

# Insight focus

AUGUST 2020

## Tourism: Retrench and Rebound

Britain's tourism sector is facing unprecedented challenges as a result of COVID-19 and the global recession. Now more than ever it is looking to local and central Government to assist private sector efforts to invest in the visitor economy.



Tourism is big business for UK plc. Since 2010 until this year it has been the fastest growing sector in the UK in employment terms. In 2016, the economic output (direct GVA) of the tourism sector in the UK was £68 billion, 6% of total UK economic output, with 1.5 million people working in tourism, 1 in 20 jobs across the UK<sup>1</sup>.

It was predicted the sector would deliver a 23% increase in inbound (overseas) visitors by 2025, with domestic tourism (UK residents taking trips of one or more nights in this country) also increasing by an estimated annual rate of 3.8% until 2025<sup>2</sup>; faster growth than the overall UK economy (at 3%). These forecasts will be affected by the global shock of COVID-19. Whilst the easing of lockdown and social distancing has provided some respite, the 2020 tourism season has been devastated and the economic outlook remains uncertain.

The latest forecasts from VisitBritain in June 2020 show that inbound tourist numbers to the UK in 2020 could decline by 59%, with a 63% reduction in spend. This would represent a loss against the pre-COVID forecast of 25.3m

visits and £19.7bn in spend, even with international travel resuming in July<sup>3</sup>. Domestic tourism spend from overnight tourism and day trips will also be impacted. VisitBritain forecasts for England show a 49% decline in both overnights and leisure day

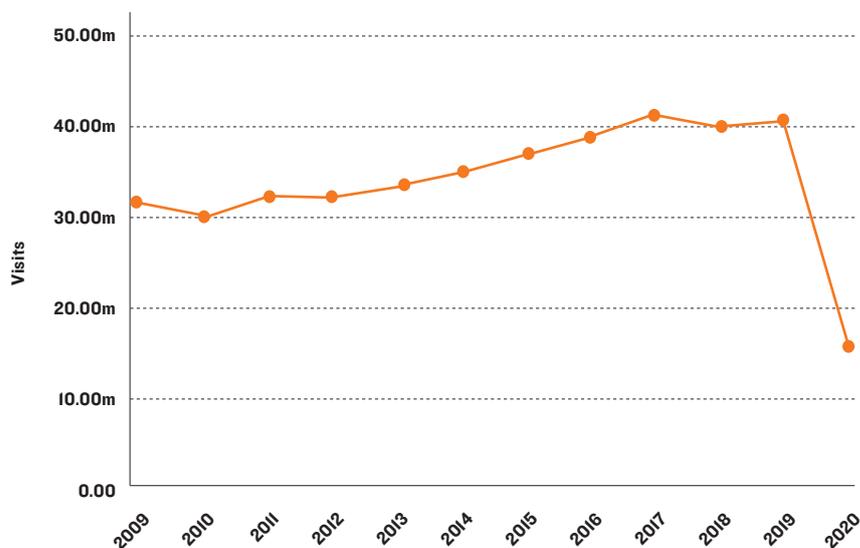
trips compared to 2019. This represents a loss of £44.9bn – greater than

the loss from inbound tourism in absolute value terms<sup>4</sup>.

The 'real-time' nature of the crisis and rapid changing circumstances makes it difficult to fully understand how the impacts have and will continue to manifest in different areas around the country. However, it is clear the consequences will be far reaching and effect many businesses big and small that contribute to the tourism sector. The scale of the impact and enduring uncertainty means the time for action from Government at all levels is now, to build confidence in the sector and establish a framework that encourages private sector businesses to invest. These businesses, large and small, will be responsible for driving the sector forward.

This Insight focus explores the dynamics (or 'ecosystem') of the tourism sector. It considers those industries and areas of the country that are likely to be most affected by the virus restrictions; and the response needed by Government and public agencies involved in tourism to confront the challenges created by the virus and address pre-existing issues in the sector, to help the recovery.

