

THE IMPACT OF HERITAGE TOURISM FOR THE UK ECONOMY

AUGUST 2016

The impact of heritage tourism for the UK economy

Oxford Economics

Oxford Economics was founded in 1981 as a commercial venture with Oxford University's business college to provide economic forecasting and modelling to UK companies and financial institutions expanding abroad. Since then, we have become one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on 200 countries, 100 industrial sectors and over 3,000 cities. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

Headquartered in Oxford, England, with regional centres in London, New York, and Singapore, Oxford Economics has offices across the globe in Belfast, Chicago, Dubai, Miami, Milan, Paris, Philadelphia, San Francisco, and Washington DC. We employ over 230 full-time people, including more than 150 professional economists, industry experts and business editors—one of the largest teams of macroeconomists and thought leadership specialists. Our global team is highly skilled in a full range of research techniques and thought leadership capabilities, from econometric modelling, scenario framing, and economic impact analysis to market surveys, case studies, expert panels, and web analytics. Underpinning our in-house expertise is a contributor network of over 500 economists, analysts and journalists around the world.

Oxford Economics is a key adviser to corporate, financial and government decision-makers and thought leaders. Our worldwide client base now comprises over 1000 international organisations, including leading multinational companies and financial institutions; key government bodies and trade associations; and top universities, consultancies, and think tanks.

August 2016

All data shown in tables and charts are Oxford Economics' own data, except where otherwise stated and cited in footnotes, and are copyright © Oxford Economics Ltd.

This report is confidential to Heritage Lottery Fund and may not be published or distributed without their prior written permission.

The modelling and results presented here are based on information provided by third parties, upon which Oxford Economics has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

To discuss the report further please contact:

Andy Logan: alogan@oxfordeconomics.com

Oxford Economics

Broadwall House, 21 Broadwall, London, SE1 9PL, UK

Tel: +44 207 803 1400

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY	3
2. INTRODUCTION	4
2.1 INTRODUCTION TO ECONOMIC IMPACT ANALYSIS	5
3. THE SCALE OF HERITAGE TOURISM IN THE UK	7
3.1 Visits and spending in the broader UK tourism sector	7
3.2 Visits and spending on heritage tourism	9
4. HERITAGE TOURISM'S IMPACT ON THE UK ECONOMY	12
4.1 Direct economic impact	12
4.2 Supply chain impact	16
4.3 Wage payment impact	18
4.4 Total impact	19
5. HERITAGE TOURISM'S IMPACT ON THE UK'S NATIONS AND REGIONS	22
5.1 Where visitors went and how much they spent	22
5.2 National and regional gross value added and jobs impact	25
6. HOW KEY RESULTS HAVE CHANGED BETWEEN 2011 AND 2015	28
6.1 How has heritage tourism changed between 2011 and 2015?	28
7. HOW VISITOR NUMBERS HAVE CHANGED	29
7.2 Changes to key modelling results	30
7.3 Discussion of modelling changes	30
8. CONCLUSION	35
9. METHODOLOGY	36
9.1 Modelling the UK economy using Input-Output tables and multipliers	36

The impact of heritage tourism for the UK economy

9.2 Estimating regional impacts using Flegg and Webber's methodology	37
9.3 Data availability	37
9.4 Share of all tourism that is heritage-motivated ('allocators')	38
10. GLOSSARY	40

1. EXECUTIVE SUMMARY

- *192 million heritage-motivated trips in the UK in 2015.*
- *£17.5 bn: spend on heritage-motivated trips in the UK in 2015.*
- *£20.2 bn: heritage tourism's contribution to GDP in 2015.*
- *386,000 jobs: supported by heritage tourism in the UK in 2015.*
- *Two percent: the heritage tourism sector's total impacts are equivalent to nearly two percent of regional gross value added in the North East, Wales and Scotland, higher than anywhere else in the UK.*

Heritage tourism is a vital part of the UK economy. In 2015, domestic and international tourists made 192 million trips to visit the UK's cultural, historic and natural assets. They spent £17.5 billion while doing so.

For the purposes of this report, heritage tourism encompasses heritage attractions, such as castles, galleries and museums as well as attractions in the natural environment such as urban parks, beaches, country parks, and nature reserves. Including direct, indirect, and induced impacts, the activities of heritage attractions and the businesses that serve heritage tourists (hotels, restaurants, transport providers, and retailers) supported an estimated £20.2 billion contribution to UK GDP in 2015 and 386,000 jobs. Heritage tourism, therefore, supported over 1.1 percent of UK GDP and more than one in every hundred jobs in the UK economy.

Heritage tourism is high-value. Relative to all tourists on holiday and visiting friends and relatives, those visiting heritage attractions are more likely to be overseas visitors, who spend on average £560 per trip, or domestic overnight visitors, who spend on average £210 per trip, rather than domestic day visitors who spend about £35 per trip. In total, overseas visitors spent £7.4 billion (42 percent of the £17.5 billion total) and domestic overnight visitors to heritage attractions spent an estimated £4.7 billion in the UK (27 percent), while day visitors spent the remaining £5.4 billion (31 percent).

The heritage tourism sector itself generated an £8.8 billion gross value added contribution to UK GDP and 191,000 jobs. That makes the heritage tourism sector larger than other major cultural sectors. For example, its contribution easily exceeds that of the combined music, performing, and visual arts sector (£5.4 billion gross value added contribution to UK GDP in 2015), and is more than twice the contribution made by architecture to GDP (£4.3 billion).

In terms of share, natural and non-natural heritage attractions made similar contributions to the UK economy, although average spend is slightly higher for non-natural attractions. In 2015, built heritage, museums and galleries accounted for just under half (49 percent) of all heritage visits and just over half (54 percent) of the sector's direct gross value added. Natural heritage attractions accounted for the remainder.

The heritage tourism sector also supports jobs throughout its supply chain by purchasing inputs of goods and services. In 2015, the sector spent an estimated £6.5 billion with UK suppliers, and this supported a £5.2 billion gross value added contribution to UK GDP and 92,300 jobs.

Wage payments made by the heritage tourism sector and its suppliers supported additional economic activity and jobs. The sector paid an estimated £5.6 billion in employee compensation in 2015, and supported the payment of £1.8 billion in wages in its immediate supply chain. Together, this expenditure supported a £6.2 billion gross value added contribution to UK GDP and 103,000 jobs.

Additionally, the sector supported substantial tax contributions to the Exchequer. In 2015, the heritage tourism sector supported £5.3 billion in tax receipts, which is equivalent to 0.8 percent of all tax collected by the central government that year.

Heritage tourism is important to local economies the length and breadth of the UK. For the first time in this series of reports, we sets out the scale of economic activity that heritage tourism creates in Scotland, Northern Ireland and Wales separately and in each of the nine English regions. The largest contribution is made, unsurprisingly, by London, where the heritage tourism sector is estimated to have supported a £5.7 billion contribution to UK GDP in 2015. The heritage tourism sector in the South East supported £2.2 billion, and Scotland supported £2.1 billion. The South West, North West, Yorkshire and The Humber, East of England, and the West Midlands supported gross value added contributions to UK GDP of between £1 billion and £2 billion. And Wales, East Midlands, North East, Northern Ireland each supported gross value added contributions to GDP of between £470,000 and £1 billion.

The relative importance of heritage tourism is greatest in the North East, Wales, and Scotland. Including direct, indirect and induced impacts, the sector supported nearly two percent of gross value added in those nations and regions. That is substantially higher than in the equivalent figure for UK overall, at 1.1 percent.

2. INTRODUCTION

The heritage tourism sector is an important part of the UK's broader tourism sector. In 2015, domestic and international tourists made an estimated 192 million heritage-motivated trips and spent £17.5 billion in the UK while doing so. These visitors explored castles, viewed paintings and sculptures in museums and art galleries, photographed historic buildings, and toured cathedrals and churches. They also walked on beaches and through woods, visited urban parks, strolled through nature reserves, and explored the countryside—collectively called natural heritage activities in this report.

To meet demand for these kinds of experiences, the UK's heritage tourism sector provides a wide range of visitor attractions and services: from maintaining castles, curating museums, and providing hotel rooms to running trains, booking tours, and cooking meals. In the process, the sector spends money that stimulates economic activity around the UK economy. This study examines the source and size of the impact that emanates from this spending, tracing it throughout the UK. The findings are clear: heritage tourism makes an important contribution to the UK economy.

Our report updates and expands on an analysis of the sector that Oxford Economics conducted in May 2013.¹ As in the previous report, we look at the heritage tourism's contribution to the UK economy based on the three channels of impact that all standard economic impact studies use: direct, supply chain, and wage expenditure (discussed in greater detail below).

In addition, for the first time in this series of reports, we estimate heritage tourism's impact separately in Northern Ireland, Scotland, Wales, and each of the nine English regions, providing insight into the contribution of heritage tourism in each of these specific geographies.²

The scale of the heritage tourism sector's impact for each of the three channels is measured using three metrics:

Gross value added, which is the contribution the heritage tourism industry makes to Gross Domestic Product (GDP).³ It is most simply viewed as the value of the output it produces less the value of inputs used in that output's production.

Employment, as measured on a headcount basis to facilitate comparisons with the economy overall using Office for National Statistics data.

Tax receipts generated from business taxes, income taxes, employee and employer national insurance contributions and other indirect taxes (such as VAT).

¹ Oxford Economics, "The Economic Impact of the UK Heritage Tourism Economy," 2013

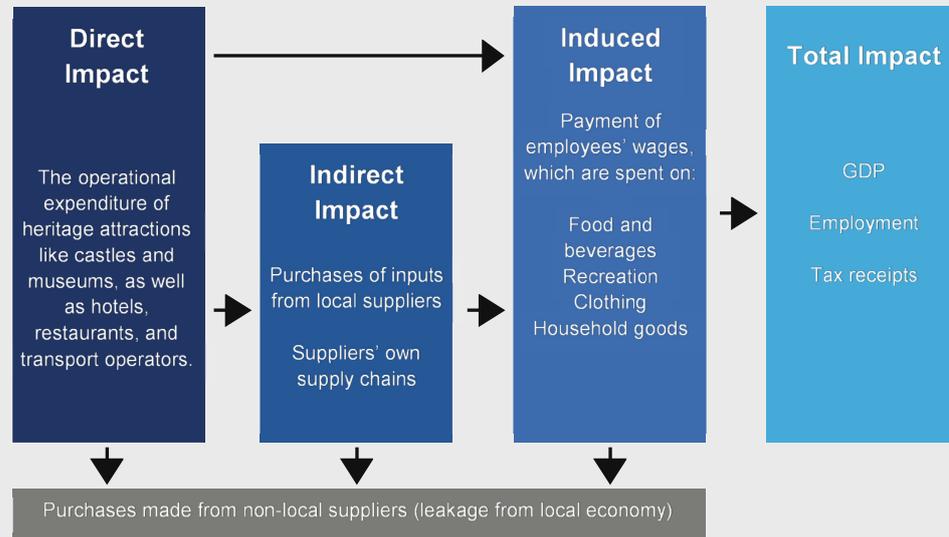
² The East Midlands, East of England, London, North East, North West, South East, South West, West Midlands, and Yorkshire and The Humber

³ Gross value added, summed across all sectors of an economy, is equivalent to GDP (after minor adjustments for taxes and subsidies). GDP is the most commonly used metric to assess an economy's health and rate of growth, and is often used to judge whether an economy has entered or exited a recession.

2.1 INTRODUCTION TO ECONOMIC IMPACT ANALYSIS

The study undertakes a standard economic impact assessment, looking at three channels of expenditure (s).

The channels of economic impact



The first channel of impact is the **direct effect**. This is the economic activity generated by heritage attractions and the hotels, transport operators, restaurants, and travel agents that serve visitors on trips to heritage attractions. They do so through their direct operational expenditure.

Indirect effects occur as heritage attractions—and the hotels, transport operators, restaurants, and travel agents that serve visitors on trips to heritage attractions—buy inputs of goods and services from UK suppliers, supporting additional economic activity.

Finally, **induced effects** capture the economic activity stimulated by the heritage tourism sector paying its staff wages, where some of those wages are subsequently spent on goods and services in the local economy.

The scale of the heritage tourism sector's impact for each of the three channels is measured using three metrics:

Gross value added, which is the contribution the heritage tourism industry makes to Gross Domestic Product (GDP).⁴ It is most simply viewed as the value of the output it produces less the value of inputs used in that output's production.

⁴ Gross value added, summed across all sectors of an economy, is equivalent to GDP (after minor adjustments for taxes and subsidies). GDP is the most commonly used metric to assess an economy's health and rate of growth, and is often used to judge whether an economy has entered or exited a recession.

The impact of heritage tourism for the UK economy

Employment, as measured on a headcount basis to facilitate comparisons with the economy overall using Office for National Statistics data.

Tax receipts generated from business taxes, income taxes, employee and employer national insurance contributions and other indirect taxes (such as VAT).

