

JUNE 2012

STATE OF THE UK LEISURE INDUSTRY: A DRIVER FOR GROWTH



ABOUT BISL

Business In Sport and Leisure (BISL) is the strategic body representing the private sector in the Sport and Leisure Industry. Our uniquely broad range of members means we take a strategic view across the whole industry. We have worked successfully with government in our members' interests, on specific policy issues in licensing, betting and gaming, employment, property, sport and planning and taxation. Our 25 year history has established a reputation for expertise, balance and professionalism as we seek to grow and protect the Sport and Leisure Industry.

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ABOUT OLIVER WYMAN

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	2
BACKGROUND AND METHODOLOGY	4
SECTION 1: A DEFINITION OF THE LEISURE INDUSTRY	5
SECTION 2: SIZE, SCALE AND IMPORTANCE OF THE LEISURE INDUSTRY	9
2.1 Employment	
2.2 Economic growth	
2.3 Growth	
2.4 Investment	
2.5 Exports	
2.6 The Wider Leisure Economy	
2.7 Making public sector spending on sport and leisure facilities more efficient	
2.8 Enabling fun and healthy lifestyles in a safe, secure and regulated environment	
BRITISH LEISURE INDUSTRY CHAMPIONS	32
SECTION 3: CHALLENGES FACED BY THE LEISURE INDUSTRY	41
Introduction	
3.1 The macroeconomic background	
3.2 Government intervention	
SECTION 4: BISL'S RECOMMENDATIONS TO GOVERNMENT	49
Introduction	
4.1 Acknowledge and champion Leisure	
4.2 Invest in people	
4.3 Fairer taxation and regulation	
4.4 Simpler planning, procurement and licensing	
SECTION 5: CONCLUSION – SHAPING THE FUTURE	69
APPENDICES	71
A SIC 2007 definition of Leisure Industry	
B Employment in the Leisure Industry	
C Economics of the Leisure Industry	
D Government intervention and recommendations	
E Contributors	

EXECUTIVE SUMMARY

The UK's Leisure Industry is a key contributor to the nation and its economy. It provides more than one in twelve of all jobs, and more than one in five jobs for 16-25 year olds; it accounts for around 7% of total tax receipts; and it includes some of the world's leading Leisure businesses. But until now, the Leisure Industry has not been clearly defined, and its true importance has rarely been acknowledged.

This report, commissioned by BISL and based on research by Oliver Wyman, paints the first comprehensive picture of the economic size, scale and importance of the Leisure Industry. BISL believes it demonstrates that the Industry is too important to remain undefined, under-represented, and misunderstood by government.

The report shows that the UK Leisure Industry:

- Employs 2.6m people, representing 9% of total UK employment. This is more than Manufacturing, Transport, Construction or Financial Services
- Generates over £200 billion of revenue when accounting for direct contributions (£117 billion) and indirect contributions (£102 billion)
- Provides jobs for 730,000 16-25 year olds, representing 21% of 16-25 year olds in employment, more than Manufacturing, Construction and Financial Services combined
- Has a strong female workforce with 44% of management positions in the Leisure Industry held by women and the majority of the Leisure workforce being female
- Attracts a large proportion of part-time and flexible workers – 46% of employees in the Leisure Industry are on part-time contracts
- Offers attractive career options for both skilled and unskilled workers, with few barriers to career progression and advancement
- Has been an incubator for entrepreneurship: 66% of Leisure Industry businesses are Small and Medium-Sized Enterprises (SMEs), and the business start-up

rate is 20% higher than the UK average

- Is a world leader in Leisure: UK businesses have been at the forefront of innovation and growth, and the UK accounts for a disproportionate share of leaders in the global Leisure market
- Provides a wide range of leisure activities for millions of consumers across the country in a safe, secure, and responsible environment
- Generates almost twice as much tax revenue for the Treasury as its share of the economy might suggest - the Industry contributes 7% of UK tax while representing 4% of the nation's GVA
- A thriving Leisure Industry is also essential for capturing the full economic benefit from major sporting events hosted in the UK, starting with the 2012 Olympic and Paralympic Games. Offering a broad range of attractive leisure activities encourages discretionary spending both by UK residents and by visitors

However, BISL believes that the Leisure Industry has now reached a crucial juncture. Combined with tough macroeconomic conditions, government policies are constraining growth, and limiting opportunities to create jobs at a time when the economy most needs them:

- Government policy since 2010 has exacerbated economic headwinds by imposing an additional £3.2bn of tax and regulatory costs per year on the Industry and its customers – a figure estimated to rise to £3.9bn per year by 2014
- Whereas the Leisure Industry had been generating 41,000 new jobs every year between 1998 and 2007 – nearly double the rate of growth of Retail, Construction and Transport – employment has been declining since the onset of the financial crisis. 11,000 jobs were lost between 2008 and 2010
- The Leisure Industry employs a high proportion of young, female, and part time workers, and provides a livelihood for many small business owners – these groups have been hard hit in recent years

BISL believes the Leisure Industry can play a major role in creating new jobs and delivering economic growth. BISL recognises the Industry has its role to play in reigniting growth – focusing on innovation, mastering brand management and fully exploiting international opportunities – in an ever safer, more responsible and sustainable environment. With this aim in mind, and based on a series of workshops and interviews with CEOs and other industry leaders, BISL is calling for a new strategy for government designed to help the Leisure Industry develop, improve its skill base, and encourage entrepreneurship, employment and innovation.

In Section 4, BISL sets out a number of recommendations by which government could better support the Leisure Industry and enable the Leisure Industry to make an even greater contribution to the economy in future:

- Incentivising businesses to employ more 16 to 25 year olds from the ‘NEET’ (Not in Education, Employment or Training) category through a controlled exemption from NIC (National Insurance Contribution). In return, the Leisure Industry will provide transferable training or apprenticeships, and benefit from NIC exemption if they subsequently employ the individual
- Making a Cabinet minister responsible for championing the growth of the Leisure Industry. BISL proposes that, as the government is currently configured, this should be the Secretary of State for Culture, Media and Sport
- Bringing VAT rates closer to European benchmarks to increase the Industry’s ability to compete in the tourism market, starting with the subsectors of the Leisure Industry able to generate the fastest payback
- Reducing the licensing and regulatory red tape that is currently hindering growth of the Industry, in particular restaurants, pubs, night clubs, and betting and gaming businesses
- Building simpler, cheaper and more transparent local procurement processes to enable more sports and leisure facilities to be provided, and to attract greater investment

BISL supports the general direction of government policy changes to planning guidelines and employment legislation – we outline specific suggestions in these areas in Section 4 of the report.

BISL believes these proposals can help both the Leisure Industry and the economy of the UK as a whole. Specifically, BISL believes they will:

- Reignite job growth in the Industry
- Provide up to 440,000 new jobs by 2020, particularly focused on young people, female, part-time and low skilled workers
- Drive an additional 30,000 new high quality training positions over the next three years for young people currently not in education, employment or training
- Save UK businesses and the government up to £600m per year through more efficient planning and procurement processes

We look forward to an open dialogue with government about taking forward these recommendations – and ensuring that the UK Leisure Industry fulfils its potential to drive economic growth, and to provide new jobs.

BACKGROUND AND METHODOLOGY

This report was commissioned by Business In Sport & Leisure (BISL), the strategic body which represents the private sector Sport and Leisure Industry, partnering with the international management consultancy Oliver Wyman to research, produce and sponsor the first State of the UK Leisure Industry report.

The research maps out the size of the UK Leisure Industry for the first time, and highlights the role it can play in the rehabilitation of the UK economy. It also captures a set of policy recommendations which BISL believes would transform the performance of the Industry, and in turn, UK Plc.

The evidence for this report has been gathered from a wide range of sources including:

- **Executive and CEO forums** with over 40 participants from companies employing more than 100,000 people in the Leisure Industry and accounting for more than £7bn per annum in revenues
- One-on-one **interviews** with CEOs of businesses covering a spectrum of the Leisure Industry including cinemas, betting and gaming, pubs and amusement parks
- Input from **BISL working groups** on topics concerning employment, apprenticeships, procurement and betting and gaming
- **Desk research** drawing upon a wide range of sources, including data kindly provided by the British Hospitality Association, British Beer and Pub Association, Tourism Alliance, Sheffield Hallam University, The Leisure Database Company, Ernst & Young, Ladbrokes Plc, Gala Coral Group Ltd, Rank Group Plc, OpenBet Technologies Ltd and Praesepe Plc

Key contributors to this report also include Heathcroft Communications and the staff of Business in Sport and Leisure who have participated in the forums, interviews and contributed to the research highlighted above.

This report contains 5 sections. Sections 1-3 are contributions from Oliver Wyman; they propose a definition for the Leisure Industry, emphasize its size, scale and importance and highlight some challenges and headwinds it is facing today. Sections 4-5 are contributions from BISL; they put forward a set of 12 recommendations for government using the research in the earlier sections as a basis for proposed policy change.

Most data used in this report is taken from surveys gathered by the Office for National Statistics. At the time of report publication, data was only available to 2010 at the level of granularity required. Revenues and GVA figures quoted in the report are at current prices. Data trends for periods 1998-2007 (pre-recession) and 2008-2010 have in many cases been analysed separately to better understand the impact of the current economic crisis on the UK Leisure Industry.

A DEFINITION OF THE LEISURE INDUSTRY

1



“The ‘Leisure Industry’ provides services and products to consumers – business, families or individuals, domestic or foreign – to meet people’s demand for leisure opportunities, experiences and facilities, in particular for sport, culture, recreation, entertainment, eating and drinking, days and nights out, betting and gaming, and accommodation”

THE DEFINITION OF THE LEISURE INDUSTRY USED IN THE REPORT

What is ‘the Leisure Industry’? Which businesses does it include? To understand the industry and its importance to the UK economy, we first need to define it clearly. In fact, the Leisure Industry is comparable in scale to the Retail and Transport industries, though this has often been overlooked in the absence of a clear definition.

As the starting point for this report, BISL and Oliver Wyman have proposed the definition for the Leisure Industry given above. More detail on the industries and SIC (Standard Industry Classification) codes which comprise the Leisure Industry is provided in Appendix A. Most are instantly recognisable as being associated with leisure activities - hotels and restaurants; pubs and nightclubs; cinema and live entertainment venues; visitor attractions; sport activities; health and fitness clubs; bingo halls, casinos, adult gaming centres and betting shops.

This report has also proposed a definition for the broader economy associated with the related sales and supply chain to the Leisure Industry, which has been termed the *Leisure Economy*.

“The wider ‘Leisure Economy’ represents consumer spend (e.g. in retail and travel) directly related to the Leisure Industry (as defined above), and the value of those products and services provided to companies and organisations operating in the Leisure Industry”

THE DEFINITION OF THE LEISURE ECONOMY USED IN THE REPORT

Examples of business activities in the Leisure Economy include the construction of leisure sites such as cinemas or casinos, and the provision of travel to get to a leisure destination.

In certain ways this definition is a narrow one. Some leisure businesses’ activities extend well beyond both the definitions of the Leisure Industry and the Leisure Economy: examples include businesses leveraging a leisure brand to sell retail goods, such as the ‘Pizza Express’ products available in supermarkets. In addition, the international revenues of many of the leading leisure businesses are excluded from the definition, although they provide a substantial boost to employment and taxes in the UK.

The Leisure Industry, as defined above, has some overlap with two other commonly recognised industries:

- **Tourism**¹ : The provision of Leisure Industry services to tourists overlaps partially with the current government definition of Tourism². However, many leisure services are not provided simply to tourists “outside their usual environment”, but are highly local.

Figure 1.1 shows which activities overlap between Tourism and the Leisure Industry, as well as which are covered by one definition but not the other:

Figure 1.1: The overlap between Leisure and Tourism Industries



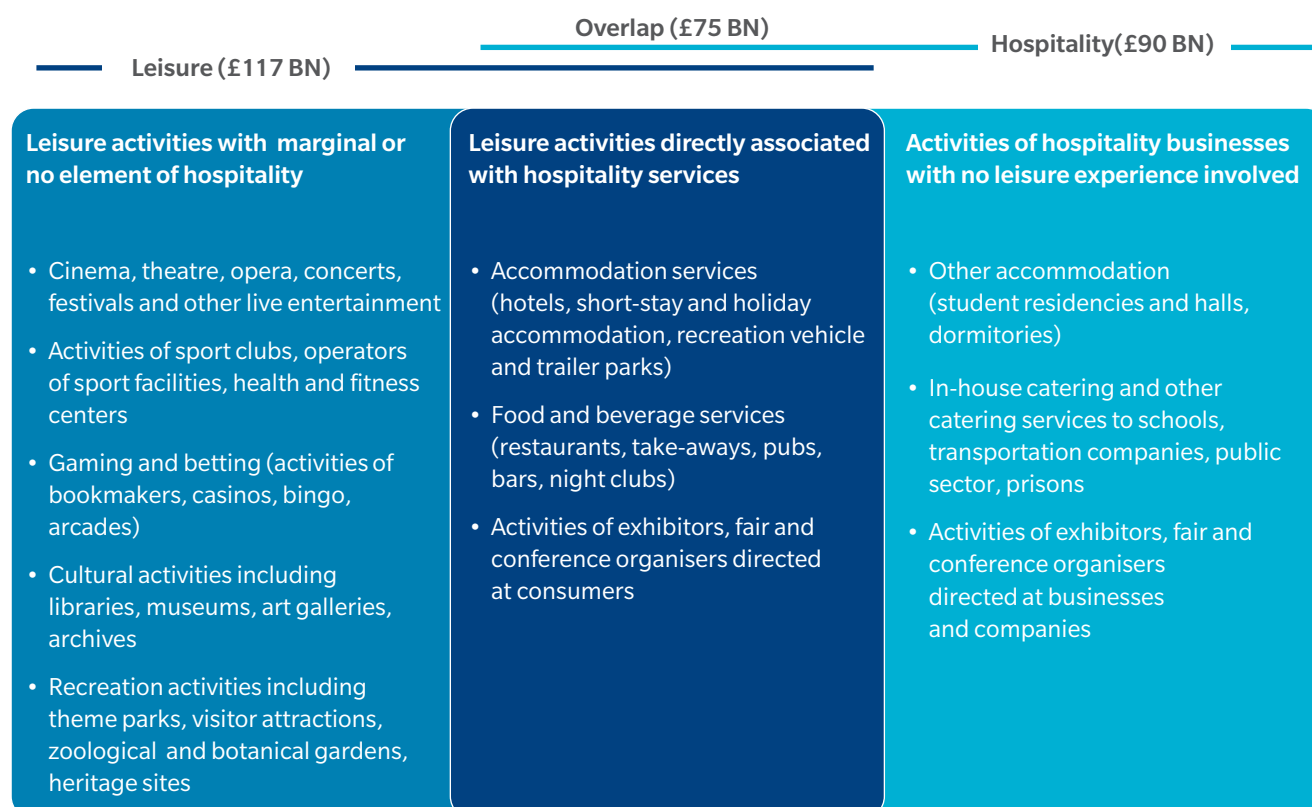
1 Office for National Statistics, 2011. Tourism Satellite Accounts 2008. Cited in Tourism Alliance, 2012. Tourism Statistics 2012. [pdf] Available at: http://www.tourismalliance.com/downloads/TA_327_353.pdf

2 The UK government has adopted the World Tourism Organisation definition of tourism, defined as comprising the activities of persons travelling to and staying in places outside their usual environment for not more than one year for leisure, business and other purposes.

- **Hospitality**^{3,4}: Some Leisure Industry businesses also offer hospitality services, such as food, beverages and accommodation. These have been included in the definition of the Leisure Industry, where they do not represent ‘traditional’ hospitality activities of business catering and business conferences.

Figure 1.2 shows which activities overlap between Hospitality and the Leisure Industry, as well as which are in one industry but not the other:

Figure 1.2: The overlap between Leisure and Hospitality Industries



3 Oxford Economics, 2010. Economic Contribution of UK Hospitality Industry. [pdf] Available at: <http://www.bha.org.uk/wp-content/uploads/2010/10/BHA-Economic-Contribution-of-UK-Hospitality-Industry-Final-.pdf>

4 Oxford Economics, 2012. Economic Impact of the UK Exhibitions Industry. [pdf] Available at: <http://www.businessstourismpartnership.com/research/OxEcon%20final%20report%20-%20Economic%20Impact%20Study%20Facetime%20version.pdf>

SIZE, SCALE AND IMPORTANCE OF THE LEISURE INDUSTRY

2



The Leisure Industry employs 2.6m people, accounting for 9% of jobs in the UK
larger in employment terms than Manufacturing, Construction and Transport Industries

The Leisure Industry is a major employer of groups that are under-represented in other industries
accounts for 21% of 16-25 year olds employed in the UK and more women employees than in the Manufacturing, Construction and Transport Industries combined

The Leisure Industry generates £117bn of revenues and 4% of total UK GVA
growing in revenues by more than 7% per year and creating 41,000 jobs per year between 1998 and 2007

The Wider Leisure Economy generates £102bn of additional revenues and 1.6m jobs
through consumer spending on goods and services to facilitate leisure experiences and supply chain activities into the Leisure Industry

The Leisure Industry contributes £32bn annually in tax revenues
equivalent to 7% of total UK tax take

The Leisure Industry is the UK's 5th largest export industry generating £17bn of exports annually

2.1 EMPLOYMENT

OVERALL EMPLOYMENT: LARGER THAN MANUFACTURING OR CONSTRUCTION

The UK Leisure Industry is a major source of employment, providing 2.6m jobs in 2010⁵. This represents 9% of total UK employment, making it larger than the Manufacturing, Construction, Transport or Financial Services Industries.

Table 2.1: Overall employment by industry sector, 2010, selected shown⁵

Industry	No. of employees	% of total UK jobs
Retail	3.0m	10.2%
Leisure	2.6m	8.8%
Manufacturing	2.4m	8.4%
Construction	1.4m	4.8%
Transport	1.3m	4.3%
Financial Services	1.2m	4.0%
Information and Communications	1.1m	3.7%

Approximately 65% of jobs in the Leisure Industry are in the hotel, restaurant, pub and nightclub subsectors, with the remainder in the betting and gaming, sport, health and fitness, recreation, live entertainment and culture subsectors. Figure 2.1 overleaf shows the breakdown of these 2.6m jobs into different Leisure subsectors.

In terms of employment creation, prior to the financial crisis, the Leisure Industry had a record of continuous growth. From 1998 to 2007, jobs in the sector grew by 2% a year, with over 400,000 net new jobs created overall. This compares with a job growth in the same period of 0.3% per year in Retail, and a contraction of 4% per year in Manufacturing⁶.

⁵ Office for National Statistics, 2012. Annual Business Survey & Annual Business Inquiry 1995-2010. Available at <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-249421>. A technical overview of the estimation and sources used is provided in the Appendix.

