

***Tourism Alliance***

*The Voice of Tourism*

The Tourism Alliance Annual Report

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July 2004

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# The Tourism Alliance Annual Report

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## PRESIDENT'S FOREWORD



I am delighted to present the third annual Tourism Alliance Review of Britain's tourism industry. During the past year considerable structural development has taken place in the Tourism Alliance all with the objective of ensuring that the Alliance fulfils its primary role of helping to create a strong environment for tourism growth and competitiveness.

Previous Tourism Alliance reports have outlined a five-year vision for the industry and identified those areas where the industry has made progress – and just as importantly where there is significant room for improvement. The Tourism Checklist contained within this report clearly identifies those areas where the tourism industry needs to improve its performance, where government needs to improve its performance – and where it needs to allocate additional resources to achieve the industry's objectives.

Tourism is a strong, vibrant industry. It is, however, fragmented, with many thousands of businesses operating in a very competitive global marketplace. To keep pace and to improve our position, investment in quality, skills and marketing expertise is vital. Equally, investment in Britain's infrastructure must at least match, if not better, that of our European neighbours and provide the backbone for a higher quality experience for every one of our visitors as well as our own citizens.

It has been another challenging year for Britain's tourism industry. However, despite the challenges, the industry is confident that, barring unforeseen circumstances, it will continue to make progress.

During the next twelve months the Tourism Alliance will continue to play a key role in developing Britain's tourism industry as well as acting as the industry's principal lobbying and communications body with government.

Finally, I pay tribute to the work undertaken on your behalf by the Tourism Alliance Executive Committee during the past year. We all look forward to your continued support.

**Digby Jones**  
**President, The Tourism Alliance**

## THE TOURISM ALLIANCE IN ACTION

### What is the Structure?

The Tourism Alliance is a membership body that seeks to speak on behalf of all sections of the tourism industry. Its legal structure is a company limited by guarantee. The officers of the company are:

President	Digby Jones
Director General	Richard Tobias OBE
Chairman of the Executive Committee	Bob Cotton OBE
Company Secretary	Tony Millns
Treasurer	Ian Reynolds

### Executive Committee

Operational and policy decisions are debated at meetings of the Executive Committee. Membership of the Executive Committee comprises the officers listed above plus:

Mr Robin Broke L.V.O.	Director	ALVA
Ms Chris Collier O.B.E.	Chief Executive	CTB
Ms Sandie Dawe	Director of Communications	Visit Britain
Mr Colin Dawson	Chief Executive	BALPPA
Mr Stephen Dowd	Chief Executive	BITOA
Mr Rob Hayward O.B.E.	Chief Executive	BBPA
Cllr Denise Jones	Deputy Council Leader	LGA
Ms Sue Piper	Head of Strategic Marketing	SWRDA
Ms Ros Pritchard	Director General	BH&HPA
Dr June-Alison Sealy	Group Head, Sectoral Affairs	CBI

### How are Decisions Made?

In January 2004, Policy Groups were established which consider issues in detail and report back to the Executive Committee. These Policy Groups also consult with the wider membership. The four Policy Groups are:

<b>Education, Skills and Training</b>	Chair	Bob Cotton
<b>Transport and Infrastructure</b>	Chair	Ros Pritchard
<b>Taxation and Fiscal Issues</b>	Chair	Stephen Dowd
<b>Funding for Tourism</b>	Chair	Richard Tobias

In addition to the Policy Groups, the Alliance works with individuals and industry associations that have specialist knowledge to ensure that policy decisions can be agreed and communicated more effectively. Special thanks are due to Brigid Simmonds, BiSL (Planning), Martin Couchman, BHA (Food Hygiene) and Rob Hayward O.B.E. BBPA (Licensing).

## How Does the Tourism Alliance Communicate?

### **Website**

The Tourism Alliance website is the primary means of communication. In addition, a monthly e-mail newsletter is being introduced from the end of 2004 and an edited version of this will be featured on the website.

### **Plenary Meetings**

The Tourism Alliance also consults through plenary meetings and it is committed to holding four plenary meetings over the next twelve months.

### **Consultation**

The Alliance is consulted regularly by all government departments on industry issues. In general, the Executive Group will be canvassed for a view and this will be communicated to government. Debate at plenary sessions will also influence policy decision-making and the Alliance will conduct formal consultation if there are major proposals being debated. In addition, the Annual General Meeting will debate and approve the work programme of the Alliance for the next twelve months.

## How Does the Alliance Influence Government?

The Alliance has a close working relationship with several government departments and briefs civil servants and politicians both publicly and privately. It is consulted formally and informally on all issues affecting tourism.

## 1. THE YEAR IN REVIEW

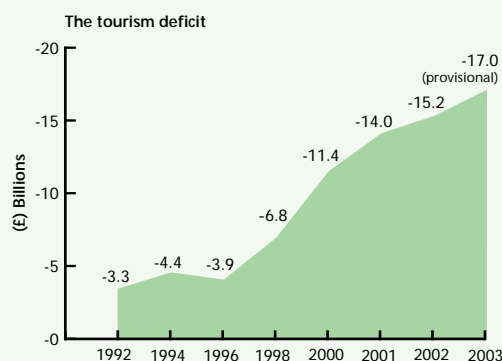
### 1.1 INTRODUCTION

The Secretary of State's vision for tourism in England is to see sustained and sustainable growth. The government's objective, as expressed through the PSA target for DCMS, is to "maximise the economic contribution tourism can make". The Tourism Alliance shares this desire to see a healthy and growing industry and is committed to working with the government to achieve that objective. The role of the Alliance is also to be a "critical friend". The Alliance works in partnership with the government and strives to meet the challenge of helping the tourism industry speak with one voice. In doing so it has a responsibility to provide independent comment on the progress that is being made towards our shared goal. The purpose of this document is to give credit for progress and to celebrate the success that has been achieved but also to identify the concerns of the industry and to draw the government's attention to barriers to growth.

### 1.2 THE TRAVEL ENVIRONMENT

2003 was another difficult year for the tourism industry as it faced the twin challenges of SARS and the Gulf War. The World Tourism Organisation recorded a drop in global tourism in 2003, which is the first drop in tourism for many years. This demonstrates the fact that every destination faces the challenge of rebuilding the confidence of the public and motivating them to spend their disposable time and income on tourism.

Of great concern for UKplc is the fact that the tourism Balance of Payments deficit has increased to £17bn. This continues the disturbing trend of the last few years



and should be a major preoccupation for government. This deficit encapsulates the scale of the opportunity that the tourism industry represents to the UK, but at present this is a lost opportunity. The Tourism Alliance believes that a reduction in the tourism deficit should be a key objective for industry and government.

On a more positive note, the economic environment within Britain is generally favourable with good levels of employment; healthy growth and little evidence that increases in interest rates are having an impact on spending patterns. Looking forward there are some concerns about the impact of higher oil prices and further increases in interest rates. Generally, 2004 is seen as a year to rebuild volume in tourism with the intention of moving towards building earnings from tourism through 2004 and 2005.

Early results for 2004 indicate a welcome return of customers, both internationally and domestically. This upsurge in business will help companies to build their profitability after three years of depressed earnings. This also presents an excellent opportunity for industry and government to work together to address the tourism deficit and achieve our joint objective of sustained and sustainable growth.

### 1.3 PROGRESS

Tourism is impacted by decisions made in all government departments. In particular, the Alliance recognises and welcomes the progress in the following key areas:

- **Sector Skills Council**

The Alliance has worked closely with the government over the last 2½ years to bring about the establishment of the Sector Skills Council for tourism, travel, hospitality and leisure- 'People First'. The Alliance welcomes this new body and looks forward to working with and supporting it. The Alliance believes that a skilled workforce is critical to the delivery of a high quality tourism product and looks to the government to continue to invest in and support 'People First'.

- **The Marketing of England**

The Alliance recognises the progress made by VisitBritain in developing a marketing strategy for England and in delivering significant marketing campaigns over the last year. The domestic market contributes 86% of our tourism earnings in England and the Alliance recognises the critical importance of success in this area. The industry is committed to

working with VisitBritain to develop this market and looks to see the programme developed and attracting further financial support from the government.

- **RDA Responsibility for Tourism**

The Tourism Alliance welcomes the fact that the Regional Development Agencies have fully embraced their new responsibilities for the strategic development of tourism within their regions. It also welcomes the RDAs commitment to significantly higher levels of investment in tourism product and promotion in their regions.

- **Olympics**

The Tourism Alliance is fully supportive of the London 2012 Olympic bid and congratulates the bid team on their success in going through to the short-list. The Alliance recognises the scale of this opportunity for London and Britain and welcomes the opportunity to work closely with the bid team to develop the tourism potential of this event.

