A RESILIENCE FUND FOR INBOUND TOURISM: UKINBOUND PROPOSAL

This report is compiled by UKinbound on behalf of its members, the UK's tour operator and destination management company community, and the wider inbound tourism industry.

UKinbound thanks the Scottish Tourism Alliance, Scottish Destination Management Association and the Scottish Incoming Golf Tour Operators Association and their members for contributing to our industry survey from which the Tourism Resilience Fund was developed.

INTRODUCTION

Inbound tourism is a fantastic success story for the UK. It is one of the most competitive tourism industries in the world, ranking sixth in the World Economic Forum's 2019 Travel and Tourism Competitiveness Index[1], and is globally the fifth most valuable tourist industry by visitor spend[2].

The COVID-19 pandemic has brought international travel to an almost complete standstill, meaning much of the sector has received no business since March. Inbound tourism has been, and continues to be, one of the hardest hit sectors and is set to be one of the last to recover unless Government provides relevant and effective support, and the barriers to demand from international visitors are safely removed.

This report will outline:

- the importance of a thriving inbound tourism industry to the UK's economy and international profile
- the key role inbound tourism has in driving the UK's economic recovery post-COVID
- why tour operators and destination management companies are vital to a successful inbound industry but have been disproportionately impacted
- a proposal for a Tourism Resilience Fund and other support measures to ensure the sector survives long enough to play its key role in the UK's economic recovery

BACKGROUND

SUPPORTING THE ECONOMY

In 2019, 40.9 million international visits were made to the UK, with visitors spending a record £28.4 billion[3]. This makes inbound tourism the UK's 3rd largest service export[4], after Other Business Services and Financial Services. The VAT alone generated from inbound tourism contributes £5.5 billion per annum to the Exchequer. As an illustration of the impact the industry has on the UK's health and prosperity, the VAT paid by international passengers from each Boeing 777 landing at Heathrow Airport pays the annual salary for two NHS nurses.

International visitor expenditure 2015 - 2019

Year	Spend (£bn)
2015	**£23.839**
2016	**£25.415**
2017	**£28.396**
2018	**£26.508**
2019	**£28.448**

SUPPORTING THE LEVELLING UP AGENDA

As one of the UK's top performing industries, inbound tourism generates high levels of revenue and employment throughout the country. Around 500,000 full time equivalent jobs are supported by visitor expenditure[5], whilst an estimated 1.2 million people are directly employed in tourism related jobs[6].

Tourism is well spread throughout the country, with no region having fewer than 100,000 tourism related employees[5]. Visitors spend a combined £3.4 billion in rural and seaside destinations, making tourism the largest non-Government mechanism for transferring wealth from urban to rural and seaside destinations. International visitors also bring life to the UK's cities, with 'Experiencing city life' – which includes dining and shopping – cited as the most popular activity cluster[7].

1 The Travel and Tourism Competitiveness Report 2019, World Economic Forum
2 International Tourism Highlights 2019 Edition, UNWTO
3 International Passenger Survey, Office for National Statistics
4 UK Trade in Numbers, Department for International Trade, 2020
5 The Tourism Alliance
6 UK Tourism Satellite Account 2017, Office for National Statistics
7 Foresight issue 165, VisitBritain, 2019

SUPPORTING RECOVERY

Research by the Office for National Statistics has identified that tourism is a key driver of UK economic recovery; after the 2008 global financial crisis tourism accounted for a third of all new jobs created in the UK between 2010 and 2013[8]. With mass redundancies already taking place and with many more expected to come, the tourism industry will play a key role in job creation after the pandemic, as long as it receives the support it needs to survive.

Inbound tourism is also integral to the success of many other sectors. Tourism is not a singular product; an international trip to the UK will involve multiple sectors such as transport, accommodation, food and drink, retail, culture and heritage, sightseeing, live events and entertainment. Additionally, many ancillary sectors in the supply chain are also dependent on this spend, such as catering, laundry, and cleaning services.

> Ensuring the inbound industry survives long enough to welcome visitors back to the UK will be vital in supporting the recovery of multiple sectors across the country.