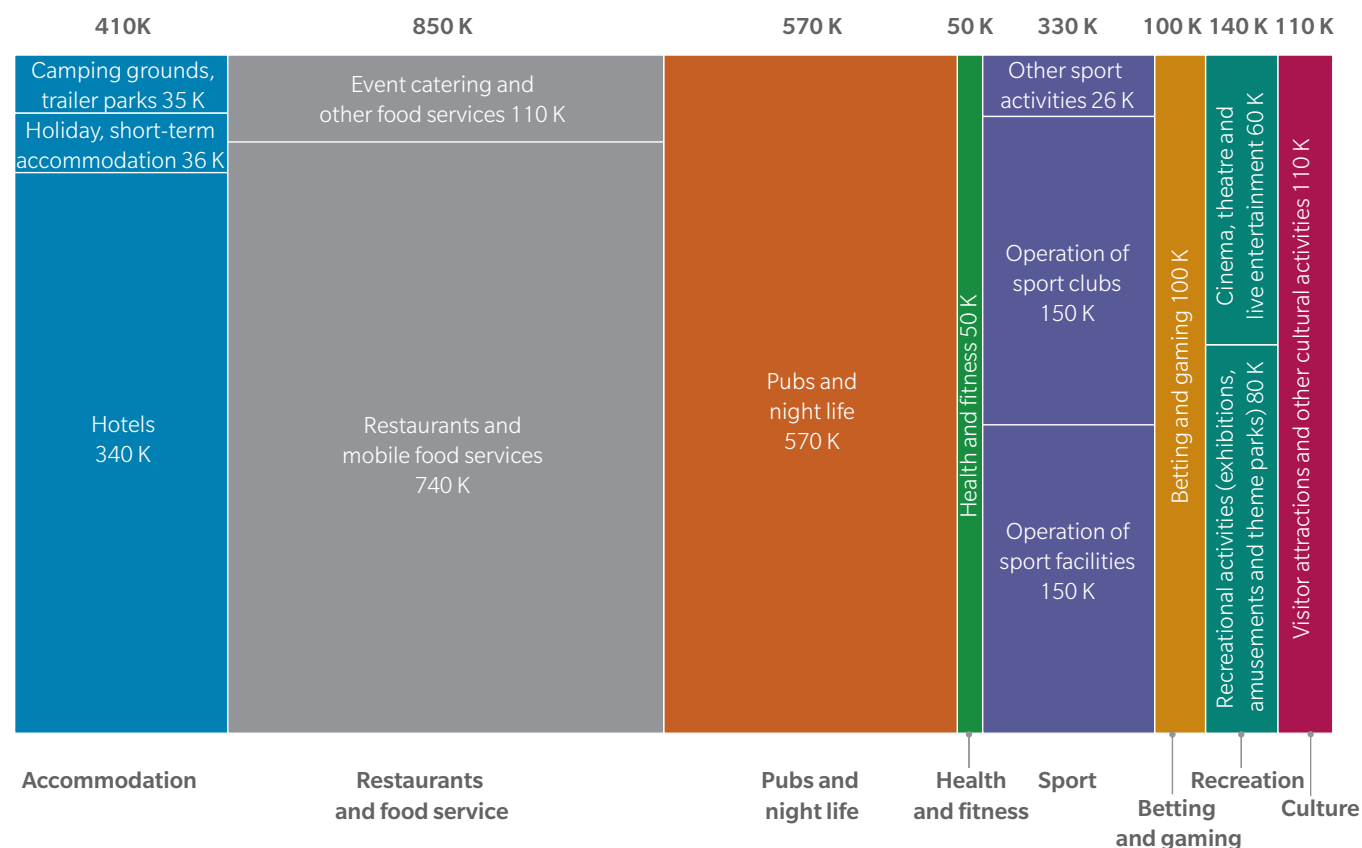
Please note that the employment numbers here are inclusive of the total number of positions in the industry, both full-time and part-time positions and not adjusted in any way. This is true of all employment numbers in this report.

Only industries which employ more than 1 million people and are predominantly private have been included in the comparison for the sake of clarity and consistency.

⁶ Office for National Statistics, 2012. Annual Business Survey & Annual Business Inquiry 1995-2010. Available at <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-249421>. A technical overview of the estimation and sources used is provided in the Appendix.

Figure 2.1: UK employment split by Leisure Industry subsectors 2010 figures

Total: 2.6 m (9% of UK jobs)



YOUTH EMPLOYMENT: PROVIDES OVER 1 IN 5 JOBS FOR 16-25 YEAR OLDS

The Leisure Industry employs 730,000 16-25 year olds, accounting for 21% of all jobs in this age group in the UK⁷ - a disproportionately large share given that the industry accounts for only 9% of all employment. As table 2.2 overleaf shows, the Leisure Industry employs more 16-25 year olds than the Manufacturing, Construction, Financial Services and Transport Industries combined.

Youth unemployment represents a major challenge for the UK economy - at the end of 2011, more than 1 million 16-25 year olds were unemployed⁸, over 20% of the age group. The fact that the Leisure Industry has historically been an important source of employment for young people suggests it can play a valuable role in tackling the problem.

⁷ Office for National Statistics, 2012. Labour Force Survey 2010. Available through Economic and Social Data Service Nesstar database <https://www.esds.ac.uk/>

⁸ Office for National Statistics, 2012. Characteristics of young unemployed people 2012. Available at <http://www.ons.gov.uk/ons/rel/lmac/characteristics-of-young-unemployed-people/2012/rpt-characteristics-of-young-unemployed-people.html#tab-Youth-unemployment-highest-since-the-1980s->

Table 2.2: 16-25 year old employment by industry, 2010, selected shown

Industry	No. of employees	% of total UK 16-25 jobs
Retail	810,000	22.9%
Leisure	730,000	20.8%
Manufacturing	210,000	6.0%
Construction	160,000	4.6%
Financial Services	120,000	3.5%
Information and Communications	90,000	2.4%
Transport	80,000	2.4%

Charities such as Springboard have also recognised the importance of the Leisure Industry for youth employment, and have worked for over 20 years in helping young, unemployed and disadvantaged people into careers in the Industry. This year, 8000 young people from across the UK participated in the Future Chef competition⁹, developing their culinary skills and discovering entry routes into the Industry.

FEMALE EMPLOYMENT AND GENDER EQUALITY – 54% OF EMPLOYEES ARE WOMEN

More women work in the Leisure Industry than men. Overall 54% of its employees are female¹⁰, compared to 25% in Manufacturing, 20% in Transport and 12% in Construction. As shown in table 2.3 overleaf, there are in fact more women in the Leisure Industry than in Manufacturing, Transport and Construction combined.

Compared to most other industries, the Leisure Industry has proportionally more women in management positions - 44% of managers in Leisure¹¹ are women. In contrast, only 19% of management positions are held by women in Manufacturing and 23% in Transport.

⁹ Springboard's Future Chef, 2012. Available through: Future Chef website <http://futurechef.uk.net/>

¹⁰ Office for National Statistics, 2012. Labour Force Survey 2010. Available through Economic and Social Data Service Nesstar database <https://www.esds.ac.uk/>

¹¹ Office for National Statistics, 2012. Labour Force Survey 2010. Available through Economic and Social Data Service Nesstar database <https://www.esds.ac.uk/>

Case studies of career progression in Leisure

Sinead O'Connor, National Operations Manager at Rileys (Pool, Snooker and Darts clubs)

Sinead started to work for Rileys in 2002 as General Assistant. Driven by creativity, passion and ambition, she was soon promoted to Supervisor then Assistant and General Manager. As sales 'champion', she successfully grew Rileys' membership in a number of problem sites then managed sales teams at regional level. In 2011, she became one of Rileys' youngest National Operations Managers.

Peter Howells, Operations Director at Leisure Connection (Development and management of Leisure facilities)

At the age of 16, Peter Howells got his first job as cleaner at a leisure centre. Focused, willing and committed to succeed, he signed up for a graduate management course – a starting point on the road to a number of local and regional management positions. He has been at Leisure Connection since its creation in 2002, driving change, improving performance and developing new revenue streams. As Operations Director, he is today responsible for 4,000 people, across more than 70 facilities.

Table 2.3: Female employment by industry, 2010, selected shown

Industry	No. of employees	% of total UK female jobs
Retail	1.8m	13.1%
Leisure	1.4m	10.1%
Manufacturing	0.6m	4.5%
Financial Services	0.6m	4.3%
Information and Communications	0.3m	2.3%
Transport	0.3m	1.9%
Construction	0.2m	1.2%

This is partly because the overall workforce has a higher proportion of women, but leisure businesses have also made active efforts to enable women to progress to senior positions. For example, People 1st¹² – the skills body for the Industry - has an initiative called Women 1st, which provides women with a mixture of training, mentoring from senior executives and networking events to help boost their career prospects. One of its objectives is to ensure that the Industry's success in employing women and developing women managers ultimately translates into twice as many women on the Boards of Leisure Industry businesses.

A good illustration of a successful woman in the Leisure Industry is Karen Jones CBE, whose career has spanned executive business leadership roles across many of the Leisure subsectors. She co-founded a number of restaurant chains including Café Rouge and The Pelican Group and was a former CEO of the pub company Spirit Group Ltd. Today, she also contributes to the entertainment sector in her role as a non-executive director at the Royal National Theatre Enterprises.

LOW-SKILLED EMPLOYMENT – A GATEWAY INTO EMPLOYMENT

The Leisure Industry stands out as a gateway for low-skilled workers to enter employment, develop skills and build a career. It is a key employer of low-skilled workers, with 45% having an NQF level 2 qualification or below¹³. The Industry has an annual training expenditure of £4.2bn, equivalent to 11% of total training expenditure in the UK¹⁴. In comparison, Retail spends £2.8bn and Construction £3.3bn on training. Overall, working in the Leisure Industry represents an attractive career choice for both skilled and unskilled workers. As the case studies in the margin

¹² People 1st: Skills sector council for hospitality, passenger transport, travel and tourism. www.people1st.co.uk

¹³ Office for National Statistics, 2012. Labour Force Survey 2010. Available through Economic and Social Data Service Nesstar database <https://www.esds.ac.uk/>

¹⁴ UK Commission for Employment and Skills, 2010. National Employer Skills Survey for England 2009: Key findings report. Available at: <http://www.ukces.org.uk/assets/ukces/docs/publications/evidence-report-13-ness-key-findings-2009.pdf>

demonstrate, the Industry enables hard-working individuals to quickly take on important responsibilities and move into management positions.

PART-TIME EMPLOYMENT – A WIDE VARIETY OF ROUND THE CLOCK ROLES

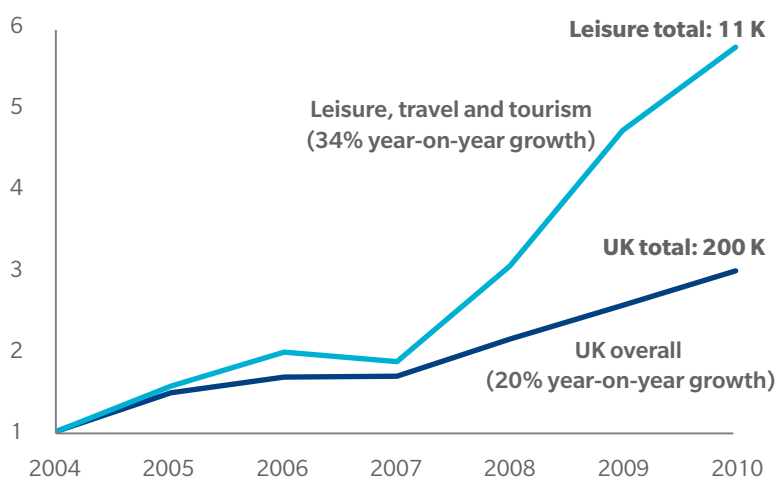
The Leisure Industry is an important source of part-time employment. The ‘round the clock’ nature of many Leisure businesses creates a strong demand for part-time workers, and they account for 46% of all employees, compared to an average of 28% for UK businesses as a whole¹⁵. In particular, over half of the employees in the restaurant, pub and nightclub subsectors are part-time.

APPRENTICESHIPS – A VALUABLE SOURCE OF TALENTED EMPLOYEES

Apprenticeships have worked particularly well in getting young people into employment and they have the potential to address the skill needs of the Leisure Industry.

As figure 2.2 shows, apprenticeships have seen particularly strong growth in the Leisure Industry¹⁶. In 2010, there were six times as many apprentices in the Leisure Industry as in 2004¹⁷ (whilst the total number of apprenticeships in the UK overall has only tripled).

Figure 2.2: Apprenticeships completed in the UK between 2004 and 2010



“We plan to offer 500 apprenticeships this year – a 25% increase on last year”

Director of HR at leading UK pub chain

¹⁵ Office for National Statistics, 2012. Labour Force Survey 2010. Available through Economic and Social Data Service Nesstar database <https://www.esds.ac.uk/>

¹⁶ Growth in the number of ‘Leisure, Travel and Tourism’ apprenticeships completed each year

¹⁷ The Data Service, 2012. Apprenticeships breakdown by sector subject area, level and age. Available through the Data Service website http://www.thedataservice.org.uk/statistics/statisticalfirstrelease/sfr_supplementary_tables/Apprenticeship_sfr_supplementary_tables/

However, there is still room for further growth in Leisure apprenticeships. Today, Leisure apprenticeships make up 6% of all apprenticeships in the UK. This is still a relatively small proportion compared to the number of jobs the Leisure Industry provides (9% of total UK employment), and some international benchmarks. In Australia, for example, 11% of all apprenticeships are related to the Leisure Industry¹⁸.

The benefits of apprenticeship schemes both to employers and the economy overall have been highlighted in independent studies and by CEOs and industry leaders. Key reports on apprenticeships over the past few years, including research undertaken by Populus in 2008¹⁹ and the National Audit Office assessment of apprenticeships in 2012²⁰, highlight significant benefits including increased productivity and commitment and improved career development. Moreover, whilst more in-depth studies need to be conducted to confirm the precise economic benefits, research to date suggests apprenticeship schemes have strong returns. The NAO estimates that for every £1 of public spending, the adult apprenticeship scheme returns £18 over the future life of the worker.

The benefits of apprenticeships were also reflected in the CEO and senior executive forums which accompanied this report, especially in developing high calibre 'leisure site managers'. They emphasized that "Individuals who come through apprenticeship schemes are almost always of higher quality, stay longer in the business than others, learn more than they would otherwise and are more motivated."²¹

18 National Audit Office, 2012. Adult Apprenticeships. Available at http://www.nao.org.uk/publications/1012/adult_apprenticeships.aspx

19 Populus, 2008. Research on behalf of the Learning and Skills Council, cited in National Apprenticeship Service, 2012. Available at <http://www.apprenticeships.org.uk/employers/the-benefits.aspx>

20 National Audit Office, 2012. Adult Apprenticeships. Available at http://www.nao.org.uk/publications/1012/adult_apprenticeships.aspx

21 CEO of a Leisure entertainment business

2.2 ECONOMIC CONTRIBUTION

REVENUE AND GVA – REPRESENTS OVER £100BN IN REVENUE

The Leisure Industry has an estimated total turnover of £117bn²². Table 2.4 shows the different Leisure subsectors which contribute to this figure.

Table 2.4: Revenue by Leisure Industry subsectors, 2010

Leisure Industry	Revenue (2010)
Restaurants & food services	£30.7bn
Pubs and night life	£23.3bn
Hotels	£20.8bn
Sport activities	£18.0bn
Betting and gaming	£8.3bn
Cinema, theatre & live entertainment	£6.4bn
Recreational activities	£4.8bn
Health and Fitness Clubs	£2.6bn
Visitor attractions & other cultural activities	£1.8bn
UK Leisure Industry total	£117bn

²² GVA estimates for Leisure and other Industries taken from the ONS National Accounts. Revenue estimated using national accounts GVA and GVA/Revenue ratios from the Annual Business Survey, conducted by the ONS. A technical overview of the estimation and sources used is provided in the Appendix

Betting and Gaming: data taken from the UK Gambling Commission statistics as well as from Camelot Annual Reports

Health and Fitness clubs overlap with the Sport activities category as certain sport clubs also have fitness facilities (and vice versa). ONS distinguish between the two categories based on a criterion of a 'main revenue stream' which can be misleading in certain situations. Other sources (FIA) estimate that the fitness industry generates up to £3.8bn in revenues per year.

The standard method for estimating the contribution of an industry to the UK economy is to calculate its Gross Value Added (GVA). The Leisure Industry contributes £55bn to the UK economy in GVA²³, and accounts for 4% of the total UK GVA. The table below shows how the GVA contribution of the Leisure Industry compares with other UK industries:

Table 2.5: GVA by industry, 2010, selected shown

Industry	% of total UK GVA
Retail	10.8%
Manufacturing	10.0%
Financial Services	8.9%
Construction	7.0%
Information and Telecommunications	6.6%
Transport	4.6%
Leisure	4.1%

Note that the Leisure Industry's employment share is significantly higher than its UK GVA share: 9% of employment vs. only 4% of GVA. This in part can be explained by the large prevalence of part-time jobs and the high labour intensity of many activities.

TAXATION – CONTRIBUTES 7% OF TOTAL UK TAX TAKE

The UK Leisure Industry has an estimated annual contribution of £32bn²⁴ to total UK tax revenues. This includes VAT on sales, Excise Duties, Corporation Tax and employee taxes (Income and NIC). This amounts to 7% of the total Treasury's tax take – a disproportionately high contribution given that the Leisure Industry only contributes 4% of UK GVA.

Around half of the tax contribution of the Leisure Industry in 2010 is from VAT on sales. The Leisure Industry also contributes a sizeable share in employment taxes, with £5bn worth of Income Tax and NI contributions in 2010. Furthermore, there are some specific taxes imposed on the Industry in the form of Alcohol and Gaming Excise Duties, which amount to an additional £4.8bn.

What is GVA?

Gross Value Added is the pound value for the amount of goods and services that have been produced minus the cost of all the inputs and raw materials that are directly attributable to that production. GVA is used in the estimation of Gross Domestic Product (GDP) where the link between GVA and GDP is: $GVA + \text{taxes} - \text{subsidies} = \text{GDP}$

Her Majesty Revenue and Customs, 2012. HMRC tax & NIC receipts. Monthly and annual historical record. Available at HMRC website http://www.hmrc.gov.uk/stats/tax_receipts/tax-nic-receipts-info-analysis.pdf

²³ Bank of England, 2012. Demand and Output. Available at Bank of England website http://www.bankofengland.co.uk/education/Pages/targettwopointzero/economy/demand_output.aspx#a2

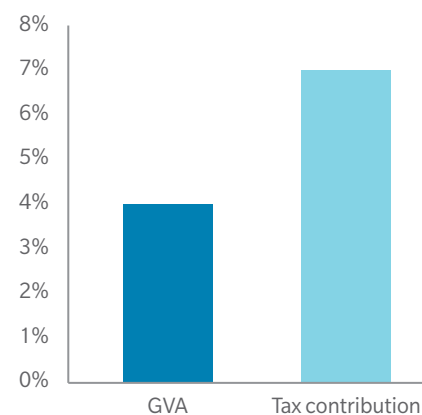
²⁴ Overall tax contribution of the leisure industry has been estimated primarily using HM Treasury and ONS data. A technical overview of the estimation and sources used is provided in the Appendix

Table 2.6: Breakdown of UK Leisure Industry Tax Contribution

Tax	Tax Contribution
VAT on sales	£18.2bn
Corporation Tax	£4.4bn
Income Tax	£2.2bn
NI Contributions	£2.8bn
Alcohol Excise Duties	£3.3bn
Gaming Excise Duties	£1.5bn
UK Leisure Industry total	£32.4bn

Figure 2.3: UK Leisure Industry contribution to the Treasury's budget

UK 2010, % of Treasury's total tax revenues



2.3 GROWTH

GROWTH – 2% ANNUAL JOB GROWTH OVER 10 YEARS UP TO 2007

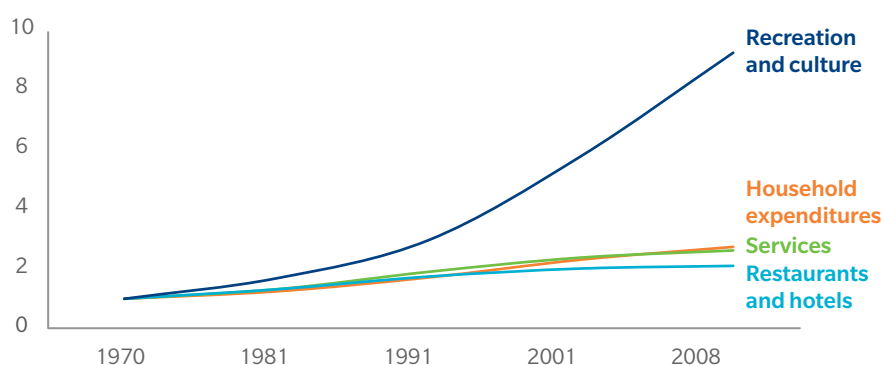
Changing lifestyles, increasing household incomes and a wider variety of leisure activities on offer, combined with an increased ability to travel both around and into the UK, have driven a significant growth in the UK Leisure Industry. Revenues increased by more than 7% a year between 1998 and 2007²⁵. Recreation and culture have been the key drivers of Leisure Industry revenues, growing by 9% a year over the same period while hotels and restaurants grew at a slower pace.

