

DEPARTMENT OF CULTURE, MEDIA AND SPORT



**TOURISM
– THE HIDDEN GIANT –
AND
FOOT AND MOUTH**

Government Response
to the Fourth Report from the
Culture, Media and Sport Select Committee,
Commons Session 2000–2001

*Presented to Parliament by the
Secretary of State for Culture, Media and Sport
By Command of Her Majesty
October 2001*



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TOURISM – THE HIDDEN GIANT – AND FOOT AND MOUTH

GOVERNMENT RESPONSE TO THE FOURTH REPORT FROM THE CULTURE, MEDIA AND SPORT SELECT COMMITTEE, COMMONS SESSION 2000-2001

This Response was prepared and sent to the House of Commons Culture, Media and Sport Select Committee at the beginning of August 2001.

- (i) *In 1999, the Tourism Society expressed concern to this Committee that the English Tourism Council had been designed more by reference to the needs of the Government than with a focus on the customer. We remarked then that “it remains to be seen whether the strategic gains within Government [from the creation of the English Tourism Council] will off-set the loss of a clearly identified national marketing arm for English tourism”.*

Although the Committee has not made a specific recommendation in this area we have considered what was said carefully. Much of the tourism industry is made up of small businesses, is fragmented, and we agree could benefit from leadership and guidance. That is why the English Tourism Council (ETC) was created and why, in *Tomorrow's Tourism*, the Government identified five key areas on which it should focus to raise the profile of the industry and provide strong leadership. Those areas are: research, ensuring quality, promoting best practice and innovation, overseeing systems for data collection and analysis and acting as a voice for successful sustainable tourism in England. This role does not just support the needs of Government. It is vital for the whole industry and for all those many parts of the economy and society for which a successful tourism industry is significant. The ETC was not intended to deliver tourism services such as marketing, which is the responsibility of the Regional Tourist Boards (RTBs) who, along with local authorities, are considered best placed to deal with the consumer-facing aspects of tourism.

In 1999, in its Sixth Report (Session 1998-99) *The Department for Culture, Media and Sport and its Quangos*, the Committee said of the ETC that “the creation of the new body should enable greater clarity about the division of labour between the Council and the Department. The Council should have a greater range of skills at its disposal, including expertise on transport and sustainability, enabling it to contribute more effectively to the wider Government agenda.” In its response to that report, the Department for Culture, Media and Sport (DCMS) endorsed this opinion, and emphasised the strategic benefits that the ETC could bring to the tourism industry by helping to channel its resources in the most useful way and offering support and

advice where needed. However, DCMS recognises that Foot and Mouth Disease (FMD) tested very hard the existing support structure for tourism. DCMS is reviewing how the existing arrangements performed, and what more may need to be done for the future.

- (ii) *The expenditure funded by the Government for the respective tourist boards in 1999-2000 was as follows: £19.4 million for the Scottish Tourist Board; £15.4 million for the Wales Tourist Board; and £11.7 million for the English Tourism Council. Furthermore, the allocation to the English Tourism Council includes all allocations to the Regional Tourist Boards from public funds. The levels of spending by tourists (excluding day trips) for the respective nations is as follows: £2.5 billion in Scotland; £1.4 billion in Wales; and £24 billion in England. The grant-in-aid for the Scottish Tourist Board was the equivalent of £3.77 per head; the grant-in-aid for the Wales Tourist Board was the equivalent of £4.03 per head. The equivalent figure for English domestic tourism was 20 pence per head of population. These figures and the planned freeze of expenditure on the British Tourist Authority leave no doubt that there has been a sustained problem of under-investment by the public sector in tourism that has affected English tourism in particular.*

