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BDO LLP

Management
Consulting

EXTERNAL REVIEW OF THE WITHDRAWAL OF VISITENGLAND SUPPORT FOR THE ENGLANDNET PLATFORM AND DETERMINATION OF PLATFORM LEGACY

This report has been prepared on the basis of the limitations set out in the Terms of Reference and the matters noted in the Important Notice From BDO LLP on page 3.

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1 Terms of Reference

1.1 *IMPORTANT NOTICE FROM BDO LLP*

This report (the “Report”) has been prepared by BDO LLP (“BDO”) for VisitEngland (“VE”) in accordance with the Terms of Reference, dated 9 June 2011 (“ToR”) and on the basis of the scope and limitations set out below.

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1.2 Background

EnglandNet is a non-profit making initiative, run by VE and until March 2010 deployed in partnership with the Regional Development Agencies (RDAs) and regional and local tourism organisations. This single-source national platform was created to address collation and distribution of the UK's tourism product. Its mission is to maximise the 'reach' of the UK's tourism product to domestic and international markets, by ensuring that the greatest possible depth and breadth of tourism product is promoted to the greatest possible number of potential visitors worldwide, through public and private sector distribution channels. EnglandNet is not a website and is not a booking system; it is a toolset of functionality which is available as a white-labelled service for partners and distribution channels to incorporate into their websites.

The EnglandNet project started in 2001 with the award of a 2 year, £900,000 CMF3 (Capital Modernisation Fund) grant awarded to the English Tourism Council by the Department for Culture, Media and Sport (DCMS). During the development phase, between November 2001 and March 2005, EnglandNet cost £6,891,000 to develop, with costs substantially met by a series of grants from DCMS, English Tourism Council, VisitBritain and the Regional Tourist Boards. During the operational phase, funding of the service was met by VisitBritain and later VisitEngland, with costs offset by income generated from contributions from the RDAs and from charges levied on commercial consolidators using the EnglandNet 'Polling' service and on distribution channels using the platform data and services.

The funding and operation of EnglandNet recently came under scrutiny following the Government's spending review. It became necessary for VisitEngland to review its options as to the current level of investment and commitment to maintaining EnglandNet in its current form. Following the review it was decided that from 30 September 2011, EnglandNet must incur nil cost to VisitEngland and any activity proposed must be in line with Government policies/priorities. In addition, it was determined that the "market failure" inherent at the outset of the project, was no longer a factor.

VE began its exit strategy on 31 May 2011 and it will be completed at the latest by March 2012. We appreciate that, as with any major change within any organisation, the process of change will not be without its challenges. In accordance with our ToR, dated 09 June 2011, BDO are engaged by VE to perform a high-level review of the withdrawal of support for EnglandNet by VE and to determine whether there is any platform legacy in evidence.

1.2.1 Engagement Approach

To establish a good understanding of the EnglandNet project, it was necessary for BDO to meet with key stakeholders within the EnglandNet leadership and to review all relevant documentation, process and financial representations. Our analysis placed a focus on reviewing all documentary and commentary evidence for the period concerned with the lifetime of the project, from 2001 to the proposed exit date of October 2011.

Our engagement approach was agreed within the ToR and is designed to address the specification of service set out by VE. This engagement approach comprises the following:

- a) **BASELINE REVIEW** - Determination of the underlying rationale behind the decision to create EnglandNet, comprising VB/VE's approach to the financial, operational and people aspects from its inception. This includes:
 - Review of the business case and rationale
 - Review of IP, contracts & ownership - VB (and VE) into EnglandNet
 - Financial - Total investment made & return (e.g. public funds)
- b) **CHALLENGES, PERFORMANCE AND BENEFIT REALISATION** - Establishment of a good understanding of EnglandNet's performance since its inception in 2001. This includes:
 - Benefit realisation - how will VE be judged?
 - Lessons learnt for the future.
- c) **RECOMMENDATIONS AND OBSERVATIONS**
 - Identification of areas of success, improvements and risks associated with this initiative and any internal or external factors which may have contributed to the decision to withdraw.

Our high level findings are set out on the following pages.

2 Executive Summary

A primary consideration of this review is to place the EnglandNet initiative in the context of the UK tourism industry in 2001. Additionally we will focus upon the extent to which VE's investment in technology to address any perceived market failures and needs was required. A particular perceived need within the UK tourism industry did exist in 2001 with respect to e-business for SMEs, and as a result, public investment was required to address this need. Documentation and commentary from that period suggests that the UK tourism industry was fragmented and lacked the scale and reach to coordinate and implement a national platform to benefit all stakeholders.

In hindsight the costs of creating this platform may be seen by some to be high when considered in terms of the cost of technology available today, but in the context of when the project began, the costs of development, maintenance and improvement of EnglandNet are considered to be reasonable and in line with market rates during the lifetime of the project.

