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Prime Minister

An early bird!

From the Secretary of State

The Rt Hon Sir Geoffrey Howe QC MP
 Chancellor of the Exchequer
 HM Treasury
 Treasury Chambers
 Parliament Street
 London
 SW1P 3AG

MS 29/10

[Handwritten signature]

29 October 1982

was Geoffrey

As in previous years, the tourism industry and particularly the holiday resorts will be looking for some encouragement in your 1983 Budget, all the more so because the money available for direct grant assistance is so very limited. I believe that it would be right, now, to consider their case. I am concerned that unless the Government pays heed to the tourism industry's call for more equitable treatment as between manufacturing and services (of which tourism is a major component) we shall lose goodwill in many tourism constituencies which it may be difficult to recover, even though the broad thrust of our policies can be seen to be succeeding.

You have over the years introduced a number of "packages" in your successive Budgets which have done a great deal at comparatively little cost. I will suggest that this coming year there would be real merit in the inclusion of a "holiday package" to help our holiday resorts and the tourist industry generally. Such a package would also be of help to the construction industry.

The industry has a strong claim to fiscal encouragement. Tourism is of growing importance as a long-term viable sector of the economy. It is an area to which we shall be looking increasingly for new jobs, including jobs for the young and the low skilled. The industry in this country is not, however, without its problems. Like other sectors, it is finding it hard to compete for business in a highly efficient international market. This situation is reflected all too clearly in the figures. Earnings from overseas visitors have dropped in real terms every year since 1977. In the same period there have also been substantial increases each year in the number and expenditure of UK residents going abroad. It cannot be right that an industry which will pay such a large role in our future economy should, on top of these



From the Secretary of State

considerable difficulties, be further handicapped by discriminating government policies. Indeed there would seem to be a case for a slight tipping of the balance in the other direction.

While the industry has argued strongly for a wide range of concessions, I concentrate in this letter on building allowances.

BUILDING ALLOWANCES

Various proposals have been put to you for improving the existing 20% initial allowance for hotels and extending allowances to other buildings where tourist or tourist-related activity takes place. For the accommodation sector these include lowering the 10 bedroom minimum requirement, removing the evening meal requirement and extending coverage to the self catering sector. All of these I commend for your consideration.

The primary case is for an increase in the initial allowance for hotels from the present 20%. Last year you increased the initial allowance for industrial buildings from 50% to 75%. But no corresponding increase was made for hotels. This not unnaturally has added to the grievance which already existed. Moreover it negated the stock answer that all these matters would have to await consideration of the Green Paper. If allowances for industrial buildings can be increased ad interim, there is no logical reason why allowances for hotels should not also be increased. An increase to 50% for new construction and developments - which would not be very expensive - would be the clearest indication of our concern for the tourist industry and for the holiday resorts in this country.

Extension of allowances to smaller establishments than 10 bedroom hotels would underline our support for smaller firms without adding significantly to the cost. I appreciate that this raises questions of definition and I would suggest that officials should consider where the line should be drawn.

While making these changes it would be anomalous not to widen coverage to fixed structure self catering establishments (at present the fastest growing segment of the market). Here again I would suggest that officials should consider the range of buildings which house or constitute tourist attractions which might be brought within the scope of the allowances.



From the Secretary of State

VAT

I realise that singling out one sector for VAT relief poses singularly difficult problems. It is for this reason I make no specific recommendations to you despite the fact that this is an area in which the tourist industry, and hotels in particular, have very strong feelings. I would only say that if at any time you would be disposed to make VAT concessions, you should keep the tourist industry and the related activities very much in mind.

These matters are of course also of particular interest to George Younger and Nicholas Edwards, in view of their tourism responsibilities and of the economic importance of tourism in Scotland and Wales. I am copying this letter to the Prime Minister, the Secretaries of State for Industry, the Environment, Scotland, Wales, Education, Employment, to the Minister of Agriculture, Fisheries and Food and to Sir Robert Armstrong.

