

Tourism Sector Report

1. This is a report for the House of Commons Committee on Exiting the European Union following the motion passed at the Opposition Day debate on 1 November, which called on the Government to provide the Committee with impact assessments arising from the sectoral analysis it has conducted with regards to the list of 58 sectors referred to in the answer of 26 June 2017 to Question 239.
2. As the Government has already made clear, it is not the case that 58 sectoral impact assessments exist. The Government's sectoral analysis is a wide mix of qualitative and quantitative analysis contained in a range of documents developed at different times since the referendum. This report brings together information about the sector in a way that is accessible and informative. Some reports aggregate some sectors in order to either avoid repetition of information or because of the strong interlinkages between some of these sectors.
3. This report covers: a description of the sector, the current EU regulatory regime, existing frameworks for how trade is facilitated between countries in this sector, and sector views. It does not contain commercially-, market- or negotiation-sensitive information.

Description of sector

Overview

4. The UK's tourism industry consists of public and private sector organisations including small and medium-sized enterprises (SMEs), international private businesses (e.g. airlines, large hotel chains) and Destination Management Organisations (DMOs, city or sub-regional bodies responsible for tourism product and promotion at a local and regional level). They are funded by a mix of public and private sources.
5. Tourism is defined as the goods and services purchased by someone "travelling outside their usual environment"¹ and can arguably be better understood as elements of several industries, for example accommodation, restaurants, attractions, hospitality, transport and travel services.
6. "Direct tourism" is the part of UK tourism industry that is driven directly by tourism spend. This is the preferred measure of tourism as it is a more defined and accurate definition. Please note that there are occasions in this document where statistics refer to the wider "tourism industries", these include the totality of the tourism-related sectors. These statistics have only been used where more specific figures on direct tourism are not available.

¹ UNWTO/OECD definition of tourism <https://stats.oecd.org/glossary/detail.asp?ID=2725>

Economic Overview

7. In 2015, direct tourism Gross Value Added (GVA) was worth £62.4 billion to the UK economy, 3.8 per cent of UK GVA². That represented a growth of 5.8 per cent on 2013. In 2013, direct tourism GVA was worth £59.0 billion to the UK economy. Of this, England was responsible for £50.4 billion, followed by Scotland (£5.2 billion), Wales (£2.8 billion), and Northern Ireland (£0.6 billion).³ The sector is predicted to grow at an annual rate of 3.8 per cent through to 2025.⁴
8. The direct tourism industry in the UK can be considered in five distinct categories:
 - a. inbound (overseas travellers visiting the UK);
 - b. outbound (UK residents travelling overseas);
 - c. domestic overnight (overnight trips by UK residents);
 - d. domestic day visitors (day trips by UK residents); and
 - e. travel broking (the arrangement of a transaction between buyers and seller).
9. Each of these categories has very different characteristics and supply chains. As such, there is no single overarching model of the tourism sector and how it operates.
10. The GVA of direct tourism consumption can be broken down across a range of products as the table of 2015 estimates below shows.⁵

² [DCMS Economic Estimates \(2016\)](#), 4 August 2016

³ [The regional value of tourism in the UK, 2013](#), ONS 10 May 2016

⁴ <https://www.visitbritain.org/visitor-economy-facts>

⁵ [Nowcast estimates of Tourism Direct GVA](#), ONS - 2015:

| Product | Tourism Direct Gross Value Added (£ millions) |
|--|--|
| Accommodation services for visitors | £8,879 |
| Food and beverage serving activities | £8,850 |
| Railway passenger transport services | £2,270 |
| Road passenger transport services | £1,058 |
| Water passenger transport services | £697 |
| Air passenger transport services | £4,777 |
| Transport equipment rental services | £220 |
| Travel agencies & other reservation services | £8,607 |
| Cultural activities | £1,630 |
| Sport and recreation activities | £2,371 |
| Exhibitions & Conferences etc | £24 |
| Other consumption products | £23,024 |
| TOTAL | £62,407 |

11. In the UK, Wales and the South West have the highest proportion of GVA related to tourism. 5.3 per cent of all GVA in Wales is from tourism, and 4.8 per cent in the South West. 2013 is the latest data available:

| GVA⁶ | 2013 (£billion) | Per cent of total regional GVA |
|---------------------------------------|----------------------------|---|
| NORTHERN IRELAND | 0.59 | 1.8 |
| SCOTLAND | 5.24 | 4.5 |
| WALES | 2.76 | 5.3 |
| ENGLAND | 50.41 | 3.9 |
| West Midlands | 3.76 | 3.4 |
| North East | 1.58 | 3.5 |
| Yorkshire and The Humber | 3.24 | 3.2 |
| East Midlands | 2.57 | 2.9 |
| East of England | 4.30 | 3.3 |
| South East | 8.24 | 3.6 |
| North West | 5.80 | 4.1 |
| London | 15.39 | 4.5 |
| South West | 5.52 | 4.8 |
| Rest of England (excluding London) | 35.02 | 3.7 |