- **Quality**

The Tourism Alliance welcomes two encouraging developments in the area of Quality. The first of these is the agreement between the National Tourist Boards of England, Scotland and Wales and the AA and RAC to harmonise their registration and grading schemes. This is something that business has called for and this break-through will make it easier to encourage businesses to support the Quality Schemes. The Alliance has also fully supported the Fitness for Purpose initiative led by the Local Government Association. The six pilot projects have highlighted the need for better co-ordination of inspections and the Alliance looks forward to seeing the lessons learned from these pilots extended to a further 75 local authorities in the future.

- **Tourism Statistics**

Good quality data is essential to provide the evidence base for investment decisions and to demonstrate the economic benefits that flow from tourism. The Tourism Alliance has argued that this is an area that needs improvement and therefore welcomed the announcement in December 2003 that the first steps were being taken towards establishing a Tourism Satellite Account. The Alliance has also contributed to the broader debate on the quality and quantity of tourism statistics and supports the recommendations of the Tourism Statistics Improvement Initiative Working Group. The Alliance would like to see faster progress in this area and urges DCMS to give this immediate attention and resources.

## 1.4 AREAS OF CONCERN

Tourism interfaces with government in many different areas and progress has been variable on a number of issues that are highlighted in this document. Of particular concern are the following:

- **Breakdown of the Tourism Infrastructure**

The Tourism Alliance recognises the need for change but is very concerned at the lack of cohesion that now exists in arrangements for working at national and regional level. National associations struggle to understand and deal with the myriad arrangements for tourism across England and therefore cannot work effectively with their public sector partners. Small businesses cannot identify the organisations that they should have a direct relationship with, and struggle to get their voice heard at both regional and national level. Finally, there is no clear line of authority or means of reaching agreement between the key players, i.e. DCMS, the RDAs, the DTI, VisitBritain and the Regional Tourist Boards/Regional Tourism Partners. This needs to be resolved.

- **The Continuing Degradation of the Public Realm**

The quality of a visitor's experience is directly affected by the standard of the public environment. This includes clean safe streets, an absence of graffiti, well-maintained parks and landscapes and practical facilities such as public toilets. The continuing pressure on local authority funding has meant that cuts have been made in many of these services. The Tourism Alliance believes that the current review of local authority funding provides an opportunity to create a system that recognises the importance of local authority spending in these areas, and the essential contribution that this makes to the quality of the environment for both residents and visitors.

- **Transport**

The Tourism Alliance welcomed the publication of the Aviation White Paper as it provided businesses with welcome clarity for the future. By contrast, there has been little progress on surface transport - and it is hard to point to major achievements 4 years into the 10 year Transport Plan. The Alliance believes that failure to modernise our transport infrastructure and develop sustainable transport policies will inhibit the future development of tourism.

- **Approved Destination Status**

The Tourism Alliance supports the decision of VisitBritain to increase resources invested in emerging markets, particularly China. It is therefore very disappointing that Britain has not yet secured Approved Destination Status, as this is key to realising the potential of this enormous market.

- **Tourism Prospectus**

The Tourism Alliance welcomes the consultation draft of the Tourism Prospectus as a useful summary of some of the issues. The Alliance believes that some significant issues are not addressed in the Prospectus. In particular, the Alliance would emphasise infrastructure issues, the competitiveness of the tourism industry and the role of small businesses in tourism. The Alliance also looks to government to set clear targets and to make positive commitments on funding.

- **Investment in Marketing**

The Million Visitor Campaign was a textbook example of the government, the tourist boards and the private sector working in partnership towards a common goal. The commitment of an additional £20 million of public money was leveraged with the full support of the private sector and demonstrated the effectiveness of an investment in marketing. The campaign generated an additional 1.1 million visitors and additional revenue to Britain of £518m which was an extremely good return on investment for Britain plc. The Tourism Alliance is disappointed that this convincing case for investment has not led to further support for the tourism industry and would look to the current Spending Review as an opportunity to put that right.

## SUMMARY

The Alliance is encouraged by the early signs of a return of international visitors in 2004 and is working hard to ensure that the industry offers visitors a high quality experience. This optimism should not disguise the very significant agenda that needs to be addressed by government.

The Tourism Alliance has worked closely with the DCMS over the year to ensure that all government departments address tourism issues. Progress in some areas has been good and in others it is disappointing. The Tourism Check List summarises the main issues and the progress (or lack of it) that has been made in the last twelve months.

## 2. KEY STRATEGIC ISSUES

### 2.1 INTRODUCTION

The Alliance and its members need to work in partnership with government across a very broad agenda. In addition, both the Alliance and the government have a responsibility for taking a longer-term view of the health of the industry and the key strategic issues that cannot be addressed in a single year. These broad issues are summarised in three areas:

### 2.2 THE PERFORMANCE OF UK Plc IN TOURISM

The Tourism Spending Priorities Document produced by the Tourism Alliance in April 2002 proposed a series of targets to be achieved over the following five years, taking 2001 as the base year. These targets were:

- Increase the sector contribution to GDP to 6%.
- Grow the value of domestic tourism by at least 1% over the growth in consumer expenditure as a whole.
- Match the world average annual growth rate forecast of 4.1% in international tourism arrivals and 6.5% in international tourism receipts.
- Create 300,000 new jobs.

These were challenging targets and as we are now midway through the five-year period, it is useful to reflect on the progress we are making towards achieving those targets. The tables on page 7 summarise our performance.

The overall picture is disappointing and illustrates that we are not on track to achieve the targets set.

In the international arena, Britain has fared better in the competitive market place. This reinforces our view that additional investment in marketing in 2002 gave Britain a competitive advantage. Further investment will bring results.

**Target: Increase sector contribution to GDP to 6%**



**Target: Grow domestic tourism by +1% over consumer spend**

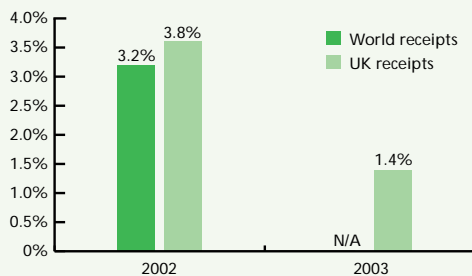


**Target: Match world growth rate in arrivals and earnings**

Match world growth rate in international tourism (arrivals)



Match world growth rate in international tourism (receipts)

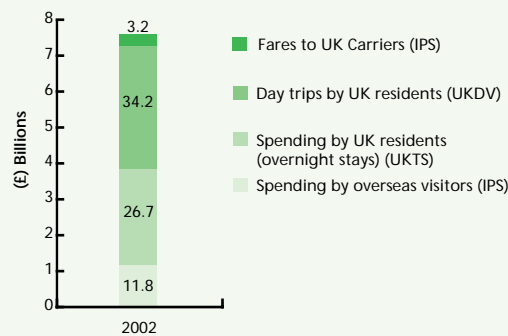


**The New Vision for Tourism**

The Tourism Prospectus states *“if we are to keep pace with world travel forecasts, we must be aiming for £100 billion industry as a minimum by 2010”*.

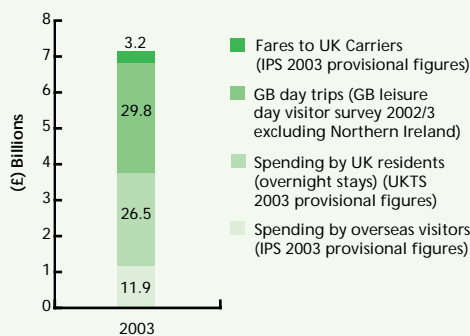
In the report published by the Tourism Alliance in June 2003 we summarised UK Tourism Earnings in 2002 as £75.9bn.

The value of tourism to the UK 2002



On this basis, our earnings would have to grow by +4% per annum every year to 2010 to achieve total earnings of £100bn. Figures for 2003 are still provisional but the latest data suggests that earnings in 2003 have dropped rather than grown. This is largely accounted for by a significant fall in earnings from the Day Visitor market in England (-£4bn) and negligible growth in other areas.

The value of tourism to the UK 2003



The industry's performance in 2003 makes the £100bn target even more challenging. However, the Tourism Alliance believes that industry and government should unite around this vision and be ambitious for our industry. In order to support this ambition, we would need to understand more clearly how government sees this

vision being achieved. In particular, we would like to understand the part to be played by inbound tourism, business tourism, over-night domestic tourism and the day visitor market. A clear understanding of the strategic approach to each of these sectors would help the industry to see how they could play their part in making this vision a reality.

The Alliance is also aware of the level of investment that would be required to upgrade and expand the tourism product. A £100bn industry by 2010 would mean:

- **A need for an additional 800,000 new tourist beds**
- **An additional 122 million journeys per year or 33,000 journeys per day**
- **The creation of an additional 600,000 jobs**

The Alliance would be keen to participate in discussions with the Regional Development Agencies on their regional investment strategies to see how the private sector could work with them to deliver this significant expansion in the tourism product.

