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## **Analysis of the UK Government's 2011 tourism policy**

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This review considers the UK Government's 2011 tourism policy document. The policy was produced during a period of public sector restructuring in the UK and also during the global economic crisis, which began in 2008. The policy sets out a number of reforms to the governance of tourism at the national and local levels, which aim to increase the level of private sector involvement in leading and developing the tourism sector and to reduce the sector's dependence on public funding. During a period of economic slowdown in the UK, the tourism industry can make a significant contribution to growth, but it is not yet clear whether these proposed reforms will support or impede the future development of the tourism industry in the UK.

**Keywords:** tourism policy; governance; economic crisis; tourism marketing

### **Introduction**

This paper presents an analysis of the UK Government's most recent tourism policy document, which was published in March 2011 (DCMS, 2011). In particular, the paper focuses on the changes proposed for the governance structures of the tourism industry. It examines these changes in the political and economic context in which the policy was created and begins to evaluate the success of these changes two years after the policy was presented.

The DCMS (2011) tourism policy was prepared and published by the UK's coalition government in the wake of the global economic crisis. A coalition government was formed in the UK in 2010, which began to implement a series of structural reforms of the public sector, alongside an austerity programme, that has the aim of reducing public spending by approximately 13 per cent on 2010 levels (Taylor-Gooby, 2012). This austerity programme has significant implications for all areas of public policy and in this paper the implications for tourism policy are discussed.

### **Tourism as an avenue for growth**

The tourism industry has been seen by the UK Government as a potential growth sector in the context of the economic crisis, able to capitalise on the weak national currency to attract overseas visitors and to provide domestic tourism opportunities for UK tourists unwilling or unable to travel overseas. Tourism was the subject of one of the first major policy statements

made by David Cameron following his election in May 2010, when he clearly stated the Government's belief that tourism could provide jobs and growth in the economy (UK Prime Minister's Office, 2010). However, although the tourism industry in the UK is positioned to be one of the few "winners" in the UK economy, the scale of the public sector's role in developing and promoting the UK's tourism industry has become unsustainable in light of the Government's austerity programme.

The economic crisis began in 2008 and continues to have dramatic effects on the tourism industry in the UK and worldwide. At the start of the crisis, in the first quarter of 2009, global tourism arrivals had dropped by eight per cent, and in Europe international arrivals were down by 10 per cent (Smeral, 2010). In the UK, a drop in domestic tourism receipts of 184 million pounds in this same period was partially offset by a rise in inbound tourism receipts of 142 million pounds in 2008/09, as the weakness of the UK economy enhanced its competitiveness as a destination (Webber, Bucelatto, & White, 2010). By the end of 2011, international arrivals to the UK had risen by 3.3 per cent and spending by these tourists had risen by 6.5 per cent (ONS, 2012). Over the same period, domestic tourist trips in the UK rose by approximately 9.3 per cent (Tourism Alliance, 2012). Although the data have not yet been fully published for the tourism arrivals in 2012, a recent bulletin from the Office for National Statistics suggests that inbound tourism numbers grew by 1 per cent in 2012, with spending growing by 4 per cent. Despite the staging of the Olympic and Paralympic Games in London in 2012, summer visitor numbers remained the same as for 2011, with most growth only occurring at the start and end of the year (ONS, 2013). Although the post-crisis growth of UK tourism appears to be slowing, these figures lend credence to the Government's view that tourism provides an avenue for growth during the global economic crisis.

### **Key aims of the UK tourism policy**

The UK tourism policy aims are clearly focused on market measures and productivity gains. The three key stated aims of the policy are to:

- (1) Fund the most ambitious marketing campaign ever to attract visitors to the UK in the years following 2012. The 100-million-pound campaign, co-funded by the Government and the private sector, aims to attract four million extra visitors to Britain over the next four years
- (2) Increase the proportion of UK residents who holiday in the UK to match those who holiday abroad each year. For longer stays (four nights or more) this would mean 29 per cent of travellers holidaying in Britain rather than just 20 per cent today
- (3) Improve the sector's productivity to become one of the top five most efficient and competitive visitor economies in the world (DCMS, 2011, p. 7).