Domestic, Inbound and Outbound markets

Domestic

12. Domestic tourism (both overnight visits and day visits) comprises 79 per cent of the UK tourism industry by spend. It is the most significant market for many attractions, seaside resorts and several countryside destinations and suppliers.⁷ In 2016, there were 119.5 million domestic overnight trips in GB (spending £23.1 billion) and 1.8 billion domestic day trips (spending £63.9 billion).^{8 9}

13. Most overnight domestic tourism is self-packaged by customers either through direct bookings with operators or, increasingly, through online intermediaries. Day visits are almost entirely self-organised with the vast majority of purchases being undertaken

⁶ [Figure 4: Tourism direct gross value added \(£ millions\) in regions and nations of the UK \(NUTS 1\) in 2013](#), ONS and [Regional GVA NUTS1](#), ONS, December 2014

⁷ The percentage is calculated by working out the total domestic tourism figure (overnight + day visits) - references 4 and 5 and dividing this by the the sum of inbound tourism spend (reference 7) and the domestic tourism spend.

⁸ [2015-16 comparison report](#): VisitBritain - 2016

⁹ [Day visits topline 2016 report](#): VisitBritain - 2016

directly with the supplier – e.g. entrance tickets to attractions or events. In 2014, only 7 per cent of the domestic tourism spend in Britain was accounted for by package travel.¹⁰

Inbound (Overseas Travellers Visiting the UK)

14. The UK has experienced a spike in visitors, visitor spend, and bookings this summer (2017). In August 2017 there was a 5 per cent increase from August 2016 in visiting overseas residents, a new record for that calendar month. In addition overseas residents spent £2.8 billion on their visits to the UK in August 2017, 3 per cent higher than August 2016, another new record for August.¹¹
15. There were 37.6 million visits by overseas residents to the UK in 2016, which represented an increase of 4 per cent on 2015. Overseas residents spent £22.5 billion on visits to the UK in 2016.¹² Half of inbound spend (which is effectively a tourism export) is accounted for by spend in London, which received 53 per cent (£11.9 billion) of all spend from international visits in 2016.¹³ Wales accounted for approximately 2 per cent (£444 million) of inbound UK spend, Scotland 8 per cent (£1.9 billion) and Northern Ireland 1 per cent (£231 million) in 2016.
16. Of the top ten countries whose residents visited the UK the most frequently in 2016, eight were EU Member States.¹⁴ Residents from Europe spent £11.7 billion on visits to the UK in 2016, an increase of 5 per cent compared to 2015.¹⁵ The latest Office for National Statistics (ONS) statistics for January-August 2017 show there were 17.6 million visits from EU residents, a 4 per cent increase compared to the same period last year and accounting for 65 per cent of all overseas visits.¹⁶
17. There has also been a significant increase in visitors from North America. From January to August 2017, there were 3.4 million visits from North America, 18 per cent increase compared to the same period last year.¹⁷ The number of visits to the UK from GREAT markets have also all increased between 2010 and 2016. The below table demonstrates the percentage increase for each GREAT market.¹⁸

¹⁰ [TGB Tourist Report VisitBritain - 2014 - Table 2.1](#)

¹¹ [Monthly Inbound Update: August 2017](#), Visit Britain, November 2017

¹² [Travel Trends ONS - 2016:](#)

¹³ [Inbound tourism trends by area - VisitBritain](#)

¹⁴ [Travel Trends 2016:ONS - 2016](#)

¹⁵ This figure has been taken from the [Overseas Travel and Tourism quarterly dataset](#), table 10.

