



SUBMISSION TO THE TRIENNIAL REVIEW OF VISITBRITAIN AND
VISITENGLAND

October 2014

Terms of Reference

In July 2014, a Triennial Review into VisitBritain and VisitEngland was announced as part of a standard review of roles and governance of all non-departmental public bodies that is required by the Cabinet Office. The Review is in two stages:

- *Stage One*: to examine whether there is a continuing public need for all functions performed by VB and VE and if so to determine if they should deliver them or whether there is an alternative delivery model; and
- *Stage Two*: to look at the control and governance of each organisation to make sure they are complying with recognised governance principles and delivering their functions effectively and efficiently.¹

About the British Hospitality Association (BHA)

The BHA is the leading national community for the hotel, restaurant, tourist attraction and food service industries. Our member companies have a combined turnover surpassing £20 billion and employ more than half a million people. Our members spend over £250 million per year on above and below the line marketing for the UK.

The global context – an economic contest between nations

Global Tourism numbers are forecast to increase and the countries which benefit most from this growth, will be those who have a clear strategy for domestic and international tourism. This is a key responsibility for our Government.

Annual consumption in emerging markets – including Africa, Brazil, China, India and Indonesia – will rise from US\$12 trillion in 2010 to US\$30 trillion (Mckinsey 2012). Brand building and marketing for the UK needs to be in the best possible shape to capitalise on these potential new customers, yet we continue to lose ground to our competitors. France benefits economically from the 1.2 million Chinese tourists visiting each year, while the UK benefits from only 200,000 Chinese visitors per year.

In addition to the competitive environment, travel is being purchased by consumers in radically different ways to just a few short years ago. We are in an era of significant digital innovation. A recent survey by Amadeus and Google Analytics showed 84% of business

¹ BHA comments are restricted to Stage One. The Review may conclude that some of our comments *do* touch on Stage Two (particularly about duplication of effort) but we are not an audit body, and wouldn't appraise the performance of employees or comment on the effectiveness of the Boards.

travellers use YouTube to research destinations. TripAdvisor boast of over 250 million hits *each month*. BHA members alone spend £250 million per annum on tourism marketing.

So it is our view that the continued growth of the tourism industry in the UK needs a visionary marketing strategy that serves the interests of government and business. To deliver its ambitions it needs better funding and then strong coordination and execution of the strategy, policy and business opportunities.

Should there be public funding for the promotion of Tourism?

Our view is that this question has to be answered first. If the review concludes that the answer to this question is *No*, then whether or not the Visit organisations are efficient is irrelevant. If Ministers accepted such a Review finding, the organisations might be abolished.

The BHA calls for this review to be a proper analysis of need and a weighing up of the potential opportunities and what these opportunities could deliver for the UK economy and for society. This process shouldn't be about justifying existing structures. Industries like tourism need a shake up in the way they are facilitated and nurtured by government, starting with an exciting and joined-up vision for tourism.

The BHA members have, by a clear majority, answered yes to the question of whether the promotion of tourism should be publically funded. The duties and objectives of a Government may not always be the same as the objectives of private companies. Moreover, Britain's tourism sector is characterised by the great majority of its estimated 200,000 businesses being small in scale. Relying upon their voluntary collaboration to take responsibility for such a key economic sector is totally unrealistic.

As all the recent data from the ONS has shown, tourism is a powerful source of economic growth and employment – especially for young people. We do not see how the Government could remove itself entirely from the promotion of a national asset and an industry which accounts for nearly 10% of GDP and 10% of total employment.

Tourism is everyone's business and it has a significant impact on industries such as construction, retail, creative industries and passenger transport, to name just four. With our competitors – *other countries* – developing and implementing coherent and ambitious strategies for tourism in *their* countries, it would seem irresponsible for any Government to remove itself entirely from the funding of tourism promotion.

While the majority of the hospitality and tourism sector believes that there should be public funding for tourism, there is also another view from some BHA members, who spend over

£250 million on above and below the line marketing. These members believe that far too much time is spent by the Visit agencies discussing their respective boundaries and performance, when they have such modest funding.

The important question is how to bring about a meaningful *level* of public funding and the coherence of the Government's overall approach to one of its most important assets.

What should be the responsibility of VisitBritain?

