<u>**Contribution to the Balance of Competences Review on Tourism**</u>

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Tourism significantly contributes to economic growth. This sector is the UK's **5th largest industry**, accounting for **9% of the country's GDP**, employing 2.6 million people and supporting over 200,000 small and medium sized enterprises (SMEs)[1]. However, its proportion of the overall economy is **not expected to grow** above 9% by 2020[2]. The main setback lies in the incremental **decline in the UK market share of international tourism, down from 6.5% in 1980 to 3.8% in 2005**[3]. While inbound tourism is forecast to be one of the best performing sectors with above average growth over the next decade, the **UK does not seem fully equipped to withstand competition from emerging markets**. Destinations in developing countries are becoming increasingly accessible and more attractive. In the mean time, the UK has been **downgraded to 11th position in the competitiveness ranking**[4].

To strengthen its position, the UK must undertake significant efforts on the world stage, many of them **national initiatives**. These include improvements to the speed of **visa** processing and issuance, and **investment in infrastructure** such as transport in order to encourage mobility. However, as the UK is not a member of the Schengen area, the potential for tackling some of these challenges are limited. Indeed, the UK **is often excluded from a European tour** due to the **logistical difficulties of obtaining a British visa** (i.e. extra cost, mandatory visit to a visa office in person, application forms only available in English). Combined with the high fares, poor high speed network and lack of capacity of our transport infrastructure, it makes the UK tourism industry internationally **uncompetitive**.

Tourism is the **forgotten industry** in the UK discourse on EU affairs. Instead of losing millions of visitors each year due to **logistical issues**, the **significant multiplier effect** of coordinated EU visa and transport policies on UK tourism industry and other parts of the British economy should be recognised.

Free movement of persons within the EU also plays a major role in encouraging European tourists to come to the UK. European countries constitute 8 out of the top 10 number of visitors to the UK. Reconsidering our relationship with the EU leaves us in the uncertainty of what rules will be in place for visas and free movement for EU tourists.

Tourism at EU level also means **advantages and rights** for British people travelling within the EU (e.g air passenger rights, European Emergency number, insurance,..). In 2010, over 24 million Brits travelled abroad, mostly for holiday. Thousands of British people have holiday homes in France, Spain, Italy and Greece. These advantages and rights are guaranteed by our EU membership.

In addition, **coordination endeavours at EU level** can help the UK fulfil its ambitions, though limited to **non-legislative activities such as marketing and information-sharing**. Joint actions are conducive to enhancing **Europe's external**

[1] http://www.visitbritain.org/insightsandstatistics/visitoreconomyfacts/

[2] Deloitte & Oxford Economics, The Economic Contribution of the Visitor Economy: UK and the nations, June 2010 http://www.visitbritain.org/Images/Economic%20case%20for%20the%20Visitor%20Economy%20-%20Phase%202%20-%2026%20July%202010%20-%20FINAL_tcm29-14561.pdf

[3] VisitBritain, Achieving the full potential of the Visitor Economy, the British Tourism Framework Review, January 2009: http://www.visitengland.org/Images/btfr_full_final_tcm12-155094_tcm30-18136.pdf

[4] Deloitte, 2010

projection and internal cohesiveness. These are necessary to increase inbound tourism to the UK from within and outside the EU.

1. Added value to UK tourism of EU external tourism policy
1.1 Promoting Europe as a brand in emerging markets

70% of global economic growth will come from **emerging countries** between 2013 and 2025[5]. Since this will drive **tourism demand**, the UK should **prioritise inbound tourism from non-EU countries**. For the moment, it only represents one-third of the sector's revenues.
In this regard, **marketing Europe as one destination encompassing highly diverse countries** would generate a new competitive model. Such a branding programme could **harness both Europe's similarities and differences**. Selling Europe as a unified product could increase the attractiveness of EU destinations to international tourists whilst recognising Europe's diversity could allow the product to be **easily tailored to each market**.

We believe that these promotional efforts would further **enhance UK competitiveness in this sector**. **Fast connections** are already in place with Western Europe, which explains why France and Germany already account for more than one-in-four visits to the UK. The same countries also display outstanding national branding. The UK is 4th behind France and Germany in the 2012 Anholt GfK ranking[6]. Building upon these **synergies**, EU marketing would most likely benefit our country that would be seen as an **essential feature of a journey to Europe**.