MAINTAINING OUR INTERNATIONAL PROFILE

Inbound tourism is an important component of the UK's soft power, helping to maintain our international profile and shape overseas perceptions. Many of the perceptions about the UK of international audiences are formed from and through tourism – either by visitation or through promotional messaging, and there are clear links between visits to the UK, and trade and investment into the UK.

The overseas perception of the UK as a tourist destination is positive – in 2019 the UK placed 4th in the Anholt-Ipsos Nations Brand Index, with tourism ranked as the highest dimension for positive perceptions[9] - and the desire to visit the UK is strong. Prior to COVID-19, inbound tourism was forecast to grow by 2.9% in visits and 6.6% in spend during 2020. Whilst travel to the UK is on hold, the intention to visit has not diminished and the demand will return, with Oxford Economics forecasting that visit volume will have returned to 55% of their 2019 level by 2021[10].

> If inbound tourism is not given a fair and fighting chance to survive until the return of the market, this pent-up demand will become a significant missed opportunity to inject billions of pounds of overseas expenditure into the UK economy.

8 UK Tourism Statistics 2015, Tourism Alliance

9 Anholt-Ipsos Nations Brand Index 2019

10 Oxford Economics/Tourism Economics, October 2020

TOUR OPERATORS AND DESTINATION MANAGEMENT COMPANIES

There are an estimated 230 tour operators and destination management companies (DMCs) in the UK. These are professional services companies that facilitate international visits to the UK, acting as intermediaries between visitors and tourism products. Experts in their destination and source markets, tour operators and DMCs design, package and sell tours to overseas operators and agents; organise activities, events, excursions, study, transport and other logistics; and provide ground handling services to visitors to ensure all their needs are met.

As intermediaries, tour operators and DMCs are a vital part of the tourism supply chain and the primary driver of volume business to a wide range of sectors such as attractions, transport providers, hospitality businesses, retail, and entertainment venues.

International understanding and awareness of the UK, especially outside London, is low. Tour operators and DMCs drive regional dispersal of visitors and revenue by promoting and selling less well-known destinations and tourism products across the country, and act as the UK's sales and marketing force. Each year these companies spend millions of pounds promoting the UK against our competitor destinations, often dwarfing the amounts spent by national and regional tourism boards.

Although the growth of digital means that more people have the ability to book their trips directly, over 60% of all inbound visitors still book their trips as a package via an intermediary[11], with visitors from our high value, key growth markets relying heavily on tour operators and DMCs.

Visitors from our high value, key growth markets rely heavily on intermediaries

	USA	GCC	CN	DE	AU
Percentage booking via intermediary	**48%**	**64%**	**77%**	**71%**	**60%**
Total visitor spend in 2019	**£4.2bn**	**£2.6bn**	**£1.7bn**	**£1.6bn**	**£1.2bn**

Should the sector collapse, the UK could be set to lose over half of its visitor numbers and expenditure.

11 Foresight issue 151, VisitBritain, 2016

WHY DO VISITORS USE TOUR OPERATOR AND DMCs?

- Convenient one-stop-shop for visitors and overseas operators to make complex arrangements
- Benefit from expert knowledge of a destination and overcome language and cultural barriers
- As purchasing consortia they can provide preferential rates or exclusive access to tourism products due to strong relationships with supplier partners

When global travel restarts, tour operators and DMCs will have a major role to play in maintaining the UK's position as a desirable and globally competitive destination by converting pent-up demand and interest in the UK into bookings. They must be allowed to survive as a key driver of economic recovery, by funnelling business and revenue to all corners of the country and through multiple sectors.

THE IMPACT OF COVID-19

COVID-19 has decimated inbound tourism. VisitBritain's latest forecast for 2020 predicts that inbound visitor numbers will fall by 74% to 10.6 million, with expenditure dropping 79% to £6.1 billion, representing a £23.8 billion loss to the UK economy[12].

Tourism is, and continues to be, one of the industries worst affected by COVID-19. The DCMS Coronavirus Impact Business Survey reported that as of early September, despite the easing of restrictions more than half of tourism and hospitality businesses had seen their revenue decrease over 75% year-on-year, with almost a third generating no revenue at all. 45% did not expect to be financially viable for more than six months if no further support is provided[13].