The Government is not convinced that the evidence points to a sustained problem of under-investment in tourism in recent years. A high proportion of visitors to rural areas in particular travel from within the UK. The promotion of English tourist destinations to the domestic market is an issue which has been raised frequently with the new Minister for Tourism, Film and Broadcasting at meetings held in areas most affected by the FMD outbreak. The Secretary of State for Culture, Media and Sport has already invited the industry through the Confederation of British Industry and the ETC to come forward by early September with a programme of action for innovation and reform which will include coordination of marketing, as well as action on training and skills and quality improvement. The Government's expenditure plans provide for the ETC steadily to increase the amount of funding allocated to regional tourism, primarily the RTBs. It will itself benefit from a higher level of overall Government funding - that for domestic tourism is rising from £10 million this year (including £0.4 million for London which goes direct to the Greater London Authority (GLA)) to £12.5 million a year by 2003-04 (London element yet to be decided). Out of that, £5.5 million will be provided for tourism in the regions (including London) in 2001-02, rising to £6.2 million and £6.5 million in subsequent years. This regional funding, in any case, only constitutes between 10 and 25 per cent of the RTBs' income, the rest coming from membership subscriptions and commercial activities.

Expenditure in support of tourism is not limited to funding for the tourist boards. In England, over £90 million is spent each year by local authorities

in promoting tourism. Much of the £1 billion that DCMS spent in 2000-01 on arts, museums, galleries, heritage and sport also directly and indirectly benefited the tourism industry. This is in addition to substantial private sector expenditure on the marketing of tourism businesses and attractions.

In 1998, the then Secretary of State announced above inflation increases in funding for the British Tourist Authority (BTA) in 1999-2000. He increased the BTA's grant by £5 million over the three years from 1999-2000 to 2001-02. Following the Chancellor's SR2000 spending review, the Secretary of State announced in July 2000 his intention to continue BTA funding for the period from 2001-02 to 2003-04 at the present, higher, level, agreed in 1998 (net of £1.5 m for London tourism, to be channelled via the GLA from April 2001). The current level of grant is therefore a recognition of the importance and effectiveness of BTA's work. The BTA also receives a significant amount of funding annually from commercial partners – some £15 million.

A key aim of Government support for tourism promotion is to encourage an increase in the earnings derived from overseas visitors' expenditure. The Government recognises that grant-in-aid to the Scottish Tourist Board and the Wales Tourist Board per head of population has been much higher than that to the ETC over the last decade. However, comparisons of grant-per-head of population may be misleading. They say nothing about the extent to which financial support is needed to address market failure in different parts of the country or about comparative success in attracting tourism earnings. The devolved administrations make their own decisions on funding that take into account local conditions and needs. In England, the arguments for increasing public spending on an industry that has done well anyway have not been so strong. Incoming visitor expenditure per head of population in England is higher, at £222 per head, than that in Scotland (£160 per head) or Wales (£92 per head). Total spending by tourists has grown faster in England in recent years (Table 1). In the Government's view the record of success of tourism in England stands up to any comparison with that of Scotland or Wales. It could as well be argued, in contrast to the Committee's view that if tourists already spend ten times as much in England as in Scotland and that spending has grown faster in England than in Scotland, then it is difficult to see why the lower levels of spending per head were disadvantageous.

Table 1: Spending by UK resident tourists (£)

	1991	1999	% increase
England	204	260	27%
Scotland	289	325	13%
Wales	386	386	0%

Table 2: Spending by overseas tourists (£)

	1991	1999	% increase
England	161	222	38%
Scotland	115	160	39%
Wales	54	92	70%*

Table 3: Spending by all tourists (£)

	1991	1999	% increase
England	364	481	32%
Scotland	404	485	20%
Wales	440	478	9%

**Before 1999 the International Passenger Survey did not interview on routes from the Irish Republic; this information was obtained from other sources which could not identify the UK region where the visitor was going. Therefore the 1991 figures do not include visitors from Ireland. This has little effect on the England and Scotland figures but does affect those for Wales.*

(iii) The low level of information technology provision in the tourism industry has been a hindrance to information collection and analysis. The English Tourism Council confirmed that, prior to the current foot and mouth outbreak, only six out of the ten Regional Tourist Boards provided web sites, and the Council recognised the importance of encouraging and supporting information technology development in tourism, referring to the “critical importance of new media to the success of the industry”.