As illustrated by the **one-stop-shop website visiteurope.com** and the umbrella **campaign entitled 'Europe - Whenever you're ready'[7],** the Member States already started acting together. They should now step up their efforts to foster the desired image of Europe.

1.2 Speaking with one voice within international organisations

There is **no explicit competence** for the EU in external tourism policy, except where the conclusion of an agreement is necessary to achieve objectives set in the Treaties[8]. Yet granting a **mandate to the European Commission** on some international matters would be beneficial to Member States. For instance, it would give greater strength **in negotiations at the World Tourism Organisation regarding the European citizens' rights when travelling outside the EU**.

2. Added value to UK tourism of EU internal tourism policy
2.1 Ensuring high-quality services through European labelling

Different Member States use different **evaluation methodologies to assess the quality of tourism services**. There are currently 30 schemes of varying scope, criteria and governance[9]. Such fragmentation is an impediment to cross-border tourism, which reduces confidence in European products. Therefore an **integrated**

5 http://ec.europa.eu/enterprise/sectors/tourism/files/studies/competitiveness/executive_summary_en.pdf and

http://ec.europa.eu/enterprise/sectors/tourism/files/forum_2012/2_irish_tourist_industry_confederation_eamonn_mckeon_en.pdf

6 http://www.brandingplaces.com/2012/11/01/2012-anholt-gfk-roper-nation-brands-index-vs-futurebrands-country-brand-index/

7 http://www.visiteurope.com/home.aspx

8 Article 216 TFEU

9 Centre for European Policy Studies, Estimated impacts of possible options and legal instruments of the umbrella European Tourism Label for Quality Schemes, September 2012

approach based on consistent quality criteria should be preferred to individual initiatives. It is justified by the need to fight against the misbehaviour of certain operators in some Member States that negatively impacts the region as a whole.

Against this backdrop, we welcome the European Commission's initiative to put forward the first legislative proposal on tourism to create a voluntary **European Tourism Label for Quality**[10]. This regulation should develop a **level playing field for providing high-quality tourism services throughout Europe**, thereby increasing the competitiveness of the European tourism sector vis-à-vis third countries' destinations and the UK prospects for **growth in intra-regional tourism**. It will also **facilitate the promotion of the European Brand**. The **proportionality of the measure** is guaranteed by the **flexibility of the label**, which is to remain **voluntary**.

2.2. Disseminating best-practises and knowledge-based support for businesses

UK policy-makers and entrepreneurs should be informed by the **latest and best information available**. **Improvements in market intelligence and in both the availability and use of statistical databases** enhance the quality of the decisions made by policy-makers and business-leaders. In this regard, **coordination** at EU level appears as the most **cost-efficient solution to bring all sources of knowledge together**. Research on relevant trends across Europe and identification of best practises can be better conducted at aggregate EU level.

For instance, the **EU Consumer Markets scoreboard** highlights the consumers' views on the tourism market[11]. It assists UK businesses in adapting to changes in customer behaviours. And the **Virtual Tourism Observatory** that is being set up will soon facilitate the acquisition and sharing of insights on tourism[12]. The platform will include a collection of best practices that are to serve as a **toolbox for future UK policy initiatives**. In the long-run, the EU Institutions envisage the creation of a **centre of excellence** with the view to guaranteeing the highest quality of data. Only evidence-based policies can provide a suitable response to ongoing changes affecting the tourism sector. Of course, **decision-making remains entirely national** and the UK authorities will be able to use statistical evidence the way they want.

3. Illustrations
3.1 What the EU is doing well:

Cultural and Heritage Tourism

Revenues from Heritage Tourism amount £12.4 billion a year to the UK. This sub-sector is a good example of how EU initiatives can complement national policies. **EU marketing raises consciousness about shared European cultural heritage** and **EU funding** (e.g. restoration of the Acropolis in 1993 in Athens) allows the monuments to be restored and the landscapes to be preserved. As a result UK inbound tourism has increased, from both within and outside the EU. In addition to its **productive effect**, Heritage Tourism brings European citizens together, **strengthens their sense of belonging to the same community** and **showcases European culture** to the outer regions.