Inbound (International) UK Visits



VisitBritain Tourism Forecast (at 3 June 2020)

<sup>1</sup> Tourism: statistics and policy, House of Commons Briefing Paper, September 2019

<sup>2</sup> Tourism Sector Deal, June 2019

<sup>3</sup> VisitBritain revised inbound outbound outlook for the UK in 2020 (3rd June 2020 update)

<sup>4</sup> VisitBritain domestic outlook for Britain in 2020 (29th July 2020 update)

LICHFIELDS

## The 'ecosystem' of tourism

The powerful role played by the visitor economy is often not fully appreciated by Government and this may be due to the fragmented nature of the sector.

Defining tourism, and its contribution to the economy, is not straightforward. It is not a distinct entity like many other economic activities that are defined by a product. Tourism is defined by the purchaser and their engagement with various industries such as hotels, restaurants, bars, cafes, museums, sports, and other recreation activities, grouped together with elements of transport, travel trade and other supply chain interactions.

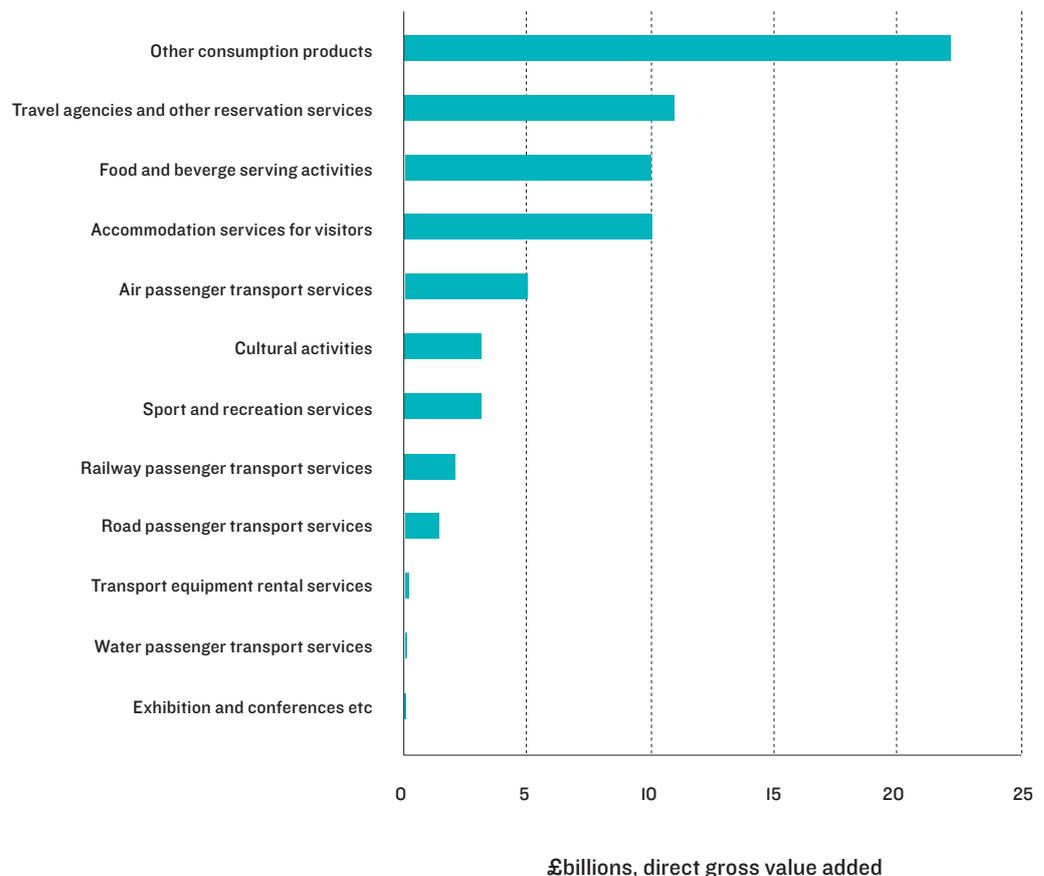
Businesses range from large tour operators, travel companies, major hotel groups, holiday parks and resorts to small businesses such as taxi companies, caterers and local tradesmen. Irrespective of their size, each business has an important role and function, complementing and supporting each other, strengthening the management of a destination and positively

influencing the perceptions and experience of visitors to these areas. These 'symbiotic' relationships are key to the success of a destination and the tourism sector as a whole.