The Government recognises the importance that new technology plays in supporting tourism. That is why an E-Tourism Advisory Group was set up in August 2000 under the Chairmanship of the then Minister for Tourism, Film and Broadcasting to look at how new technology could be exploited to create a world class E-Tourism service. The Group, which comprises experts from the tourism and technology industries, has considered the main options for public/private partnership. An EnglandNet project has been agreed whereby central and regional resources and expertise will provide effective information and communications technology services to the benefit of consumers, industry service providers and destinations at a local, regional and national scale. Commercial partners will also be sought.

The ETC are taking forward the first part of the EnglandNet project, using £0.9 million funds which they were awarded under the Capital Modernisation Fund. ETC is working in collaboration with the RTBs to deliver a set of value-added online business and marketing services to the tourism industry, harnessing electronic business technologies.

- (iv) We recommend that the Department for Education and Employment recommend urgently that all local education authorities review the advice and instructions they give to schools and ensure that, whenever possible, visits go ahead.***

Throughout the FMD outbreak, officials of the Department for Education and Employment (DfEE) (and now the Department for Education and Skills - DfES) have maintained close contact with all local education authorities in England and have used every opportunity to encourage them to take action which is appropriate to the situation. As a result, earlier blanket bans on visits have now been lifted, outdoor activity centres have reopened wherever possible, and schools are again undertaking a range of educational visits and activities.

The evidence to which the Select Committee refers at Appendix 16 (Clearwell Caves) was particularly concerned about advice to schools in Gloucestershire. That early advice could be interpreted as discouraging school visits. However, Gloucestershire issued revised advice on 4 April in line with DfEE's advice that the countryside is open.

- (v) At the present juncture, it is not possible to examine whether and why the Government and other public authorities were slow to respond adequately to the implications for tourism of the outbreak of foot and mouth disease. It will be essential subsequently to examine this issue in detail, not least to ensure that appropriate lessons are learned for the future organisation of public sector support for tourism and Government sponsorship of the industry.***

The Government responded promptly and directly to the FMD outbreak. On 23 February, DCMS alerted rural tourism trade associations to the guidance that the Ministry of Agriculture, Fisheries and Food (MAFF) had issued to the public the previous day. By 5 March there was guidance on the DCMS website on visiting the countryside for tourism, sport or recreation. On 6 March, the then Secretary of State and Tourism Minister reviewed the impact of FMD with MAFF, Department of the Environment, Transport and Regions (DETR) and Department of Trade and Industry (DTI) Ministers (as well as ETC, BTA and the British Hospitality Association) at the Tourism Summit. On 12 March, DCMS held its first Foot and Mouth Tourism Summit and reviewed the first proposals commissioned earlier from ETC and BTA industry representatives. These proposals were fed into the Rural Task Force which met for the first time on 14 March. Guidance was available to visitor attractions from 28 March to help them to reopen.

As the Committee recommends, the Government will carefully consider what lessons there are to be learned, including whether better up-to-the minute visitor information can be provided on rights of way closures.

(vi) As matters stand, it appears that no additional public funding will be available in the immediate future for the English Tourism Council or for Regional Tourist Boards. We find this astonishing. That approach calls into question whether the Government has fully grasped the extent to which publicly-funded marketing and promotion represent one of the few specific aids for tourism businesses in affected areas that are struggling to survive the current crisis. We return to the longer term case for marketing England as a tourist destination later in this Report.

(xiii) We recommend that the Government re-examine fundamentally and as a matter of urgency the case for sustained public funding for local, regional and national marketing of England and its component parts as a tourist destination. In future, it will be essential to promote areas most adversely affected by the current crisis with public funding, to develop a more coherent approach to marketing through the Regional Tourist Boards and to provide funding for the packaging and marketing of England as a tourist destination in its own right.

Since the Committee prepared its report, additional funding has been made available to Regional Tourist Boards. They have access to the £50 million Rural Business Recovery Fund which the Department for Environment, Food & Rural Affairs (DEFRA) has set up to run through the Regional Development Associations (RDAs), and money will be directed particularly to those areas which have been worst affected. The RDAs have formulated their recovery plans, which are being agreed with Government, and RTBs have been involved in advising on the content of these plans. As part of the latest batch of money to be put into the Fund, for instance, one RDA alone is proposing to invest £2 million in tourism promotion and development.