Although contracts and IP issues form a large part of EnglandNet it was not within the scope of our engagement to evaluate them in any detail. Within this report we offer a high level opinion as to the processes undertaken to address contracting issues and IP ownership within the EnglandNet platform. From our assessment we believe that OJEC procurement policies have been followed and all contracts awarded appear to be at market rate and reasonable. However, without performing a detailed analysis of all related documentation and interviewing the key stakeholders we cannot provide categorical assurance to this end.

During its development, the majority of EnglandNet's costs were met by grants and funding from the Department for Culture, Media and Sport (DCMS), the Regional Development Agencies (RDAs), the English Tourism Council (ETC) and VisitBritain. At the time the investment was made funding was made available and the project was seen to be strategically important to the development of the UK tourism economy. The cost of development of £6.9m represents less than 5% of the total budget of VisitBritain for four years, if we assume an annual budget of £40m and ignore any inflation effects. It is our understanding that this initiative represented a major step change that would benefit the whole of the UK tourism industry and at a cost which, although considered high, would not have a funding impact on other initiatives.

Following its operational launch in 2005/6, EnglandNet has cost on average £1.3m a year to run, covering all ongoing technical support and development as well as staffing costs. During its lifetime this cost was not required to be offset by any significant income generated as its main focus was to help extend the reach of the UK's tourism product on a national and global scale. The value of the investment in the platform should not be purely considered as its ability to create directly attributable income for VE to offset its cost. There has been a significant increase in the number of referrals managed through EnglandNet since 2007/8. In data supplied to BDO, it has been shown that since March 2007 the number of referrals made monthly across channels has increased from 1,923, up to a peak in July 2010 of 43,616. It is our understanding that the investment in EnglandNet has resulted in the creation of a platform that has made the process of distributing and marketing UK tourism product much simpler, demonstrated by the fact that the database holds information for over 50,000 quality assessed accommodation providers, over 16,000 attractions, over 2,000 activities and over 7,000 live events, supplied by a network of over 60 data collection partners nationwide.

With recent austerity measures put in place by the new Government and a tightening of public sector budgets following the public spending review, it is felt that this ongoing cost should now be borne by the commercial sector. This decision followed a review conducted by VE to assess the options available; whether it was the right decision will only become evident if the platform evolves over the coming years.

The prime objective of this review, having developed a good understanding of the background, is to determine what, if any, legacy has been created by the EnglandNet platform for the UK tourism economy. Did EnglandNet achieve what it was originally designed to do? As a very simple demonstration of this, the fact that users of the VisitBritain and EnjoyEngland websites from the UK and abroad can find, check availability and book accommodation and purchase tourism products through a simple online gateway is a testament that a comprehensive and robust database of tourism information has been created. By making the core elements of this platform openly available for the market to use, develop and modify we believe

that EnglandNet has created a solid foundation for the future growth of the UK tourism product's e-business environment.

Over the following pages we have detailed our understanding of the EnglandNet platform and provided a commentary concerned with the necessary business case, procurement, negotiations and processes, and whether EnglandNet achieved what it set out to do.

3 Baseline Review

3.1 *Review of business case and rationale*

The EnglandNet platform was first conceived in 2001 and had, at its heart, both a national tourism product database and interoperability and distribution functions which enabled small businesses in the tourism industry to compete on a 'level playing field' with larger operators, by being listed on national websites and by having their data distributed more widely through large, national resellers. It is also important to note that the EnglandNet conceived at a time of crisis in the UK tourism industry due to the effects of the Foot and Mouth Disease (FMD) outbreak and the 9/11 terror attacks in New York. During FMD outbreak, the countryside was "closed" and then the government needed to get people visiting again. As a result of this it became apparent that there was no national "real-time" database to inform the public about what was open and which parts of the country were affected. In addition, at that time it was relatively difficult and expensive for businesses to do this themselves as the concept of e-commerce and e-marketing was still relatively expensive for small businesses in the UK tourism sector. They possessed neither the resources nor the appetite to invest in such systems on their own.

Schematic illustration of the strategy for E-Tourism



Source: E-Tourism in England, Andrew Duff, Head of Tourism Technology, English Tourism Council.¹

Initially, the objective was to provide e-commerce services to enable end-consumers and re-sellers to access the whole tourism product in England, and search, book and pay for it through a single application. However, in response to concerns raised by a number of the stakeholders within the project that creating a full e-commerce engine could cause significant market disruption, it was decided that the system should only include the search and price / availability comparison elements of the e-commerce process, later to be known as the 'Polling' service.