Inbound tour operators and DMCs have been hit particularly hard. Through no fault of their own, these businesses have had no demand or revenue since March and this will continue until the barriers to travel into the UK – such as the imposition of quarantine and shifting regional restrictions – are safely removed.

Unlike attractions, hospitality, retail or other related sectors who have been able to welcome domestic visitors since July, inbound tour operators and DMCs are wholly reliant on international visitors. The seasonal nature of tourism means that the majority of all holiday visitors arrive between April and October; with little to no income since the 2019 summer season, these otherwise profitable and viable businesses are now facing a third consecutive winter.

Our survey of 91 tour operators and DMCs across the UK found an average turnover reduction of 91% in 2020 compared to 2019, whilst 64% of staff in the sector are expected to be made redundant by the end of the year, if no further support is provided.

> Without targeted and effective Government support, many of these businesses will fail, taking with them a significant number of jobs and causing critical structural damage to the UK's inbound tourism industry, from which recovery will be much more challenging.

12 2020 Tourism Forecast, VisitBritain, October 2020

13 DCMS Coronavirus Impact Business Survey – Round 2, September 2020

GOVERNMENT SUPPORT TO DATE

Although the Government has introduced a number of measures throughout the year to support leisure and hospitality businesses, the majority of these schemes have not been applicable to tour operators and DMCs, putting them at a significant disadvantage compared to other sectors within leisure and hospitality.

Leisure and Hospitality Grants and Rate Relief	The definition of a leisure business requires that customers enter the premises to make a purchase. Many tour operators and DMCs were bizarrely and unfairly excluded from receiving this much-needed support as they primarily operate on a B2B basis and their customers are overseas. At the point of writing it is not at all clear that these businesses will be able to access the new leisure and hospitality grants announced by the Chancellor on 22 October 2020.
Job Retention Support Scheme	This scheme was widely adopted by tour operators and DMCs with much gratitude, however its ending will put a significant number of jobs at risk. Unlike other sectors, tour operators and DMCs cannot pivot to domestic business or trade online to generate the income needed to retain staff.
Job Support Scheme	Measures such as quarantine, local lockdowns and group size limits have removed all demand from inbound visitors; without this demand it becomes commercially unjustifiable and financially unviable for tour operators and DMCs to retain staff despite the scheme.
Government backed loans	With no demand now and no surety of when it will return, business owners are reluctant to further extend their liabilities.
VAT reduction	Without demand this has no impact on tour operators and DMCs.
Eat out to Help Out	Tour operators and DMCs could not benefit from this scheme.

ENSURING SURVIVAL

It is unavoidable that many businesses across the UK will fold as a result of COVID-19, and without sufficient, relevant and effective support, a significant portion of inbound tour operators and DMCs will be amongst the casualties. Allowing the sector to collapse would further devastate the entire tourism ecosystem as the primary channel for this high volume and high value business will be lost, making recovery a long and slow prospect.

- ✖ Pent-up demand and future business will be lost to competitor destinations as overseas operators move to sell existing product from competing destinations rather than contracting new suppliers in the UK
- ✖ Sectors that rely on tour operators and DMCs to bring business, including attractions, hospitality, retail, transport providers, and regional destinations will suffer and risk large scale business failure
- ✖ Years of knowledge and expertise of all corners of the UK, including the stories, history and heritage that make us such an attractive destination will be lost
- ✖ Decades-long partnerships with overseas operators and clients will end, causing significant damage to the UK's tourism infrastructure

Whilst it would not be impossible for other businesses to step in where a tour operator or DMC has become insolvent, the specialist nature of the business would make this much more challenging. Most tour operators and DMCs specialise in particular source markets, with each having different language requirements, expectations and cultural differences, often relying on individual relationships built up over many years. A tour operator or DMC specialising in US visitors for example could not easily step in to cover the GCC market, nor could a sports tourism specialist easily pivot to the MICE (meetings, incentives, conferencing, exhibitions) market.

A new entrant would need to build their source market and destination expertise, grow their network of contacts and develop relationships with suppliers in the UK and with overseas operators before they are able to offer commercially viable packages and products.