The Leisure Industry created 41,000 jobs per year between 1998 and 2007, an annual growth rate of 2%. Recreation and cultural businesses were again at the heart of this growth (4.5% a year compared to 1.5% a year in hotels and restaurants). Over the same period, employment in Construction and Transport Industries grew at only 1% per year, and there was essentially no employment growth in Retail.

The reasons for this track record of growth are varied but include:

- Lifestyle changes: Dining out has become an increasingly regular experience.
- Tourism growth: Tourist spending has increased by 3.5% a year, generating additional revenue for hotels, restaurants, visitor attractions or national heritage sites²⁶.
- Increasing household discretionary spend: Whilst consumer spending overall has increased by a factor of between two and three since 1970, spending on some parts of the Leisure Industry (e.g. recreation and cultural activities) is around nine times greater.²⁷

Figure 2.5: UK household spending by sector Index 1971 = 1



²⁵ Revenue calculated using national accounts GVA and GVA/Revenue ratios from the Annual Business Survey, conducted by the ONS. Nominal growth rates. A technical overview of the estimation and sources used is provided in the Appendix

²⁶ Office for National Statistics, 2011. International Passenger Survey 1993-2010. Available through the ONS website <http://ons.gov.uk/ons/index.html>

²⁷ Office for National Statistics, 2010. Social Trends No.40. Available through the ONS website <http://ons.gov.uk/ons/index.html>

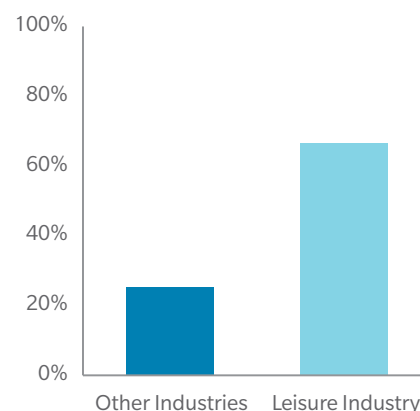
ENTREPRENEURIAL ACTIVITY – BUSINESS START-UP RATE 20% HIGHER THAN THE UK AVERAGE

One of the characteristics of some subsectors in Leisure is that it is easier for entrepreneurs to enter and develop businesses from scratch e.g. in the pub and restaurant trade. Leisure has a higher than average business start-up rate (12% in Leisure vs. 10% in the UK overall)²⁸, making the Industry a strong driver of entrepreneurial activity. Despite a higher business failure rate in Leisure than the UK overall, the number of net new leisure businesses grew by nearly 3,000²⁹ a year from 1998 until the onset of the economic recession post 2007. This growth has been key in driving innovation and new employment opportunities in the Leisure Industry.

Due to this relatively higher start up rate and the local aspect of many of the services provided, the Leisure Industry is predominantly composed of small and medium sized enterprises. 66% of all businesses in Leisure employ between 1 and 19 people, whereas only 25% of businesses are of this size in the rest of the UK economy³⁰.

Figure 2.4: Small and Medium Enterprises (SMEs)

UK 2010, % of the total number of companies



²⁸ Office for National Statistics, 2011. Business Demography 2010. Available at <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-229177>

²⁹ Office for National Statistics, 2011. Business Demography 2010. Available at <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-229177>

³⁰ Department for Business, Innovation and Skills, 2010. Business Population Estimates for the UK and Regions. Available through the DBIS website <http://www.bis.gov.uk/analysis/statistics/business-population-estimates>

The businesses of the Leisure Industry are well spread across the UK, driving economic activity and providing jobs in regions that would otherwise lack business opportunities. Economies of seaside resorts derive a major part of their revenues from pubs, restaurants, hotels, cinemas or arcades. Similarly, a number of cities benefit greatly from the presence of leisure businesses e.g. Bet365 as the largest private sector employer in Stoke-on-Trent³¹. Furthermore, Leisure can help contribute to the regeneration of areas in need, the Cardiff Bay Development project included the construction of Cardiff's first five star hotel and an open-air events arena and created approximately 17,000 permanent jobs³².

Many household names in the Leisure Industry were businesses that 'started from scratch' by individuals including: Pizza Express founded in 1965 by Peter Boizot and JD Wetherspoons founded by Tim Martin in 1979.

Other examples of successful entrepreneurs in the Leisure Industry include: Novus Leisure (owner of brands like Tiger Tiger) founded in 1999 by Steve Richards, Vue Cinemas founded in 2003 by Tim Richards, and Praesepe Plc formed in 2007 by Nick Harding.

While the predominance of SMEs in the Leisure Industry drives entrepreneurship and innovation, it also makes the Industry more vulnerable to changes in employment legislation and tax system. Employee wages represent a significant proportion of SMEs' operating costs. As such any change of labour costs due to initiatives such as pension auto-enrolment or increase in minimum wage has a disproportionate impact.

31 Interview with Denise Coates, founder and director of Bet365, cited in Johnson, D., 2010. Bet365 founder talks about 10 years in business and Stoke City. This Is Staffordshire, 14 March. Available at <http://www.thisisstaffordshire.co.uk/Online-gamble-paid-quietly-determined-Denise/story-12535867-detail/story.html>

32 National Audit Office, 2001. Securing the future of Cardiff Bay. Available at http://www.wao.gov.uk/assets/englishdocuments/Securing_the_future_of_Cardiff_Bay_agw_2001.pdf

2.4 INVESTMENT

CAPITAL EXPENDITURE – INVESTING 7% OF ITS GROSS VALUE ADDED

Businesses in the UK Leisure Industry spent £4bn³³ in 2010 in terms of capital expenditure, investing to generate and sustain growth. This capital expenditure is equivalent to 7% of the Industry's GVA. As shown in table 2.7, this is comparable to the share of GVA that the Retail or Manufacturing Industries invested in 2010³⁴.

Table 2.7: Share of gross value added re-invested by industry, 2010, selected shown

Industry	Capital expenditure as a % of GVA
Transport	19.5%
Information and Communications	11.1%
Retail	8.2%
Manufacturing	7.4%
Leisure	7.3%
Construction	5.0%

This capital expenditure is essential to businesses in the Leisure Industry to remain innovative and provide the facilities needed to meet customer demand and keep its offering fresh. Examples of enhanced facilities include cinemas as part of multiplexes and bingo halls in purpose built premises.

INWARD INVESTMENT – £5BN WORTH OF FDI INFLOW OVER THE LAST 10 YEARS

Businesses in the Leisure Industry are predominantly local and relatively smaller in scale. As such, the Leisure Industry does not attract as much inward investment as industries such as Manufacturing (£14.7bn in 2010) and Transport (£6.4bn in 2010)³⁵. Nevertheless recreation, cultural and sporting activities have attracted £5bn of foreign investments over the last decade, helping leisure businesses grow, expand and generate additional employment opportunities. In 2010 alone, inward investment in recreation, sport and culture amounted to £1.4bn, representing 4.3% of the overall foreign investment inflow to the UK³⁶.

What is capital expenditure?

Capital expenditure is defined as the spending on physical assets such as buildings and machinery.

Office for National Statistics, 2012. Business Investment Q4 2011 revised results. Available at http://www.ons.gov.uk/ons/dcp171778_258326.pdf

“Leisure has enabled a number of mixed use property schemes such as cinemas in leisure parks to be viable”

Chairman of a business providing technology solutions in the accommodation subsector

What is inward investment?

Inward investment (e.g. foreign direct investment) is, from a UK perspective, investment in a UK resident subsidiary, associate or branch by a non-UK parent company or head office.

Office for National Statistics, 2011. Foreign Direct Investment involving UK Companies 2010 Release. Available at http://www.ons.gov.uk/ons/dcp171778_245878.pdf

³³ Capital expenditure estimates for Leisure taken from the Annual Business Survey 2010, conducted by the ONS. A technical overview of the estimation and sources used is provided in the Appendix

³⁴ Capital expenditure of Financial Services industry has been excluded from the table due to unavailability of the relevant data which would cover the entirety of the sector

³⁵ OECD, UK FDI Flows by Industry 2000-2010. <http://stats.oecd.org/Index.aspx?QueryId=9545#>

³⁶ OECD, UK FDI Flows by Industry 2000-2010. <http://stats.oecd.org/Index.aspx?QueryId=9545#>

MAJOR SPORTING EVENTS – KEY DRIVER OF INVESTMENT

The next decade is set to be a ‘Golden Decade of British Sport’ with a number of high-profile events including the 2012 Olympic and Paralympic Games, 2014 Commonwealth Games and 2015 IRB Rugby World Cup taking place in the UK. These events are a significant driver of investment, both in terms of infrastructure and in terms of foreign companies bringing business to the UK - for example, £6bn has been invested in venues and sites alone in preparation for the Olympic and Paralympic Games³⁷.

The hosting of major sporting events is also a significant potential driver of jobs and revenue. The 2012 Olympic and Paralympic Games are estimated to generate up to £5.1bn in economic benefits for the UK and more than 70,000 new jobs by 2015³⁸. A thriving Leisure Industry is essential if the hosting of these events is to generate the expected economic benefit. Up to 40%³⁹ of the increase in revenues from hosting one of these events is estimated to come from spending on a variety of leisure activities such as hotels, restaurants and visitor attractions.



37 Department of Culture, Media and Sport, 2007. Ministerial Statement on the Olympics Deliver Authority Budget. Available at http://webarchive.nationalarchives.gov.uk/+http://www.culture.gov.uk/Reference_library/Press_notices/archive_2007/dcms_TJ-odabaselinebudget_10dec07.htm

38 Visa Europe, 2011. A golden opportunity: London 2012 Olympic and Paralympic Games expenditure and economic impact. Available at http://www.visaeurope.com/en/newsroom/news/articles/2011/visa_2012_economic_impact.aspx

39 Deloitte, 2008. Potential Economic Impact of the Rugby Industry World Cup on a Host Nation. Available at http://www.deloitte.com/assets/Dcom-UnitedKingdom/Local%20Assets/Documents/UK_SBG_IRB2008.pdf

Share of the overall visitor (international & domestic, matchday & non-matchday) expenditure spent on accommodation, food, beverages & on-site catering services.

2.5 EXPORTS

EXPORTS– THE UK’S FIFTH LARGEST EXPORT INDUSTRY

The UK Leisure Industry provides mainly on-site services in the UK. As such, Leisure exports are services that are consumed by foreign tourists in UK Leisure sites.

The UK Leisure Industry drives £17bn worth of exports annually⁴⁰. This makes Leisure the 5th largest export driving Industry in the UK economy⁴¹, larger than IT, Communications and Construction.

Table 2.8: Value of Exports from the UK by Industry, 2010

Industry	Export Value
1. Manufactured Goods (Finished and Semi)	£204bn
2. Financial Services	£42bn
3. Basic materials (coal, gas & oil)	£42bn
4. Transport	£20bn
5. Leisure	£17bn
6. Food, Beverages, Tobacco	£16bn
7. IT	£9bn
8. Royalties & License Fees	£9bn
9. Communication	£5bn
10. Education	£5bn

In addition, there are many businesses in the wider Leisure Economy which supply and support the Leisure Industry not only in the UK, but globally. For example the UK is home to some of the world’s leading providers of gaming technologies, machines and software including OpenBet, Sportech and Inspired Gaming. Further examples in other Leisure subsectors include Fourth Hospitality, the world’s leading cloud-based end to end provider of hospitality management systems.

⁴⁰ Office for National Statistics, 2011. United Kingdom Balance of Payments. The Pink Book 2011. Available at <http://www.ons.gov.uk/ons/rel/bop/united-kingdom-balance-of-payments/2011/index.html>

⁴¹ Exports calculated using Office for National Statistics, 2011. United Kingdom Balance of Payments. Pink Book, providing data on the value of UK exports per industry. Leisure Industry defined as the combination of passenger transport exports, leisure goods & services provided to tourists during travel, personal travel packages or holidays



Sportech: Leading global supplier of football and horse racing pools

The world's oldest football gaming company has built a reputation as the world's leading provider of pools & tote wagering technology. Building on the expertise acquired through its continuous international expansion, Sportech today serves businesses and individual customers in 30 countries, processing £8.5bn bets annually



Inspired: World's leading provider of server based gaming solutions and video lottery terminals

Inspired Gaming Group has over two decades of gaming experience and generates £22bn of handle per year. Inspired supplies its SBG platform, products and content to a range of land-based and online markets, including casino, VLT, bingo and sports betting. Inspired has achieved international recognition as a top three supplier of VLTs in Italy



Fourth Hospitality: Leading cloud-based end to end provider of hospitality management systems

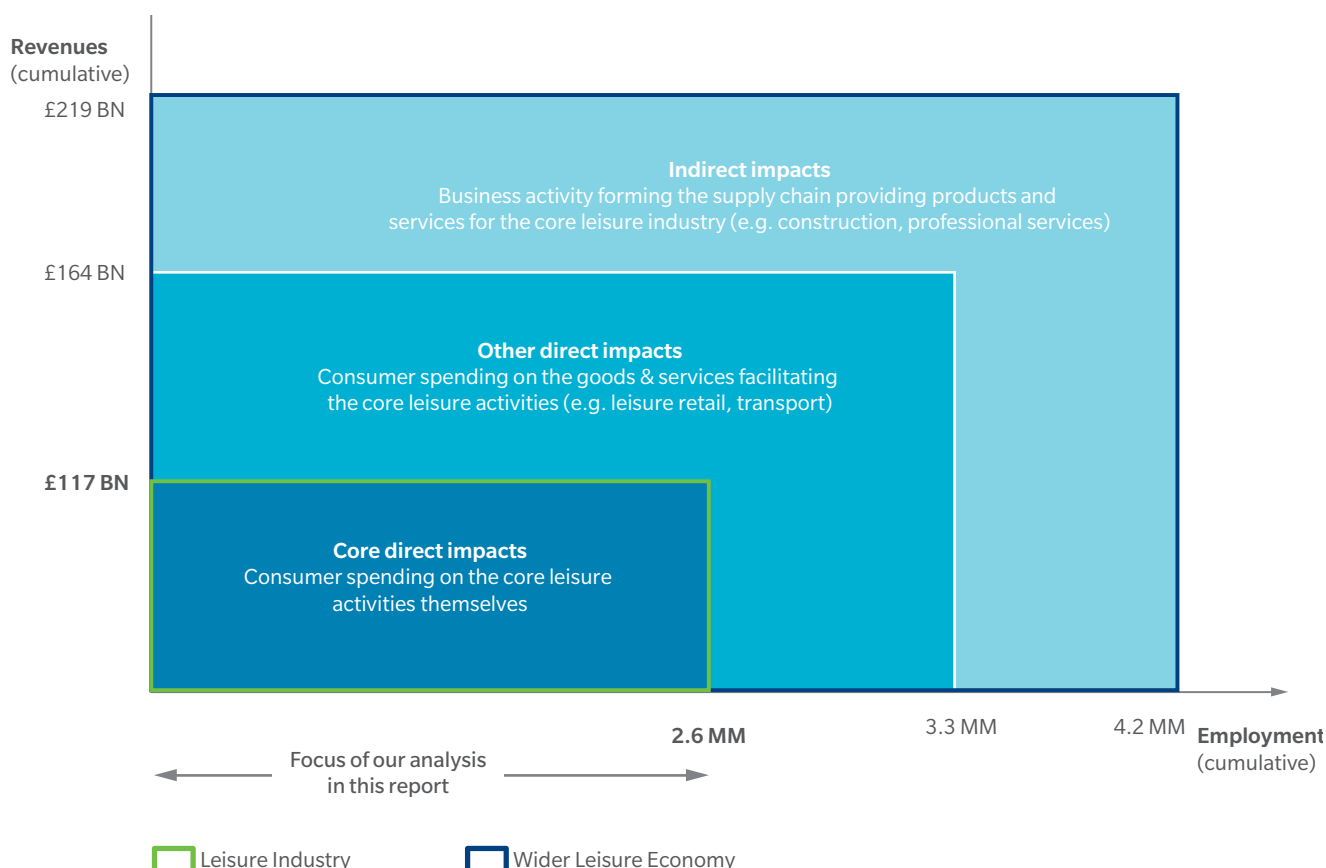
Fourth Hospitality, established in 1999 are providers of web-based software for the Hospitality Industry to help manage and analyse labour, operations, stock control and payroll costs. Fourth solutions are now used in eight languages at 13,000 sites in 22 countries. Well known Leisure Industry customers include Merlin Entertainment and Virgin Active.

2.6 THE WIDER LEISURE ECONOMY

There is a wider Leisure Economy which is highly dependent on the health and growth of the Leisure Industry - both consumers and businesses spend money on activities that are not themselves part of the Leisure Industry, but which are directly connected to leisure activities:

1. **Other direct impacts:** Consumer spending on the goods and services facilitating the Leisure Industry is estimated to have been £47bn in 2010⁴². This comprises of transport services (commercial and personal), spend on sport and leisure goods and the domestic operations of tour operators and travel agencies.
2. **Indirect impacts:** Business spending on activities in the supply chain providing products and services for the Leisure Industry (such as construction, professional services) is estimated to have been £55bn in 2010⁴³.

Figure 2.6: Economic impacts of the UK Leisure Economy (not to scale)



42 Estimate of the size of other direct impacts of leisure based on Office for National Statistics, 2011. The United Kingdom Satellite Accounts 2008 and The Annual Business Survey 2010, both available through the ONS website <http://www.ons.gov.uk/ons/index.html>

A technical overview of the estimation and full list of sources used is provided in the Appendix.

43 Estimate of the size of indirect impacts of leisure based on Office for National Statistics, 2011. The United Kingdom Input-Output tables and The Annual Business Survey 2010

OTHER DIRECT IMPACTS

There are a range of services and products, which while not within the Leisure Industry definition, are essential to facilitate leisure activities.

The most important of these is transport services, enabling consumers to reach Leisure Industry businesses which are predominantly onsite. This includes the costs of fuel etc. for the operation of personal cars for leisure purposes and contributes a total of £39bn of revenue and 0.6m jobs to the UK economy⁴⁴.

The other key category of consumer spend that facilitates leisure in this manner is the purchase of sport and leisure goods (e.g. running shoes for sport). This contributes £5bn of revenue and approximately 100,000 jobs to the UK economy.



The remaining £3bn of other direct revenue is the domestic operations of tour operators and travel agencies supporting consumption in the Leisure Industry in the UK.

INDIRECT IMPACTS

Like any industry, the UK Leisure Industry is supported by businesses providing the necessary inputs for products and services. These indirect impacts of the Leisure Industry contribute an additional £55bn in revenue and 0.9m jobs⁴⁵. Over half of these revenues and jobs are from the manufacturing of food and beverages, and business services (such as IT, legal, accounting).

⁴⁴ A technical overview of the estimation and full list of sources used is provided in the Appendix

⁴⁵ A technical overview of the estimation and full list of sources used is provided in the Appendix

2.7 MAKING PUBLIC SECTOR SPENDING ON SPORT AND LEISURE FACILITIES MORE EFFICIENT

PROCUREMENT – ROLE IN OUTSOURCED PROVISION TO LOCAL GOVERNMENT

Local authorities spend approximately £1bn per year⁴⁶ on sports and recreation facilities, both in the development of new facilities and maintenance and improvement of existing facilities. There are a number of benefits for the provision of these development and maintenance services to be outsourced to the private sector. The Audit Commission on 'Public Sport and Recreation Services' in 2006⁴⁷ found:

1. "The cost of services is significantly lower (an estimated 30% lower) with private contractors than with trusts or in-house management and require lower subsidies."
2. "The private sector has access to greater development capital and is more willing to invest if it sees a potential return."

