

FORESIGHT is a monthly commentary on significant issues within the tourism sector. Each month "Market Focus" discusses economic, social and political factors that underlie demand for tourism now and in the future. In addition, a spotlight is focused on a significant tourism issue. This month Market Focus covers Brazil, Argentina and the Caribbean and Issue of the Month considers the impact that the National Lottery has had on the visitor economy over the past twelve years.

Market Focus – Brazil, Argentina and the Caribbean

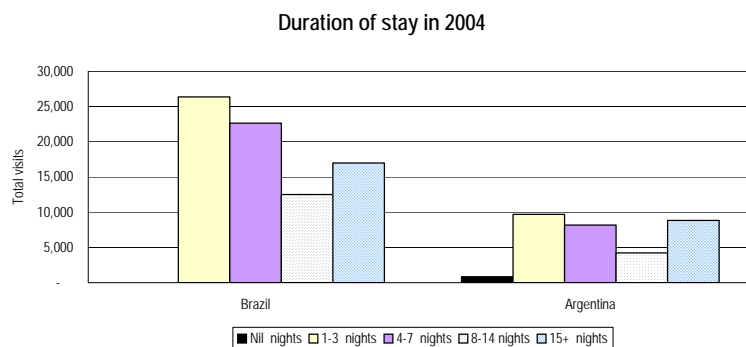
Provisional figures from the International Passenger Survey¹ indicate that in 2005 the number of visits to the UK from Brazil and Argentina were at very similar levels to 2004, a year during which 78,000 visitors from Brazil and 32,000 visitors from Argentina spent a total of £76m in the UK (that is 0.6% of all inbound visitor spending). This figure is a far cry from the record year of 1998, in which the combined spend of visitors from Brazil and Argentina in the UK reached £225m, representing 1.8% of all inbound visitors spend in 1998 (a share three times greater than in 2004).

In Argentina the economic recovery described in Issue 11 of Foresight continues, if not at the most frenetic pace, suggesting there is room for cautious optimism during 2006 providing there is no political instability. Brazil is often cited as one of the great emerging economies along with India and China, but in comparison Brazil's rate of economic expansion is at best mediocre.

There is of course huge diversity among the many Caribbean Islands, but this month we take a brief look at the overall picture of travel to the UK and consider in a little more detail the nature of travel from the main source markets.

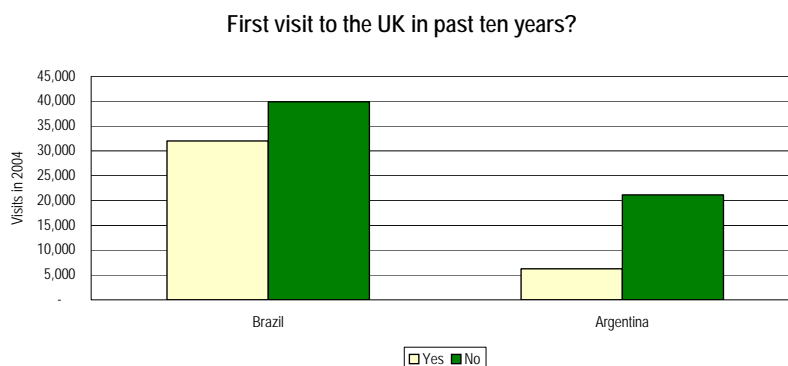
Long-haul, long-stay

As can be seen from the chart significant numbers of visits from Brazil and Argentina involve spending more than 15 nights in the UK, indeed the average length of stay is around 12 days for visitors from Argentina and 19 days for those from Brazil.



First timers

It is perhaps a little surprising to discover that only 23% of all inbound visitors to the UK in 2004 were making their first trip to the UK in the past ten years. As can be seen from the chart



Argentina appears to be the 'typical' inbound market in this regard, conforming to the 23% average, however Brazil is distinct in that 44% of visitors in 2004 were making their first visit during past ten years.

Brazil

Presidential and Legislative elections are scheduled for October this year. President Lula da Silva has lost some of his popularity following a "cash for votes" scandal, but still is thought to stand a strong chance of re-election. The pace of economic expansion has been below forecast in recent months, with latest data suggesting 2005 will have delivered growth of less than 3%.

The Brazilian flag-carrier, Varig, has suffered prolonged difficulties with its finances over recent years, not helped by an expanding number of low-cost carriers springing up in South America and capturing much of the lucrative intra-regional market.

