

Reviving the Visitor Economy



Summary report of an
Onward Roundtable



ONWARD 

About Onward

Onward is a not-for-profit thinktank registered in England and Wales (no. 11326052). Our mission is to renew the centre right for the next generation, by coming up with bold new ideas and reaching out to new groups of people.

You can find out more about us on our website at www.ukonward.com and @ukonward on all major social media channels.

About Airbnb

Airbnb began in 2008 when two designers who had space to share hosted three travellers looking for a place to stay. Now, millions of hosts and travellers choose to create a free Airbnb account so they can list their space and book unique accommodation anywhere in the world. And Airbnb experience hosts share their passions and interests with both travellers and locals.

About this report

This summary report is a record of a roundtable event held in April 2022, hosted by Onward and supported by Airbnb. The event was held under the Chatham House Rule, so all comments below are anonymised and the discussion summarised.



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Foreword

Our visitor economy faces challenging times. Tourism was hit hard by Covid and despite the Government's more than £37 billion in financial support for tourism, hospitality and leisure sectors, these vital industries are yet to fully bounce back. Worryingly, Oxford Economics predict tourism in the UK will not return to 2019 levels of activity and spending until as late as 2025.

But there are ways to turn things around. For a start, the Government's levelling up agenda presents a big opportunity. For too long our approach to tourism has been to encourage greater numbers of visitors to a small handful of hotspots. Meanwhile, many communities, particularly across the North of England and Midlands, with historic attractions and beautiful scenery have been overlooked. There's a real opportunity to grow the tourism sector whilst boosting growth in left behind places.

Seeking to spread tourism more evenly could also reduce pressures associated with high levels of visitors in traditional hotspots, such as the impact on local services and infrastructure of a large influx of people. These challenges are why the Government's commitment to introduce a register of short term accommodation is so welcome. Better data gives local leaders the tools to understand and address pinch points, without driving away visitors. And when combined with funding for visitor attraction and infrastructure development, local leaders could shape their economies to best support visitors.

The tourism workforce presents great opportunities as well. Jobs in hotels, bars, and restaurants can provide great career paths for young people in fulfilling roles. But more work needs to be done to ensure young people have the right skills to enter the workforce, and that pay and conditions are good enough to support healthy communities.

Our roundtable, organised with Airbnb, brought together industry experts and politicians, including Tourism Minister Nigel Huddleston MP, for a broad conversation on what the tourism industry's path to full recovery should look like. This report summarises the discussion, bringing together the opportunities and challenges facing the tourism sector in the years ahead, and offering food for thought as the UK looks to take advantage of its vibrant visitor economy.



Adam Hawksbee,
Deputy Director, Onward

Introduction

Tourism is worth over £100 billion a year¹ to the UK economy. It is one of the country's most important and diverse sectors, playing a leading role in shaping Britain's reputation around the world.

But the Covid-19 pandemic has posed an existential challenge to the sector and for over two years, our industry has been unable to operate as it should. Overcoming this challenge has been hard, but the UK tourism sector is bouncing back strongly - and the rise in "staycations" over this period shows both the resilience of the sector and the strength of holiday destinations right across Britain.

The return of tourism across the UK has been extremely positive, and at Airbnb we have been proud to champion some brilliant underlooked tourism destinations around Britain that have thrived as tourism has returned. In summer 2021 on Airbnb, nearby travel made up approximately 80% of nights booked in the UK in 2021, while rural travel accounted for around 50% in summer 2021, up from approximately 20% in summer 2019.

But as significant as the benefits are that tourism brings into our communities, we also understand that it can drive pressures on local communities. That is why we want to ensure that the influence Airbnb has on the communities our Hosts live and work in is positive. Airbnb was founded to help our Hosts earn extra money and to allow guests to live like locals in the communities that they visit. We are determined to facilitate easy access to affordable, diverse and inclusive accommodation options across the UK.

In 2019, Hosts and guests on Airbnb generated an estimated £5.1 billion for the UK economy and, importantly, around a third of Hosts in the UK use Airbnb to help them make ends meet. Hosts collectively earned more than £1.5 billion last year with the typical UK host earning just over £6,000 - approximately two months of pay for the median UK household

- additional support worth more now than ever in the face of a rapidly escalating cost of living crisis.

