

This is the Government's formal response to the Select Committee's Report 'The Structure and Strategy for Supporting Tourism', published on 4 February 2003. We have reviewed our memorandum in the light of points made by the Committee, and responses to each of the Committee's 16 key findings are set out below.

Introduction

Since the publication of the Select Committee's Report, it is increasingly clear that there is wide industry support for these reforms. This was most evident at a meeting of key representatives to follow up the Hartwell Agenda.

Reforms build upon and complement those priorities that we identified together at our first Hartwell seminar. We are re-establishing a domestic marketing function for England; strongly backing the establishment of a Sector Skills Council; maximising the potential of E-tourism, a key objective of the new body; and initiating major reviews on both Data and Quality.

Organisations present included the following:

- Tourism Alliance
- British Hospitality Association
- British Incoming Tour Operators Association
- Hospitality Training Foundation
- Association of British Travel Agents
- Association of Lead Visitor Attractions
- English Association of Self-Catering Operators

There was very broad and strong support both for the reform agenda and for the rapid progress already made under the joint leadership of David Quarmby, Alan Britten, Mary Lynch and Tom Wright.

The national tourism organisation was re-launched, with its new name 'VisitBritain', at the British Travel Trade Fair on Wednesday 26 March 2003.

The main results we expect to see over the next few years are:

- Increasingly effective promotion of Britain through integrated overseas partnerships;
 - Coordinated promotion of England and its differentiated products to the domestic market;
 - Broader partnerships across industries;
 - Greater leadership by regions in tourism strategy;
 - Development of clear marketing and branding strategies;
 - Provision of accurate and timely market information;
 - Delivery of seamless customer service.
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1. The real challenges for the tourism sector now are further successful recovery

and keeping tourism very high on the Government's agenda. (Paragraph 25)

Tourism is high on the Government's agenda. Many Government departments' programmes, especially those in Culture and the Arts, make a significant contribution to development of tourism in Britain. The Department for Culture Media and Sport (DCMS) will continue to encourage other Government departments to consider the impact of their policies on tourism and we see issues such as sustainability and rural affairs being embedded strongly in the marketing agenda of VisitBritain. However, we question whether this is the main challenge at this time, rather than the productivity deficit between performance of the industry in the UK compared with the US, therefore for that reason our PSA target for 2003 is 'maximising the economic contribution which the tourism, creative and leisure industries can make'.

2. The evidence presented to us indicates that at present the Government is not providing an adequate support structure for the tourist industry. The Tourism Alliance told us that "the Department takes too much of a laissez faire approach to tourism" and we agree. (Paragraph 41)

We have put in place a strong support structure. The reform we have described to the Committee will deliver a less centralised but more effective framework to support the industry:

- A lead body for British Tourism:
 - promoting Britain and its regions more effectively overseas;
 - promoting England to the domestic market (advised by the England Marketing Advisory Board).
- Greater leadership by regions in development of their regional tourism industry as well as collaboration at national level
- More coherent approach to developing Tourism through more effective engagement with industry

A good deal of support, spending and promotion for development of the tourism industry has always been at regional level. The Regional Development Agencies are now going to take on a stronger role. The regions and the industry want a body that can add value getting more from the collective effort put into marketing England and its regions.

3. We are concerned at the serious under-funding for tourism in England, and believe there is a need to make increased funding available, especially with the adoption of the additional marketing of England proposed for the new body. (Paragraph 43)

4. The amount of money available to the sector, especially in England, from Government is not sufficient to support such a large and diverse industry. The new arrangement seems to be just a more complicated way of cutting the same funding cake. (Paragraph 47)

In addition to £12 million basic per year for England domestic marketing, we will make around £10 million available over 3 years in the form of 'challenge funds' – their release will depend on key targets being met.

Resources available in this industry are huge – the trick is to get more effective use from them and to get the industry to engage in development of a coherent national agenda. Direct Government support has always been quite small compared with the industry's turnover. However, many hundreds of millions of pounds are spent every year by local authorities, Regional Tourist Boards, central government and private industry on the promotion and marketing of English tourism assets to a domestic audience, e.g in the South West estimated spend in 2000 was £137 million and only £7.5 million of this was public sector. DCMS's £1 billion expenditure on arts, museums, galleries, sport etc also directly benefits tourism.

If just a few percent of industry's current spending on marketing was invested directly, or in joint programmes, we could see a vast improvement in productivity and profitability. This is not simply about asking industry to get their cheque books out to pay for additional publicly inspired activities – we want the industry to play its full part in helping to direct the use of public funds.