The Government takes the view that domestic marketing is best carried out by the RTBs, local authorities and other destination management organisations, as well as by the industry itself. Some have argued for a co-ordinating role for the ETC, establishing ‘themes’ across England for example, such as gardens, sport, or castles. Indeed, although the ETC has no marketing role as a strategic body, it has already produced a branding guide for England that can be used by all appropriate tourism organisations and businesses. We are not convinced that public expenditure on promoting England as a whole as a destination for English holiday-makers is likely to have a significant impact on consumer choice, given the number of different and distinct choices already marketed at the regional level. At the industry Tourism Forum on 21 November 2000, however, the then Secretary of State

indicated that the Government was prepared to look at the possibility of marketing England if the industry were to put forward a coherent case. No case has since been presented by the industry in any detail, although ETC has made a case for additional funding and how that would be deployed.

(vii) We recommend that the Government as a matter of urgency appoint a coordinator of all Government activities for the areas most deeply affected by the outbreak of foot and mouth disease reporting to the Cabinet Office. We emphasise that this is for a limited number of areas that require specific attention beyond measures focussed on regions.

The Government accepts that coordination of help for the most severely affected areas is important. At national level, coordination is provided by the Cabinet Sub-Committee on Rural Renewal (DA (RR)) and the Rural Task Force (see response to recommendation xii); on a day-to-day basis, DEFRA coordinates the work of the various Departments involved. At regional and local level, a variety of coordination mechanisms (to deal with aspects of the outbreak other than disease control and its direct consequences such as carcass disposal) have evolved to suit the needs of each region. These have all involved the Government Office for the Region, the RDA, MAFF (now DEFRA), the Small Business Service of DTI, the Employment Service, and other Government agencies, together with the local authorities (county and district councils), tourist boards, business representative organisations and others.

The Government announced on 3 August that Lord Haskins had been appointed as Rural Recovery Co-ordinator to help local authorities and other agencies plan for the recovery in Cumbria, the area worst affected by the FMD outbreak. He will also consider what lessons would be applicable to the other areas that have been particularly affected by the impact of FMD.

(viii) It will be important for the Government to clarify as soon as possible the additional assistance that it will offer to local authorities in the most affected areas that provide assistance to businesses not conforming to the Government scheme.

The Government has issued guidance to local authorities on non-domestic rating and hardship relief for businesses affected by foot and mouth disease. Local authorities can give rate relief to any business suffering hardship. The Government has encouraged local authorities to do so for businesses seriously affected by the FMD outbreak.

Government normally funds 75% of the cost of such relief with the local authority funding the remainder. The Government announced that its funding will be increased to 95% for hardship relief granted because of FMD for properties with a rateable value of £12,000 or less, in 151 rural local authorities in England. Since the Committee prepared its Report, this funding has been extended to properties with a rateable value of up to £50,000 in the 37 most seriously affected authorities. The Government will also increase its funding to 98% for hardship relief granted costing, net, more than 0.4% of a

Council's annual net budget in any of the 151 authorities and the hardship relief scheme, as a whole, will now continue until the end of the year. The Government is keeping the scheme under review as evidence of the wider economic impact of FMD emerges.

- (ix) We recommend that the Government examine the case for a job retention subsidy for the tourism industry in the most adversely affected areas to ensure that vital skills are not lost to those areas and possibly to the country for good.***

The Government has considered this idea carefully but has not been convinced by the arguments for a wage subsidy scheme. It would be less flexible than alternative grant or soft loan schemes and more difficult to administer, as it requires evidence not only of lost revenue but also of the intention to make specific employees redundant. It would be difficult to target successfully and would therefore have high deadweight, helping failing businesses that would have been reducing staff anyway and having the potential to encourage employers to maximise redundancy announcements, rather than to seek alternative ways of employing staff. It might also create a precedent for other sectors in temporary structural difficulty to argue for a more general scheme such as those we no longer pursue for strong economic reasons. Providing funds for the RDAs and allowing them to decide on the basis of local needs what is the most appropriate help to give businesses is a far more focussed and flexible option than a national job retention subsidy.