## 2.3 THE COMPETITIVENESS OF UK TOURISM

Tourism is a growth industry and governments around the world are recognising the economic benefits that flow from tourism. As an example of this, the Tourism Alliance would quote the recent announcement of a decision by the government of Qatar to invest \$20 billion to develop the country as a tourist destination. This is the world in which Britain is competing. In our favour, we have an outstanding offering of history, scenery and culture. Nevertheless, internationally we have slipped from number 5 to number 7 in the league table of international tourism destinations and there is no room for complacency. The industry needs to constantly monitor its competitive position and work with government to remove barriers to being competitive and to innovate to increase our competitiveness.

### Profitability

While there are many very successful and profitable companies in UK travel and tourism, the general picture is one of low levels of profitability and productivity. The recent Experian survey showed that Return on Capital Employed (ROCE) in the Leisure and Hotels sector has fallen from 12.6% in 1999 to 6.6% in 2003. The financial performance of the industry has been affected by the many challenges of the last three years. Even the strongest and most successful companies have seen a very direct

impact on their bottom line. The Tourism Alliance believes that the industry can only achieve the vision of a £100 billion industry by 2010 if we are able to increase the financial performance of businesses in this sector. Our future as a destination lies in a high quality product, and that can only be delivered by companies that are financially strong making investments in innovation and upgrading.

### Cost of Doing Business

The Tourism Alliance regularly hears from its members about the pressures of doing business. "A relentless increase in cost" is the way one business described the environment. No single measure has contributed exclusively to this pressure on cost but the cumulative effect of many measures is being felt by businesses. Tourist Accommodation in Britain has one of the highest rates of VAT in Europe and in the last two years all tourism businesses have coped with the impact of new legislation, an increase in the minimum wage, congestion charging in London, and an increasing administrative burden, as business is required by government to manage the processing of new benefits. Of particular concern in the last two years has been the dramatic increase in insurance premiums and the difficulty that some small businesses have experienced in obtaining insurance cover. This is a real barrier to growth and an issue on which the government could have a real impact. The Tourism Alliance embraces the need for change and commits itself to working with the government to implement new proposals. What it seeks from government is an understanding of the collective impact of any measures that are proposed.

### Quality

The Tourism Alliance believes that the future of the tourism industry in Britain lies in ensuring a high quality experience to our visitors. To achieve this we need good quality products and we welcome the government's target (stated in the Tourism Prospectus) of achieving 80% of all accommodation businesses in membership of a quality scheme by 2006.

A key component of quality is the service that visitors receive from the people employed in the industry. We will need to be visionary in selling our industry to young people and will need to enhance the image of a career in hospitality and tourism. We also recognise the need for greater levels of skill amongst the workforce in hospitality and tourism. The Alliance believes that this is such a critical issue for the industry that businesses should be incentivised to invest in skill development and

we are proposing a tax credit system to reimburse those employers who undertake the training of their staff in basic skills to include numeracy, literacy, communications and ICT.

The other significant component of the quality of the visitor experience is the wider environment in which they spend their time. The development of the night time economy, new legislation on licensing, and the introduction of police community support officers are all welcome moves to improve the enjoyment and security of all citizens and visitors. The Alliance supports initiatives like the creation of Business Improvement Districts, which allows the private sector to work alongside the police and local authorities to offer a higher quality public environment. We encourage the government and local authorities to give priority to funding for such measures.

## 2.4 GOVERNMENT SUPPORT FOR TOURISM

The Tourism Alliance welcomes the DCMS objective (stated in the Tourism Prospectus) "to strengthen the advocacy of tourism across government at all levels". As tourism touches on so many areas of the government agenda, this is a high priority. The Tourism Alliance will seek to extend its influence across government and make the case for tourism to all government departments.

An important issue facing the industry and government, looking forward, is to evolve new mechanisms for working together following devolution. The Tourism Alliance believes that it is the responsibility of government to set out a framework for decision-making so that businesses large and small can see how they can contribute to debate and influence government decision-making.

There is a need for longer-term thinking and for broad policy areas, e.g. rural tourism, to be addressed. The Alliance believes that the absence of a national lead on policy is weakening the understanding of Tourism across government departments and agencies. The Tourism Alliance believes that this national strategic responsibility belongs with the national body, VisitBritain.

In the long-term, the Tourism Alliance believes that the government should work towards a planned review of the Development of Tourism Act 1969 in order to deliver to the industry a new legislative environment which recognises a post-devolution world.

## 3. TOURISM ALLIANCE PRIORITIES FOR ACTION

During the year the Tourism Alliance has co-ordinated working groups to examine key areas in detail and make recommendations to government. In addition they have worked in partnership with other industry associations where there is particular expertise in order to co-ordinate and communicate an industry response. This section summarises the industry's view of our joint agenda looking forward.

### 3.1 OVERARCHING PRIORITIES

There are three areas in which the Tourism Alliance would look to government for significant commitment over the next twelve months. These are:

- Creation of a framework for national and regional bodies to work together.
- Additional investment in tourism and, in particular, in VisitBritain.
- Recognition of the importance of investment in the public realm made by local authorities and for this to be reflected in the review of local authority funding.

#### 3.1.1 Framework

The Secretary of State ushered in a significant series of changes in April 2003 with the creation of VisitBritain and the transfer of strategic responsibility for tourism to the Regional Development Agencies. These changes are welcomed by the industry but we are very concerned that the organisational restructuring that has resulted has created instability and a lack of coherence for businesses that are trying to work at local, regional and national level. The Alliance recognises that each Regional Development Agency wishes to organise itself in a way that is appropriate to the needs of that region. However, the Alliance believes that the structure needs to work as a whole and that there should be agreed formal arrangements for liaison between the national, regional and local level. The consequence of this instability is that national associations are struggling to deal with many different regional organisations and the tourism voice is not being effectively heard.

The Alliance believes that this vacuum at the centre and the lack of co-ordination between the centre and the regions can easily be solved and would look to DCMS to take a lead in bringing all the players together, agreeing a

framework and communicating that framework of responsibilities to the industry at large.

The Tourism Alliance has welcomed the recognition given to tourism by the Regional Development Agencies and the fact that they have supported this recognition with greater levels of investment. One of the areas of concern is the shift in government funding from south to north in order to support regions that are weaker economically. From a tourism point-of-view, this may mean that funding is being taken away from areas with a very high dependence on tourism, e.g., the South West, and this may inhibit our ability to develop our tourism product. The Alliance also believes that DCMS and the DTI should work together to ensure that funding for Tourism will be a long-term commitment by the Regional Development Agencies.

The Tourism Alliance recognises the critical importance of good quality data in order to track the performance of the industry. The view of the DCMS Statistics Review Steering Group was:

*“Due to the sheer diversity of tourism services, and the unique challenge of measuring a consumer defined industry, we have come to believe that there is no other sector in the UK economy as significant as tourism in which the key strategic and management decisions are so hampered by a lack of adequate data. Existing sources are no longer fit for purpose and the potential economic, social and environmental contributions of the tourism sector will only be realized if priority is allocated to better measurement”.*

This is an area where cooperation between local, regional and national bodies is critical. We believe that the DCMS needs to take a strategic lead in implementing the recommendations of the Tourism Statistics Improvement Initiative Report and give priority to allocating resources to this area.

### 3.1.2 Investment in VisitBritain

The Grant-in-Aid to VisitBritain (formerly BTA) has not increased for the past seven years. In addition, in April 2003 VisitBritain assumed responsibility for the development and marketing of England to the British. The evidence generated by the Million Visitor Campaign and the early results from the England Marketing initiatives demonstrate convincingly that investment in tourism marketing is effective and brings a direct return to the Treasury and UK Plc. The industry looks to the government to re-invest taxpayers money in the

institutions it has created and to recognise that backing winners, such as tourism, is a wise decision. The industry will work with and support VisitBritain and it looks to the government to do the same.

### 3.1.3 Local Authorities

Services provided by local authorities are primarily for residents but investment, or lack of it, in the public realm has a direct impact on the quality of a visitor's experience. The provision of visitor information, public signage, public toilets, coach parking and the maintenance and use of public buildings are some of the many ways in which local authorities serve both residents and visitors. The Alliance believes that the importance of the provision of these core services is not sufficiently recognised as having a direct impact on the quality of our tourism offer. The Alliance wishes to see local authority funding schemes amended to reflect this responsibility and would look to the current review of local authority funding as a prime opportunity to do this.

## 3.2 POLICY PRIORITIES

The policy groups have considered issues in depth and their full reports are attached in Appendix 1 and 2. Their main recommendations are summarised here.

### 3.2.1 Education, Training and Skills

The industry believes that this is one of the biggest challenges facing our industry and are committed to working hard to improve the quality of our offer and the industry's ability to attract and retain high quality staff.

The Alliance view of our joint priorities looking forward is as follows:

- **Measuring Up**

Identify critical performance and skill gaps and publish an annual “Closing the Gap” report to measure the impact of public and private sector investment in skills and business support. This report to be the basis for FRESA's and Tourism Action Plans to ensure the future provision of, and funding for, needs driven education and training.

