for our country
• sustainable growth for our industry
• valuable new jobs for our people

WHAT DO WE WANT?

Harness our power to create jobs and up-skill Britain

1. Ensure ministerial commitment from all government departments with an interest in our industry to deliver effective outputs via the new inter-ministerial tourism group.
2. Align the focus of the inter-ministerial group with the private sector priorities for policy reform, and ensure constructive dialogue between government and industry on an ongoing basis.
3. Create an apprenticeship training academy for hospitality and tourism, to support the needs of Small and Medium Enterprises (SMEs) as well as large businesses.

Drive competitive advantage for our country

4. Reduce VAT on tourist accommodation and attractions to 5% to deliver growth, increase tax receipts over time and improve the UK Balance of Trade.
5. Ensure the Visa application process and price is competitive in comparison to the European Schengen Visa and does not discourage visitors from important new and growing markets (including China).
7. Clarify the tourism structures, funding and alignment at a local, devolved and national level.
8. Prioritise the regeneration of coastal and rural communities through partnership with the hospitality and tourism industry.
9. Ensure private sector hospitality representation on the proposed new Business Tourism and Events Board.
10. Ban rate parity clauses. Stop Online Travel Agents (OTAs) from distorting the market and allow consumers to search for the best deals.

Facilitate sustainable growth for our industry

11. Lift the regulatory burden from hospitality and tourism businesses by enacting the recommendations of the Smart Regulation and Economic Growth – Seizing the Tourism Opportunity report.
12. Remove the barriers to public sector catering contracts, in particular for SMEs.
13. Introduce an effective appeals process to support the ‘Food Hygiene Rating Scheme’ in England.
PRIORITISATION

‘We call on the government, in particular HM Treasury, to help us celebrate our success, harness the formidable economic force of our industry, and deliver the policy reforms that will unlock our industry’s full potential to ensure an even more prosperous nation’.

‘The tourism sector, a massive conglomeration of diverse businesses and organisations, contributes billions of pounds to the British economy and sustains millions of jobs. Yet its central role in the economic activity and life of the country is not given sufficient recognition. Too often, Government fails to factor tourism into its wider decision-making’. Culture, Media and Sport Select Committee Report on Tourism, May 2015.

Hospitality and tourism businesses are interlinked. Ours is a highly price sensitive, competitive international business. Domestic and foreign visitors have significant choice across the world, as do business tourism and events organisers. A lack of international competitiveness means that our industry has underperformed.

CREATING A STRATEGY TO REGAIN OUR INTERNATIONAL POSITION

According to the United Nations World Tourism Organization (UNWTO), the UK is the eighth largest international tourism destination by visitor numbers.

1 France 5 Italy
2 USA 6 Turkey
3 Spain 7 Germany
4 China 8 UK

In the same league table, the UK was in 6th position as recently as 2012.

According to the UNWTO, international tourist receipts increased by US$48 billion in 2014 to reach a record US$1,245 billion.

Whilst global tourist numbers are forecast to increase, the countries that will benefit most from the growth of tourism exports will be those who have a clear strategy and leadership from the top of government. Unfortunately, successive UK governments have consistently fallen behind other countries in fully appreciating tourism as an economic contest between nations.

The World Economic Forum Travel and Tourism Competitiveness Monitor tracks the competitive position of 141 countries across the globe. In 2015, World Economic Forum findings positioned the UK 63rd in terms of government policy and enabling conditions for business, 35th in terms of government prioritization of the industry, and 140th in terms of our price competitiveness – specifically tourism taxes and fuel taxes applied by the UK government.

A long-term national strategy for hospitality and tourism is critical: many of the issues which affect an individual’s choice of destination are determined by government.

These issues range from price competitiveness, the quality of the transport infrastructure, the ease of getting to and being welcomed on arrival; and the way that the country and its destinations are marketed both at home and internationally.
GOVERNMENT 2010-15 – A SCORECARD

The BHA welcomed the government’s ‘Five Point Plan’ for tourism, published in July 2015, which clearly acknowledged the economic contribution of tourism.

The establishment of an inter-ministerial group, chaired by the Secretary of State for Culture, Media and Sport, has the potential to be the breakthrough reform that the industry has been seeking for years.

To place these announcements in context we should review the performance of government against the objectives it set for itself at the beginning of the last Parliament.

In August 2010, the Prime Minister pledged that the government would help the tourism industry become more competitive internationally; seek to maximise the opportunities presented by the 2012 Olympic and Paralympic Games and other major international sporting events; and lift Britain into the top five most visited destinations in the world.

In March 2011, the government published its tourism strategy. Building on the Prime Minister’s objectives, the strategy set out three key aims:

- To increase the proportion of UK residents who holiday in the UK to match those who holiday abroad each year – the “50/50” target;
- To improve productivity to make the United Kingdom one of the top five most efficient and competitive visitor economies in the world; and
- To fund the most ambitious marketing campaign ever to attract visitors to the UK in the years following 2012.

