



UKINBOUND

THE VOICE OF INBOUND TOURISM

TOURISM EXPORT RECOVERY FUND

A PROPOSAL BY UKINBOUND

01 July 2021

EXECUTIVE SUMMARY

Inbound tourism to the UK is worth £28.4bn a year in exports to the UK, making it our 5th most valuable export industry and the 5th largest tourism economy in the world (Source WTTC). Inbound tourism contributes to Britain's soft power credentials and contributes to the UK's Global Britain ambitions. With clear and positive links between inbound tourism, trade and investment, a successful inbound travel and tourism economy will assist delivery of the UK's post-Brexit trading objectives.

Intermediaries bring in over 50% of all inbound tourism to the UK (Source: VisitBritain) and send visitors around the UK – without them, and with customer knowledge of the UK being centred around London, there is a risk to the UK's regional economies and the levelling up agenda. Being B2B businesses, these companies have been excluded from much of the government support targeted at leisure and hospitality businesses.

Since the start of the pandemic in February 2020, there has been no income for inbound businesses with reductions typically of 90% on 2019; 2021 losses to date are even more frightening. Whilst the UK's economy continues to open up, thanks to the successful vaccination programme, inbound tourism remains closed, and recovery will not come at least until 2025. (Source: Oxford Economics).

Competitor destinations that have supported their intermediary businesses (through extended salary support, and grants for intermediaries), and relaxed restrictions for vaccinated visitors, are already reaping benefit whilst we lose our competitive positioning.

This document calls on the UK government to:

- **Implement a tiered, grant based system with a total maximum value of £47m to ensure these businesses can protect jobs, maintain operations and cultivate new export value for 2022, directly impacting the UK's economic recovery.**
- **Extend the CJRS for affected business through to April 2022.**

UKinbound, c/o Strand Palace Hotel, 372 Strand, London WC2R 0JJ

Email: info@ukinbound.org

Website: www.ukinbound.org

Tel: +44(0) 207 395 7500

Company registration no.: 06460272

EXPORTING OUR WAY TO RECOVERY

In the decades prior to 2019 inbound tourism to the UK was a national success story. A vibrant industry contributing £28.4 billion annually to the economy, it is the UK's third largest service export and fifth largest export industry.

As an export industry, inbound tourism can significantly support and accelerate the UK's economic recovery from Covid-19, as it brings valuable new money into the country.

It transcends the four nations, supporting over 500,000 jobs (Source: Tourism Alliance) in cities and regional economies across England, Scotland, Wales and Northern Ireland. It directly impacts the Government's levelling up agenda, driving growth in regional towns, cities, coastal and rural communities. In 2021, domestic tourism is supporting many rural economies – however city centres, such as Edinburgh, Manchester and London, are unlikely to fully or quickly recover without inbound visitor spend.

Inbound travel and tourism also drives international trade and investment in the UK, whilst additionally supporting international advocacy. It significantly aids the opportunities provided by our departure from the EU and Global Britain ambitions and is a key component of our soft power strategy.

Whilst hugely important, domestic tourism only moves existing money around the economy, and outbound tourism takes money out of the UK economy – inbound tourism delivers £28.4 billion in incremental exports and reduces the UK's balance of payments deficit.

In 2022 a global spotlight will be shone on the UK as it hosts and celebrates the Commonwealth Games in Birmingham, Festival UK 2022 and the Queen's Platinum Jubilee. These events will bring vast economic, cultural and societal benefits to the country, which will play a vital role in the country's economic recovery, but they will only be realised if we have a thriving inbound tourism industry.

TOURISM SUPPLY CHAIN

At the heart of the UK's inbound tourism industry is roughly 230 inbound tour operators (TOs) and destination management companies (DMCs). A vital part of the tourism supply chain, these intermediaries facilitate over 60% of all international visits to the UK (Source: VisitBritain 2016) and are the primary driver of volume business to attractions, transport providers, hospitality businesses, retail, and entertainment venues across the country.

Looking to 2022 and beyond, these businesses will have a major role to play in maintaining the UK's position as a desirable and globally competitive destination by converting pent-up demand and interest in the UK into bookings. They will be a key driver of economic recovery, as they funnel business and revenue to all corners of the country and through multiple sectors.

International understanding and awareness of the UK, especially outside London, is low but these businesses drive regional dispersal of visitors and revenue by promoting and selling less well-known destinations and tourism across the country. Were these intermediaries not to survive, many regional businesses in the visitor economy will fail. They act as the UK's sales and marketing force, spending millions of pounds promoting the UK against our competitor destinations, often dwarfing the amounts spent by national and regional tourism boards.

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International visitors will also help revive our UK towns and cities; cities are predicted to lose £18 billion this year due to a lack of inbound tourism. The survival and recovery of over 200,000 city tourism and hospitality businesses is dependent on international travellers returning to UK towns and cities.

TOs and DMCs also play a key role in sustainable tourism by marketing and selling destinations and products that have good sustainability credentials, facilitating seasonal spread of visitors to reduce peak season crowding, and using expert knowledge to help manage visitor traffic at key sites. They will play a pivotal role in the sustainability of the UK's future tourism industry.

These businesses are not easily replaced – the relationships built over many years with overseas companies, means that without a functioning intermediary ecosystem in the UK, overseas buyers will simply switch to competitor destinations (whose intermediaries have been supported), impacting the longer term success of the UK economy.

The UK vaccine rollout is a global success story and something we are incredibly proud of. Public health and safety is a fundamental priority and we recognise the threats presented by new variants and therefore the necessity for red list counties and quarantine.

It is fantastic to see the UK's domestic tourism market reopen and the countrywide success of test events. With the 19 July date for full reopening just a few weeks away, the UK's domestic market has a real opportunity to capitalise on the summer season and begin its recovery.