3. THE SCALE OF HERITAGE TOURISM IN THE UK

The heritage tourism sector is an important part of the UK's broader tourism economy. In turn, tourism is a significant part of the UK economy. This chapter outlines the size of the whole tourism sector in the UK, then discusses heritage tourism's place in it. This sets the stage for the two subsequent chapters that estimate heritage tourism's direct, supply chain, and wage payment impacts on the UK economy and its constituent nations and regions.

3.1 VISITS AND SPENDING IN THE BROADER UK TOURISM SECTOR

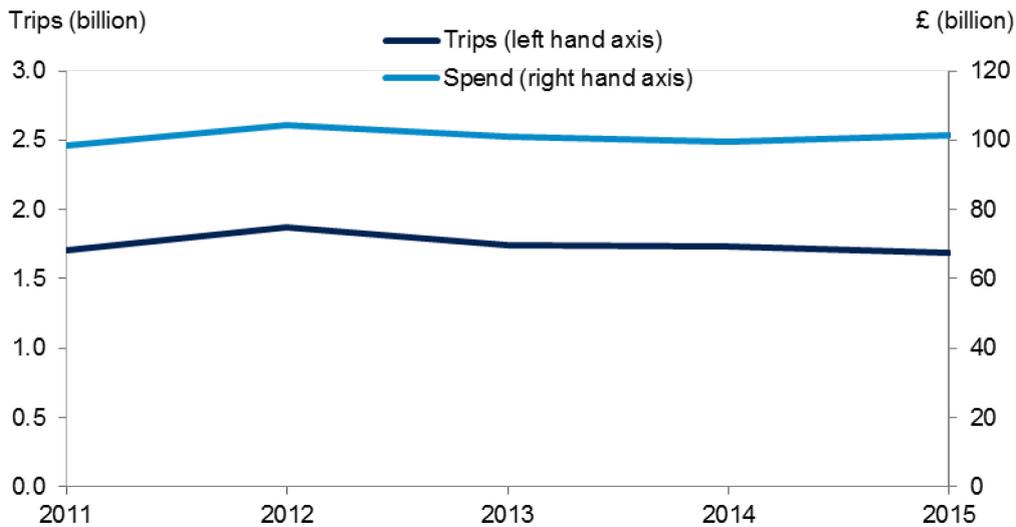
Tourism is a significant part of the UK economy. The World Travel and Tourism Council estimated that in 2015 the UK travel and tourism industry as a whole directly generated a £68.6 billion gross value added contribution to UK GDP (3.7 percent of the total).⁵ In that year, UK and overseas residents together made 1.7 billion trips to and around the UK, and spent £102 billion on goods and services during their trips (⁶). The picture has been fairly static in recent years: people took slightly fewer trips in 2015 compared to five years ago (down 0.9 percent), although they actually spent 2.7 percent more in real terms.

⁵ World Travel and Tourism Council, "Economic Impact 2016: United Kingdom," 2016. WTTC estimates are broader than those included in this report. For example, WTTC estimates include government spending, capital expenditure, business trips, study trips, and other trips. The tourism sector's gross value added contribution to UK GDP is most simply viewed as the value of the output the sector produces less the value of inputs used to produce that output. Gross value added summed across all sectors of the UK economy is equal to GDP, after minor adjustments for taxes and subsidies; GDP is the most commonly used metric to assess an economy's health and rate of growth, and is often used to judge whether an economy has entered or exited a recession.

⁶ Total trips includes holidays, visits to friends and relatives, business trips, study trips, and all other trip types. These data are drawn from VisitBritain, "Great Britain Day Visits Survey," 2016 <<http://dservuk.tns-global.com>>, VisitEngland, VisitScotland, and Visit Wales, "Great Britain Tourism Survey," 2016 <<https://www.visitbritain.org/gb-tourism-survey-2015-overview>>, and Office for National Statistics, "International Passenger Survey," 2016 <<https://www.visitbritain.org/2015-snapshot>>.

The impact of heritage tourism for the UK economy

Fig. 1. Total visits and visitor spending in the UK, 2011-2015



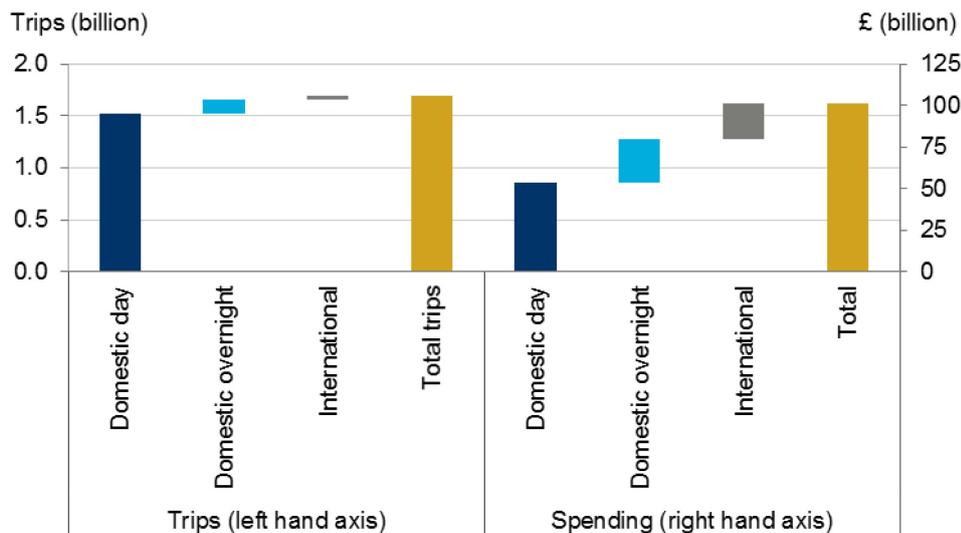
Source: VisitBritain, Northern Ireland Statistics and Research Agency

- **192 million: Trips to heritage attractions: In 2015, domestic day, domestic overnight, and overseas visitors made 192 million trips to heritage attractions**

Domestic residents made the vast majority of tourist visits in the UK. Indeed, domestic day trippers accounted for 1.5 billion of the 1.7 billion total trips taken in 2015 (Fig. 3). That is 90 percent of the total and 23 trips for every UK resident, on average. Domestic residents taking overnight trips accounted for another 129 million trips (eight percent of the total and two trips per UK resident, on average). Meanwhile, overseas residents made 36 million trips to the UK. While that is just two percent of the total trips taken in the UK, it is a substantial number in its own right.

Domestic residents are also responsible for the majority of tourist spending. Domestic day and overnight visitors spent £79.4 billion in 2015, or nearly four fifths of the total. Overseas visitors accounted for the other fifth, but they tend to spend significantly more on each trip taken. They spent £22.1 billion in the UK in 2015, which was 22% of the total spend despite only accounting for two percent of trips.

Fig. 2. Total trips and visitor spending in the UK, 2015



Source: VisitBritain, Northern Ireland Statistics and Research Agency

3.2 VISITS AND SPENDING ON HERITAGE TOURISM

Heritage tourism visits are high-value. In 2015, domestic and international holiday makers and those visiting friends and relatives made an estimated 192 million trips to heritage attractions and spent £17.5 billion while doing so.⁷ That is 11.6 percent of all holidays and visits to friends and relatives and 20 percent of all spend on those trips.⁸

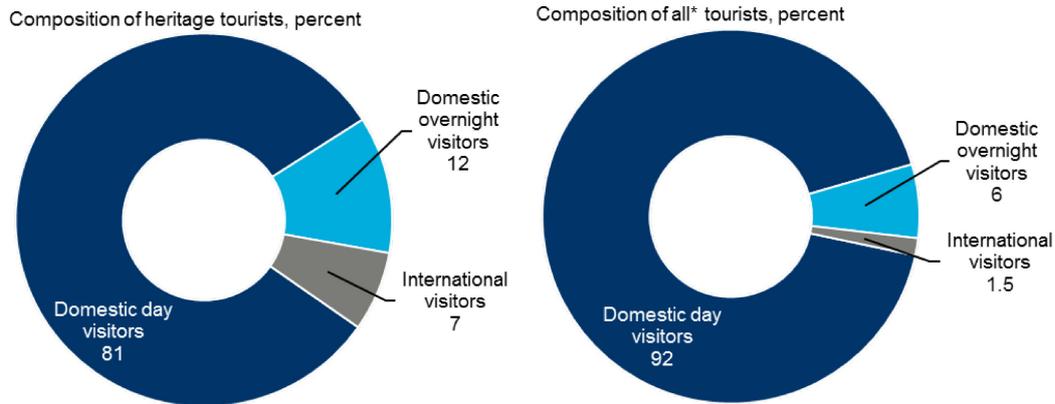
Heritage tourism visits are high value because a bigger proportion of visitors are international or domestic overnight tourists compared to domestic day visitors (Fig. 4), and overseas and domestic overnight visitors spend more per trip.

⁷ As with previous reports that Oxford Economics has done for the Heritage Lottery Fund, this report considers only heritage trips taken as part of holidays and visits to friends and relatives. It does not include any heritage trips taken as part of business, study, or other trip types. Tourism visits and spend, and heritage tourism's share of visits and spend are sourced from VisitBritain, "Great Britain Day Visits Survey," 2016 <<http://dservuk.tns-global.com>>, VisitBritain, "Great Britain Domestic Overnight Trips Summary," <<https://www.visitbritain.org/gb-tourism-survey-2015-overview>> [accessed June 2016], Office for National Statistics, "International Passenger Survey," <<https://www.visitbritain.org/nation-region-county-data>>, Office for National Statistics, "International Passenger Survey," *Headline statistics on inbound tourism to Britain including the number of visits from overseas for the latest full year of data*, <<https://www.visitbritain.org/2014-snapshot>>, and Office for National Statistics, "International Passenger Survey, 2011," 2012.

⁸ This is also equivalent to 11 percent of all tourist trips taken but 17 percent of all tourist spending in the UK. The two sets of percentages differ from each other because holidays and visits to friends and relatives are a subset of all tourist visits to the UK. All tourist visits include business, study, and 'other' trips.

The impact of heritage tourism for the UK economy

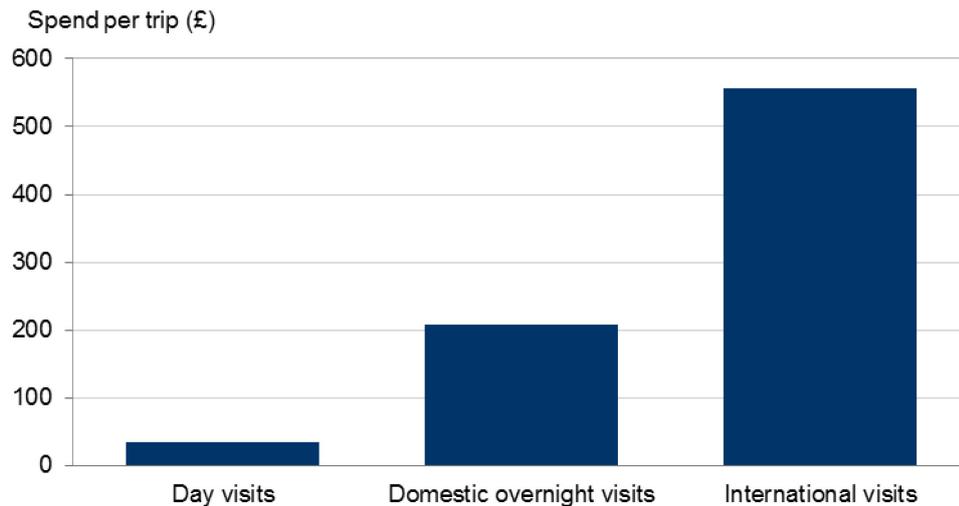
Fig. 3. Composition of heritage visitors compared to other holiday and VFR visitors, 2015



Source: VisitBritain, International Passenger Survey, N. Ireland Statistics and Research Agency
*Where tourists are defined as those on holiday and visiting friends and relatives.

In fact, overseas visitors on heritage-motivated trips spent an average of £560 per trip in 2015, while domestic overnight visitors spend an average of £210 per trip (Fig. 5). That is substantially more than domestic day visitors, who spent an average of £35 per trip.

