

Association of International Retail

Update – June 2022

As Britain recovers from the pandemic, our international visitor sector is a major driver of economic growth.

Between 2009 and 2019, its value grew by an average of 6% a year, generating £28.4 billion in 2019.

VisitBritain surveys consistently show that shopping is one of the top motivators for choosing to visit the UK. And it's the single biggest item of expenditure, accounting for 46% of all international visitor spending in London.

So ensuring that Britain and our shopping remains globally attractive is vitally important for the whole of the UK.

The role of the Association of International Retail is to campaign for changes to any government policies that make Britain a less attractive destination for international tourists, particularly those high spending visitors from the Gulf States, China and the USA.

But unfortunately, as international travel starts to return, the UK is now significantly less attractive as a shopping destination compared with our nearby European neighbours, particularly France, Italy and Spain.

There are three clear policy reasons for Britain losing its appeal.

First, our visitor visa system has fallen behind its Schengen rival, particularly in GCC states and China.

Secondly, stores in our International Centres face Sunday trading restrictions that don't exist in most other international destinations.

And finally, the Government's decision to end tax free shopping just as the EU opened it up to British visitors, has meant that shopping for visitors to the UK is now 20% more expensive than in every EU country and British people are starting to learn that they can now shop 20% cheaper in Europe.

So, with the support of NWECC, Walpole, the French Chamber and others, AIR is leading three separate but related lobbying campaigns to persuade the government of the need for policy change.

On visas and Sunday trading, if we put the effort in now, there is a good chance of getting change in the near future. Tax free shopping will take longer. We have a clear strategy for introducing an even better tax-free shopping offer when the time is right, but we have to start preparing the ground now.

On visas we are focussing on improving the existing Electronic Visa Waiver Scheme in the Gulf States and introducing it in China.

This scheme allows visitors, particularly high net worth individuals, to visit the UK without a visa so long as they meet certain criteria on a Web based form.

In the GCC area our system is less attractive than the Schengen version. For example, Schengen's lasts for 6 months and is multiple entry. Britain's is 6 months but only single entry. It is relatively easy for the Government to make these minor changes at no cost.

And introducing the visa waiver scheme in China, as the USA has already done, would allow Chinese visitors to Europe to add the UK to their multi- country tours without having to get two visas.

We are meeting soon with home office officials and then the immigration minister. We have won the support of the retail and tourism ministers, who will attend that ministerial meeting, and we have mobilised the ambassadors of all six GCC states in support.

On Sunday trading, we are supporting NWECC's campaign. We see an opportunity in the current Levelling-Up and Regeneration Bill to add stores in the two defined international centres of the West End and Knightsbridge to the list of exemptions in the Sunday Trading Act.

It won't be easy and the current unrest amongst Tory MPs make it more difficult to persuade the Government to raise the issue of Sunday trading. But we will campaign hard. And if not this time, we will keep looking out for new legislative opportunities to introduce this simple, cost-free measure.

And finally, tax free shopping. There is a real possibility of reversing the Government's decision if we start campaigning and preparing our case now, particularly if the Chancellor changes, which could happen sooner rather than later.

Our strategy here has two key elements.

First, we have to put in place robust systems for collecting real data on the actual impact of ending high street and airside tax free shopping. That's the direct impact on retail sales and the indirect impact on spending on hotels, restaurants and culture as high spending tourists chose to visit the UK less often and spend less time here, diverting their spending to France and Italy.

When the Treasury announced the ending of tax-free shopping, they predicted that it would have negligible impact on visitor behaviour and spending. They forecast that the Treasury would make a net gain of £350 million in VAT each year.

We argued that it would have a significant impact on the behaviour of high spending visitors and their reduced overall spending would result in a net loss of VAT for the government.

As the real data starts to come in its suggesting that we were right and the government was wrong.

As just one example, Global Blue surveyed major brands with stores in the UK and throughout the EU. They compared total sales made to key markets in Q4 2021 to the same quarter in 2019 to measure the extent of the recovery.

For US visitors to the EU, spending in 2021 was already at 91% of 2019 levels. In the UK it was just 49%.

More shockingly, spending by GCC visitors stood at 153% of 2019 levels. In the UK it had only reached 60%.

These high spending visitors are clearly diverting their spending from the UK to France, Italy and Spain.

So collecting that real data is central to the campaign. We have established a data collection project that will use sources such as the major card companies to monitor relative tourist spending in the UK and EU to show the full, real impact of choosing to become the only major European country not to offer tax free shopping.

But as we collect the data we have to keep the issue live. Most of our focus has been on giving written and oral evidence to a Parliamentary Select Committee inquiry into Britain's international tourist economy. We hope that the Committee will support our case on visas and tax-free shopping in its recommendations when it reports later this year. This will put pressure on the Government to respond and provide the vehicle for us to start using the real data that we are collecting.

We have drawn-up full political and media campaign and have already won the support of every major tourism and London business organisation and many MPs for our cause

We are confident that if we can make a strong push on all three of these campaigns now, we stand a good chance of getting the Government to make these policy changes in the short and mid-terms.

And the difference these changes would make for your businesses are huge.

Based on NWECC's estimation for the West End, allowing longer Sunday Trading in the West End and Knightsbridge would add around £350 million in net extra sales each year.

Restoring tax free shopping would reverse the £1.2 billion annual loss of retail sales that the Office for Budget Responsibility conservatively estimates is going to happen in the high streets.

Extending tax free shopping to EU visitors would make the UK Europe's shopping destination. Already British shoppers in the EU are spending €250 a year on tax free shopping and that will grow to over €1 billion. Just imagine the gain for British retailers and hospitality if we allow the 460 million EU citizens to shop tax free in the UK.

And making the visa system easier for high spending visitors will add even more to sales.

So we are talking about a multi-billion prize here.

But to win it we must campaign professionally and comprehensively. And to do that we need your support to contribute to our campaign funding. Relatively small levels of support from a large number of businesses will give us the resources we need to run effective campaigns on all three issues and bring about change.

And the time is now.

Businesses wanting to contribute to funding these campaigns can find details [here](#). You can register your interest in joining AIR [here](#) or contact info@internationalretail.co.uk.