While these figures are positive for Hosts, guests, and the UK economy, we understand that concerns remain about the impact of over-tourism as well as the effect of short term lets on housing supply in some communities.

We want to ensure that our impact is positive - and that we are able to be flexible and support the communities in which hosts and guests come together, no matter the novel characteristics that each community represents.

That's why we recently set out our Healthy Tourism Commitment for the coming summer - which captures our efforts to be a constructive partner to communities in the months ahead. We have also made changes to our platform to help redistribute tourism throughout the UK.

But we want to go further, and that is why we have called for a Tourism Accommodation Registration System. In June 2021, Airbnb proactively set out its own proposals for short-term let operators in the UK. We support the introduction of a centralised registration system for the entire short term letting sector, which is online, simple, instant, and low cost.

It is clear that data on the STL sector in the UK is a critical input to enable Local Authorities to assess their local housing supply. TAn industry-wide TARS will provide public authorities for the first time with an authoritative and comprehensive evidence base on the volume and type of STLs within their communities, and ultimately provide a firm foundation for any policymaking.

We believe that ultimately a TARS would demonstrate the value that short term lets offer - not just to established tourist destinations, but to the places across the country which are less visited and less well known.

While we continue to progress industry initiatives to collate useful information on the number and nature of listings, there is a need for mandated, consistent data that only regulation can deliver. We are delighted that the consultation process is underway.

Alongside this call for a registration system, we have introduced a number of further measures to ensure Airbnb is a good partner to communities. We have introduced a party ban, removed or suspended more than 1,000 UK listings as part of a crackdown on party houses, introduced high-risk reservation technology that blocks reservation attempts we consider are high risk to communities, and launched a Neighbour Support Line allowing neighbours with concerns to contact Airbnb.

Lastly, we must be clear that Airbnb is against the unacceptable practice of illegally evicting people from their homes in order to list them on our platform. We will always take action in response to reports of illegal evictions - but the issue arises when people have been evicted via Section 21 actions - or so-called 'no-fault' evictions. This is currently legal, but we support the Government's decision to end them - as soon as possible.

Tourism is a major force for good in our communities - and the growth of the sharing economy means that more people than ever can engage in and benefit from it. Its recovery is promising - but fragile - and it is important that the Government does not impose additional regulation that would decrease communities' ability to access the economic benefits of tourism at the moment that they need them most.

But we also agree that there is a balance to be struck, and we hear those who make the point that the side effects of short term tourism accommodation can be challenging in some local communities. We're not suggesting that no change is necessary, or that no more work needs to be done - but as we move forward, it is critically important that we have a proper understanding of our sector and its role in the wider

economy. We can craft effective interventions where needed, that do not risk damaging jobs, livelihoods and holidays at the moment when British tourism needs our fullest support.



Amanda Cupples,
General Manager Northern Europe, Airbnb

The impact of tourism on coastal communities

All too often coastal communities struggle with deprivation and health inequalities while those living in these areas have fewer opportunities to develop skills or find gainful employment. That is why the tourism industry is so important for Hastings and Rye, as well as for coastal areas across the U.K. from Bournemouth to Blackpool and Skegness to Southend. The regular influx of thousands of visitors brings money into local economies and supports vital skilled jobs.

More must be done, however, to spread the economic benefits of tourism more fairly. A 2019 report produced by colleagues in the House of Lords found evidence that smaller and less well-known coastal communities are being “overlooked by national initiatives” whilst “the focus of those strategies aimed at promoting tourism was very much on areas that already had a thriving visitor economy”.²

Airbnb and similar platforms can play an important role in getting more people to visit coastal communities, so long as a healthy balance between residential properties and such lettings is maintained. By making it easier for local people to provide short-term accommodation and by better promoting coastal communities through their marketing, such platforms can bring many more visitors to walk along Hastings Pier or climb the impressive tower of Rye’s 900-year-old parish church.