Dredge and Jenkins (2007, p. 90) provide a categorisation of tourism policies according to their substantive approach, and the aims of this policy reflect "industry development planning" and "market planning" models. In this way, the 2011 policy does not radically diverge from the policies of previous administrations in the UK (see Kennell, 2011 for an analysis of tourism policy approaches since 1997). The current policy no longer has a focus on the impacts of hosting the Olympic and Paralympic Games on the industry, as per the previous two policies (Smith & Stevenson, 2009), but it does identify very similar areas for growth. The present policy also identifies many of the same barriers to this growth in terms of regulation,

the balance of trade, the need for skills development, poor industry coordination and inadequate signage, and builds incrementally on the policy direction of the last administration.

These incremental developments are detailed and often prescriptive, suggesting a Government that still sees itself as having a role to play in the future development of the UK's tourism industry. There is no indication within the policy document of the process through which these developments were decided on. Nor is there any indication in archived departmental documents of this process. Importantly, the policy does not have an associated set of action plans or easily identifiable and measurable targets on which it can be evaluated. For instance, without reference to any kind of action plan, the Government states its aim to:

Broaden our tourism offer by creating alternative destinations which match London, the UK's biggest and most successful single tourism destination to capture the spare tourism capacity and potential of other parts of Britain as well. (DCMS, 2011, p. 8)

It may be the same kinds of industry issues that are addressed in this policy as in previous efforts, but the funding and delivery mechanisms presented in the current policy are significantly different. There are a number of proposed changes to the role of the state in tourism in the UK and to the relationship between the public and private sectors of the tourism industry. At the core of this policy is the aim to "reduce the sector's dependence on taxpayer funding" (DCMS, 2011, p. 8). The role of the public sector in funding both tourism development and marketing is being reduced, and it is an aspiration of this policy to create an environment where the private sector – at local and national levels – can take a new leading role in governing, developing and marketing tourism.

## **The relationship between the state and the tourism industry**

Despite the coalition government's neoliberal stance, which aims to reduce the size and influence of the state, and the policy's emphasis on tourism businesses themselves being best placed to direct the development of tourism and to market their destination, the policy is quite prescriptive in terms of how VisitBritain should spend its money:

All VisitBritain's marketing campaigns need to be properly targeted on different segments of the market – for example business travelers have different requirements from leisure visitors or visiting friends and relations (VFR) – and vary according to the demography, purchasing power, interests and nationality of potential visitors in each market too. (DCMS, 2011, p. 21)

This prescriptive stance becomes less effective when considering the devolved national tourism organisations (NTOs) and the reduced influence of the UK policy on the governance of tourism at the regional and local levels. Although this policy is produced by the UK Government, it has only limited influence over the development of tourism in Wales, Scotland and Northern Ireland as tourism falls into the set of devolved powers held by their respective administrations (Holden, 2007). The devolution settlement has never included separate institutional frameworks for England's tourism, so the same ambiguities do not apply.

In many ways, this policy can be seen as a national policy for England's tourism industry alone. England is the major tourism destination nation within the UK, and, as such, plays a significant role as a national interest group (Hall & Jenkins, 1995) for the tourism industry, and has a

strong influence over the formation of tourism policies in the UK's other nations. The policy emphasises this influencing role:

... it's essential we work closely with the devolved administrations to make sure our respective approaches are complementary ... to build our existing relationships so that the UK Tourism industry has the best possible Government support across the entire country. (DCMS, 2011, p. 6)

Elsewhere in the policy, the Government presents a rationale for the continued intervention of the state in the tourism industry, based on classical economic problems of free riding and market failure:

... because of the sector's high proportion of SMEs, and free-riding by firms which benefit from shared marketing campaigns which they haven't participated in, there's a high level of market failure which stops it happening. As a result the public sector has had to step in, which has left the industry – unusually for its size and importance – particularly dependent on public funds. (DCMS, 2011, p. 8)

The Government believes that the private sector can fill the hole left by a retreating interventionist state, to take a more leading role in the governance and development of the tourism industry. The long-term aim of this restructuring is to:

... reduce the sector's dependence on taxpayer funding, increase the amount of money available for collective destination marketing, and create a sustainable new model of destination marketing and management. (DCMS, 2011, p. 8)

However, the policy appears to put forward a contradictory position. The UK Government currently supports the tourism industry because of its perceived market failure. If the Government's reforms can eradicate this market failure then tourism will need no greater level of state support than other industries receive. However, even if market failure persists, then the policy indicates that current levels of corrective state funding are unsustainable. In this scenario, market failure, accompanied by unsustainable state support, could lead to a tourism industry that lacks regulation and direction, and it is unlikely that the industry would continue to contribute to economic growth to the extent that the Government has envisaged.

### **A new partnership between the public and private sectors**

At the national level, tourism governance is centred on VisitBritain, the NTO for the UK, and the three devolved NTOs for Scotland, Wales and Northern Ireland. Although these bodies have a history of engagement with the private sector, they have been principally public sector-led bodies operating at arms-length from government, with the responsibility for distributing government funds (Bramwell, 2011). The present tourism policy restructures VisitBritain as an organisation that operates primarily as a private sector-led marketing organisation, with a more limited tourism development function (DCMS, 2011). Although the devolved NTOs will continue, albeit with reduced budgets, to fund tourism development, VisitBritain will now be refocused as a more streamlined, corporate marketing body for the UK.

The centrepiece of VisitBritain's new role is to be co-funder of a partnership marketing campaign with a value of 100 million pounds. The UK Government expects this money to fund marketing campaigns after the 2012 Olympics to attract four million additional overseas visitors

during the next four years, two billion pounds in extra visitor spend and 50,000 new jobs. Half of the investment is expected to come from public money, with the additional 50 million pounds being sought from large tourism companies in the UK, including British Airways, EasyJet, Hilton Hotels and P&O ferries (DCMS, 2011). It is important to acknowledge that this new marketing fund does not increase the total funding available to VisitBritain. Despite the Government's aspirations, after one year of this programme, only 10 million pounds has been raised from the private sector, some of which has been in-kind support, whilst 25 million has been provided from the public purse (VisitBritain, 2013).

Furthermore, after the policy was published, as part of the Government's austerity programme and its commitment to reducing the size and influence of the state, VisitBritain has had its total core funding (resource plus capital) cut from 73.9 million pounds in 2011–2012 to 43.6 million pounds in 2014–2015, a drop of 58.0 per cent (DCMS, 2012). This reduction is not offset by the new partnership marketing fund (described above), as the money that is ring-fenced for promotional campaigns cannot be used to support VisitBritain's other functions.

### **Tourism governance at the regional and local levels**

At the regional and local levels, the policy sets out plans to restructure destination marketing organisations (DMOs) to fit the "natural geography of a tourist area" (DCMS, 2011, foreword) and in the spirit of the new localism agenda (Symon & Kennell, 2011). In this sense, the restructuring of tourism governance is taking place in line with other recent coalition policies (such as the changes to regional economic development) driven by an ideological and policy commitment to reduce state structure and encourage stronger local control, rather than any real consideration for the specific needs of the tourism industry.

