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BRITISH
HOSPITALITY
Association

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Sir Michael Lyons
Lyons Inquiry into Local Government Funding
Room 3.12
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Dear Sir Michael,

THE ROLE OF TOURISM

When we met at the CBI on 15 June, you kindly acknowledged the concerns we and others in the hospitality and tourism industry had expressed about the possibility of your final report recommending that local authorities in England be authorised to levy a bed tax. However, you also made it clear that the issue remained on your agenda and that you would encourage the tourism industry to make a further input on how it might contribute to resolving the issues raised in your first report.

Subsequent exchanges with your officials have led us to consider two questions: what can local authorities do to help tourism? And: where those actions have significant new spending implications, how should they be funded?

Local authorities currently do two things which are of relevance to tourism:

First, they provide services to the whole community which are essential to delivery of the tourism product. Keeping toilets open and clean, and operating or facilitating car parking are two specific tasks which may be done well or badly. If done badly or not at all, the ability to attract visitors will be reduced. However, the benefits of these services are not generally restricted to tourists. All citizens can benefit from them and we see no reason why the tourist industry should be expected to pay more for their provision than the community at large.



for a better service



Secondly, they may provide services directly to the tourism industry and its customers, and not to other industries or their customers. For example, many local authorities have tourism officers; many operate Tourism Information Centres; and many produce local tourism brochures or market their area in other ways. We accept that, at first glance, there may appear to be a case for the industry to contribute to the costs of these activities, but this raises the issue of what say the industry will have in whether these services should be provided in the first place.

Once you start to define the extent of the benefiting industry, it becomes clear that, for example, just as a hotel or restaurant or pub or attraction in a seaside town benefits from successful operation of publicly funded tourism services, so the pharmacy in the town will benefit from selling sun cream, sunglasses and films for cameras; the bookshop will sell holiday reading to visitors; and so on.

In other words, all local businesses can benefit from these services. If the rating system is working properly, these benefits will be reflected in higher UBR valuations, so these businesses will pay higher business rates.

We argue therefore that the tourism industry that benefits from such expenditure is wider and more diffuse than is traditionally understood and, further, that it is paying for these benefits already through extra business rates linked, albeit imperfectly, to business success. We agree that the way business rates are distributed by central government may be a problem, but we do not see why resolving it should add even further to the tax burden on these businesses.

One possibility might be for a fixed percentage of existing business rates to be retained by local authorities for the maintenance of the “public realm.” This could create a virtuous circle: the more attractive the location, the more visitors, the more income received by local businesses and therefore the more paid to councils as their “public realm” share of business rates.

This would also have the advantage that those councils which see visitors as a burden on their limited resources might cease to do so.

Our conclusion then is that we do not necessarily want local authorities to do **significantly** more than they do now. We want facilities which benefit tourism as well as the community at large (toilets, car parks, etc) to be available and clean. We would draw to your attention the joint work of the Wales Tourism Alliance and the Welsh Local Government Association in the “Keep it open, keep it clean” initiative.

Where local authorities offer services specifically for tourism (e.g., marketing), their success will be reflected in additional revenue for a wide range of businesses, part of which will then find its way to the local authority via business rates.

*Yours sincerely,
Martin Couchan*

**MARTIN COUCHMAN
DEPUTY CHIEF EXECUTIVE**