A handwritten signature in ink, appearing to read 'Lord Cockfield', written over a vertical line.

LORD COCKFIELD

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Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

9th November 1982

De Garm

Arthur Cockfield sent me a copy of his letter to you of 29 October about relief for the tourism industry.

I fully support what Arthur says. The tourism industry, as the CBI have recently emphasised, is an important contributor to employment - with scope for expansion - and would I believe respond to a new incentive. Certainly a concession on building allowances would remove a source of grievance and by channelling help direct to new investors in the industry would strengthen our position in our efforts to get the industry to do more to help itself and not to rely over much on the Tourist Boards.

I am sending copies of this letter to the Prime Minister, the Secretaries of State for Industry, the Environment, Trade, Scotland, Education, Employment, to the Minister of Agriculture, Fisheries and Food and to Sir Robert Armstrong.

John
Nair

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
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The Rt Hon Sir Geoffrey Howe QC MP
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Mur 23/11

23 November 1982

I have seen a copy of Arthur Cockfield's letter to you of 19 October suggesting fiscal measures to assist the tourism industry, and of Nicholas Edwards' supporting letter dated 9 November. I entirely share Arthur's assessment of the importance of tourism as a long-term viable sector of the economy; and I strongly support his suggestions for measures to encourage the industry and to achieve more equitable treatment as between manufacturing and service industries.

On the question of VAT, a measure of relief for the tourist industry would be keenly appreciated by the Scottish trade and particularly by the small hoteliers who comprise the great majority of tourist business north of the Border. The trade here, with the full backing of the Scottish Tourist Board, is doing its utmost to increase the numbers of foreign visitors to Scotland because it appreciates the importance of expenditure by them for our overseas earnings. Any VAT concession which you might feel able to make towards the tourist industry would I am sure be a fillip for our overseas tourist business. If I might identify one particular area within the ambit of the tax where a concession might be of especial benefit to the trade, I would suggest that a reduction in the rate of VAT on the food element in meals in restaurants (including restaurants attached to hotels) would considerably enhance the competitiveness of the catering side of the industry and could make the all-in-tariff rates available to tourists rather more attractive. It would also imply no change of principle in that food (other than in restaurants) is already zero rated.

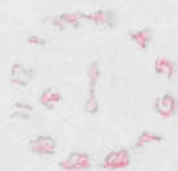
I believe the extension and enhancement of building allowances along the lines suggested by Arthur Cockfield could be of particular advantage to Scotland where we have an unusually high proportion of small, family-run businesses excluded from the scope of the current allowances. It is in my view vital to stimulate new investment in such businesses, particularly in rural areas where the opportunities for increased income and employment are few and where tourism is an essential element in the local economy. I would be grateful if my officials could be included in any discussions you may arrange on the re-definition of eligible establishments and the relaxation of allowances criteria.

I am copying this letter to the recipients of Arthur Cockfield's letter of 29 October.

GEORGE YOUNGER

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NOV 1982





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Prime Minister (2)

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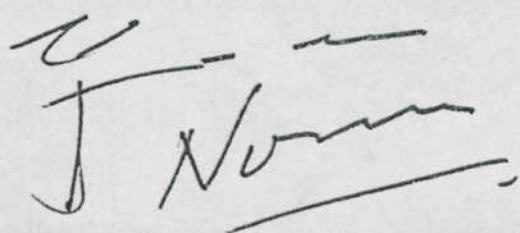
30 November 1982

R. Geo Howe,

I have only just seen a copy of Arthur Cockfield's letter to you of 29 October suggesting a number of fiscal measures to assist the tourist industry. I should like to support Arthur's proposals. These would do a great deal at comparatively little cost. And they would have the added advantage of helping the hard-pressed construction industry.