Only 8% of public sport and leisure facilities are today managed by the private sector. In contrast 28% of sites are managed in-house, 23% by education and a further 24% by trusts⁴⁸. Given this current profile of the outsourcing of procurement services, The Audit Commission report suggests an opportunity to increase the efficiency of local authority spend.



⁴⁶ Audit Commission, 2006. Public sports and Recreation Services. Available at http://www.audit-commission.gov.uk/SiteCollectionDocuments/AuditCommissionReports/NationalStudies/leisure_finalproof.pdf

⁴⁷ Audit Commission, 2006. Public sports and Recreation Services. Available at http://www.audit-commission.gov.uk/SiteCollectionDocuments/AuditCommissionReports/NationalStudies/leisure_finalproof.pdf

⁴⁸ The remaining 17% is from other types of management including voluntary organisations, parish councils etc. Interview with David Minton, Leisure Database Company, May 2012.

2.8 ENABLING FUN AND HEALTHY LIFESTYLES IN A SAFE, SECURE AND REGULATED ENVIRONMENT

The contribution of the Leisure Economy to the UK economy is not limited to leisure activities, its supply chain and supporting businesses. The Leisure Economy has a number of wider, less tangible yet significant impacts on the health and well-being of UK citizens. It provides the opportunity for people to enjoy themselves in safe and well-regulated environments.

Leisure activities, especially sports and fitness, reduce health risks of cardiovascular diseases, mental illnesses and obesity, improving the overall well-being of the nation. According to the Department of Health, obese and overweight individuals place a significant burden on the NHS, with direct costs estimated to be £5.1bn per year⁴⁹. There is evidence that Sport & Leisure activities have a key role to play here in reducing this burden. For example, in North Lanarkshire, a programme financed by the UK government suggests that investment in local leisure infrastructure is quickly paid back through savings in the cost of healthcare (£4 of return on every £1 of investment in this case)⁵⁰.

Leisure also represents a safe and enjoyable way to interact and socialise: playing bingo, spending a day at a theme park, going to the pub with friends. The activities contribute to building local communities which have positive effects ranging from better integration and openness among local residents through to the reduction of crime⁵¹. Furthermore, the opportunity for people to enjoy each other's company is directly related to feelings of satisfaction and happiness, especially in the case of elderly people⁵².

The Industry acknowledges that excessive consumption of certain leisure activities and services can present risks. The Leisure Industry recognizes its role in ensuring that these activities are set in a safe, well regulated environment and that risk-prone individuals are looked after. The UK Leisure Industry benefits from well established regulatory bodies such as the Gambling Commission. In addition, businesses in the Industry voluntarily support organisations such as DrinkAware, GamCare and the Responsible Gambling Trust to address some of the potential social ramifications of the activities of the Industry.

As a result, Leisure achieves very high international standards of public protection. In betting and gaming, the 'problem gambling prevalence' in the UK is significantly lower (0.7%) than in countries such as the USA

49 UK Department of Health, 2012. Facts and figures on Obesity. Available at <http://www.dh.gov.uk/health/2012/04/obesityfacts/>

50 North Lanarkshire Leisure, 2011. Social Return on Investment Report. Available at http://www.ch-change.com/sites/www.nlleisure.co.uk/new_details.asp?ArticleID=83

51 Arai S. and Pedlar A., 2003. Moving beyond individualism in leisure theory: a critical analysis of concepts of community and social engagement. *Journal of Leisure Studies*, 22(3)

52 Graney, M.J., 1975. Happiness and Social Participation in Aging. *Journal of Gerontology*, 30(6)

(3.5%)⁵³. In terms of alcohol consumption, whilst there have been reports highlighting the issues related to binge drinking, alcohol-related crime has actually become less frequent over time. Since the 1970s, offences of drunkenness have gone down by a factor of 4⁵⁴ and the number of violent alcohol-related incidents has been decreasing since 1995⁵⁵.

Figure 2.7: Problem gambling prevalence rate: International comparison

UK 2010, % of the total population aged 16+

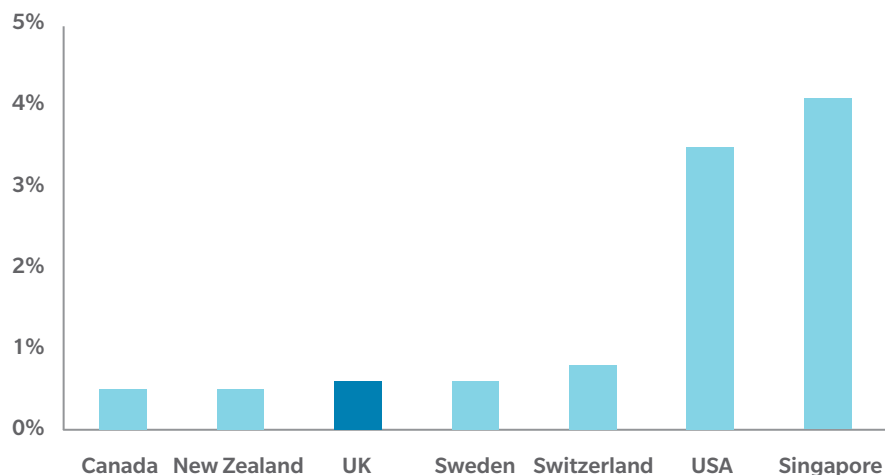
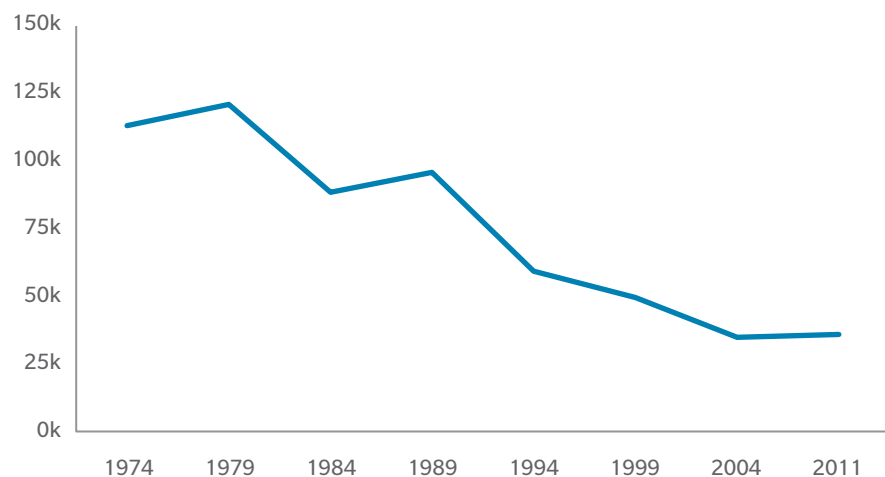


Figure 2.8: Drunkenness offences in the UK

1974-2011, no. of offences per year



53 UK Gambling Commission, 2011. British Gambling Prevalence Survey. Available at <http://www.gamblingcommission.gov.uk/PDF/British%20Gambling%20Prevalence%20Survey%202010.pdf>

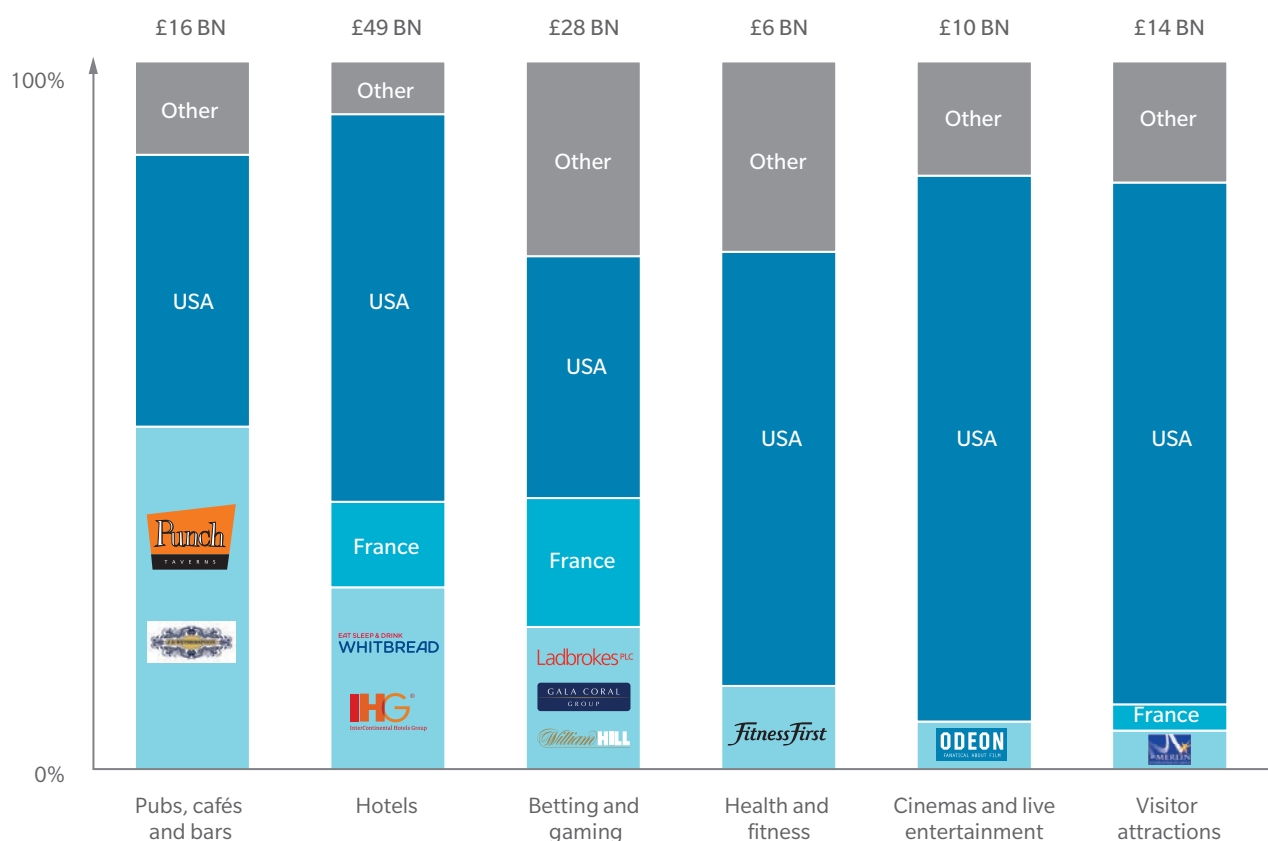
54 Institute of Alcohol Studies, 2010. Alcohol-related Crime and Disorder. IAS factsheet. Available at http://www.ias.org.uk/resources/factsheets/crime_disorder.pdf

55 Institute of Alcohol Studies, 2010. Alcohol and Crime. IAS factsheet. Available at <http://www.ias.org.uk/resources/factsheets/crime.pdf>

BRITISH LEISURE INDUSTRY CHAMPIONS

The impact and importance of the UK Leisure Industry is felt not only at home but at a global level, with some of the largest leisure businesses in the world based in the UK. The chart below shows a picture of the Top 15 global businesses in each subsector^{1,2} (total bar). The share of revenue from UK-based businesses is highlighted in light blue. As can be seen, UK businesses have a significant presence across the Leisure subsectors – be that Merlin Entertainments as the second largest operator of amusement attractions worldwide behind Disney³, IHG as the largest hotels company in the world⁴ (by number of rooms) or Odeon as the largest cinema operator in Europe (by number of screens)⁵.

Figure A.1: British Leisure Industry champions at global level
2009, share of revenue from British businesses (in light blue) within the top 15 companies worldwide per sector




1 Forbes, 2010. The Global 2000. Available at http://www.forbes.com/lists/2010/18/global-2000-10_The-Global-2000_Rank.html

2 Organisation for Economic Cooperation and Development, 2011. ORBIS database. Available at the OECD website http://www.oecd.org/home/0,2987,en_2649_201185_1_1_1_1_1,00.html

3 Merlin Entertainment Ltd., 2012. Available through Merlin Entertainment website <http://www.merlinentertainments.biz/en/company/introduction.aspx>

4 Intercontinental Hotel Group, 2012. Available through IHG website <http://www.ihgplc.com/index.asp?pageid=2>

5 Odeon, 2011. Odeon OCI Cinemas Announces Acquisition of Entertainment Enterprises. Press release, 13 June 2011. Available at http://www.odeonucinemas.com/pdf/pressreleases/Dana_acquisition_13-06-2011.pdf



This section profiles some of the leading UK companies in the Leisure Industry and the wider Leisure Economy. These British ‘champions’ have continued to grow their business through a challenging economy, outperforming the rest of the market. While there are many reasons for their success, our interviews and experience point to three main challenges for the Leisure Industry that these companies have addressed better than most. These challenges are relevant for almost all Leisure Industry businesses and will likely determine relative performance over the next 3-5 years:

1. A strong focus on innovation: keeping at the forefront of digital innovation to harness new internet and mobile technologies (e.g. in mobile gaming), and constantly investing in new products and experiences to keep the customer offering fresh (e.g. the digital and 3D revolution offering more cinema choice; or new hotel formats such as Indigo - IHG’s branded boutique hotel chain - meeting customers’ ever higher expectations for highly personalized service)
2. Excellent brand management: to build genuine demand and rapport with their customers, and ensure sustained loyalty even as consumers grow more selective in their leisure spending (e.g. loyalty programmes such as Merlin Annual Pass driving strong increase in visitor numbers each year,)
3. Exploiting international opportunities to push their products and brands – building on strong domestic performance to capture parts of the overseas Leisure market (e.g. expanding into emerging markets to build a global presence - Costa now being the fastest growing coffee chain in China)

Their success has created thousands of jobs, and growth in supplier industries as well as the UK’s net exports.

MERLIN: SECOND ONLY TO DISNEY IN AMUSEMENTS

WHO ARE THEY?

Poole-based Merlin Entertainments is the UK & Europe market leader in theme parks and visitor attractions, and the 2nd largest visitor attraction company in the world after Disney. Merlin's brands include global chains Madame Tussauds, Dungeons, LEGOLAND Discovery Centres and SEA LIFE, as well as local attractions the London Eye, Thorpe Park and Alton Towers. In total, they operate more than 90 attractions in 19 countries.

Formed via a buyout of Vardon Attractions in 1999, they are now owned jointly by Blackstone and KIRKBI (the family-owned investment fund behind the Lego brand) since 2005, with CVC Capital Partners taking a stake in 2010.

AGGRESSIVE EXPANSION IN THE UK & OVERSEAS

Merlin has pursued an aggressive growth strategy, achieving double-digit profit (EBITDA) growth annually from its core businesses between 2000 and 2011.

Acquisitions have further driven significant growth, resulting in a tenfold increase in the scale of their business in the three years between 2005 and 2007.

Key to Merlin's success has been its strong portfolio of brands, constant investment in existing attractions, and aggressive internationalisation. Starting with the acquisition of four LEGOLAND parks in 2005, Merlin has successfully expanded overseas, primarily through the rollout of its midway brands like SEA LIFE. Over half of Merlin's 2011 revenues were from outside the UK, with 34% from Continental Europe, 16% from North America and 7% from Asia Pacific.



Within the UK, a significant proportion of its revenues, particularly at short visit duration attractions such as the London Eye, Madame Tussauds, SEA LIFE and London Dungeons, are from foreign tourists, thereby contributing to exports.

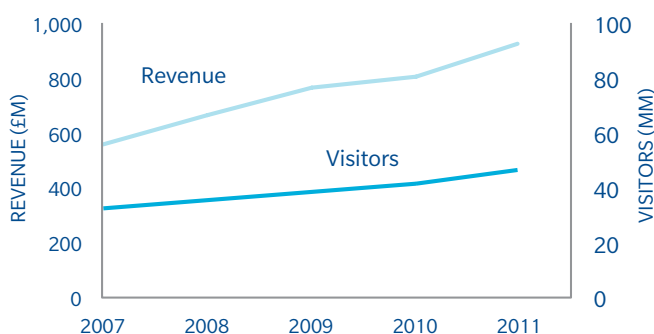
CUSTOMER EXPERIENCE AS THE FOCUS

'A family with children... wants the same thing everywhere: a standout day with experiences. They don't have lots of money or time, so if they invest, they want it to live in their children's minds for days, weeks and months to come.'

(Nick Varney, CEO, interview for Marketing Week, 2011)

The consistent growth in visitor numbers (from 32.4m in 2007 to 46.4m in 2011) points to the strength of its brand portfolio, comprising iconic global and national brands across two attraction types: theme parks and short visit (primarily indoor midway) attractions. Each brand appeals to a slightly different customer segment, allowing Merlin to target families with children of all ages, young people and adults, as well as both foreign and domestic visitors.

MERLIN REVENUE AND VISITOR NUMBERS 2007 – 2011



Merlin builds on its brands by constantly re-inventing the customer offering. Every year, each attraction adds something new, with a regular three-year investment cycle for major new rides or significant refurbishment. This has enabled Merlin to deliver a consistent series of “firsts” in their ride portfolio – from the first horror movie themed roller coaster in the UK in Thorpe Park’s “SAW the Ride”, to the first dive coaster in Germany at the Heide Park Resort. In 2011, Merlin invested £75m into improving its attractions generating significant revenues for supplier industries.

Merlin’s three operating businesses – resort theme parks, LEGOLAND parks and midway are supported by a unique organisation which is at the heart of the company’s success – Merlin Magic Making. It is responsible for all creative development and production including wax figures, LEGOLAND models and SEA LIFE’s massive marine operation as well as global site research and the project management of investment in new and existing attractions.

Merlin is also investing to turn the theme parks into short break destinations with the addition of accommodation and second gate midway attractions

like waterparks and SEA LIFE. This has helped deliver double-digit growth in multi-day visits across their resorts in 2011.

Daily visitor feedback through touchscreens at every attraction, coupled with feedback gathered through on-site survey points, coupled with a comprehensive, independent Mystery Visit programme, and competitive league tables based on these results, ensure consistent quality of customer experience at each attraction.

MERLIN’S PEOPLE

Merlin employs more than 12,000 people on average during the year. During the peak season, Merlin employs more than 18,000 people across the business. Many of these posts are filled by 16-25 year olds, with a varied range of employment opportunities. Positions include ticket staff, attractions engineers, guides, entertainers, chefs, hospitality staff, operations staff, attraction planners and designers, marketing staff, marine and zoo experts, creative teams and managers at all levels.

Merlin actively prepares its staff to step up and take on the growing number of managerial roles within the company. A transparent, company-wide Development Pyramid framework outlines the progression opportunities available to all staff.

Merlin also offers specific vocational courses, NVQs in a wide range of subjects, apprenticeships, and management development programmes in order to support personal development and career progression for all staff.

In its 2011 annual staff survey, Merlin achieved an industry-leading 94% response rate, and a 95% positive satisfaction score.

OPENBET: POWERING SPORTS BETTING WORLDWIDE

WHO ARE THEY?

London-based OpenBet is a world-leading provider of B2B software and services for the online betting industry. They work with the biggest names in sports betting, from leading bookmakers and national lotteries to government-backed betting organisations in regulated markets globally.

OpenBet's technology powers the largest share of the world's online bets, and underpins the online sportsbooks and retail businesses of clients such as William Hill, Ladbrokes, Paddy Power, Betfair, and SkyBet.

Founded in 1996, OpenBet has seen steady and impressive growth – revenues have grown by 32% annually over the last four years, hitting £64m in 2012. This has been driven partially by acquisitions, but most notably by OpenBet's market-leading technology, as well as an exclusive focus on legal betting in regulated gaming markets.

RESPONSIBLE INTERNATIONALISATION

OpenBet took a principled approach to international expansion, deciding early on not to take any bets from illegal jurisdictions on their platform, despite lucrative offshore gaming opportunities.

This focus on serving legal jurisdictions with strict compliance, has allowed them to be ahead of the curve in securing licensing and reaching customers in newly regulated markets as soon as they open, providing international reach for their clients. Their credentials have established a strong international reputation in probity that enables them to win numerous contracts with government-owned operators and lotteries in Europe, Canada, Hong Kong and Australia. Overseas clients accounted for about half of OpenBet's revenues in 2011.