The complete strategy for E-tourism was set out in a strategy paper published by the English Tourism Council in July 2002¹. This strategy involved 5 key areas of development:

- To mobilise effective organisational and technical responses to assist the industry, especially small tourism businesses, in adapting to the new e-business environment
- To improve the collection and distribution of comprehensive and appropriate tourism information to meet the needs of consumer growth markets
- To improve business processes for marketing, booking and purchasing of tourism products
- To adopt the most appropriate communications and technology solutions to support the above
- To achieve a fully integrated e-business network for English tourism.

At the time that EnglandNet was created, it is our understanding that there was no other technology available that would enable such centralised mass marketing of tourism product to potential customers, domestically as well as internationally. Anecdotal evidence also indicates that in 2001 it was not uncommon for public funding to be used to support the development of destination management systems or comparable IT solutions. The review “Towards E-Business - Best Practice in Tourism Destination Systems”, published in July 2001 by Tourism Enterprise and Management (TEAM)², stated that:

“With no major exceptions, the development of DMSs has involved a large investment of public funding. Generally such investment has been seen as strategic in nature:

- *Realising new marketing opportunities and responding to competitive threats*
- *Increasing competitiveness and profitability in the tourism industry*
- *Enhancing co-operation and partnership between the DMO and the industry”.*

A market need did exist within the tourism sector and EnglandNet was able to support the development of an e-business strategy for a number of small businesses which helped catalyse the market and revolutionise the use of the internet in supporting the UK’s tourism product. The demonstration of this effect is that today, the National Tourism Product Database (NTPD) contains details of over 50,000 quality assessed accommodation providers, over 16,000 attractions, over 2,000 activities and over 7,000 live events, supplied by a network of over 60 data collection partners nationwide.

3.2 Review of IP, Contracts and Ownership

3.2.1 Ownership structure

During its lifetime, EnglandNet has gone through a significant number of changes of ownership as a response to the continual evolution of the strategies for e-tourism and tourism as a whole in the UK³.

Date	Event
November 2001	EnglandNet project was initiated, to be owned, developed and managed by a company called “EnglandNet”, owned jointly by the English Tourism Council (ETC) (40%) and RTB Enterprises (60%). RTB Enterprises was formed and owned equally by the Regional Tourist Boards.
Mid 2002	“EnglandNet” changed name to “Networks for Tourism (N4T)”
April 2003	VisitBritain was formed by the merger of the British Tourist Authority (BTA) and ETC. VisitBritain assumed ETC’s 40% shareholding in N4T
December 2004	Following an OGC Gateway Review, N4T and RTB Enterprises were wound up and VisitBritain assumed 100% ownership of EnglandNet.
January 2005	A set of agreements concluded between VisitBritain and the RDAs governing the support, use and management of the EnglandNet platform and services and covering the supply of data to VisitBritain by the regions and use of the EnglandNet ‘Polling’ service by nominated sub-regional organisations.

1. E-tourism in England - A strategy for modernising English tourism through e-business, ETC, July 2002
 2. Towards E-Business, Best Practice in Tourism Destination Systems, TEAM, July 2002
 3. Advice from counsel, July 2008

April 2006	The RDAs agreed to pay a capped annual fee for the provision and management of the platform. VisitBritain also levied marketing charges on commercial consolidators using the 'Polling' service and licence fees on distribution channels using the platform data and services
April 2010	The agreements with the RDAs ceased, with the RDAs terminating their contribution to EnglandNet's running costs.
October 2010	Funding letter from Secretary of State asking VisitEngland to rationalise its involvement in and the delivery of digital platforms.
November 2010	Management of EnglandNet was transferred from VisitBritain to VisitEngland.
March 2011	Publication of the coalition Government's tourism policy
April 2011	VisitEngland's Board decided that VisitEngland will withdraw its financial and operational support for the EnglandNet platform by 30th September 2011.

The continuous change of ownership of the platform in its early life, combined with the associated governance issues is very likely to have contributed to the issues that the platform encountered with regards to effectively marketing and distributing the platform. Once stability had been achieved and a clear structure had been put in place, the platform was able to begin to meet its initial objectives.

3.2.2 Governance and Control

A key event in the life of the platform was the 'red rating' following an OGC Gateway Review in 2004. VisitBritain assumed control of the EnglandNet platform following this review and to address some of its key concerns, a new governance structure was put into place that created a formal process for the management and delivery of the EnglandNet platform. This governance structure was designed to support the EnglandNet project and provide a mechanism for the key stakeholders to review and manage its performance. This structure included the creation of two separate steering groups, the Strategy Group and the Operations group.

The primary role of the Strategy Group was to *"ensure a successful integration of EnglandNet, into the domestic and international marketing of England to consumers and the maximisation of its benefits through the coordination of activities and communications between VisitBritain, the Regions and the Tourism Industry"*⁴.

The Primary role of the Operations Group was to *"take responsibility for the development and full adoption of EnglandNet at a regional level, while constructively representing regional issues"*⁵.