5. It seems that the Department has ducked the opportunity to design an appropriate new structure for English tourism taking proper account of the devolution settlement and the need to amend the existing legislative framework. (Paragraph 49)

The Government does not agree. We needed to move quickly to institute reform within the framework established by devolution, given the statutory status of the English Tourist Board. That is what we have done.

We have responded to industry's priorities in tourism and are developing a structure that will strengthen the British Tourism market, making our overseas promotion activity more effective and developing a domestic marketing function. Scottish and Welsh colleagues were consulted both before the announcement in October and throughout the development of the new body.

The industry wants a body that can market England. They want to see a genuine partnership between government and industry, developing a coherent agenda at national and regional level. That will allow us to make the most effective use of the huge resources available.

6. We feel that the reinstatement of the marketing function for England is a positive step. However, we believe that England needs its own national tourist board to adequately promote and support tourism within England. (Paragraph 51)

We are delighted the Committee is so supportive of our initiative on England marketing; we will pursue it with vigour. This could have been delivered in many ways. While the Committee believes a freestanding tourist board is needed, we believe that this arrangement will get the best value for money for England.

7. The Committee agrees that change is needed but believes that the proposed organisation is not the best possible solution, and may not work. (Paragraph 52)

8. We feel that it would make better sense for England to have a distinct national tourist board with a marketing function and for each national tourist board in Britain to relate to the BTA in the same way. (Paragraph 53)

These are similar to recommendation 6. However, we would add that the department is strongly committed to taking an imaginative and progressive approach to establishing a new, more coherent structure.

The following statements, made on the day of the 3rd Hartwell seminar, indicate the strength of industry support for our reforms.

Bob Cotton, Chief Executive of the British Hospitality Association said:

"The industry supports the new England marketing agenda: it is something we have pressed for strongly. Combined with the work on skills and productivity improvement we now have a strong basis for a partnership between Government and industry."

Richard Tobias, Deputy Chairman of the Tourism Alliance, said:

"I am delighted the money has been found for England marketing in the way the Secretary of State intended, and the Tourism Alliance looks forward to working with the new national tourism body to promote tourism more effectively."

9. We have serious concerns over the process of consultation that took place in relation to the proposed changes in tourism structure in the UK. The Committee believes that this must be rectified in any further consultations. (Paragraph 56)

We believe that consultation on changes has been very full given what was a sensitive decision about the merger of two organisations, but we note the Committee's view that more could have been done.

Ministers have regularly met, and discussed tourism reform, with representatives of the tourism industry at the twice-yearly Tourism Fora and at the 24-hour Hartwell House seminar in October 2001, its follow-up in July 2002, and the recent third meeting on 26 February 2003.

Last summer a Steering Group chaired by Dr Howells was also set up to discuss the practicalities of moving towards the new arrangements announced on 13 May. The membership of the Group reflected the importance of regional issues and the input of the private sector.

Ministers have also commissioned reports from Groups widely representative of the industry on the following:

- Tourism Initiative Group report: to look into a programme for the modernisation and restructuring of tourism following the Foot and Mouth Disease outbreak

- ETC's Domestic Marketing Group paper
- Marketing Group's "Blue Skies" report: to gather the detailed proposals of representatives on the Steering Group about how to define the domestic marketing remit that had been identified as necessary to the future of English tourism
- Delivery Group report: to offer stakeholders a chance to consult on the roles currently undertaken by the ETC and how they could operate in the new era

10. We welcome this collaboration [with Scotland and Wales] but question why these bodies were not included in the consultation process. It concerns us that the merger of the BTA and ETC will compromise the devolution settlement and cause the nations to compete for business rather than co-operate to increase tourism earnings for Britain. (Paragraph 58)

Ministers at DCMS consulted Secretaries of State for Scotland and Wales, the First Minister for Scotland and the First Minister for Wales, as well as Tourism Ministers, about their proposals for reform. The Scottish Executive and Welsh Assembly Government were represented on the Policy Group which oversaw the implementation of reform.

The new arrangements will not affect the BTA's mission of promoting the whole of Britain overseas.

The new England marketing unit will focus on getting better co-ordination of domestic marketing, not on national campaigns aimed to compete in the market place. VisitBritain will provide a more coherent marketing agenda across Britain ensuring that England, Scotland and Wales retain and develop strong separate brand identities.

VisitBritain will account separately to Parliament, Scottish Parliament and the Welsh Assembly. In addition, six-monthly meetings will be held between Great Britain Ministers and VisitBritain to review progress. There will also be more regular liaison meetings between the relevant officials from the three Executives and the BTA together. VisitBritain will lay a copy of its Annual Report and Accounts before the Welsh Assembly and the Scottish Parliament for information.