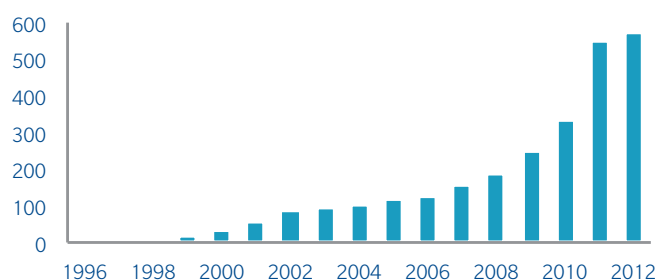


JOBS THAT DEVELOP THE UK'S BRIGHTEST

In keeping with its steady revenue growth, the number of OpenBet employees has grown year on year (15% since 2003 and 20% since 2006 year-on-year) now totalling almost six hundred – of which 91% are based in the UK. They hire mathematicians, software engineers, and the brightest graduates from top UK universities. New hires are given real responsibility early on, and tend to be promoted to senior positions rapidly. OpenBet's average employee age is just 30.

Their successful approach in developing people has resulted in a high retention rate – particularly for a software company. In 2012, 30 employees will celebrate their 10th anniversary at OpenBet – an impressive fact, given the firm had just over 70 employees in 2002.

OPENBET TOTAL UK EMPLOYEES 1996 – 2012





LEADING THE MARKET THROUGH INNOVATION

Single wallet, single account

OpenBet's centralised account system allows players to bet across different channels at the same operator using the same account – whether on the web, through a mobile app, or in a betting store. This enables operators and the players to get a single view of customer betting spend and behaviour, rather than islands of information, allowing a consolidated view of liabilities and customer betting activity.

RESPONSIBLE GAMING

OpenBet's innovative platforms provide enhanced consumer protection. Built-in software safeguards allow players to set limits on the time spent betting, and the amount deposited or lost. Beyond these limits, automatic exclusion is enforced. Players can also preset exclusion periods – e.g., on Saturday nights – when they expect they are likely to not play responsibly.

POWERFUL SYSTEMS ARCHITECTURE

The key to OpenBet's market leading position technology is its powerful and robust data and systems architecture to support the operators' end-user gaming applications.

As more players move to online and mobile applications, the volume of traffic at peak betting times, such as during a football match or at the Grand National, means that speed and reliability are critical to the success of online betting.

OpenBet's sophisticated platform is able to handle:

- 200 bets per second
- 1.2m bets per day
- 18,000 event updates per minute
- 12,000 concurrent live betting markets

To put that in context, on a 'Football Saturday' one of OpenBet's systems is capable of handling 7m transactions – or nearly 10x the number of daily equity trades on London's FTSE.

FROM CLICKS TO BRICKS: BRINGING BETTING SHOPS IN LINE WITH ONLINE

Having supported the take-off of online and mobile betting by providing solid and safe technical infrastructure, OpenBet are helping their clients lead the charge to rejuvenate high street betting shops. Their latest offering, OpenBet Promote, aims to create an immersive, cinematic customer experience in betting shops using the latest big-screen display technology to stream live sport and manage promotions intelligently.

BOLD AMBITIONS

Looking forward, OpenBet is looking to continue to expand their overseas business as more markets open, with the UK head office as a firm talent base allowing them to continue to innovate and roll out their market-leading technology worldwide. With its innovations in customer management, sportsbetting platforms and retail management, and track record of working with governments and lotteries around the world, OpenBet looks set to continue to drive transformation in a rapidly-evolving industry.

J. D. WETHERSPOON: REDEFINING THE UK PUB EXPERIENCE



WHO ARE THEY?

Watford-based J. D. Wetherspoon is one of the largest pub chains in the UK. It has 850 pubs across the country, with plans to open 250 more over the next five years. They also own the Lloyd's No. 1 chain of pubs.

In 1979, founder Tim Martin got around the national brewers' monopoly of pub sites by running his first pub out of a former betting shop. Unlikely locations soon became a hallmark, along with a strict no-TV, no-music policy, and support for regional and independent brewers. The Wetherspoon brand has grown on its strong identity as the place to go for conversation, affordable food, and quality beer.

Since 2006, revenues have grown by 5% a year on average, crossing the £1bn threshold in 2010. In 2011 alone, whilst the number of pubs in the UK continued to fall by about 16 a week, J.D. Wetherspoon opened 50 new ones.

Wetherspoon's considerable size means it is a significant contributor to the Treasury – in 2011 it paid close to half a billion pounds of tax – largely from VAT and Excise Duty on its food and drink sales (£325m), but also including £21.2m of Corporation Tax (or 31% of its pre-tax profits.)

INVESTING IN LOCATIONS

Each pub occupies a unique, often historic location, and is given a name that reflects the local culture. In 2007, Wetherspoon converted one of its pubs, 'The Opera House' in Royal Tunbridge Wells – sited in a converted opera house – back into an opera house for a week-long series of operas.

Across the rest of the estate, the company spent an average of £1.2m on each of the 50 pubs opened in 2011, ensuring that the premises were refurbished to a high standard, in keeping with the original design of the site. In 2010 and 2011, the company invested more than £200m in new sites as well as in refurbishment of existing pubs.

INVESTING IN THEIR PEOPLE

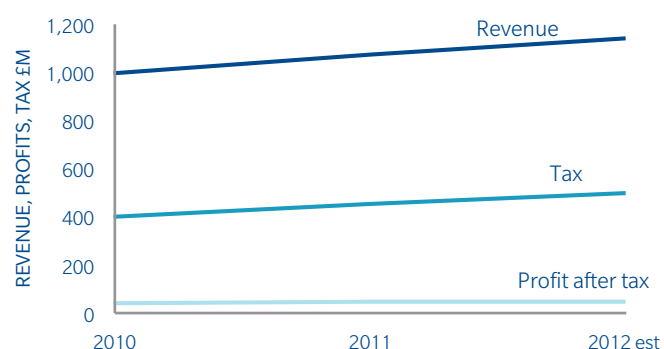
Key to the success of Wetherspoon pubs is the service provided by their staff. J.D. Wetherspoon currently employs more than 25,000 people in full and part-time positions. It has expanded its employee base by almost 10% a year since 2007, adding 2,800 jobs in 2011.

Recognised as one of 'Britain's Top 100 Employers' by the Guardian for 8 consecutive years, Wetherspoon invests in their staff members through an award winning programme, with over 11,000 training days across 1,000 separate courses completed in 2011. Pub and area managers can choose to pursue an advanced diploma in Leisure Retail Management – a university qualification just below degree level, developed by Wetherspoon in conjunction with Nottingham Trent University.

Their strong commitment to their staff can be seen in their exceptional retention rates: the average length of service of pub managers at Wetherspoon is close to 9 years. Wetherspoon was also the first pub operator to sign up to the government's Skills Pledge initiative to develop their workforce's skills.



WETHERSPOON REVENUES, TAXES AND PROFITS, £MM 2010-2012



LEADING THE WAY FOR PUBS IN THE UK

In its 33 year history Wetherspoon has introduced many forward-thinking initiatives which have often led to change across pubs in the rest of the UK:

A PASSION FOR GOOD BEER

From the start, Wetherspoon has stocked beers from smaller, regional brewers and microbreweries, and has continued the tradition today, stocking over 600 different beers from across the UK. It has 238 pubs listed in the Campaign for Real Ale's (CAMRA) Good Beer guide – more than any other pub chain – and is recognised as Britain's top supporter of microbreweries.

SOCIAL RESPONSIBILITY

In 2005, Wetherspoon published their first 'Code for Responsible Alcohol Retailing' – a set of operational procedures put in place to actively promote prevention of social harm arising from the sale of alcohol on the premises. Wetherspoon pubs have also won numerous

'Best Bar None' awards – presented by council and police authorities to pubs which provide a safe environment for customers to enjoy a night out.

A SMOKE-FREE PUB ENVIRONMENT

From the early 1990s, Wetherspoon took a stand against indoor smoking, with one-third of the space of each pub designated as non-smoking. It was also the first pub chain to voice its support for the pub smoking ban – in the belief that this would provide a better atmosphere for eating, in particular for families with children.

FOOD AS A STAPLE IN PUBS

Wetherspoon pubs were one of the first to introduce all-day food in the 1990s, despite the margin-dilutive impact of this move, as part of a strategy to diversify the customer offering beyond drinks. Their Thursday Curry Club deal is now the most popular curry meal out in the UK, with 3 million curries served in 2009. Wetherspoon pubs also offer an award-winning children's menu, with a focus on quality nutrition.

CHALLENGES FACED BY THE LEISURE INDUSTRY

3



The UK economic outlook is weak and uncertain
household discretionary spend has contracted 4% per annum since 2009

The Leisure Industry has stalled as a driver of employment
-0.2% annual decline in jobs between 2008 and 2010,
compared to 2.0% annual growth between 2000 and 2007

There is a net closure rate of 120 businesses every week
from the Industry in 2009 and 2010
in particular pubs closed at a net rate of 47 per week

Government intervention has cost the UK Leisure Industry
and its consumers an additional £3.2bn per year since
2010, set to rise to £3.9bn per year by 2014
through increasing tax contributions and regulatory costs

INTRODUCTION

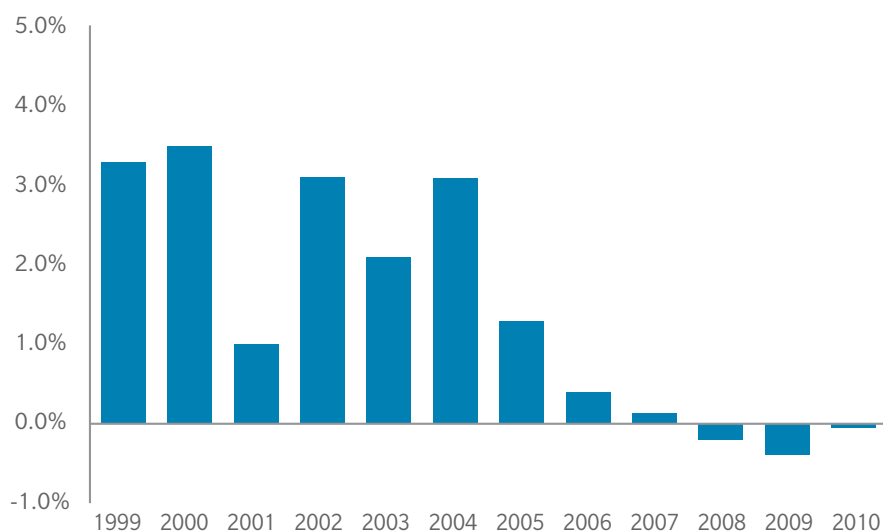
CHALLENGES AND HEADWINDS FACING THE LEISURE INDUSTRY

The Leisure Industry is of substantial importance to the UK economy on a number of dimensions: employment, job growth, flexible working, exports, and the wellbeing of the nation. However, over the last four years it has faced increasing headwinds from two directions:

- 1. Macroeconomics:** The overall UK economic picture has worsened, household disposable income has declined and food price and energy inflation has been persistently high
- 2. Government:** Has imposed additional costs of £3.2bn per year since 2010 on the Industry and its customers, which could increase to £3.9bn per year by 2014⁵⁶

In the face of these headwinds, the Leisure Industry has been more robust than might be expected given the perception that it relies on 'discretionary' consumer spend. However, the Industry remains far below its pre-2007 growth trend either in revenues or jobs. In terms of revenues, the Industry grew at 0.6% per year between 2008 and 2010 (significantly slower than the growth rate of 7% per year between 1998 and 2007⁵⁷). As a driver of job growth and employment, the Industry has shifted from being a major net contributor of jobs (2.0% per year from 1998-2007) to being essentially flat (-0.2% per year from 2008-2010)⁵⁸.

Figure 3.1: Annual employment growth rate for the Leisure Industry, 1999-2010, year-on-year growth



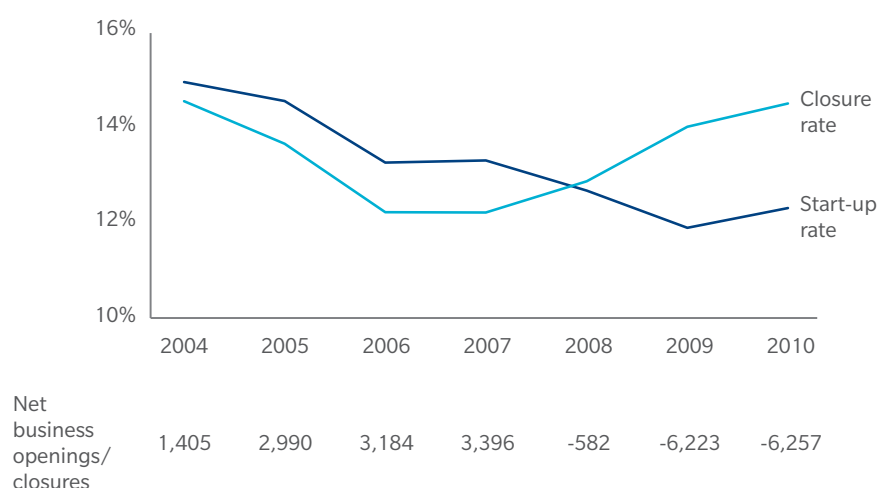
⁵⁶ BISL-OW analysis. For a detailed breakdown see Section 3.2

⁵⁷ Office for National Statistics, 2012. Annual Business Survey & Annual Business Inquiry 1995-2010. Available at <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-24942>. A technical overview of the estimation and sources used is provided in the Appendix.

⁵⁸ Office for National Statistics, 2012. United Kingdom National Accounts. The Blue Book 2011. Available at <http://www.ons.gov.uk/ons/rel/naa1-rd/united-kingdom-national-accounts/2011-edition/tsd---blue-book-2011-dataset.html>. A technical overview of the estimation and sources used is provided in the Appendix.

Some indicators for the Industry's health are increasingly negative. For example, the start-up rate⁵⁹ of new businesses in the Industry has decreased from 13% to 12% between 2007 and 2010, whilst closure rates have increased from 12% to 15%⁶⁰. Over this period the Industry has gone from one that was expanding in terms of the total number of enterprises to one that is contracting. In fact, across the whole Industry a net 120 businesses⁶¹ are being lost each week. The impact has been particularly severe for pubs, which were closing at a net rate of 47 per week in 2010.

Figure 3.2: Start-up and closure rates of companies in the Leisure Industry
 Openings and closures of new leisure business (as % of existing active companies in the industry)



⁵⁹ Start-up rate defined as the share of new businesses registering with the Inter-Departmental Business Register in a given year as opposed to the overall number of enterprises already registered (Office for National Statistics, 2012. Business Demography 2010)

⁶⁰ Office for National Statistics, 2011. Business Demography 2010. Available at <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-229177>

⁶¹ Average net closures over 2009 and 2010.

3.1 THE MACROECONOMIC BACKGROUND

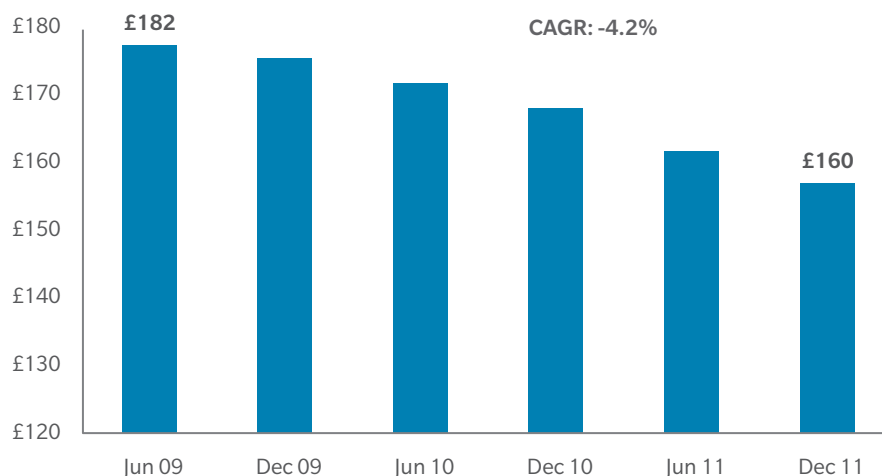
CONTRACTING ECONOMY AND INFLATIONARY PRESSURES

In 2008, the UK economy suffered its worst recession since the Second World War and over five quarters the economy contracted by 7.1%⁶². Since then the recovery has been slow and uncertain – and in the first quarter of 2012 the UK has re-entered recession.

Meanwhile, inflationary pressures have increased operating costs for businesses in the Leisure Industry. Energy inflation has averaged 4.7% per year and food inflation 4.5% per year since 2008⁶³. For a typical pub with operating profit of £100k per year, this has resulted in additional annual costs of £14k to the business by 2011⁶⁴. Leisure businesses have struggled to pass on these costs to consumers who themselves have a reduced ability to spend.

Statistics show that the typical UK household has materially less disposable income to spend on leisure and sport, amongst other things. Since 2009, the Asda Income Tracker⁶⁵ has shown UK household discretionary income declining at the rate of 4% per annum. This means that the typical UK household has now on average £22 less discretionary spend each week for which the Leisure Industry is able to compete.

Figure 3.3: Evolution of household discretionary income
UK 2009-2011, in £ per household per week



62 Office for National Statistics, 2012. ONS Quarterly National Accounts. Available through the ONS website <http://www.ons.gov.uk/ons/index.html>

63 Office for National Statistics, 2012. Consumer Price Indices January 2012. Available through the ONS website <http://www.ons.gov.uk/ons/index.html>

64 Oliver Wyman analysis based on data from a leading UK pub chain

65 Asda, 2012. Asda Income Tracker. Available at http://your.asda.com/system/dragonfly/production/2012/01/25/08_46_13_142_Asda_Income_Tracker_Jan_2012.pdf

3.2 GOVERNMENT INTERVENTION

ADDITIONAL COST OF REGULATION AND TAXATION SINCE 2010

At the point when the Leisure Industry has been at its most vulnerable, it has had to face considerable extra burdens from government in two areas:

- Increasing tax contributions for the Industry and its consumers
- Increasing regulation costs

Some of these impacts have been Leisure Industry specific while others have been felt across multiple industries. Given the Leisure Industry disproportionately employs young and female workers and is based upon small and medium enterprises, these groups are likely to be particularly impacted.

An analysis of the different impacts suggests that the cost to the UK Leisure Industry and its consumers has been at least an additional £3.2bn per year since 2010⁶⁶. This is equivalent to 2.7% of the Leisure Industry's overall revenue in 2010. These burdens are likely to increase in the coming years, and by 2014 this figure is estimated to be at least an additional £3.9bn per year. This is in the context of an industry that already contributes a disproportionate amount of tax with respect to its contribution to GVA. A summary of some of the largest impacts can be seen in the table overleaf.

⁶⁶ BISL-OW analysis. For a detailed breakdown see the Table on the following page. A technical overview of the estimation and sources used is provided in the Appendix.