In the current UK tourism policy, the notion of a natural tourism geography (DCMS, 2011, foreword) is poorly defined. This parallels the decision taken to create the Government's flagship new Local Enterprise Partnerships according to "natural economic geographies" (BIS, 2010), a decision that has been subject to criticism from policy and research communities concerned that the term is not based on a firm foundation of economic data and research (Bristow, 2012). Similarly, there is no academic or practitioner consensus about the definition and extent of a tourism geography. Indeed, recent scholarship in Tourism suggests that these kinds of spatial considerations must take into account more indeterminate and fluid notions of place than those suggested by simple geographical boundaries (Hall, 2008). For tourism in particular, with its mobile stakeholders and multi-scalar networks, the notion of a fixed spatial arrangement for governance at a local level does not stand up to much scrutiny. Much of the improvements in tourism development and marketing over the last 20 years have come from the gradual development of regional tourism partnerships (Thomas, 2009), while below this scale, local authorities have reduced their involvement in tourism as a direct result of public sector of spending cuts, due to tourism's designation as a discretionary area of public spending (Cole, Dinan, & Hutchinson, 2012).

The current UK Tourism Policy proposes a new tourism governance landscape in which industry-led DMOs take on responsibility for tourism development and marketing within a geographic area that is defined by their member "visitor economy businesses and attractions, rather than by Government, regional Development Agencies, Local Authorities, Local Enterprise Partnerships or others. (DCMS, 2011, p. 21)

These newly reconstituted DMOs will be open to membership by tourism organisations from the public, private and third sectors. In the past, tourism organisations were only able to join a predetermined local DMO that was responsible for developing and marketing tourism in the area. Now, tourism organisations are free to join a DMO, or more than one DMO, that seems most appropriate from a geographical and/or economic perspective. These DMOs will be competing for support from within and across former politically defined areas. This is a significant change in local institutional frameworks for tourism. Crucially, the Government sees these DMOs as organisations that operate in a free market, with failing DMOs not seeking recourse to “political intervention or bailouts from public funds” (DCMS, 2011, p. 24). In these new arrangements, tourism organisations can leave unsuccessful DMOs to join new entrants or to set up their own competitor DMOs.

Research by Dinan, Hutchinson, and Coles (2011) into the current constitution and capacity of local DMOs in England, however, indicates that less than a quarter of DMOs are currently industry led and that all of them rely on public funding for their core activities. Sixty-seven per cent of DMOs had seen a reduction in this public sector funding and there was no reported increase in private sector funding coming forward to fill this gap. Fifty-four per cent of DMOs surveyed by Dinan et al. (2011) reported staff reductions and concomitant losses in expertise and capabilities.

## **Conclusions**

The aims of the DCMS 2011 UK tourism policy appear to swing between being hugely ambitious and ordinarily mundane, with some proposals for quite radical shifts in the mechanisms for governance and funding, and other safer, more prescriptive attempts to deal with long-standing issues such as road signage and hotel rating schemes. There is no indication as to how, and with whose input, the policy was formulated, and where the Government proposes very broad policy aims, these are made without any indication as to how these will be resourced, who has the responsibility for delivering on them, and how success (or otherwise) will be measured.

The UK Government sees the tourism industry as a driver of growth during a crisis in the economy. Recent inbound and domestic tourism statistics suggest that this perception may be accurate. However, the Government also believes that the industry is over-dependent on public sector governance and funding. The most significant aspects of the policy are the proposed changes to tourism governance, marketing and development at the national and local levels. In this respect, the policy marks a radical change from those of previous administrations. However, with a complex set of new partnerships between DMOs, LEPs and local authorities, the new institutional frameworks for tourism lack clarity and there are concerns that there will not be the capacity at the local level to meet the new policy aims.

As part of the Government’s drive to restructure the UK’s public sector in the wake of the global economic crisis, the policy has created an uncertain new governance landscape for the tourism industry. The policy sets out a vision of a tourism industry in which the private sector takes a major new developmental and leadership role, but so far, whether looking at the national or local tourism governance arrangements, it appears that the private sector is unwilling or unable to take this on. Set against a backdrop of reduced public funding for tourism it is difficult to see how these new governance arrangements can be implemented successfully.

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