



HOSPITALITY INDUSTRY IS WORTH £18.6bn TO LONDON ECONOMY

- industry is vital almost every local economy

- but barriers to growth need to be overcome, says BHA report

13 October 2011: A new report published today by the British Hospitality Association, which identifies the hospitality industry's contribution to 406 local authorities throughout the country, says that the industry has to overcome significant barriers to growth if it is to create more jobs in local communities and support economic recovery.

The report - *Hospitality: Driving Local Economies* - commissioned from Oxford Economics, and being sent to every MP, shows that the hospitality industry in the UK directly employs 2.4m people and a further 1.2m indirectly* and contributes over £46bn in wages and profits to local economies every year,

In London, Westminster (86,434) and Camden (28,325) have the most hospitality jobs, followed by Kensington and Chelsea (21,065), City of London (20,418) and Hillingdon (16,470). In total, the industry directly employs 396,505 in the Greater London area and a further 157,217 indirectly - 7.9 per cent of the total workforce worth £18.6bn in GVA†. Direct hospitality employment is estimated to rise in the region by more than 77,000 by 2020.

Over 260,000 hospitality businesses provide 11.9 per cent of all jobs in the country. In only 22 of the 406 UK local authorities does direct hospitality employment fall below five per cent.

In a nine-point growth agenda, the report cites the high level of VAT on hospitality services as one of the main factors in making UK tourism

uncompetitive with the rest of Europe. All but two other EU member states have a reduced rate of VAT for hotel accommodation, while 12 countries have a reduced rate for restaurant meals and 18 have reduced rates for entry to attractions.,

Visa controls and costs and Air Passenger Duty are other inhibiting factors to growth, while the report urges local authorities, Local Enterprise Partnerships and other local agencies to recognise the significance of the hospitality industry to their economic and social prosperity locally.

The report forecasts that the total number of jobs in the industry could rise by 236,000 by 2015 and a further 239,000 by 2020, but only if barriers to growth are lifted.

Ciaran Fahy, chairman of the BHA's London regional committee and managing director of the Cavendish Hotel, London, said that the report highlights the huge importance of the tourism and sector to the UK economy.

"Hospitality is a key contributor to every local authority's economic livelihood and particularly to its job-creating and wealth-generating potential," he said. "But Britain's lack of price competitiveness with other major European countries represents a major hurdle."

He pointed out that according to the World Economic Forum's latest Travel and Tourism Competitiveness Index, the UK ranks 135th out of 139 countries on price competitiveness.

"Growing the hospitality economy depends on improving this position so that the whole UK economy can benefit."

Westminster has most hospitality jobs

The report shows that while Westminster has the highest number of hospitality jobs in the country (86,000), and is easily the biggest in terms of wages and profits (GVA) (£2.4bn) the Isles of Scilly and areas in Cumbria and in the south-west are the local authorities most dependent on the success of the hospitality industry.

This reflects the fact that the share of hospitality jobs is generally highest in more rural, tourism-orientated economies. As a result, while almost two in every ten employees in Kensington and Chelsea work in hospitality (16.8 per cent), the percentage is almost as high in the Isles of Scilly (15.9 per cent), South Lakeland (15.7 per cent), Eden (15.6 per cent) and Scarborough (14.9 per cent).

This pattern is even more pronounced when measured in terms of the amount of GVA that hospitality contributes to the local economy where, in the Isles of Scilly, it is 17.5 per cent of total GVA, followed by South Lakeland (11.3 per cent), Eden (10.6 per cent), Torbay (10.1 per cent) and Kensington and Chelsea (10.0 per cent).

But Isles of Scilly are most dependent on tourism

Taking direct, indirect and induced employment* and GVA into account, these figures rise dramatically, so that over a quarter of all employees in the Isles of Scilly are dependent on the hospitality industry (25.3 per cent) and they contribute almost 40 per cent to the islands' GVA (39.3 per cent).

"These figures show how dependent many local authority areas are on the hospitality industry," says Ufi Ibrahim, chief executive of the BHA.

"No local authority in the UK can afford to ignore the contribution that hospitality makes to local job and wealth creation - and can make in the future.

"The challenge now is to make sure that the government provides the right framework in which the industry can grow and create more jobs.

"We want all politicians to recognise and support the industry as it continues to create jobs, deliver growth and helps to re-balance the UK economy."

Cllr Chris White, Chair of the Local Government Association's Culture, Tourism and Sport Board, said:

"We are a nation full of unique attractions and destinations, each grounded in local communities. Some are linked to modern culture such as huge

entertainment venues or a vibrant nightlife, others to tradition and centuries of history. They draw people from across Britain and the globe and we need to ensure we make the most of this fantastic potential.