The direct economic outputs of the tourism industries vary considerably (below). The reference to 'Other consumption products' includes all economic activity due to tourism that occurs outside the traditional tourism industries (e.g. car parking, purchase by tourists of goods such as clothing etc.)

The broad reach of the tourism sector is what makes it so economically unique and important. It has several strengths in terms of the labour market, including providing employment for a very broad range of people, for example, in terms of age, skill level and gender. It is therefore well-placed to contribute to the national ambition to raise skills across the board and to position tourism as a sector providing lifelong careers.

Economic output of the tourist industries

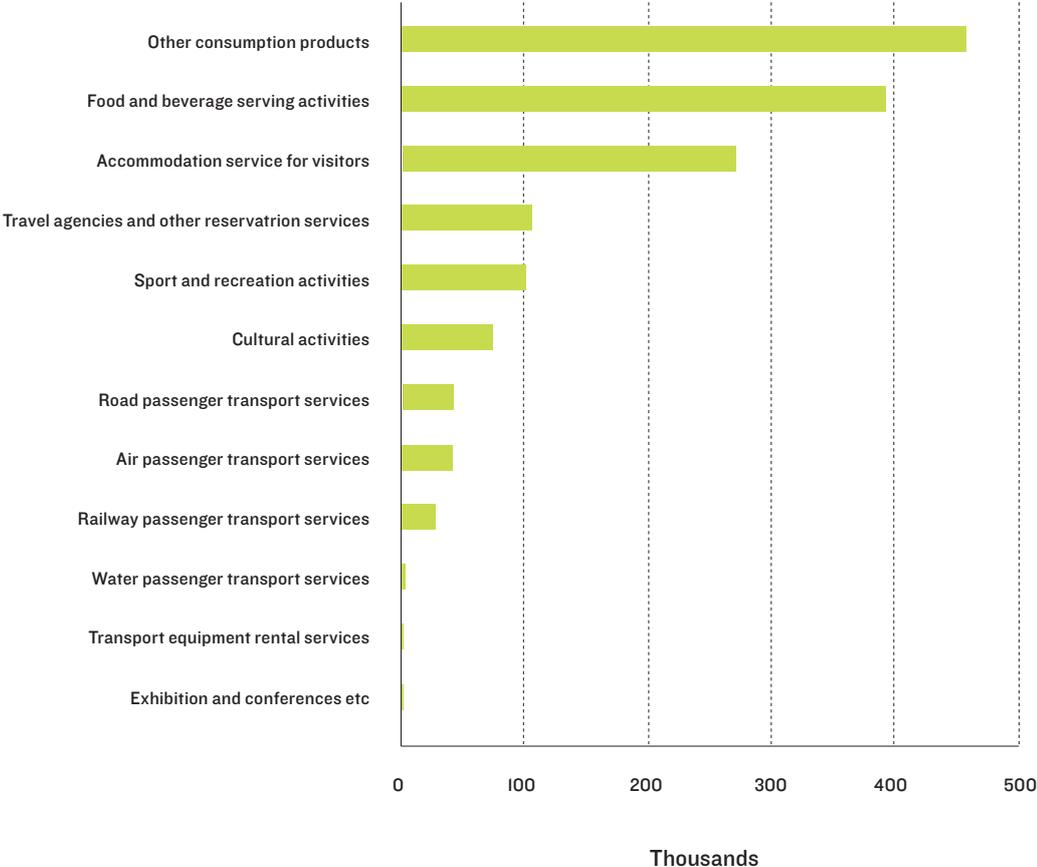


Source: ONS tourism satellite account, 2018

The strength of the tourism sector is dependent on how well its various industries interact and support each other. However, these interlinkages make it vulnerable if there is a shock to the sector and a resulting downward shift in demand for, and supply of services. If companies start going out of business, this can lead to multiple haemorrhaging of services and staff with no single 'one-size-fits-all' solution to address the problem. The effects can filter down from the larger service providers or upwards from the smaller ones. Either way, the effect is that it becomes more challenging for areas to re-provide the same quality of service and compete with other destinations in the way they did before. These pressures can negatively impact on the recovery time of tourist areas; in the worst case it could mean some areas may never fully recover.



**Direct employment in tourism by industry**



Source: ONS tourism satellite account, 2018

## The geography of impact



The current pandemic is resulting in significant loss of income and jobs and in many cases companies are being forced to close. This could have a destabilising effect on tourism destinations around the country. The Chancellor recently confirmed that 80% of hospitality firms temporarily stopped trading in April and 1.4 million workers had been furloughed; the highest proportion of any sector. Whilst the situation will have improved more recently with the opening of hotels, holiday parks etc. the devastating economic effects of the virus remain and will continue to into the future as firms invest in adjustments to account for social distancing and businesses are unable to operate at full capacity.