In the time it would take for existing businesses to successfully pivot to capture new markets or for new entrants to establish themselves, the UK will have lost billions of pounds in visitor spend to competitor destinations. This will have a proportionately increased detrimental impact on regional economies.

OUR GLOBAL POSITION

The UK is currently tracking behind many major tourism destinations in COVID-19 infection and recovery rates, meaning we will likely be behind on our return to the global tourism market. A lack of testing and the imposition of quarantine means the UK is already losing out to destinations where visitors are not required to quarantine, but instead are subject to testing. This is compounded by uncertainty in the European market, which makes up two-thirds of the UK's inbound visitor volume, ahead of the UK's exit from the EU on 31st December 2020.

> Without tour operators and DMCs to sell the UK and convert bookings to ensure visitors choose the UK rather than a competitor, the future of the industry and of the UK's economic recovery will be bleak.

COMPETITOR ANALYSIS

Competitor destinations are recognising the value of inbound tourism and its crucial role in economic recovery. The Irish government, for example, have recently announced a €55,000,000 support fund for strategic tourism businesses to help them survive in order to drive recovery[14], while tourism businesses in Scotland have already received £21.5 million worth of support via the Pivotal Enterprise Resilience Fund[15] which tour operators and DMCs were able to benefit from. Australia meanwhile are considering a grant scheme for inbound tourism businesses based on revenue loss and overhead costs[16].

Other destinations such as Hawaii have taken steps to re-start the demand for inbound travel by introducing a pre-travel testing programme that allows visitors who hold a negative nucleic acid amplification test for COVID-19 within 72 hours of arrival to bypass the two-week quarantine period. In the first week of the programme over 65,000 visitors arrived in the islands[17], demonstrating the pent-up demand and continued desire for travel. Implementing a similar testing programme for inbound travel to the UK would restore market confidence and demand; just one third of these visitor numbers coming to the UK would equate to £15 million in expenditure.

14 https://www.gov.ie/en/press-release/602e9-budget-2021-ministers-martin-and-chambers-announce-strong-suite-of-support-measures-for-tourism-culture-arts-gaeltacht-sport-and-media/

15 https://www.gov.scot/publications/coronavirus-covid-19-hardship-and-resilience-funds-statistics/pages/pivotal-enterprises-resilience-fund-perf/

16 Innovating for the future of Australian Tourism Exports, Australian Tourism Export Council, 2020

17 https://eu.usatoday.com/story/travel/news/2020/10/23/tens-thousands-arrive-hawaii-pre-travel-testing/6016594002/

WHAT IS NEEDED FOR SURVIVAL?

Tour operators and DMCs must receive relevant and effective support to ensure they survive long enough to welcome visitors back to the UK in 2021 and drive recovery.

These businesses are sustainable and viable as long as there is demand. UKinbound data reveals that 60% of tour operator and DMC members have been trading for more than 10 years, with a quarter trading for more than 30 years. Only 10% have been trading for less than 5 years.

Having the right support measures in place will allow these businesses to survive until demand is able to return in 2021 so they can once again welcome visitors to the UK and kick-start our economic recovery.

We propose the introduction of a package of measures to support the sector's survival:

Inbound Tourism Resilience Fund

To help those businesses wholly reliant on international visitors to survive until demand can return in 2021, UKinbound proposes a capped grant award fund based on the level of turnover lost in 2020 and forecast operating costs. Full details on page 12.

Business Rates Relief and Grants

In continuing Business Rates Relief for tourism businesses as part of the Leisure and Hospitality Scheme, it is essential that this support is reformed so that all tourism businesses, as previously promised by the Chancellor, including tour operators and DMCs, receive this support.

Introduction of testing

To minimise further loss of demand, Government needs to work immediately with the industry to replace the current quarantine system with a best in class testing regime for passengers, and a regionalised approach to Travel Corridors in order to bring stability and confidence to international travel. If our testing regime is not focussed towards driving demand, then the UK will simply lose out to competitors.

INBOUND TOURISM RESILIENCE FUND

We propose a capped fund that allocates one off grants to viable inbound tour operators and DMCs, of which there are approximately 230 in the UK. The fund would ensure these small, medium and large businesses can protect jobs and maintain basic operations until the market returns in late Q2 2021, therefore supporting the UK's economic recovery.

