



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 23 November 2011

Session 3

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**Wednesday 23 November 2011**

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**ECONOMY, ENERGY AND TOURISM COMMITTEE**  
**13<sup>th</sup> Meeting 2011, Session 3**

**CONVENER**

\*Murdo Fraser (Mid Scotland and Fife) (Con)

**DEPUTY CONVENER**

\*John Wilson (Central Scotland) (SNP)

**COMMITTEE MEMBERS**

\*Chic Brodie (South Scotland) (SNP)

\*Rhoda Grant (Highlands and Islands) (Lab)

\*Patrick Harvie (Glasgow) (Green)

Angus MacDonald (Falkirk East) (SNP)

\*Mike MacKenzie (Highlands and Islands) (SNP)

\*Stuart McMillan (West Scotland) (SNP)

\*Anne McTaggart (Glasgow) (Lab)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Lucy Bird (Marketing Edinburgh)

Dr Mike Cantlay (VisitScotland)

Jim Eadie (Edinburgh Southern) (SNP) (Committee Substitute)

Gavin Ellis (Knockomie Hotel)

Jane Gotts (BusinessClub Scotland)

Willie Macleod (Scottish Tourism Forum)

Alan Rankin (Cairngorms Business Partnership)

Malcolm Roughead (VisitScotland)

Dr Lesley Sawers (BusinessClub Scotland)

Norman Springford (Apex Hotels)

Scott Taylor (Glasgow City Marketing Bureau)

**CLERK TO THE COMMITTEE**

Stephen Imrie

**LOCATION**

Committee Room 6



## Scottish Parliament

### Economy, Energy and Tourism Committee

*Wednesday 23 November 2011*

[The Deputy Convener *opened the meeting at 09:31*]

#### Interests

**The Deputy Convener (John Wilson):** I welcome committee members and members of the public to the 13th meeting of the Economy, Energy and Tourism Committee in the fourth session. I remind members and the public to switch off all BlackBerrys, mobile phones and electronic devices, as they interfere with the electronics. Angus MacDonald has submitted apologies for absence. Jim Eadie is supposed to be substituting for him, but he has not arrived yet.

I welcome Murdo Fraser to his first meeting of the committee and ask whether he has anything to declare in relation to the committee's work.

**Murdo Fraser (Mid Scotland and Fife) (Con):** I refer members to my entry in the register of members' interests, but I have no interests that are specific to the committee's work.

## Convener

09:32

**The Deputy Convener:** Agenda item 2 is to choose a convener. The Parliament authorities have agreed that only members of the Scottish Conservative and Unionist Party are eligible for nomination, and Murdo Fraser is the only member of that party on the committee.

*Murdo Fraser was chosen as convener.*

**The Deputy Convener:** I congratulate Murdo Fraser on his appointment and hand over the chair to him for the rest of the proceedings.

**The Convener (Murdo Fraser):** Thank you very much. That was by far the easiest election that I have fought this year and undoubtedly my most successful. I thank members for their support.

I should say a word about the outgoing convener, my good friend and colleague Gavin Brown, who served on the committee since the election. I know that he appreciated the support from members, although he has warned me who the troublemakers are—I am not looking at anybody in particular—so I have been advised who to keep an eye on. This is a return to old pastures for me because, in the second session of Parliament, I spent four years on the Enterprise and Culture Committee, to which this committee is in effect the successor. I am back on familiar territory and look forward to working with members.

## Decision on Taking Business in Private

09:34

**The Convener:** Do members agree to take item 5 in private?

**Members** *indicated agreement.*

## Tourism

09:34

**The Convener:** We will now take evidence on the current state of Scottish tourism—an issue on which committee members have expressed an interest. For our first panel of witnesses, we are joined by Norman Springford, who is the chief executive of Apex Hotels, and by Gavin Ellis, who is the owner of the Knockomie hotel in Morayshire. Did I pronounce the name of the hotel correctly?

**Gavin Ellis (Knockomie Hotel):** Yes.

**The Convener:** Thank you both for joining us as representatives of private sector industry. I do not know whether you wish to make some introductory remarks, but I will first ask some general questions to give you a chance to give us your views.

Tourism is important to the Scottish economy, and concerns have been expressed about the state of the sector because of the recession, the weather, and other factors that have had an impact. Will you spend a couple of minutes giving us a sense of where you feel the industry is? Have we had a successful season? How are things looking for the rest of the year and next year? Are you receiving sufficient Government support? The Government's target is to grow tourism revenue by 50 per cent by 2015. Is that target realistic? Are we on track to achieve it? I throw in those questions as my opening gambit, and invite you to respond.

**Norman Springford (Apex Hotels):** I can answer from a national perspective, because as well as Edinburgh hotels and Dundee hotels, we have properties in London. The general consensus is that London has had an especially successful tourism season, and is showing improvements in corporate business as well. That has percolated up to Scotland—well, to the cities; I cannot speak for the rural areas.

The general feeling is that we have had a good but difficult year. The difficulties have not been in top-line revenues—which, in some instances, are expanding reasonably well—but in costs. Costs throughout the hospitality sector have increased substantially, whether it be in local rates, wages or other areas such as utility costs. It is becoming more and more difficult for hospitality businesses to maintain their bottom-line profitability.

**Gavin Ellis:** Good morning. Our businesses are in rural Scotland: I have interests in Mull and in Moray. As you will all know, Moray has had a tough time recovering from the instant closure of RAF Kinloss, but we are looking forward to 39 Engineer Regiment relocating there in June next year.

What is tourism? How do we define it? Government, and people outside the industry, can get confused. Is tourism considered as part of the social infrastructure, and therefore covered by the bus network and other forms of transport? Where does tourism stop and business take over?

It is tough out there—and the further you are from the centres of population, the tougher it is. That has to be taken into account in future decisions. The cost of fuel is just outrageous in some parts of rural Scotland, and we need to understand the impact of that the further you get from towns.

You mentioned the Government's ambition for us to grow by 50 per cent. We will make it, because things have got so desperate. We have gone down, and now we will come back up again. In 2007, the economy changed for ever. We should not hang on to the past; we are now in a very different place.

I will also mention the impact of a Westminster issue. Our VAT rate of 20 per cent is the second highest in Europe. That travesty affects our competitiveness. Another issue is airport tax for people coming into the United Kingdom, which has a huge impact on how we do business and whom we do it with.

**The Convener:** Mr Springford, you did not address the growth target. Is it achievable?

**Norman Springford:** I am not so concerned about whether it is achievable. It was a historical aspiration, if you wish, rather than a hard-and-fast target. The world has moved on and the global economy has clearly changed. The target of 50 per cent growth by 2015 is now historical and, if realism kicks in, achieving it is unlikely. That is not to say that the tourism industry and VisitScotland cannot have such a target. We need something to aim for and whether we choose 50 per cent, 100 per cent or 20 per cent does not matter. The important thing is how the industry—which is a combination of the public and private sectors—strives to achieve an improvement in our economy.

**The Convener:** Thank you. I open it up to members to ask questions.

**Rhoda Grant (Highlands and Islands) (Lab):** We have heard about the tourism opportunities that are coming up within the next few years—the Commonwealth games, the Olympic games, the Ryder cup, homecoming, and so on. We have been told that those events represent an unprecedented opportunity for the tourism industry. However, I heard the two witnesses say that the position for businesses depends on whether they are situated in a rural or urban area. Will those opportunities have the same impact in rural areas as in urban areas? How can we spread

the impact out from the urban areas? It is obvious that Glasgow will benefit from the Commonwealth games, but how do we get people to come out from Glasgow and visit the rest of the country, including areas that are furthest from the urban centres?

**Norman Springford:** There is clearly a difference between the rural and urban economies and how they are promoted. I am not being parochial just because I happen to come from Edinburgh, but my view is that London is the gateway to the UK in the same way that Edinburgh is the gateway to Scotland. The promotion of London and Edinburgh will percolate out to the other parts of the UK.

Your specific question is about the benefits that we can derive from the unprecedented series of sporting events that are coming up in the next few years. The key is for VisitScotland and EventScotland to be a part of that. It is not quite niche marketing that is required, but those organisations should be—and will be—able to market the Commonwealth games, the Ryder cup and the various other high-profile events that will put Scotland on the map. It is up to the rest of the industry to seize the initiative that is being presented to us.

I am afraid that I am one of the pessimists who subscribe to the view that, although the Olympic games will improve revenues in London for the six weeks of the games' duration, the number of visitors to the UK as a whole will reduce over the year because people will look at the UK and say that it will be too busy and too expensive, and they will put off their visit. There might be an advantage to Scotland through the displacement of people who are based in London or the south-east of England, who might want to get away from it all for a while, but my overall view is that the Olympic games will not benefit UK tourism.

**Gavin Ellis:** The Olympic games will be a challenge. I have never known them not to be a challenge. If we look at their history in Athens and other places, we can see that they have always caused problems.

As for the Ryder cup, it is about how we do it, how we extend holidays on each side of the tournament, and how we inspire people to see Scotland as the home of golf. We have opportunities, but we also face threats.

I will open up the point about events a bit more. The Scottish open up at Castle Stuart has had a great impact on the Highlands and I can see it being nothing but a benefit. However, we have to extend that impact and ensure that other, smaller events get out into all parts of Scotland. I am talking about bringing the orienteering championships to the north, for example. We

should encourage outdoor concerts such as Rock Ness, which has had an incredible impact on its area. Mountain biking and general biking are also examples of activities that will go on all year if we have the right facilities. Such facilities must be extended throughout Scotland.

09:45

**Rhoda Grant:** It is interesting to know that we are perhaps not marketing smaller events and that the focus on larger events might be detrimental in that regard. However, why would the Olympic games be detrimental? Is it because London is the gateway to the UK, as you said? Do we need organisations such as VisitScotland to promote other gateways to the UK so that people need not be stuck in busy London but can celebrate the Olympic games from, for example, the comfort of a Highland resort?

**Norman Springford:** My view is still that it would be like trying to push water uphill to move the gateway from London to another part of the UK. London has been and always will be the gateway.