Argentina

The economy is now reckoned to be expanding at 8% per annum, unemployment has fallen to 10% and significant debt repayments have been made to the IMF. It is evident then that continued steady progress is being made following the economic crisis of 2001. However, recent Ministerial changes made by President Kirchner have been greeted with concern by many analysts – there are fears that the President is prepared to tolerate higher inflation in order to fuel continued economic growth. The Economist forecast that economic growth should continue at a rate close to 7% during 2006, with promises from President Chavez of Venezuela that he is prepared to invest some of his nation's oil revenue windfall in Argentinean bonds.

British Airways offers four flights per week from Buenos Aires to London Heathrow, but with a stopover in Sao Paulo the journey time is a shade over fifteen hours. Aerolineas Argentinas offer two to three flights per week to London Gatwick via mainland Europe, again taking over fifteen hours.

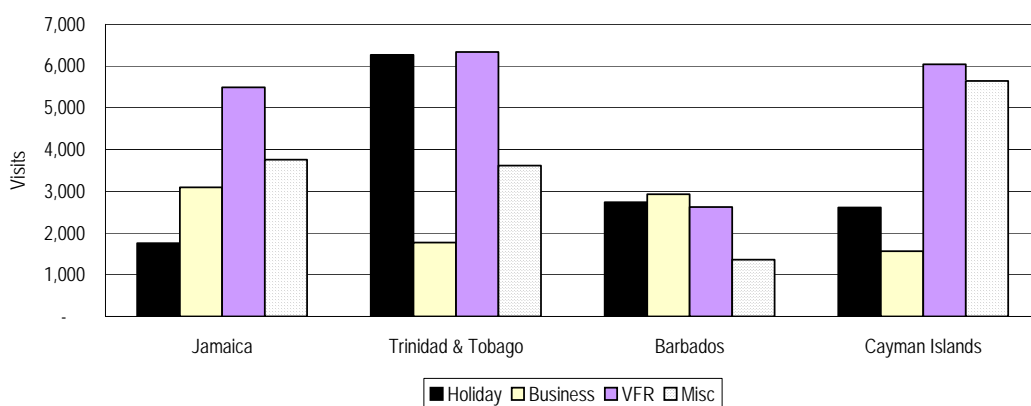
Foot and Mouth Disease has recently broken out in an area close to the border with Paraguay, this is the first re-emergence of the disease in Argentina for five years, despite outbreaks in neighbouring countries. Argentina is one of the world's leading exporters of beef and any international ban could be harmful to the economy.

The Caribbean

Many Caribbean Islands have direct airlinks to the UK, stretching from Cuba in the west to Trinidad and Tobago in the east. The presence of numerous air routes is not purely a function of the region's popularity as an outbound holiday destination from the UK, the strong historical and family ties between the UK and several Caribbean Islands ensures the flow two-way traffic.

In 2004 residents of Caribbean Islands undertook 107,000 visits to the UK, spending in the region of £77m, giving an average spend per visit of £720, well above the average for all inbound markets of £466. Total visits and spending from the Caribbean was almost identical with that from Brazil and Argentina combined. The bulk of visits are from Trinidad and Tobago, the Cayman Islands, Jamaica and Barbados. Visiting Friends and Relatives is an important motivator for visits to the UK from this part of the world, accounting for two in every five visits from Jamaica, for example, as is evident from the following chart.

Journey purpose mix in 2004



April to September is the most popular time to visit Britain, with 70% of visits from the four major origin islands taking place during these six months in 2004.

Language

Caribbean Islands where English is the primary language account for virtually all visits to the UK from this region of the world, despite Spanish being the mother tongue in the most populous islands (Cuba, Dominican Republic). Guadeloupe was the most important non-English speaking Caribbean market for the UK in 2004, but we are talking just two thousand visits.

According to analysis of Census data by Sheffield University and the Institute of Public Policy Research there were 254,740 residents of the UK in 2001 that had been born in the Caribbean, some 12,000 lower than had been the case in 1991. Nearly 60% of Caribbean born UK residents were living in London at the time of the 2001 Census. Clearly, however, there are increasing numbers of second and third generation UK residents with Caribbean heritage. Indeed, the latest edition of Social Trends reports the total UK population describing itself as Black Caribbean to have been 566,000 in 2001.