	Most recent year of change	What has happened or is in the process of coming into place?	Leisure Specific	Estimated cost to UK Leisure Industry
Increased Tax Contributions				
VAT rise to 20%	2011	<p>From Jan 2011, the standard UK VAT rate increased from 17.5% to 20%.</p> <p>Today, the UK has amongst the highest VAT levels on Leisure activities in Europe</p>	No	Oliver Wyman estimate increased VAT contributions of £2.5bn from the UK Leisure Industry
Carbon Reduction Commitment (CRC)	2011	<p>The CRC scheme was initially set up to be revenue neutral, with permit money to be recycled back into participants based on energy efficiency</p> <p>Now, the permit money goes directly to the Treasury</p>	No	Industry estimates suggest an expected annual cost to employers of £1bn by 2014, of which £40m is from the UK Leisure Industry
Alcohol Escalator	2012	<p>Duties on alcohol have increased by 2% above inflation every year since 2008</p> <p>Industry estimates suggest that the UK contributes 40% of all beer taxes collected in the European Union</p>	No	Industry estimates suggest an increased tax contribution of £0.7bn from the UK Leisure Industry between 2010 and 2012 on Beer Duty alone.
Late Night Levy	2013	<p>Government is currently consulting on the introduction of a charge for premises that have a late night alcohol licence</p> <p>This could result in more than a fourfold increase in licensing contributions for leisure businesses</p>	Yes	Government estimate an increased cost of £150m, a large proportion of which is expected to be in the UK Leisure Industry
Machine Gaming Duty	2013	The Machine Gaming Duty, which comes into force in 2013, is a tax on net takings from dutiable gaming machines	Yes	Industry estimates suggest an increased cost of £50m to the gambling sector and a further £14m to the pub sector
Increasing Regulatory Costs				
Pension Auto-Enrolment	2012	From Oct 1st 2012, employers must enrol all eligible employees into pension schemes – resulting in increased costs due to both employee contributions and increased administration	No	Government estimates an annual cost of £5.5bn to employers. With 9% UK employees working in Leisure, this suggests an annual cost of £500m for the Leisure Industry.
Early Morning Restriction Orders	2013	<p>There are plans to extend the early morning restriction orders to restrict the sales of alcohol between 12am and 6pm from licensed premises.</p> <p>This would have a significant impact on the business of pubs and nightclubs in the Leisure Industry</p>	Yes	Impact and increased cost to industry unclear to date.

BISL'S RECOMMENDATIONS TO GOVERNMENT

4



INTRODUCTION

Oliver Wyman's analysis in Sections 1 to 3 of this report clearly demonstrates the size, scale and importance of the Leisure Industry. It also shows that the Industry has suffered in the past few years: the impact of an economic recession combined with £3.2bn of additional tax and regulation costs to the Industry and its customers has meant the Industry is no longer the driver of employment growth for young people, women, the part-time and the low-skilled that it was up to 2008.

In this section of the report, BISL outlines its recommendations for reinvigorating growth in the Leisure Industry. These recommendations have been developed through contributions from the Industry as a whole, and BISL believes they have broad-based support.

Overall, BISL estimates that the recommendations together have the potential to generate⁶⁷:

- Up to 440,000 new jobs in the Leisure Industry by 2020, a significant proportion of these being flexible positions suitable for young people, women, and part-time and low skilled workers
- An additional 30,000 new high quality training positions over the next three years, for young people currently not in education, employment or training (NEETs)
- Up to £600m potential annual savings for businesses and local government by more efficient procurement and planning processes
- The policy environment for a thriving, growing Leisure Industry

Most important of all, we believe these recommendations would produce substantial benefits to the Treasury over the medium to long term. A stronger Leisure Industry means both more jobs and higher tax receipts: 10% growth in the Industry would deliver at least £3bn per year in additional tax receipts, and the net benefit to the Treasury would probably be greater than this given the role the Industry could play in lifting people out of unemployment.

⁶⁷ A technical overview of the estimation and sources used is provided in the Appendix

THE GOVERNMENT NEEDS CLEAR OBJECTIVES FOR THE LEISURE INDUSTRY

BISL believes that the Leisure Industry has to date not been acknowledged for its significant contribution to the UK economy, either as a major employer, or as a catalyst for employment and youth employment growth. Government has a strong influence on the performance of the Leisure Industry, because it sets consumer taxes and duties, implements regulation, and influences employment costs: this ultimately makes the difference between success, survival and failure for many leisure businesses.

In the past, it has sometimes felt as though the government focused exclusively on taxing and controlling the Industry, regardless of what this meant for the Industry's growth. BISL therefore recommends a new strategy which balances regulation and taxation against job creation, and the need to encourage entrepreneurship and innovation. BISL believes it is in government's interest to set clear objectives for its strategy towards the Leisure Industry, not least because of the role the Industry can play in driving Britain's employment and economic growth.

BISL believes that there are four key principles for encouraging responsible growth – each of which would help the Leisure Industry address different challenges and barriers:

- **Acknowledge and champion the Leisure Industry** to reflect its size, scale and importance to the UK economy
- Enable the Leisure Industry to **invest in people, efficiently creating jobs and developing skills**, and thereby drive economic growth
- Enable the Leisure Industry to compete at both a local and global level through **fair taxation and regulation**
- Ensure the Leisure Industry can provide the facilities needed (both new builds and upgrades) through **simpler planning, procurement and licensing**

4.1 ACKNOWLEDGE AND CHAMPION LEISURE

ENSURE A CONSISTENT APPROACH TO THE LEISURE INDUSTRY FROM GOVERNMENT

To date, BISL feels that the Leisure Industry and its subsectors have been perceived by government as a set of disparate industries, and that its size, scale and importance have not been fully appreciated.

An example of this fragmented view can be seen in the machinery of government which deals with the Leisure Industry. Responsibility for different sub-sectors is spread across a range of governmental departments including the DCMS, DBIS, Home Office and the Treasury. At a high level, there is no definitive ministerial representation for Leisure. As a result the Leisure Industry gets neither the attention, nor the joined-up thinking it needs from government.

This fragmentation also runs against the grain of increasing convergence of activities across leisure facilities. For example: most hotels also have bars and alcohol licences; amusement parks are increasingly providing on-site accommodation for visitors; the average pub has gaming machines; and most bingo halls and casinos also serve food and alcohol.

BISL's policy recommendations to government

1. High Level Government Recognition

- A cabinet minister should be given the responsibility to act as a champion for the Leisure Industry. Given the current configuration of government, the suggestion is that the Secretary of State for Culture, Media and Sport should fulfill this role.

2. Leisure Delegation

- That the Prime Minister invites senior leaders of the Leisure Industry on future international trade visits, reflecting the Industry's important contribution to UK exports.
-

4.2 INVEST IN PEOPLE

DRIVE YOUTH EMPLOYMENT AND GROW SKILLS

The Leisure Industry has an impressive record of employing those people who have most difficulty finding work – young people, women, part time workers, and the low-skilled – training them, and enabling them to build a career.

Apprenticeships in particular have grown rapidly in the Leisure Industry, and research suggests they have amongst the highest multiplier effects on income and positive NPV for government⁶⁸. From the Industry's perspective these skills are in demand: over 40% of management positions in the Leisure Industry have been classified as hard-to-fill (employers struggling to fill the position) compared with the UK average of 24%⁶⁹.

However, employment growth has stalled in recent years, and the Leisure Industry is no longer generating jobs for these crucial parts of the workforce at a time when they are needed most - with unemployment running at 22% for 16-25 year olds⁷⁰ in the UK. Given that the Leisure Industry employs 21% of 16-25 year olds, it can and should play a big part in solving the UK's youth unemployment problem.

Below is a set of proposals which BISL believes will help address skills gaps in the Industry, support long term employment for young people most in need of support, and increase the number of high quality training positions. If implemented, BISL believes the entire UK economy would benefit from an overall increase in skills level, driving innovation and higher productivity. In addition, the lifetime value to the economy and the Treasury of helping young people into training and employment would be substantial⁷¹.

“[Apprenticeships provide the] ability to buy into young, keen, motivated talent in a supported programme”

CEO of a Leisure facilities management business

BISL's policy recommendations for government

3. Youth Employment Initiative

- Government should introduce an exemption from employer National Insurance contributions, for a period of one year, for any businesses employing 16-25 year old NEETs (Not in education, employment or training). On its side, the Industry would provide an officially accredited training scheme and qualification (apprenticeship or otherwise).

The key elements of this scheme are:

- Employers would take on new employees for a minimum of 12 months during which time they provide a job and industry specific training. They are then granted the NIC exemption for the 2nd year of employment.
- All training costs for 16-18 year olds to be covered by government. Training costs for 19-25 year olds to be shared 50-50 between employer

⁶⁸ See Section 2. Apprenticeships

⁶⁹ UK Commission for Employment and Skills, 2010. National Employer Skills Survey for England 2009: Key findings report. Available at: <http://www.ukces.org.uk/assets/ukces/docs/publications/evidence-report-13-ness-key-findings-2009.pdf>

⁷⁰ Office for National Statistics, 2012. Characteristics of young unemployed people 2012. Available at <http://www.ons.gov.uk/ons/rel/lmac/characteristics-of-young-unemployed-people/2012/rpt-characteristics-of-young-unemployed-people.html#tab-Youth-unemployment-highest-since-the-1980s->

⁷¹ The ACEVO Commission on Youth Unemployment, 2012. Youth unemployment: the crisis we cannot afford. Available at http://www.cesi.org.uk/sites/default/files/event_downloads/ACEVO_report.pdf

and government.

- Employers would be auto-enrolled for the NI exemption at the point the employee enters training, reducing business administration.

BISL's view is that if implemented, the scheme would:

- Provide the opportunity to create 30,000 new training positions (double the current rate) in the Leisure Industry over the next three years.⁷²
- Be tax-neutral and pay for its costs if only 9,500 people are enrolled over a three-year period (i.e. just 1% of the overall number of NEETs in the UK today). If 30,000 people were enrolled, it would deliver a £26m net benefit to the Treasury over 3 years.
- Make employer training costs up to a third lower.

4. Portable Apprenticeships

- BISL proposes working with appropriate skills bodies and the Industry to develop a new 'portable apprenticeship' training programme that is applicable across various Leisure subsectors for launch by 2014.
 - BISL supports government's ongoing focus on developing its apprenticeship policy, which has been enthusiastically embraced by the Leisure Industry so far. The training programme proposed above will help take into account the increasing convergence of Leisure activities as well as ensure a consistent level of skill development across Leisure's overlapping sub-sectors.
-

⁷² Based on the Leisure Industry claiming its fair share of total UK apprenticeships. Today, leisure apprenticeships represent only 6% of total UK apprenticeships; in comparison apprenticeships in leisure in Australia represent 11% of all Australian apprenticeships. Cited in National Audit Office, 2012. Adult Apprenticeships. Available at http://www.nao.org.uk/publications/1012/adult_apprenticeships.aspx

Technical detail and sources used to estimate this potential can be found in the Appendix.

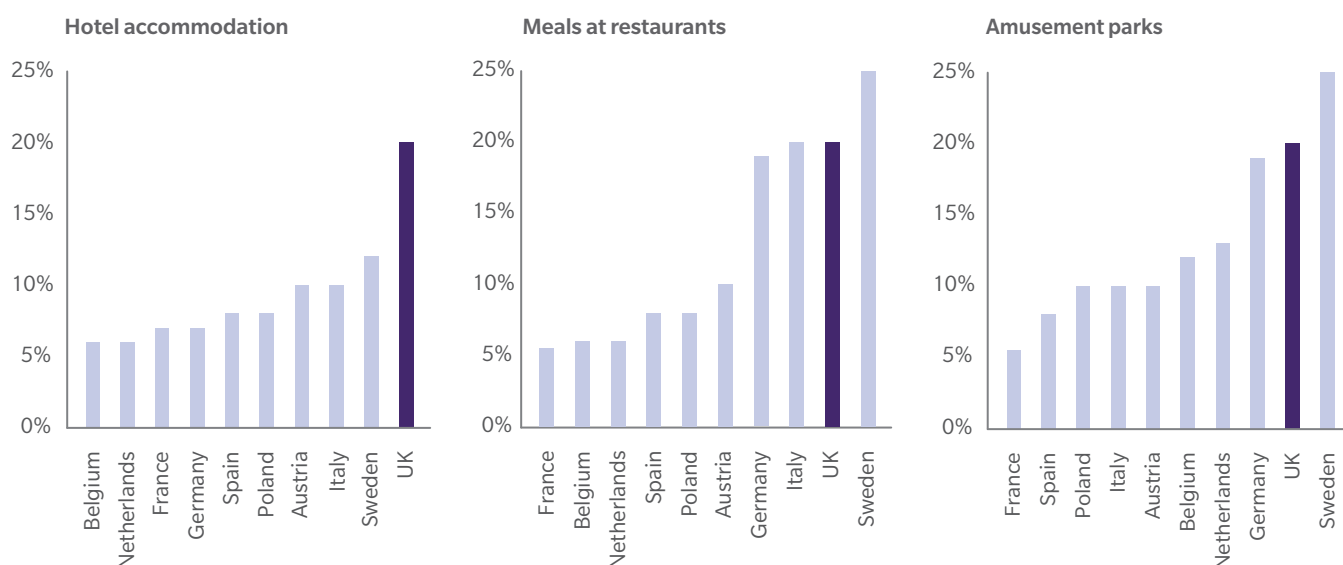
4.3 FAIRER TAXATION AND REGULATION

ENSURE THE UK LEISURE INDUSTRY IS COMPETITIVE LOCALLY AND GLOBALLY

The Leisure Industry's tax contribution is disproportionate: 7% of the Treasury's tax-take vs. 4% of GVA. This is in part driven by VAT and specific duties on the Industry, that in the UK are amongst the highest in Europe. For example:

- VAT on hotels, amusement parks and meals at restaurants (nearly 50%⁷³ of the Leisure Industry by revenue) are amongst the highest in Europe (see figure 4.1)⁷⁴.
- Duties on alcohol are also high by international benchmarks e.g. excise duties on beer in the UK are £19.50 per hectolitre of alcohol vs. £2.20 per hectolitre in France⁷⁵.

Figure 4.1: VAT rates for Leisure subsectors
Top 10 EU nations by GDP, 2011



These taxes and duties have significantly increased the cost of consuming leisure services, and have therefore limited demand of both UK consumers and of tourists coming into the UK. Indeed according to the latest World Economic Forum Travel and Tourism Competitiveness index, whilst the UK ranks 7th overall in attractiveness for visitors, it ranks 135th out of 139 countries on price competitiveness⁷⁶. BISL believe that this lack of price

⁷³ The VAT rates for Hotels, Restaurants and Amusement parks contribute to 47% of the total revenues of the Leisure Industry

⁷⁴ British Hospitality Association, 2012. Trends and Developments 2011. Available through the BHA website <http://www.bha.org.uk/about/reports/>

⁷⁵ Confederation Fiscale Européenne, 2012. Available through the CFE website <https://www.cfe-eutax.org/taxonomy/term/121> <http://www.cfe-eutax.org/taxation/excise-duties/france> and <https://www.cfe-eutax.org/taxation/excise-duties/united-kingdom>

⁷⁶ The World Economic Forum, 2011. World Economic Travel and Tourism Competitiveness Report 2011. Available through the WEF website <http://www.weforum.org/issues/travel-and-tourism-competitiveness>

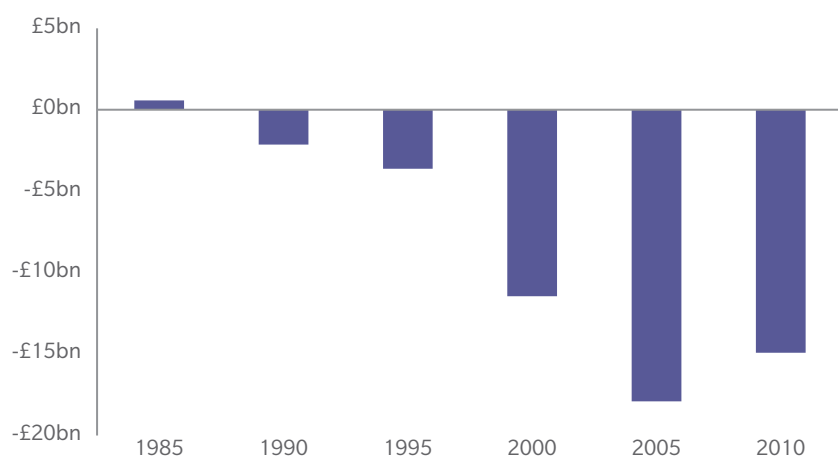
competitiveness has been one of the drivers of UK's increasing deficit in terms of tourism balance of payments (see figure 4.2).

Table 4.1: UK Travel and Tourism Price Competitiveness

Country	Ranking (out of 139)
Cote d'Ivoire	133
Norway	134
United Kingdom	135
Belgium	136
Japan	137

Figure 4.2: UK Tourism Balance of Payments⁷⁷

Net difference between inbound and outbound tourist spending, 1975-2010



In addition, the combination of multiple tax approaches to similar leisure products can have perverse effects. For example, the switch from VAT on gaming machines to a duty was cited by one CEO as raising their cost of investment because they now had insufficient VAT as a business to be offset against their purchases. Other reports have highlighted similar issues related to the large variation in duties and taxes between similar products depending on whether the activity occurs in betting shops, casinos, bingo halls or online⁷⁸.

⁷⁷ Office for National Statistics, 2012. International Tourism Balance of Payments 1958-2010. Available through the ONS website <http://www.ons.gov.uk/ons/index.html>

⁷⁸ The Rank Group Plc, 2010. Gaming and betting 2010: Fairness, Responsibility and Sustainability. Available at http://www.rank.com/downloads/responsible_taxation.pdf

For the same meal, a steak pie and a pint of lager, pubs pay up to 3 times as much consumption tax as supermarkets.

Below is a simple illustration of how pubs are taxed more heavily when selling a meal and beverage than a supermarket.

- A 20% VAT rate is charged on meals in pubs whereas no VAT applies on the same product purchased (packaged) in a supermarket
- VAT contribution from a pint of lager consumed in a pub is significantly higher than in a supermarket for the same product

Furthermore, consumption of a pint of lager in a pub presents fewer risks, as it takes place on-site, in a highly regulated, community environment. In comparison, consumption of alcohol purchased at a supermarket takes place off-site.

A comparison of consumption taxes on a steak pie and pint of lager

Prices and taxes at the margin (i.e. an additional unit)

		Pubs	Supermarkets
Selling price		£7.99	£2.40
Govt's tax intake 2012		£1.80	66p
Taxes	VAT	132p	18p
	Excise Duty	48p	48p

Selling price taken from JD Wetherspoon's and Tesco, 30th May 2012.

BISL's policy recommendations for government

5. Consumption Taxes on Leisure

BISL supports the British Hospitality Association campaign to reduce the existing VAT rate on visitor attractions and hotels to 5% by 2014.

- BISL believes that the Leisure Industry and its consumers should be competitively taxed compared to other domestic and international alternatives.
- BISL also calls on the government to begin a longer term examination of a reduced VAT rate for meals at pubs and restaurants. The UK VAT rate on Leisure services is today amongst the highest in Europe. The proposed reduction in VAT is estimated to create 78,000 new jobs and generate a net benefit of £2.6bn to the Treasury by 2020⁷⁹, helping to restore economic growth while representing an effective 'public investment'.
- BISL believes there are a range of other existing tax policies relevant to the Leisure Industry that merit review by government as to whether they are achieving the ultimate aim of supporting economic growth. Particular examples include the recent changes to Machine Gaming Duty, the prevailing 50% tax rate on casino games and the ongoing beer escalator tax framework.

⁷⁹ Data from British Hospitality Association, 2011. 'Tourism & VAT. Making Britain Competitive'

ACCESS TO FAIR SHARE OF GLOBAL TOURISM

Fast growing economies, in particular China and India, are fuelling strong growth in global tourism. According to the UNWTO, the number of tourists globally will increase by 60% between 2012 and 2020, with half of this growth coming from the four BRIC⁸⁰ countries alone⁸¹.

This growth presents an attractive opportunity for the UK Leisure Industry, but there are a number of barriers to harnessing this potential, and these are not limited to the impact that high rates of VAT and duty have on price competitiveness. Another significant barrier is the cost of getting to the UK in the first place, due to visa controls and high rates of Air Passenger Duty, which has increased from £20 before 2007 to £94 from April 2013 onwards⁸². These can have a significant impact on inbound traffic – e.g. since the introduction in 2009 of a requirement for South African visitors to the UK to obtain a visa, visitor numbers have declined by 24%⁸³. The case study shows the impact of these barriers on traffic from China and India.