I am involved in the hotel sector rather than the hospitality sector as a whole, and when a particular market begins to dry up, we go for another. For example, when corporate business dried up during the financial crisis, Edinburgh was able to replace it with some leisure business. The same will apply in the case of the Olympics. There will be less inbound, general leisure business because it will be concentrated purely on those who wish to see the Olympics, but that does not mean that we in Scotland should accept that there will be a reduction in inbound tourism from European or other international visitors.

Perhaps VisitScotland's marketing approach should be focused on other parts of England outside London. As 78 per cent of Scotland's tourism business comes from the UK, we should concentrate on, say, the south-east of England and tell people there that, if they wish to explore Scotland, this is the best time for them to do so.

**Anne McTaggart (Glasgow) (Lab):** The success of the framework for change will depend on close working relationships between the private sector and the public sector. Is that happening in practice? In that regard, are you a member of an area tourism partnership?

**Norman Springford:** I am a great believer in the public and private sectors co-operating, although I accept that it is difficult to do. I am not saying that one sector is better than the other, merely that they are different. The public sector will think differently from the private sector and have different strengths and weaknesses. I accept that combining the two sectors is very difficult but,

from a political point of view, it is essential. My view is that the hospitality sector has been dependent on state handouts for too long and that we have been reluctant to become involved in the promotion of our own industry. If we can encourage greater co-operation between the private and public sectors, that will be to the benefit of all.

**Gavin Ellis:** I agree with Norman Springford. Where we may not have taken advantage of all our assets in Scotland plc is in not getting everybody to understand the impact of what growth means for Scotland. With the tourism framework for change, we could have done better if we had understood where we had capacity for waiters and chefs, for example, and then funded further education or degree courses to fill that capacity. Rather than allowing people to do courses for which we do not have jobs, we should have indicated where we had capacity and the ability to provide jobs and therefore growth. If that had permeated down to councils, the planning could have been faster and more efficient. We could still do that if we changed our attitude. A lot of it is just about attitude; it is not money but a change of attitude that we need. The attitude should be that we can grow. We can do that if we set people free in some areas, and planning is one of the biggest such areas that I hear people in our industry talk about. By the way, that is not just in relation to tourism; it is across the board.

**Anne McTaggart:** And the second part of the question?

**Norman Springford:** Can you remind me of the second part?

**Anne McTaggart:** Are you a member of an area tourism partnership?

**Norman Springford:** As chairman of Apex Hotels, I am not, personally.

**Gavin Ellis:** I am a director of the Moray and Speyside tourism development company.

**Anne McTaggart:** Mr Springford, you mentioned earlier the importance of the private and public sectors coming together, but you say that you are not involved in any of the partnership work. Is that for any specific reason?

**Norman Springford:** No, far from it. Until last year, I was chairman of Destination Edinburgh Marketing—Lucy Bird is appearing as a witness later; she will give you her own comments on Marketing Edinburgh—which is evidence of my enthusiasm for public and private sector co-operation.

**Gavin Ellis:** Could I add that the Moray and Speyside tourism development company is a partnership between the council, Highlands and Islands Enterprise and VisitScotland? Everybody

is at the table, and everybody is working together—perhaps not all at the speed that we would wish, or with the same sense of urgency, but we are there and we are working together.

**Chic Brodie (South Scotland) (SNP):** Good morning, gentlemen. First, let me go over the issues of growth and the information flow. We often hear statistics being bandied about. According to an analysis by VisitScotland, tourists spent 77.2 million nights in Scotland in 2005, but the figure fell to 67.9 million in 2009. How do you interconnect, if you do, with VisitScotland? How does it gather information from your organisations? Also, given the nature of the products that we provide, and the fact that we have tourism products as diverse as restaurants, hotels and extreme sports all across Scotland, do you believe that the current organisation of VisitScotland is fit for purpose?

**Norman Springford:** Part 1 of the question suggested that there had been a reduction in tourism. As part of the hospitality sector, and the hotel sector in particular, I see tourism as only part of our business; perhaps we could describe it as leisure business. Fifty-six per cent of our business in Edinburgh is corporate business. We are therefore a more balanced sector than we would be if we dealt only with tourism. There might have been a reduction in visitor numbers, but those numbers are not the only indicator of whether the sector is profitable. We also need to look at how much revenue is generated from the sector, where the business is coming from, and what the spin-offs are. Our view is that tourism is everyone's business in Scotland. It is such an important industry that we can almost say that every facet of business in Scotland derives benefit from it, directly or indirectly. To my mind, it is not all about numbers. It is about what we do with the experience, and about how we generate more revenue from tourism. It is quite an important industry as far as Scotland is concerned.

**Chic Brodie:** I do not disagree with that, but if we consider the overall spend, we see that it is not just the number of nights that has gone down. The spend has gone down from £4.6 billion in 2009 to £4.1 billion. The Government has just committed an extra £8 million to VisitScotland. I accept that the tourism industry is much wider than VisitScotland, but I am trying to explore the interconnection between them. You referred earlier to the embracing of tourism as a whole. VisitScotland is the main body; I am trying to find out how you feed information to it about its performance. Does VisitScotland support the products that you are trying to sell?

**Norman Springford:** If you are specifically targeting the performance of VisitScotland, we do not directly feed information into its statistics

section. In fact, the opposite is true: VisitScotland has a particularly strong statistics section and we ask it for information that it has gathered from other sources. We find it to be a particularly valuable source of statistics such as the ones that you are quoting.

In my view, VisitScotland is most definitely fit for purpose, especially if one looks at some of the economies that spend substantially more on marketing their countries than Scotland does. Ireland is a prime example: it spends a much larger amount of money than the funding to which VisitScotland has access, and that clearly benefits the country's tourism infrastructure. If we view VisitScotland as a marketing organisation, I would say that it is producing and doing a good job.

**Chic Brodie:** I empathise with that view in relation to marketing, but I am talking about the operation and the drive to make things happen in disparate areas of Scotland. Is VisitScotland operationally effective?

**Norman Springford:** VisitScotland would be able to tell you what its remit is, but I do not believe that it is an operational body—it is a marketing body, and I would not expect it to be operational other than in lobbying and influencing. It may well influence questions such as whether air passenger duty should be removed or whether there should be route support for airlines, but in relation to achieving those objectives it plays either a marketing or an influential role.

**Chic Brodie:** But you would agree that any good marketing organisation should collate information. You say that you do not provide information to VisitScotland, but you get information from it.

**Norman Springford:** Yes, and it does so. VisitScotland will be able to speak for itself about what its statistical team does, but that work is why we can turn round and say, for example, that 78 per cent of visitors to Edinburgh are day visitors. We do not get that information from our own hotel systems because, clearly, those people are not staying with us. We are dependent on an outside agency to compile that statistic, and that agency is VisitScotland.

**Gavin Ellis:** There are many people collecting statistics—usually for their own benefit—through PKF, the University of Glasgow, the University of Strathclyde or VisitScotland itself. There is also a sub-group called Tourism Intelligence Scotland that is doing some great work on market analysis. It has produced many useful information booklets for each sector to help people to expand their business. However, if you are looking for an excuse for commercial failure in parts of rural Scotland, you cannot blame VisitScotland for that—you have to blame the economy.

**Chic Brodie:** I am not blaming anybody; I am just asking questions.

**Gavin Ellis:** Hotels and pubs are closing; we cannot fail to see the number of pubs that have closed in cities and rural areas throughout Scotland, and that is because of market failure. That is a different question—we need to ask ourselves why that market failure is there.

**Chic Brodie:** How do you tap into the opportunities from business tourism? I am pretty sure that Apex is very much involved in that, but I would like to hear Mr Springford's views on how we can attract even more business tourism. I am also interested in Mr Ellis's view, given the recent events in Moray and the growth of opportunities in renewables from the increase in green energy facilities in that part of Scotland. How are you tapping into that?

**Norman Springford:** It is initially a question of definition. Our view in undertaking our segmentation analysis is that a guest who stays with us is either one thing or another: they are either business—or corporate—tourism, or they are not. We do not have a definition of business tourism—we have the corporate guest and the leisure guest, and they do different things. Some business guests come on an incentive travel package. Places such as Gleneagles have suffered badly in the past couple of years because the benefit that they derive from corporate incentive travel had dried up to a large extent, as it has not been fashionable and there has been a general recession that affected the corporate area. We do not classify business tourism as a category or market. As I say, it is strictly business and leisure, and the two types do different things.

10:00

**Gavin Ellis:** There is no question but that the Moray economy has been hugely reliant on the Royal Air Force, although not wholly reliant on it, as we have vibrant whisky and forestry industries. The community is making an effort to change, through the Moray economic partnership. Over a generation, we will change, but we could change more quickly if there were fundamental infrastructure changes, such as those needed on the A9 and investment in rail transport to the north. The trains from Inverness to Edinburgh and Glasgow are pedantically slow. If they were faster, we could grow a lot faster and therefore contribute more to the economy.

**Chic Brodie:** While we are on that issue, I take Mr Springford's point about London being the gateway to the UK, and we can talk about airline passenger duty until we are blue in the face, but how would you change the situation? We have very good airports in Scotland, including

Edinburgh, Glasgow, Inverness and, in my neck of the woods, Prestwick. How might we change the situation in which London is the gateway to Scotland?

**Norman Springford:** I do not necessarily believe that we should change it. As far as I can see, the system works reasonably well because most European or international guests visit London as the number 1 destination. Given the importance of London, I see no difficulty with that, just as I see no difficulty with regarding Edinburgh as the gateway to Scotland. If a leisure or tourist guest comes to the country—I am talking nationally, so about the UK, rather than Scotland—they might visit York, Stratford-upon-Avon and, likely, Edinburgh. That is the first visit. If they like what they see and we give them good value for money, they will come back and visit elsewhere.

**Chic Brodie:** I would like people to come to Edinburgh. Although York, Stratford and London are attractive, in these times of expenditure constraints on individuals, how do we get more direct flights? How do we market that? What is the airline strategy for Scotland?