Issue of the Month – The National Lottery

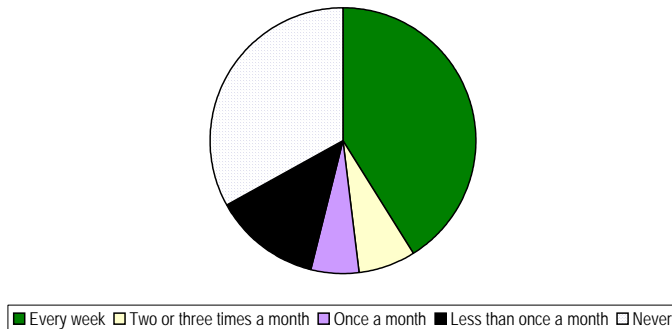
It was in 1569, just over a decade after Queen Elizabeth I came to the throne, when Britons first had the chance to participate in a national lottery. However, the National Lottery in its current form has been running for almost twelve years now, and in that time has generated £18bn for good causes across the United Kingdom, delivered through more than 200,000 individual awards, more than half of which have been grants of less than £5,000.

Britain's visitor economy has seen significant investment thanks to the National Lottery, ranging from the creation of entirely new facilities through to the renovation of existing attractions and infrastructure. Inbound visitors, domestic overnight visitors and local day-trippers have all been able to enjoy new and imaginative experiences courtesy of projects that have received National Lottery funding.

Participation

We can see from the chart that according to the National Lottery Commission over two in every five adults participate in the Lottery every week, with only a third of adults in Britain saying they have never bought a National Lottery ticket.

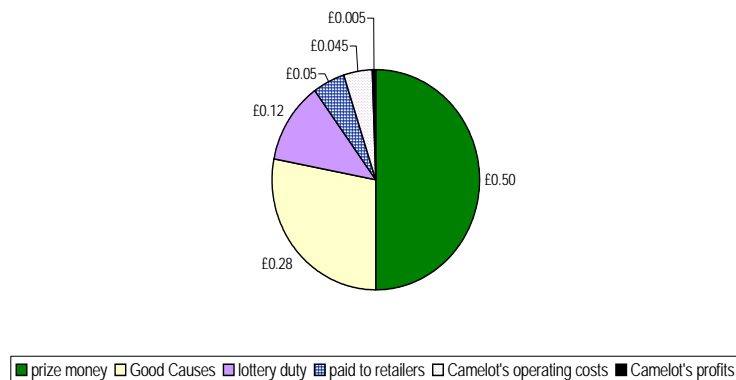
Participation in the National Lottery
(those aged 16 and over)



How a £1 lottery ticket gets spent

The biggest chunk of money from every £1 ticket purchased ends up as prize money, with the 'Good Causes' being the next biggest beneficiary, receiving 28p in every pound. The Government takes 12p in Duty with the remaining 10p covering Camelot's operating costs, profits and payments to Lottery retailers.

Breakdown of the Lottery Pound



The 'Good Causes' and the 'Distributing Bodies'

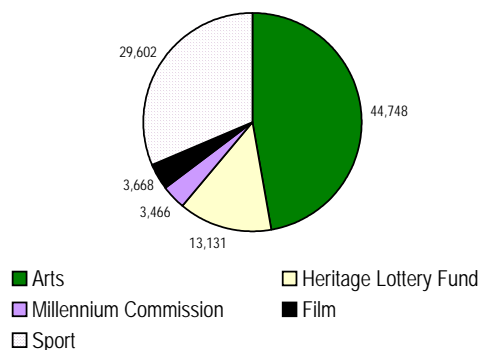
The 'Good Causes', to which the 28 pence in every pound goes to, are at present; 'Arts', 'Charities', 'Heritage', 'Millennium projects', 'Health, Education and the Environment' and 'Sports'. Monies are distributed between the 'Good Causes' by some fourteen 'Distributing Bodies'. The Millennium Commission no longer receives applications but still distributes some funds.

The 'Big Lottery Fund' will in future handle large-scale regenerative schemes with this new distributing body being responsible for distributing around half of all Lottery funding. Clearly not all Lottery money benefits the visitor economy, so we will focus on Arts, Film, Heritage, Millennium and Sports distributing bodies in the following sections as it is these that are most closely aligned with enhancements to visitor economy businesses.

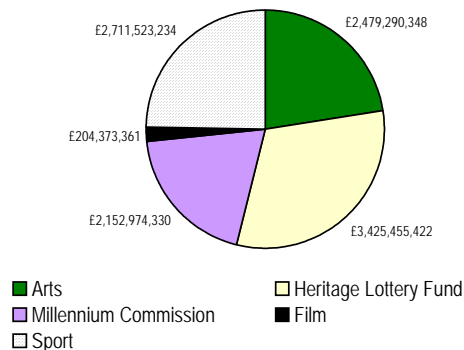
Who has had what?