Impact of visa requirements on UK tourism from China and India⁸⁴

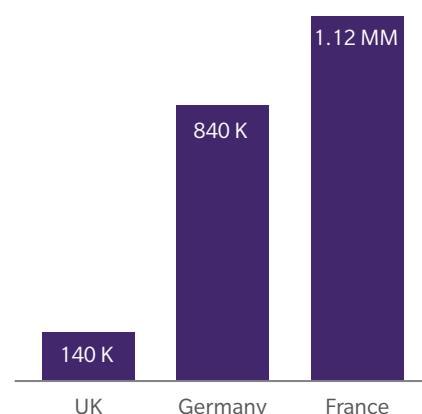
China and India are attractive markets for inbound tourism

- Outbound travel from China and India has grown substantially over the last 10 years, increasing by 400% and 250% respectively.
- Visitors from China and India contribute more to the UK economy than the average UK tourist. The average UK tourist spends on average £567 per visit, whilst visitors from India spend on average £978 per visit and visitors from China spend on average £1688 per visit⁸⁵.
- The UK is a very desirable destination for tourists from China. Research from Visit Britain suggests that in the Chinese market, the UK is considered the most desirable destination - if money were no object.

However, the potential of those markets is not fully exploited due to the price and complexity of UK visas

- The UK has higher visa costs than its European neighbours – £65 for a UK visa as opposed to £49 for a Western European (Schengen) visa which grants entry to 26 countries. The UK visa application process is also more complex involving a 15-page application form in English and a visit to a processing centre to have biometric details recorded.
- The UK captures much less than its fair share of tourism from China and India. Tourism from these nations to the UK has increased three times slower than the total increase in outbound tourism from these nations.

Figure 4.3: Chinese tourists to European destinations
2010, number of visitors



⁸⁰ BRIC countries are Brazil, Russia, India and China

⁸¹ Tourism Alliance (2011). Using the Tourism Visa System to Create Employment, report available at http://www.tourismalliance.com/downloads/TA_310_342.pdf

⁸² ABTA, Air Passenger Duty http://www.abta.com/about/lobbying_and_government_affairs/air_passenger_duty

⁸³ Office for National Statistics (2012). International Passenger Survey data 1993-2010

⁸⁴ Data taken from Tourism Alliance, 2011. Using the Tourism Visa System to Create Employment. Available at http://www.tourismalliance.com/downloads/TA_310_342.pdf

Data taken from Tourism Alliance, 2012. Proposals for improving the visa system in China. Available through TA website <http://www.thetourismalliance.co.uk/>

⁸⁵ Tourism Alliance (2011). Using the Tourism Visa System to Create Employment, report available at http://www.tourismalliance.com/downloads/TA_310_342.pdf



- The Tourism Alliance estimates that if the UK was to regain the market share of tourism from India and China that it had in 2000, it would generate an additional £2bn revenue per year and create 40,000 incremental jobs by 2020, of which BISL estimates 19,000 would be in the Leisure Industry.

BISL's policy recommendations for government

6. Visa Costs and Complexity

- Encourage inbound tourism from other countries (especially fast growing economies) with a simpler and less expensive visa application process. BISL supports the recommendations of the Industry and Tourism Alliance⁸⁶:
 - a. Decrease the costs of a UK tourist visa, bringing it down to be comparable with European benchmarks (e.g. Schengen Area).
 - b. Reduce the supporting document requirements for visa applications bringing them in line with other European nations. This way, one set of information can be used to apply for the UK and Schengen visas.
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⁸⁶ Tourism Alliance (2011). Using the Tourism Visa System to Create Employment, report available at http://www.tourismalliance.com/downloads/TA_310_342.pdf

ADDRESS THE CURRENT DISINCENTIVES TO HOSTING OF MAJOR SPORTING EVENTS

BISL believes current taxation policies act as barriers to the UK hosting major events successfully. One example often noted is the impact of the current laws on taxation of elite overseas athletes' endorsement income⁸⁷, where for some players the UK income tax liability is greater than the prize money and appearance fees⁸⁸. Sport operates in a global market, and the UK risks losing events and players to countries with a less punitive tax regime. Indeed some high profile players have now chosen to play in events outside the UK. For example Rafael Nadal is reported to have chosen to play at Halle in Germany this year rather than Queen's Club in the UK⁸⁹. BISL believes this runs contrary to government policy to attract major sports events. Furthermore, without elite players, broadcasting and sponsor income to sport is reduced, limiting the economic impact of events on the UK economy.

The government has already acknowledged this issue and taken some steps to address it in its support for recent bids. For example, exemption from the taxation regime was included in the Government Guarantees for the 2012 Olympic and Paralympic Games⁹⁰ and the unsuccessful 2018 FIFA World Cup Bid⁹¹.

BISL's policy recommendation for government

7. Support for Major Sporting Events

- BISL supports those sporting bodies that are asking for similar support to be given to the hosting of other major sports events, and welcomes the positive steps taken in the 2012 Finance Bill to remove the restriction for the 2013 UEFA Champions League Final and 2014 Commonwealth Games, and to ease the interpretation of the current rules relating to training days.
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⁸⁷ HMRC, 2012. Advice on Specific Activities. Available at <http://www.hmrc.gov.uk/feu/advice.htm#13>

⁸⁸ Reeves, 2011. Sports people and endorsement income or why Usain Bolt would not run in the UK. Available at <http://www.reeves.co/sports-people-and-endorsement-income-or-why-usain-bolt-would-not-run-in-the-u-k/>

⁸⁹ Lawn Tennis Association, 2012. Available at <http://www.lta.org.uk/fans-major-events/LTA-summer-grass-court-events/AEGON-Championships/Players/Mens-Singles/>

⁹⁰ HMRC, 2011. Tax Exemption Regulations for 2012 Games. Available at <http://www.hmrc.gov.uk/2012games/tax-exemption-regs.htm>

⁹¹ HMRC, 2011. Government Guarantee for tax exemption for competitors in the England bid for the 2018 FIFA World Cup. Available at http://www.hm-treasury.gov.uk/d/foi_worldcup_govt_guarantee220211.pdf

REGULATION OF GAMBLING TO REFLECT THE SUBSECTOR'S IMPORTANCE AND POTENTIAL

From many angles the betting and gaming subsector is a major success story for the UK. It is home to several 'industry giants' with a major international presence, such as William Hill, Gala Coral Group, and Ladbrokes. Betting and gaming is also a very popular activity in the UK - each year over 32 million adults participate in some form of gambling⁹². In addition, the sector has been at the forefront of the development of online gaming with leading technology suppliers such as Openbet and Inspired Gaming.

Much of this success has been an 'accidental' by-product of the British culture and legislative environment which has permitted a range of betting and gaming activities, whilst achieving a low rate of problem gambling by international benchmarks. Given the professionalism and scale of gaming and betting in the UK, BISL now believe it is timely for the government's approach to gaming to catch up with developments in the subsector.

Regulation of gaming is currently shared between the Gambling Commission, with responsibility for protecting consumers and keeping the subsector crime free, and the Department of Culture, Media and Sport, which controls the staking and prize amounts for different gaming products in the Triennial review. This shared responsibility creates considerable business uncertainty over the likely development of gaming, and hence a reluctance to invest. BISL therefore proposes both a reformulation of the objectives of the Gambling Commission, and a risk-based approach to determining prizes and stakes in the subsector.

CURRENT OBJECTIVES OF THE UK GAMBLING COMMISSION

The UK Gambling Commission is a non-departmental public body sponsored by the Department of Culture, Media and Sport. Working closely with other bodies such as licensing authorities and the HMRC, the Commission regulates commercial gambling in the UK. Its objectives, as set out in section one of the Gambling Act 2005⁹³:

- Keep crime out of gambling
- Ensure gambling is conducted fairly and openly
- Protect children and vulnerable people from being harmed or exploited by gambling

⁹² UK Gambling Commission, 2011. The British Gambling Prevalence Survey 2010. Available at http://www.gamblingcommission.gov.uk/research__consultations/research/bgps/bgps_2010.aspx

⁹³ UK Gambling Commission, 2011. How we regulate. Available at http://www.gamblingcommission.gov.uk/gh-about_us/how_we_regulate.aspx

Whilst the objectives above are essential parts of regulating the betting and gaming subsector, the focus is exclusively on control and public protection. In contrast, regulators of other successful gambling industries around the world have as part of their ethos a commitment to ensure the consumer proposition remains up-to-date, hence allowing for responsible growth:

- Nevada Gaming Commission has in its guiding principles⁹⁴: “We continuously challenge ourselves to improve the practices and processes of the agency to keep pace with the industry’s change, growth and innovation and our legislative mandates.”
- The Gambling Commissioner of Gibraltar, home to some the world’s leading on-line gambling operators is committed to ensuring⁹⁵: “gambling operators ...remain at the forefront of sound and effective regulatory practices, whilst maintaining a creative and competitive environment.”

BISL’s policy recommendations for government

8. Regulation of the gambling subsector

Betting and gaming companies operate in one of the mostly heavily taxed and tightly regulated sectors in the UK. The sector fully supports regulation where it serves an important purpose, such as safeguarding consumer rights and protecting the young and vulnerable. However, regulation is becoming an increasing burden on the sector, hindering growth and putting jobs at risk. Given the regulatory and tax regime, a number of companies have already decided to move some or all of their operations offshore. More may soon follow. BISL believes a well regulated competitive UK betting and gaming sector is in everyone’s interest and therefore recommends the following changes:

- The Gambling Commission’s remit should expand to ensure that it is more active in promoting the work of the betting and gaming sector and in highlighting its value and importance to the UK economy.
 - Given the pace of change in technology, innovation and consumer attitudes, the existing triennial review of gaming stakes and prizes should be abolished and replaced by a new review conducted every two years to give greater clarity and confidence to invest.
 - The adoption of a fiscal regime for the betting and gaming sector that takes into account broader international opportunities and competition, allowing UK companies to compete effectively on a world stage.
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⁹⁴ Nevada Gaming Commission, 2011. Mission and Principles. Available at http://gaming.nv.gov/about_board.htm

⁹⁵ Gibraltar Regulatory Authority, 2009. Code of Practice for the Gambling Industry. Available at http://www.gibraltar.gov.gi/images/stories/PDF/gaming/generic_code_v1.0.2009.pdf

4.4 SIMPLER PLANNING, PROCUREMENT AND LICENSING

SIMPLIFY AND ACCELERATE PLANNING APPROVAL PROCESSES

Today, there is much unnecessary complexity surrounding the processes for obtaining planning approvals. The recent 'Plan for Growth', published jointly by the Treasury and the Department of Business, Innovation and Skills (DBIS), quoted the time it took on average to go through the planning procedures to build a warehouse in the UK at 95 days, twice as long as the USA⁹⁶. The 2008 Killian Pretty Review found that on average only 3 out of 64 planning applications go ahead without difficulties, whilst half of them encounter "substantial" problems⁹⁷. In addition the National Audit Office identified planning approval costs as 'the highest regulatory costs of any type of regulation'⁹⁸.

Furthermore, throughout the process of meeting senior executives and holding forums, there was almost unanimous agreement that the current planning process is too bureaucratic and slow. Examples cited include:

- **Four years** waiting time being a typical planning assumption for a major new leisure facility to account for planning hold ups
- Some local authorities taking as much as **one year** to approve the simplest changes e.g. to allow a tree to be moved from a pub garden



⁹⁶ HM Treasury and Department for Business, Innovation and Skills, 2012. The Plan for Growth. Available at http://cdn.hm-treasury.gov.uk/2011budget_growth.pdf

⁹⁷ Killian Pretty Review, 2008. Planning applications: A faster and more responsive system. Available at http://www.planningportal.gov.uk/uploads/kpr/kpr_exec-summary.pdf

⁹⁸ HM Treasury and Department for Business, Innovation and Skills, 2012. The Plan for Growth. Available at http://cdn.hm-treasury.gov.uk/2011budget_growth.pdf

To dramatise what this means in terms of employment: a large leisure park with cinema, restaurants and entertainment employs 800 people on a permanent basis⁹⁹. Many more would be involved in the construction and set up of such an establishment. If a simpler and faster planning process was to expedite the approval of only 10 such leisure sites to allow them to be completed in half the time (e.g. 2 years instead of 4), this would generate at least 8,000 additional permanent jobs 2 years early – an additional £32m in income tax revenue and NI contributions alone¹⁰⁰.

BISL's policy recommendations for government

9. Simplification of Planning Approval Process

- In light of recent significant changes to planning policy guidance, BISL calls for clear benchmarks to be set up before 2015 to measure comparative performance of the speed and quality of local authority planning decisions, especially those that affect Leisure services. This new benchmark should be created in partnership with the DCLG, the Local Government Association and a broad range of relevant stakeholders.
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⁹⁹ Interview with P-Y Gerbeau, CEO of X-Leisure, May 2012

¹⁰⁰ Based on average employee earning minimum wage for the 2 years. Includes both employee and employer NI contributions

IMPROVE AND STANDARDISE THE PROCUREMENT PROCESS FOR PUBLIC SECTOR SPORT AND LEISURE FACILITIES

BISL believes there is a real need to improve the procurement process in the Leisure Industry, in particular to open the market to all providers and ensure a transparent and level playing field.

The current process is not standardised, and has a number of complications and inefficiencies. First and foremost, competitive tendering is not always in place since there is no statutory requirement to test the market. Even when a process is in place, the requirements for qualification are in many cases extreme: examples cited in forums include procurement services frameworks for Sport England where even if the service is at regional level, the supplier has to operate at a national level. This therefore excludes smaller, regional operators, even if they are best placed to provide the service.

Moreover, there is no standard framework for procurement contracts. This means increased costs and time for bidders whilst they understand and assess the likely costs of the required services, reducing the ability to scale their business easily to cope with the contracts coming into the market.

There is also no independent regulator or body to approach when bidders feel aggrieved. Senior executives from the Leisure Industry cited many occasions where they felt that the procurement process was potentially unfair – but did not voice their grievances for fear of being ‘black-marked’. Furthermore, on occasions when they had challenged decisions, the legal fees associated were substantial.

BISL’s focus here is to improve the procurement process for all players, including local government, trusts, and the private sector; however there exists certain legislation which advantages some players over others. The EU 6th Directive on VAT¹⁰¹ that provides mandatory VAT exemptions to trusts delivering sport and recreation presently distorts fair competition for private sector operators. Whilst BISL recognises the importance of retaining the benefit to sport, BISL remains disappointed the government has failed to apply the discretionary powers available under the same directive, to level the procurement playing field.

¹⁰¹ Council of the European Union, 1977. Directive 77/388/EEC of 17 May 1977 on the harmonization of the laws of the Member States relating to turnover taxes. Common system of value-added tax: uniform basis of assessment. Available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31977L0388:en:HTML>

BISL's policy recommendations for government

10. Standardised Procurement Process

Improve the existing public procurement process for Sport and Leisure services to promote fair and transparent competition with the following measures:

- Local authorities to seek tenders from private bidders for leisure services as a mandatory rule.
 - Standardised contracts and PQQs for leisure services across all local government.
 - Government to recommend the adoption of a uniform, open and transparent scoring mechanism.
 - Government to create an independent body with statutory powers to solve disputes.
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ADAPT LICENSING AND OTHER REGULATIONS IN ORDER TO REDUCE BUSINESS RED TAPE

Approximately 75% of the revenue generated by businesses in the Leisure Industry requires a licence from local or national government. The Licensing Act 2003 proposed a liberalisation of licensing hours and a single premises licence that would cover all relevant licensable activities under that Act. However the ensuing administrative and financial burden of the licence application process, the subsequent reduction in the burden of proof on licensing authorities from taking steps that are “necessary” to “appropriate” and the recent threat of the Late Night Levy have undermined the intention of the original Bill.

The activities licensable under the Licensing Act do not cover all the activities carried by many modern leisure premises, and with the increasing convergence of leisure activities on the same site, many businesses require multiple licences with the payment of several fees. Some licences may even require renewals annually. Cinemas are a useful case in point where they need to have a cinema licence, and a separate premises licence for a restaurant and a bar and where specific permission has to be sought to take alcohol into the auditorium.

On the betting and gaming side of the Industry, the licensing of betting shops, casinos and bingo halls needs to be updated. For example, the location of the UK’s 141 casinos has been determined by both the Gaming Act 1968 (now repealed) and the 2005 Gambling Act. Senior executives from the Industry believe that the bureaucracy surrounding the new regional casinos has undoubtedly constrained growth.

The Leisure Industry is a significant employer of people, providing 9% of all UK jobs. As such, it is also highly sensitive to employment regulatory issues – in particular to the balance between employee and employer rights. BISL believes there is a need for a fairer balance between the two, particularly in cases of dispute. Today, the Industry faces a proliferation of unfair dismissal claims. In the face of a significant number of apparently ‘unreasonable’ claims (only 12% of all claims accepted by the Tribunal are successful at hearing¹⁰²), CEO interviews conducted for this report indicate that a majority of employers tend to settle before the final hearing to avoid the high legal costs and business disruption.

¹⁰² Ministry of Justice & Tribunals Service: ‘Employment Tribunal and EAT statistics 2009-10 (GB)’. Published on 03 September 2010

<http://webarchive.nationalarchives.gov.uk/20110207134805/http://www.justice.gov.uk/publications/docs/tribs-et-eat-annual-stats-april09-march10.pdf>

BISL's policy recommendations for government

11. Licensing Regulations

Help businesses tackle growing administrative costs by adopting a risk based approach to alcohol and gaming licensing:

- Allow 3-5 years between licensing renewals (where such renewals are required) by operators, and policy reviews by licensing authorities unless there is cause for concern.
- Simplify and speed up licensing approval for low risk activities (e.g. alcohol consumption in cinemas) and implement the present proposal for the deregulation of Regulated Entertainment.
- Review and update the licensing restrictions covering casinos and other betting and gaming businesses to provide a more proportionate and risk and evidence based regulation. Furthermore BISL seeks earlier, more consistent and attributable advice around both technical and legislative issues from the regulators.

12. Employment Regulation

- BISL welcomes the developing proposed reforms to employment regulation and legislation that will lend confidence to employers who wish to expand their workforce. It also supports the government's intention to introduce fees for employees bringing claims to employment tribunals and urges it to proceed with the policy in a timely manner, ensuring that these fees are fair to both employers and employees with legitimate grievances.
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CONCLUSION: SHAPING THE FUTURE

5



The Leisure Industry is an integral and important part of the UK economy. It has a turnover of £117 billion, accounts for 4% of UK Gross Value Add, employs 2.6 million people and contributes £32 billion per year in tax. It plays a crucial role in all aspects of the economy, from jobs and tax contribution to inward investment and exports, and has the potential to be an important driver of jobs and growth in the future.

Beyond this, the Leisure Industry also plays a significant role in supporting the nation's health and well-being. Visiting the gym, playing bingo, watching a film, enjoying a meal out, the range of leisure activities available is vast and the fun and entertainment it brings is enjoyed by all sections of society.

The current economic climate presents all industries with many challenges. In the case of the Leisure Industry, these have been compounded by an increased burden of tax, licensing and regulation, further inhibiting its growth.

BISL believes the Leisure Industry can deliver significant economic and employment growth for the UK, and is keen to work with government and other stakeholders to achieve this. The recommendations in this report are intended to be the starting point for a new era of collaboration between the government and the Leisure Industry, which BISL hopes will play a key part in supporting the government's growth agenda.

APPENDICES

- A: SIC 2007 DEFINITION OF LEISURE INDUSTRY
- B: EMPLOYMENT IN THE LEISURE INDUSTRY
- C: ECONOMICS OF THE LEISURE INDUSTRY
- D: GOVERNMENT INTERVENTION AND
RECOMMENDATIONS
- E: CONTRIBUTORS

APPENDIX A

SIC 2007 DEFINITION OF LEISURE INDUSTRY

The following tables present an official statistical breakdown of this report's definition of the Leisure Industry. SIC 2007 codes as well as descriptions of individual categories have been taken from ONS 'UK Standard Industrial Classification of Economic Activities 2007' paper.

Section I: Accommodation and Food Services Activities

"This section includes the provision of short-stay accommodation for visitors and other travellers and the provision of complete meals and drinks fit for immediate consumption. The amount and type of supplementary services provided within this section can vary widely."