As a measurement and management tool, a scorecard was developed and used to monitor the platform and set its objectives. This detailed the performance of EnglandNet in 5 key areas:

- Governance and Development
- Quality & Quantity of Product and Content
- Platform Structure and Management
- Getting Product and Content on view - VisitBritain Channels
- Getting Product and Content on View - Third Party Channels.

The final scorecard seen by BDO was published in January 2009, and the performance of the platform was deemed to be "fairly impressive" in both Governance and Development and Quality & Quantity of Product and Content⁶.

The areas in which there was significant scope for improvement were within the marketing of the product and content. This clearly demonstrates that a key issue with the platform was in its inability to effectively generate funds to offset its significant running costs. However, it is worth noting that

marketing of product and content was not one of the five original development areas noted in 3.1 above. This scorecard suggested that if the product could be marketed through VisitBritain's internal channels, there was significant scope for substantial referral fees being generated. Additionally it was felt that the VisitBritain website was not optimised for the product searches.

If VisitEngland were to continue to support and fund EnglandNet then one of the first areas on which it should concentrate would be the effective marketing of its services to maximise the value of the EnglandNet platform.

3.2.3 Procurement Process

During the lifetime of EnglandNet, there have been a number of commercial tenders published and the support of third-party businesses has been crucial to its development. The following timeline details the key events during its lifetime, in relation to the contracting of external suppliers⁷.

Date	Event
April 2002	The English Tourism Council (ETC) contracted with Touch Vision Systems (TVS) for the development and hosting of the EnglandNet "CMS" (Content Management System). This contract was awarded as a result of a formal OJEC tendering process.
March 2003	TVS's contract was extended and further funding authorised by the N4T board, with agreement of the board for TVS to appoint NetDecisions Limited as a sub-contractor to undertake a substantial proportion of the outstanding development work.
March 2003	The British Tourist Authority (BTA) contracted with NetDecisions Limited to develop its new generation of websites, www.visitbritain.com , following a formal OJEC process.
July 2003	N4T contracted with NetDecisions Limited to license the product 'V3' to form the platform on which the EnglandNet E-commerce service (subsequently superseded by the 'Polling' service) would be based. The contract was awarded following a single company invitation to tender issued to NetDecisions Limited.
August 2003	N4T formally dispensed with the services of TVS and NetDecisions Limited took over as the primary contractor.
December 2004 ⁸	A Commercial Co-operation Agreement (CCA) was signed between N4T and NetDecisions, defining the IP and usage rights to the platform components and the service level agreements.
November 2006 ⁹	A new CCA was concluded between VisitBritain, Agilisys (formerly named NetDecisions) and Eviivo Limited (a subsidiary of Agilisys and the owner of the IPR to the 'Polling' service). This CCA superseded the 2004 CCA and defined the key IP rights, hosting, development and service level agreements. This CCA ran until 31 May 2009.
2007	Comprehensive spending review resulting in a 20% decrease in funding for VisitBritain (thereby increasing the need for commercial income)
July 2008 ¹⁰	The CCA was extended for 12 months to run from 1 June 2009 to 31 May 2010 and varied to include additional services as part of the agreement and to make the 'Polling' service available under licence to VisitBritain's public sector partners.
August 2010 ¹¹	The CCA was extended for a further 12 months to run from 1 June 2010 to 31 May 2011 and varied to reduce the costs of maintenance during this period.

7. Instructions to counsel - July 2008

8. CCA December 2004 - Networks for Tourism and NetDecisions Ltd

9. CCA November 2006 - VisitBritain, Agilisys and Eviivo

10. CCA Variance July 2008

11. CCA Variance August 2010

The evidence of the procurement process seen by BDO confirms that OJEC and Public Procurement regulations were applied. However, given that we have not been privy to any documentation that is representative of the decision making process as part of each of these tenders, we cannot completely provide assurance of the process undertaken. We have no reason, however, to believe that this was not the case.

As per management representations and reviewing anecdotal evidence, it is our understanding that the contracts awarded were at fair value and did not demonstrate inflated costs for services rendered during their execution. This is demonstrated by referring to a publicly available document, "Towards E-Business-Best Practice in Tourism Destination Systems", published in July 2001 by Tourism Enterprise and Management (TEAM), which states that the costs for the development of three major systems developed during the 1990s was in the range of £12m - £15m over a three or four year period.