- **Create Regional Centres of Management Excellence in Higher Education**

Invest in the development of one Centre of Management Excellence in each RDA area, Scotland, Wales and Northern Ireland, to meet the industry's need for highly skilled and qualified managers. These Centres of Management Excellence should also become repositories

of Best practice, support Foundation Degrees and Graduate Apprenticeships, and help up-skill existing managers and supervisors through the provision of programmes of CPD in partnership with the industry's professional bodies.

- **Enhance the Quality of Employment Opportunities**

Work with employers to ensure that they adopt best employment practice, that their businesses are legally compliant, and that they are actively seeking improvements in business performance. Any employer seeking public funding to assist with workforce development, including Modern Apprenticeships should, as a minimum, be able to measure up to a code of good employment practice and be legally compliant as a "Fit for Purpose" business. In terms of Continuous Improvement employers would also be expected to have embraced the principles of business excellence as set out in, for example, the "Hospitality Assured" standard.

- **Attract Quality People**

Work with "Springboard" to forge stronger partnerships between business and education so that young people in this country, their parents and those who inform their career choice are well informed about the wide range of quality jobs, training and career opportunities which this industry can offer. This will include action to ensure that food and nutrition are placed firmly back on the National Curriculum; that the reach of "Adopt a School" and "Saturday Club" initiatives are widened, and that participation rates in craft level courses is increased.

- **Incentivise Investment in Basic Skills**

Develop a "Skills Academy", backed by a "Tax Credit" system to reimburse those employers who undertake training of their staff in basic skills, to include numeracy, literacy, communications and ICT. This might be a simple credit through National Insurance Contributions, with a 1% rebate in early years rising to 4% within five years. In the longer term, this tax credit might be usefully be extended to basic craft, supervisory and management skill training in the workplace, and underpin the attainment of a "licence to practice."

The Alliance believes that these measures form the basis of a five-year plan of action for industry and government. Collectively these measures could bring about a step change in the quality of service in the industry.

### 3.2.2 Transport

Despite the many short-term immediate calls, public expenditure needs to give sufficient attention to long-term investment in transport. Creating the right infrastructure

is a priority for the well being of the nation and also for the development of tourism. The Tourism Alliance supports the CBI in its call for investment of £250bn over the next 10 years in the transport infrastructure. In looking ahead to the 10 Year Transport Plan review, due to start next month, the Tourism Alliance highlights the following issues as being of particular importance to the tourism industry:

- Building on the Aviation White Paper, air transport development must continue to be reviewed to ensure that the UK does not fall further behind EU colleagues with the vision to invest in their air transport hubs. Greater prominence needs to be given to the role regional airports can play in growing Britain's tourism markets.
- The needs of the tourist need to be taken into consideration in the planning of local transport policies. Buses, coaches and light rail play a key role in spreading the impact and benefits of tourism away from the traditional 'hot spots'. The Alliance recognises that many local authorities actively subsidise local transport and we urge central government to ensure that they are funded adequately to continue delivery of these responsibilities.
- Rail transport provision must be comprehensive, affordable, reliable and safe. The priority must be the completion of key projects, such as the West Coast main line, development of the East Coast main line and improved rail access to ports and airports.
- The comments on London's transport infrastructure resulting from the Olympic bid highlight the scale of the problem. Many improvements are proposed but these need to be prioritised and delivered.
- The Alliance welcomes the appointment of a Coach Manager by Transport for London and wishes to work with TfL to develop a Coach strategy. The Alliance would also welcome the opportunity to discuss the impact on tourism of the proposed extension of the Congestion charging scheme in London with the London Mayor.
- The majority of domestic tourists travel by car and often in family groups rather than single units. Car tourism is critical to sustaining rural tourism thereby underpinning the economic and social fabric of many regions. The government's transport policy does not address the purpose of car journeys, the central importance of car tourism to the rural economy and means to ensure its sustainability.

### 3.2.3 Land Use Planning

Land-use planning for tourism is a strategic imperative. To date the system has shown itself to be slow, unwieldy, inconsistently applied and subject to differing spheres of influence. The Tourism Alliance takes the view that it is essential to provide more resources for the planning system as a whole. Without the resources, we are likely to face 'faster, rougher justice' as targets are met to the detriment of the development of sustainable tourism businesses. In particular the Tourism Alliance is concerned to ensure that:

- The Tourism Good Practice Guidance and the tourism specific elements embedded within PPS6 (Town Centres), PPS7 (Countryside and Rural Economy and PPS13 (Transport) maintain the status of 'material consideration' when matters go to Appeal and guide the development of Regional Spatial Strategies.
- The Planning system adapts to the speed of change in consumer behaviour. For example, the increase in short breaks has meant that many tourism businesses wish to extend their season. Where planning conditions dictate the open season, planning departments should engage with the private sector to facilitate these changes in consumer demand.
- Health and fitness facilities are another example of the planning system's failure to embrace consumer trends. Despite their specific inclusion within PPS6, generally local authorities are not making provision for this type of facility in Local Plans or Unitary Development Plans. This creates an obstacle to development since no sites are zoned for health and fitness facilities and the industry cannot compete for land with housing, office or retail developers.

Planning is often the 'Cinderella' subject, but a flexible planning regime can inspire businesses to grow and invest. The Alliance wishes to see real partnership between Planning departments and the industry.

## 3.3 EMERGING ISSUES

Looking forward over the next twelve months, the Alliance would wish to work with a range of government departments on the following issues:

### 3.3.1 Security

Global terrorism brings new challenges. One of these challenges is to find a way to permit the free movement of people with appropriate safeguards and security

measures that meet the requirements of the police and security services. The tourism industry is very aware that we all benefit from vigilance and that security measures are essential to protect the public and to make them feel confident about travelling. It is also true that the travel industry bears a particular burden in introducing and enforcing security measures. The Tourism Alliance is committed to working with the government to introduce any measures quickly and efficiently while taking full account of the practical impact on the travel industry and the travelling public.

### 3.3.2 Smoking in Public Places

There is growing public debate on this issue and some consideration of the need for legislation. The Tourism Alliance believes that this is an opportunity for industry and government to work together to bring about change through a voluntary system, which can accommodate the needs of smokers and non-smokers. A voluntary system has the advantage of being able to be introduced quickly and allows for flexibility in testing different options to find the best solution. The industry would be keen to pilot different types of solutions to find the best outcome for customers and employees.

### 3.3.3 Development of the Adult Education Market

The recent study carried out by the Education and Training Exports Group has identified the total value of the UK education and training market at £10 billion per year. A significant proportion of this income is earned from English language teaching and the provision of private sector training courses. The industry is encouraged by the government initiative to grow and develop this market. A study by the British Council has shown that the potential for growth in student mobility opens up exciting possibilities for significant increases in earnings from this sector through to 2020. This will only be achieved if we reinforce our high standards and ensure an ongoing commitment to quality.

The Alliance welcomes the proposals from the Home Office for a system of accreditation for English Language Schools. It is very important that the high standards and integrity of our offering are protected. We welcome the increasing recognition of the long-term benefit to the UK of developing the education market and we look forward to working closely with the government to grow this important market segment.

### 3.3.4 Business Tourism

One of the success stories of the last five years has been the growth in earnings from business tourism, both domestically and internationally. The Alliance believes that success in this area is critical to achieving earnings of £100 billion by 2010. The Alliance recognises that London is disadvantaged as it lacks a convention centre with the facilities to host the largest international gatherings. The Alliance is encouraged by the initiative of the Mayor of London to hold a Mayoral Commission on this issue and would be keen to see a decision made on the establishment of the convention centre in the near future. The Alliance believes that a convention centre sited in London will bring benefits to tourism for the whole of Britain.

### 3.3.5 Insurance

The tourism industry has been hit by the twin problems of significant increases in insurance premiums and a growing trend towards a "compensation culture". This has meant that businesses either cannot get insurance cover or cannot afford the cover that they are offered. The Alliance sees this as a significant barrier to growth in the future and wishes to work with the government and the ABI to find solutions to this problem - particularly aimed at the small business sector. In particular, legislation placing a reasonable personal responsibility on the individual to ensure their own safety (as is already the case for employees) would go some way to redress the balance and reduce unreasonable claims.

### 3.3.6 Six-Term School Year

Many local authorities are introducing a six-term school year with effect from 2005 onwards. This initiative is designed to achieve better learning on the part of school students and the industry is very supportive of this. The industry needs to plan ahead and anticipate the impact of these changes. It is in the interests of British tourism that any such initiatives also take into account the impact on the usage of the tourism product and optimise the opportunity for lengthening the peak season. This would have the benefit of reducing the differential between low season and high season prices, lead to better utilisation of fixed assets and improve our ability to create year-round jobs with less dependence on casual labour. The Alliance recognises that the absolute priority must be the educational requirements of children. However, the Alliance sees an opportunity for local authorities to co-operate in introducing a

six-term year in ways that spread the peak and would encourage the Local Government Association to take this into account in their advice to local authorities.