¹⁶ [Visit Britain Inbound visitor statistics for VisitBritain- VisitBritain - August 2017](#)

¹⁷ [Visit Britain Inbound visitor statistics- Visit Britain- August 2017](#)

¹⁸ [Market growth and rank from 2003 to 2016](#), Inbound tourism by market

Inbound visits to the UK by Great Priority Market, 2010 and 2016

| GREAT Priority Market | 2010 (million visits) | 2016 (million visits) | Percentage Change |
|--|--------------------------------------|--------------------------------------|------------------------------|
| US | 2.7 | 3.5 | 27.5 |
| France | 3.6 | 4.1 | 12.3 |
| Germany | 3.0 | 3.3 | 11.2 |
| Gulf Cooperation Council - (Saudi, Bahrain, Kuwait, UAE, Oman and Qatar) | 0.4 | 0.8 | 76.6 |
| China | 0.1 | 0.3 | 137.9 |
| India | 0.4 | 0.4 | 11.9 |
| Brazil | 0.2 | 0.2 | 5.2 |

Breakdown of Inbound Tourism

18. Recent analysis by VisitBritain looked at the distribution of inbound visitors to the UK during 2016, along with national spread over the longer term¹⁹. Key findings were:

- **Scotland:** The USA is Scotland's largest and most valuable market. Visits from the USA have increased by 31 per cent and spend by 71 per cent between 2011/13 and 2014/16;
- **Wales:** Wales posted its fourth consecutive year-on-year visits growth in 2016. Spend also rose to a record £444 million;
- **Northern Ireland:** Tourism Ireland reported 10.3 million overseas visitors to the island of Ireland in 2016, a 9per cent rise increase since 2015;²⁰
- **England:**
 - Northern England:
 - Three of the top five generating markets to the North East have posted double digit visit growth in spend in the last three years – Germany (19 per cent), France (27 per cent) and the Netherlands (51 per cent);
 - The North West's most valuable market – the USA – reported a 37 per cent rise in spend in the last three years. Manchester was the most popular place in the North West between 2014 and 2016, welcoming 3.3 million visits;

¹⁹ [Regional spread of Inbound Tourism](#), VisitBritain- 2016

²⁰ [Overseas Tourism Performance, Facts and Figures 2016](#), Tourism Ireland

- Visitors spent £516 million in Yorkshire in 2016, with Leeds, York and Sheffield the three most popular places for international visitors to spend at least a night;
- The Midlands:
 - While the West Midlands welcomes visitors for a range of purposes, in 2016 they reported the highest proportion of business visits, with two out of every three visits to the area for business;
 - The East Midlands was the only area where a long haul market did not make it into the top five generating markets;
 - For the East Midlands all of the top five markets since 2014 are in Europe - Poland, Ireland, Germany, France and Spain;
- East of England: Of all the areas examined in this report the East of England had the highest proportion of visits to friends and relatives in 2016 – 46 per cent;
- South West:
 - Holiday and visiting friends and relatives were the most popular reasons for visiting the South West, accounting for almost 80 per cent of all visits;
 - Germany was the number one generating market in the last 3 years; and
- South East: 2016 was the second consecutive year the South East hosted more than 5 million international visits. In the last three years Oxford and Brighton/Hove were the two most popular places in this area followed by Reading.

Outbound (UK Residents Travelling Overseas)

19. Outbound tourism (visits to other countries by UK residents) was responsible for 70.8 million trips abroad in 2016. Spain is the most visited country by UK residents (14.7 million visits in 2016), followed by France, Italy, Ireland and the USA.⁷
20. UK outbound spending accounted for £43.8 billion in 2016 (statistically this outbound tourism spend is classed as a UK import from the countries visited).²¹ Visits to the EU accounted for 75 per cent of total outbound visits by UK tourists (53.0 million) and spend accounted for 58 per cent of total outbound spend (£25.4 billion).²²
21. A recent report by the Association of British Travel Agents (ABTA) on the value of UK outbound travel to the EU found that.²³
 - UK trips to the EU generate more than €15 billion in GVA for EU member state economies, and more than €37 billion in aggregate or indirect impacts. Over half of all GVA from tourism in the EU goes directly to employees through wages;

²¹ [Travel Trends 2016](#) ONS - 2016

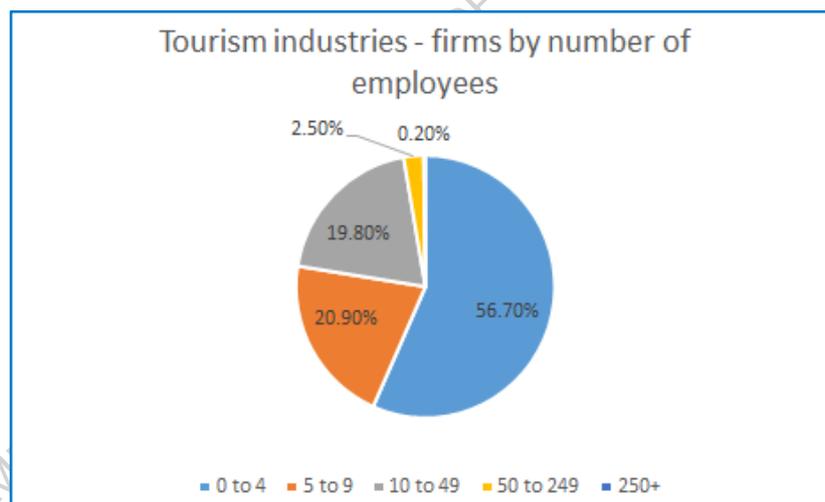
²² These figures are calculated from the [Overseas travel and tourism quarterly dataset](#).