From the following two pie charts we can see that this subset of distributing bodies have been responsible (up to February 2006) for distributing nearly 95,000 awards, with half being Arts awards and a third Sports awards. The distribution is somewhat different when we look at the value of awards. Totalling almost £11bn, around a quarter of this has gone to Arts projects and a further quarter to Sports projects. However, the slice of the pie accounted for by Millennium projects has grown to a fifth and Heritage projects account for almost a third in value terms due to the much higher average award size for these distributing bodies.

Number of National Lottery Awards



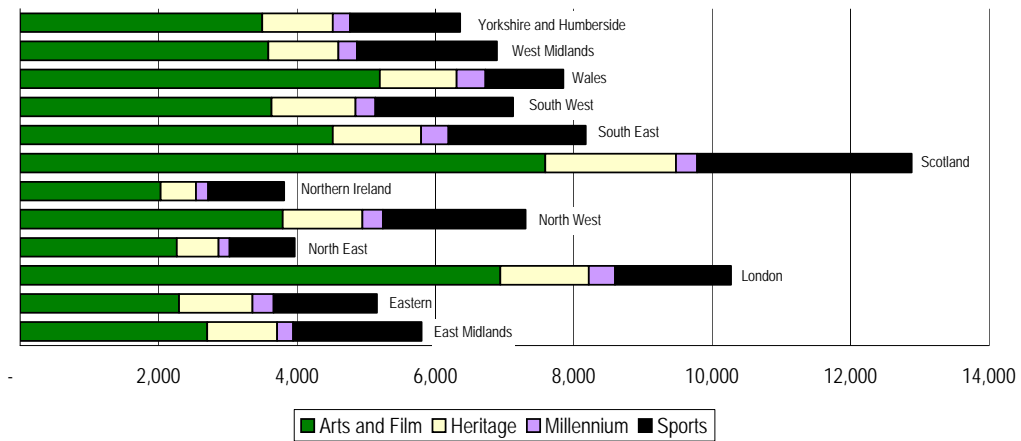
Value of National Lottery Awards



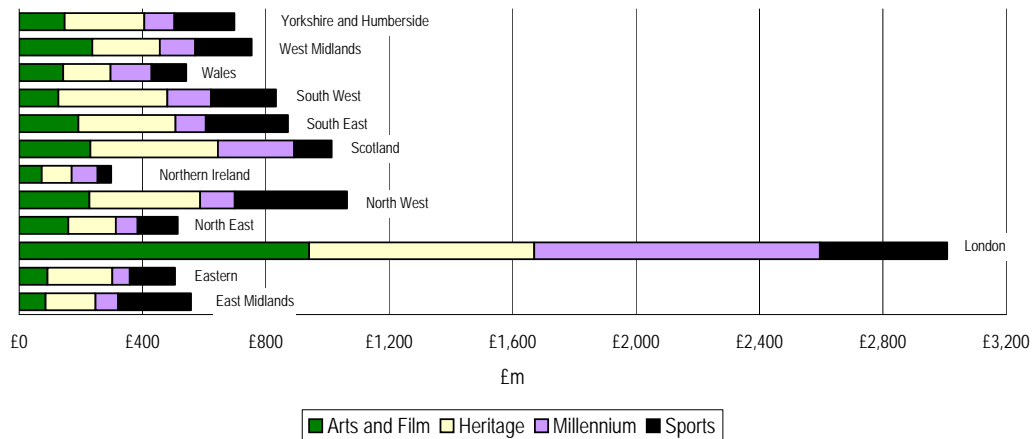
The following charts consider the distribution of awards, in terms of both numbers and value, across the regions of the UK. Scotland has received the most awards from these bodies with over 12,000, London accounts for around 10,000 awards. The North East and Northern Ireland have received the fewest awards from these distributing bodies.

Turning to the value of the awards it is very evident that the large Millennium projects in London result in the capital being the single largest beneficiary with just over £3bn of funding (Royal Festival Hall £37m, Tate Modern £51m, The Millennium Dome £604m for example). The North West is in second place, in part due to funds used to support the Commonwealth Games. Northern Ireland has the smallest share with around £300m worth of awards.