### 3.3.7 Daylight Hours

The Alliance welcomes the Private Members Bill, sponsored by Nigel Beard MP, on Lighter Evenings. The proposal is to advance time in England and Wales by one hour throughout the year (GMT+1 hour in winter; GMT+2 hours in summer). This measure has considerable benefits for all industry, including tourism. As the extra hour of 'accessible' daylight would be felt most of all in the spring and autumn months, it will also have a major impact on road safety and give the opportunity to extend the tourist season. It is estimated that this could bring up to £2bn additional revenue to tourism.

The Bill is now going forward to a second reading and the Alliance urges the government to lend their support to this important measure.

### Summary

There is a great deal to be done. The Alliance looks forward to working closely with all government departments on this comprehensive agenda.

## Tourism Check List

(as set against the Alliance's Tourism Spending Priorities, 2002)

*NB Unless otherwise indicated, all issues remain on the Alliance's agenda*

x	Situation show signs of deterioration
✓	Little or no progress but still acknowledged to be on the government's agenda
✓✓	The industry has seen some movement
✓✓✓	Notable headway achieved

## ADDRESSING THE PUBLIC AGENDA

<b>Transport Infrastructure</b>		<p>Surface Transport remains a major concern with no clear progress on delivery of the government's 10-year plan and continuing unreliability of rail services. This is now impacting on the short-break market, as customers perceive they cannot travel to their destinations in a reasonable time. The Alliance notes that London's transport infrastructure was seen as a major weakness in the bid from London for the 2012 Olympics.</p> <p>The Alliance welcomes the publication of the Aviation White Paper as this sets the agenda for the long-term within which business can operate.</p> <p>Progress on Green Transport initiatives is disappointing. This becomes increasingly important for businesses in an environment of increasing fuel prices.</p>
- Road/rail	x	
- Air	✓✓	
<b>Social Environment</b>	✓	<p>The quality of the public environment is deteriorating due to continued pressure on local authority funding. This is leading to rising complaint levels from visitors and needs attention. The introduction of Business Improvement Districts is well come as a vehicle to allow industry, local authorities and the police to work together to improve the social environment. The introduction of police community support officers has increased the visibility of policing.</p>
<b>National Lottery</b>	✓	<p>The Alliance acknowledges that lottery funding has led to greater investment in the tourism product. It remains concerned that some of this funding has distorted the market and increased the competition particularly amongst the private operators of visitor attractions. The voluntary sector is particularly reliant on support from lottery funding. It is important that this support is maintained when lottery funds will be under pressure to be diverted to support the 2012 Olympic bid.</p>
<b>Land-use Planning</b>	✓✓	<p>Consultation on the Planning Policy statements impacting upon tourism is now finished and the Alliance awaits publication by ODPM of its findings. Work towards Guidance Notes for tourism is ongoing, yet their final content and their legal status (whether a material consideration to structure planning and at planning appeal) is unknown.</p>

CREATING AN EFFECTIVE TAX ENVIRONMENT FOR TOURISM		
<b>VAT reduction for tourism accommodation and services</b>	X	The Alliance has presented a convincing case to show that a reduction in VAT for tourism accommodation services would lead to a net increase in income to the Treasury. This argument has not been accepted but it remains a priority for the industry.
<b>Air Passenger Duty</b>	✓	APD was retained at its existing levels in the 2004 budget. The Alliance believes that a rethink of APD is necessary to encourage good environmental performance through emissions trading. In this way the industry should cover its own environmental cost. Further increases in APD would be detrimental to the recovery of the industry after three difficult years.
<b>Licensing</b>	✓✓✓	The Licensing Act received Royal assent in July 2003 and in March 2004 Guidance for Licensing Authorities was laid before Parliament. It is expected that the new provisions will be fully in force in mid-2005. The Licensing Act will provide welcome flexibility to the tourism industry to allow it to respond to the needs of visitors in a more appropriate way.
<b>Gaming</b>	✓✓	The DCMS published a draft Gambling Bill for public consultation in November 2003. The draft Bill has now been scrutinised by a joint committee of both Houses of Parliament and the government has published its response. Industry continues to support the need for reform and believes that some areas of England could benefit economically from the investment arising from new regional casino developments. Continuing industry consultation is needed and the Alliance looks forward to a commitment to allocating parliamentary time to this subject.
<b>VAT on - listed building repairs - historic piers</b>	✓	Industry continues to call for VAT reduction on listed building repairs (as already applied to alterations and conversion work for certain types of historic dwellings) and to historic piers.
<b>Museums and Galleries</b>	✓	The industry supports the "renaissance in the regions" initiative designed to strengthen museums and galleries outside London. Regional museums and galleries have a key role to play in regional tourism infrastructure development.  The Alliance remains concerned however, about the impact of free entry to national museums on visitor numbers of privately funded visitor attractions. It also believes that national museums will find it increasingly difficult to maintain a high quality experience within existing funding levels.
<b>Inheritance Tax</b>	✓✓	Case Law established at the Court of Appeal now confirms that self-catering tourism businesses based on land are treated in the same way as all other businesses in establishing their eligibility to Business Property Relief.

RAISING QUALITY		
<b>Skills</b>	✓✓	The industry looks forward to working with People First, the Sector Skills Council for the industry. Labour and skill shortages remain but it is expected that some of these pressures will ease following an influx of labour from EU accession countries.
<b>Training</b>	✓	The industry is looking to the Learning and Skills Council and the Sector Skills Council to work together to find ways of delivering flexible and appropriate training to employers. The Alliance calls for employers to be encouraged to invest in training through an incentivised tax credit scheme.
<b>Regulation</b>	✗	Alliance members report that the burden of regulation is still an issue for many businesses. In the past twelve months a number of changes to employment legislation have been introduced and this is adding to the pressure on small businesses.
<b>Business Rates</b>	✗	The Alliance is disappointed that Treasury has not acknowledged the impact on tourism businesses arising from the fact that business rates are levied on turnover rather than profit. The industry is concerned that the 2005 Rating Revaluation will hit many small tourism businesses very hard.
<b>Quality</b>	✓✓	The Alliance welcomes the progress under the Fitness for Purpose initiative and the Review of the Quality Assurance Schemes. The Alliance is keen to work with the government in these areas and looks forward to clarity on future plans for the rollout of Fitness for Purpose.
<b>Seaside Resorts</b>	✓	Several seaside resorts have seen a regeneration opportunity arising from the Gambling Bill and are therefore frustrated at the delays in this legislation being given parliamentary time. Overall the development of seaside resorts is very variable with some outstanding investment plans and some resorts facing a slow decline.

MARKETING AND PROMOTION		
<b>Funding</b>	✗	There has been no increase in government funding to VisitBritain and its predecessors for the last seven years. This is inhibiting growth in the domestic market and putting Britain at a competitive disadvantage in the international market place. The Alliance believes that this is now a priority area.
<b>Marketing England</b>	✓✓	The development of a domestic marketing strategy for England is welcome and the England marketing team within VisitBritain have created a very good platform for further development. A mechanism for co-ordinating marketing activity and further investment by the government is now essential for the potential of the domestic market to be realised. Equally, VisitBritain must meet the challenge of marketing the products of tourism's small businesses, which represents the majority of the supply in the domestic market.
<b>Data</b>	✗	<p>Progress is slow. The Tourism Statistics Improvement Initiative completed its work in March 2004 but there is no clear timetable for implementation or clarity on what resources will be available to improve the quality of tourism data.</p> <p>An initiative to pilot Tourism Satellite Accounting was announced in December 2003 but it is not clear if this is still a government priority. The Alliance continues to call for timely, reliable, compatible, informative data.</p>
<b>Clarity of Delivery</b>	✗	<p>The creation of VisitBritain and the transfer of responsibility to the RDAs has led to confusion and a loss of cohesion within the industry.</p> <p>The Alliance is disappointed that the Tourism Prospectus document contained no delivery plan.</p>
<b>Positioning of Tourism</b>	✗	<p>Recognition across Whitehall of the impact on tourism of other government department actions remains weak. This continues to hamper recognition of Tourism and is inhibiting growth. England is still disadvantaged in treatment of tourism compared to Scotland, Wales, and Northern Ireland.</p> <p>The Alliance believes that consideration should be given to a new Development of Tourism Act to recognise the post devolution environment.</p>

<b>LONDON AS THE MAJOR GATEWAY</b>		
<b>London's gateway role coupled with need to develop further regional gateways</b>	✓	The Alliance welcomes evidence of the Visit London organisation and VisitBritain working together with the other regions and nations of Britain to develop London's gateway role.
<b>Environment and the public realm</b>	✗	London is the showcase city for Britain and therefore a safe and clean environment is very important for creating a good first impression. The Alliance welcomes the initiatives of some London boroughs to reduce begging and graffiti and urges all London boroughs to work together with the LDA for cohesive delivery.
<b>Transport</b> London/national	✗	A fully integrated transport system needed including high speed rail links from the capital to key parts of the country.
<b>Transport</b> London	✓	Crossrail is urgently needed to reduce congestion especially on parts of the underground system. The proposed extension of the congestion charge in London needs further discussion with the tourism industry. Progress on the Channel Tunnel Rail Link is welcome and confirmation of a commitment to develop a new bridge at the Thames Gateway will also help to ease congestion. Overall London's transport remains under huge pressure and needs to remain a high priority.
<b>Tourism delivery – strong brand development for London</b>	✓✓	The creation of Visit London with a focus on the marketing of London at home and overseas is welcome. This has been supported by the commitment of significant funds from the Mayor and the London Development Agency, which will help to realise tourism's potential in London. The industry would like to see greater co-ordination between Visit London and VisitBritain on marketing plans to ensure there is no duplication and that the contribution of the private sector can be maximised.
<b>Business Tourism</b>	✓✓	The Alliance welcomes the establishment of the Mayoral Commission looking at the creation of a major convention centre for London.