²³ Travelling Together- the value of UK outbound tourism ABTA - 2017

- The top ten GVA beneficiaries of UK travellers are: Spain, France, Italy, Greece, Portugal, Ireland, Germany, Netherlands, Austria and Poland;
- Outbound tourism from the UK directly sustains over 380,000 jobs across the EU supporting a further 486,000 jobs indirectly through supply chains; and
- As well as benefitting the economies of our European partners, UK outbound travellers are worth more than £11.7 billion a year to the UK economy (GVA); and in excess of £28.3 billion by the time aggregate impacts are taken into account. The ONS notes that spending in the UK on outbound travel related items amounted to more than £35 billion in 2014²⁴. ABTA also found that £324 is the average spend by UK travellers before they've left the UK²⁵.

Enterprises

22. The tourism sector is predominantly comprised of SMEs. 56.7 per cent of tourism industries enterprises employed less than five people, with only 0.2 per cent of enterprises in the “tourism industries” having 250 employees or more (*note this does not consider the division of the market in terms of revenue across these firms*).²⁶



Labour market

Overview

23. In 2014, there were 3.1 million people employed in the wider “tourism industries”.²⁷ Tourism employment is spread across the whole of the UK with 83.5% in England (compared to 84.4% of all industries) in England, 4.6% in Scotland (compared to

²⁴ [United Kingdom, Tourism Satellite Account, 2014](#) - Outbound Tourism Expenditure, Table 3

²⁵ [ABTA/Arkenford Travel Consumer Survey 2017](#), November 2017

²⁶ [DCMS Economic Estimates \(2016\)](#), Table 5.3 4 August 2016

²⁷ United Kingdom Tourism Satellite Account,

2014: <https://www.ons.gov.uk/businessindustryandtrade/tourismindustry/adhocs/005978unitedkingdomtourismsatelliteaccount2014>

8.4% of all industries), 9.4% in Wales (compared to 4.6% of all industries) and 2.5% in Northern Ireland (compared to 2.6% of all industries) in 2014.²⁸

24. ONS data for 2015 shows that the majority of employment within the tourism sector is in food and beverage serving activities, sport and recreation activities and accommodation services for visitors.²⁹ However the sector provides a broad range of roles and requires skills such as digital and marketing expertise, given the growth in online marketing and booking.
25. The tourism sector directly provides approximately 1.5 million jobs at all entry levels across the UK.³⁰ The sector has a higher than average proportion of EU workers and is one of the largest employers of EU citizens across the UK.³¹ The latest ONS data indicates that in 2016 approximately 10 per cent of the sector's workforce were EU nationals.³²

EU Workforce

26. The roles held by EU citizens in tourism are generally concentrated in the comparatively lower skilled and semi-skilled parts of the industries, particularly roles in hotels, restaurants, hospitality and attractions.³³ A 2016 ONS report found that there are higher proportions of international migrants in some sectors; particularly the 14 per cent of the wholesale and retail trade and hotels and restaurants workforce who are international migrants³⁴.
27. The People 1st report '*Migrant workers in the hospitality and tourism sector and the potential impact of labour restrictions*' found that there is a high level of regional variation, with around a third of all tourism workers in London being EU nationals and greater variations within individual businesses.³⁵ A report by KPMG for the British Hospitality Association on *Labour migration in the hospitality sector* also found that London is more heavily reliant on EU nationals than other parts of the UK.³⁶
28. The following table provides an ONS breakdown of workers in tourism industries in the UK and devolved nations by nationality.³⁷

²⁸ <https://www.ons.gov.uk/peoplepopulationandcommunity/leisureandtourism/adhocs/005390mainandsecondjobsintourismbyukregion2014>

²⁹ [ONS: Provisional estimates of Employment in tourism industries, and Inbound and Outbound tourism expenditures \(2017\)](#)

³⁰ [DCMS Sectors Economic Estimates 2017: Employment Tables](#)

³¹ In July - September 2017 7.5per cent% of all those in the UK are from the EU
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/a12employmentunemploymentandeconomicinactivitybynationalityandcountryofbirth>

³² [Analysis of tourism workers by nationality, UK, 2016](#). The People 1st report '*Migrant workers in the hospitality and tourism sector and the potential impact of labour restrictions*', indicates that around 11per cent of all tourism employees in the UK are EU nationals.