**Gavin Ellis:** On some issues, we cannot buck the market. Airlines internationally will only get bigger. We must concentrate on connectivity between us and England. I believe from conversations that I have had that we are losing our strong connectivity with Heathrow. We should worry about that a lot. On the other hand, we have opportunities. To avoid the air tax, many people coming from America fly into Schiphol and then on to Britain. Maybe we have the approach a little wrong—perhaps we should think of some of our European partners as the gateway to Scotland. If there is a punitive air tax, customers will avoid it. Perhaps we should think of Schiphol as part of the solution. However, we need connectivity with the south through fast trains and airlines that connect. The Heathrow connection is under threat.

**Chic Brodie:** I have one more question, which is on skills. One key reason why businesses such as yours are successful is not just because they sell at a price, but because of value. Value is largely contingent on the quality of your staff. What connectivity do you have with local colleges and other sources of employees to ensure that quality standards continue to rise? How easy is it for you to get the people whom you require with the skills that you require?

**Gavin Ellis:** Personally, I think that connectivity is improving. Only three weeks ago, we had a pile of Moray College students in who looked keen and were ready to learn and ask lots of questions. Can we improve on the situation? Damn right we can. We need to look at our European competitors and find out what they have that we do not.

At the risk of being controversial—not, I might add, for the first time—I wonder whether further education colleges should have a tiered system in which students can take foundation courses in some of the smaller colleges and then move up to more specialist courses in the bigger ones. Last week, when I visited Jewel and Esk College—an example of the sort of connectivity that we have been talking about—I was very impressed by the investment that had been made there. Perhaps we need to maximise investment in certain colleges to make them specialist and, indeed, residential. There is an opportunity to be taken, but we need to understand the change that we will have to make.

**Norman Springford:** This is perhaps not the right forum in which to express this view, but I certainly feel that people coming out of further or higher education are generally not fit for purpose. Apex tries very hard to form links and associations with some of the FE and HE colleges and universities to ensure that there is a programme that offers more than just the normal one week's work experience. I would not call that kind of work experience useless, but it does not help if someone who comes for a week or a couple of weeks gets thrown into filing or something else because the staff are too busy to carry out any training. Many of the programmes that we are encouraging and which we hope that politicians will take on board and encourage more of link a lengthy period of work experience to an FE or HE course. As a result, instead of taking a three-year degree, students might have a five-year programme, part of the curriculum for which would include going out into industry for several months. Industry would be able to do the basic training, improve its training methods and get some value back from the student. At the moment, students are being thrown out of colleges and universities with a particular academic record but no experience. The difficulty is that, for example, you can be taught how to deal with an irate guest only at a hotel's reception. Indeed, I can tell members that there is nothing better than the experience of having to deal with an irate guest at 11 o'clock at night when you have had to tell them, "I'm sorry—your room's been sold to somebody else." If we can improve the communication and establish links between business and education authorities, it would improve ability, certainly in the tourism industry.

**Gavin Ellis:** Our secondary school students need to be coming out of school with social confidence for the good not just of the hospitality industry but of all industry. Indeed, we should also focus to a certain extent on ensuring that they have commercial confidence because many of the people we employ do not understand that their

wages are paid not by Norman Springford and me but by the customers.

**The Convener:** I cannot believe that Apex Hotels ever has irate guests, but perhaps it happens occasionally.

Before I bring in Mike MacKenzie, I believe that Rhoda Grant has what I hope will be a brief supplementary.

**Rhoda Grant:** Indeed. With regard to the previous question on transport links, the witnesses will be aware of an on-going consultation that is seeking views on, among other things, London trains stopping in Edinburgh. What impact would such a move have on tourism north of Edinburgh?

**The Convener:** Are you talking about the sleeper trains?

**Rhoda Grant:** I understood that the proposal was for all the direct trains from London to stop in Edinburgh and for people to disembark in order to catch a connection north.

**Gavin Ellis:** The real issue is the quality of the rolling stock going north, which is not fit for purpose and indicates a lack of understanding of the markets. For example, people who are into biking have to book their bikes on to the train, which requires them to make two bookings. The system is just not fit for getting to Aviemore, which is one of Europe's biking capitals. Of course we would prefer the trains to go all the way to Inverness, but we have to get our own house in order and get the rolling stock fit for purpose.

**Mike MacKenzie (Highlands and Islands) (SNP):** We all welcome the recent phenomenon of the staycation as a response to economic difficulties. It seems to have given an uplift to tourism performance in Scotland over the past year to 18 months, but the figures for the preceding decade do not look very good at all, particularly against the background of steadily rising world tourism over the same period. I see that as something of a failure. What are your thoughts on the underperformance over that decade?

**Norman Springford:** Although we can all do anything we want with statistics and show that there has been underperformance in certain areas, we as a company will benchmark ourselves against local and national competition and against past performance. Over the past decade, we can look to improved figures year on year. When one market share drops or one sector underperforms, we take steps to ensure that another market will replace it.

In the hospitality sector, we have said that, over the past couple of years since the global recession, we are finding it more and more difficult to protect the bottom line, but we have done so

and are showing growth in top-line revenues. The staycation market has been a particularly strong phenomenon, if you want to call it that, over the past several years. It certainly saved Edinburgh's tourism several years on the trot. The staycation market is quite strong, but who is to say whether that will continue or evolve into something else? There may be something else on the horizon that we have not yet needed to promote. If you are saying that the staycation as a single entity has underperformed over the past 10 years, it may well have done, but we have to look at the overall market segmentation that we operate.

**Gavin Ellis:** We have to understand the realities of the market we work in. In that time, the pound was particularly strong and it was therefore particularly attractive for people to visit countries such as Spain. This year, people have not only been staying in Scotland, or staying in Britain, but going to Turkey, because of currency fluctuations. There is a market reality check here. Also, I am the first to admit that we have not invested in our product across the country. Edinburgh and Glasgow have been able to invest in hotels and things, but there are parts of Scotland where that investment has not been possible due to the returns and the commercial reality of the money people are making. The past few winters have been particularly tough. Businesses have closed early this year already, which will affect the money that they can reinvest in their product.

**Mike MacKenzie:** We are placing a lot of hope in the events that are coming to Scotland over the next few years as a great opportunity for tourism—of course they are—but does it worry you that there may be a problem for tourism businesses dealing with a huge influx and then nobody? There is feast and famine and are you concerned that that may operate at the expense of longer-term tourist draws or attractions? Also, are you concerned about seasonality? Is there anything that we can do to improve that by lengthening seasons or whatever?

10:15

**Norman Springford:** I am not in the least concerned about the major events that are coming—they are great opportunities. As I see it, there is a tremendous opportunity to build on what those events will give us. What is important is how we do that, which is where VisitScotland becomes an extremely important entity. It must be properly funded, and the industry must be in a position to get involved in public-private co-operation to improve our lot. We have a great opportunity, globally, to put Scotland on the map, which we should be seizing. That is fine.

The other part of your question was about whether we have any long-term concerns. I do not

think so. If we continue to promote ourselves, Scotland will continue to be a particularly attractive destination.

Was there another aspect of your question that you wanted me to comment on?

**Mike MacKenzie:** I guess that I was referring to what Gavin Ellis said in his introduction. He mentioned year-round attractions such as mountain biking, but I am concerned that, although the big events are undoubtedly opportunities, we might be putting too much focus on them at the expense of promoting the year-round, year-after-year activities that attract tourists.

**Gavin Ellis:** Let me put it on record that events such as the Ryder cup and the Commonwealth games are essential, as they put Scotland on the world stage. They are broadcast on televisions in corners of the world that we do not know about. I often say that tourism is the Heineken industry, because we reach parts that others do not. The power of television is such that it reaches parts that we do not know about. That is extremely important.

Seasonality has always been a challenge. It is a factor in countries in Europe such as Switzerland, Austria and France. I am not sure that we can buck all those market trends. We have made a good effort but, if there is no snow, people cannot ski. Hotels around the world have had to recognise that, but the economic machine behind them at Government level understands that well and has a tax system that compensates for it.

**Mike MacKenzie:** If I could wave my magic wand and grant you four wishes—one from the UK Government, one from the Scottish Government, one from VisitScotland and one from local authorities—what would you want those public agencies to do to assist you in achieving the 50 per cent target?

**The Convener:** That is a big question to answer off the top of your heads.

**Gavin Ellis:** I will give my four first. Nationally, I would go for fast trains from Inverness down to London; I would also like a wish on VAT, because I think that that has to be dealt with. I would like the Scottish Government to do something on infrastructure costs, to help with getting people around the place. Ever since the three wise men went to give Jesus presents, it has been about travel. I would like local government to understand that we are in this together and that it is not an us-and-them situation—it is about us working together rather than in isolation to make a better and more prosperous Scotland. I would like local government to understand tourism.

**The Convener:** The clerk has just reminded me that, when the three wise men got to Bethlehem, there were no rooms available for them to stay in.

**Gavin Ellis:** That would be a good situation.

**Norman Springford:** The wise men came from the east—the good part of the country.

I will go through my wishes in order of priority. Nationally, from the UK Government, I would like to see the reintroduction of better allowances for hotel buildings. As we are all aware, the capital allowances structure was changed a few years ago, which had a hugely detrimental effect on the provision of new hotel or other property-based accommodation. The removal of the industrial or hotel buildings allowance created a void. If no one is pouring concrete, the economy is not growing. The money in the company that is pouring the concrete eventually percolates down to the bookie or the pub, and it will flow back out again. Construction, which necessitates a far bigger discussion on the economy, is an important consideration but, from a purely insular, Apex Hotels point of view, we would like to see the introduction of enhanced allowances in the form of HBAs.

I would like the Scottish Government to recognise that tourism is a particularly important industry in Scotland.

On the local level, perhaps because I am Edinburgh based, I would like to see a bit more sense in the provisions of the bed tax that is being proposed by the council.