That said, communities with high levels of tourism also need greater direct support. Deprivation and anti-social behaviour in some coastal communities can discourage tourism, thereby reducing its positive impact on local economies with related consequences. I am delighted that Hastings was successful in its Towns Fund Bid, with £24.3 million awarded and a further £85 million being leveraged via the town’s investment plan. This will support the regeneration of our town centre and help attract even more tourists to the local area for years to come.

Housing is another area in which much more support for coastal communities is required. Research by the ONS last year found that average house prices in coastal areas were growing as much as three times as fast as the UK average, and this includes in Hastings which had the fourth highest rise in house prices for any local authority in the U.K. As they noted in their research, such big increases in house prices for coastal areas are often linked to levels of second homeownership and have a disproportionate impact on young people working in the tourism sector, who can often be in low paid jobs.

The Government's action in tightening up legislation to make it harder for second homeowners to bogusly claim their empty property as a holiday let business in order to dodge taxes is a welcome first step, but more progress is needed. I note that a number of local councils, such as those in the Lake District and the Yorkshire Dales, have introduced local occupancy clauses that limit the number of non-residents for new build homes. While it is too early to properly assess the impact of such policies, they could offer part of the much-needed solution to our coastal community housing crisis.



Sally-Ann Hart,
MP for Hastings and Rye

The benefits of a Tourist Accommodation Registration Scheme

Tourists visiting Carlisle are spoiled for choice. Our city is home to so many wonderful attractions, ranging from parts of Hadrian's Wall to our 900 year old cathedral which I was pleased to visit for this year's English Tourism Week. With sites of such historical importance, it is not surprising that millions of visits are made to Cumbria every year, generating over £3 billion for our local economy and supporting 38,000 full-time jobs.³ And as our country bounces back from the pandemic, it is encouraging to see so many tourists returning to Carlisle and Cumbria.

But being such a vibrant tourist attraction has its downsides too. The hundreds of thousands of visitors coming to Carlisle and Cumbria each year strain local public services, from additional demands on roads and parking to greater pressure on waste and cleaning services. And despite growing demand for services in tourist hotspots, many local councils are under increasing financial strain. Meanwhile, areas such as Cumbria with high numbers of second homes are finding it difficult to help local people get their foot on the first rung of the housing ladder.

That is why I welcome Tourism Minister Nigel Huddleston's consultation on introducing a Tourist Accommodation Registration Scheme. Such a scheme would allow us to collect the data needed to better identify the areas that are most impacted by high levels of tourism, at a hyper-local level, and better target additional support to these communities. And I am glad that plans for this scheme have the support of key leaders in the visitor economy such as Airbnb, who helped lead the development of proposals for such a system.⁴

While a registration scheme would be a step in the right direction, ministers should consider going further in supporting communities with high levels of tourism. After all, is it right that local residents and

businesses should have to cover the costs of these demands on public services, while tourists do not? Surely there must be a way of ensuring that those visiting tourist hotspots better contribute to the local funding that provide the services they rely on?

One option would be to devolve powers to local councils and allow them to introduce local visitor fees. That said there may be better approaches, given that our country has the second highest taxed hotel sector in Europe, and adding additional costs could discourage tourism.⁵ Another option would be to ring-fence a proportion of tax revenue generated from tourism for local councils, operating in a similar way to the business rates retention scheme.

By taking greater action to support communities with high levels of tourism, we can preserve the benefits of the visitor economy while mitigating some of the tradeoffs. This roundtable was an excellent opportunity to explore how to do just that, and I look forward to working with the Government and tourism leaders such as Airbnb as we take this conversation forward.



John Stevenson,
MP for Carlisle

Summary

This April, with the tourism sector still not fully recovered from the outbreak of Covid-19, Onward held a private roundtable on the future of the visitor economy in partnership with Airbnb. The roundtable established the need for greater support for the tourism sector, particularly in light of the cost of living crisis, and outlined the many benefits of the sector for the UK economy. Four key themes emerged during the discussion.

First, it was acknowledged that the tourism sector could both bring important economic benefits and face significant economic challenges in the years ahead. It was noted that much of inbound tourism spending was concentrated in London and the South East, and that spreading tourism more widely across the country could help address geographic economic disparities and help deliver on the levelling up agenda. However, industry experts also warned that the cost of living crisis could prevent the sector's potential benefits for levelling up from being realised, by reducing disposable income and tourism.