Fig. 4. Spend per trip by heritage visitor type, 2015



Source: VisitBritain, International Passenger Survey, N. Ireland Statistics and Research Agency

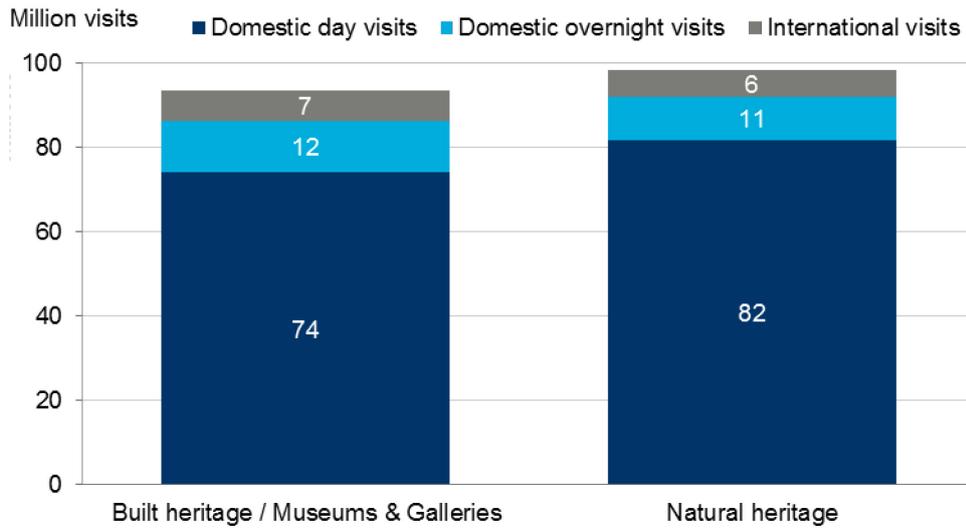
- **£560: Average trip spend for heritage-motivated overseas visitors**

Heritage trips are high-value. Heritage-motivated tourists are more likely to be overseas visitors relative to all holiday and VFR tourists.

Domestic day visitors are more likely to visit natural heritage attractions, while domestic overnight and overseas visitors are slightly more likely to visit built heritage and museums/galleries (Fig. 6). Domestic day visitors made up 83 percent (74.1 million) of all natural heritage visitors compared to 79 percent (81.6 million) of visits to built heritage attractions and museums/galleries. Meanwhile, domestic overnight and international visitors accounted for 21 percent of the visits to built heritage and museums/galleries (19.3 million), compared with 17 percent of natural heritage visits (16.6 million).

The impact of heritage tourism for the UK economy

Fig. 5. Number of visits by type of heritage attraction, 2015



Source: VisitBritain, International Passenger Survey, N. Ireland Statistics and Research Agency

4. HERITAGE TOURISM'S IMPACT ON THE UK ECONOMY

A wide range of businesses, attractions and organisations benefit from spending by heritage tourists—whether in revenues from entrance fees and merchandise or sales by restaurants, hotels, airlines, ferry and train operators, taxis, travel agencies, and other retailers that serve heritage-motivated tourists. This chapter explores the gross value added and jobs that the heritage sector itself creates from this revenue, the economic activity it supports through spending with suppliers, and the economic activity it stimulates by paying its staff wages and salaries.

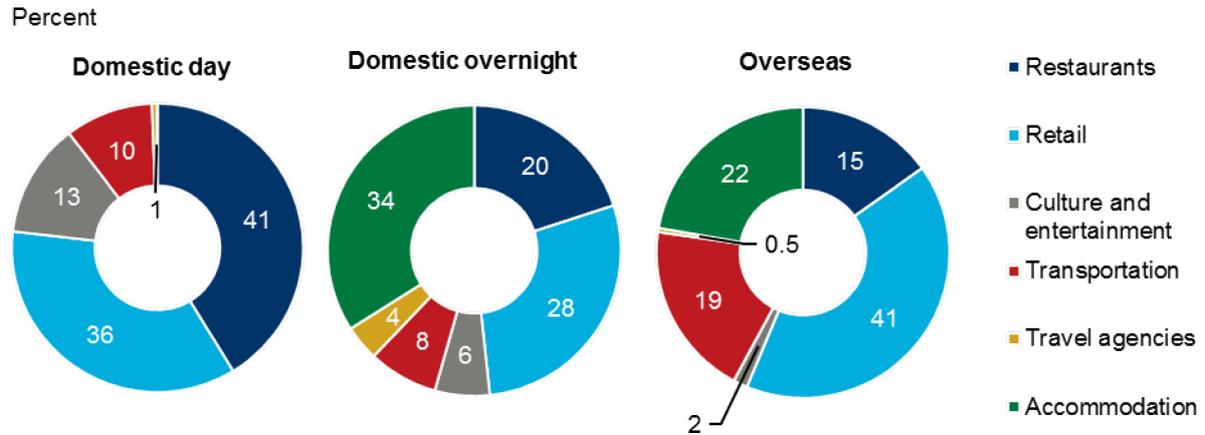
4.1 DIRECT ECONOMIC IMPACT

Heritage tourists are assumed to allocate their budgets across broad sectors the same way all tourists do. This report uses data provided by the ONS about how domestic day, domestic overnight, and overseas visitors spent their money in the UK in 2013 (Fig. 7).⁹ The data indicate that domestic day visitors spent more on restaurants (41 percent of their total spend) than on anything else, while domestic overnight visitors allocated the majority of their budgets to accommodation (34 percent) and retail (28 percent). Overseas visitors spent more on retail than anything else (41 percent), followed by accommodation (22 percent) and transportation (19 percent).

⁹ Domestic day, domestic overnight, and overseas visitors' spending propensities by industry are based on the ONS's Tourism Satellite Accounts: Office for National Statistics, "UK-TSA 2012 and 2013," 2016. Spending patterns are available for accommodation services for visitors (SIC 55, 68), food and beverage serving activities (SIC 56), Railway passenger transport services (SIC 49), road passenger transport services (SIC 49), water passenger transport services (SIC 50), air passenger transport services (SIC 51), transport equipment rental services (SIC 77), travel agencies and other reservation services (SIC 79), cultural activities (SIC 90, 91), sport and recreation activities (SIC 92, 93), other consumption products (SIC 47). The Tourism Satellite Accounts also include a category for exhibitions and conferences, but because this report does not consider tourism for business reasons, even if it has a heritage component, we do not include exhibitions as a spend category.

The impact of heritage tourism for the UK economy

Fig. 6. How domestic day, domestic overnight, and overseas visitors allocate their budgets by economic sector, 2013



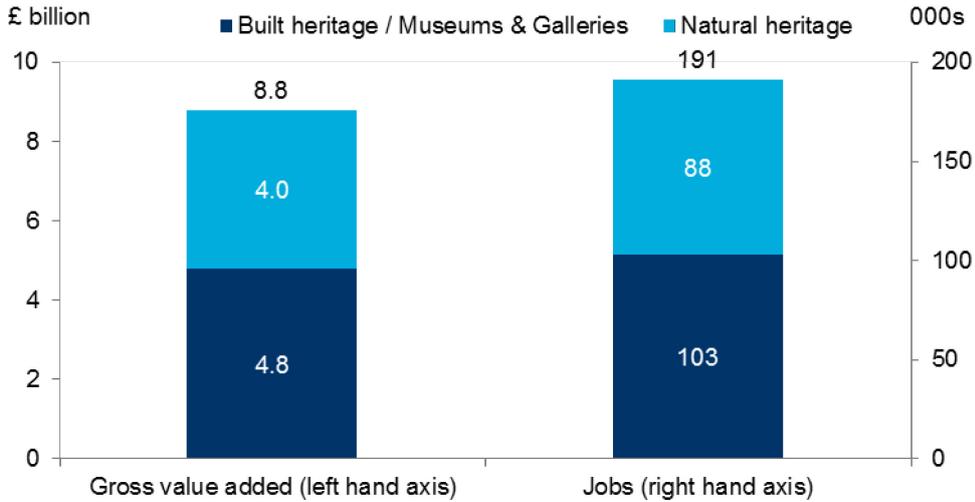
Source: ONS Tourism Satellite Accounts (2016)

From the £17.5 billion in total revenue they received, the sectors that served heritage-motivated tourists are estimated to have directly generated an £8.8 billion gross value added contribution to UK GDP and created 191,000 jobs (Fig. 8).¹⁰ Built heritage and museums/galleries were responsible for 54 percent of that total, while natural heritage was responsible for the remaining 46 percent.

¹⁰ This is based on the weighted average ratio gross value added to turnover and employment to turnover in recipient industries from Office for National Statistics, "UK input-output analytical tables," 2014 and the propensities of domestic day, domestic overnight, and overseas visitors to spend by industry, which was sourced from Office for National Statistics, "UK-TSA 2012 and 2013," 2016.

The impact of heritage tourism for the UK economy

Fig. 7. Direct gross value added and jobs generated by the heritage tourism sector, 2015



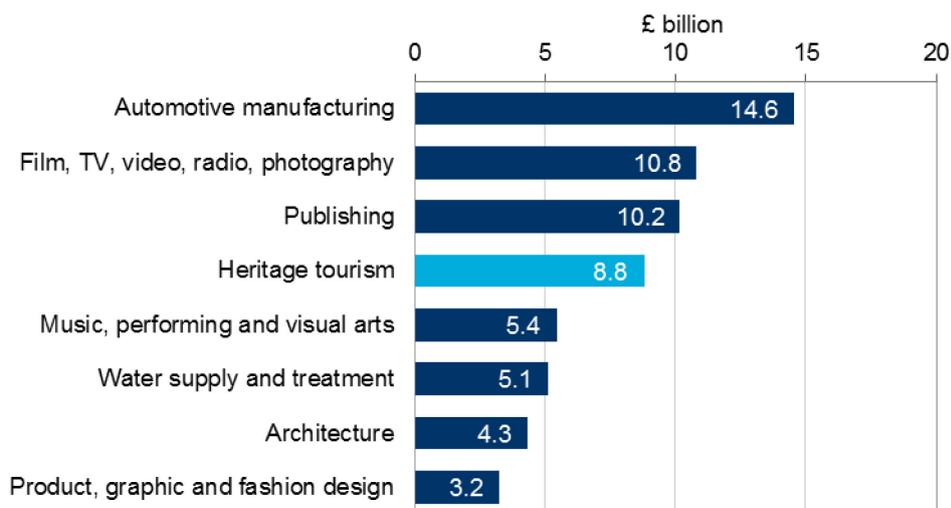
Source: Oxford Economics

- **£8.8 billion direct gross value added:** The heritage tourism sector created an £8.8 billion gross value added contribution to UK GDP and 191,000 jobs in 2015.

To give a sense of scale, the heritage tourism sector is larger than the music, performing and visual arts sectors (£5.4 billion gross value added contribution to UK GDP in 2015), the water supply and treatment sector (£5.2 billion), and the architecture sector (£4.3 billion), as shown in Fig. 9.¹¹ The heritage tourism sector is slightly smaller than the film, TV, radio, and photography sector (£10.8 billion) and the publishing sector (£10.2 billion).

¹¹ The Automotive manufacturing sector is Standard Industrial Classification (SIC) 29 and the water treatment and supply sector is SIC 36. Other sectors used for comparison are 'creative industries' as defined by Department for Culture Media and Sport, "Creative Industries Economic Estimates," 2016. The DCMS defines the music, performing and visual arts creative sector as Standard Industrial Codes (SICs) 59.2, 85.52, 90.01, 90.02, 90.03, 90.04; Architecture as SIC 71.11; Product, graphic, and fashion design as SIC 74.10; the Film, TV, video, radio, and photography sector as SICs 59.11, 59.12, 59.13, 59.14, 60.10, 60.20, and 74.20; and the publishing sector as SICs 58.11, 58.12, 58.13, 58.14, 58.19, and 74.30.

Fig. 8. Heritage tourism's direct gross value added relative to other UK sectors, 2015



Source: Oxford Economics, Department for Culture, Media, and Sport (2016)

Based on the expenditure patterns of day visitors, heritage attractions themselves are estimated to have received £510 million in entrance fees, or nearly three percent of the total heritage tourism spend. From that revenue heritage attractions are likely to have generated a £270 million gross value added contribution to UK GDP in 2015.¹² Heritage attractions also earn revenues from restaurants and gift shops that they operate, and the impacts of this spending are included in the total direct impact estimates. Data limitations make it impossible to quantify them separately.

In addition, based on the sector's gross value added and the number of people it employs, Oxford Economics estimates that the heritage tourism sector paid nearly £2 billion to the Exchequer in 2015. That includes VAT, corporation tax and other and other taxes on businesses (like business rates), as well as income tax, and employee and employer national insurance contributions.¹³

¹² This assumes that domestic overnight visitors, who stay an average of 3.2 nights per visit, saw 3.2 times as many attractions as the average day visitor. And it assumes overseas visitors, who stay an average of 7.9 nights per visit, saw 7.9 times as many attractions as the average day visitor.

¹³ Latest personal rates and allowances taken from HMRC, "Rates and allowances," 2016 <<http://www.hmrc.gov.uk/rates>>. Corporate tax data are from HMRC, "Table 11.6 Corporation Tax payable, after set-offs, by size of liabilities and by financial year of liability," 2015 <<https://www.gov.uk/government/statistics/corporation-tax-payable-after-set-offs-classified-by-size-by-year-of-liability>>.