The GREAT campaign has been welcomed by businesses as an effective nation branding campaign and is attributed with year on year growth in the number of international visitors - now standing at 34.4 million visits for 2014 (a 5% increase on 2013). However, with regards to global market share, the United Kingdom has seen a worrying fall in outbound tourism in 17 of its top 20 source markets, over the past five years.

Furthermore the government’s “50/50” target to increase domestic tourism results have been disappointing. The number of domestic visits experienced a further annual fall in 2014, declining by 9% on 2013. Domestic tourism is going backwards at the moment and, in volume terms, we are back to where we were in 2008. We are far from achieving the ‘50/50’ target.
IMPACT

BRITAIN’S HOSPITALITY INDUSTRY HAS CREATED 331,000 NEW JOBS SINCE 2010, ACCOUNTING FOR 17 PER CENT OF TOTAL EMPLOYMENT GROWTH

‘A NATION FLOURISHES WHEN IT USES THE FULL SKILLS OF ALL ITS PEOPLE IN ALL PARTS OF THAT NATION’ GEORGE OSBORNE AND SAJID JAVID, FIXING THE FOUNDATIONS: CREATING A MORE PROSPEROUS NATION, JULY 2015

CONTRIBUTION TO NEW JOB CREATION

Business services
Hospitality
Human health and social work
Information and communication
Other
Education
Transportation and storage
Arts, entertainment and recreation
Wholesale and retail trade
Construction
Manufacturing
Financial and insurance activities
Public administration and defence

Hospitality is Britain’s fourth largest industry, representing 10% of gross value added to GDP, equivalent to £143bn, and 14% of total employment – supporting 4.6 million jobs. Of these 2.9 million are directly employed by the hospitality industry.

Our industry stimulates enterprise, entrepreneurship and a thriving SME sector. Over 46 per cent of businesses operating in the industry employ fewer than 5 people.

Estimates (based on ONS data) show a further 1.59 million people are employed directly by tourism (over and above Hospitality services). This takes the total hospitality and tourism contribution to direct employment to 4.49 million jobs. Furthermore, for every ten direct jobs, the industry creates another six in the wider economy.

Few industries share the power of hospitality and tourism to drive employment and, in particular, entry level opportunities leading to rewarding careers for skilled and initially unskilled people alike.

It is time that this potential for social and economic prosperity is harnessed by national and local government, and the devolved administrations.

1 2013 State of the Nation report by People 1st
UP-SKILLING BRITAIN

THIS INDUSTRY HAS THE POWER TO DRIVE ECONOMIC PROSPERITY AND JOBS ACROSS THE ENTIRE UK.

- Total jobs
- % of total UK hospitality employment
- % of total regional employment
- Regional industry rank amongst the 17 broad sectors
Hospitality and tourism plays a crucial role in recruiting and upskilling these workers, without which youth unemployment would be much higher.

The most recent figures show that, excluding those in full-time education, there are 475,000 unemployed 16 – 24 year olds in Britain. Nearly 14% of this age group is unemployed – more than double the national average. Long-term unemployment also remains a big issue with about a third of unemployed people in this age range being jobless for more than a year.

One of the most effective ways to reduce youth unemployment is by growing the hospitality and tourism industry. This is why it is so important that every opportunity is taken to support the sector as, unlike other sectors such as pharmaceuticals, science, technology and aerospace, our industry can provide starter jobs as well as management opportunities for young people with few academic qualifications.

INSPIRING THE NEXT GENERATION

The British Hospitality Association has, over the last three years, run a nationwide campaign - The Big Hospitality Conversation - linking the young unemployed with businesses.

Working with our partners - the Department for Work & Pensions (DWP), the National Apprenticeship Service, Believe in Young People, Barclays PLC and Springboard - we have been encouraging our member companies to pledge employment opportunities for young people. It’s a massive job creation drive and we are well on track to deliver, by end 2016, 60,000 work placements, jobs and apprenticeships for Britain’s young people.

Our industry quickly recognises and rewards merit and hard work to help people rapidly develop their careers. The government has done much to encourage the recruitment of young people through the funding of apprenticeships and the provision of relief on employers’ National Insurance contributions. We will be working with DWP and others to get the right balance between pay and Universal Credit as it is rolled out in the coming years.

Our industry can play a major role in the drive to eliminate youth unemployment and we are pressing the government to adopt policies that will see hospitality and tourism achieve the highest possible level of growth.
POWER OF COLLABORATION: INDUSTRY AND DEPARTMENT OF WORK & PENSIONS

The BHA enjoys a positive and constructive relationship with DWP. We are particularly proud of our collaboration with JobCentre Plus to deliver 60,000 new career starts for young jobseekers across the UK by 2016. In just three years, with the support of DWP and Jobcentre Plus, we have achieved over 46,000 new career starts for 24 year olds and under.

In 2015, the BHA supported the DWP ‘Hospitality Works’ initiative. We helped to bring together leading employers and Jobcentre Plus to drive employment and to encourage jobseekers to consider hospitality as a career choice. The results were outstanding. Over 82,000 activities were recorded by Jobcentre Plus including work experience opportunities, job fairs and work-based academies. Going forward, we are strengthening our support to DWP to ensure greater success of Hospitality Works 2016 and beyond.