Second, there was agreement on the need for greater information to be gathered on the impact of tourism in communities, to ensure that all policy interventions were rigorously evidence-based. Attendees welcomed the Government's commitment to consult on the registration of holiday accommodation as a way to help gather the necessary data for future policies, and Airbnb's support for registration. This consultation has since been launched.⁶

Third, attendees agreed that there was a need for co-ordinating action on tourism with other national and local policy challenges. A number of attendees noted that many of the challenges linked to tourism, such as the impact of high numbers of visitors on local infrastructure, could not be solved by a one-size-fits-all approach to tourism, and that devolving greater responsibilities to empower local communities had merits.

Finally, attendees raised the challenges and benefits of tourism for local workers employed in the sector. Some attendees pointed out that many tourism workers were low-skilled and argued the sector had a role to upskill their workforce. Others argued that while many entry level jobs in the sector were low-skilled, progression towards management could be much faster than in many other industries. The issue of low-skilled tourism workers being less able to afford to buy homes in areas where high levels of tourist accommodation pushed up housing prices was also raised as a challenge.

Key points of the discussion

1. Economic benefits and challenges in the years ahead.

Attendees noted that around 50% of inbound tourism spending was concentrated within the M25, and were unanimous that more needed to be done to spread the benefits of the visitor economy outside of London. Those present noted that many communities with a great deal of heritage, such as Stoke, could be the tourism hotspots of tomorrow, if more could be done to drive tourism outside of London and the South East. Others noted tourism success stories in the North of England, such as Blackpool and the Lake District. Nigel Huddleston MP reaffirmed the Government's aim, made in the Tourism Recovery Plan, to grow visitor spending year-on-year in every nation and region of the UK, and outside of the usual tourist 'hotspots'.

Airbnb highlighted steps that they had taken to help encourage tourism in other parts of the country. These included a focus on promoting areas of the country in lower demand during peak seasons. In addition to funding, some attendees highlighted the merits of partnering with local heritage trusts in order to drive tourism towards areas of the UK whose unique histories are too often being overlooked. Airbnb also noted the indirect benefits their platform generates for the UK economy.

Some attendees suggested that the success of tourism-related bids to various Levelling Up funding pots had been mixed, and that greater funding for tourism through such funds would help attract visitors to overlooked parts of the country. In order to make the proposition of UK tourism more appealing in some parts of the country, some argued that the VAT cut for tourism and hospitality should be extended. They also argued that the threshold on when holiday lets have to pay VAT should be lowered, as the current system incentivised holiday lets to stop letting their property once the threshold had been reached.

Attendees also discussed the impact that various economic upheavals in the UK could have on the ability of the tourism sector to help deliver on levelling up. It was noted that the cost of living crisis is reducing people's disposable income, making it less affordable for them to take day trips or vacations within the UK, even as the crisis pushes up business costs for the sector. Airbnb noted that their lets generated over £600 million for UK hosts last year, providing additional income for many financially struggling households.

A number of attendees argued that, in some cases, our withdrawal from the EU had made it harder for international visitors to secure visas to come to the UK.

2. The need for greater information and evidence-based approaches

A number of attendees argued that while tourism was a great driver of economic growth in many communities across the country, in some respects, high levels of tourism had the potential to put local infrastructure under pressure. For example, high numbers of visitors result in extra demand on roads, parking, public toilets, and often litter picking and cleaning services, but each of these services is funded through taxes levied on local residents and businesses, rather than tourists.

Those present agreed that when creating policies to mitigate some of these potential drawbacks from tourism, it was vital that decisions were evidence-based and that there was, at present, a poor understanding of where these pressures were most keenly felt. All attendees therefore welcomed the Government's plans to consult on a new registration scheme for holiday accommodation as a way to gather more comprehensive data on which communities are most impacted by high levels of tourism. Attendees also noted the support of Airbnb for such a registration system, and welcomed that they had set out their own proposals which helped inform the Government's planned scheme.