- (x) We recommend the immediate creation of a National Tourism Corporation for England, operating on the model of Urban Development Corporations established in the 1980s. This Corporation would be able to develop and implement a tourist strategy. It would have direct powers to distribute funds to areas in most need, in consultation with but not through the English Tourism Council, Regional Tourist Boards and Regional Development Agencies .***

The Government cannot respond in full without some further understanding of exactly what would be entailed by this proposal. However, it is clear that substantial additional funding would be required. Moreover, care would have to be taken that such an organisation, if it did exist, did not cut across the work of the RTBs and the RDAs or overlap with DCMS and ETC's responsibilities for developing tourism strategy and policy. The Urban Development Corporations, rather than co-ordinating activity nationwide, were 12 separate statutory bodies, operating in tightly defined geographical borders in inner city areas. They were all self-standing Non-Departmental Public Bodies (NDPBs) without any umbrella organisation, and were given specific powers to override certain of the functions of local government. It is unclear how a single National Tourism Corporation could fulfil a similar function. However, the Government is willing to look at ways to bring business people with a knowledge of tourism closer into the arrangements for Government support for the industry.

(xi) It is essential that the Lottery distributing bodies respond sensitively and as generously as possible to the additional needs of projects in affected areas arising from the current crisis in rural tourism.

Lottery distributors operate at arms length from the Government and as such DCMS cannot insist that they fund particular schemes. Aside from the New Opportunities Fund (NOF), which follows Government policy directives, it is up to the lottery distributors themselves to decide whether to target particular areas that have been badly affected by foot and mouth. Several have indeed responded positively, for example: the Heritage Lottery Fund have relaxed the access requirements that wildlife trusts must fulfil to be awarded grants; the Community Fund (until April 2001 the National Lottery Charities Board), which have given £274 million to projects dealing with rural disadvantage and isolation since 1995, has invited charitable organisations to discuss projects that could help rural communities hit by FMD.

NOF anticipates that local communities suffering from the effects of the disease may want to work in partnership with the statutory and voluntary sector to bid for funding from its open grant schemes, particularly the environment initiative 'Green Spaces and Sustainable Communities'.

(xii) We recommend that a Minister in the Cabinet Office be charged with responsibility for coordination of all Government involvement with assistance for rural communities and businesses affected by the outbreak of foot and mouth disease beyond the immediate impact on farming.

The Government agrees that proper co-ordination of help to rural businesses is important. On this specific issue, early in the outbreak the Prime Minister asked the Minister for the Environment to head a Rural Task Force. This is now chaired by the Rural Affairs Minister. More generally, the Cabinet Sub-Committee on Rural Renewal (DA(RR)) has a remit to oversee the development and implementation of the Government's policies on the rural economy and rural communities. At present, the Rural Task Force is charged with co-ordinating stakeholders views and advising Government on relief to rural businesses. When, in the longer term, that group's work is finished, the responsibility for co-ordinating Government work will pass to DA (RR), which has succeeded the Ministerial Group on Rural Affairs (MISC8).

(xiv) Regardless of where departmental responsibility is located in the future we recommend that tourism is and is seen to be the primary responsibility of the relevant Minister.

DCMS has had a Minister with specific named responsibility for tourism since 1997. Dr Kim Howells is the Minister for Tourism, Film and Broadcasting. The biannual Tourism Forum, chaired by the Secretary of State with more than 80 representatives from businesses, trade associations, national and local Government invited, exists to encourage the development of common action in tourism. The industry also has a direct line into

Government through the annual Tourism Summits, with Ministers from all relevant Departments and key players in the industry attending. The Government believes that tourism has been given strong support over the past four years by DCMS, a Department that allows the synergy between the tourism industry and the cultural, sporting and leisure sectors to be fully exploited.

August 2001