SIC 2007		Brief description	Includes
Section I 55.10	Hotels and similar Accommodation	Provision of accommodation principally for short stays by visitors with services including daily cleaning & bed-making	Hotels, resort hotels, suite/apartment hotels, motels Pubs with accommodation as main economic activity
Section I 55.20	Holiday, other short-stay Accommodation	Provision of accommodation in self-contained space with cooking facilities (apartments, flats, bungalows, cottages)	Holiday homes, visitor flats and bungalows Cottages and cabins without housekeeping services Youth hostels, mountain refuges
Section I 55.30	Camping grounds, recreational vehicle parks and trailer parks	Provision of accommodation in campgrounds, trailer parks, recreational camps, fishing & hunting camps	
Section I 56.10	Licensed restaurants Unlicensed restaurants Take away food shops	Provision of food services to customers; meals are either consumed on the premises or taken away / delivered to the customer	Restaurants, coffee shops, cafeterias, fast-food restaurants Restaurant and bar activities connected to transportation Take-out eating places, mobile food carts
Section I 56.20	Event catering & other food service activities	Provision of food services based on contractual arrangements either for a specific event or on a concession basis	Corporate hospitality catering, activities of food service contractors, Operation of food concessions at sports and similar facilities Operation of canteens or cafeterias (e.g. for offices, hospitals or schools)
Section I 56.30	Licensed clubs Public houses and bars	Preparation and serving of beverages for immediate consumption on the premises by nightclubs, bars & similar facilities	Nightclubs, bars, taverns, social clubs, cocktail lounges, discotheques Pubs with accommodation as a secondary economic activity

Section J: Information and Communication

"This section includes the production and distribution of information and cultural products, the provision of the means to transmit or distribute these products, as well as data or communications, information technology activities and the processing of data and other information services activities."

SIC 2007		Brief description	Includes
Section I 59.14	Motion picture projection activities	Provision of cinema services	Activities of motion picture or video tape projection in cinemas, in the open air or in other projection facilities; activities of cine-clubs

Section N: Administrative and Support Service Activities

"This section includes a variety of activities that support general business operations. These activities differ from those in section M, in that their primary purpose is not the transfer of specialised knowledge."

SIC 2007		Brief description	Includes
Section I 82.30	Organisation of conventions and trade shows	Organisation and management of business and trade shows, conferences	Organisation, promotion and management of events such as business and trade shows, conventions, conferences, meetings

Section R: Arts, Entertainment and Recreation

"This section includes a wide range of activities catering for various cultural, entertainment and recreational interests of the general public, including live performances, operation of museum sites, gambling, sports and recreation activities."

SIC 2007		Brief description	Includes
Section R 90.01	Performing arts	Performance of live presentations, concerts, opera, dance or other stage productions	Live theatrical presentations, concerts and opera or dance productions and other stage production (art groups, circuses, orchestras, bands, actors, dancers, musicians, lecturers, speakers)
Section R 91.01	Library and archive activities	Documentation and information activities of libraries of all kinds	Activities of libraries, reading, listening and viewing rooms, public archives providing service to the general public or to a special clientele, such as students, scientists, staff, members as well as operation of government archives
Section R 91.02	Museum activities	Operation of museums of all kinds	Operation of museums of all kinds including art museums, museums of jewellery, furniture, costumes, ceramics, silverware, museums of natural history, science and technological museums, historical museums, including military museums
Section R 91.03	Operation of historical sites and buildings and similar visitor attractions	Operation and preservation of historical sites and buildings	
Section R 91.04	Botanical and zoological gardens and nature reserve activities	Operation of botanical & zoological gardens, operation of nature reserves, including wildlife preservation	
Section R 92.00	Gambling and betting activities	Operation of gaming & betting facilities, machines or websites	Sale of lottery tickets, bookmaking and other betting operations Operation of coin-operated gambling machines Operation of casinos, off-track betting or virtual gambling web sites
Section R 93.11	Operation of sports facilities	Operation of facilities for indoor or outdoor sports events	Stadiums, arenas, racetracks or courses for football, hockey, cricket, rugby, ice-hockey, box, golf, bowling, swimming and other sports Organisation and operation of outdoor or indoor sports events for professionals or amateurs by organisations with own facilities
Section R 93.12	Activities of sport clubs	Operation of sport clubs	The operation of sport clubs including football, bowling, golf, boxing, winter sports, chess, track and field or shooting clubs
Section R 93.13	Fitness facilities	Operation of fitness and body-building clubs and facilities	
Section R 93.19	Other sports activities including activities of racehorse owners	Activities of individual own-account sportsmen and those supporting sport events	The seeking of sponsorship, appearance money and prize money Activities of producers or promoters of sport events, athletes, referees, judges Activities of sports leagues and regulating bodies, of racing stables, garages Operation of sport fishing and hunting preserves
Section R 93.20	Activities of amusement parks and theme parks	Provision of services related to entertainment and recreation	Activities of amusement parks or theme parks including operation of variety of attractions such as mechanical rides, water rides, games, shows, theme exhibits Operation of coin-operated games, recreation transport facilities (marinas), ski hills Renting of leisure equipment, fairs and shows of recreational nature

- Note: Within the section I 56.20 (event catering & other food service activities), only the part including event catering & food service contractors for leisure facilities has been included. Operation of canteens or cafeterias (e.g. for offices, hospitals, or schools) and other food service activities for non leisure purposes have been excluded from the definition.
- Note: Within the section I 82.30 (organisation of conventions and trade shows), only the part including organisation, promotion and management of events for the general public such as fairs has been included. Conventions, conferences and trade shows of business nature have been excluded from the definition.

APPENDIX B

EMPLOYMENT IN THE LEISURE INDUSTRY

DATA SOURCES

The following sources were used to calculate the overall number of jobs in the Leisure Industry:

- Annual Business Inquiry (ABI) & Annual Business Survey (ABS). Provides a breakdown of employment numbers at a 4-digit SIC 2007 levels. The data covers most of the UK economy but excludes public sector and certain segments of financial services and agriculture.
- Labour Force Survey (LFS). A set of data ranging from personal characteristics (age, sex, educational attainment) to working indicators, collected on a quarterly basis by the ONS

Other sources necessary to calculate the employment numbers include the British Hospitality Association ('2011 Trends and Developments' report), additional ONS data sets or National Apprenticeship Service ('Apprenticeship breakdown by sector subject area, level and age').

METHODOLOGY

Overall number of jobs provided by the Leisure Industry has been calculated using data from ABI & ABS combined with sector-specific statistics where more appropriate:

- Employment numbers for all the Leisure Industry subsectors except for catering and gambling segments have been taken directly from ABI & ABS
 - Catering: the relevant leisure-related part of catering has been then added (split taken from BHA 'Trends and Developments in British Hospitality 2011' report) in the analysis
 - Gambling: employment data for gambling subsector has been taken from the Gambling Commission to ensure the overall consistency with gambling GVA and revenue data
- In addition, temporary employment in the Leisure Industry has been calculated based on the SIC data on sectors 78.1 & 78.2

Employment growth rates (1998-2010) have been adapted to the methodological transition between the 2003 SIC system and the 2007 one and calculated excluding the category R-91 Libraries, archives & museums category because of a concern with the accuracy of 2008-10 data. Breakdown of youth, female and part-time employment is based on LFS data.

APPENDIX C

ECONOMICS OF THE LEISURE INDUSTRY

APPENDIX C1: GROSS VALUE ADDED (GVA) AND REVENUE

DATA SOURCES

The following key sources have been used to calculate both revenues and the gross value added (GVA) generated by the Leisure Industry:

- Annual Business Inquiry (ABI) & Annual Business Survey (ABS). Provide revenue & GVA data at a 4-digit industry class SIC 2007 level.
- National Accounts. Summary of national statistics offering a more consistent estimate of the overall GVA generated by the UK economy than the ABS.

Other sources which have been used to calculate the GVA and revenues include the British Hospitality Association, the Gambling Commission and the Camelot Annual Report.

METHODOLOGY

GVA contribution of the Leisure Industry has been calculated in the following way:

- Data on GVA has been taken from the ONS National Accounts covering the entirety of the UK economy at a 2-digit SIC code level. Where a more granular analysis was required, GVA data from ABS has been used to calculate the appropriate share of GVA by each subsector.
- Revenue is then calculated based on the GVA from National Accounts as above, and using GVA-to-revenue ratios from the ABS & ABI data.
- Categories for which data are not available in the ABI & ABS:
 - GVA and revenue figures for public health and fitness have been taken from Fitness Industry Association, 2012. 2011 State of the UK Fitness Industry Report.
 - GVA and revenue numbers for the betting and gaming industry have been taken from the UK Gambling Commission, 2011. Industry Statistics. April 2008 to March 2011 (gross gambling yield used instead of revenue) and from National Lottery, 2012
- Revenue and GVA have been calculated using 2010 current prices

APPENDIX C2: TAX CONTRIBUTION

DATA SOURCES

The following key sources have been used to calculate the overall tax contribution by the Leisure Industry to the HM Treasury budget:

- HM Treasury statistics. Provide a breakdown of government tax revenues per categories as well as information on effective tax rates at 1-digit industry section level. These data have been used for calculations of corporation tax and gaming duties paid by the Industry.
- Annual Survey of Earnings and Hours. ONS calculation of average wages and employment numbers based on internal HMRC data, available at 4-digit industry group level. This survey has been used to calculate both income tax and NI contributions of the Industry.

Other sources which have been used for the calculation of Leisure Industry's tax contribution include additional ONS surveys & data sets and Oxford Economics.

METHODOLOGY

Tax contribution of the UK Leisure Industry composes of:

- VAT on sales has been calculated using a VAT rate of 17.5% and the overall revenue of the Industry (OW analysis) accounting for a share of Industry's revenues which is non-VAT-able
- Corporation tax contribution has been calculated based on the total revenue of the Leisure Industry, its average profitability –profitability of the UK service industry taken from ONS as a benchmark – and effective tax rate taken from HM Treasury statistics
- Employer taxes have been calculated using ONS data on average wage per industry (Annual Survey of Earnings and Hours) as well as NIC and income tax thresholds and rates in 2010
- Alcohol duties paid by the Industry has been taken from Oxford Economics, 2010. Economic contribution of the UK hospitality industry
- Gaming duties contribution of the Industry has been taken from HM Treasury statistics with the assumption that it the entire gaming duty tax revenue comes from Leisure Industry subsectors (gambling, recreation, pubs)

The overall tax contribution of the Leisure Industry to HM Treasury is likely to be higher as leisure businesses also pay a share of other taxes (CGT, fuel duties, tobacco duties) which haven't been included in this analysis.

APPENDIX C3: WIDER LEISURE ECONOMY (OTHER DIRECT & INDIRECT IMPACTS)

DATA SOURCES

The following key sources have been used to calculate revenues and employment numbers generated within the wider leisure economy:

- UK Tourism Satellite Accounts. Provides a comprehensive review of UK tourism spending (inbound, domestic & outbound) in line with international measurement standards. The data from these accounts were key to calculate value of leisure-related transport spend.
- ONS input-output tables. Provide data on intermediary consumption of UK industries at a 4-digit SIC 2007 code level. These tables have been used to calculate the overall revenue and employment generated within the supply chain to the core Leisure Industry.

Other sources which have been used to calculate value of wider leisure economy include ONS Annual Business Survey, London Transport and Sport England.

METHODOLOGY

‘Other direct impacts’ represent a combination of the following categories:

- Transport services revenue has been calculated as a combination of inbound tourist and domestic spend on both commercial and personal transport:
 - Tourist spend on both commercial and personal transport from the ONS ‘UK Tourism Satellite Accounts 2008’
 - Domestic use of commercial transport for Leisure purposes has been calculated as a share of the overall transport revenue (taken from ONS Annual Business Survey) left once the transport for tourist (above) and transport for non-leisure purposes (estimated as 70% of all transport spend using data from London Transport Survey) is taken out
 - Domestic use of personal transport for Leisure purposes has been calculated using average weekly UK household spend on personal transport taken from ONS ‘Living Costs and Food Survey’ and taking out use for non-leisure purposes (estimated as 70% of all transport spend using data from London Transport Survey)
- Travel distribution revenue is taken from ONS ‘UK Tourism Satellite Accounts 2008’
- Sport & leisure goods and equipment revenue taken from Sport England report on ‘Economic value of sport in England’
- Employment for those three categories has been calculated using the same revenue to jobs ratio as for indirect impacts (see below)

INDIRECT IMPACTS

- Supply chain revenues have been calculated using the share of UK suppliers’ production consumed by the Leisure Industry (taken from ONS UK input-output tables 2003-09)
- Employment generated within the supply chain has been calculated using employment multipliers (calculated from the ONS UK input-output table 2003-09) on existing employment numbers of the Leisure Industry

APPENDIX D

GOVERNMENT INTERVENTION AND RECOMMENDATIONS

APPENDIX D1: ADDITIONAL COSTS OF GOVERNMENT TAXATION AND REGULATION

The impact and estimated cost due to government intervention since 2010 is composed of:

Additional annual cost in 2012 (increase since 2010)

- Increase in VAT from 17.5% to 20%. Estimated cost calculated using methodology for calculating VAT on the UK Leisure Industry outlined in Appendix C2.
- Alcohol Escalator. Estimated cost calculated based on beer duty increasing by 42% between 2008 and 2012 - where a 20% increase between 2008 and 2010 cost the pub industry additional £600m per year, taken from:
 - British Beer and Pub Association, 2009. Pub closures rise to record 52 a week. Available at <http://www.beerandpub.com/news/pub-closures-rise-to-record-52-a-week>
 - British Beer and Pub Association, 2012. Beer Duty statistics. Available through the BBPA website <http://www.beerandpub.com/>
- Carbon Reduction Commitment. Estimated cost for the entire UK economy based on government's sources. Adapted to the UK Leisure Industry based on its share of total UK GVA:
 - HM Treasury, 2010. Spending Review. Available through the HMT website http://www.hm-treasury.gov.uk/spend_index.htm

Additional annual cost in 2014 (increase since 2010)

- Late Night Levy. Estimated cost taken from government sources:
 - Home Office, 2011. Home Office Impact Assessment. Available at <http://www.homeoffice.gov.uk/publications/about-us/consultations/late-night-drinking/consultation-document?view=Binary>
- Machine Gaming Duty. Estimated cost of £50m per year on the betting and gaming subsector and £14m on the pub subsector is taken from industry estimates
- Pension Auto-Enrolment. Estimated cost taken from government sources. Adapted to the UK Leisure Industry based on its share of total UK employment:
 - Department of Work and Pensions, 2009. Impact Assessment of Pension (Automatic Enrolment) Regulations 2009. Available at <http://www.dwp.gov.uk/docs/pension-auto-enrol-imp-assess.pdf>

APPENDIX D2: YOUTH EMPLOYMENT & APPRENTICESHIP FLAGSHIP PROPOSAL

DATA SOURCES

The following key sources have been used to calculate the economic value of BISL youth employment and apprenticeship flagship proposal:

- National Apprenticeship Service and National Audit Office. Provide official government data on average training costs of an apprenticeship scheme which were used to calculate the economic viability of the proposal for both the government and employers.
- National Foundation of Education Research and the Department for Education. Publish data about young people in the UK who do not participate in education or training. The data has been used to model a 'baseline' scenario of possible trajectories of NEETs over 3 years.
- Youth Cohort Study and Longitudinal Study of Young People in England. ONS surveys which provide information about longer-term evolution of young NEETs. Used in conjunction with NFER and DfE data to understand current trajectories of British NEETs.

Other sources which have been used for calculations include the HMRC, DirectGov, ACEVO Commission on Youth Unemployment and Economic and Social Research Council.

METHODOLOGY

To calculate the overall benefit of the scheme to the Treasury and employers, the analysis has been broken down into three segments:

Step 1: Setting up the 'baseline' scenario, evaluating the current cost of a given group of NEETs to the Treasury over a period of three years

Step 2: Setting up a 'BISL proposal' scenario, calculating the cost to the Treasury of a given group of NEETs over a period of three years under the proposal including both fixed and variable costs linked to the implementation of the scheme

Step 3: Combining the two previous steps of analysis to understand the viability of the scheme as well as the potential benefit for Treasury's budget and employers enrolled

Step 1: Baseline scenario

The following analysis has been performed to calculate the current cost of a given group of NEETs to the Treasury over a period of three years:

- An average group of NEETs follows a pattern where some move into education, training or employment while others remain NEETs over the whole period. Youth Cohort Study, Longitudinal Study of Young People in England and data from NFER have been used to understand the dynamics of a given cohort of NEETs over three consecutive years.

- For different age groups of NEETs, the overall cost to the Treasury of an individual has been calculated using available data on education and training expenditure (taken from ACEVO and NAO), unemployment benefits (HMRC) and employment taxes (DirectGov)
- Combining the expected career trajectories of the NEETs with associated individual costs, an overall baseline cost of the current situation to the Treasury is calculated

Step 2: BISL scenario

- To calculate the cost of an average 16-25 years-old NEET under the proposed scheme, the following steps have been taken:
- A set of assumptions as to the change in the overall NEET career trajectory is made under the BISL proposal to model a new pattern of a given cohort of NEETs over three years:
- Using the same cost-benefit analysis as in step 1, the overall cost of a young NEET to the Treasury under the new BISL scheme is calculated and compared to the current cost. Additional costs taken from the assessment study of the 2010 'Regional Employer NI Contributions Holiday for New Businesses' are included. Variable costs – NIC revenue foregone – are also added into the equation. The final outcome – a net benefit to the Treasury – reflects the incremental saving of getting young NEETs into training schemes then employment.

Step 3: Viability of the scheme

- The overall outcome of the scheme – the net benefit to the Treasury – is then calculated depending on the amount of NEETs to enrol as well as their average salary. The breakeven point (at which the scheme becomes tax-neutral) is determined; and the overall saving in training costs for an employer is established.

APPENDIX D3: POTENTIAL OF BISL RECOMMENDATIONS TO THE GOVERNMENT

The overall benefit of BISL recommendations to the government is composed of new employment opportunities, creation of high quality training positions and potential savings in local government:

- The number of additional jobs created by the Leisure Industry until 2020 (circa 440,000) has been estimated based on data provided by industry bodies as well as the Office for National Statistics:
 - The net effect of the reduction in VAT rates on accommodation and visitor attractions (78,000 new jobs) has been estimated based on British Hospitality Association, December 2011. 'Tourism & VAT. Making Britain Competitive'.
 - The potential benefit from a simpler visa application process to tourists from emerging markets (19,000 new jobs) has been taken from Tourism Alliance, 2011. Using the Tourism Visa System to Create Employment
 - The number of jobs saved over the next three years due to fairer beer duties (16,000) has been taken from British Beer and Pub Association, 2012, cited in a speech by Lindsay Roy, MP, 2012
 - Assuming that employment growth rates can reach pre-recession levels (41,000 new jobs every year) until 2020, the industry is likely to generate another 328,000 new jobs by 2020 in addition to those already highlighted above
- The number of new high quality training positions created has been estimated based on the assumption that the UK Leisure Industry is able to increase its current share of training positions (6% of all UK apprenticeships) to a share typical for other developed countries (e.g. 11% in Australia, cited in National Audit Office, 2012. Adult Apprenticeships.)
- The potential saving from a more efficient planning process (£300m) is taken from The Killian Pretty Review, 2008. Planning Applications – A faster and more responsive system and HM Treasury and Department for Business, Innovation and Skills, 2012. The Plan for Growth.
- The amount of potential savings from a simplified procurement process (almost £300m in total) was calculated based on the following elements:
 - The current cost of procurement process to local authorities in the UK is taken from Audit Commission, 2006. Public sports and Recreation Services.
 - Cost-efficiency comparison between contracts managed privately and those managed in-house or by trusts is taken from the Leisure Database Company, 2012. 'Insight' section of the website.
 - The current share of procurement contracts managed by the private sector has also been taken from Audit Commission, 2006 Public Sports and Recreation Services.

APPENDIX E

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