This cost was inclusive of:

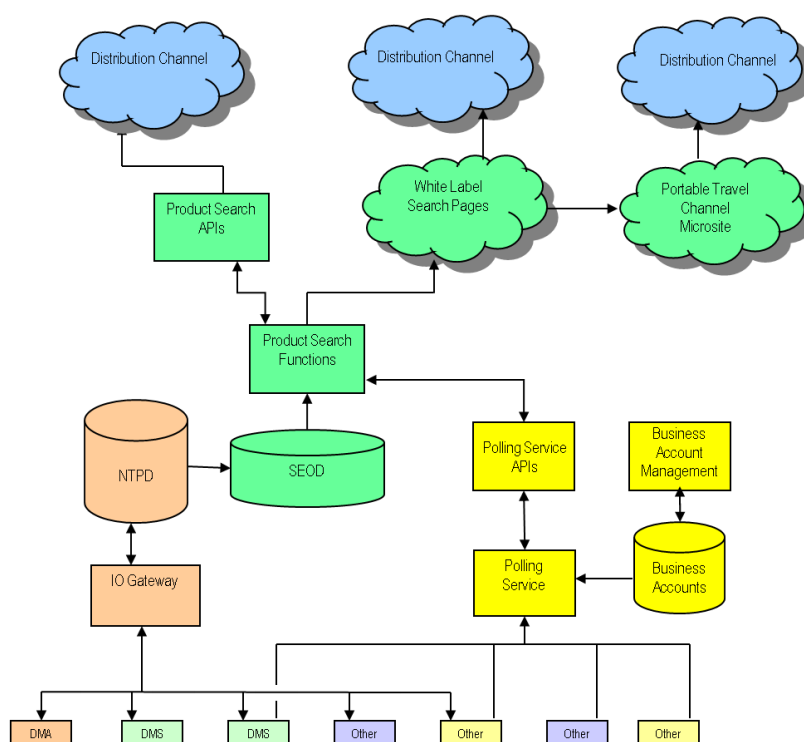
- Technical infrastructure of computers and network communications
- The database management system and related software
- The digital database content
- Standard 'off-the-shelf' software
- Specialist applications software for tourist board functions
- Project management
- DMO staff training and development
- Awareness and skills training for tourism suppliers.

In terms of ongoing costs, this report states that TIScover, the Austrian system which received over 29 million visits in the year 2000, cost £1.5m per year to cover system development and enhancement. Although these projects are not necessarily directly comparable in terms of functionality to EnglandNet, they do give a clear comparison of costs of IT systems at the time when EnglandNet was created and show that the costs incurred were indeed reasonable and acceptable.

3.2.4 IP Issues

The CCA concluded in November 2006 was a key document in clarifying the IP ownership and service level agreements for the EnglandNet platform.

Following the decision to remove funding and support for the EnglandNet platform, it has been decided that the design of the national product database and the software programs which allow data to be input to the database are to be released as an 'open source' toolset, alongside all associated documentation. It will be possible for any interested third parties to use this technology to build their own new systems based on this open source design, to support system interoperability to a national standard. The other key part of the platform is the 'Polling' service and product search functions, which are based on proprietary software developed by VisitEngland's technical partner, Eviivo Limited. This IP will be retained by Eviivo and they will be entitled to continue to offer their services to existing product providers and to other technical suppliers and their systems.

EnglandNet Platform Structure¹²

It has not been in scope to investigate the details of any respective contracts between VE and its suppliers concerning EnglandNet. We have only been able to make our observations based on the limited data that we have been privy to as part of this review.

To ensure that the investment in EnglandNet is able to create a legacy for the UK tourism industry, the IPR created as part of this project is to be released where possible as an 'open source' toolset; this is in accordance with recent digital economy policies proposed by the Government. In the Digital Britain Report, published by the Department for Business Innovation & Skills¹³, it was stated that for the benefit of the UK economy, the IP created by any public investment should reside where it can have greatest benefit for the UK economy. In this instance, VE believes that by publishing the source code, standards and documentation relating to the National Tourism Product Database (NTPD) and its associated data management facilities as an 'open source' toolset, the UK tourism industry will find the best use for this IPR for themselves, without interference from the state. VisitEngland may seek to offer support and advice around how to use these platforms and will continue to assist with marketing efforts, but will not act as a gateway to deliver a technical solution into the marketplace.

This perspective of taking a step back from operating a national database is as a result of a refocusing of VisitEngland to ensure that it is an effective tourist board, putting its resources to their best use. This decision is essentially in line with the four year corporate strategy developed by VE via the Strategic Framework for Tourism¹⁴. The Strategic Framework has four key objectives:

- To increase England's share of global visitor markets
- To offer visitors compelling destinations of distinction
- To champion a successful, thriving tourism industry
- To facilitate greater engagement between the visitor and the experience.

The main focus of these objectives is to support the tourism industry and for continuous improvements in key areas to be achieved: the headline ambition is for a 5% growth in value, year on year, in the next decade. This is to be achieved despite the current cut in funding levels, through effective implementation of the action plans identified as part of the strategic framework and extensive consultation with industry experts and stakeholders within the industry.