At VisitScotland level, I would like to see more route support. That benefits us tremendously. Some people say that, if we do route support for Czechoslovakia, for example, more people go to Czechoslovakia than come the other way, but my view is that the people who are going to Czechoslovakia from Edinburgh are not going to stay with us in the first place. From a hotel point of view, there is a greater benefit in having more airline routes available.

**Gavin Ellis:** I forgot about my request to VisitScotland. I would like our industry to understand that VisitScotland is all about marketing, not the other things. VisitScotland's responsibility is marketing and we have to understand that.

**Patrick Harvie (Glasgow) (Green):** Mike MacKenzie began by talking about domestic tourism and I want to follow that up. I am a wee bit worried by the idea that domestic tourism has become more important during the recession. We have just let that fall into our laps by happy circumstance. The Scottish Government's headline interventions in tourism are mostly about international tourism and events such as

homecoming and so on. Perhaps those measures or interventions made sense before the recession but I wonder whether we need to change our focus now. Mr Springford talked about the uncertainty about the future and how important domestic tourism will continue to be, but if recovery from the recession continues to be long and slow, we might expect opportunities from domestic tourism to continue in the short term.

In the long term, most of the world expects oil prices to continue to rise. Aviation is already included in Scotland's climate change emission targets and will soon be included in the European emissions trading scheme. Do we not need to think about a longer-term strategy for promoting domestic tourism as the priority, recognising that it is already significant and that we could be doing more to grow it, rather than placing what sometimes feels like all our eggs in the international tourism basket?

**Norman Springford:** Yes, I agree. Although it is nice to be able to say that the market has an international flavour and that we would do best to promote it, as I said earlier, 78 per cent of the business that comes to Edinburgh hotels is from the domestic market. A surprisingly high number of people from the south-east of England have not been to Scotland. You ask whether we should be promoting more domestic than international tourism and I say that we should.

**Gavin Ellis:** I offer caution, because we cannot buck the market. I go back to what I said about the currency. If it gets cheaper for people to go elsewhere, they will go there. We must keep our eye on the ball. The foot-and-mouth crisis affected our American market drastically and hotels that were particularly exposed to that market suffered. There is nothing so sure as change and we need to be ready to react to it. It is not about fitting people into little boxes and saying, "It must be one market." We must be keeping an eye on the other markets as well. We must never expose ourselves in the way that we were exposed during the foot-and-mouth outbreak, because we really suffered then. We must learn from the past but try and predict the future. Our emphasis should probably be closer to home. From that point of view, I agree with Norman Springford, but I issue a word of caution.

**Patrick Harvie:** I suppose that everybody would agree that

"Prediction is very difficult, especially about the future",

but I am concerned that if we do not have a clear focus on domestic tourism as already the source of a great deal of business and an area in which we can easily do a lot more, regardless of what happens to international aviation prices and so on, then, when the world sees the first \$200 barrel of

oil we might find ourselves with lots of tourism businesses that are dependent on an international market that is suddenly not available to them.

**Gavin Ellis:** Although I understand your sentiments and why you say that, if Britain and Scotland are to grow economically we must concentrate on some invisible exports as well. We need euros and dollars in, and the situation needs to be balanced.

**Stuart McMillan (West Scotland) (SNP):** Earlier, Mr Springford spoke about the need for more partnership working between the public and private sectors; he also said that the solution was not more state handouts. Mr Ellis said that we should be training people for existing jobs.

In an average year, what vacancies will be available within your businesses? What training opportunities do you provide to your staff? How many people do you have taking modern apprenticeships? Do you promote posts in your companies as providing a job or as providing a career?

**Norman Springford:** I will try to remember all your questions and answer them in sequence, going back the way.

Do we promote a post as a job? No, we try to promote it as a career. The hospitality industry has suffered from having its posts regarded as jobs—indeed, as second-rate jobs that will do until someone can get a job elsewhere. We are trying to change that. Changing that perception is one of the biggest challenges that the industry has. In other countries, such as Italy, waiting or other aspects of hospitality are regarded as professions. For one reason or another, whether it is to do with schooling or whatever, such work is not regarded as a career in Scotland. That is a valid point about an area in which we are failing, but we are trying hard to change that.

Do we employ modern apprentices? We have a human resources department that looks after 700 or 800 employees at present. We have a fairly detailed interaction with the HE and FE institutions in relation to recruitment. It is also fair to say that the attitude of the UK youth is different to that of Europeans. We have found that a European worker can have a better work ethic than their UK counterpart. A lot of our Polish friends have gone back to Poland because it is economically viable to do so now, but they were particularly good. Our London hotels employ many people from the Baltic states and, again, we are keen to keep them. The issue is not quite as simple as asking whether we can put in a modern apprenticeship scheme and get in a few employees from the colleges. Sometimes, the quality of the employee is not what we would like it to be, to be honest. Is that sufficiently hard hitting?

**Stuart McMillan:** You admitted that there is a perception about job versus career. You said that you and the industry are working hard to try to change that perception. As well as the industry, what is your company doing in that regard?

10:30

**Norman Springford:** The prescribed programme is to say, “We’ll say this is going to happen and then it will happen.” Again, it is about attitude. For example, when a youth comes to us for employment, we will try to explain the career opportunities that are available and that their role is one not of subservience, but service. We use a programme called flow, which is part of an extended, on-the-job training programme. The intention is to say to an individual that there are many opportunities in the hospitality industry and that it is not about being just a room attendant or something similar—there are opportunities in every facet of the business, whether it be financial or whatever. We try to impart that message to people when they come to us. We want them to know that whether or not they are suitable for a particular role, they will have other attributes and perhaps other skills that they may want to develop and that the hospitality industry can develop them, but there is the difficulty that—probably at school level—careers officers paint the picture that the hospitality industry is not a particularly sexy industry to be involved with.

**Gavin Ellis:** We employ up to 15 people, so we do not have the same infrastructure as Apex Hotels. We do not employ anybody on modern apprenticeship schemes, mainly because our seasonality affects the consistency of training. However, I support everything that Norman Springford said. As I said earlier, we are not preparing our youth for the real world. We have to get the attitude sorted out. The expectations and the culture are incorrect and we somehow have to change that.

A recession does funny things to a business. For example, we certainly employ a lot more local staff than we have done in the past 10 years. I suppose that some people perceive that as a good thing, but my question is why some businesses prefer to employ people from the eastern bloc countries rather than people from our country. That is a tough thing to take in. I will make the situation real for the committee. We have to face people saying, “I’ll come to your job, but I won’t work on Friday or Saturday.” That is just not real in our trade or profession. We have to get people’s expectations in line with ours. If we do that, we will be able to employ a lot more of our young people, who deserve a chance.

**The Convener:** Mr Ellis, just as a point of interest, out of the 15 or so people whom you employ, how many are Scots?

**Gavin Ellis:** As of 1 December, everybody will be British. Our last Polish person will leave us on 1 December and we will be 100 per cent Scottish. One person was South African but is now Scottish. He has got a UK passport and is a very happy chappie. The reality is that the whole team will be Scots. I am proud of that, but that was not the reality 12 months ago.

**Stuart McMillan:** I am conscious of the time, so I will ask just one more question. Both of you spoke earlier about work experience and people coming through the education system who perhaps understand the theory but not the practical side. Do you offer summer placements to people going through college and university so that they can gain experience of your sector and go back to college at the end of the summer with a better understanding that is not just about the theory?

**Norman Springford:** We have a programme with Napier University whereby we will take a university student and offer them training modules at our cost. We have a number of modules, which can be anything from hotel accounting through to room attendants and waiting. The idea is that we offer week-long modules completely free, which people fit into their curriculum—the modules are not in addition to what they do; there is a choice as to whether they go on the programme or not. As part of the programme, they are encouraged to work up to 20 hours a week with us on a part-time basis, there is full-time employment over the summer and during breaks from the curriculum.

The advantage to us is that we get staff who stay with us for several years during their university degree and they improve their abilities during that process. When they come out with their degree, we offer them a cash-incentive bonus as well as their paid employment. Our view is that they come out better able to take a job. Those who can show a prospective employer a CV with a 2:1 degree and our programme attached to it are better qualified, as they have a lot of practical experience. The advantage of the programme to us is that we have continuity with a member of staff for perhaps four years. As they go through their course towards a degree, they are better able to take responsibilities off shift supervisors and so on, which is particularly valuable for us. We have up to 15 to 20 people at any one time on the programme.

**Gavin Ellis:** We do that in conjunction with Moray College. Two chefs are currently working on the programme with us. Across the board, however, I would like to see more earn and learn both to help fund students through their education

and to help the industry. It is a two-way thing. I see a lot of potential in earn and learn.

**The Convener:** The final question is from John Wilson.

**John Wilson (Central Scotland) (SNP):** The hotel industry has not been seen as a good payer—it does not remunerate staff well. Indeed, in some areas, people can be paid more for stacking shelves in a supermarket than in the hospitality industry. Is that a fair assessment? Is the fact that once they have come through college or university people can get better remuneration and possibly have better career paths elsewhere part of the issue about the commitment of people to the hospitality industry?

**Gavin Ellis:** That is old news. Our industry competes well in the marketplace. We have to do that. Tesco, Sainsbury's and all the other supermarkets are competing for the same staff and we have to compete on an equal basis, although we can probably offer people more career aspects. What you describe happened yesterday; it is not the current reality. The minimum wage sorted that one out for starters.

Would we like to pay our staff more? If the customer paid more, we might be able to do that, but there is a market reality. Many people have dreams about pay scales, but the reality is that it is a matter of what the market can afford.

**Norman Springford:** I am inclined to agree with that, although to be honest I probably share the view that the industry is not seen as a good payer. Perhaps people in the industry are also seen as having to work long hours. Although there is a national minimum wage, which we clearly abide by, and we tend to aim our remuneration at the national living wage, quite a large number of management employees in the hospitality industry who work more than 48 hours a week—and expect to do so—opt out. Saying that is not a source of pride for me, but that is the reality. When an employee goes off the hourly paid process and becomes a management salaried individual, we generally find that they work more than 48 hours a week. It has almost become traditional and accepted that that is what people need to do in the hospitality industry. As I say, I am not proud of that, but that is the reality.