Inbound and domestic visitation along with employment data help to build a picture of those areas of the country likely to be most affected during the pandemic and its aftermath.

Inbound tourism data for 2018 shows the importance of visitor spend to the economy, accounting for almost £23 billion in the UK, with the significant majority (86%) of this being spent in England. This is largely attributable to the popularity of London as a tourist destination for overseas visitors, accounting for 50% of all visits to the UK; nearly four times as many visits than to Scotland, Wales and Northern Ireland combined. Importantly, London also acts as a 'gateway' to the rest of the country. Studies have highlighted that 80% of international visitors who have an overnight stay in London go on to stay elsewhere in England as well<sup>3</sup>.

Turning to domestic tourism, 119 million trips were made in 2018, totalling 372 million

nights away and a spend of £24 billion. This represents over 80 million trips (68%) more than visiting tourists from overseas. Despite this large difference in visitor numbers, overseas visitors spent only £1.1 billion less. Any downturn in inbound tourism visitor numbers is therefore likely to have a proportionately greater impact on the 'productivity' of the tourism sector compared to a similar downturn in domestic tourism.

It is anticipated that the impacts of the pandemic combined with Brexit will result in the continuing rise in staycation breaks by UK residents seen in recent years. With the forecast reduction in inbound visitors, domestic tourism will take on greater importance in safeguarding the tourism sector and supporting jobs and industry in the areas that rely on visitor trade.

The spatial distribution shows that in 2018 England accounted for 82% of overnight domestic visits in Great Britain, compared with 10% in Scotland and 8% in Wales. The dominant role of tourism to England's south-west and south-east regional economies is clear. If you include London, this accounts for 40% of all domestic tourism visits in the UK, and £10b of tourism spend.

It is interesting to note that London only accounts for 10% of domestic tourism; significantly less than its 50% contribution to international tourism. This suggests that any growth in domestic tourism is likely to have a wider geographic spread of economic benefits outside of London to areas around the UK, and particularly elsewhere in England.