12. EnglandNet platform structure

13. Digital Britain Report - Department for Business Innovation and Skills, June 2009

14. A strategic Framework for Tourism, 2010-2020, Revised Edition 2011

The action plans developed to achieve the above objectives are in the first phase of implementation and are:

- National Marketing Strategy
- Rural Tourism
- Seaside Resorts
- Modernising Visitor Information
- Business Tourism
- Accessibility
- Wise Growth
- Destination Management
- Welcome
- Research and Intelligence.

Within the scope of this review we have considered the high level implications of these action plans and the most relevant, we feel, is the National Marketing Strategy. This strategy, now referred to as the 'All England Marketing Strategy' was created following a six-week consultation period, led by the England Marketing Strategy Steering Group. This group included a range of public and private sector stakeholders across the UK. There are seven core deliverables of this strategy and a key one for the future of the EnglandNet platform is 'Sharing tools and resources to reduce duplication and embed smarter working'.

3.3 Review of financial aspects of the project

Since EnglandNet was conceived in 2001, it has been significantly supported by public funds through a range of grants and funding bodies.

Development

Year	Total (£)	Funding source
2001 / 02	819,000	CMF3 Grant from DCMS and English Tourism Council
2002 / 03	2,143,000	CMF3 and ISB4 grants from DCMS and English Tourism council
2003 / 04	2,448,000	ISB4 grant, VisitBritain and RTB Enterprises
2004 / 05	1,481,000	DCMS, ISB4 grant, VisitBritain and RTB Enterprises
TOTAL	6,891,000	

Source: VisitEngland Management Representations

Total of funding Sources

Funding Source	TOTAL (£)
DCMS, comprised of:	5,007,000
CMF3 Grant from DCMS	600,000
ISB4 Grant from DCMS	3,407,000
DCMS Contribution	1,000,000
English Tourism Council	1,034,000
VisitBritain	425,000
RTB Enterprises	425,000
TOTAL FUNDING	6,891,000

Source: EnglandNet Review, by Elisabeth Else, February 2009¹⁵.

As can be seen above, over 70% of the funding for the EnglandNet platform was secured through grants in aid from DCMS over the 4 years of development from 2001 to 2005. Given that the annual budget of DCMS is over £2.2bn (2010 figures), this investment of £5,007,000 represents a very small proportion of the overall budget.

Operational Costs

Year	Staff Costs (£)	Operational Costs (£)	Technical Costs (£)	Total (£)
2005 / 06	393,000	105,000	542,000	1,040,000
2006 / 07	444,000	80,000	540,000	1,064,000
2007 / 08	516,000	100,000	780,000	1,396,000
2008 / 09	526,000	96,000	970,000	1,592,000
2009 / 10	402,000	75,000	1,140,000	1,617,000
2010 / 11	422,000	85,000	890,000	1,397,000
TOTAL	2,703,000	541,000	4,862,000	8,106,000

Source: VisitEngland Management Representations

In April 2009, VisitBritain ‘ring-fenced’ part of its budget to form and fund “VisitEngland”. In 2010/11, the grant-in-aid provided to VisitBritain from DCMS was £40.9m. An annual expense of on average £1.3m represents an outlay of 3% of the total VisitBritain budget, and circa 10% of VisitEngland’s budget (assuming a £11.7m budget in 2010), which in this context is deemed to be relatively significant¹⁶.

In light of future cuts in funding, announced as 34% for VisitEngland following the government spending review, it becomes ever more important for EnglandNet to demonstrate that it has the potential to at least break-even within a relatively short period. Although affordability was important in determining the future of the platform, this was not the only consideration, as described in section 4 below.

15. EnglandNet Review, Considering the MoU period April 2006 - March 2009, Elisabeth Else, February 2009

16. VisitBritain and VisitEngland 2010 Annual Report and Financial Accounts

From April 2006, VisitBritain / VisitEngland has levied charges on commercial consolidators using the 'Polling' service and on distribution channels using the platform data and services. These charges have been levied in one of two ways:

- As a flat upfront fee where no transactional charges are payable;
- As a transactional charge payable as a percentage of the commission earned by the consolidator or distribution channel on completed bookings resulting from referrals from VisitBritain.com, enjoyEngland.com and other tourism websites.