The BHA aims to demonstrate the power of collaboration between industry and government through the successful delivery of its Big Hospitality Conversation campaign and Hospitality Works programmes.

APPRENTICESHIPS

We strongly support the new government’s drive to create 3 million apprenticeships in the next 5 years and, as an Association, pledge to do all we can to support this aim. We remain concerned at the complexity and administrative burden for micro and small businesses (a very large part of our industry) in taking on apprentices and will work with the government on making this easier and less burdensome. We are very pleased that in its ‘Five Point Plan’, the government acknowledged that ‘there is a need for training arrangements and apprenticeships in the tourism sector that better reflect its unique needs.’

An Apprenticeship Training Academy

Hospitality and tourism businesses, particularly those operating in rural and coastal destinations, are affected by seasonality. This in turn affects their ability to be able to commit to the full apprenticeship framework. Apprenticeship Training Academies (ATA) could allow these businesses to overcome the full framework commitment.

An ATA for Hospitality and Tourism could also help ease the burden, particularly for SMEs operating beyond major cities, to source, arrange and host apprentices.

The BHA calls on the Department for Business, Innovation and Skills and the Department for Culture, Media and Sport, to support the creation of an ATA for our industry.

Apprenticeship Levy

It is important that the Apprenticeship Levy does not add to the burden for businesses and we await a second consultation to take us beyond the logistics of the Levy into the critical areas of who pays and how much.
GUARDING 4.6 MILLION JOBS

IN 2010 THE BHA SET AN INDUSTRY TARGET TO CREATE 436,000 JOBS BY 2020.

BY 2015 THE INDUSTRY CELEBRATED THE CREATION OF OVER 330,000 JOBS

The BHA is now on track to achieve our 2010 ambition to create 436,000 new jobs by 2020. Having generated over 330,000 new jobs over the last five years, we are on track. It is our ambition to guard against any job losses and to create a further 100,000 new jobs by 2020.

GOVERNMENT POLICY CAN MAKE OR BREAK OUR AMBITION. WE CALL ON THE GOVERNMENT TO ENSURE THAT POLICY SUPPORTS RATHER THAN HINDERS OUR ONGOING SUCCESS.

One of the biggest risks to hospitality and tourism jobs, and the livelihoods of the people we employ, is the unintended consequences of public policy. Dialogue across government departments and between government and industry must be strengthened.

TOURISM INDUSTRY COUNCIL & INTER-MINISTERIAL TOURISM GROUP

The Tourism Industry Council, set up in 2014, works to coordinate policy cutting across both the Department for Culture, Media and Sport (DCMS) and the Department for Business, Innovation and Skills (BIS). Working with industry, the Minister of Tourism and the Minister for Skills led the inclusion of tourism in the Trailblazers apprenticeship programme. They also guided a revision of the National Careers Service portal, ensuring up-to-date career profiles for the industry. These reforms were delivered in just eight months.

The BHA commends the Tourism Industry Council for achieving tangible results within this timeframe. We welcome the intent set out in the government’s new ‘Five-Point Plan’ for tourism to ‘review and reform the Tourism Council, focusing it on clear, specific issues and enhancing the industry’s links into Government’. The BHA affirms its continued support to the Tourism Industry Council, in particular the agenda to work with DCMS and BIS to continue to promote apprenticeships and skills development across our industry.

However, increasing international competition and the decline in domestic tourism has highlighted the need for better coordination between a wider range different government departments to construct the right agenda for the sector to thrive. This is why the BHA strongly welcomed the announcement by the Prime Minister (July 2015) of the establishment of an inter-ministerial group, to coordinate tourism policy across government.

If effectively managed, with the key departments represented at ministerial level, this group will help to mitigate some of the risks and unintended consequences of policy decisions. The Home Office, Treasury, DWP, BIS, DCMS, DCLG, DEFRA, Department of Health – all have an important role to play.

Under the auspices of the BHA, the private sector looks forward to supporting the inter-ministerial group, as well as the Tourism Industry Council.
MANAGING THE NATIONAL LIVING WAGE

According to government statistics, the hospitality and tourism industry accounts for one third of the working population earning more than the National Minimum Wage, but less than the proposed National Living Wage for 2020. This echoes the sheer scale of the hospitality industry as an employer in the UK and reflects the significant volume of opportunities our industry offers to entry level job seekers, helping to up-skill and lead toward rewarding careers.

The introduction of the National Living Wage (at £7.20 per hour from April 2016 and £9.35 from April 2020 for employees aged 25 and over) will have a significant impact on our industry.

Despite the welcome reduction in Corporation Tax and reduction in employers’ National Insurance payments, the fact remains that the hospitality paybill will rise by several hundred million pounds each year and, unless there is a comparable increase in revenues, margins will be eroded with potentially damaging consequences for investment and job creation.

As a highly price sensitive industry, already effected by internationally uncompetitive taxes, the ability of most hospitality businesses to drive greater revenues by increasing price will be restricted.

The BHA will continue to analyse the potential impact of the Chancellor’s announcement and submit evidence to the Low Pay Commission.

As the fourth largest industry, we will continue to seek constructive dialogue with HM Treasury to drive further economic growth and employment.