VisitBritain should be responsible for all international marketing. Presently, it is shared with VisitEngland and this causes inefficiency, confusion and duplication. We recognise the differences between marketing to emerging markets and to established, near Europe markets but believe that both should be handled by one organisation. Only people employed by VisitBritain, and not VisitEngland, should be employed in overseas countries. To offer a seamless and coherent offer to potential visitors there needs to be a close and effective partnership with all the national Visit organisations. Service Level Agreements would set out the principles by which such partnership will be achieved. This will encourage openness and transparency in the way the Visit organisations work.

Business Tourism is important to Britain. It's an overlooked part of the visitor economy and we want VisitBritain to be responsible for better marketing this sector internationally. VisitBritain used to have this responsibility but moved out of it a few years ago when its funding was cut. VisitEngland has stepped in and this has caused confusion and an inefficient use of taxpayers' money.

We also see an obvious interconnectedness with the work of UKTI, which has a small team supporting the *export* of Conference and Events management know-how to overseas markets but does *not* have a unit selling Conference and Events in Britain which overseas visitors would attend. This is also an export but, more often than not, is not seen as such. The DCMS recently convened a meeting of industry practitioners and there was an acknowledgement that the existing approach lacked coherence.

VisitBritain is, of course, fully involved in the GREAT campaign (which is an important 'nation branding' effort including inward investment and education) and we recommend that the importance of VisitBritain's work is reflected in it *being viewed* as a Directorate within UKTI and its CEO being invited to the UKTI Board and vice versa.

Tourism is an important export sector and we see real opportunity for the promotion of our visitor economy if our international tourism marketing arm is firmly established within UKTI. We do not see any need for Ministerial responsibility or funding to shift from the DCMS; this move recognises the shared interests of BIS and DCMS in VisitBritain's work. We believe

that VisitBritain would continue to be a NDPB sponsored by DCMS but that this recognition within the UKTI organisation structure could herald a much needed change in the way tourism is seen inside the Government. The economic contribution of the sector would become much more visible. VisitBritain has made great progress in developing its work with the Foreign Office and British Council and we want this to continue.

We are interested in the fact that VisitScotland and Visit Wales – and London & Partners – have all sought to achieve greater co-ordination between Tourism and Inward Investment and we think that VisitBritain should follow suit. A success factor in common across each of these organisations is that there is no ‘political in-fighting’ which drains resources; instead there is strong leadership and a clear focus on a single, simple mission.

What should be the responsibility of VisitEngland?

The role we envisage for VisitEngland would be the promotion of domestic Tourism only. We do not believe that it should be the responsibility of a national organisation like VisitEngland to campaign for visits to one part of the country *at the expense of another*. But we are convinced that marketing *for increased domestic business* as opposed to *substitute* business is absolutely essential and VisitEngland is best placed to do this.

In a later section, we discuss the need for greater clarity in the sub-national structures in England. We see VisitEngland having a key role in developing the professionalism and capability of Destination Management Organisations. This is not the responsibility of the private sector alone: given the enormous economic and social contribution that tourism makes, we see it as an entirely legitimate use of public funds to improve the capability of these DMOs through training, guidance and the dissemination of knowledge, and the sharing of best practices. The best DMOs, of course, are characterised by great leadership and a good balance between the public and private sectors.

We believe that the grading/accreditation of properties should continue to be a key responsibility of VisitEngland. In a later section, we deal with the importance of ‘citizen journalism’ in the digital era but we are not persuaded by the *laissez faire* view that formal grading has become irrelevant.

Should there continue to be separate organisations VisitBritain and VisitEngland or could they be merged?

Once the vision and responsibilities for the agencies are agreed, then appropriate structures to manage them can be determined. We looked at the feasibility of merging the two organisations. There would be advantages in doing so and a private sector organisation,

freed from *the external considerations* which politicians are required to consider, would probably exploit the opportunities to modernise processes, streamline activities and realise the savings. We do recognise, though, that these external considerations cannot be overlooked.

The recent devolution settlements for Scotland, Wales and Northern Ireland cannot be ignored. Each of these nations has a Visit organisation (better funded than VisitEngland in the case of both Scotland and Wales) and merging VB and VE would present two fundamental problems. The English regions – populated by Destination Management Organisations with a patchwork quilt of alliances with local authorities, Local Enterprise Partnerships, and new, emerging City organisations – would be concerned at the lack of an explicit England focus. The Visit organisations in the other nations would be concerned that any new merged organisation might have a built in preference towards England. Creating a clear vision and even something simple like what to call a merged organisation and would crystalize the difficulty of being seen to be catering for the needs of all the various interests.