³³ [MAC Briefing note - see chart 10](#) - food and beverage service activities and accommodation

³⁴ ONS: International immigration and the labour market, UK: 2016

³⁵ People 1st - Migrant workers in the hospitality and tourism sector and the potential impact of labour restrictions (2017)

³⁶ KPMG - Labour migration in the hospitality sector (2017) - See figure 5 on p.16

³⁷ <https://www.ons.gov.uk/businessindustryandtrade/tourismindustry/adhocs/006012thenationalityofworkersinthetourismsectorintheunitedkingdom2015> - Please note, shaded cells are based on a sample size of less than 30 and therefore should be treated with caution.

The nationality of workers in the Tourism industries in the United Kingdom, 2015

| | Nationality of workers | Number employed in tourism industries ('000s) | Percentage employed by nationality |
|------------------------------|------------------------|---|------------------------------------|
| United Kingdom ³⁸ | United Kingdom | 2,620 | 85.1 |
| | EU27 (UK not included) | 280 | 9.1 |
| | Non EU nationality | 179 | 5.8 |
| England | United Kingdom | 2,166 | 84.2 |
| | EU27 (UK not included) | 246 | 9.6 |
| | Non EU nationality | 161 | 6.3 |
| Wales | United Kingdom | 135 | 93.8 |
| | EU27 (UK not included) | 5 | 3.5 |
| | Non EU nationality | 4 | 2.8 |
| Scotland | United Kingdom | 240 | 87.9 |
| | EU27 (UK not included) | 22 | 8.1 |
| | Non EU nationality | 11 | 4.0 |
| Northern Ireland | United Kingdom | 49 | 89.1 |
| | EU27 (UK not included) | 4 | 7.3 |
| | Non EU nationality | 2 | 3.6 |

29. Recent ONS analysis (published in October 2017)³⁹ of the nationality and age of employees in tourism industries employees found the following:

- 58 per cent of the UK nationals working in tourism industries are 30 years or over and 42 per cent of UK nationals are 16-29;
- 60 per cent of all tourism industries employees overall are 30 or over; and
- 41 per cent of EU nationals and 24 per cent of rest of the world nationals across tourism industries are aged 16-29.⁴⁰

Skills

30. Some parts of the hospitality and tourism industry are facing skills shortages.

Analysis by People 1st found that 25% of businesses reported vacancies in 2016, of

³⁸ Data for the overall UK (2015) has since been revised, [Analysis of tourism workers by nationality, UK, 2011 to 2015](#), equivalent data for England, Wales and Scotland has not been revised.

³⁹ [Analysis of tourism workers by nationality, UK, 2016](#)

Note: this is based on people of working age (or aged 16-64) as the data only covers these age bands. The figures are based on the tourism industries rather than 'direct tourism'.

⁴⁰ [Analysis of tourism workers by nationality, UK, 2016](#)

Note: this is based on people of working age (or aged 16-64) as the data only covers these age bands. The figures are based on the tourism industries rather than 'direct tourism'.

which 38% are considered to be hard to fill.⁴¹ This analysis indicates that between 2014 and 2024, the hospitality and tourism sector needs to recruit 1.3 million staff and that the most acute occupations to fill continue to be front of house staff (reported by 45% of employers with hard-to-fill vacancies) and chefs (reported by 36% of employers with hard-to-fill vacancies).⁴²

Trade

Overview

31. Inbound tourists in 2016 spent £22.5 billion in the UK - this is the value of tourism sector exports⁴³.
32. Of this, £10 billion was spent by visitors from the EU, accounting for 44 per cent of all international visitor spend. Given that 68 per cent of visits were from the EU, this demonstrates that EU visitors spend less on average than visitors from outside the EU.

Priority Markets

33. The UK Government's GREAT priority market (overseas countries prioritised by the UK Government's GREAT campaign for export potential) has seen an increase in spend from, and therefore exports to to the UK, between 2010 and 2016. The below table outlines this increase for each market⁴⁴.