There was some debate as to whether, once there was a more evidence-based understanding of the impacts of tourism, it would be worthwhile generating additional revenue for local communities particularly affected via a new tourism tax. Some argued that a tourism tax levied on overnight stays would be a way in which to generate the revenue required to deal with the challenges posed by high levels of tourism. Others pointed out that the UK already had one of the highest rates of tax on tourism-related activity in the developed world, and that additional taxes would only serve to make the UK less competitive, and risk encouraging domestic and international tourists to go elsewhere. Some also noted that additional tax on tourism, levied on overnight accommodation, would incentivise day trips which tend to bring far less spending into the local economy than overnight trips.

3. Coordinating tourism with other national and local policy challenges

As part of the debate on the merits of a tourism tax, attendees also discussed devolving greater responsibilities for tourism to local communities. Many felt that doing so would help communities to better maximise the benefits of tourism and mitigate potential drawbacks of high levels of visitors. As part of the wider discussion on levying additional taxes on tourism, attendees agreed that any such tax would have to be locally led. A more popular idea that emerged during the discussion was earmarking parts of the revenue raised through existing taxes on tourism, such as VAT, for local communities.

A number of attendees noted ways in which local councils were already leading tourism policy in their local areas. For example, one attendee raised the role of Business Improvement Districts in supporting communities with high levels of tourism, citing examples in the South West where tourism businesses were paying into a fund for local communities. They noted that businesses favoured this approach as they had a say over whether to renew the funding on a regular basis.

Others discussed the role of Destination Management Organisations in supporting local tourism. Attendees welcomed the Government's review into reforming these organisations, arguing that while many such organisations work well, others do not, and reforms could create stronger local institutional leadership in the sector.

4. The challenges of tourism for local workers

Attendees weighed up the challenges and benefits of the tourism sector for the workforce, including deprivation in some coastal communities, such as Blackpool and Hastings. Some attendees pointed out that while there may be some vibrant areas of such towns, thanks to the strength of local tourism, other areas often struggled with severe social problems, particularly around addiction and lack of opportunities for local residents.

Some raised the issue that lots of employment-related to tourism is low paid work and there is a need for greater upskilling of workers in the sector. Others argued that more sustainable tourism jobs were required in order to boost economic resilience and address deprivation in coastal communities, and that part of this could only be delivered through additional private sector involvement, not local councils.

Some industry experts argued that while many of the entry-level jobs in the tourism sector were low-skilled, progression could be fast and that in pubs and restaurants, promotion to management often only took a few short years, far faster than in many other industries. But others noted that with 60% of the workforce being under 30, it was essential that the employers took into account the importance of creating more permanent growth opportunities for school leavers entering the workforce.

In order to help create new opportunities for local residents, some attendees noted that community benefit had to be key to any future tourism growth plans. They noted with approval some local councils

plans to make it mandatory for hospitality employers to increase the base salary of workers and shift employment opportunities from seasonal work to established careers with opportunities to attain further qualifications and education.

Some attendees suggested that one of the biggest negative impacts associated with high levels of tourism was a lack of affordable housing. They argued that high levels of second homeownership pushed up prices and made it harder for those low-skilled workers in the sector to be able to get their foot on the housing ladder. Others noted, however, that the overwhelming majority of short-term lets provided through Airbnb and other such platforms were individual households seeking an additional source of income, rather than second homeowners.

One of the issues raised was the tax treatment of holiday lets. Attendees welcomed the Government's intervention to tighten up legislation that allowed second homeowners to falsely claim their property was a holiday letting business, in order to avoid paying council tax.

Endnotes

¹ “The value of tourism in England”, *VisitBritain*.

² “The future of seaside towns”, *House of Lords Select Committee on Regenerating Seaside Towns and Communities*, 4 April 2019.

³ “Research”, *Cumbria Tourism*.

⁴ “Welcoming progress on plans for a UK registration system”, *Airbnb*, 11 June 2021.

⁵ “Tourist Tax”, *All Party Parliamentary Group for Hospitality*, 29 May 2019.

⁶ “Developing a tourist accommodation registration scheme in England”, *DCMS*, 29 June 2022.

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