In Scotland, there have been several meetings between the BHA and senior Ministers in the Scottish Government regarding the voluntary ‘living wage’ (currently £9.15 an hour in London and £7.85 in other parts of the country). We will continue to work with the Scottish Government on this pertinent issue.

FAIR, FLEXIBLE WORKING AGREEMENTS

This industry supports mutually agreed flexible working opportunities, so long as it’s a non-exclusive relationship and the employee has the freedom of choice.

These types of contracts are intended to give employees flexibility so they can have a job without committing to full time availability. They’re an option for students, those taking care of family or people with other commitments. We aren’t keen to turn away talented people because they can’t or do not want to commit to inflexible work schedules.

In turn these contracts allow businesses to respond to significant customer demand fluctuations, from day-to-day or season-to-season. However, the need for variable and flexible contracts should never detract from a total commitment to providing quality training, working conditions and career progression opportunities.
DRIVING COMPETITIVE ADVANTAGE

CUT TOURISM VAT

A report by Professor Adam Blake (a Treasury adviser), using the government’s economic Computable General Equilibrium (CGE) model, concludes that cutting tourism VAT to 5% is “one of the most efficient, if not the most efficient, means of generating GDP gains at low cost to the Exchequer that we have seen with the CGE model”.

“We recommend that the Government thoroughly assesses the merits of the claims of the Cut Tourism VAT Campaign by performing its own modelling work and publishes the results of this... This should be the start of a thorough analysis of the scope for cutting VAT on a variety of tourism services, in tandem or separately.” Culture, Media and Sport Select Committee Report on Tourism, March 2015

The BHA calls on Treasury to reduce VAT on visitor accommodation and attractions to 5%. Currently 25 of the other 27 EU countries have reduced tourism VAT. The UK’s current rate of 20% is almost twice the EU average, which undermines competitiveness against countries with lower rates of VAT.

The uncompetitive effect of high VAT rate puts the industry at a severe disadvantage to close competitors such as France, Germany, Italy, the Republic of Ireland and Spain, where reduced rates apply.

ACCOMMODATION VAT RATES ACROSS EUROPE

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<th>Country</th>
<th>VAT Rate</th>
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<td>Belgium</td>
<td>6%</td>
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<tr>
<td>Portugal</td>
<td>6%</td>
</tr>
<tr>
<td>Germany</td>
<td>7%</td>
</tr>
<tr>
<td>Ireland</td>
<td>9%</td>
</tr>
<tr>
<td>France</td>
<td>10%</td>
</tr>
<tr>
<td>Italy</td>
<td>10%</td>
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<tr>
<td>Spain</td>
<td>10%</td>
</tr>
<tr>
<td>UK</td>
<td>20%</td>
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A reduced rate of tourism VAT will boost the UK’s earnings from tourism, create new jobs and generate additional tax revenues. Any initial impact of a loss of VAT yields, would be offset by lower prices, stimulating greater demand for accommodation and attractions. This in turn would have the following impacts:

• higher levels of expenditure and employment in tourism and related services;
• increased employment will generate additional income tax receipts and savings in social security payments;
• higher expenditure will increase VAT and corporation tax payments by sector operators;
• higher tourism turnover will feed through to higher expenditure in other sectors of the economy, which in turn will generate further tax receipts;
• As a result, more tax will be raised by the Exchequer – £3.9 billion over 10 years according to Nevin Associates.

Other benefits from a VAT reduction would include:

• A reduction in the UK’s balance of trade deficit. A VAT reduction for the tourism industry would provide a significant boost to the UK export market. Analysis by Nevin Associates indicates that over a ten-year period the total improvement in the UK’s Balance of Trade would be £20.1 billion;
• Encouraging business investment - The UK tourism industry is populated by a large number of small firms that may choose not to expand or invest in order to keep below the VAT threshold;
• Lower and fairer prices for consumers - It will be fairer and cheaper for British consumers holidaying in the UK and help low earners who are disproportionately affected by VAT.

The increasing strength of the pound in 2014, especially against the euro has compounded the impact of uncompetitive VAT rates. This further impediment to domestic tourism is to the detriment of businesses, in particular SMEs operating beyond London.

The Campaign to Cut Tourism VAT enjoys the support of over 120 Members of Parliament from all parties. We will also campaign for government to accept the recommendations of the Culture, Media and Sport Select Committee for Treasury to undertake a thorough review of the economic evidence in favour of a reduction.
Towards the end of the last Parliament, we were pleased with the importance the Home Office was attaching to the issue of visa issuance for tourists, and welcomed the commitment to simplify and speed up the process.

Further steps forward have been the introduction of the Passport Passback services in China, the introduction of the Priority Visa service and Super Priority Service, the introduction of a pilot in China whereby authorities can accept a Schengen application form, and the piloting of a single visit to Visa Application Centres.

The BHA understands the case to introduce biometric data in visa applications as a way to further secure UK borders and national security. However, rival European countries for the Chinese tourism market have been much slower to introduce biometric requirements – as they understand the significant competitive disadvantage of implementation.