However, the picture is very different for the international tourism industry and the inbound UK TOs and DMCs businesses which are dependent on international visitors to the UK. The inbound groups market over summer 2021, worth £1 billion to the UK annually, has been lost and our most valuable markets – US and Europe – are not on the green list, meaning businesses face another winter with no revenue, having received no visitors and therefore no business since March 2020.

However, targeted recovery support would enable these businesses to supercharge the UK's economy in 2022.

OUR ASKS

We propose a capped Tourism Export Recovery Fund that allocates one-off grants to eligible inbound TOs and DMCs.

The investment would ensure these small, medium and large businesses can protect jobs, maintain basic operations and cultivate new business for 2022, which will directly impact the UK's economic recovery.

Our fund is not an open-ended system, but one that reflects a business's ability to support the UK's economic recovery. Business eligibility would be based on components that show a business is solvent, had been profitable with filled accounts in the years before 2020, and that revenue generated from bringing international visitors to the UK forms the majority, or a significant portion, of their overall revenue.

We propose creating a fund mechanic that allocates a grant worth up to 10% of a TO or DMC's 2019 revenue capped at a maximum of £400,000, whichever is lower.

Alongside partners the Scottish Tourism Alliance, Scottish Destination Management Association and the Scottish Incoming Golf Tour Operators Association, in June 2021 we surveyed 64 tour operators

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and DMCs to establish their 2019 revenues, and using ratios, we can confirm a maximum recovery fund of £47 million would be required for the UK's 230 TOs and DMCs.

With inbound tourism being one of the first industries to be hit, hit hardest and for the longest period of time, and with inbound tourism unlikely to fully recover before 2023/24 (Source: Oxford Economics), we are also calling for furlough be extended for the sector until April of 2022 to allow businesses to build back and recover.

WHY CREATE A RECOVERY FUND FOR TOUR OPERATORS AND DMCS?

If grants totalling £47,000,000 were allocated, the Government and general public could expect a return on investment of £10 for every £1 distributed by the fund.

International tourism is the only UK industry that has not been able to meaningfully restart. On average, consumers book six months in advance, and it will take the industry roughly three months to fully restart (in-line with airlines), therefore current support measures leave the industry facing a cliff edge this winter.

Nuances in our industry mean that TOs and DCMs have fallen through the gaps of previous support schemes, leaving these businesses with very little cashflow. These businesses have also taken out extensive loans, which are backed by Government. A recovery fund would ensure businesses can return to profitability in 2022 and therefore repay these loans.

CORONAVIRUS JOB RETENTION SCHEME EXTENSION

The industry is incredibly grateful for the Coronavirus Job Retention Scheme which is currently safeguarding jobs and businesses that will aid recovery, notwithstanding that many intermediaries have not been able to fully avail themselves of this support as they have needed to resource non-income generating activities (cancellations, postponements, refund requests etc). However, currently 77% of TO/DMC staff are still on furlough and the removal of the scheme from the October 1st will have repercussions far beyond job losses.

Inbound tourism was one of the first industries to be hit by the pandemic and will continue to be the hardest hit for the longest period of time, with inbound tourism unlikely to fully recover before 2023/24 (Source: Oxford Economics). We are therefore also calling for the Coronavirus Job Retention Scheme be extended for the sector until April 2022 to allow businesses to build back and recover.

COMPETITIVE INTERNATIONAL MARKET

International tourism is an incredibly valuable market, and our competitor destinations are recognising the value of inbound tourism and the crucial role it can play in their economic recovery. Ireland, France, Germany and Italy have all backed their inbound tourism industries, providing support that will ensure their survival and in turn bolster these countries' recovery and international competitiveness.

For example, Ireland has extended its equivalent of furlough until the end of December and from September a new business support grant scheme will be rolled out, providing businesses with weekly grants of up to £5,000, if revenue continues to be below 75% of 2019 levels.

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In France the Government is supporting TOs/DMCs who continue to experience a fall in turnover of more than 50% when comparing 2019 to 2021. The Government will cover 20% of the fall.

UK TOs and DMCs are sustainable and viable businesses. UKinbound data shows that 60% of tour operator and DMC members have been trading for more than 10 years, with a quarter trading for more than 30 years. Only 10% have been trading for less than 5 years. With the right recovery support, these businesses will be able to cultivate valuable new business and boost our economic recovery.

THE FUTURE

The recent publication of DCMS's Tourism Recovery Plan clearly acknowledged the value and importance of inbound tourism and its vital role in the UK's recovery. The plan included a range of fantastic initiatives that will support the revival of domestic tourism, which we need to flourish in order for international travel to successfully return. The Tourism Export Recovery Fund complements this plan and provides a mechanic that supports the revival of the international travel sector.

What can be gain by supporting a Tourism Export Recovery Fund:

- Allows the sector to rebuild and reconnect with inbound markets
- Retains tens of thousands of jobs across the country, reducing dependency on Government support
- Provides valuable export earnings
- Retains a key driver of the UK's economic recovery
- Retains a key mechanism for supporting the Government's levelling up agenda
- Maintains the UK's global competitiveness both as a destination and as an open and growing economy
- Retains invaluable skills, knowledge and individual relationships which are not easily replaced

ABOUT UKINBOUND

UKinbound is the only trade association dedicated to interests of the inbound tourism industry - the UK's third largest service export. It has over 300 members including tour operators and destination management companies, accommodation providers, attractions, destination marketing organisations and service providers including restaurants, transport, retail, ticketing and professional services. UKinbound engages with Government, the media, travel trade and the general public to raise awareness of inbound tourism's significant impact on the UK economy, and helps members to grow their businesses.

For further information please contact Lauren Broughton, Head of Public Affairs at UKinbound at lauren.broughton@ukinbound.org.

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