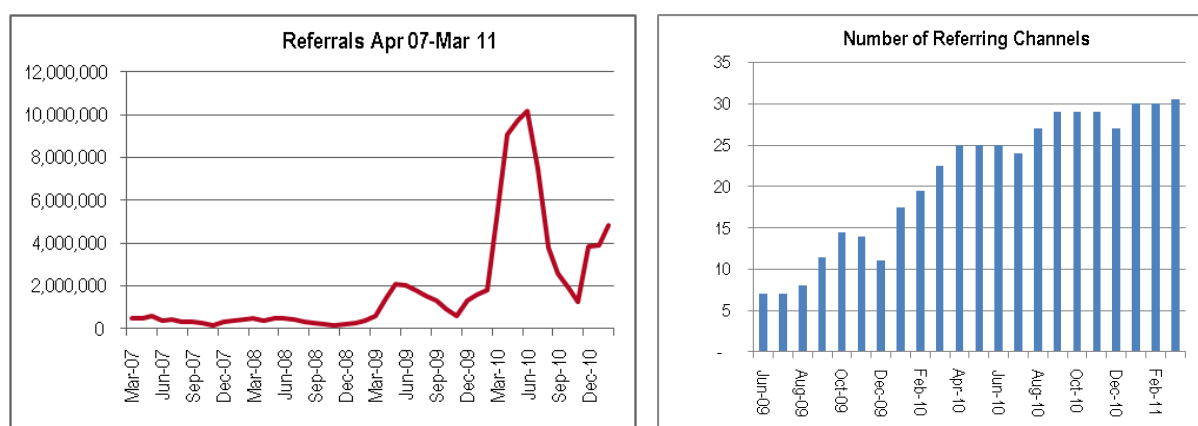
To date the revenue from these activities has been relatively limited, a £300,000 income in 2010, and the prospect of making the platform cost neutral is thought to represent a significant risk in the future, if success and an appetite for investment and take-up has not been demonstrated until now.

4 CHALLENGES, PERFORMANCE AND BENEFIT REALISATION

4.1 Benefit Realisation

4.1.1 Increased reach of UK tourism products

The value of the investment in the platform should not be purely considered as its ability to create directly attributable income for VE to offset its cost. There has been a significant increase in the number of referrals managed through EnglandNet since 2007/8. In data supplied to BDO, it has been shown that since March 2007 the number of referrals made monthly across channels has increased from 1,923, up to a peak in July 2010 of 43,616. This is based on 24 channels returning referrals and gives a monthly value of these referrals of approximately £10m.



As can be seen above, as the database has become more widespread, the referrals at peak periods of the year have increased to the point that they are directing significant amounts of traffic to booking websites for tourism product. At its outset, the objective of EnglandNet was to create a system by which a large proportion of the UK's tourism product could be accessed more easily. It is our understanding that the investment in EnglandNet has resulted in the creation of a platform that has made the process of distributing and marketing UK tourism product much simpler.

It is clear that the platform has contributed to creating a common standard across the industry for storing data, based on an interoperable solution, demonstrated by the fact that the database now holds information for over 50,000 quality assessed accommodation providers, over 16,000 attractions, over 2,000 activities and over 7,000 live events, supplied by a network of over 60 data collection partners nationwide. At the time that EnglandNet was conceived and development started, it is our understanding that the market itself would not have been able to fund such a system, and would not have the influence to bring the wide ranging stakeholders of the platform together for the benefit of the national tourist industry. The fundamental issue that EnglandNet has is that it is not a customer facing solution: therefore, very few people other than those within the industry are aware of its existence and the value that it brings to the UK tourism industry.

4.1.2 Open source toolset

The decision by VisitEngland to publish the 'open source' database toolset could be very important for the industry as a whole. The purpose of the National Tourism Product Database (NTPD) is to store and collate details of Destinations, Accommodation, Attractions, Events, Venues, Activities, Food & Drink outlets and Retail outlets. By making this toolset available for use and publishing this IP back into the public domain, VisitEngland is effectively challenging the market to ensure that the facility to search for and book tourism products on a national scale is continued, for the mutual benefit of all involved. By making this technology available in the market, the industry has the opportunity to modify the technology and platform to better suit its needs without the constraints of it being owned by a public sector body.

Although the platform has been relatively successful up to now with regards to the quality and coverage of data within the database, the ability to derive income from the platform to cover costs as a result of budget cuts and at least break even has proven difficult over the project's life. It is the hope that the market may be able to derive greater value from this platform due to the greater scope for innovation and risk that exists by the very nature of it being used as a commercial entity. As a public sector technology, EnglandNet has to satisfy a whole range of KPIs and demonstrate value for money which can often be a significant issue to overcome in relation to public sector investment in IT technology. The industry as a whole is not subject to such tight constraints and if the appetite exists for a system to be implemented there is scope for a successful platform to be developed, as a result of the legacy created by the investment of the funders of EnglandNet.

4.2 Lessons Learnt for the Future

4.2.1 IP Ownership

An issue that presented itself early in the life of EnglandNet was centred on the ownership and use of public funds in developing proprietary technologies. In 2006 the CCA was concluded between VisitBritain and the key technology partners to confirm and document clearly the IP ownership issues around the key components of the EnglandNet platform. Clearly this was done to address both internal and external concerns related to the ongoing public support of and contribution to the project. It is our understanding that, should public money be used in the near future to develop and support proprietary technologies, a clear and robust strategy should be adopted towards all IP ownership issues, with its details clearly communicated to the market and with a forum for consultation available.