Therefore in order to make the UK tourist visa application process more attractive, government must move forward on other issues including price, the issuance of longer term multiple entry visas, and ensuring improvements in the speed and efficiency of visa processing.

The UK cannot afford to miss out on the Chinese tourist market.

According to UK Visas & Immigration, over 358,000 Chinese visitor applications were made in the year ending March 2015, and 96 per cent of these applications were successful and granted an entry visa.

Nevertheless, these visitor numbers still compare badly in comparison to those choosing France as a destination, with French authorities recording over 1 million visitors from China in the same period.

A report for the InterContinental Hotels Group by Oxford Economics, published earlier this year, showed that China is already the global leader in tourism departures and has overtaken the USA as the largest source of international travel spending.

The report emphasises that annual Chinese arrivals are expected to grow by more than 5% each year in the next decade – which means an additional 27.5 million visits across the world. Against this background, it is vital that Britain’s visa arrangements are effective and have as their primary purpose the attraction of visitors from China, and other source markets such as India where outbound travel is soaring.

We should not forget that the suggestion, in 2013, of a visa bond for visitors from India had a serious negative effect on travel plans from a key tourism market for the UK.

We call on UK Visas & Immigration to continue to increase its visa processing improvements and capacity in China by seeking a visa process and price, which competes effectively with France, Germany and other major Schengen states for Chinese visitors.
Modern transport infrastructure, particularly rail and road infrastructure, is vitally important for enabling access within the UK, be it to our cities, coastal or rural destinations.

The BHA welcomes the government’s plan to invest £100bn in infrastructure over this Parliament. However, we urge government to give due consideration to the hospitality and tourism industry (the visitor economy) in the development of their new long-term National Infrastructure Plan as well as the Digital Transformation Plan (expected this autumn) to allow further industry growth.

The BHA is an active supporter of the Let Britain Fly Campaign. The Airports Commission, an independent body established and funded by the government, has spent the best part of three years rigorously examining the evidence and its unanimous recommendation is that a new runway at Heathrow offers the best solution. We believe the government must now listen to the experts and make a swift decision to build the first new full-length runway in London and the South East since 1945 at Heathrow.

INBOUND TOURISM IS WORTH AN ESTIMATED £58.7 BILLION GVA ANNUALLY TO THE UK ECONOMY. ALMOST THREE-QUARTERS OF INTERNATIONAL VISITORS TO THE UK ARRIVE BY AIR, ACCOUNTING FOR 84% OF ALL INBOUND VISITOR SPENDING.

AVIATION CAPACITY

‘An increase of 1,000 passengers a year between two countries sees trade increase by as much as £920,000. Extrapolating these figures suggests that £128m additional annual trade could result from one new daily route, or £1bn from a new daily route to all eight high-growth economies’...

‘Heathrow expansion could deliver almost 80,000 jobs and up to £114 billion of GDP outside London and the South East. This includes 16,100 new jobs in Scotland, 15,300 jobs in the North West, and 5,000 jobs in Belfast’. Let Britain Fly Campaign.

STAYING CONNECTED BY AIR AND ONWARD TRANSPORT AND INFRASTRUCTURE

If our economy is to flourish in the future, it is vital we continue to be one of the best-connected countries in the world. This is why we believe Britain remaining Europe’s most important aviation hub is of strategic national importance.

Failure to act in a timely way on the recommendations of the Airports Commission will result in a loss of export earnings and trade.
Business events are a major part of the hospitality and tourism sector and the BHA welcomed the publication of the Business Visits and Events Strategy, published by the DCMS in March 2015. It is essential that the right partnership is constructed between the government and the industry.

The DCMS strategy called for the creation of a new Business and Events Board, which would report to the Ministerial GREAT Programme Board. The strategy paper envisages the Board being represented by all relevant government departments and UKTI. This is a major step forward in seeing Britain develop an integrated and coherent approach to business tourism. A Ministerial presence shared across both DCMS and BIS would help to consolidate these reforms.

**HOSPITALITY DRIVES LARGE-SCALE EVENTS**

The government should ensure adequate private sector representation on the Board. Hospitality and in particular corporate hospitality drives the feasibility of every major event in the world today.

Many hospitality businesses specialise in the management of stadia, convention centers and events venues. For example, WSH Baxter Storey, Sodexo and InterContinental Hotels Group helped to make the London Olympics a success, as they and others continue to do for the Rugby World Cup and other major showcases of the UK to the rest of the world. The input of companies such as these will be key to developing a comprehensive and meaningful business visits and events strategy.
DEVELOPING TOURISM IN THE
DEVOLVED NATIONS

Hospitality and tourism is important to all parts of the United Kingdom. Tourism is a devolved area of policy, though there are many UK government policies and certain reserved matters which have a direct impact on the industry. There are different arrangements in the devolved nations in relation to certain functions and initiatives. As such the BHA works closely with the Devolved Administration in Wales, Scotland and through our affiliates in Northern Ireland.

BHA SCOTLAND
BHA Scotland has an active lobbying programme, currently focusing on discussions with Scottish Government Ministers on issues such as the Voluntary Living Wage and in opposition to local proposals for tourism or bed taxes.