## 4. AUDITED ACCOUNTS

### TOURISM ALLIANCE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

INCOME	£
Annual Dinner	2,957
Gala Dinner	1,506
	<b>4,463</b>
Subscriptions – 2003	35,000
– 2004	46,050
	<b>81,050</b>
	<b>85,513</b>
<b>EXPENDITURE</b>	
Consultants' fees	35,000
Consultants' expenses	3,807
Salaries	3,335
Recruitment costs	1,250
Gala and Annual Dinner	4,451
Website costs	1,500
Meeting costs	27
CBI Membership	2,000
	<b>(51,370)</b>
Surplus of Income over expenditure	<b>£34,143</b>

## ACCOUNTANTS' REPORT TO THE MEMBERS OF TOURISM ALLIANCE

We have examined the attached Income and Expenditure account for the year ended 31 December 2003 submitted by The British Hospitality Association (the Company).

We report that, in our opinion:

- a) The Company has raised invoices related to the Tourism Alliance as set out in the Income and Expenditure account.
- b) The Company has expended monies to cover those eligible costs incurred during the period from 1 January 2003 to 31 December 2003 relating to the Tourism Alliance and as set out in the attached Income and Expenditure Account.
- c) None of the costs were incurred or monies raised prior to 1 January 2003.
- d) Overheads included in the expenditure are:-
  - i) In respect of the company's own labour;
  - ii) Not calculated to include any profit;
  - iii) Appropriate to the project;
  - iv) Not in excess of overhead rates applicable to similar work carried out by the company.
- e) Income and expenditure excludes Value Added Tax on the understanding that this VAT is recoverable by the British Hospitality Association.
- f) Income and expenditure excludes any addition for profit by the Company as a result of work relevant to the Tourism Alliance undertaken by The British Hospitality Association or sub-contracted to such company by The British Hospitality Association.
- g) The Company has maintained adequate records to enable us to report on the Income and Expenditure account.

### Sawin & Edwards

15 Southampton Place  
London  
WC1A 2AJ

31 March 2004

## APPENDIX 1 POLICY PAPERS

### Tourism Alliance Education, Training and Skills

#### Driving up quality, productivity and competitiveness in the tourism, hospitality and leisure industry

##### Introduction

- To grow and compete, successfully and profitably, in a global economy, the tourism, hospitality and leisure industry needs a much more highly skilled, flexible and productive workforce, well able to deliver "World Class" standards of service excellence.
- There is every prospect that, in 10 years time, tourism, hospitality and leisure could be worth £100bn each year. This will create more than 300,000 jobs and generate an additional £5bn in tax revenue – providing, first, the industry can raise quality. This will require a significant investment in education, training and skills at craft, supervisory and management levels.
- This position paper highlights the key skill gaps and shortages facing the industry, sets out opportunities presented by recent government policy changes, and identifies a Five-Point "Agenda for Action" which could provide a basis for future partnership action between the public and private sectors and, in the longer term, make a real difference to productivity and competitiveness.

##### The Challenge

- Tourism, hospitality and leisure now contributes over £75bn each year to the British economy – some 5% of GDP – generates over £15bn in foreign earnings and employs around 7% of the UK workforce of all skills and age ranges. Over the past 10 years it has created 1 in 6 of all new jobs, and is the largest invisible exporter. Although a highly diverse and fragmented industry sector made up principally of small and micro sized businesses, 85% of which employ fewer than 25 employees, it is now greater than the combined aerospace and automotive industries, offering flexible working conditions in over 300,000 establishments which enable many people, available perhaps for only part-time or seasonal work, to find employment, and those with enterprise to secure self-employment.
- In many ways the tourism, hospitality and leisure industry is a success story. There are many fine examples

of good practice, with employers of all sizes investing in the recruitment, retention and training of a high performing workforce. Having been savaged in 2001 by Foot and Mouth disease, the events of 11th September 2001, SARS, terrorism and war in Iraq, as well as world-wide economic difficulties, the industry is making a significant recovery. However, with a strengthening pound, and a £17bn deficit on the tourism balance of payments account, many in the industry acknowledge the challenges which it continues to face in competing within a global economy, and recognise that action is needed to achieve "world-class" performance. Good practice is not yet common practice.

- The growing perception of many visitors to the UK is that the industry offers low quality, charges high prices and gives poor value for money. As an employer, too, the industry suffers from a poor public profile in the minds of parents, teachers and school leavers. Quality in the industry is determined not only by the product, but by the workforce that serves it. Recruitment, retention, and skills shortages remain key challenges. In an industry comprising mainly small and micro sized businesses high levels of labour turnover, averaging over 50% in many parts of the industry, are a particular problem, with productivity levels in USA, France and Germany being almost twice those of the UK. An aging workforce, and a 20 year low birth rate, only serve to exacerbate the situation.
- With low barriers to entry, inadequate management and leadership continue to inhibit competitiveness. This industry has a higher turnover of staff, and a lower proportion of qualified staff, than most of our international competitors. Of 450,000 managers and supervisors, fewer than 1 in 10 hold a relevant qualification, only 7% are members of a professional body, and there has been a dramatically low take up of NVQ Level 3 and 4 qualifications. Many with craft backgrounds find themselves in management positions for which they are not qualified. Moreover, low barriers to entry leads to high business failure rates, as high as 35% in many parts of the industry.
- Skill shortages such as chefs and cooks, wine, bar and waiting staff remain critical within the hospitality sector. Skill gaps and shortages are also shared by employers in other sectors such as travel, holiday parks and gaming. There is a particular shortage of those with customer service skills, ICT and basic skills, including numeracy and literacy which are essential for employment in this industry. Indeed, tourism, hospitality and leisure have the second

highest proportion of hard to fill vacancies of any industry. An absence of food on the national curriculum only serves to exacerbate the problem. Whilst, with careful management, migrant labour can provide solutions for some employers; relying heavily on the import of labour from central and eastern European countries is potentially, socially, divisive and is not a long term solution to the problem, particularly in rural areas. Much more attention specifically needs to be given to ensure that incoming workers have the skills and qualifications the sector requires, and the take up of apprenticeship training across all disciplines needs far greater promotion generally.

- Tourism is a people-led, market driven activity. In line with the UK at large it suffers from skill shortages made worse by demographic changes that have resulted in fewer 16-24 year olds – down by one-third in the past 10 years. Typically, many in this age range help to provide the pool of labour that the sector relies upon to fill a number of its entry-level jobs. Nearly 20% of the tourism workforce is below the age of 20 years compared to 5% of the total national workforce. Conversely, the workforce is aging, with around 25% approaching retirement age.
- There is equally a need for supply side reform. Despite earlier work by the sector's National Training Organisation with regulatory bodies, to streamline the qualifications framework, the recent plethora of new and changing qualifications has led to a "qualifications and funding jungle" of confusion, unrelated to the needs of this industry. New qualifications will only be endorsed if employers think they are fit for purpose in meeting business needs. An over supply of degree level provision, in pursuance of the government's target that 50% of school leavers should secure a degree, has been at the expense of lower levels of achievement and much needed craft, technical and technician training. Moreover, it is reducing the number of school leavers available for those jobs.
- Only 55% of provision inspected by the Adult Learning Inspectorate has been rated satisfactory or good, with only 16% and 21% respectively completing Advanced or Foundation level Modern Apprenticeships. Workplace training also suffers from an under investment with the best employers in the industry spending only 1.5% of emoluments on training compared with over 4% in Germany.
- Business support measures are also failing the industry, with Business Link having an extremely low level of

penetration and credibility because of its lack of sector specific experience and expertise. The provision of work-force development courses by colleges has been funding driven, rather than by the needs of employers, leading to an over supply of vocational education courses, for example, in "tourism", which, though highly popular amongst learners, do not lead to many finding jobs which require those qualifications. There should be much more clarity about what "tourism" courses actually provide.