4.2 SUPPLY CHAIN IMPACT

- *£5.2 billion indirect gross value added: The heritage tourism sector supported a £5.2 billion gross value added contribution to UK GDP and 92,000 jobs across its supply chain by purchasing inputs of goods and services.*

Oxford Economics estimates that businesses and organisations that catered to heritage-motivated tourists purchased £6.5 billion worth of inputs of goods and services from UK suppliers in 2015. This is based on the weighted average procurement to output ratio and import propensity of sectors that receive heritage-motivated tourism spending.¹⁴

We assume that the procurement patterns of businesses and organisations that catered to heritage-motivated tourists are the same as for the overall sectors those businesses and organisations belong to.¹⁵ If that assumption holds, ONS data on the structure of the UK economy suggest that the heritage tourism sector purchased about half of its inputs of good and services from just ten sectors.¹⁶ Ten percent was spent on the construction sector, another ten percent on the financial services sector, and four percent on each of travel agencies, transportation warehousing services, alcoholic beverage manufacturers, computer programming, and real estate services (Fig. 10).¹⁷ Meanwhile purchases from wholesale trade, management consultants, and food manufacturer's made up a combined nine percent of all spend.

¹⁴ On average, to produce £1 of output, the heritage tourism sectors buy £0.38 worth of domestic goods and services from other sectors of the UK economy. Office for National Statistics, "UK input-output analytical tables," 2014

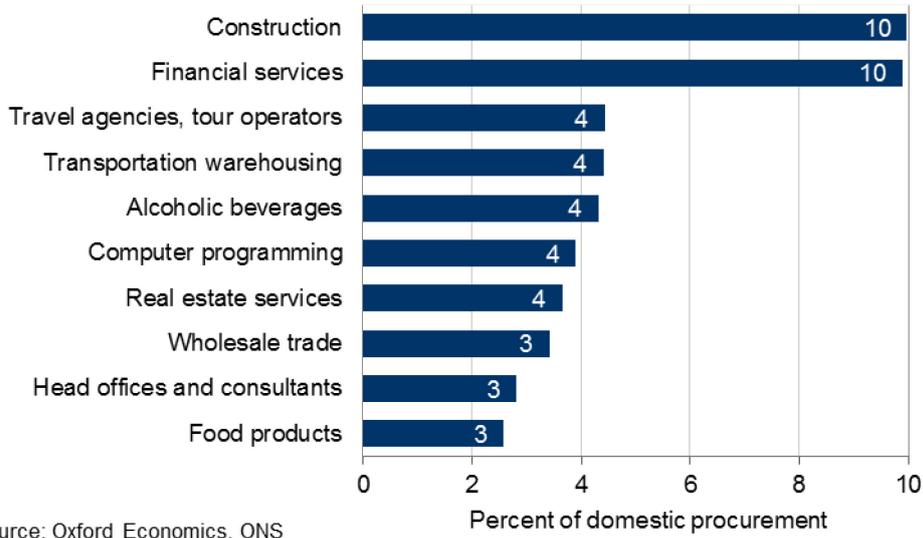
¹⁵ Businesses and organisations catering to heritage tourists belong to the following sectors: accommodation services for visitors (SIC 55, 68), food and beverage serving activities (SIC 56), Railway passenger transport services (SIC 49), road passenger transport services (SIC 49), water passenger transport services (SIC 50), air passenger transport services (SIC 51), transport equipment rental services (SIC 77), travel agencies and other reservation services (SIC 79), cultural activities (SIC 90, 91), sport and recreation activities (SIC 92, 93), other consumption products (SIC 47). ONS's Tourism Satellite Accounts: Office for National Statistics, "UK-TSA 2012 and 2013," 2016.

¹⁶ Office for National Statistics, "UK input-output analytical tables," 2014

¹⁷ The businesses in the heritage tourism sector may purchase some inputs of goods and services from other businesses in the heritage tourism sector. These are accounted for entirely in the indirect channel of impacts; the direct impacts in this report consist only of visitors' spending.

The impact of heritage tourism for the UK economy

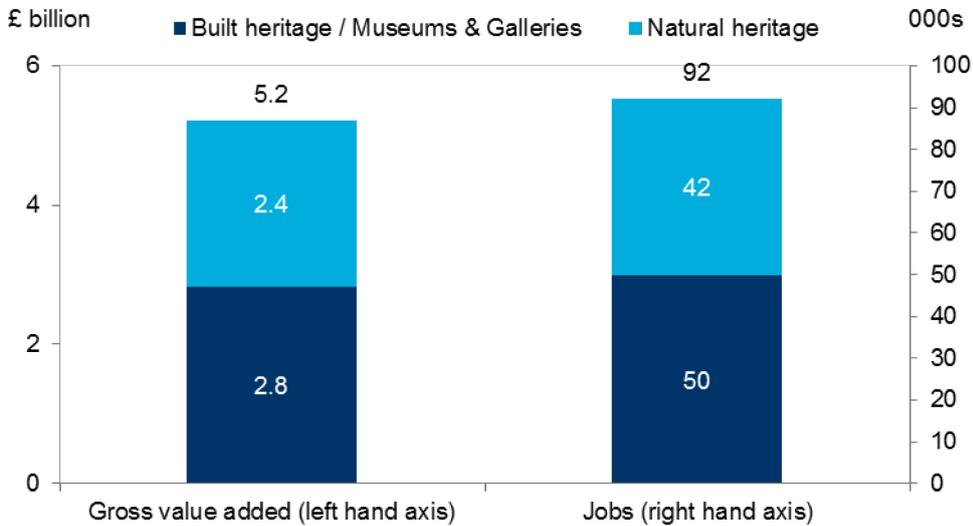
Fig. 9. Top ten industries from which the heritage tourism sector buys inputs of goods and services, 2015



Source: Oxford Economics, ONS

The heritage tourism sector's procurement is estimated to have supported a £5.2 billion contribution to UK GDP and 92,000 jobs along the heritage tourism sector's supply chain (Fig. 11).

Fig. 10. The impact of the heritage tourism sector's expenditure on inputs from UK suppliers, 2015



Source: Oxford Economics

The impact of heritage tourism for the UK economy

In addition, the heritage tourism sector's purchases of inputs supported an estimated £1.2 billion in tax receipts for the Exchequer along its supply chain. This includes corporate taxes, income taxes, and employee and employer national insurance contributions.¹⁸

4.3 WAGE PAYMENT IMPACT

Heritage tourism attractions and businesses that facilitate heritage tourism—including transportation operators, restaurants, and hotels—pay their staff wages and salaries. Staff then go on to spend some or all of their wages with local retailers, restaurants, pubs, utility companies, and other suppliers of household goods and services. This stimulates further economic activity, which is heritage tourism's 'induced' economic impact.

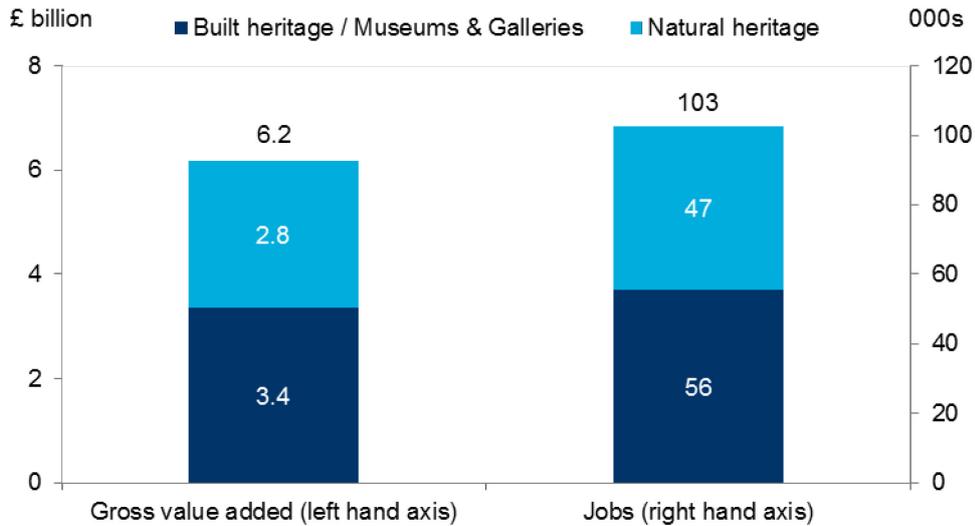
Based on the weighted average ratio of compensation of employees to turnover for the UK's tourism sectors, Oxford Economics estimates that tourism sectors catering to heritage-motivated visitors paid their staff nearly £5.6 billion in 2015.¹⁹ These wage payments, and the wage payments of the heritage tourism sector's direct supply chain, supported an estimated £6.2 billion gross value added contribution to UK GDP and 103,000 jobs (Fig. 12).²⁰ Of the total, built heritage attractions and museums/galleries were responsible for about 54 percent, while natural heritage tourism was responsible for the remaining 46 percent.

¹⁸ Latest personal rates and allowances taken from HMRC, "Rates and allowances," 2016 <<http://www.hmrc.gov.uk/rates>>. Corporate tax data are from HMRC, "Table 11.6 Corporation Tax payable, after set-offs, by size of liabilities and by financial year of liability," 2015 <<https://www.gov.uk/government/statistics/corporation-tax-payable-after-set-offs-classified-by-size-by-year-of-liability>>.

¹⁹ The weighted average ratio of compensation to turnover among the UK's tourism sectors is 32 percent. That is slightly higher than the UK average for all industries of 30 percent, which shows that the tourism sector is more labour intensive than the average sector. Office for National Statistics, "UK input-output analytical tables," 2014

²⁰ Our estimates are based on typical household spending patterns and Oxford Economics' bespoke model of the UK economy, both derived from Office for National Statistics, "UK input-output analytical tables," 2014.

Fig. 11. Heritage tourism's wage payment impacts, 2015



Source: Oxford Economics

- £6.2 billion induced gross value added: The heritage tourism sector supported a £6.2 billion gross value added contribution to UK GDP and 103,000 jobs elsewhere in the economy through payments of wages and salaries.

The heritage tourism sector's wage payments and the subsequent spending of those wages supported an estimated £2.1 billion in tax receipts for the Exchequer, including corporate taxes, income taxes, VAT, and employee and employer national insurance contributions.²¹

4.4 TOTAL IMPACT

In 2015, including direct, indirect, and induced impacts, the heritage tourism sector supported a £20.2 billion gross value added contribution to UK GDP, or 1.1 percent of UK GDP (Fig. 13). Because of the heritage tourism sector's multiplier effect, every £100 of gross value added generated by the heritage tourism industry itself, another £130 gross value added contribution is supported elsewhere in the economy. That is made up of a £59 gross value added contribution to GDP supported through the sector's purchases of goods and services from UK suppliers and a £70 gross value added contribution to GDP from paying staff wages.²²

Across the three channels of economic impact, the heritage tourism sector supported 386,000 jobs, or 1.2 percent of all UK employment in 2015. The tourism sector's employment multiplier effect means that for every 100 people the heritage tourism sector employs, the sector supported another 48 jobs elsewhere in the economy by purchasing inputs of goods and services from suppliers and a further 54 jobs from paying its staff wages.

²¹ Latest personal rates and allowances taken from HMRC, "Rates and allowances," 2016 <<http://www.hmrc.gov.uk/rates>>. Corporate tax data are from HMRC, "Table 11.6 Corporation Tax payable, after set-offs, by size of liabilities and by financial year of liability," 2015 <<https://www.gov.uk/government/statistics/corporation-tax-payable-after-set-offs-classified-by-size-by-year-of-liability>>.

²² Component parts do not sum to the total due to rounding.

The impact of heritage tourism for the UK economy

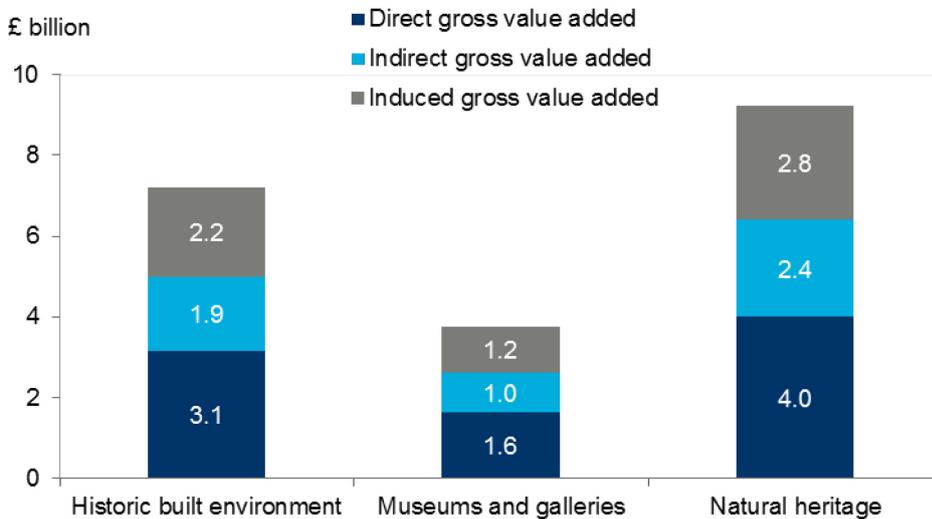
Fig. 12. Direct, indirect, and induced gross value added and jobs supported by the heritage tourism sector, 2015



Source: Oxford Economics

Splitting the gross value added into three types—natural heritage, museums and galleries, and historic built environment—the natural heritage sector supported the largest gross value added contribution to UK GDP, at £9.2 billion (Fig. 14). Historic built environments supported the next largest, at £7.2 billion, and museums and galleries slightly less at £3.8 billion.