NORTHERN IRELAND
The BHA works closely with the Northern Ireland Hotels Federation and Hospitality Ulster. This region is in a unique position as it shares a land border with the Republic of Ireland, a jurisdiction which applies with a reduced tourism VAT level of 9%. This has been effective on accommodation since 1986 with out of home food added in 2011. The VAT rate is 9% and jobs in the ROI have increased by 36,000 since the 2011 reduction. It is also important to note that Ireland is promoted as a single island destination in all overseas markets including Great Britain making VAT, APD and Currency real challenges for operators in tourism and hospitality in Northern Ireland. The industry in the region has grown in terms of employment by 28% since 2009. Whilst post recession recovery has been fragile, the sectors’ turnover is predicted to grow by 15% by 2020.

BHA WALES
In Wales great strides have been made in the last few years in the development of BHA Cymru, its service provision for members and its growth in influence within the industry and government at all levels.

BHA Cymru now works closely on sector policy and implementation matters with Visit Wales, Welsh Assembly government’s tourism department and has contributed enthusiastically to the government’s Partnership For Growth strategy for the visitor economy, working closely with Deputy Minister for Tourism, Ken Skates AM.

GREATER COHERENCE FOR
TOURISM STRUCTURES

In the last Parliament, the Regional Development Agencies – and the Regional Tourist Boards – were abolished and were, in effect, replaced by Local Enterprise Partnerships (LEPs).

As regional budgets disappeared, few LEPs embraced tourism at the heart of their economic growth strategies. With the cut in funding to local authorities, there was a significant reduction in the overall level of funding for English tourism.

Cuts in funding to VisitEngland were only partially offset by ‘challenge funding’ (for example the Regional Growth Fund) and the performance and funding of Destination Management Organisations has been extremely inconsistent. There are currently no adequate arrangements for tourism promotion.

The development of tourism in England will continue to be compromised unless and until there is a much greater level of clarity about the sub-national tourism structures. Clarifying the local landscape for tourism promotion in England should be a priority for the new inter-ministerial group.

CITY GOVERNMENTS
The government’s announcement of devolution to ‘metro-cities’ (Greater Manchester to begin with) with a directly elected Mayor and responsibility for economic regeneration, planning and transport across many council districts provides some level of confidence for the future.
We expect they will want to emulate the success of London and establish a single ‘Visit’ organisation with appropriate funding. It is important that these new city authorities do not become ‘another tier’ – we would be disappointed if there were a continuation of LEPs and disparate DMOs within a new metro-city.

TOURISM IS EVERYONE’S BUSINESS - THE THREAT OF BED TAXES, TOURISM TAXES AND TBIDs

The Bill for devolution to the cities has only recently been published and is likely to change during its passage through Parliament.

The industry would be seriously concerned if the new city governments were given the power to introduce a tourism or ‘bed tax’. It is misleading to look at the experience of other cities in continental Europe, which charge a tourism tax because they are charging visitors significantly lower levels of VAT.

We have already outlined the UK’s weak position on price competitiveness; introducing an additional tourism tax will just make our destinations more expensive to visit and work against the ambition that we share with the government to see an increase in visitor numbers. It would be especially damaging if a tourism tax was introduced and there was no guarantee that revenue would be used exclusively to repair or introduce the infrastructure for the visitor economy.

Similarly, the BHA is opposed to Tourism Business Improvement Districts (TBIDs). Tourism is everyone’s business and benefits a wide range of industries such as retail, construction, creative industries and passenger transport, to name just four. Therefore, levies charged to support the promotion of a destination to tourists should be borne by all businesses in that district. The BHA believes that general Business Improvement Districts are a fairer levy than TBIDs, which target hotel rooms with an additional levy.

A JOINED UP TOURISM BUDGET FOR ENGLAND

The Conservatives’ manifesto referred to ‘challenging targets’ being set for the Visit organisations to ensure that more visitors travel outside London. These targets can best be achieved if existing sources of public funding for tourism in England – the core VisitEngland budget, the Department of Transport’s Route Development Funds, DEFRA’s Rural Tourism Fund, the LEADER programme and the Coastal Community Fund – were consolidated and spent according to a coherent and agreed national strategy. This should be the priority of the ministerial group.

REGENERATION OF BRITAIN’S COASTAL COMMUNITIES

In its March 2015 report, the Culture, Media and Sport Select Committee was right to highlight the importance of seaside tourism in Britain. The English coastline has towns and resorts which are growing in popularity – Bournemouth, Wadebridge, Deal, and Scarborough are good examples. Other areas are suffering from years of decline.

There are great contrasts between those areas of growth and the areas of decline which are characterised by high unemployment (particularly among school leavers), tired infrastructure, with poor transport and digital connections. It is important that reversing the fortunes of these coastal areas remains a priority for the government.

Much more needs to be done and we would like to see funding for the National Coastal Tourism Academy which has made a great start in its work providing case studies and materials that could be adopted by seaside destinations.

The regeneration of coastal communities does bring into sharp focus the real difficulty of delivery and implementation. Larger companies – with all the advantages of scale and brand – tend not to have a big presence in these seaside areas and there is a heavy concentration of micro and small enterprises making coordinated action harder to deliver.