Number of National Lottery awards by region



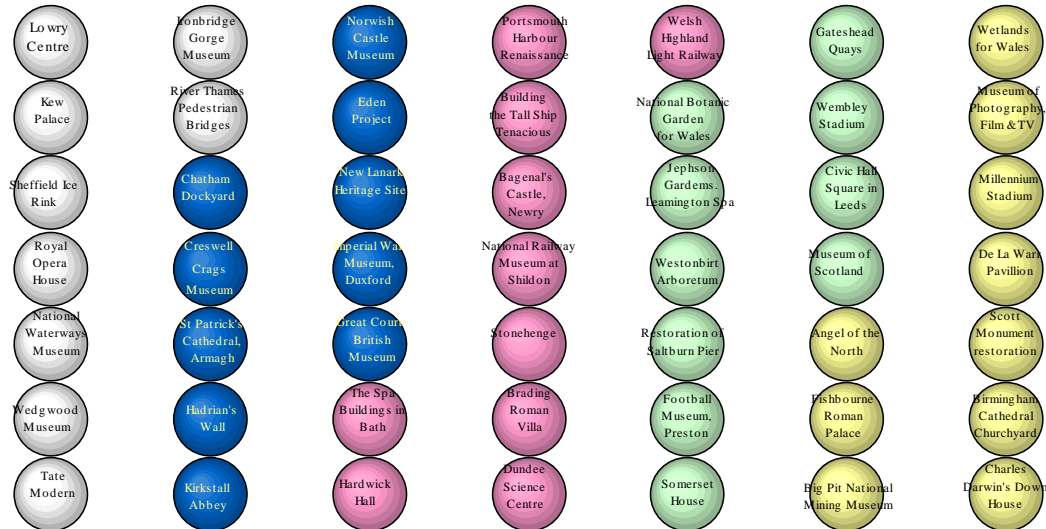
Value of National Lottery awards by region, £m



Benefiting every corner of the visitor economy

In an attempt to illustrate the diverse range of visitor economy beneficiaries of National Lottery funding over the past dozen years (in both geographical and 'type of attraction' terms) we present below just forty-nine of the lucky recipients, all of which have been created, renovated, made more accessible or improved in some manner as a direct result of the National Lottery.

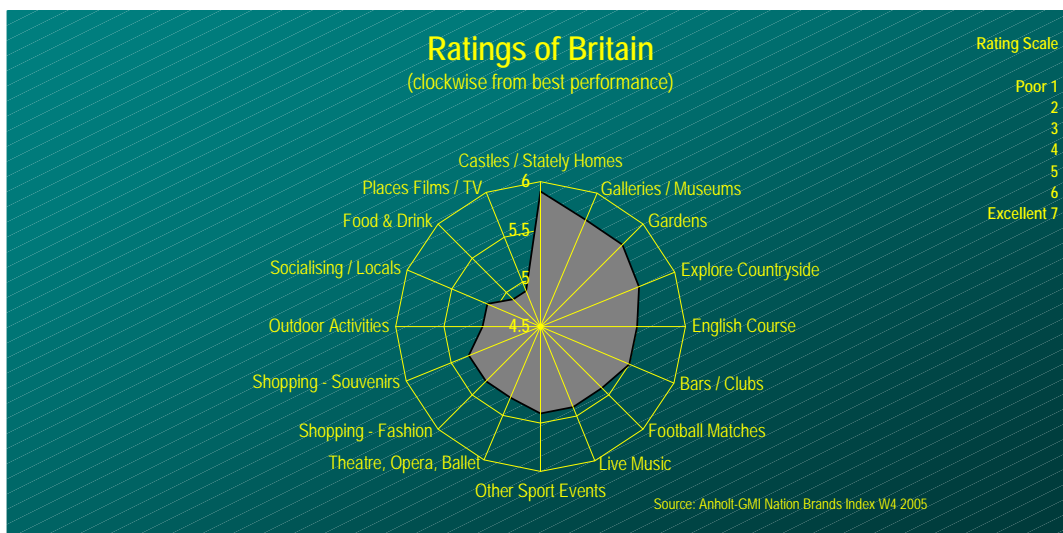
This represents just the tip of the iceberg however, and although there has been much publicity for some schemes, such as the Eden Project, there are many other small-scale endeavours that have resulted in new and higher quality leisure facilities, for example improvements to Jepson Gardens in Leamington Spa.