Fig. 13. Direct, indirect, and induced gross value added by type of heritage attraction



Source: Oxford Economics

International tourists make the single biggest contribution to gross value added (42 percent of the total) and jobs (37 percent of the total), followed by domestic day visitors (31 percent and 33 percent), and domestic overnight visitors (27 percent and 30 percent), as shown in Fig. 15 and Fig. 16.

The impact of heritage tourism for the UK economy

Fig. 14. Direct, indirect, and induced gross value added supported by type of heritage tourist, 2015

Direct, indirect, and induced gross value added (£ bn)			
Visitor type	Built heritage / Museums & Galleries	Natural heritage	Total
Domestic Day	3.1	3.0	6.2
Domestic overnight	3.2	2.3	5.5
International	4.7	3.9	8.5
Total	11.0	9.2	20.2

Source: Oxford Economics

Fig. 15. Direct, indirect, and induced employment supported by type of heritage tourist, 2015

Direct, indirect, and induced employment (jobs)			
Visitor type	Built heritage / Museums & Galleries	Natural heritage	Total
Domestic Day	64,500	63,700	128,300
Domestic overnight	66,200	48,700	114,900
International	77,800	64,900	142,700
Total	208,500	177,300	385,900

Source: Oxford Economics

Finally, the heritage tourism sector supported £5.3 billion in tax receipts for the Exchequer, which is equivalent to 0.8 percent of all tax collected by the central government in 2015.²³

²³ Latest personal rates and allowances taken from HMRC, "Rates and allowances," 2016 <<http://www.hmrc.gov.uk/rates>>. Corporate tax data are from HMRC, "Table 11.6 Corporation Tax payable, after set-offs, by size of liabilities and by financial year of liability," 2015 <<https://www.gov.uk/government/statistics/corporation-tax-payable-after-set-offs-classified-by-size-by-year-of-liability>>.

5. HERITAGE TOURISM'S IMPACT ON THE UK'S NATIONS AND REGIONS

- *London hosted 20 percent of all heritage-motivated visitors in 2015.*
- *Natural heritage visits made up between 36 percent (West Midlands) and 64 percent (South West) of all holiday and VFR visits in 2015, depending on the region.*

UK residents and overseas visitors travel throughout the UK to see and experience heritage attractions. The spending they undertake stimulates economic activity and supports jobs in the UK's 12 nations and regions. This chapter extends the previous chapter's analysis by describing the scale of these impacts in the East Midlands, East of England, London, the North East, North West, Northern Ireland, Scotland, the South East, South West, Wales, the West Midlands, and Yorkshire and The Humber. This is the first time this series of reports has analysed the heritage sector's impact at a regional level.

5.1 WHERE VISITORS WENT AND HOW MUCH THEY SPENT

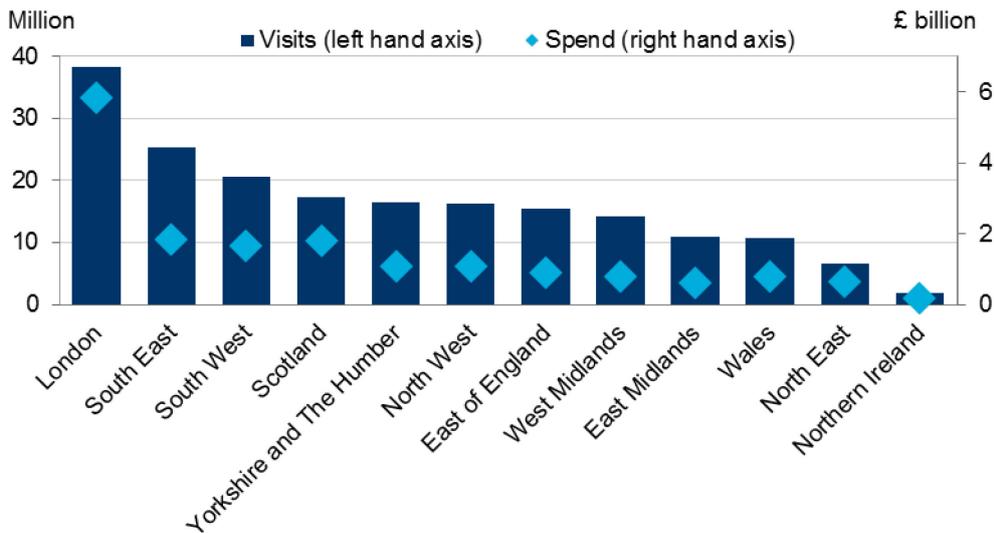
UK residents and overseas tourists visit a wide range of heritage attractions in the UK. Fig. 17 shows the estimated distribution of heritage tourism visits and spending among the UK's 12 nations and regions in 2015.²⁴

London attracted the most visitors and the most spend, with 38.4 million people spending £5.9 billion in 2015 (20 percent of all visits and 33 percent of all spend). The South East attracted a further 25.3 million people who spent £1.8 billion (13 percent of all visits and 11 percent of all spend), and the South West hosted 20.5 million people who spent £1.7 billion in 2015 (11 percent of all visits and 10 percent of all spend). Meanwhile, Scotland attracted 17.3 million people who spent £1.8 billion (9 percent of all visits and 10 percent of all spend) and Yorkshire and The Humber hosted 16.6 million visitors who spent £1.1 billion in 2015 (9 percent of all visits and 6 percent of all spend).

²⁴ Tourism visits and spend by region and nation, and heritage tourism's share of visits and spend, are sourced from VisitBritain, "Great Britain Day Visits Survey," 2016 <<http://dservuk.tns-global.com>>, VisitBritain, "Great Britain Domestic Overnight Trips Summary," <<https://www.visitbritain.org/gb-tourism-survey-2015-overview>> [accessed June 2016], Office for National Statistics, "International Passenger Survey," <<https://www.visitbritain.org/nation-region-county-data>>, Office for National Statistics, "International Passenger Survey," *Headline statistics on inbound tourism to Britain including the number of visits from overseas for the latest full year of data*, <<https://www.visitbritain.org/2014-snapshot>>, Office for National Statistics, "International Passenger Survey, 2011," 2012, Northern Ireland Statistics and Research Agency, "Table 9: Estimated tourism day trips taken by NI residents within NI and RoI 2011-2014," <<https://www.economy-ni.gov.uk/>> and Northern Ireland Statistics and Research Agency, "Tourism Microdata," 2016 <<https://www.economy-ni.gov.uk/>>. The heritage share of visits is determined by the proportion of visits or spend on the activities defined as heritage in the appendix to this report relative to all other activities. Domestic overnight visits and spend were estimated for the English regions based on visitor numbers from VisitEngland, "Annual Survey of Visits to Visitor Attractions," 2015 <<https://www.visitbritain.org/annual-survey-visits-visitor-attractions>> and day visitor spend from VisitBritain's Great Britain Day Visits Survey (2016).

The impact of heritage tourism for the UK economy

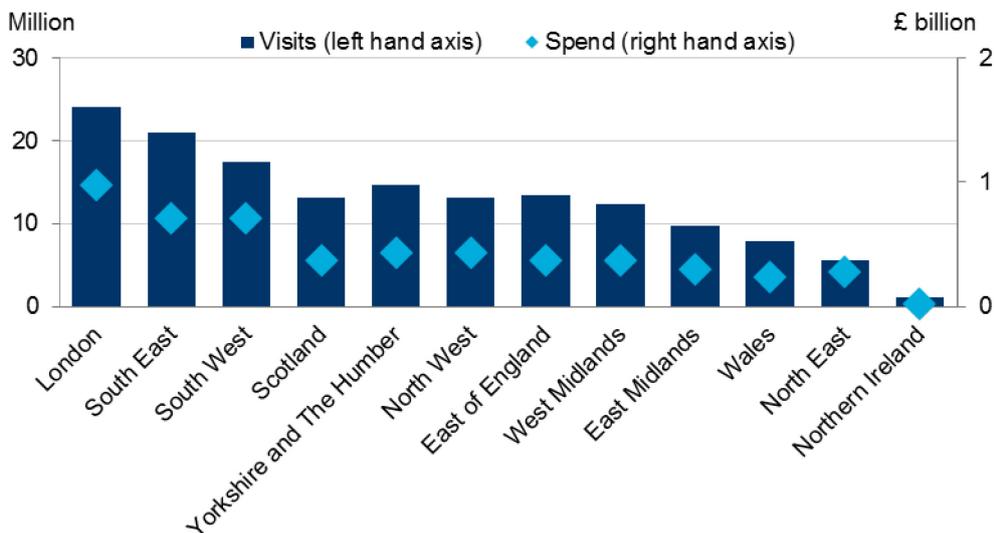
Fig. 16. Heritage tourism visits and spending in the UK's nations and regions, 2015



Source: VisitBritain, Northern Ireland Statistics and Research Agency

Visit and spending patterns vary considerably by type of visitor. For example, visits to the various nations the regions are more evenly distributed and less dominated by London for domestic day visitors compared to all visitors, presumably because day visitors tend to travel close to home (Fig. 18).

Fig. 17. Heritage tourism visits and spending by domestic day visitors in the UK's nations and regions, 2015

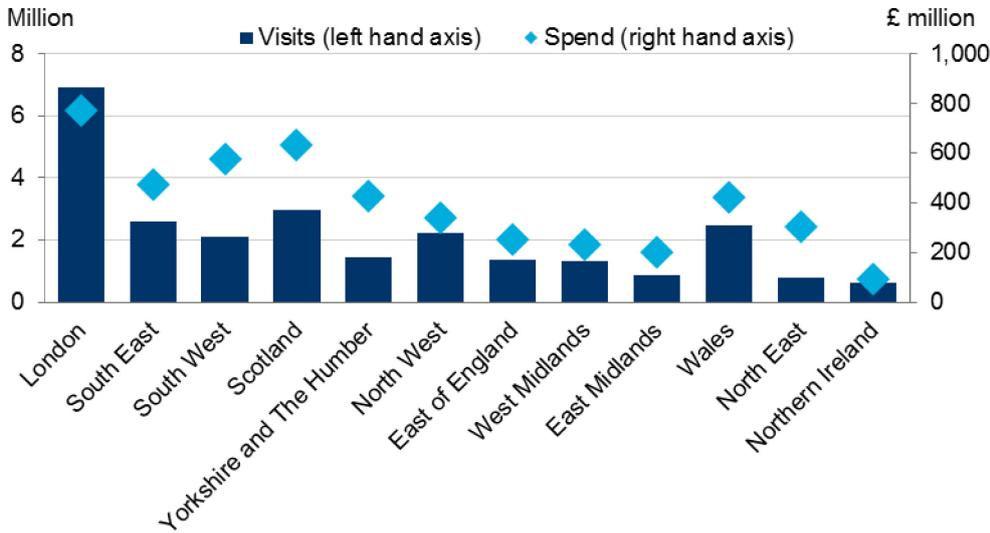


Source: VisitBritain, Northern Ireland Statistics and Research Agency

London, Scotland, and Wales stand out as disproportionate draws for domestic overnight visitors relative to all visitors (Fig. 19). While London attracts 20 percent of all visitors, it attracts 27 percent of domestic overnight visitors; Scotland attracts 9 percent of all visitors, but 12 percent of domestic overnight visitors; and Wales attracts 6 percent of all visitors, but attracts 10 percent of domestic overnight visitors.

The impact of heritage tourism for the UK economy

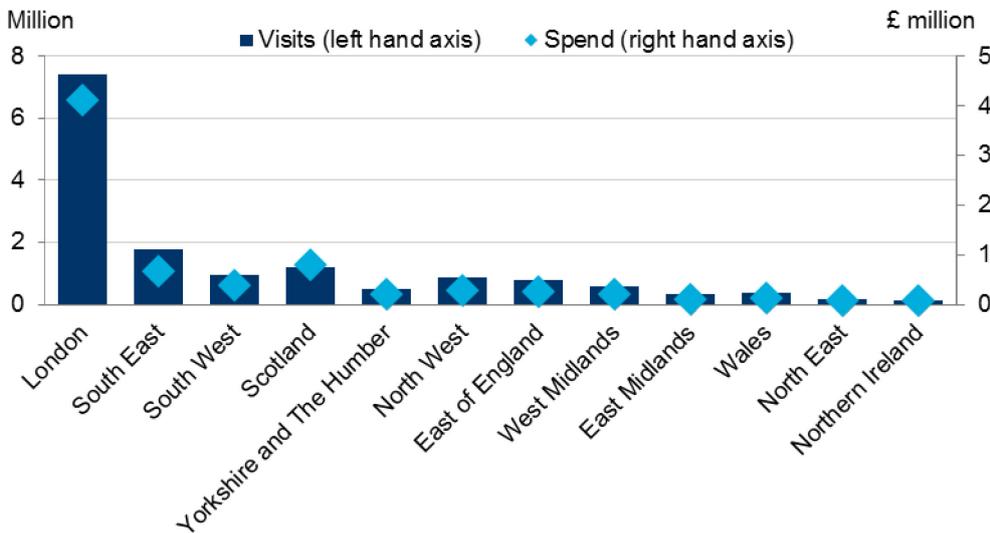
Fig. 18. Heritage tourism visits and spending by domestic overnight visitors in the UK's nations and regions, 2015



Source: VisitBritain, Northern Ireland Statistics and Research Agency

London stands out for being overwhelmingly the destination of choice for overseas visits and spending, accounting for nearly half of all overseas visits (Fig. 20). That is 30 percentage points higher than the proportion of all visitors that London attracts, at 20 percent.