4.2.2 Project Governance and Control

Following the OGC Gateway Review into the EnglandNet platform in 2004, major concerns were identified with the way in which the governance and control of the project were managed. We understand that as the platform was often subject to changes in control and ownership from the start of its development life, a number of governance issues were apparent. Without having a common thread of ownership from its outset it became difficult for the project managers from all aspects of the platform to assert any sort of control or direction. The outcome of the review was to create a framework of control and governance around which a decision making process for the strategy of the platform could be implemented. VisitBritain had the influence and resources to effectively manage this process on a national scale and this is a key strength of the organisation.

4.2.3 Co-ordinated Approach to Marketing and Distribution

The toolset and technologies created by the EnglandNet platform have, from what we understand, been successful from a purely technical point of view. By this we mean that the objective was to create a common inter-operable standard that would enable co-ordinated distribution and booking of UK tourism products on a national and international scale. It is our understanding that the major pressure placed upon the project that has resulted in the platform having its funding withdrawn is as a result of its inability to demonstrate the potential to become cost neutral to VisitEngland in the short term, in turn due to the fact that there are now many other cost-effective platforms and services offered by the private sector, which are equally or more attractive to destinations and businesses alike.

This represents an issue for the project in terms of its ability to market and distribute its services to a wide enough audience on a commercial scale, not least because this was not one its original objectives. This has been in evidence for a number of years and any projects undertaken in the future should include a clear and transparent analysis of the aspirations for revenue generation. At no point in the history of EnglandNet has it been made clear that the focus of the platform was to create a cost neutral, revenue generating platform. It is our understanding that the commercial aspects of the project almost became a secondary concern to creating a toolset that was able to effectively meet the needs of a failing market. There was no long-term strategy for the project which would have seen it achieve a state where it was no longer a financial burden upon the public purse and the need for a clearly defined exit strategy was not identified at its outset. In the future it should be made clear that there is a defined set of KPIs for the commercial as well as technical performance of a project. Careful consideration of any potential state aid issues should also be an integral part of any future project of this nature.

5 OBSERVATIONS AND OUTCOMES

The fundamental question posed for this review was to determine what, if any, legacy has been created by the investment in EnglandNet for the UK tourism industry as a whole and whether EnglandNet can be considered to have achieved its original brief. To inform our observations we have undertaken a high level assessment of all available documentation presented to us during the course of this engagement. We have reviewed a range of internal and external documentation and held discussions with key external stakeholders within the project.

The decision to withdraw funding for the platform appears to have been taken over a reasonable time period and to have considered all stakeholders and options during the evaluation process. There were also a number of external factors that included: *“the ability to generate sufficient revenue to offset platform costs in light of a reduced central budget for VisitEngland, the resolution of the outstanding State Aid complaint (CP154/06), VisitEngland’s appetite for owning and managing any visitor information platform, the appetite of local tourism bodies for taking an ownership stake in any shared visitor information platform and the existence of credible organisations to which the operation of a visitor information platform could be licensed.”*¹⁷ In light of all of these factors and the renewed strategy of VE as detailed in the Strategic Framework, it is reasonable to suggest that appropriate processes have been followed to come to the decision to withdraw funding for the platform.

There is sufficient documentary evidence to suggest EnglandNet has been pivotal in creating a positive legacy as a direct result of addressing a need within the UK tourism industry. When measured against its original objectives we may state that:

1. An effective toolset of functionality has been created to assist small tourism businesses to embrace the e-tourism environment and address the initial market need that existed
2. A comprehensive database of appropriate tourism information has been created and distributed to the market, which has improved the standards of collection and distribution of tourism information. It is to be hoped that, with the release of the database design and data management facilities as an ‘open source’ toolset, this national database, which represents a significant asset for the UK’s tourism industry, will be sustained by the private sector and form the basis for further, more widespread deployment as the market grows and evolves
3. The value that the platform has brought to the tourism market is clear but not immediately apparent as EnglandNet is not a customer facing solution: therefore, very few people other than those within the industry are aware of its existence and the value that it brings to the UK tourism industry.
4. The process for marketing tourism products has been improved by the adoption and use of the ‘Polling’ service. Additionally, the market has been able to develop appropriate booking facilities and mechanisms to take advantage of the referrals provided by the EnglandNet platform
5. A fully integrated e-business network may not necessarily have been created, but EnglandNet has been used as a catalyst to get more small businesses online and to accelerate the expansion of a means by which standards of service can be monitored and improved across the UK tourism product portfolio.

As a long term legacy the only proof of whether any sustainable value has been created will be if the industry has the appetite to take what has been created and adapt it to become a valuable and commercial asset that continues to help improve the UK tourism industry. We believe that VisitEngland and VisitBritain need to consider a way to still be involved in the listing and promotion of product data but not necessarily as prime supporters or funders of an EnglandNet style project, but as key users with a clear vision of their role in promoting the UK’s tourism product.