Attractive to domestic and inbound visitors

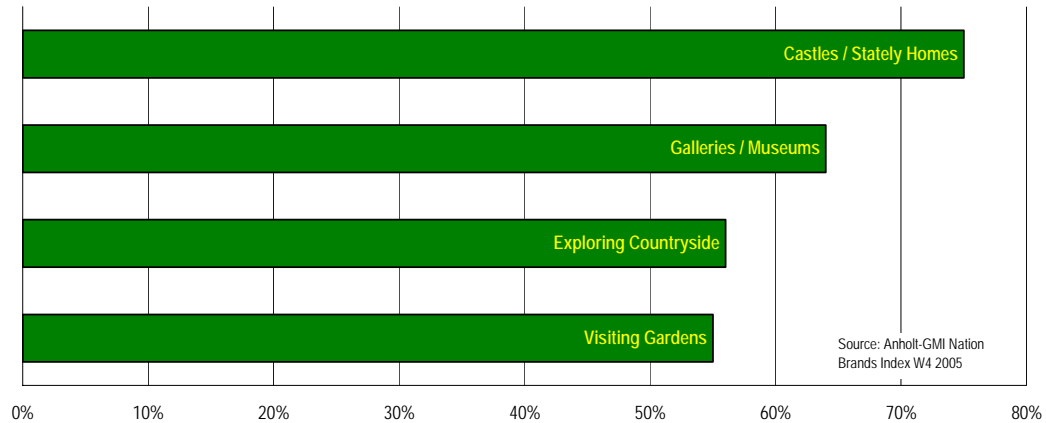
According to the Association of Leading Visitor Attractions in 2005 Tate Modern welcomed 3,902,017 visitors and the Eden Project 1,177,189 visitors – pretty robust evidence that the results of Lottery funding are popular with visitors, but we can look to other recent research to help understand the strong linkages between what the National Lottery delivers for the visitor economy and what potential inbound visitors see as Britain's strengths.

The Anholt-GMI Nations Brand Index (based on representative on-line panels of a thousand consumers in nearly three dozen countries) recently included VisitBritain sponsored questions asking respondents to consider Great Britain as a holiday destination (only a minority of respondents had visited Britain), and to rate the destination as a place suitable for undertaking a range of activities. The resonance of Britain as a potential destination for heritage, culture, gardens and countryside activities is very plain to see in the following chart – and many visitor attractions within these sectors have been successful in attracting National Lottery funding.



Respondents were then asked, if they were to visit Britain, which activities they would be 'very likely' to do during their stay. The following chart pulls out a few of the activities that tie in the types of attractions that have received National Lottery money. Once again there is a strong correlation, with, for example, 75% saying they would be 'very likely' to visit castles or stately homes and 64% saying they would visit museums and galleries. The National Lottery certainly appears to be pulling many of the correct levers for ensuring Britain has a raft of visitor attractions able to please both local and inbound visitors alike.

Activities potential visitors "very likely to do"



Sport

Sports facilities and sportsmen and women up and down the country have received significant investment through the National Lottery. There are the very high-profile schemes such as the Millennium Stadium, Wembley Stadium and support for the Manchester Commonwealth Games, but many small local facilities have seen improvements too.

The National Lottery is set to play a major role in funding the 2012 Olympics, with an expected contribution of £1.5bn to the cost of hosting the Games. It is anticipated that £750m of this will come from a series of dedicated lottery games, £340m will come from the Sports Lottery Fund and, if required, a further £410m from mainstream National Lottery games from 2009 onwards. So far dedicated games have raised £2.7m towards the target according to Camelot.

The value of being able to attract inbound 'sports' tourists is underscored by evidence from the International Passenger Survey. In 2002 visitors were asked whether they watched a sporting event or participated in an amateur sporting event during their visit. The average spend per visit for those saying "yes" was £674, whereas the average for all inbound visitors in 2002 was £481.

The future

The most recent figures show that the National Lottery has been enjoying the longest period of sales growth in its history, with a year-on-year increase of 2.3% during the first half of the current financial year according to Camelot.

The National Lottery Bill is currently working its way through Parliament (the Committee Stage on the floor of the House of Lords was scheduled for the middle of March), and, among other things, the Bill is designed to ensure greater public involvement by allowing the distributing bodies to consult with the public when making decisions on funding priorities. The Bill will also formally establish the Big Lottery Fund.

The Department for Culture, Media and Sport recently undertook a major public consultation exercise covering a range of topics, including the balance of National Lottery funding between arts, film, heritage and sporting projects. The results of the consultation will be used by the Government in deciding (in June this year) how Lottery money will be distributed between these 'good causes' after 2009 when the new Lottery licence commences.

It is to be hoped that in the years to come the National Lottery can build on an overwhelmingly successful track record in relation to the visitor economy by continuing to fund improvements to existing attractions, both big and small, from industrial heritage through to protecting parkland, and by making possible more innovative, potentially iconic, opportunities across the country.

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