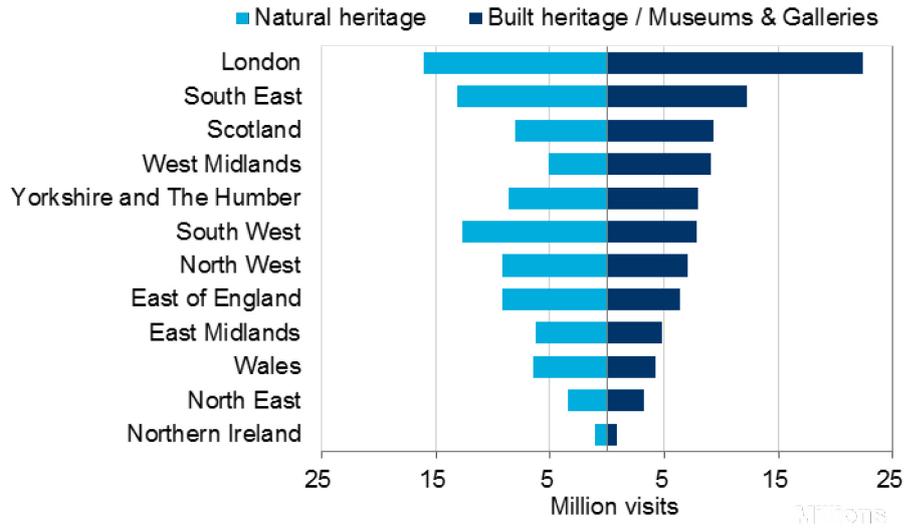
Fig. 19. Heritage tourism visits and spending by overseas visitors in the UK's nations and regions, 2015



Source: VisitBritain, Northern Ireland Statistics and Research Agency

On average in the UK, there are roughly equal numbers of visits made to built heritage attractions and museums/galleries as there are to natural heritage sites, but this varies by region. In the South West, Wales, and East of England, natural heritage attractions got 38, 35, and 30 percent more visitors in 2015, respectively (Fig. 21). But in the West Midlands and London, built heritage and museums/galleries received nearly 80 percent and 40 percent more visitors than natural heritage attractions, respectively. This matters because people who visit built heritage and museums/galleries are more likely to be domestic overnight or overseas visitors, and they spend more per visit compared to those who visit natural heritage attractions.

Fig. 20. Visits to built heritage/museums, galleries and natural heritage attractions, 2015



Source: VisitBritain, Northern Ireland Statistics and Research Agency

5.2 NATIONAL AND REGIONAL GROSS VALUE ADDED AND JOBS IMPACT

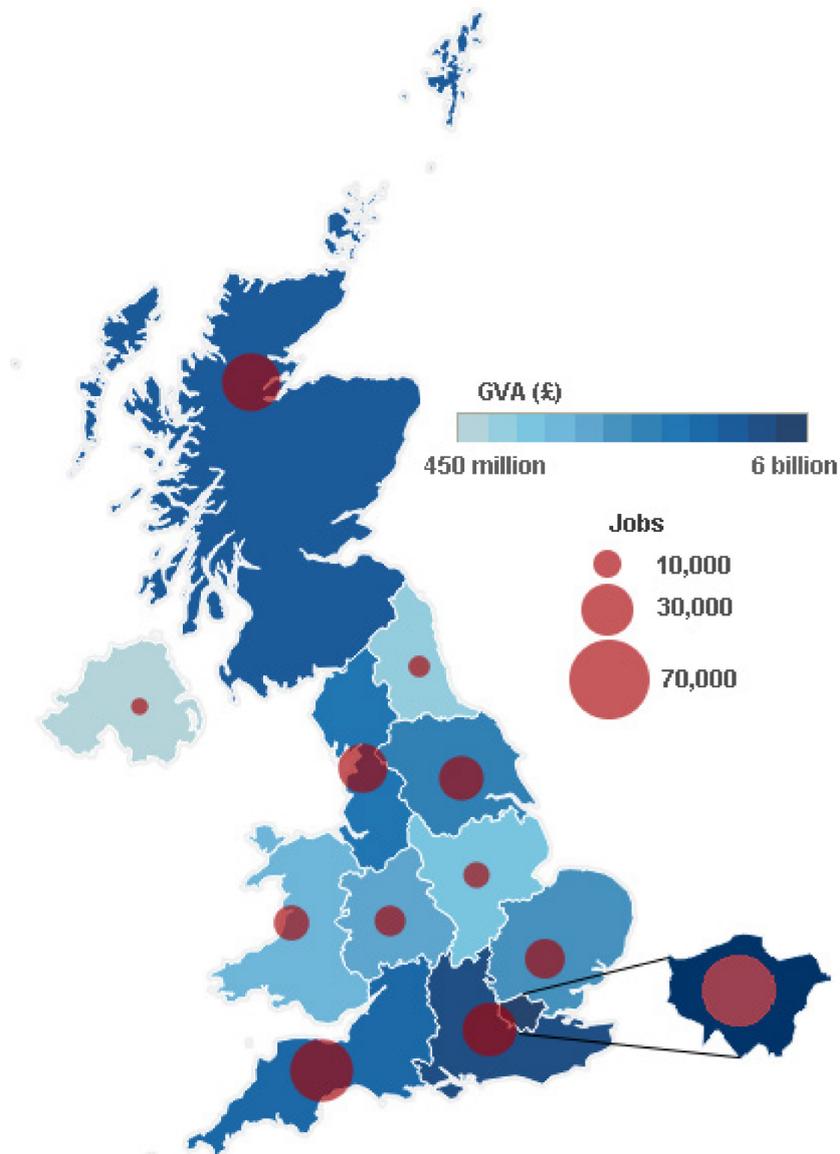
Based on the distribution of heritage tourism spending by geography, we used our bespoke model of the UK economy (explained in detail in the appendix to this report) to estimate heritage tourism's gross value added and jobs impact on each of the UK's 12 nations and regions.²⁵

London, the recipient of the greatest number of visitors and spend also supports the greatest gross value added contribution to UK GDP. In 2015, we estimate that heritage tourism in London supported a £5.7 billion gross value added contribution to UK GDP and 75,500 jobs (Fig. 22 and Fig. 23). The South East supported an additional £2.2 billion gross value added contribution to GDP and 37,700 jobs, while Scotland supported a £2.1 billion and 43,700 jobs. Heritage tourism in the South West, North West, Yorkshire and The Humber, East of England, and West Midlands each supported between £1 billion and £2 billion in gross value added contributions to GDP and between 22,000 and 46,000 jobs. Meanwhile, Wales, the East Midlands, the North East, and Northern Ireland supported between £470,000 in gross value added contributions to GDP and between 9,700 and 24,100 jobs.

²⁵ The model apportions impacts according to the structure and characteristics of the industries affected in each region, including how much economic activity they generate, how many people they employ, how much gross value added they create, and how productive the employees who work in those sectors are. As discussed in greater detail in this report's appendix, our model uses a method developed by two academics to distribute impacts throughout the regions of a broader economy: Flegg and Webber, "Regional Size, Regional Specialization, and the FLQ Formula", *Regional Studies*, 34.6 (2000): 563-9.

The impact of heritage tourism for the UK economy

Fig. 21. Total gross value added and jobs supported by heritage tourism in the UK's nations and regions, 2015



Source: Oxford Economics

The impact of heritage tourism for the UK economy

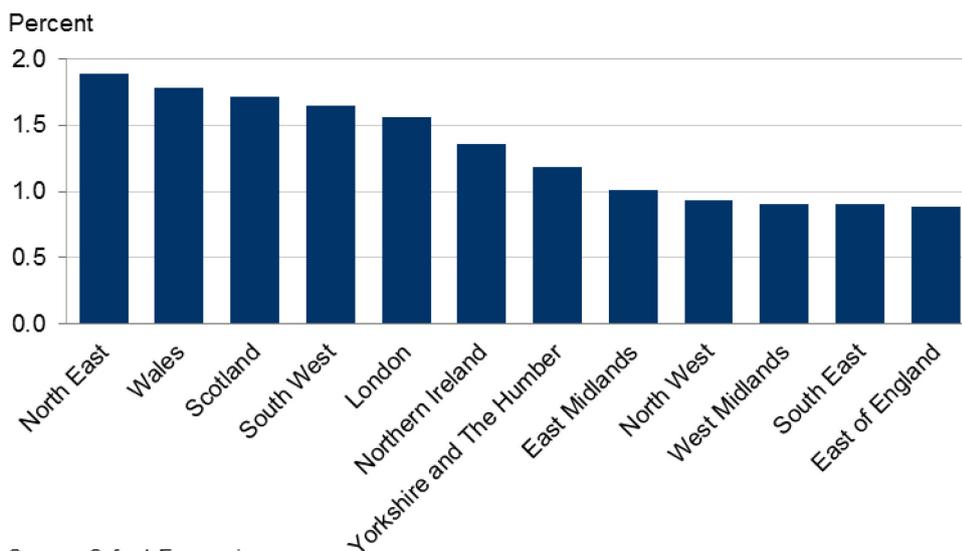
Fig. 22. Total gross value added and jobs supported by heritage tourism in the UK's nations and regions, 2015

Nation/Region	Gross value added (£ bn)	Jobs (number)
London	5.7	75,500
South East	2.2	37,700
Scotland	2.1	43,700
South West	2.0	46,200
North West	1.4	30,300
Yorkshire and The Humber	1.3	28,900
East of England	1.2	25,500
West Midlands	1.0	22,300
Wales	1.0	24,100
East Midlands	1.0	21,800
North East	0.9	20,200
Northern Ireland	0.5	9,700
Total	20.2	385,900

Source: Oxford Economics

Heritage tourism 'punches above its weight' in the North East, Wales, and Scotland. In those locations, the sector's direct, indirect, and induced economic impact is equivalent to 1.9 percent, 1.8 percent, and 1.7 percent of regional/national gross value added (Fig. 24). That is substantially higher than the average for the UK economy overall, at 1.1 percent. The heritage tourism sector can therefore be said to be more important in the North East, Wales, and Scotland compared to the whole UK economy.

Fig. 23. Heritage tourism's total impact as a share of regional and national gross value added, 2015



Source: Oxford Economics

6. HOW KEY RESULTS HAVE CHANGED BETWEEN 2011 AND 2015

This report is the first in the series to estimate the heritage tourism sector's gross value added and jobs impacts on the UK's nations and regions. Doing so required a more detailed, bottom up modelling approach than used in previous versions of the study, and the 2015 results are different from the 2011 results in part because of this necessary change in methodology. The upshot is that we are able to report results at a finer level of detail, across the nations and regions, and the estimates are more bespoke to the heritage tourism sector than ever before. This section of the report describes how key heritage tourism indicators and modelling results have changed and why.

6.1 HOW HAS HERITAGE TOURISM CHANGED BETWEEN 2011 AND 2015?

Between 2011 and 2015, the total number of heritage motivated visits in the UK has declined, while total spending on those trips has increased (Fig. 25). This varies by type of attraction and type of visitor.

7. HOW VISITOR NUMBERS HAVE CHANGED

Visits motivated by heritage tourism have fallen from nearly 195 million in 2011 to just under 192 million in 2015 (a two percent decline). The fall is a result of a decline in visits to built heritage attractions and museums/galleries from 101.1 million in 2011 to 93.5 million in 2015 (down eight percent), despite an increase in visits to natural heritage attractions from 93.7 million in 2011 to 98.2 million in 2015 (up five percent).

The composition of visitors has changed, too. The number of international visitors to heritage attractions increased from 11.2 million in 2011 to 13.2 million in 2015 (up 18 percent). That has helped to offset a decline in domestic overnight visitors going to heritage attractions from 27 million to 22.8 million (down 16 percent) and a decrease in domestic day visitors from 156.6 million in 2011 to 155.7 million in 2015 (down 1 percent).

7.1 HOW SPENDING HAS CHANGED

While heritage tourism motivated visits have declined overall, tourists' spending on heritage motivated visits has increased from £16.1 billion in 2011 to £17.5 billion in 2015 (up nine percent). Spending on trips to built heritage attractions and museums/galleries has increased by 11% and spending has increased by 6% for natural heritage trips. This is a function of the increase in international tourists relative to domestic tourists; international tourists spent an average of £560 per heritage-motivated trip in 2015, while domestic overnight visitors spend an average of £210 per trip and domestic day visitors spent an average of £35 per trip.