Destinations of overseas visitors to the UK 2018				
	Visits		Total spend (£billion)	Total spend (nights)
	Total (million)	& of total		
England	32.7	86%	19.8	7
Scotland	3.5	9%	2.2	7
Wales	0.9	2%	0.4	7
Northern Ireland	0.4	1%	0.2	6
<b>All visits to the UK</b>	<b>37.9</b>		<b>22.9</b>	<b>7</b>

Source: ONS, International Passenger Survey, via *Travel Trends: 2018* 24 May 2019

<sup>3</sup> Understanding the London+ Visitor, London & Partners

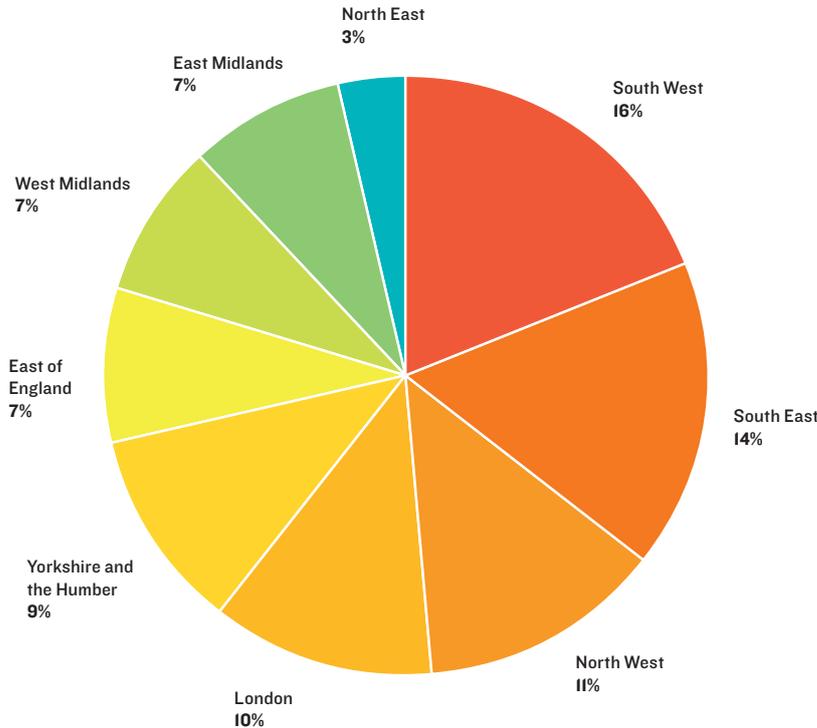
**Destinations of GB overnight domestic tourism 2018**

	Visits		Spend (£billion)
	Total (million)	& of total	
England	97.4	82%	£19.3
Scotland	11.8	10%	£2.8
Wales	10	8%	£1.9
<b>Great Britain</b>	<b>119</b>		<b>£24.0</b>

Source: VisitBritain, *GB Tourism Survey: 2018 Review*  
 Gov.Wales, *Wales Tourism Performance Report: January to December 2018*, 6 June 2019  
 & VisitScotland, *Scotland's Tourism Performance Summary Report 2018*, May 2019

Notes: Based on survey responses so subject to some sampling error. Includes all trips by GB residents within the UK of one night or more. Total does not sum due to some respondents not giving reasons

**Domestic Tourism Visits to English Regions (and London) 2018**



Source: VisitBritain, *GB Tourism Survey: 2018 Review*

Notes: Based on survey responses so subject to some sampling error. Includes all trips by GB residents within the UK of one night or more. Total does not sum due to some respondents not giving reasons