**John Wilson:** As a committee, we understand that tourism is not just about attracting visitors; it is about creating jobs, opportunities and the correct remuneration. I am glad to hear that Mr Ellis and Mr Springford see the hospitality industry moving forward, but we have to get that message out to our young people. Going back to Mr Ellis's point, I wonder whether those young people are not seeing a career path in the industry because the industry itself and VisitScotland have failed to get

across the real opportunities that exist in that respect.

**Gavin Ellis:** I do not think that that is a particularly Scottish issue or challenge but, as far as Scotland is concerned, could we improve? Damn right we could—and should. We should get out of bed every day wanting to do things better and I hope that we will. Some, but not all parts of the industry are making an effort to go into schools, get involved in careers days and talk about the opportunities in our industry, but it is patchy.

**Norman Springford:** I endorse those comments. There is no point in making further comment.

**The Convener:** I thank Norman Springford and Gavin Ellis for giving up their time this morning. The committee very much appreciates your input, which will be helpful in our examination of what I think is a very important sector for Scotland.

10:41

*Meeting suspended.*

10:46

*On resuming—*

**The Convener:** I welcome to the meeting the next panel of witnesses and ask them to introduce themselves and tell us what their roles are.

**Alan Rankin (Cairngorms Business Partnership):** I am chief executive of the Cairngorms Business Partnership, which is perhaps unique in Scotland in its merging of the traditional chamber organisation and the new destination management organisation. We look not only at tourism but at wider business and economic issues around the Cairngorms national park. We have 300 members and our board members are elected to represent the park's five areas and its different business sectors.

**Lucy Bird (Marketing Edinburgh):** I have just arrived in Edinburgh as chief executive of the city's first DMO in its true sense as a public-private partnership. At the moment, we are owned wholly by the City of Edinburgh Council, but the majority of our board members are private sector individuals. Having been here for only 20 weeks, I am still on a learning curve. I will do my best to answer your questions, but I might not know absolutely everything.

**The Convener:** We will be very gentle with you.

**Chic Brodie:** No we won't.

**The Convener:** Behave yourself, Mr Brodie.

**Lucy Bird:** I will not mind it if you are robust.

**Scott Taylor (Glasgow City Marketing Bureau):** I am the chief executive of Glasgow City Marketing Bureau, which is a destination marketing and management organisation. It has a membership organisation based around it and generates approximately £1 million of private income from business community support.

We position Glasgow in international and national markets, working specifically to attract major events to the city. We also work with a range of partners in discretionary business tourism, in particular conventions; we promote Glasgow and the retail sector through the style mile initiative; and we are supported by 860 businesses that work alongside us daily. We work in partnership with the business community, with Glasgow Chamber of Commerce and with Prestwick and Glasgow airports, which have been actively bidding for new routes to generate traffic into the city.

**The Convener:** Thank you very much. It is interesting that, to one extent or another, you all represent public-private partnerships and membership organisations. I will kick off with the first question. Has the economic downturn in recent years impacted on the income to your organisations and the work that you have been able to do? What role do your organisations have in trying to cope with the fairly difficult economic times?

**Alan Rankin:** The model that we have taken forward combines private sector bodies. There has sometimes been the criticism that there are too many public sector bodies. Certainly in our area, we had an oversupply of private sector bodies—some local businesses were paying three or four subscriptions to organisations. The Cairngorms Business Partnership is attempting to pull those organisations together so that there is a single subscription to pay. That represents great value for money and, critically, means less expenditure for businesses. We recognise the pressure that is on the bottom line and on every pound of expenditure. The model is certainly being well received by businesses.

**Lucy Bird:** On-going promotion is as important for Edinburgh as capital growth. We must recognise that in England the core cities group, which includes Manchester, Liverpool, Leeds, Birmingham and Bristol, is considering how to develop the business improvement district—BID—structure into a TBID, or tourism BID, structure. As I understand it, legislation is in place to allow sectoral BIDs in Scotland. Funding in that context is a partnership between the private and public sectors. It is vital to ensure that the private sector gets what it wants from any sectoral BID and that it has the ability to drive forward the city in a way

that is relevant to it. We must recognise that the English cities are considering that opportunity.

**Scott Taylor:** Our budgeted income from our membership has this month exceeded our target. Retail support for the Christmas campaign has increased from last year, with seven major UK retailers supporting it. Income from Glasgow City Council and from national Government support has increased, partly because of the bids that have been presented to the UK Government, the Scottish Government and Glasgow City Council in relation to opportunities for growing business in the city. We have confirmed business up to 2021 and are bidding for up to 2023. Opportunities to secure income need to be generated so that income can be grown.

**Stuart McMillan:** What have you done to respond to the impact of the recession and the consequent budget reductions for tourism in your areas?

**Alan Rankin:** In the Cairngorms, as in Edinburgh and Glasgow, we have worked hard to pull together marketing campaigns. There has been no shortage of support for that at local-business level, although it has not been on the same scale as that in Glasgow. We have levered in funds from the private sector of about £200,000, which is the highest figure that we have ever had. Businesses recognise the requirement to invest in marketing and they will buy into a strong local collaboration with local leadership. They will see a return from that.

Marketing is further supported by the fact that the area is a national park: there is a recognition that the area has massive potential if the national park is presented as such. National parks have international recognition, so there is a role to be played in the marketing of Scotland and what Scotland has to offer. We want more partnership working with VisitScotland; we have accessed its growth fund to support marketing, and we see national parks playing a role in that Scotland mix. *National Geographic* magazine voted the Cairngorms national park one of the top 20 places to visit, which corralled businesses into recognising that we are one of the big players. That confidence level has started to create more willingness to invest in joint marketing to secure market share.

**Lucy Bird:** This is about alignment of spend. In my first few weeks in post, I have been looking at how we might work with the private sector and some of the bigger employers, such as the universities, to align spend in order to ensure that the marketing effort is all going into one place. We are running a Christmas campaign with input from Edinburgh airport and various parts of the private sector, as well as from the central BID in Edinburgh, so we are beginning to align spend to

maximise impact and return on investment. We are also working with VisitScotland; we accept that a big organisation such as that can buy media more effectively than some smaller organisations can. The creation of a partnership with its marketing team—while keeping our city's individual identity as the capital city, of course—will, therefore, be an important part of our strategy.

**Scott Taylor:** In tangible terms, we have a restaurant booking engine on our site, and we work very closely with the Glasgow Restaurant Association, which is based in our offices. That makes things incredibly simple when we are putting packages together for events and conferences, because the association is literally one door away. We also have a flight booking engine on our site and, as you know, we do accommodation for people taking short breaks in the city. We are linked to 16 or 17 different websites at the moment, so in regard to reasons to visit, we are not the single portal for entry. We do large block bookings for accommodation for events, on which we work with the organisers. Our experience ranges from the G8 summit and the Special Olympics to the 2014 Commonwealth games, which will involve about 100,000 room nights going through contract. We also secured the rooms that were required for the Ryder cup; we had a process for that.

Joint partnerships are critical to making money go further. Working with partners to leverage budgets to go further and to provide a range of options for clients is key. We work incredibly closely with the Scottish Exhibition and Conference Centre, and we have developed models that work well in the marketplace to reduce cost and risk for the organiser, and to leverage benefit for us as a city.

Tying in with the universities and other networks is also critical because they can bring enormous value to an event or conference. For example, we are bidding for a conference with our partners in Glasgow and partners in the national Scottish context and the UK context. Nine universities from Scotland and the north of England are providing funding for that. The securing of additional funding from partners who would benefit from a conference or event is important in ensuring that it is not just the public purse that is generating that opportunity.

**Stuart McMillan:** Mr Taylor spoke about a winter marketing programme to which a number of retailers had signed up. Is it seven retailers?

**Scott Taylor:** Yes.

**Stuart McMillan:** I am not a big shopper; I never have been and—to be honest—I never intend to be. However, I saw this week a news item that described a 9 per cent reduction in

footfall in the retail sector. How will that affect your campaign? I ask all three witnesses how that could affect what you are trying to do.

11:00

**Scott Taylor:** Our research indicates that retail is one of the primary reasons for short-break visits to Glasgow. It is critical that we support the retail sector. The UK footfall figures are approximately 9 per cent down and the estimates that we are getting from retailers indicate that Christmas retail sales might be some 5 per cent down on the previous year. We are working hard to counterbalance that, because 50 per cent of all retail sales are taken through the Christmas period; that is how important the period is to cities and to every retailer in the country. If the retail footfall is down, it has an immediate impact on their profitability and on employment. We will fight hard alongside our retailers to generate footfall and try to encourage spend in the city, because if we do not, 5 per cent might become 10 per cent. That is a substantial risk.

**Lucy Bird:** The trend in Edinburgh is slightly different, in that retail spend in October was up 5 per cent, which is good. We are obviously pleased with that.

I echo Scott Taylor's comments about the importance of the retail sector. Your capital city needs to invest in its retail opportunity and to consider how it can improve it. I am working with the City of Edinburgh Council to develop a new retail strategy for the city, which will be vital.

Spend—not only footfall—is important. Obviously, if people do not come, we cannot extract the money from them. However, it is vital that we keep our eyes on both indicators.

**Alan Rankin:** Retail is not the prime economic driver in my patch; it is outdoor activities, which shows the difference between the destinations or key customer points in Scotland.

This panel of witnesses represents three very different destinations and there are destinations the length and breadth of the country. However, we do not have a coherent destination development strategy. With our own areas of expertise and product areas, we each have a part to play in economic recovery, but we need more joined-up thinking and a destination development strategy for sequencing how VisitScotland attracts people to the country so that on-going work in each of the destinations can be linked. That work should retain its local flavour and the local businesses must buy into the strategy, but it should be integrated and joined up, which it is not.