Therefore, we believe that retaining VB and VE as separate organisations would be appropriate. However, to encourage efficiency, we believe that the two should continue to be co-located and all possible opportunities for role clarity and administrative efficiencies should be enacted.

The research and information capability of the Visit organisations is rightly praised and we would envisage this being a shared service across the two organisations.

How should VisitEngland take the lead in managing the chaotic sub-national structures in England?

We believe that VisitEngland's effectiveness has been damaged both by real terms cuts in its core funding and the chaotic state of sub-national Tourism structures in England. When the RDAs were abolished in 2011, the Regional Tourist Boards went as well and the Local Enterprise Partnerships that have taken their place have a mixed performance. At their best, as in London for example, the LEP is positioning Tourism at the heart of an ambitious growth strategy for the city. But this is the exception and not the rule. Too few LEPs have put the Visitor Economy at the heart of their strategy and this has made it harder for VisitEngland to function effectively. Funding by Local Authorities for Tourism has been drastically cut and in many cases removed altogether as Councils focus on their statutory duties. Added to this *the sheer number* of Destination Management Organisations (over 200) has stretched resources and, consequentially, become impossible to manage.

Whilst we acknowledge that funding for the Visit organisations lies outside the scope of this Review, there does come a point when it is unreasonable to place a responsibility on a public body for something and *not* provide it with sufficient funds to discharge that responsibility. We think that this point has been reached – especially with the mishmash of LEPs, Councils, embryonic city authorities and DMOs with which VisitEngland has to wrestle.

It would not be appropriate for VisitEngland to promote or participate in campaigns or efforts which would increase taxes or levies on businesses and/or consumers. In recent years, there has been debate about Tourism Business Improvement Districts (TBIDs) and city/region-wide tourism charges. As this is a decision which will be made *by elected representatives*, we see no justification at all for a publicly funded organisation like VisitEngland to be involved in such campaigns. There is a risk that such a position would lessen the willingness of the private sector to co-finance tourism promotion with VisitEngland and DMOs. Restoring public funds to VisitEngland should help the organisation maintain its important ‘neutrality’ and, in all probability, help achieve a greater level of private sector involvement which has been wary of supporting some DMOs because of their ineffectiveness and poor leadership.

How should VisitBritain and VisitEngland embrace the digital era?

Traditional Tourist Boards have been disrupted by the new digital economy. A recent survey by Amadeus and Google Analytics showed 84% of business travellers using YouTube to research destinations. TripAdvisor boast of over 250 million hits *each month*. Interestingly, the UK lies third – behind the USA and Italy – in the list of the top ten countries researched by TripAdvisor users. This number of visitors far exceeds the number of hits to the VisitBritain site.

The race to digitisation presents the travel and tourism sector with a tremendous opportunity. It is disappointing that our DMOs are not at the forefront of this digital agenda. For example, both Italy and Spain are considerably more advanced than Britain in the way that their DMOs work commercially with organisations like TripAdvisor. Google Trends offers a huge amount of data and information to DMOs about the background and preferences of people researching their destination. Such data should be the basis of highly targeted and more personalised marketing programmes.

There needs to be intensive focus on digitisation. Increasing the capability and professionalism of the DMOs in the digital world is hugely important and we believe that it’s necessary to increase VisitEngland’s budget to drive through these new opportunities and new ways of working. Larger companies in the Travel and Tourism sector are among the most advanced users of digital technology and we see the principal focus for VisitEngland’s work to be in supporting the SME sector.

These SME businesses play a vital role in rural and coastal communities and we see VisitEngland's work joining up wider Government efforts to making the whole country more competitive in a digital world. Wherever practicable, we are confident that larger companies would collaborate with VisitEngland in this important area.

What should be the role of the Visit organisations in the recently formed Tourism Council?

The Tourism Council was established in June 2014 and both Visit organisations are represented on the Council which is chaired by Ministers from BIS and DCMS – and an industry leader. The Council's focus is on growth and jobs. We see the whole area of sub-national tourism structures as an ideal area for the Tourism Council to address as part of its remit on jobs. Whilst we do not envisage the Council having any form of supervisory or executive role over the Visit organisations, the Council will provide a forum in which concerns over unnecessary duplication and inefficiency by the Visit organisations can be reviewed.