[10] http://ec.europa.eu/governance/impact/planned_ia/docs/2012_entr_020_european_tourism_label_en.pdf

[11] http://ec.europa.eu/consumers/consumer_research/index_en.htm

[12] http://ec.europa.eu/enterprise/sectors/tourism/vto/index_en.htm

Several European initiatives illustrate how **transnational cooperation can increase tourism traffic to the UK.** For example, the European Commission has linked several regions via **trans-European routes** featuring similar historical (e.g. European cycling route 'Iron Curtain Trail'), cultural, environmental (i.e. protected natural sites), wellbeing (e.g. European Thermal Route), gastronomic, agricultural and industrial characteristics. These **transnational thematic products** have a **pan-European dimension** and can contribute to the **diversification of our tourism supply**. They have stimulated a new market for cross-border guide books and tour operators' packages. That is why more funds should be allocated to tourism, and in particular a funding stream for industrial and heritage tourism. Out of the €6bn devoted to the sector for the period 2007-2013, the UK only received 2% of tourism funds -€121 million - that only represents 0.5% of the already small EU seven-year budget[13].

<u>Improving and protecting **consumer rights** for both British travelling abroad and tourists coming to the UK</u>

In the debate on tourism, consumers should not be forgotten. EU legislation is giving our consumers a better deal when travelling abroad. EU action has drastically improved consumers rights through the roaming regulation which contains safeguards for consumers in form of decreasing price caps; Liberal Democrats are now pushing for zero roaming charges. The Air passengers rights legislation gives rights to passengers in terms of compensation for delayed, cancelled or re-routed flights. EU citizens also have rights when travelling by bus; coach; ship and train across the EU. Other advantages for EU tourists to name a few are the European emergency number 112, the European Health Insurance Card, insurance and the Euro.

<u>3.2 Where the EU should do more: improving the convenience of travelling to the UK</u>

The UK tourism industry suffers from several **regulatory impediments to the free movement of persons and transport.** Visa restrictions, the subsequent waiting times at ports and airports and the lack of interconnectivity between different modes of transport hamper the development of UK tourism industry. **As long as the situation persists, the UK will fail to reap the benefits of the newly-advertised European brand and the European label for Tourism quality.**

Visa regulations matter. It is estimated that **4 million people a year give up their plans to travel to the UK** due to the length and complexity of our country's visa application process[14]. Arrangements have to be put in place to improve the speed of visa processing and issuance, in particular with the Schengen countries. It should include the streamlining of supporting documents required for visa applications, better online communication in all languages and reduced cost. Every year, **thousands of UK tourists enjoy the freedom of movement within Schengen borders**. In return, **the British Isles' isolation from the continent should be avoided by all means.**
Liberal Democrats believe that the UK Border Agency should, without compromising the high standard of pre-entry checks, create a streamlined, fast-track process for those applicants that have already been issued a Schengen visa.

[13] http://ec.europa.eu/regional_policy/thefunds/funding/index_en.cfm
[14] http://ec.europa.eu/enterprise/sectors/tourism/files/forum_2012/7_etoa_tom_jenkins_en_.pdf

To ensure non discrimination, **European citizens should also be granted, made aware of and able to exercise their rights as easily as within their own country** (e.g car rental, overseas properties, etc.)[15] In this regard, the recent proposal put forward by the European Commission to amend the 1990 **Package Travel Directive** goes in the right direction. By extending existing protection to customers of customised packages, it will minimise the obstacles to intra-EU tourism.

Conclusion

The potential of the EU in this area, in particular through common branding when marketing Europe to emerging markets, should not be underestimated. The EU plays a **crucial role to correct market failures and foster cooperation between national authorities**. It is appropriately tasked with:

1) providing **European public goods**: Culture Heritage;
2) reducing **information asymmetries**: European Labelling;
3) reaching **economies of scale**: European Brand
4) Guaranteeing **consumers rights**

EU action in this field is justified because these **flaws cannot be adequately addressed by Members States**, which have an interest in competing against each other. Instead, coordinated action at EU level addresses the transnational nature of the problems at stake. As a result, it boosts the attractiveness of UK territory and stimulates both intra- and extra-European flows to the UK.

[15] http://ec.europa.eu/consumers/ecc/consumer_topics/car_rental_en.htm

Additional references

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