In general, there is no doubt that tourism is one of the main areas to which we shall be looking for new jobs in the future, and that it will be a particularly important source of jobs for young people and the low-skilled. In view of this, I think it must be admitted that overall Government assistance for tourism compares very unfavourably with what is available to individual sectors of manufacturing industry. This seems to be a good illustration of the need to achieve a more equitable balance between service industry and manufacturing as far as Government aid is concerned.

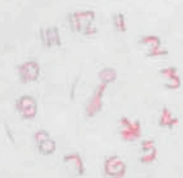
I am copying this letter to the Prime Minister, the Secretaries of State for Trade, Industry, Environment, Scotland, Wales and Education, the Minister of Agriculture, Fisheries and Food and Sir Robert Armstrong.



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My ref: H/PSO/17446/82
Your ref:

30 November 1982

Lee Culpin

Arthur Cockfield sent me a copy of his letter to you of 29 October about financial assistance for the hotel industry, by means of improved building allowances.

I agree that a "holiday package" of the kind he proposes would not only assist the tourist industry, but that the building activity it would generate would also be welcome to the hard-pressed construction industry. I know you need no reminding of the extent of the industry's problems.

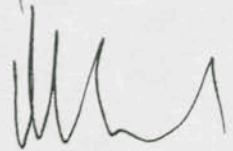
It is important that the package should be tailored to fit the market. My impression is that the particular areas of demand are, on the one hand, well-located hotels geared to the business market, and holiday hotels with a wide range of leisure facilities and, on the other, self-catering accommodation. There may be some over-capacity in other sectors of the market. The demand at the upper end of the market is also reflected in a trend for hoteliers to add costly new recreational and leisure facilities to existing larger hotels.

Arthur Cockfield's proposals for extending the scope of initial building allowance to cover the construction of self-catering establishments therefore seems particularly valuable. Allowances for the production of self-catering units might be particularly beneficial to the small hotel operator, who would otherwise be unable to afford the outlay. Both for self-catering and hotels I would strongly support the extension of allowances to buildings with fewer than ten bedrooms.


More generally, the hotel industry would benefit from the effects of improved allowances on the substantial hotel extensions which are currently being undertaken to improve facilities. And although there is little new building at the moment, we may hope for a noticeable upturn in the level of activity once the economy begins to pick up. An increase in the level of building allowances may then tip the scales sufficiently to allow marginal projects to go ahead.

/ I am copying this letter to Arthur Cockfield and the other recipients of his letter.

Yours ever



MICHAEL HESELTINE



Econ Pol
Budget

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Secretary of State

Northern Ireland Office
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Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
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17 January 1983

I have just seen a copy of Arthur Cockfield's letter to you of 29 October suggesting fiscal measures to assist in the tourist industry, and copies of Nicholas Edwards' and George Younger's letters on the same subject.

I fully support the views expressed by Arthur and have no doubt that his proposals would be of considerable benefit to the Northern Ireland tourist industry. As you will appreciate tourism in Northern Ireland has suffered greatly from the image of the Province created by the security situation. During the early and mid-1970s there was a substantial decrease in visitor numbers. Of recent years there have been distinct signs of an increased interest in the Province as a holiday destination and strenuous attempts are being made by the Northern Ireland Tourist Board and by local travel and holiday interests to restore the flourishing tourist industry which existed here in the late 1960s.

I believe that there is considerable potential for the development of tourism in Northern Ireland and that the industry is capable of making a very useful contribution to employment in the Province. The improvement in the building allowances for tourist accommodation, which is proposed in Arthur Cockfield's letter, would be particularly useful to us and should help to reduce the dependence of investors on Government grants.

I would add that I am convinced that there is an important link between these tourism promotional activities and our efforts to attract inward



industrial development to Northern Ireland. A successful tourist campaign can correct misconceptions about conditions here and provide valuable reassurance to potential investors and their managers, and their families.

I am copying this letter to the recipients of Arthur Cockfield's letter.

*Yours
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Econ Pol
Budget

20 JAN 1983