**Scott Taylor:** If we want to create a joined-up structure, we need to have the players at the table.

The tourism strategy that we have developed in Glasgow with our partnership approach has been key. VisitScotland, Glasgow Chamber of Commerce, Glasgow City Council, the Glasgow City Marketing Bureau and Scottish Enterprise are all at the table. Those five organisations meet regularly to develop the strategy and push out the actions against the action plan. Glasgow is in a good position. We have a strong relationship with the national tourism agency, and that is going from strength to strength. It has been built over a number of years, and the city is reaping the benefit of it.

**Lucy Bird:** Ditto in Edinburgh. We have a similar emerging tourism strategy, which will be the first for the city. It is a public sector and private sector partnership, and we are working with VisitScotland as the national agency. The key thing for Edinburgh will be delivery of that plan. We are exploring that as one of the actions.

**Alan Rankin:** My area might be able to trump that, because we are working closely with VisitScotland on secure growth funding. We have just announced a partnership programme to examine the visitor information centres and visitor information provision throughout the national park. We are working in partnership with five local authorities, two enterprise agencies, the Cairngorms National Park Authority and VisitScotland. We, too have a positive partnership, if a somewhat more complicated landscape.

**Jim Eadie (Edinburgh Southern) (SNP):** I am keen to understand the mission and purpose of each of your organisations. I was interested in what Mr Rankin had to say about the economic remit of the Cairngorms Business Partnership being wider than tourism. What is the budget for each of your organisations?

**Alan Rankin:** As a round figure, the gross budget for the Cairngorms Business Partnership is £400,000. As I said, the split between public sector and private sector partnership funding is about 50:50. Four years ago, the organisation was 80 per cent public sector funded. Our organisation's aim is sustainability in its truest sense.

**Lucy Bird:** My budget this year from the City of Edinburgh Council is £1.2 million. That will reduce by 10 per cent year on year for the next three years. I also have business membership income, because we also run the Edinburgh Convention Bureau and the accommodation booking service. We also currently have the private sector partnerships that I alluded to for specific campaigns, although there is a job to do more widely.

**Jim Eadie:** What is your budget?

**Lucy Bird:** Our budget is £1.7 million.

**Jim Eadie:** Is that the amount when you factor everything in?

**Lucy Bird:** Yes—that is the total.

**Scott Taylor:** Our mission is simple: we create customers. That is the fundamental function of our organisation. Our funding from Glasgow City Council, which is the principal stakeholder, is £3.9 million. That will reduce by £100,000 next year. Our total expenditure is expected to reach £6 million this year. That includes funding for a variety of different activities. It includes financial support around events such as the Commonwealth games. Funding for route development and a subvention for conferences is also included.

**Jim Eadie:** Is it correct that your organisation is a new organisation that has grown out of a previous organisation?

**Scott Taylor:** Yes. I established the company for Glasgow City Council five and a half years ago. At that point, the budget was £2.2 million.

**Jim Eadie:** Of the £6 million, £3.9 million is public money from the council.

**Scott Taylor:** Yes.

**Jim Eadie:** You probably expect my next question. How do you ensure that you are getting best value and how do you measure success? Is it based on visitor numbers, growth in employment or income generated for the local economy? What metrics have you put in place to ensure that you measure success year on year?

**Alan Rankin:** On our tourism ambitions, growth targets are set down in the tourism development plan.

You mentioned our wider economic remit. The national park is consulting on the national park plan 2. Our three pillars of activity are promoting the area; business development to help local businesses to increase their capacity and improve the customer experience; and advocacy. We are taking forward the proposal that the economy of the national park can be a main contributor to the national economic agenda, so we are looking to develop some key areas around promotion, skills and transport, which are items that appear on agendas across the land.

We are essentially taking forward a business manifesto that develops a broad spectrum of activities as part of an economic development and diversification strategy that looks to attract new business into the national park, so that we will not be as reliant on tourism as we are now.

**Lucy Bird:** Edinburgh works across five priority areas—live, work, visit, study and invest—that are distributed to us by the City of Edinburgh Council. My board is consulting on where our priorities

should lie, as we speak, and I would be surprised if tourism does not feature high up on our list of priorities. Following on from what you have said about progression routes—we can debate that further later, if you like—I suspect that the study market might be another priority. Another priority will be about how we can encourage new investment.

On the metrics that we currently employ, the Edinburgh Convention Bureau has always looked at economic benefit as well as direct spend, among other things. We also consider accommodation booking rates and increasingly, along with visit Scotland, individual visitor figures.

**Jim Eadie:** Do you publish those figures?

**Lucy Bird:** The figures are available on our website.

**Scott Taylor:** Glasgow City Marketing Bureau has approximately 20 published key performance indicators. The board monitors the indicators bimonthly. One target this year is to achieve a 75 per cent hotel occupancy rate, which is about 0.5 per cent higher than last year's target. From April through October, we have run at a rate of 80 per cent. Substantial different types of information support that, such as independent information from Deloitte, PKF and Lynn Jones Research, and we have daily analyses that go back for the past 12 years. That gives us a tangible measure of output for the 12,000 hotel rooms in the area that we seek to fill.

Our target for conferences is £113 million, which is about 500,000 room nights this year. We are at 84 per cent of that target with five months to go, so I expect that we will exceed it, which will mean substantial growth on last year. Our events are closely targeted. We look for 400,000 unique visitors to Glasgow from the events that we bring in. We have about 10 routes in our target list and we have since April secured five of them—from Barcelona, Rome, Madrid, Amsterdam and Stavanger.

**Jim Eadie:** Thank you for those comprehensive answers. I have one final short question. As a Glaswegian who represents an Edinburgh constituency, I must choose my words carefully. To what extent do the two organisations that represent Edinburgh and Glasgow work together when that is in the country's wider interest?

**Lucy Bird:** As Scotland's major cities, we need to work together. I have been in Scotland for only five minutes, but I have already had three conversations and one meeting with Scott Taylor. The opportunity is great.

Jim Eadie will appreciate that our local authorities are keen to keep their independence, to an extent. As a representative of the capital city,

I think that it is vital that we behave as a gateway to opportunity not only for the city region but for the Lothians. We need to think about how we can develop the regional tourism opportunity and about the partnerships that we can have in bringing together a greater conurbation. Rail links and other aspects will be important.

**Scott Taylor:** I will pick up Lucy Bird's point about rail. Glasgow and Edinburgh's combined economies make a greater gross domestic product contribution than do any other combined economies in the United Kingdom outside London, so high speed 2 has a reason and rationale for going from the central belt to London. That would substantially support the UK economy and the growth that is generated.

The Ryder cup provides a clear example of Glasgow and Edinburgh working together. A substantial number of rooms is required for it, and Edinburgh and Glasgow hotels were in difficulty with the contract, so we worked together to pull together the hotel associations in Edinburgh and Glasgow. We rewrote the contract for Ryder cup accommodation and, in conjunction with the team at VisitScotland, we provided that contract to Ryder cup travel services. The rooms have now been booked and are secured.

An interesting point is that we will bring another large piece of business into Glasgow—a 6,000-delegate conference—while the Ryder cup takes place. We moved the rooms for the early part of the Ryder cup to Edinburgh hotels so that Glasgow could take the conference delegates from Saturday to Wednesday and Ryder cup visitors from Wednesday to Sunday. Through that process of working together, we have created more opportunity. The hotel associations in Glasgow and Edinburgh have demonstrated that capacity.

**Lucy Bird:** The conference bureaux work well together on the operational opportunity. They are in competition, but the staff work well together and complement each other's work.

**The Convener:** I call Anne McTaggart.

**Anne McTaggart:** It is okay, convener. My question has been answered.

11:15

**Patrick Harvie:** I remind members of my earlier declaration of interests: I am an unpaid director of an arts festival in Glasgow that has in the past received small amounts of tourism-related funding.

I want to ask about the issues that I raised with the previous panel around the place that domestic tourism has. Are we doing enough to maximise the opportunities from domestic tourism as opposed to international tourism? Festivals in particular have

a role to play; for example, they can be very effective at attracting long-weekend visitors from elsewhere in the UK. Obviously, both the cities have a strong festivals track record, but I might learn something about the Cairngorms that I was not aware of before. Are we doing enough to support the proliferation of those events rather than focusing on a handful of big events such as the Ryder cup and the Commonwealth games? It sometimes seems as though it is hard for an event to get noticed or attract support if it is not related to one of the big events. What are we doing to attract domestic tourism? Are we doing enough?

**Alan Rankin:** It is great that the Cairngorms national park is considered to be one of the big three destinations in Scotland. Our clear agenda is that we are looking to create all-year-round tourism in the national park.

On promotion, we have a wide variety of local cultural and sporting events throughout the year. However, they have been happening in isolation; individuals have been working on them, and they have never had collective clout. We have a programme of local sustainable festivals that are not dependent on public funding but are run by the community. That is a different type of tourism proposition; it is rural tourism. The CBP supports those small individual organisations through a campaign to promote the calendar of events throughout the year. We are looking at food and tourism, cultural events and sporting events, of which there are many, although they are not presented as a year-round package. We are also looking to bring in the hotels and restaurants in promoting those events in order to get local collaboration. It is very much a bottom-up approach. We are looking to attract new events to the area, but we are primarily focusing on local sustainable events that attract the Scottish and UK market.

**Lucy Bird:** In Edinburgh, we are looking at how we create a year-round market. Of course there is a significant peak with our festivals in August, when seven of the 12 Edinburgh festivals take place. It is about how we bring the wings up to meet that tip.

It is important not to forget that we have a year-round cultural offer of excellence in Edinburgh. We need to make sure that we can irrigate the market for that opportunity by using the festivals as a lever. We are working very hard with the festivals to see how we can develop the indigenous market and create opportunity for not only Edinburgh companies but companies such as the National Theatre of Scotland. In relation to the UK, we have to focus on where our primary markets are, which might be in the north of England or the south of England at any one time. It is absolutely vital that we segment the market and do promotional

activity in each segment, because they are warm already.

**Scott Taylor:** Our focus is on major events that will bring customers into the destination. Festivals as well as community events and other smaller cultural and social events have support from organisations such as Glasgow Life, which quite rightly focus on developing and supporting such events.