⁴¹ People 1st April 2017 report on 'Migrant workers in the hospitality and tourism sector and the potential impact of labour restrictions': <http://www.people1st.co.uk/getattachment/Research-Insight/Latest-insights/Migration-labour-restrictions/Migrant-workers-in-the-hospitality-and-tourism-sector-and-the-potential-impact-of-labour-restrictions.pdf?lang=en-GB>

⁴² People 1st April 2017 report on 'Migrant workers in the hospitality and tourism sector and the potential impact of labour restrictions': <http://www.people1st.co.uk/getattachment/Research-Insight/Latest-insights/Migration-labour-restrictions/Migrant-workers-in-the-hospitality-and-tourism-sector-and-the-potential-impact-of-labour-restrictions.pdf?lang=en-GB>

⁴³ https://www.visitbritain.org/sites/default/files/vb-corporate/Documents-Library/documents/industrial_strategy_-_sector_deal_bid_submission.pdf

⁴⁴ [Market growth and rank from 2003 to 2016](#), Inbound tourism trends by market

Inbound Visitor Spend to the UK by GREAT Priority Markets

| GREAT Priority Market | 2010 (£billion) | 2016 (£billion n) | Percentage Change |
|---|-----------------------------|------------------------------|------------------------------|
| US | £2.1 | £3.4 | 57.2 |
| France | £1.1 | £1.4 | 20.1 |
| Germany | £1.2 | £1.5 | 24.8 |
| Gulf Cooperation Council - (Saudi,Bahrain,Kuwait,U AE, Oman and Qatar) | £0.8 | £1.4 | 85.6 |
| China | £0.2 | £0.5 | 180.0 |
| India | £0.4 | £0.4 | 19.0 |
| Brazil | £0.2 | £0.2 | 22.8 |

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34. The breakdown of tourism spend in the UK (UK tourism exports) by EU member states is as follows⁴⁵:

| Inbound tourism spend for EU member states (£millions) | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Austria | 155 | 142 | 128 | 142 | 156 | 164 | 176 |
| Belgium | 401 | 282 | 311 | 383 | 342 | 371 | 305 |
| Bulgaria | 44 | 60 | 50 | 50 | 77 | 61 | 80 |
| Croatia | 19 | 19 | 16 | 27 | 18 | 27 | 19 |
| Czech Republic | 99 | 99 | 104 | 122 | 122 | 140 | 152 |
| Denmark | 245 | 287 | 303 | 436 | 295 | 356 | 368 |
| Estonia | 25 | 29 | 11 | 24 | 18 | 52 | 19 |
| Finland | 92 | 125 | 125 | 118 | 129 | 137 | 140 |
| France | 1,142 | 1,166 | 1,513 | 1,368 | 1,434 | 1,493 | 1,372 |
| Germany | 1,193 | 1,252 | 1,223 | 1,358 | 1,478 | 1,378 | 1,490 |
| Greece | 129 | 148 | 98 | 151 | 155 | 169 | 136 |
| Hungary | 60 | 70 | 69 | 75 | 72 | 68 | 86 |
| Irish Republic | 883 | 865 | 797 | 804 | 870 | 934 | 1059 |
| Italy | 722 | 792 | 760 | 816 | 922 | 890 | 980 |
| Latvia | 38 | 65 | 25 | 76 | 30 | 43 | 44 |
| Lithuania | 41 | 83 | 75 | 66 | 55 | 55 | 72 |
| Luxembourg | 23 | 23 | 34 | 43 | 45 | 61 | 40 |
| Malta | 44 | 45 | 46 | 53 | 58 | 42 | 67 |
| Netherlands | 717 | 624 | 627 | 709 | 701 | 676 | 714 |
| Poland | 313 | 340 | 337 | 447 | 356 | 438 | 389 |
| Portugal | 125 | 121 | 140 | 115 | 169 | 174 | 210 |
| Romania | 104 | 130 | 107 | 157 | 185 | 215 | 302 |
| Slovakia | 58 | 45 | 37 | 35 | 40 | 52 | 37 |
| Slovenia | 18 | 20 | 20 | 29 | 21 | 10 | 18 |
| South Cyprus | 78 | 99 | 83 | 119 | 115 | 91 | 127 |
| Spain | 824 | 841 | 776 | 932 | 1,082 | 999 | 992 |
| Sweden | 357 | 410 | 383 | 441 | 503 | 510 | 458 |
| Grand Total | 7,948 | 8,184 | 8,197 | 9,096 | 9,448 | 9,605 | 9,855 |

⁴⁵ [Visits and spend from 2005 to 2016 from smaller emerging markets](#), Inbound tourism trends by markets

EU Funding

Overview

35. The tourism sector benefits indirectly from a broad range of EU funds. An EU guide sets out available EU funding related to tourism⁴⁶ which includes:
- a. European Structural and Investment Funds (ESIF), inc Skills Funding Agency funding for skills;
 - b. European Regional Development Fund (ERDF);
 - c. Cohesion;
 - d. ESD Effort Sharing Decision (ESD);
 - e. European Agricultural Fund for Rural Development;
 - f. European Maritime and Fisheries Fund;
 - g. LIFE;
 - h. Competitiveness of Enterprises and Small and Medium-sized Enterprises(COSME);
 - i. Horizon 2020;
 - j. Creative Europe;
 - k. Erasmus +; and
 - l. Employment and Social Innovation (EASI).
36. Central government does not receive and allocate any EU funding specifically for tourism, but EU money has been distributed at a local level through several grant schemes to improve infrastructure, facilities and attractions.