11. There is a need for statutory registration of accommodation providers and, notwithstanding the devolution settlement, for this to be uniform throughout the UK. (Paragraph 59)

We have considered this part of the Committee's report carefully but cannot see the basis on which this recommendation has been made. The only evidence referred to is a statement to the effect that regulation alone does not inform quality. This seems to be an argument for the approach we are already adopting rather than a new system of statutory control.

There is a presumption against the imposition of unnecessary regulation on any industry. Statutory registration of accommodation throughout the UK will be considered once the voluntary National Quality Assurance Schemes (NQAS) have been given a proper chance to prove their worth.

As part of the tourism reform programme, Ministers take the issue of accommodation quality very seriously. A quality review is being led by the National Tourist Boards to look principally at ways of harmonising NQAS across Great Britain. A second stage will look at a number of other issues relating to England alone.

The problem of substandard hotels at the bottom end of the market will be tackled through the Fitness for Purpose initiative. This brings together existing regulation on trading standards into a strong package aimed at the worst hotels (and the restaurants within them) whilst assuring a lighter touch for those in compliance. Pilots are due to commence on 1 April.

12. We recommend that the Department seeks a review of VAT levels on accommodation within Britain. (Paragraph 60)

Taxation is, of course, a matter for the Chancellor; we will ensure he receives advice on this issue. It is only fair to point out, however, that while some EU states apply a reduced VAT rate to tourism-related services, other aspects of the UK VAT regime are more favourable, eg wide range of zero-rated items, such as food, drink, and passenger transport, which benefits tourists.

Overall UK tax burden is much lower than the EU average - 10 EU countries have higher tax burdens than the UK. Some countries with lower VAT rates offset this by a 'bed tax'. There are many other advantages to doing business in Britain, such as labour flexibility, low inflation and interest rates.

13. We believe that there should be a major rearrangement of Government departments in order to accommodate the needs of the tourism sector so that it does not get lost in the at present oversized DTI but also so that it is not stranded as the Cinderella of Government within DCMS. Tourism needs a proper commitment from the Government commensurate with its economic importance to the country. (Paragraph 65)

14. Tourism must be a priority for the Government. It is one of Britain's largest and fastest growing industries and it should be treated as such. (Paragraph 67)

DCMS is a powerful advocate for the tourism and hospitality industries. We make the case strongly to Government colleagues for better regulation; we promote the needs of the industry in terms of support for skills development and productivity improvement within the Department's concerns. In return, the Tourism Minister expects the industry to galvanise its own efforts, and makes frequent appearances at industry gatherings and seminars to push this message home.

Tourism is properly situated in DCMS, with a strong link between tourism, culture and the arts. We think the Committee is recognising this in its report. However, we will continue to work to show that tourism is not a 'Cinderella' issue in DCMS.

Tourism is closely linked to other policy areas within the remit of DCMS, such as cultural activities, and sport. Many of the elements that make up the cultural and

social life of this country could not exist as they do now without domestic and international tourists. Nor would tourism be flourishing without these unique attractions to draw them. The public funding the Government invests in these areas is one of the biggest contributions it makes to stimulate growth and diversity in the tourism market.

15. We recommend that during a consultation process concerning changes to the tourism structure, DCMS should not ignore the body which had been set up specifically at its own request to liaise with Government as the industry representative. (Paragraph 69)

The Tourism Alliance is involved in the process of working up reform. In the summer of 2002 a Steering Group was set up to discuss the practicalities of moving towards the new arrangements announced on 13 May. The membership of the Group reflected the importance and input of the private sector.

Two representatives of the Tourism Alliance sat on the Policy Group which oversaw the implementation of the reform plans.

As we have stated, the Tourism Alliance stands strongly in support of the new structures.

16. The promotion of tourism is now to be organised under new structures. We would like to believe that these arrangements will improve the promotion of tourism. What we do believe is that there is a danger of further confusion rather than less, that the promotion of tourism in England will have even less cohesion than before, and that the institutions created by the devolution settlement will be tempted to go their own way rather than be coordinated with an unworkable whole. Furthermore, this potentially inoperable structure is made worse by the lack of emphatic, authoritative, and clearly recognisable ministerial leadership. This is not a criticism of the Minister himself but of the impossible task he has been given without the power or resources to go with it. The success of the UK tourism industry is crucial to our cultural and economic well being. It is time the Government gave tourism the priority it deserves. (Paragraph 72)

This recommendation summarises some of the earlier findings of the Committee. However, we would like to emphasise that both the Secretary of State and the Minister for Tourism are confident they have the resources they need to make further progress, and a good working relationship with the industry.