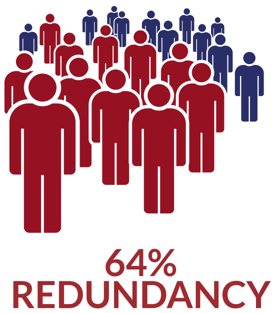
In order to propose a fund allocation mechanism, in late September 2020 UKinbound, along with partners the Scottish Tourism Alliance, Scottish Destination Management Association and the Scottish Incoming Golf Tour Operators Association, surveyed 91 tour operator and DMC businesses to identify their:

- Turnover in 2019 and projected turnover in 2020 and 2021
- Estimated operational business running costs between 1 November 2020 and 30 June 2021
- Estimated redundancy numbers if targeted support is not offered
- Number of international visitors these businesses brought to the UK in 2019

Our results show that on average:

- Turnover has dropped by 91% in 2020 compared to 2019

- 64% of staff that work for tour operators and DMCs will be made redundant by the end of the year, if no further support is provided



- Operating costs between 1 November 2020 and 30 June 2021 will range between £2,500 and £4,000,000
- Businesses predict that by the end of 2021 their turnover will have returned to 47% of their 2019 levels

In 2019 these businesses brought over 10 million international visitors to the UK, bringing in an estimated **£7.1 billion** in export earnings

MECHANISM

Our proposal is not an open-ended system, but one that reflects the reduction in turnover of UK based tour operators and DMCs, and allocates a grant that specifically helps a business with their operating costs through until the end of June 2021.

Basic premise

If a business' turnover dropped by 70%, a grant worth 70% of its operating costs between 1 November 2020 and 30 June 2021 would be allocated.

Consideration

Operating costs vary and in some cases the above calculation would yield grants that were very high and therefore unrealistic to allocate.

Solution

Band businesses based on their 2019 turnover and set a maximum grant available per band. The grant allocated would be the figure outlined in the basic premise or the maximum band grant, whichever is lower.

BANDS

The turnover of the businesses we surveyed range from £35,000 to £59,500,000, which given our sample size is an accurate representation of turnover for all these types of businesses in the UK. We banded businesses, allocated a cap per band and were therefore able to project an estimated fund amount.

	Criteria - 2019 Turnover	Maximum grant available	Average claim per business*	% businesses surveyed that fit into this band	Estimated fund required for 230 tour operators and DMCs
Band 1	> £249,999	£50,000	£18,275.99	20%	£2,352,272.73
Band 2	£250,000 > £999,999	£100,000	£46,474.12	18%	£4,181,818.18
Band 3	£1,000,000 > £1,999,999	£150,000	£102,465.49	18%	£6,272,727.27
Band 4	£2,000,000 > £2,999,999	£200,000	£142,625.04	11%	£5,227,272.73
Band 5	£3,000,000 > £4,999,999	£250,000	£224,090.91	7%	£3,920,454.55
Band 6	£5,000,000 > £9,999,999	£300,000	£229,429.82	7%	£4,704,545.45
Band 7	£10,000,000 > £19,999,999	£350,000	£285,665.29	6%	£4,573,863.64
Band 8	> £20,000,000	£400,000	£372,402.60	13%	£11,500,000.00
				FUND REQUIRED	**£42,732,954.55**

*based on reported turnover loss and forecast operating costs by survey respondents

EXAMPLES

Large company

- Company A had a **turnover of £37m** in 2019
- Company A lost 94% of turnover in 2020 to £1.9m
- Company A has projected operating costs of £1.6m between November 2020 and end June 2021
- HMG grants a corresponding 94% of operating costs in the form of a grant to be paid in December 2020 - £1,517,837.
- This business falls into **Band 8** and therefore the grant is capped at £400,000.

Medium company

- Company B had a **turnover of £14,468,061** in 2019
- Company B lost 98.6% of their turnover in 2020 to £200,000
- Company B has projected operating costs of £150,000 between November 2020 and end June 2021
- HMG grants a corresponding 98.6% of operating costs in the form of a grant to be paid in December 2020 = £147,926.
- This business falls into **Band 4** which has a grant cap of at £200,000.