Case Studies

37. Launched on 16 May 2016, the Cumbria Countryside Access Fund is using £3.5 million of the EU's Rural Development Programme for England⁴⁷ (RDPE) funding to help repair and improve Cumbria's public rights of way damaged by Storm Desmond in December 2015. The project aims to attract more tourists to the county by making it easier for people to explore the Lake District and Cumbria's countryside, as well as making access to local amenities easier for local residents.⁴⁸
38. One project in the South West delivered over 100km of adventurous cycle routes across the region; allowing numerous cafes, cycle hires and shops in the area to benefit from the increased visitor numbers. Investment in the project since 2010 was £2.3 million from RDPE and private sources. There have been over 750,000 passes on the Project's cycle counters.⁴⁹

⁴⁶ [Guide on EU funding for the tourism sector \(2014-2020\)](#), European Commission, 08 November 2016

⁴⁷ The Rural Development Programme (RDP) for England was formally adopted by the European Commission on 13th February, 2015 and last modified on 21st September 2017. It outlines England's priorities for using the €4 056 million of public money that is available from 2014-2020. The main objective is better management of natural resources and the wider adoption of farming practices which are climate friendly.

<https://www.gov.uk/government/organisations/rural-development-programme-for-england-network>

⁴⁸ <https://www.gov.uk/government/news/new-35m-cumbria-footpath-fund-launched>

⁴⁹ Rural Payments Agency <http://www.mendiphillsaonb.org.uk/wp-content/uploads/2011/12/DECEMBER2011.pdf>

39. A number of programmes have aimed to improve the visitor offer in rural Wales:

- Between 2009-2014 Visit Wales led two strategic European projects totalling over £37 million developing 8 Centres of Excellence in Wales as well as coastal improvements along our beaches. The aim of the programme was to deliver strategic improvements and create new product offers, building on and enhancing the built and natural environment in order to create sustainable economic benefits for Wales; and
- The Tourism Attractor Destination programme (2016-2020) has been approved with £27.7 million ERDF towards a total project cost of £84 million that will see eleven strategic infrastructure projects realised up to 2021.

The current EU regulatory regime

EU Frameworks and Directives

40. The tourism industry is bound by EU rules and regulations but most of these are not sector-specific for tourism. The main sector-specific regulations for the tourism industry are:

- **The Package Travel Directive:** The current Package Travel Directive (Directive 90/314/EEC) ensures the protection of holidaymakers who purchase package holidays, in particular protecting consumers against the insolvency of package organisers. The new 2015 Package Travel Directive, which is currently being implemented into UK law, will update and extend the scope of existing protections to ensure that people who book package holidays online enjoy the same rights as those who book with a traditional travel agent; and
- **The Tour Operators Margin Scheme (TOMS):** The TOMS is a VAT scheme aimed at simplifying the rules for suppliers of designated travel services. It is a scheme for businesses that buy-in and re-sell travel, accommodation, and certain other services as a principal or undisclosed agent. In many cases it enables VAT to be accounted for on travel supplies without businesses having to register and account for tax in each Member State where the services and goods are enjoyed. The scheme not only applies to tour operators, but often applies to travel agents, events organisers and other businesses selling travel.