The regeneration of coastal towns through tourism should be a key focus for the inter-ministerial group with its role in coordinating action across different government departments.
A COMPETITIVE AND FAIR DIGITAL MARKET

PUTTING AN END TO ANTI-COMPETITIVE ONLINE AGENT PRACTICES

Rate parity prevents hotels from offering a lower public room rate on their own website than the rate given to the Online Travel Agent to sell the room.

Consumers use OTA websites because they think this is where they’ll get the best price. What is not clear to consumers however is how these sites make their money.

Consumers are being led to believe that the search results they find on price comparison websites represent the best deals for them. In fact, the order of search – which we know is critical in terms of where they make their ultimate purchase – is actually driven by commercial factors such as the level of commission the OTA receives from a particular business.

A COMPETITIVE MARKET FOR HOTELS

French legislation banning the use of rate parity clauses by Online Travel Agents (OTAs) in their agreements with hotels was passed by the French National Assembly earlier this year. The German competition authority banned the use of rate parity by a leading German OTA.

The decision by the French and German legislature is a positive step forward in returning competition to the online hotel booking sector. Without rate parity customers will be able to shop around for the best hotel deal and are likely to see more competitive prices as a result.

A recent paper by Ben Edelman of Harvard Business School and Julian Wright of the National University of Singapore argues that in markets where intermediaries are able to impose price coherence, retail prices can increase and the costs of commissions are ultimately spread across all consumers, even those who didn’t book via an intermediary.

The BHA looks to the UK Competition and Markets Authority and the European Commission to take action to return competition to the online hotel booking market by banning the use of rate parity clauses.

A COMPETITIVE MARKET FOR RESTAURANTS

Arrangements between internet search engines and online booking sites are restricting the ability of restaurants to advertise their prices and special offers directly to customers via their own websites.

Currently meta search sites and aggregators effectively divert customers away from the restaurant in the original search to the aggregator website. The aggregators are then able to divert the customer to restaurants of their choosing.

Consumers should be able to enjoy a competitive, fair and innovative digital market for hospitality and tourism, and we call on the UK Competition and Markets Authority and the European Commission to tackle anti-competitive behaviour.
FACILITATING SUSTAINABLE GROWTH FOR OUR INDUSTRY

SMART REGULATION AND ECONOMIC GROWTH

“Our starting point is that a regulation should go unless there is a clear and good justification for government being involved”. David Cameron, letter to Ministers, April 2011.

The BHA looks to the newly formed inter-ministerial group, chaired by the Secretary of State for Culture, Media and Sport, to alleviate the regulatory burden on hospitality and tourism businesses.

In the previous government, the Tourism Taskforce put together a report ‘Smart Regulation and Economic Growth’ outlining the priority areas for deregulation. Far too few recommendations ranging from health and safety, fire safety, annual and employment regulation, have yet been actioned by government.

One of the greatest problems faced by the industry is the cumulative effect of regulation, particularly on small businesses. Too often, we find that regulations introduced by one government department conflict with those of another department that also has an interest in our sector.

We are concerned by diverging decisions taken by government which are placing more regulatory burdens on hospitality and tourism businesses, in particular SMEs, versus the ‘laissez faire approach’ Government has towards the so-called sharing economy, and specifically short term online rental companies.

We call on the government to reprioritise deregulation and to support better informed-decision making in the future.

PLANNING

Key to the success and development of effective tourism and hospitality businesses is the ability to obtain planning permission both for initial development and for ongoing product refreshment and improvement. Within the current planning framework, there are a number of things that could be improved to assist the effective running of businesses in our sector.

We know that localism is an important concept for government and that allowing local decision making is desirable. The introduction of the neighbourhood planning process (which sits under the Council Local Planning) together with advances in technology and social media helps encourage multiple objections to a greater level than may really exist.

Greater numbers of refused applications means more appeals (and more viable projects delayed or thwarted). More appeals means more preparation (and considerable cost) in advance of application in case an appeal is required. More appeals results in more strain on stretched local authority planning resource. We would urge government to review the process to ensure that the balance between localism and an efficient and fair planning decision process is maintained.

Permitted Development Rights allow development without the need to get planning. Clarifying and extending Permitted Development Rights would be beneficial. Rights could be refined to include a wider range of items within plant and machinery, for example amusements or rides below a certain height. Greater ability is needed to undertake a wider range of minor works e.g. paving, building steps, creating level changes, installing services, extending small support buildings.

THE NATIONAL PLANNING POLICY FRAMEWORK (THE NPPF)

There should be a clear policy statement about tourism and leisure development. At present tourism is referred to in 3 places and one of those is the glossary! The thresholds for environmental assessment were amended recently but this does not apply to leisure projects.

Where hotel/overnight accommodation projects are brought forward in conjunction with a leisure venue, for example a theme park or a sports stadium, the industry always has to go through a laborious and time consuming test looking for
FACILITATING SUSTAINABLE GROWTH FOR OUR INDUSTRY

town centre and edge of centre sites. This is sensible planning policy to ensure development occurs in central areas and to reduce car movements. However the purpose of leisure resort development is to add accommodation on site to enhance guest experience and reduce car movements. We would therefore request that accommodation at major visitor attractions should be an automatically acceptable location and not require further justification.