Small company

- Company C had a **turnover of £1m** in 2019
- Company C lost 95% of their turnover in 2020 to £50,000
- Company C has projected operating costs of £35,000 between November 2020 and end June 2021
- HMG grants a corresponding 95% of operating costs in the form of a grant to be paid in December 2020 = £33,250.
- This business falls into **Band 3** which has a grant cap of at £150,000.

CRITERIA

Only eligible companies will be able to apply. These companies will:

- Be registered in the UK as demonstrated through accounts laid at Companies House
- Have filed accounts in the previous three years
- Have been profitable and contributed corporation tax to HMRC in the previous three years
- Exclusively work in inbound tourism bringing international visitors to the UK

UKinbound estimates that there are no more than 230 companies that would fall within scope of this grant scheme, limiting the maximum investment from HMG into this grant scheme of £45,000,000.

If grants totalling £45,000,000 were allocated, the country could expect a return on investment of £12 for every £1 distributed by the fund[10].

This figure is based on projected 2021 turnovers, using Oxford Economics data which estimates that businesses will have recovered by 40% at the end of 2021.

$$\mathbf{ROI} = \frac{\text{(average 2019 turnover of businesses surveyed x 230) x 40\%}}{\text{£45 million}}$$

DRIVING RECOVERY

Once these measures have been established and the future of inbound tourism has been secured, a further package of measures needs to be introduced to drive demand and facilitate the return of the previously thriving inbound tourism industry, which will in turn continue to drive the UK's economic recovery.

Prior to COVID-19, sustainable tourism was high on the global and national tourism agenda for both businesses and visitors, and it is important that this remains a core component of the industry's recovery. In order to do so businesses must be given sufficient, relevant and effective support that will allow them to invest in environmentally sustainable products and operations. Tour operators and DMCs also play a key role in promoting sustainable tourism by marketing and selling destinations and products that have good sustainability credentials, facilitating seasonal spread of visitors to reduce peak season crowding, and using expert knowledge to help manage visitor traffic at key sites.

WHAT IS NEEDED?

Waiving Air Passenger Duty (APD)

The UK has the highest rate of APD of any country in the world, representing around 20% of the total cost of a flight to the UK. Research by Airlines UK has calculated that waiving APD[18] would generate 21 million additional passengers travelling through UK airports and save some 45% of routes that would otherwise have been lost, as well as potentially 8,000 jobs and some £7 billion in GVA – significantly greater than lost tax revenue.

Continuity of tax-free shopping for international visitors

Research by VisitBritain indicates that shopping is one of the most popular activities for overseas visitors to the UK, accounting for around 25% of all expenditure by overseas visitors in the UK, or £7.5 billion per annum[7]. The removal of tax free shopping for non-EU/EEA markets, and the non-introduction of this facility for EU/EEA visitors puts the UK at a huge competitive disadvantage, as visitors - especially high spending Chinese, Asian and GCC visitors - will choose not to spend their foreign currency in the UK and will visit destinations that do offer this, such as the whole of the EEA/EU.

18 The Impact of Air Passenger Duty on Airline Route Economics, Airlines UK, 2018

Visa reform

An easy way to stimulate demand is to introduce low-cost five-year multi-visit visas for visitors from China. Tourism Alliance calculations suggest that reducing the cost of a five year visitor visa from £655 to £145 would stimulate demand for return visits, save the Home Office money by encouraging people to upgrade from a standard visa, and encourage overseas families to send their children to study at UK universities as they would be able to visit as often as they want during the period study.

Additional Marketing Funding

Core funding for VisitBritain has decreased 39% in nominal terms since 2008 – from £51 million to £31 million. Re-establishing the UK as a major international destination will require addressing this reduction in funding and significant resources being allocated to a co-ordinated global marketing campaign. An even larger and more sustained campaign, alongside an expansion of the Government's GREAT campaign will be required to rebuild the UK's inbound tourism industry.