Other EU Law

41. The tourism sector is also affected by other cross sectoral EU law, including:

- Access: Laws and regulations surrounding access to the UK for visitors (the UK's visa regime and the Common Travel Area with Ireland and the Channel Islands);
- Road Transport: Carriage of passengers by coach and bus is covered by EC regulation EC 1073/2009, which enables road passenger carriers who are currently allowed to drive all over Europe;
- Air Transport: Key considerations for the aviation sector are market access, safety and air traffic management. These are set out in more detail in the aviation sector report;
- Passenger rights: These are covered by a number of regulations, e.g EC 261/2004, which sets out entitlements for air passengers when a flight is delayed or cancelled. There are similar but separate agreements for coach and road tour operators;
- Mutual recognition of qualifications directive: A number of industries benefit from cross-border mutual recognition, including guiding services, diving qualification and hotel management qualifications;
- Health and safety: A number of areas are covered here, including employment rights and the blue flag regime for clean beaches;
- Health Cover: The European Health Insurance Card guarantees access to local health facilities during a temporary stay;
- Data: The Passenger Name Records (PNR) Directive provides the legal framework for Member States to process PNR to prevent and combat counter-terrorism and serious organised crime.
- Cross-border employment and labour rights: The Posted Workers Directive sets rules for workers to move around the EU without the need for separate contracts. This is important for the UK outbound sector, particularly package holidays involving holiday representatives and the ski/chalet sector;
- Duty free shopping: Duty-free sales at airports and ports;
- Roaming: Mobile phone roaming fees are capped across the EU (Reg 531/2012), which is attractive for tourists as consumers; and
- State Aid regulations: EU State Aid rules set out clear requirements regarding investing public money in tourism, both in terms of the construction and operation of infrastructure for tourists, such as information centres and accommodation facilities, as well as destination marketing.

Devolved Administrations

42. Tourism is a fully devolved matter, and policy is set independently by each Devolved Administration. However, the visa regime is UK wide, as are the air access agreements, and free movement of people and services rules.
43. VisitBritain, a Department for Digital, Culture, Media and Sport (DCMS) Arm's Length Body has an annual target to increase international visitor growth and spend across Britain. It works with Visit England, Visit Scotland and Visit Wales to deliver this target.
44. Tourism Ireland Limited is responsible for marketing the whole of the island Ireland. It is funded jointly by the Irish Government and the Northern Ireland Executive, and operates within the auspices of the North South Ministerial Council as set up by Strand 2 of the Belfast ('Good Friday') Agreement.
45. A UK-Ireland cooperation on the Common Travel Area (CTA) supports the all Ireland approach on tourism. The UK Government, Irish Government, and European Union agree on maintaining the CTA.

Existing frameworks for how trade is facilitated between countries in this sector

46. The arrangements described in this section are examples of existing arrangements between countries. They should not be taken to represent the options being considered by the Government for the future economic relationship between the UK and the EU. The Government has been clear that it is seeking pragmatic and innovative solutions to issues related to the future deep and special partnership that we want with the EU.
47. The international baseline for trade in services, including among the tourism industry, is the WTO's General Agreement on Trade in Services (GATS). All WTO Members are parties to GATS which sets out general rules, principles and obligations as a framework for trade in services; plus a schedule of commitments which set out how open and non-discriminatory parties commit to be across the service sectors covered.⁵⁰
48. GATS also sets out 'how' parties will allow services to be traded and this is split into four principal 'modes': 1) where a product rather than a service supplier/consumer crosses a border ; 2) where the consumer of the service crosses a border (eg. an inbound tourist); 3) where the company crosses a border (e.g. a retail chain opening a new establishment in another country); and 4) where the service provider moves

⁵⁰ The UK is a member of the WTO in its own right, but its current commitments are listed in wider EU schedules. The Department for International Trade is leading a process to create UK-only schedules – reflecting our current level of openness.

(e.g. a lawyer spends nine months working in her firm's office in another country). Commitments taken by parties vary and parties can unilaterally choose to improve their GATS offers at any point (subject to a certification procedure) or lower the level of their commitments, but in order to do so they will be expected to offer compensatory concessions. Tourism commitments in GATS schedules are taken under the Sector of Tourism and Travel Related Services⁵¹ across all four modes of supply.

49. All of the EU's existing third country trade deals, and those currently under development, look to build on the GATS baseline by expanding the commitments of EU Member States to open up their services markets to each other. The most ambitious of these is the EU-Canada Comprehensive Economic and Trade Agreement (CETA). Other plurilateral agreements also look to further liberalise the GATS baseline for trade in services. Although negotiations are currently on hold, the most comprehensive attempt so far is the proposed Trade in Services Agreement (TiSA) between 23 different parties.

50. The key piece of horizontal EU legislation in services is the Services Directive, which covers approximately half of the services sector, including tourism. The Services Directive provides that Member States cannot impose discriminatory, unnecessary or disproportionate requirements on services providers from other Member States. However, there is a great deal of variation in national regulation across the EU and many barriers to the free movement of services still exist.

Sector Views

[This information was provided by the Government to the Committee, but the Committee has decided not to publish this section]

⁵¹ This includes: Hotels, Restaurants and Catering (CPC 641, 642, 643) ; Travel Agencies and Tour Operators Services (CPC 7471); and Tourist Guide Services (CPC 7472);