I am not saying that community events are not important, but our focus is people in and pictures out. That is where a significant amount of our energies are targeted. The relationship that we have with partners at EventScotland is absolutely targeted at some of the major events, and we have a list of those targeted events that we are looking to secure. The level of return on investment that I am looking for from events is 10:1, although I am obviously looking for a much higher return from conventions.

**Patrick Harvie:** Is there a danger that the focus on a small number of very large events such as the Commonwealth games in Glasgow means that we miss opportunities elsewhere? Could we be better at developing small annual events around the year instead of focusing on a handful of big events?

**Scott Taylor:** Glasgow hosts more than 500 community events, and more than 130 music events take place each week. It is about where we, as a destination marketing organisation, are best able to bring focus. I completely agree that there is a need for a strong event community and a real creative community that delivers a different beating heart in Glasgow from those of other cities. That is really vital. It is pretty clear what we do for a living.

**Lucy Bird:** The focus of the national agencies—for example, VisitScotland is working closely with Creative Scotland to maximise the opportunities of the year of creative Scotland next year—is absolutely vital in that context. We must make sure that the capital infrastructure is brought up to a level that meets 21st century market standards. That is why my first comment was that on-going promotion is every bit as important as capital growth.

**Alan Rankin:** On Lucy Bird's comment about reaching the 21st century market, a challenge that is particular to the Highlands, although perhaps not to the two major cities, is that of reaching our customers.

As we know, the whole world is moving to mobile. There are more mobiles than there are televisions and personal computers together. Recent research from Morgan Stanley suggests that pc access will be overtaken by mobile access by 2014, and the Highland economy is massively

disadvantaged right now because of the lack of mobile signal. We have black holes between Perth and Inverness. We have a 3G oasis at Perth, where I grabbed my e-mails this morning, and then nothing until Inverness. We are trying to present the information journey to our visitors from pre-departure to travel, arrival and afterwards, and we are finding it extraordinarily hard to communicate with the changing customer. We have an app that enables someone to buy a room or book a table or a ski-ing lesson with three taps, but we are working with one hand—in some areas, both hands—tied behind our back.

There is a great deal of conversation around broadband roll-out, and we would like the targets for that to be brought forward, as they are particularly lazy. We also want mobile to be tacked right in there because the customer is shopping for and buying product by mobile. Tourism products such as hotels and leisure activities are being bought by mobile—just google it and you will see the trends. Unless we move, mobile signal will remain a bit of an elephant in the room. We really need to accelerate work on that.

**Patrick Harvie:** Do you agree that there is a need for the UK Government and the Scottish Government to shift the balance from the priority always being wired broadband and to think more about the next generation of mobile signal? Never mind 3G; it could be much easier to reach some of the areas that you are talking about with 4G than with wired broadband.

**Alan Rankin:** Definitely. We are pleased to see the Government moving some of the budget from revenue to capital expenditure. However, I am concerned when I see roll-out deadlines of 2016 and 2017. The world will have moved on by then and we will need 4G. It is no use forecasting 3G delivery at that point; the customer will have moved on and will be going to the lakes or somewhere else. We wholly support your point.

**Chic Brodie:** I have a question for Ms Bird and Mr Taylor. You will be aware that the Scottish Government is consulting on a cities strategy. How much have you been consulted on that so far? How are you ensuring that you have sufficient input?

It is great to see our major cities strutting the international stage, but we must ensure that the hinterland of those cities benefit to some extent from the work that is being done. What are you doing to protect the interests of your immediate hinterland?

**Lucy Bird:** As I said, I am keen for some of the Lothians to take the opportunity to benefit from their proximity to the capital city. I have met East Lothian Council and I will soon meet Midlothian Council.

The film office for Edinburgh, which attracts productions to film in the city, sits within my office and provides us with opportunities in that regard. That organisation has been working across the Lothians for the past few years, which means that we have a bit of a track record in that area already.

I have not been contacted yet about the cities strategy consultation, but I would be happy to be involved.

**Scott Taylor:** Glasgow has been working closely with Scottish Enterprise—and, as a result, the Government—on the economic strategy. Membership of the Glasgow economic leadership board was announced only a few days ago. Its chair is Jim McDonald, who is also on the board of Scottish Enterprise, and a number of business leaders are attached to it. Glasgow's economic ties with Scottish Enterprise will be much stronger than they have been.

The Cabinet's involvement in tourism has been strong. We have a close relationship with Fergus Ewing, the Minister for Energy, Enterprise and Tourism, who is keenly involved in various areas of tourism, particularly around generating more income from business tourism. A progressive and active working party is moving forward on that and a strong relationship has developed.

On the overall strategy for the city, we think that the economic leadership board, in partnership with Scottish Enterprise and the Government, will help to deliver the aspirations of Glasgow in that regard.

I take issue with your second question to some extent, as we do not regard places outwith Glasgow as a hinterland. We have never used that terminology.

For example, this evening, I will meet business interests from the Loch Lomond area to discuss the opportunities for business that are presented by the Olympic and Commonwealth games. We work closely with businesses across the region. There are 17,000 rooms across the area, and we need them on a regular basis. With regard to the Commonwealth games in 2014, we are having conversations and setting up contracts with businesses in Carnoustie and Dundee. We would never regard those areas as hinterlands.

**Chic Brodie:** I would not regard Dundee as the hinterland of Glasgow, either. However, I take your point.

My next point was going to be about broadband capability and so on, but I know that the Government is addressing that fairly directly. We have talked about other parts of our infrastructure, such as rail and airports, and I would like you to comment on the development of our ports. As I

understand it, cruise ship tourism has been growing—I do not know whether it still is. What relationships do you have with ports around your cities? Edinburgh has Leith, and Glasgow has the likes of Greenock, Troon and, now, Cairnryan.

**Lucy Bird:** You will be aware of the recent change of ownership of Forth Ports. We are developing a relationship with Forth Ports, as the strategy moves with the city. Obviously, the port is part of the city's economic development, and we are working with Forth Ports to promote the city as a destination for the cruise market.

However, areas such as South Queensferry do not feel as though they are taking the opportunities offered by the cruise market. There is some promotional work to be done in that area. Partnership with Forth Ports and Arcus Infrastructure Partners is the way to go.

11:30

**Scott Taylor:** We have a really good, tangible opportunity. We have worked with the port authority in Greenock to develop and fund a cruise brochure, which it uses overseas to promote Greenock as a stop-off point. That piece of print demonstrates what Scotland, and Glasgow and Greenock, have to offer the cruise market. It is an important opportunity.

The challenge is probably to do with the arrival point at Greenock. How can that be invested in—cap-exed—and improved so that it is much more of an arrival point into Scotland and people not only come to spend money in Greenock but go up the west coast, down south, over to Edinburgh, up to Glasgow and so on? More can be done, but it will require funding.

**Chic Brodie:** I want to ask Alan Rankin about infrastructure needs. Clearly, there is a success so far, but what would make it even more of a success?

**Alan Rankin:** We have contacts with Flybe, through Inverness airport and Highlands and Islands Airports Limited. The cruise market was using Invergordon, but the fact that I cannot answer in detail what the connections are means that we need to work harder in that market.

The footnote to the point about infrastructure, which I suppose links to the previous subject of broadband, is the Scottish rail franchise, which will be renewed in 2014 and which is out for consultation. I sound like a stuck record, but I would love to see within the franchise the condition that 24/7 wi-fi is available on all trains, not just for tourists but so that our economy can keep working as people travel across Scotland.

**Lucy Bird:** On infrastructure funds, it is important that we look at air route development

funds and how we incentivise Scottish airports, especially Edinburgh, to provide a one-stop shop to international visitors.

**Chic Brodie:** Did you say Prestwick?

**Lucy Bird:** I did not. [*Laughter.*] I meant all airports, but especially Edinburgh.

**The Convener:** We are a little behind schedule so I ask people to keep the questions and answers brief.

**Mike MacKenzie:** We have seen an upsurge in tourism figures over the past 18 months or so because of the growth of the staycation. For the 10-year period prior to that, our statistics look pretty poor. Why do you think that was?

**The Convener:** That is a very broad question.

**Alan Rankin:** If we are getting down to international statistics I am sure that VisitScotland might be the best to answer that. We have to recognise that the economy that we have now is a completely different proposition from what it was.

**Mike MacKenzie:** With respect, I am talking not about the past couple of years but about the decade prior to that.

**Scott Taylor:** There are a number of possible answers. One of them concerns the international passenger survey figures that are collected. If you have ever been through an airport and been questioned about where you came from, where you are going and the purpose of your visit, you are probably the first person I have ever met who has had that experience. In all my travels through the airports in London I have never seen the international passenger survey—the desks have never been occupied. I question the analysis of some of the figures.

I question the 2009 figures, for example, because they are just an aggregate of those for 2006, 2007 and 2008. We face a real challenge in understanding the volume and value of tourism in Scotland. A revision of the funding level to make much more substantive funding available to support the information that we get would be useful.

As well as looking at those figures, we have the figures from Scottish Enterprise and VisitScotland, which start to give us a meaningful picture. Deloitte produces figures that indicate what is taking place in Glasgow, what our occupancy levels are and what our spends are. To be fair, a hotel investor would never use the national figures—they could not build a business on that basis. It is necessary to drill down and to see what is happening at a local level.

Occupancy rates in Glasgow have not really grown—they have stayed at around 75 per cent since 2000—but since 2000, 46 hotels have been

built, 4,000 rooms have been added to the supply and those 4,000 rooms have been taken up as a result of an increase in demand. Demand has grown and supply has grown, but occupancy percentages have not—they have stayed pretty static at around 75 per cent. A range of analysis could be provided to answer your question.

**Mike MacKenzie:** So you are telling me that the Government figures for that 10-year period are wrong and that the situation is much better than the underperformance reported in the Government's figures.

**Scott Taylor:** I honestly believe that.

**Mike MacKenzie:** That is very interesting.

**Lucy Bird:** I think that there is an opportunity to increase the infrastructure to ensure that the connectivity routes to Scotland—the air, rail and road links—are as speedy and as good as they can be.