The timescales for Councils processing applications needs to be improved as well as the production of streamlined local plans.

REMOVING THE BARRIERS TO OUTSOURCING CATERING TO SME PROVIDERS

Our Food and Service Management members seek to deliver greater efficiencies and increased quality and productivity to the public sector when outsourcing.

In 2012, we made a number of proposals to enable the private sector to increase its one quarter share of public sector catering contracts. An expectation that smaller catering businesses would benefit from this process has not so far been met. Essentially contracts focused only on catering, excluding facilities management have not been developed, thus reducing the potential for SME involvement.

FOOD SAFETY

Over the past year, under the auspices of the BHA, a team of Food Safety and Risk experts from across the hospitality industry have been working with the Food Standards Agency in England & Wales, to revise the Industry Guidance on Food Safety.

Following public consultation later this year, the revised guidance is expected to be issued to industry in early 2016. We commend the Food Standards Agency for their collaborative approach to revising the guidance for industry.

FOOD HYGIENE

Discussions with the Food Standards Agency and industry have highlighted the urgent need for the introduction of an effective appeals process to support the legislator’s desire to effect mandatory displays for the ‘Food Hygiene Rating Scheme’ (FHRS) in England.

An appeals process that is, at the final stage, independent of the local authority giving the initial rating is needed to ensure a fair and consistent application of the FHRS, which is not at present being met.

The model process proposed by us should, if adopted as part of a move to compulsory display in England, also apply to Wales, where compulsory display was introduced without the independent process promised by Welsh Ministers, and to Northern Ireland when compulsory display is introduced there.

Scotland has a separate, simpler scheme, the Food Hygiene Information Scheme, which has wider industry and consumer support than the FHRS. We encourage the FSA to adopt our proposed appeals process.
RESPONSIBLE HOSPITALITY BUSINESS

ADDRESSING WASTE

We support the government’s aim to reduce waste from food and associated packaging on a voluntary basis. The hospitality industry and its supply chain have already made significant progress in improving environmental performance.

The BHA, having been an active supporter of the Hospitality and Food Service Agreement (“HaFSA”) since it launched in 2013, has over 75% of UK Food Service Management companies in its membership signed up to the agreement.

The BHA is now working with partners SWR and Winnow Solutions on a campaign called ‘Waste Not Want Not’ which will provide businesses with guidance on finding innovative ways to further reduce their waste.

The BHA is keen to ensure that the work undertaken to challenge waste continues after HaFSA at the end of 2015, and has been involved with the development of the new voluntary agreement (Courtauld 2025), aimed at brokering collective action to reduce waste.

The BHA calls for the Government to facilitate voluntary and collaborative work across industries to maximise resource efficiency throughout the supply chain.

With the support of DEFRA, the BHA has been working closely with members to encourage them to use sustainable palm oil in their supply chain. Our canvas of the industry has shown that most businesses are already taking steps to transition toward sustainable palm oil products, or are interested in doing so in the near future.

We are aware that achieving 100% certified sustainable palm oil will require a cooperative effort between numerous industries. The BHA calls for DEFRA to continue to make progress to develop a wider choice of products and ingredients which contain sustainable palm oil in the supply chain.

REVIVING THE PUBLIC HEALTH RESPONSIBILITY DEAL

The Public Health Responsibility Deal, led by the coalition government 2010 to 2015, sought to tap into the potential for businesses and other influential organisations to make a significant contribution to improving public health.

Hospitality and tourism businesses signed up to the Responsibility Deal, committing to take action voluntarily to improve public health as employers, as well as through their commercial actions and their community activities. The commitments resulted in significant investments on the part of companies who had signed up to the Responsibility Deal. These investments were primarily made to alter the way companies approached, monitored and reported on the results of their actions.

The BHA calls on the Department of Health to revive the Responsibility Deal, building on the commitment of hospitality and tourism businesses. Continuity of the programme will encourage the participation of greater numbers of businesses. The BHA is committed to working with the Department of Health to further the collaborative and voluntary approach to public health.

ONE EXAMPLE OF HOW WE ARE ADDRESSING RESPONSIBLE HOSPITALITY - PALM OIL IN THE SUPPLY CHAIN

In 2012, the UK government committed to achieving 100% sourcing of sustainable palm oil by the end of 2015 with the aim of tackling global deforestation. As responsible business leaders and heavy users of palm oil, the BHA members support this commitment as an approach to more sustainable palm oil farming and harvesting that avoids deforestation, biodiversity and habitat loss, and displacement of indigenous people.

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CONCLUSION

Many of the things we are calling on the government to do involve little or no investment, and where investment is called for, the economic case is strong. Investing in the hospitality and tourism industry will bring a substantial return in tourism revenue, lower unemployment figures and an increase in the government’s overall tax revenue.

The BHA calls on government to take hospitality and tourism as seriously as we do. With the government’s backing, we can ensure the future of a vibrant and thriving industry.