Spending on heritage motivated trips by international visitors increased from £6 billion in 2011 to £7.4 billion in 2015 (up 23 percent), while domestic overnight visitors spent £4.7 billion in 2015, down from £4.8 billion in 2011 (a two percent fall), and domestic day visitors spend £5.4 billion in 2015, up 3 percent from £5.3 billion in 2011.

Fig. 24. Visits and spending by heritage attraction and visitor origin, 2011 and 2015

Heritage visits and spending	2011 estimates (2013 report)	2015 estimates (2016 report)	Change (%)
Visits	mn	mn	
Motivated by built heritage/museums & galleries and natural heritage	194.8	191.7	-2
Built	101.1	93.5	-8
Natural	93.7	98.2	5
Visits by type of visitor			
International	11.2	13.2	18
Domestic overnight	27.0	22.8	-16
Domestic day	156.6	155.7	-1
Spend	£ bn	£ bn	
Motivated by built heritage/museums & galleries and natural heritage	16.1	17.5	9
Built	8.5	9.5	11
Natural	7.6	8.0	6
Spend by type of visitor			
International	6.0	7.4	23
Domestic overnight	4.8	4.7	-2
Domestic day	5.3	5.4	3

• Source: VisitBritain, International Passenger Survey, N. Ireland Statistics and Research Agency□

7.2 CHANGES TO KEY MODELLING RESULTS

As a result of changes to heritage motivated visitor numbers and spending between 2011 and 2015, and our new, more detailed heritage tourism model, the economic impact of the heritage tourism sector in the UK has also changed (Fig. 26). Oxford Economics estimates that through direct, indirect, and induced impacts, the heritage tourism sector supported a £20.2 billion gross value added contribution to UK GDP in 2015. That is down 23 percent from the estimate of £26.4 billion in 2011. In addition, the sector's direct gross value added contribution to UK GDP is estimated to be £8.8 billion, down from £9.6 billion in 2011.

Fig. 25. Headline gross value added estimates for the heritage tourism sector, 2011 and 2015

Key modelling results	2011 estimates, £bn (2013 report)	2015 estimates, £bn (2016 report)	Change (%)
Total GVA	26.4	20.2	-23
Direct GVA	9.6	8.8	-8

Source: Oxford Economics

7.3 DISCUSSION OF MODELLING CHANGES

The dominant reason for the decrease in total gross value added that we estimate the heritage tourism sector supported in 2015 compared to 2011 is a change to the supply chain and wage

The impact of heritage tourism for the UK economy

expenditure multipliers (Fig. 27).²⁶ Based on a more comprehensive model that is more bespoke to the heritage tourism sector in the UK, we estimate that the sector's multiplier effects are lower than those used to calculate the 2011 estimates.

The multipliers for the 2011 estimates were based on a macroeconomic model of the UK travel and tourism economy developed for Deloitte in 2008.²⁷ Because it used a macroeconomic modelling framework—which is less relevant to an analysis of the UK's nations and regions—it included a broad set of things related to the travel and tourism economy, including government spending and investment in addition to spending by tourists.

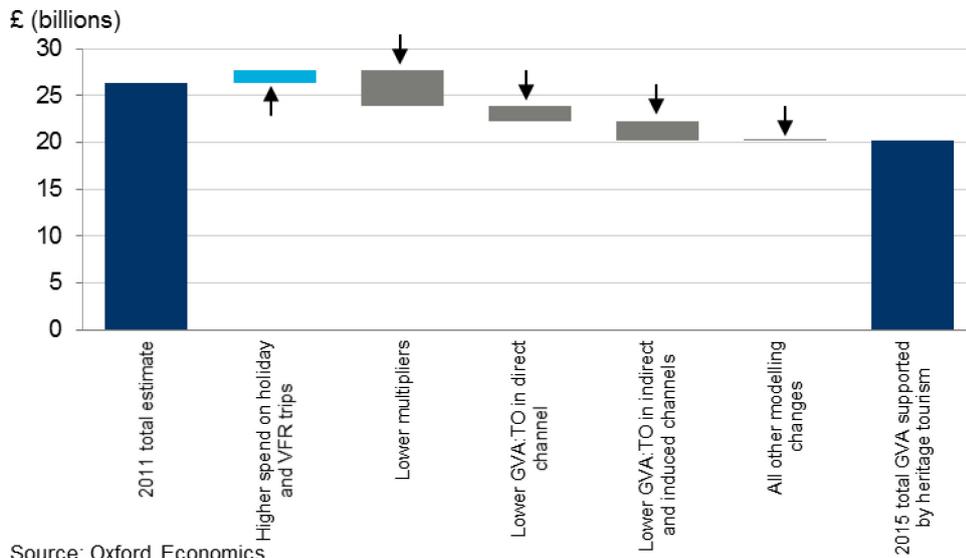
The multipliers we created for the 2015 estimates are based on spending by tourists only, and are therefore lower. We created the multipliers by weighting together 14 UK input-output table sectors according to the propensities of domestic day, domestic overnight, and overseas tourist spend their money in the UK economy by sector, and factoring in the relative headline spending amounts of domestic day, domestic overnight, and overseas visitors while on heritage motivated trips. This process is described in greater detail in the appendix to this report.

²⁶ Multipliers describe the “further economic activity (jobs, expenditure or income) associated with additional local income and local supplier purchases.” There is an indirect, or supply linkage, multiplier” that is “due to purchases made as a result of the project and further purchases associated with linked firms along the supply chain” and an induced, or income, multiplier that is “associated with local expenditure as a result of those who derive incomes from the direct and supply linkage impacts of the project.” English Partnerships, “Additionality Guide: A Standard Approach to Assessing the Additional Impact of Projects,” Second edition (2004).

²⁷ Deloitte, “The Economic Case for the Visitor Economy,” 2008

The impact of heritage tourism for the UK economy

Fig. 26. Decomposition of change to the heritage tourism sector's gross value added contribution, 2011-2015



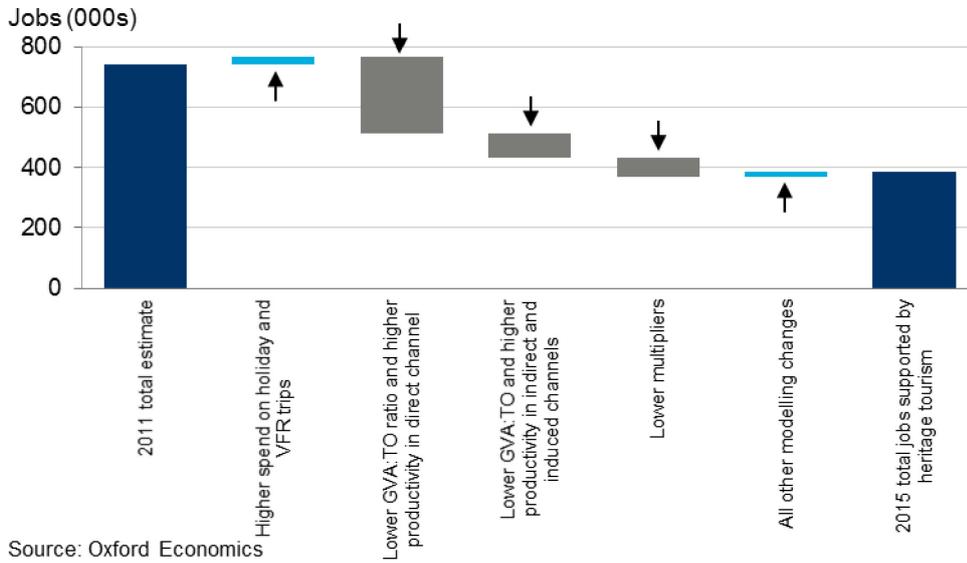
Source: Oxford Economics

Our estimates of the number of jobs that the heritage tourism sector supported in 2015 relative to 2011 are affected by the same things that reduced the gross value added estimates, including lower multipliers (Fig. 28). In addition, the regional modelling undertaken in this report has demonstrated how important London is to the heritage tourism sector. Our model reflects differences in regional productivity, and because London's productivity is substantially higher than elsewhere, an accurate regional model necessarily places substantial downward pressure on employment estimates relative to a national model.²⁸

²⁸ Office for National Statistics, "Labour Market Statistics time series dataset," 2016 and Office for National Statistics, "Regional Gross Value Added (Income Approach)," 2015.

The impact of heritage tourism for the UK economy

Fig. 27. Decomposition of change to the estimate of the number of jobs the heritage tourism sector supports, 2011-2015



Source: Oxford Economics

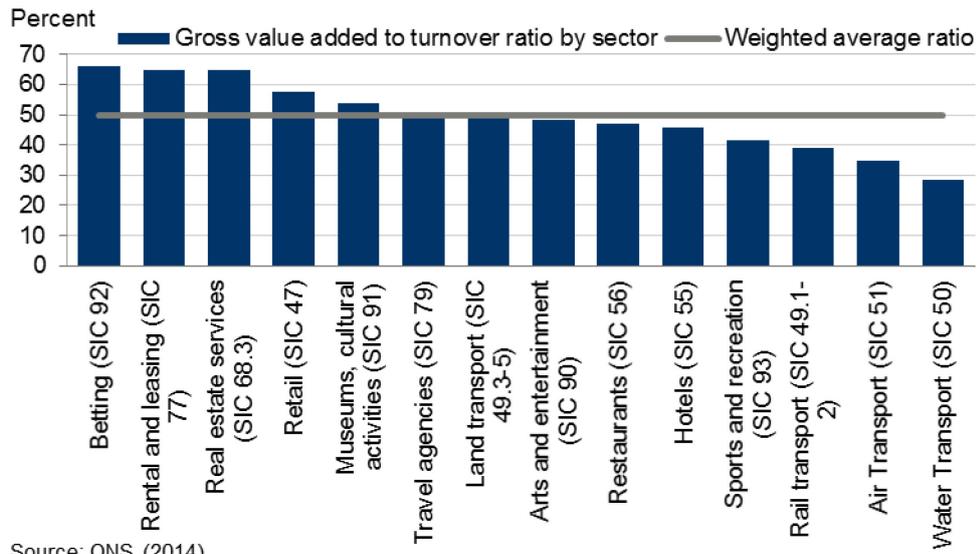
The direct gross value added estimate has fallen despite an increase in tourists' spending because the weighted average gross value added to turnover ratio used to derive the 2015 estimates was, on average, 50 percent, which is lower than that used to derive the 2011 estimates, at 59.6 percent.²⁹ Fig. 29 shows the gross value added to turnover ratios by tourism industry, as well as the weighted average derived from the 2010 UK input-output analytical tables. The weights are created from tourism spend by sector according to the ONS Tourism Satellite Accounts, adjusted by the heritage tourism sector's revenue profile across domestic day, domestic overnight, and international visitors.³⁰

²⁹ Office for National Statistics, "UK input-output analytical tables," 2014

³⁰ Office for National Statistics, "UK-TSA 2012 and 2013," 2016

The impact of heritage tourism for the UK economy

Fig. 28. Gross value added to turnover ratio by sector and weighted average, 2010



8. CONCLUSION

This report quantifies the scale of heritage tourism's impacts on the UK economy and its 12 nations and regions. It uses domestic day, domestic overnight, and overseas visitor numbers and spending from information from VisitBritain, the Office for National Statistics, and the Northern Ireland Statistics and Research Agency, and pairs it with Oxford Economics' detailed economic model of the UK economy to estimate robust estimates of the jobs and gross value added that the heritage tourism sector supports.

The impact is considerable. Including direct, supply chain, and wage-expenditure effects, in 2015 the heritage tourism sector supported a £20.2 billion gross value added contribution to UK GDP and 386,000 jobs. That is £1 for every £93 of UK GDP in 2015, and one job for every 81 in the broader economy.

The heritage tourism sector's activities have an important multiplier effect. For every £100 of gross value added the heritage tourism sector itself creates, the sector supports another £130 elsewhere in the economy, and for every 100 people the heritage tourism sector employs, the sector supports the jobs of another 102 people elsewhere in the economy.

London, the South East, and Scotland are the biggest absolute beneficiaries of heritage tourism, with the sector supporting an estimated £5.7 billion, £2.2 billion, and £2.1 billion contributions to gross value added in those regions. Combined, those regions make up nearly half of the total gross value added impacts in the UK. Relative to the size of each regional economy, the heritage tourism sector is particularly important to the North East, Wales, and Scotland, where it supported 1.9, 1.8, and 1.7 percent of total gross value added. That is in contrast with the heritage tourism sector's average contribution to UK GDP of 1.1 percent.

Meanwhile, Scotland, the North East, Wales, the South West, and London are particularly large employment beneficiaries of the heritage tourism sector. In each of those regions, the heritage tourism sector supports about 1.7 percent of total employment, whereas the average for the UK economy overall is 1.2 percent.

