SUBMISSION FROM THE SCOTTISH TOURISM FORUM

Introduction
1. The Scottish Tourism Forum (STF) is an independent trade body that represents the interests of Scottish tourism businesses across all sectors of the industry and in all parts of the country. STF was established in 1998 and is funded through membership subscription and sponsorship. It is managed by a voluntary board of directors who, jointly, possess extensive experience in tourism, business management and related professional services.

2. The membership of the Forum comprises large and small operators in rural and urban areas and includes sector-based trade associations, visitor attractions, accommodation providers, destination management organisations, area tourism groups, training providers, tour operators and tour guides. As the acknowledged ‘voice of the industry’ STF works closely with its membership, government at Holyrood and Westminster, public agencies, local authorities and advisory groups. It represents and lobbies on behalf of the tourism and hospitality sectors.

Background
3. The importance of tourism to Scotland is well known to the Economy, Energy and Tourism Committee. Direct tourism expenditure in Scotland amounts to over £4bn per annum and supports over 200,000 jobs. A recent report for VisitScotland by Deloittes put the added value of tourist visits to, and leisure day trips by residents of, Scotland at over £5bn and estimated the value of these combined markets at £11bn in GDP terms.

4. Tourism has positive effects on all parts of Scotland – in our cities, smaller communities and rural areas. It also supports efforts to promote Scotland on the international stage. It is an industry that comprises global businesses as well as small to medium-sized enterprises and offers opportunities for self-employment as well as rewarding careers. There are strong, symbiotic relationships between tourism and other sectors such as Scotland’s food and drink, transport, retail and business service sectors.

A Sector at Risk?
5. Data\(^1\) on the performance of the sector in Scotland for the first six months of this year, compared to the same period in 2010, indicate that there has been a 4% increase in overall visitors (from domestic and international markets) accompanied by a 3% increase in expenditure (this is effectively a decrease in value in real terms). More detailed examination of these figures reveal that there has been welcome growth of 6% in visitor numbers from within GB and an even more welcome increase of 13% in related spending. It should be borne in mind that domestic tourism accounts for the great majority (87%) of trips made in Scotland.

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\(^1\) Based on figures from the International Passenger Survey and the Great Britain Tourism Survey
6. However, the international picture is much less positive; there has been a worrying decline of 8% in visitor volumes and related expenditure has dropped by an alarming 17%. In international terms, Scotland has performed relatively poorly when compared with the UK as a whole where overseas visitors and their expenditure each grew by 5%.

7. This week (20 October 2011) Scottish Chambers of Commerce – SCC published its Business Survey for the third quarter of the year. Amongst other areas of the economy, the survey covered tourism and it reports declining confidence among tourism businesses both compared to the previous quarter and the same period last year. This is attributed to lack of demand, especially for food and beverage services and for conferences and functions; other factors cited as influencing weak performance are increasing competition and the poor transport infrastructure in Scotland.

8. It is not the purpose of this paper to dwell on the reasons for the disappointing performance reported above. However, the domestic market shows a marked and welcome trend towards holidaying at home (‘staycationing’) despite poor summer weather and in the light of influences such as declining disposable incomes, reduced consumer confidence and wider economic factors including the weakness of sterling. Clearly, international travel has been negatively affected by economic circumstances in generator markets, despite the weakness of sterling against the US dollar and the Euro. Other specific factors at play are the cost of road fuel in Britain, rising prices, influenced in part by the 20% rate of value added tax and the impact of air passenger duty on airfares.

9. Despite the inherent appeal of Scotland as a visitor destination and the opportunity arising from ‘themed’ years (based around Scotland’s food & drink - 2010, resources for activities - 2011, culture - 2012 and natural environment - 2013) and major events such as the Ryder Cup, Commonwealth Games and a second Year of Homecoming (all taking place in 2014), the threats cited above, combined with increasing business overheads and downward pressures on profitability, point to the vulnerability of the tourism sector and the risk that its contribution to the Scottish economy cannot, and should not, be taken for granted.

10. The multi-sectoral characteristics of the tourism industry, and its structure which embraces large international businesses as well as small, rural enterprises has encouraged welcome support from the Scottish Government and from parliamentarians across the political spectrum. Government support for the tourism marketing, visitor services and quality initiatives delivered through VisitScotland and the business support and economic development activities of the enterprise networks is critical to the future competitiveness and buoyancy of the industry. The industry also recognises the contribution to tourism from other public agencies such as Historic Scotland, Forestry Commission Scotland, Creative Scotland, Scottish Natural heritage and others, including local authorities. The industry acknowledges, and is grateful for this recognition and support.
STF Observations on the Draft Budget and Spending Review

11. The Scottish Tourism Forum recognises the pressures on public funding and the difficult choices facing the Scottish Government in allocating scarce resources against competing demands for money.

12. In these circumstances, STF welcomes the preservation of VisitScotland’s baseline budget at its current level over the period covered by the spending review and the consolidation into the VS budget of the funding for major events such as themed years and the Ryder Cup. STF would, however, make the point that there is a strong case for continued, and even increased, investment in tourism marketing, perhaps especially in digital capability, to ensure that the country is well positioned to benefit from the widely anticipated recovery in leisure and business travel as global economies recover from the current, sustained period of recession. Continued government support for tourism will give confidence to business investment in facilities and services - not solely in terms of high profile inward investment but equally to ‘indigenous’ investment by soundly based Scottish companies where there are current examples of innovative projects and acquisitions being planned and implemented despite prolonged consumer uncertainty and extreme caution among sources of investment finance.

13. STF is concerned that Scotland does not lose out following the 34% reduction (announced 12 months ago by DCMS) in the budget available to VisitBritain which has responsibility for marketing Britain in international tourism markets. The resultant refocusing of VB activity may well dictate that VisitScotland could wisely invest additional marketing resources to compensate for reduced VB international activity.

14. STF welcomes the maintenance at current levels of the budgets of both Scottish Enterprise and Highlands & Highlands Enterprise in 2012/2013. Both agencies are involved in activities which support business, product and destination development in the tourism sector and, through SDI, programmes to support the internationalisation of Scottish tourism businesses and inward investment. However, STF is concerned that the reported possible transfer, beyond 2013, of resource budget from both agencies to the Scottish Government’s capital budget will potentially diminish the capability of the enterprise network to support enterprise and innovation in tourism. This is not to suggest that STF opposes Government plans for capital investment in building and infrastructure projects (including, importantly for tourism, transport and broadband connectivity) which are considered vital in stimulating economic recovery and, in due course, rebuilding consumer confidence.

15. STF has acknowledged elsewhere in this paper the contribution to tourism from other publicly funded bodies. It is noted from the draft Scottish budget that a number of these (Creative Scotland, Historic Scotland, Forestry Commission Scotland, Forest Enterprise, Scottish Natural Heritage) will
experience reductions in their budgets; the Forum would be concerned if these reductions were to result in any diminution of these organisations support for tourism. The Forum notes that in some of these instances the proposed budget cuts will be offset by efficiencies (Creative Scotland) or increased income generation (Historic Scotland). STF does, however, welcome the proposed increases in the budgets for sport and the modest increases for the national parks authorities.

Scottish Tourism Forum
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