### **The Opportunity**

- Reform and modernisation are urgently needed over the next 10 years to improve the shape, and quality, of the tourism product. The industry aims to:

*Grow the value of domestic tourism by at least 1% over the growth in consumer spending as a whole;*

*Increase the sector's contribution to GDP to 6% per annum;*

*Create over 300,000 new jobs.*

- The Tourism Alliance has been formed by the industry to create a voice for the industry. The Alliance is working with key stakeholders and the Government to raise the profile and recognition of the importance of tourism to the economy. It will also work to raise the quality of the tourism product, liaise with all key players regarding important issues of concern, and seek to increase the return on the investment made by both the public and private sectors.
- The Tourism Alliance welcomes the DCMS's 2003 Public Sector Agreement (PSA) target to "maximise the economic contribution which tourism... can make". It also welcomes the DCMS's recognition that its main challenge is to address the productivity deficit between performance of the industry in the UK, compared with many of its competitors, and to champion a new "Fitness for Purpose" scheme to ensure accommodation providers are legally compliant with legislation enforced by Local Authorities. The industry supports the DTI / DCMS backed Best Practice Forum for tourism, hospitality and leisure which directly supports the DCMS's PSA Target 2 which is to improve the productivity of the tourism, creative and leisure industries.
- In recognising the need for a strong skills base, the industry, from the outset of their establishment, has been keen to support the creation of a Sector Skills Council to represent Hospitality, Leisure, Travel and Tourism. The SSC will, in particular, do much to assist with management skills development. In order to ensure wide yet integrated

coverage, fourteen sectors will make up the footprint, each with very different education, training and skill needs. The Tourism Alliance looks forward to the SSC receiving its operating licence.

- The Tourism Alliance also welcomes recent proposed changes to government policy, particularly those contained in the White Paper "21st Century Skills: Realising our Potential" which sets out a national skills strategy. This places employers centre stage in linking skills to business success, and making colleges and learning providers more responsive to business needs. However, this can only be achieved if there is a fundamental change in the funding mechanisms that currently underpin education and training delivery. The recent announcement by the Chancellor of the Exchequer to champion and celebrate enterprise will do much to help develop the enterprising skills which this industry badly needs.
- Recent moves by government to raise the status of vocational education subjects, such as travel and tourism, by awarding "A" level qualifications is also to be welcomed, as is the creation of further Centres of Vocational Excellence (CoVEs), together with a further £190m which is to be pumped into Employer Training Pilots. The Tourism Alliance supports the Government target to raise the basic literacy and numeracy skills of 850,000 adults by 2004, although a more ambitious target could have been set and financial support will be needed. Nationally some 20% of adults, 3.5m of whom are in employment, are classed as having poor literacy and numeracy skills. This too has an impact on labour market flexibility and quality.
- Labour market flexibility is essential if the industry is to respond to both peaks and troughs in demand, without damaging the businesses that supply these jobs. The Government must resist any European Directive that will erode workforce flexibility, be it flexible working patterns, employee mobility, employment rights, or skills. It is also of concern that those employers who do wish to invest in their staff through training continue to find that many of their competitors prefer simply to poach their employees instead. The Tourism Alliance has called for employers to be encouraged to develop themselves and train their staff through an incentive scheme, such as tax credits.
- Tourism, hospitality and leisure as a whole wishes to help enhance the employability of those with low levels of qualifications. This is shown by industry-led best practice initiatives such as the "Excellence Through

People" Award Scheme. The Tourism Alliance also welcomes additional government support for the IIP standard. This should help small firms to achieve the standard and experience the benefits of training. There could also be merit in making provisions to include the attainment of qualifications in the scoring of Quality Assessments by organisations such as VisitBritain.

### **Making a Difference**

- The Tourism Alliance, as a lobbying organisation, is committed to create real business focused measures to help underpin and sustain the growth and competitiveness of the tourism industry – both at home and abroad. Raising quality, productivity and business performance inline with "World Class" standards will require a substantial and sustained investment by both the private and public sectors working in partnership nationally, regionally, and locally to identify, share and adopt best practice to lever change, and to support the submission of proposals to government for reform.
- Building on the pointers contained in recent government White Papers there would be merit in creating an over-arching, strategic, Sector Skills Agreement, with national, regional and local partners, led by the SSC, with the help of SSDA funding, and support from the Tourism Alliance. At a national level the Best Practice Forum, with its trade association members, and Springboard, as the focus for Careers Work, would, as key delivery partners, along with the industry's professional bodies, be well placed to enter into a Sector Skills Agreement with the SSC. The former would provide a route to market, and focus on innovation to create highly productive, quality jobs: the latter to focus on the recruitment of quality people to fill them. At a regional and local level, strategic Sector Skills Alliances with RDAs, LSC and Local Employer Networks would help in the development and funding of education, workforce training and skills to ensure the delivery of quality service. Such a strategy would fit well with the best practice promotional work of the Tourism Alliance, and strengthen partnership action with other alliances.
- The Tourism Alliance welcomes the opportunity to work closely with the SSC to draw up a Sector Skills Agreement which might usefully be taken forward as part of a Five-Point "Agenda for Action" to attract quality people, into quality jobs to deliver quality service:

## AGENDA FOR ACTION

### Measuring Up

*To identify skill and performance gaps and gains;*

Identify critical performance and skill gaps and publish an annual "Closing the Gap" report to measure the impact of public and private sector investment in skills and business support. This report to be the basis for FRESAs and Tourism Action Plans to ensure the future provision of, and funding for, needs driven education and training.

### Creating Regional Centres of Management Excellence in Higher Education

*To increase the quality of initial and continuing management education and development;*

Invest in the development of one Centre of Management Excellence in each RDA area, Scotland, Wales and Northern Ireland, to meet the industry's need for highly skilled and qualified managers. These Centres of Management Excellence should also become repositories of Best practice, support Foundation Degrees and Graduate Apprenticeships, and help up-skill existing managers and supervisors through the provision of programmes of CPD in partnership with the industry's professional bodies.

### Enhancing the Quality of Employment Opportunities

*Ensure that the adoption of minimum standards of best practice are a pre-requisite for the receipt of any public funding for workforce development;*

Work with employers to ensure that they adopt best employment practice, that their businesses are legally compliant, and that they are actively seeking improvements in business performance. Any employer seeking public funding to assist with workforce development, including Modern Apprenticeships should, as a minimum, be able to measure up to a code of good employment practice and be legally compliant as a "Fit for Purpose" business. In terms of Continuous Improvement employers would also be expected to have embraced the principles of business excellence as set out in, for example, the "Hospitality Assured" standard.

### Attracting Quality People

*Taking action to increase the numbers of people being attracted into quality jobs by strengthening partnerships between business and education;*

Work with "Springboard" to forge stronger partnerships between business and education so that young people in this country, their parents and those who inform their career choice are well informed about the wide range of quality jobs, training and career opportunities which this industry can offer. This will include action to ensure that food and nutrition are placed firmly back on the National Curriculum; that the reach of "Adopt a School" and "Saturday Club" initiatives are widened, and that participation rates in craft level courses is increased.

### Incentivise Investment in Basic Skills

*Work with the Treasury to devise a simple "tax credit" scheme for those employers investing in basic skills training.*

Develop a "Skills Academy", backed by a "Tax Credit" system to reimburse those employers who undertake training of their staff in basic skills, to include numeracy, literacy, communications and ICT. This might be a simple credit through National Insurance Contributions, with a 1% rebate in early years rising to 4% within five years. In the longer term, this tax credit might be usefully be extended to basic craft, supervisory and management skill training in the workplace, and underpin the attainment of a "licence to practice."

The Alliance believes that these measures form the basis of a five-year plan of action for industry and government. Collectively these measures could bring about a step change in the quality of service in the industry.

**Bob Cotton O.B.E.**

## APPENDIX 2

### Tourism Alliance - Transport & Infrastructure

#### Transport

Despite the many short-term immediate calls, public expenditure needs to give sufficient attention to long-term investment in transport. Creating the right infrastructure is a priority for the well-being of the nation and also, for the development of tourism.

Britain needs a transport system that is efficient, safe, integrated, straightforward to negotiate, able to accommodate mass volume use and is affordable to both the provider and consumers. We welcome the Government's 10-year transport plan worth £180bn of public and private investment. Like other parts of business, tourism needs access to an efficient and up-to-date transport system. Indisputably, several parts of the current system have already reached saturation bordering on stagnation. The Tourism Alliance calls on Government to liaise with, and listen to all parts of the tourism industry when considering future plans and usage.

Our key international airports must serve as gateways to a high quality tourism destination. Passenger numbers in the UK are expected to double by 2020. Air transport development must continue to be reviewed to ensure that the UK does not fall further behind EU colleagues with the vision to invest in their air transport hubs to promote their tourism and economy.