Additional Export Support

Inbound tourism is the UK's third largest service export, yet receives limited export support from Government. Unlike other export sectors (and unlike our competitors), the proportion of government funded grants to support the UK's inbound tourism presence at overseas travel exhibitions is minimal, and we call on Government to rebalance its support through additional grants within the Tradeshow Access Programme to grow the UK's share of competitive global trade.

VAT

Confirm the tourism VAT rate of 5% for 2021 to support the UK's global competitiveness to win back export earnings and overseas visitor. The implementation of this measure is required now for 2021 overseas pricing and certainty on its retention is required with a minimum of one year's notice of any change to future VAT rate.

Flexible Phasing out National ID Cards

A significant proportion of EU nationals do not hold full passports as ID cards can be used to travel across the EU. Research shows that 7% of potential EU visitors may be deterred by their removal as a valid identification. We are calling for an accreditation scheme for groups (normally school and study) groups to allow usage of ID cards; and the use of passports for these group leaders only, who are often in *loco parentis.*

CONCLUSION

2020 has been an extraordinary, and extraordinarily difficult, year. For the inbound tourism industry, particularly tour operators and DMCs who are wholly reliant on international visitors, it has been nothing short of devasting. Through no fault of their own, these otherwise profitable and sustainable businesses have not been able to trade since March, and without a clear route to removing the barriers to inbound travel to the UK, there is no surety of when they will be able to start trading again.

Without targeted, relevant and effective support, tour operators and DMCs will not survive long enough to see the return of the market in Q2 2021, leading to a significant lost opportunity to inject billions of pounds of international expenditure into the UK economy, delaying recovery.

A collapse of the tour operator and DMC sector will not only affect those particular businesses and employees, but will have significant ripple effects throughout the entire tourism infrastructure, particularly in the regions. Tourism businesses within the wider ecosystem, such as attractions, transport providers, accommodation, hospitality, retail, live events and entertainment venues will lose a highly valuable revenue channel, putting them at significant risk of failure and prolonging the negative impact of COVID-19 on the economy.

Without tour operators and DMCs marketing and selling the UK as a destination, overseas operators and visitors will turn to competitor destinations whose inbound industries have been supported by their governments and therefore remain strong.

The skills, knowledge, expertise and individual relationships that define the industry are by no means easily replaced. Should the sector need to rebuild from the ground up due to a lack of support that could have enabled them to survive into Q2 2021, it would take many years for the sector to return to its formerly strong and competitive position. During this time the UK would continue to lose out on billions of pounds of international visitor expenditure, as well as the associated VAT and other Government revenue taxes, and risk our reputation as an open, attractive and welcoming destination for both visitors and for investment and trade.

At a time when the UK's global position and international profile is under close scrutiny, it is more important than ever to capitalise on and invest in our soft power, of which inbound tourism is a key component.

CONCLUSION

We therefore strongly urge the Treasury to introduce a package of measures which support the survival of inbound tourism – in particular a Tourism Resilience Fund to ensure the survival of our vital tour operator and DMC sector, and the introduction of a testing regime to remove the barriers to travel into the UK and allow inbound tourism to safely re-start as soon as possible.

What is risked by not supporting a Tourism Resilience Fund:

- ✖ Collapse of a previously successful tour operator & DMC sector leading to large-scale business failure
- ✖ Mass redundancies and a skills and knowledge drain out of the industry
- ✖ Closure of vast numbers of regional tourism businesses
- ✖ Closure of businesses across other sectors reliant on inbound volume business
- ✖ Significant pent-up demand lost to competitor destinations
- ✖ Loss of tourism infrastructure
- ✖ Loss of UK share of promotional voice
- ✖ Loss of global competitiveness
- ✖ Significant loss of valuable export earnings
- ✖ Loss of export supply chain knowledge, capability and engagement
- ✖ Loss of a key driver of economic recovery and growth

What can be gained by supporting a Tourism Resilience Fund:

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

UKinbound is the only trade association dedicated to interests of the inbound tourism industry - the UK's 3rd largest service export. It has over 350 members including tour operators and destination management companies, accommodation providers, attractions, destination marketing organisations and service providers including restaurants, transport, retail, ticketing and professional services. UKinbound engages with Government, the media, travel trade and the general public to raise awareness of inbound tourism's significant impact on the UK economy, and helps members to grow their businesses.