"Councils have a long and successful track record in working with the hospitality industry to promote the financial and cultural boost it gives our villages, towns and cities. Now more than ever it's vital we get this right and don't miss out on any opportunities to nurture innovation, create jobs and keep the sector growing. This in turn can only help our current flagging economy.

"Essential to this is flexibility with local businesses and civic leaders, be they based in historical towns, bustling high streets or seaside resorts, being free to make the decisions which best suit their communities without being hamstrung by red tape from Whitehall.

"This report illustrates just how important the hospitality industry is to local communities and the country as a whole, and will hopefully point the way for some areas on how they can better make the most of it."

Stephen McCall, managing director UK and Ireland, InterContinental Hotels, said that hotels had a huge role to play in job creation and economic development in local communities.

"The BHA's report reinforces what we have known for a long time. With 269 hotels in the UK, we are creating 3,000 jobs in this country over the next few years. We want to do more.

"We want government to address the issues raised in the report so our sector can start delivering the job-fuelled recovery the country so desperately needs."

James Berresford, chief executive, VisitEngland, said:

"The British Hospitality Association's new report emphasises just how important tourism is to our local communities. Tourism benefits everyone, every day, everywhere, and in many areas around the country it is the main economic driver and employer. Described in the report as the active engine

of travel and tourism in the UK, hospitality is at the heart of our industry providing front line services and experiences for our visitors.

"I commend the BHA in publishing such an insightful study which recognises how important this industry is to England as a critical employer of millions of people throughout the country."

Direct hospitality employment - top 20 local authorities (2010)

Rank	Local Authority	Direct employment in hospitality economy
1	Westminster	86,400
2	Birmingham	36,800
3	Glasgow City	35,400
4	City of Edinburgh	32,400
5	Manchester	31,100
6.	Leeds	30,400
7	Cornwall	28,600
8	Camden	28,300
9	Liverpool	21,500
10	Kensington and Chelsea	21,100
11	City of London	20,400
12	Sheffield	19,600
13	Wiltshire	17,800
14	Newcastle-upon-Tyne	17,700
15	City of Bristol	17,700
16	Cardiff	17,200
17	City of Aberdeen	16,700
18	Hillingdon	16,500
19	Co Durham	16,200
20	Belfast	15,900

Hospitality employment as a percentage of total employment - top 20 local authorities.

Rank	Local authority	% of total	% of total
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		direct employment	direct, indirect and induced employment
1	Kensington and Chelsea	16.8	22.0
2	Isles of Scilly	15.9	25.3
3	South Lakeland	15.7	22.5
4	Eden	15.6	22.9
5	Scarborough	14.9	21.7
6	Weymouth and Portland	14.8	20.2
7	Torbay	14.2	20.8
8	Gwynedd	13.8	19.9
9	Conwy	13.7	19.2
10	Westminster	13.4	18.0
11	Forest Heath	13.2	19.3
12	East Lindsey	12.9	19.3
13	Great Yarmouth	12.7	18.4
14	Bournemouth	12.7	17.9
15	Blackpool	12.7	18.2
16	Newark and Sherwood	12.2	18.9
17	Highlands	12.1	18.9
18	North Devon	12.1	17.1
19	Moyle	11.6	18.5
20	Cornwall	11.6	18.0

The report is attached.

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Editor's note:

* Indirect employment comprises jobs sustained in the supply sector of the industry, for example, food and beverage manufacture, business services such as advertising and market research, agriculture and communications. Induced employment represents those jobs sustained by the spending of direct and indirect persons employed, such jobs in retail outlets, companies producing consumer goods and a range of service industries.

† Gross Value Added is the sum of wages and profits in hospitality and is used here because it measures the net contribution of the sector to the economy since it is the difference between the goods and services offered by the sector less the value of inputs used to produce them. The turnover of the sector in each local authority is approximately 2-2.25 times GVA.

The British Hospitality Association, incorporating the Restaurant Association, is the national trade association for the hotel, restaurant and catering industry. It has in membership almost every publicly quoted hotel group, many independent hotels, restaurants and clubs, major food and service management companies, motorway service operators and many local hospitality associations, as well as hospitality education establishments. In total, it represents more than 40,000 establishments.

The British Hospitality Association promotes the interests of the entire hospitality industry to government ministers, MPs and MEPs, members of the Scottish Parliament and Welsh Assembly, the EU Commission, the City and the media.