This review must include the role regional airports should play in growing Britain's tourism markets. We need to see political will at central and local levels allowing airports to maximise their potential and the integration of air transport with other modes of public transport.

Buses and coaches, as well as light rail travel, play a key role in public transport journeys and in spreading the impact and benefits of tourism business away from the traditional "hot spots".

The provision and quality of car and coach parking facilities is a critical component in the reduction of congestion and can help ensure a sustainable environment that will benefit both residents and visitors. The Alliance recognises that many local authorities actively subsidise local transport and other essential facilities. We welcome their role and urge central government to ensure that they are funded adequately to continue delivery of these responsibilities. The needs of the tourist as well as the local population need to be taken into consideration

in the planning of local transport policies.

Rail transport provision must be comprehensive, affordable, reliable and safe. The tourism industry throws its support behind the call for prompt improvements to this system.

The majority of domestic tourists travel by car and often in family rather than single units. Car tourism is key to sustaining rural tourism thereby underpinning the economic and social fabric of many regions. The Government's transport policy does not address the purpose of car journeys, the central importance of car tourism to the rural economy and means to ensure its sustainability.

The effective management of tourist flows is essential to ensure that rural areas continue to receive the benefits derived from tourist business. It is also important to take measures to ensure that car-based travel does not damage the quality of the tourism experience for others.

In conjunction with the Government's commitment to promoting healthy living, transport policy should specifically ensure provision for cycling and walking both in urban and rural environments. Both activities are key components of the tourist experience, are sustainable forms of transport and assist in meeting the targets of reducing congestion and promoting a healthy lifestyle.

#### London's Transport Policy

The comments on London's transport infrastructure resulting from the Olympic Bid highlight the case in point. The 10-year transport plan and the Mayor's Transport Strategy both identify many of the problems of London's transport system. A comprehensive range of measures to tackle them is proposed but these need to be prioritised. Overall £25bn -£10bn private capital, £8bn public sector investment, and £7bn public sector resource expenditure – is committed in the 10-year Plan. Priority projects include:

- Improving the quality of services on the London Underground
- Raising standards and the frequency of bus services
- Extending the Docklands Light Railway to London City Airport
- Establishing new East Thames river crossings for road and rail
- Advancing Thameslink 2000
- Extending the East London Line
- Cross Rail: Creating a new east-west rail link
- Completing the Channel Tunnel Rail link

The capital is bogged down with funding arguments, planning arguments, endless road works and projects that are already facing ballooning costs. London needs investment and delivery of significant improvements to keep it on the move.

There has been much debate and recognition regarding the need for improved transport facilities.

- **Air transport:** London's skies are congested. While the profile of Gatwick and Stansted are such that they are now recognised by visitors as important gateways, Heathrow remains ever popular and over pressured to the point where additional capacity is needed urgently. Terminal 5 is well under construction and is scheduled to open in 2008 whilst a third runway is under active consideration. The Government has acknowledged that London and the South East suffer from a lack of airport capacity. It must press ahead in implementing the air transport policy outlined in the White Paper facilitating sustainable growth in aviation, balancing the economic benefits it provides against environmental and social impacts.
- **Rail:** High-speed rail links to the capital are long overdue. Once delivered they will transform travel to and from London – one such project is the West Coast Mainline and could replace some of the shorter air journeys.
- **Roads:** London's roads are gridlocked at pinch points during the day. The London Mayor has announced an extension of the congestion charging scheme. We would welcome the opportunity to discuss implementation of the scheme with him to ensure that it genuinely addresses current problems to the benefit of residents, business and visitors.
- The city also needs a **coach strategy** for both public and private coach use. Coaches can move tourists quickly and efficiently but coach parking provisions need to be addressed. Any strategy for public coach travel should also review the central coach terminal provision based at Victoria.
- **Taxis** and minicabs must provide a safe mode of transport for users. The work of the Public Carriage Office on licensing minicabs and regulating black cabs is critical and the office must be properly resourced, particularly in light of the additional workload with Private Hire Vehicle Licensing.

Visitors expect a fully integrated transport system with clear information.

*Overall, Government must take steps to ensure that national transport policy, regional transport strategies and local transport plans recognise the diversity of tourism's transport needs and strike a sustainable balance in the provision of transport infrastructure.*

#### **Land Use Planning**

Land-use planning for tourism is a strategic imperative. To date, the system has shown itself to be slow, unwieldy, inconsistently applied, and subject to differing spheres of influence.

Unnecessary delays in planning are costly to all parts of British business. The planning system needs to provide timely, efficient and clear decisions on tourism-related development and to protect the environmental qualities on which so much tourism in urban and rural areas depends.

Tourism, leisure and hospitality are influenced by consumer trends. The pace of such change is accelerating and needs to be effectively addressed in smarter forward planning, including adequate resourcing and revised procedures for plan preparation and review.

The burden of using the planning system (in terms of time and financial resource) falls disproportionately on SME and micro-business. Planning departments should have sufficient resources to ensure that smaller tourism and leisure businesses are able to develop and change in response to market trends. Currently the complexity of the system, the time involved in making applications and appeals and the cost of employing advisers to guide through what to the layman is a complicated maze of red tape, means that many initiatives are lost. This is to the detriment of tourism employment and limits the range of the tourism product offer.

For example, with trends in consumer behaviour increasing the number of short breaks taken throughout the year, many tourism and leisure businesses have extended their open season. Christmas, the New Year and October half-term are now key business periods. The movement to the 6-term school year is likely to further increase holiday taking outside the traditional periods. The longer season maximises resource utilisation and safeguards year-round employment. Where planning conditions dictate the permitted open season for tourism business, planning departments should engage with the private sector to facilitate their meeting these changes in consumer demand.

Health and fitness facilities are another example of the planning system's failure to embrace consumer trends and the needs for development. Tennis, sports, health and fitness clubs make an important contribution to meeting government's targets to promote healthy living and enrich the tourist's experience. Yet despite their specific inclusion within PPS 6 (Town Centres), generally local authorities are not making provision for this type of facility in Local Plans or Unitary Development Plans (UDPs). This creates an obstacle to development since no sites are zoned for health and fitness facilities and the fitness industry cannot compete for land with housing, office or retail developers.

The employment generated by tourism business is often not recognised. Too often tourism businesses are told that they cannot develop on sites zoned for 'employment' despite the fact that they will provide more employment for local people (both directly and indirectly) than many light industrial uses. Moreover, such employment will often cover a range of employment skills and ability levels. This competition for sites zoned for employment will be exacerbated by the proposal of PPS3 that housing should also be considered suitable development within such zones, reducing further the opportunities for tourism and leisure.

Equally, the range of the tourism product is not recognised or understood. Improved data on market trends and demand for the different types of tourist product (range of accommodation, attractions, infrastructure etc) are necessary for the planning system to effectively respond and ensure the development of sustainable business.

Tourism provides an essential solution to help regenerate the economy of rural areas. The planning system should be a positive influence on the development and flexibility of rural tourism business. The system needs to be made more efficient yet remain consistent and transparent.

***The Tourism Alliance takes the view that it is essential to provide more resources for the planning system as a whole.*** Local planning authorities are often unable to deal effectively with development proposals simply because they are under-resourced. The new performance targets introduced by the Planning Act, without the resources necessary to meet them, will further exacerbate an already over-cumbersome system. We are likely to face 'faster, rougher justice' as targets are met, to the detriment of the development of sustainable tourism business, able to adapt to meet rapidly-changing market demands.

National Planning Policy Guidance will be of increasing importance if the implementation of Regional Spatial Strategies by the RDAs is not to create an uneven playing field for tourism across the country.

The Tourism Alliance is concerned to ensure that when published

- the Tourism Good Practice Guidance and
- the tourism-specific elements embedded within
  - PPS6 (Town Centres),
  - PPS7 (Countryside and Rural Economy)
  - and PPS13 (Transport)

maintain the status of "material consideration" when matters go to Appeal and guide the development of Regional Spatial Strategies.

***Positive planning guidance for the development of tourism, leisure, health and fitness is required with a duty placed on local authorities to ensure provision for development within their local plans and UDPs.***

#### **Social Infrastructure**

The social environment in which tourism operates is of increasing concern.

Public services in general have become noticeably inadequate. Both citizens and visitors have a right to expect and enjoy a safe and clean environment. London is of particular concern.

Central and local government need to ensure that adequate resources are allocated to these core, essential services. Local authorities play a key strategic and operational role in maintaining a high quality physical environment. They need to be adequately resourced to ensure that this responsibility is rigorously executed. The quality of the public realm is an important issue that must be addressed.

Yet with so many competing priorities, it is often the public space and amenities so important to tourists that are the first to face the cuts. By way of example, the Tourism Alliance is the first to support the protests of local tourism businesses when yet another Public Convenience is closed through lack of public funding.

Furthermore, the Alliance supports additional funding for the work of the Homelessness Directorate to address social and environmental blights of begging, vagrancy and homeless street sleepers. This battle has not yet been won.

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