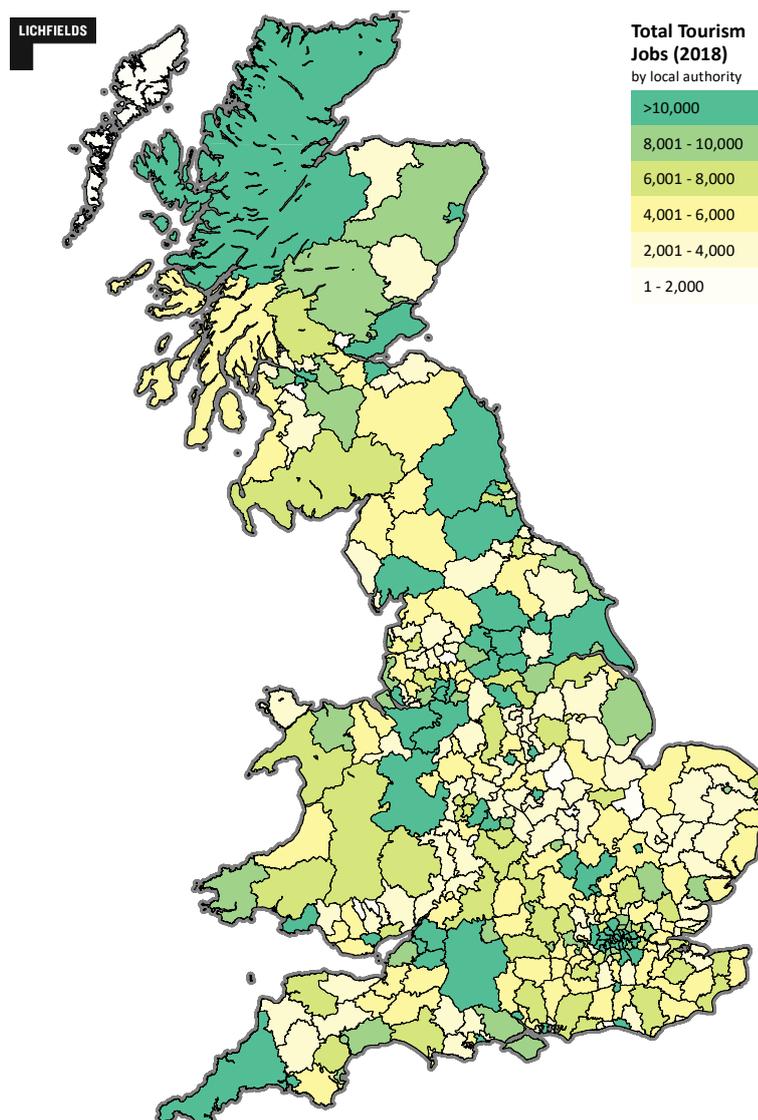


Tourism is a key source of employment in the country because it is an exceptionally labour-intensive industry. A review of employment data adds further insight to the importance of tourism to local areas and the potential effects of a downturn.

Employment from tourism is spread right across the country, although there are some high concentrations, particularly in the **south of England** (including London), which accounts for 45% (1.3 million jobs) of total UK employment based on 2018 data. Aside from London, across the south unsurprisingly many coastal and rural areas are at greater risk of significant economic impact through job loss. Places such as Cornwall (the largest tourism employer in the south outside of London), Bristol, Wiltshire, Bath and North East Somerset, Plymouth, Bournemouth, South Gloucestershire, Brighton and Hove, Portsmouth, Southampton, and Crawley all have large concentrations of tourism employees (around 10,000 jobs and above). In **Wales**, the big

cities - Cardiff and Swansea - dominate. In the **east of England**, clusters of high employment exist in Luton, Central Bedfordshire and Norwich. Moving further northwards into the **midlands**, the larger cities and towns account for the greatest proportion of tourism jobs, including Birmingham, Solihull and Shropshire. Cities, towns and rural areas in the **north** such as Manchester, Liverpool, parts of Cheshire, Sheffield, Newcastle upon Tyne, Northumberland, East Riding and York have the highest job concentrations. Tourism is also a big employer in **Scotland**, particularly in Edinburgh, Glasgow, Aberdeen and the Highlands.

The wide spread of tourism and tourism jobs across the country means that most places will be feeling the effects of the economic downturn. Whilst some areas may be cautiously optimistic with the easing of lockdown measures, for others the impacts have already been too great, with the loss of many businesses and jobs.