This report conclusively shows that heritage tourism is a considerable draw for both domestic and international visitors—from heritage attractions like castles and museums to the natural heritage of beaches and gardens—and will likely continue to contribute substantially to the UK economy and its workforce for years to come.

9. METHODOLOGY

9.1 MODELLING THE UK ECONOMY USING INPUT-OUTPUT TABLES AND MULTIPLIERS

In order to quantify heritage tourism's indirect and induced expenditure impacts, the analysis in this report is based on ONS analytical input-output (IO) tables.³¹ The tables show who buys what from whom in the UK economy. They allow us to trace spending flows through the economy after applying a set of mathematical techniques that were first developed by Wassily Leontief, an academic.³² A key result of the techniques is an estimate of the heritage tourism sector's multipliers. These express the amount of additional economic activity that must occur in the whole UK economy to satisfy tourists' final demand for goods and services from the heritage tourism sector.

To produce multipliers for the heritage tourism sector using the UK input-output tables, we assume that the heritage tourism sector is comprised of a weighted average of the following 14 industry categories:

- *Retail Trade, Except of Motor Vehicles and Motorcycles (SIC 47);*
- *Rail transport (SIC 49.1-2) ;*
- *Land transport services and transport services via pipelines excluding rail transport (SIC 49.3-5);*
- *Water Transport (SIC 50);*
- *Air Transport (SIC 51);*
- *Accommodation (SIC 55);*
- *Food and Beverage Service Activities (SIC 56);*
- *Real estate services on a fee or contract basis (SIC 68.3);*
- *Rental and Leasing Activities (SIC 77);*
- *Travel Agency, Tour Operator and Other Reservation Service and Related Activities (SIC 79);*
- *Creative, Arts and Entertainment Activities (SIC 90);*
- *Libraries, Archives, Museums and Other Cultural Activities (SIC 91);*
- *Gambling and Betting Activities (SIC 92);*
- *Sports Activities and Amusement and Recreation Activities (SIC 93).*

These industries are weighted together based on spending patterns of domestic day, domestic overnight, and overseas visitors to the UK. These data are collected by the ONS across the same

³¹ ONS, (2014), '2010 Input-Output Analytical Tables, 2014 edition' 31 October. Input-output tables are designed to give a snapshot of an economy at a particular time, showing the major spending flows from 'final demand' (i.e., consumer spending, government spending and exports to the rest of the world); intermediate spending patterns (i.e., what each sector buys from every other sector – the supply chain); how much of that spending stays within the economy; and the distribution of income between employment income and other income (mainly profits). An input-output model shows who buys what from whom in the economy. The latest available domestic use input-output table for the UK, published by the ONS, was for calendar year 2010.

³² Wassily Leontief, *Input-Output Economics* ([n.p]: Oxford University Press, 1986).

The impact of heritage tourism for the UK economy

industry categories, and the weights factor in the headline heritage-motivated spending amounts for each type of visitor.³³

9.2 ESTIMATING REGIONAL IMPACTS USING FLEGG AND WEBBER'S METHODOLOGY

Following UK-wide economic impact modelling, Oxford Economics conducted regional economic impact modelling using techniques initially developed by the academics Flegg and Webber.³⁴ The techniques involve constructing regional input-output models by applying 'location quotients' (which adjust for the importance of a particular industry to a region relative to the country) and regional size adjustments to the standard UK Input-Output tables.³⁵

These adjustments allow for better estimates of the location of gross value added supported in the indirect and induced channels. The result is that geographies with higher concentrations of industries receiving procurement or household expenditure have larger impacts. In addition, by dividing regional gross value added by estimates of regional productivity (the gross value added per employee per year), total employment estimates become more accurate.³⁶

9.3 DATA AVAILABILITY

This report uses visit and spend data from VisitBritain, the ONS International Passenger Survey, and the Northern Ireland Statistics and Research Agency to quantify holidays and visits to friends and relatives that are motivated by heritage activities.³⁷ Fig. 30 shows how tourism activities are categorized and whether the activity is asked about in surveys of domestic day, domestic overnight, or international visitors.

³³ Office for National Statistics, "UK-TSA 2012 and 2013," 2016

³⁴ Flegg and Webber, "Regional Size, Regional Specialization, and the FLQ Formula", *Regional Studies*, 34.6 (2000): 563-9.

³⁵ Location quotients are based on output by sector and region, derived from ONS, "Regional Gross Value Added (Production Approach), 1997 to 2013," 2016

³⁶ ONS, "Regional Gross Value Added (Production Approach), 1997 to 2013," 2016 and ONS, "Business Register and Employment Survey," 2015

³⁷ Tourism visits and spend by region and nation, and heritage tourism's share of visits and spend, are sourced from VisitBritain, "Great Britain Day Visits Survey," 2016 <<http://dservuk.tns-global.com>>, VisitBritain, "Great Britain Domestic Overnight Trips Summary," <<https://www.visitbritain.org/gb-tourism-survey-2015-overview>> [accessed June 2016], Office for National Statistics, "International Passenger Survey," <<https://www.visitbritain.org/nation-region-county-data>>, Office for National Statistics, "International Passenger Survey," *Headline statistics on inbound tourism to Britain including the number of visits from overseas for the latest full year of data*, <<https://www.visitbritain.org/2014-snapshot>>, Office for National Statistics, "International Passenger Survey, 2011," 2012, Northern Ireland Statistics and Research Agency, "Table 9: Estimated tourism day trips taken by NI residents within NI and RoI 2011-2014," <<https://www.economy-ni.gov.uk/>> and Northern Ireland Statistics and Research Agency, "Tourism Microdata," 2016 <<https://www.economy-ni.gov.uk/>>. The heritage share of visits is determined by the proportion of visits or spend on the activities defined as heritage in the appendix to this report relative to all other activities. Domestic overnight visits and spend were estimated for the English regions based on visitor numbers from VisitEngland, "Annual Survey of Visits to Visitor Attractions," 2015 <<https://www.visitbritain.org/annual-survey-visits-visitor-attractions>> and day visitor spend from VisitBritain's Great Britain Day Visits Survey (2016).

Fig. 29. Visit and spend data available by survey participant type

Activity	Survey participants		
	Domestic day	Domestic overnight	International
Museum	Yes	Yes	Yes
Castle or other historic site	Yes	Yes	Yes
Cathedral, church, abbey, or other religious building	Yes	Yes	Yes
Historic house, stately home, or palace	Yes	Yes	Yes
Art gallery	Yes	Yes	Yes
Architecture and buildings	Yes	Yes	No
Garden	Yes	Yes	Yes
Country park	Yes	Yes	Yes
Beach	Yes	Yes	Yes
Wildlife attraction or nature reserve	Yes	Yes	No
Countryside or villages	No	No	Yes

Source: VisitBritain, ONS International Passenger Survey, N. Ireland Statistics and Research Agency

Built heritage / Museums & Galleries
Natural heritage

9.4 SHARE OF ALL TOURISM THAT IS HERITAGE-MOTIVATED ('ALLOCATORS')

The spending and number of visits on heritage tourism is a function of all holidays and visits to friends and relatives in the UK multiplied by the share of activity deemed heritage-motivated relative to all activities. These shares are the heritage tourism sector's visit and spending 'allocators'.

The Great Britain Day Visits Survey, Great Britain Overnight Trips Summary, and the ONS International Passenger Survey ask questions about what tourists did and how much they spent on their trips in the UK. Fig. 31 shows the heritage tourism allocators that we derived from this data for each nation and region.

Fig. 30. Visit allocators for built heritage / museums & galleries by nation and region

Allocators are percents and arranged as follows: visits, spend (Built heritage / Museums & Galleries); visits, spend (Natural Heritage)

Visitor type	Domestic day	Domestic overnight visits		International visits	
	visits	Holiday	VFR	Holiday	VFR
UK	5, 5; 5, 5	12, 14; 10, 10	12, 14; 10, 10	34, 34; 24, 24	22, 22; 26, 26
Great Britain	5, 5; 5, 5	11, 14; 10, 10	11, 14; 10, 10	34, 34; 24, 24	22, 22; 26, 26
Scotland	5, 5; 5, 4	18, 17; 8, 7	18, 17; 8, 7	34, 34; 24, 24	22, 22; 26, 26
Wales	4, 3; 7, 5	11, 12; 14, 12	11, 12; 14, 12	34, 34; 24, 24	22, 22; 26, 26
England	5, 5; 5, 5	11, 13; 10, 10	11, 13; 10, 10	34, 34; 24, 24	22, 22; 26, 26
North East	5, 7; 5, 6	11, 13; 10, 10	11, 13; 10, 10	34, 34; 24, 24	22, 22; 26, 26
North West	3, 3; 5, 5	11, 13; 10, 10	11, 13; 10, 10	34, 34; 24, 24	22, 22; 26, 26
Yorkshire and The Humber	6, 7; 6, 5	11, 13; 10, 10	11, 13; 10, 10	34, 34; 24, 24	22, 22; 26, 26
East Midlands	4, 3; 6, 6	11, 13; 10, 10	11, 13; 10, 10	34, 34; 24, 24	22, 22; 26, 26
West Midlands	7, 6; 4, 2	11, 13; 10, 10	11, 13; 10, 10	34, 34; 24, 24	22, 22; 26, 26
East of England	4, 6; 7, 5	11, 13; 10, 10	11, 13; 10, 10	34, 34; 24, 24	22, 22; 26, 26
London	5, 5; 3, 3	11, 13; 10, 10	11, 13; 10, 10	34, 34; 24, 24	22, 22; 26, 26
South East	5, 5; 5, 5	11, 13; 10, 10	11, 13; 10, 10	34, 34; 24, 24	22, 22; 26, 26
South West	5, 4; 8, 9	11, 13; 10, 10	11, 13; 10, 10	34, 34; 24, 24	22, 22; 26, 26
Northern Ireland	3, 3; 5, 2	11, 13; 10, 10	11, 13; 10, 10	34, 34; 24, 24	22, 22; 26, 26

Source: VisitBritain (2016), VisitBritain (2014), International Passenger Survey (2011)

Overall, on a weighted average basis, the allocators for 2015 are very similar to those for 2011, which were used in Oxford Economics' 2013 report in this series (Fig. 32).

Fig. 31. 2015 allocators for the UK compared to 2011 allocators, weighted averages

Visit type	Built heritage / Museums & Galleries		Total
	Natural heritage		
2015 weighted average			
Visits	5.6	5.9	11.6
Spend	10.8	9.2	20.0
2011 weighted average			
Visits	6.0	5.6	11.6
Spend	10.4	9.3	19.7

Source: VisitBritain (2016), VisitBritain (2014), International Passenger Survey (2011), VisitBritain (2011)

10. GLOSSARY

These terms are used throughout this report:

£: all currency values have been adjusted for inflation to reflect 2015 prices.

Day visit: a trip that does not include an overnight stay and is outside a visitor's usual residence or for an activity not done regularly (like seeing an attraction).

Domestic visitor: a person who is a permanent resident in the UK and travels within the UK.

Gross domestic product (GDP): the value of all goods and services produced within a country's borders in a year. It is the sum of gross value added of all organisations within the economy (with adjustments for taxes and subsidies). Gross domestic product is the most commonly cited indicator of the UK economy's health and is frequently used to gauge when the economy has entered or exited a recession.

Gross value added: for a single sector, this is the difference between total revenue and the cost of the goods and services that are used up to create that revenue. Gross value added across all sectors in an economy is equal to gross domestic product (after adjustments for taxes and subsidies).

Heritage: this report discussed two kinds of heritage attraction: **built heritage attractions and museums/galleries** which includes museums, castles, religious buildings, historic houses and palaces, art galleries, and buildings; and **natural heritage** attractions, which includes gardens, parks, beaches, wildlife attractions and nature reserves, and countryside.

International Passenger Survey: the International Passenger Survey (IPS) asks around 700,000 to 800,000 people who are entering or leaving the UK each year questions about where they are from, what they did, where they went, and how much they spent. The IPS is conducted by the Office for National Statistics.

NISRA: the Northern Ireland Statistics and Research Agency is the official statistical agency of Northern Ireland.

ONS: the Office for National Statistics is the official statistical agency of the United Kingdom.

Overnight visit or trip: a trip that involves one or more overnight stays.

Overseas visitor: a person who is a permanent resident outside of the UK who visits the UK for 12 months or less. UK citizens who reside overseas are included.

Trip or visit: in this study, a trip or visit occurs when someone travels outside his or her usual residence or engages in an activity not done regularly (like seeing an attraction), and spends three hours or more. A **VFR trip** is recorded in surveys when the main motivation is described as "visiting friends and relatives"; VFR trips can have holiday elements. A **Holiday trip** is recorded when the main motivation is described respondents as "holiday, leisure or pleasure", with no visiting friends or relatives element.

VisitEngland, VisitScotland, VisitWales: the official tourism agencies for England, Scotland, and Wales. They do surveys of domestic day trip and overnight visitors.