It is becoming increasingly clear the UK will not experience a sharp economic recovery and that economic volatility will be with us for a while as a direct result of the pandemic. Aside from the virus, whilst the tourism sector has experienced strong growth in recent years, it is beset by ongoing challenges such as seasonality and the effects this has on delivering regeneration. These issues are compounded by the lack of a coordinated strategy being implemented across the regions promoting tourism. This has prevented the visitor economy from achieving its full potential.

To address the economic effects of COVID-19 and pre-existing issues in the sector, it is time for tourism to be given the status it deserves – as one of the ‘dynamo’s of the British economy, reaching parts of the economy other industries

cannot reach. The Tourism Deal published in June 2019 was long overdue and rightly ‘shines a light’ on the sector. However, more proactive Government support is needed to take forward the recommendations therein and look to extend them, acknowledging the drastic change to the tourism landscape since the deal was published, to assist private sector efforts to improve the quality of the tourism product. This will encourage UK residents to stay here for their holidays – the rise in staycations will be more important than ever to the economy – and market UK tourism overseas, encouraging foreign visitors back, potentially in greater numbers than before.

Below we summarise some of the key issues in the sector we consider need tackling to enable tourism to recover and flourish in the future.



#### Establish Positive, Flexible Policy Frameworks:

Development Plans are essential for driving investment and promoting the tourism sector. Many Local Planning Authorities (LPAs) have outdated Development Plans in place or more up-to-date ones that underplay the importance of tourism to their areas. These should be reviewed as a priority, to incentivise inward investment. A concerted effort is also needed to create more bespoke Destination Management Plans (DMPs), establishing current and future priorities for tourism in areas and clear actions to achieve them.



#### Understand the Tourism Product and Business Needs:

Councils need to develop a better knowledge and assessment of all features of their destinations that relate to the visitor economy, including the value and volume of tourism in the destination, local issues and the performance of tourism businesses and their investment plans for the future. The performance and impact of tourism businesses should be given high priority in plan making and planning application decisions, based on a clear understanding of businesses’ needs and the contribution they make to the sector.



#### Develop Partnership Working:

Partnership working between central Government, Local Planning Authorities, Local Enterprise Partnerships (LEPs), Destination Management Organisations, private and public sectors investors and other public bodies is key to realising ‘joined-up’ tourism strategies that meet the needs of areas. Consultation needs to be proportionate, effective and efficient.



#### Private Sector Positioning:

Private sector businesses have a big role to play. They need to promote their plans and their important tourism role in the area, engage in the planning process, and seek to establish positive policies both in terms of tourism development specifically and the sector’s wider economic role more generally. Businesses need to be a voice for tourists, who often do not get a say about what they want from an area, and instead local residents lead the debate (and perhaps too much so in our experience of major tourist destinations).



#### Promote Investment and Growth:

When the National Planning Policy Framework (NPPF) was originally published in 2012 the Chancellor referred to it as being “unashamedly pro-growth”. It firmly re-cast the role of planning, encouraging and not impeding growth, with “significant weight” being placed on the need to support economic growth. This was a response to the recession at the time. The country faces great challenges in the current climate. It is appropriate that policy and decision makers reacquaint themselves with the original aim of the NPPF, which is still inherent in the current version, and fully support the economic and social benefits of the tourism sector and tourism development.



#### Spread Opportunities:

Inbound tourism is heavily concentrated on London. The economic benefits of tourism are not evenly spread across the nations and regions of Britain. The tourism offer should be broadened to reduce the reliance on London, enabling other parts of the country to benefit more and contribute to a more varied and compelling visitor experience. The five new Tourism Zones to be created by the 2019 Tourism Sector Deal is a stepping stone to achieving this, although the success of this initiative and if this is to be rolled out more widely remains to be seen.



#### Invest in Public Infrastructure:

Inadequate public transport infrastructure affects the ability of visitors to access areas further afield. Rising public transport costs also limits the amount that visitors have to spend once they reach their destination. Access to suitable, reliable and affordable public transport is key to enhancing tourism growth and broadening the appeal of other destinations around the country, outside of London, particularly in rural destinations.

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