In addition, we need to focus on specific market segments—the warm segments that I mentioned earlier. We need to promote hard in those markets.

Another factor is the cost of the available bed space. For example, Glasgow might have a price war on hotel rooms, but that is not the case in Edinburgh, where we are maintaining occupancy levels. Indeed, Scottish Development International figures showed that in May and June of this year, when the figures were more than 80 per cent and more than 90 per cent respectively, occupancy was higher than it had ever been. That drives up the rate.

We must look at how we can encourage a range of offers. For example, Motel One is coming to Edinburgh. We could also think about how we could capitalise on the green tourism market, which would involve looking at the opportunities for camp sites and so on.

The issues are infrastructure, promotion and ensuring that we are as fleet of foot as we can be, which relates back to planning and getting new opportunities for the various markets to be served.

**Mike MacKenzie:** I have a quick final question for Alan Rankin. I have always been impressed by the ability of Aviemore and the Cairngorms to overcome the problem of seasonality. You have done that much more successfully than other rural areas. What is your secret?

**Alan Rankin:** A lot of new, young businesses have come to the area. It is clear that we have had a bit of a mogul in the form of the snow that we have had over the past few years. The last two years have been an absolute exception.

Great diversification is going on. New, young businesses are starting up. We did an audit of

things for people to do from the roundabout at Aviemore to the top of the mountain, and we found that there are more than 100 different tourism activities and activity-based options to choose from. That underpins the idea of the Cairngorms being an all-year-round destination. We are no longer seen as a winter destination. A lot of the feedback that we get from customers is about their surprise at how much there is to do.

**Rhoda Grant:** I want to ask about the target of increasing tourism by 50 per cent. All three of you have given quite an upbeat account of the industry in your various regions. Do you think that we will meet the target of achieving a 50 per cent increase by 2015?

**Alan Rankin:** I will carry on where Scott Taylor left off in his questioning of the figures. Tourism was recently valued at £11 billion. The 50 per cent target was based on a £4.5 billion baseline in 2006. Measuring the industry is a real challenge. What is tourism? We are jumping between £11 billion and £4.5 billion. Should we just pick a number and start from there? A lot of work needs to be done to evaluate the industry and the benefits that it brings to other clusters that support and work with it.

It is a difficult question to answer. I know that a massive effort is being made but the 50 per cent ambition is well-nigh impossible to measure.

**Lucy Bird:** I echo that, and I go back to my answer about making sure that we are fleet of foot in recognising what the market requires, in making sure that our infrastructure and providers are able to provide it, and in promoting it effectively. I think that a 50 per cent increase is a very high target. We have a long way to go.

**Scott Taylor:** A 50 per cent increase is still our ambition. We should not shy away from that target; we should be measured on it and aim to achieve it.

The measures that we have are on occupancy and yield, and we are having a strong year for occupancy. Glasgow has the highest occupancy rate of any Scottish city in the year to date. That is how strong we are. The yield from hotels and restaurants is always challenged through the available sell price.

The market is changing dramatically. For example, people are shaving their two-night stays down to one night, which shows the differences in the way in which people are buying; it also makes a difference to hotels' cost structures. The profitability of hotels, restaurants and service providers is being challenged significantly and the yield that businesses are able to get is genuinely being compromised by distressed inventory sellers. For example, lastminute.com or Groupon, which might have commission levels of 25 per

cent or 30 per cent, are taking available profit or yield from businesses and distributing it elsewhere. The industry is facing a significant threat.

Some positive things are on the horizon. These are the winning years, as Mike Cantlay said at last night's presentation. He is absolutely right. The opportunity to take advantage of that is very clear. We forecast a need for 3,000 additional hotel rooms in Glasgow, the hotels want to come to Glasgow and we want to sell them the space, but there is such a big problem getting funding. The banks have withdrawn completely from the marketplace. The saying is, "Build it and they will come," but if we do not build those hotels—if we are not pouring the concrete, as someone said earlier—we cannot generate the bed nights. That is a real challenge for us and we will experience its effects in 2014. We are hitting 80 per cent occupancy already, and physically we can only grow so far before we hit the limit. We are close to that limit.

**John Wilson:** That answer takes me to the question that I wanted to ask about occupancy rates and the availability of rooms. I also go back to a point that Mike MacKenzie made. In the statistics that the committee has been presented with, it looks as though the tourism figures for the past 10 years have flatlined. The picture that I am getting from the witnesses today is that the figures are increasing. For example, we heard that 40 new hotels in Glasgow have been developed during the past 10 years and they are creating occupancy rates that do not seem to match the figures that we got from elsewhere.

Is enough accurate information being gathered by VisitScotland and others so that we can measure what is happening not only in direct tourism, but in conference tourism? Glasgow has shown leadership and has clearly indicated the expansion in the volume of conference tourism that is possible in such a city. Are we ticking the right boxes? Are VisitScotland and others gathering the right information so that we can make an accurate assessment of what has happened in the past 10 years?

11:45

**Scott Taylor:** The simple answer is probably no. VisitScotland's challenge is with the national gathering of those statistics at a UK level, which is compromised. That makes it very difficult for VisitScotland to take an overall picture to compare what took place last year with what took place the year before and the year before that. We work with VisitScotland, as we do with Scottish Enterprise—collectively, we put money in to give us an analysis that we can use. The work by Deloitte is a clear case in point: Scottish Enterprise, Glasgow

and VisitScotland make combined contributions so that Deloitte can provide us with information about the performance not just of Scotland's cities, but of European cities. That provides us with a measure of where we are going, and with that information to talk about we sit down with potential investors or hotel developers and SDI, which is active and supportive but which cannot use figures that are UK international passenger survey figures.

**Lucy Bird:** Absolutely. I echo every word of that. We also buy into the Lynn Jones research that Scott referred to earlier, which is part of the picture, but not all of it.

**Alan Rankin:** In the Cairngorms, we took matters into our own hands and created our quarterly business barometer because we did not have the facts and figures to hand. The barometer records occupancy rates, business levels, visitor sources, duration of stay—all the core information that we need to drive our business plan. However, that is just an island of information and if we could connect it for benchmarking purposes—I come back to my earlier point about more joined-up thinking around destinations—we would have a collectively stronger story to tell.

**John Wilson:** I have to put on record my congratulations to Scott Taylor and his Glasgow team on the figures he gave us. Conference bookings up to 2023 clearly show the confidence that people outwith Scotland have in Glasgow. However, how do we overcome the issue that Mr Taylor raised of being unable to build new hotels and new accommodation if the banks are not willing to lend? There will come a saturation point. We will not be able to grow any further if those resources are not released, if the hotels are not built and if the beds are not available. How do we overcome that, as businesses, as regions and as an economy?

**The Convener:** That is a very good question. I am not sure that it is an entirely fair question to put to the witnesses, but if they have any comments, we will hear them.

**John Wilson:** I disagree: we heard evidence that all the panellists are working with enterprise agencies and other partners in their areas, and the more partners can come together and identify the shortfalls, the more that would help to free up some of the resources required by others to create opportunities. How do we grow the tourism and conference markets in Scotland when there seems to be a bottleneck in the release of resources?

**Alan Rankin:** The business barometer records businesses' response to the access to credit issue, which is a significant challenge. Another element that needs to be put into the equation is the speeding up and consistency of the planning system across the country. In August, Travelodge

announced a £35 million kitty to build properties in or near national parks. I am fearful of the speed of response to that investment plan through planning restrictions and hurdles that will be put in Travelodge's way. Credit is a problem, but we also need to address inconsistencies in the planning process.

**Lucy Bird:** I echo what Alan Rankin has said. In some sectors, some banks are constricted by their own working practices. Their criteria could be more flexible than they are at present—some influence could be brought to bear there. It may be that some of the newer operators are more interested in flexibility, which may, in turn, create the market forces for the others to become flexible too.

**Scott Taylor:** We work closely with the hotels team in SDI, and with Glasgow City Council on planning and fast tracking. What we bring to the table is the ability to articulate demand and supply for the period ahead. I would not change the SDI hotels team at all. It does a super job at representing Scotland, and we get our share of the opportunities. It does really well. I compliment and commend that team.

Other agencies with which we have challenges might include Historic Scotland. If it had a particular view on a planning process, it might slow it up or stop it.

Yesterday morning the minister, Fergus Ewing, told me that he was keen to stimulate tourism and create a platform on which hotel developers could build. I have suggested that there could be a framework so that, across Scotland, we agree to fast track the planning process and agree the methodology for providing a seamless approach for hotel investors. We could work hand in glove with SDI across Scotland. The banks could be part of the solution by being engaged in that framework. The information that they need could be delivered on a Scotland-wide basis.

Our approach with the banks has been, I have to say, piecemeal. We and our developers make presentations to the banks, but in a piecemeal fashion. Both locally and nationally, we could do something about that.

**Chic Brodie:** Are you talking only about the four large banks, or about the new entrants to the market?

**Scott Taylor:** The Co-operative Bank is keen. It is based in Manchester, but we have made a presentation to its office in Glasgow. We have also made presentations with investors to the Clydesdale Bank, and it is always open to that sort of initiative. However, our approach is piecemeal, and it does not take in the big four.

**The Convener:** I have one final question for Lucy Bird and Scott Taylor. The Ryder cup, the Commonwealth games and the homecoming are coming up in 2014—a whole slew of important events. Time is running out. What detailed planning meetings have you had with VisitScotland? I do not mean general discussions, but active and detailed joint-planning discussions about how everybody can help with those events.

**Lucy Bird:** I have met EventScotland and discussed where it is at—although where my organisation is at comes into things, too. I have also held considerable discussions with the Edinburgh festivals, which have been taking things forward through their forum. I understand that the Edinburgh festivals have been working very closely with VisitScotland, and I will be upping the momentum over the next six months.

**The Convener:** It sounds as if the discussions are fairly general at the moment.

**Lucy Bird:** Yes, but that is probably more about where my organisation is, rather than about where VisitScotland is. The experience of the Edinburgh festivals has been different.

**Scott Taylor:** We are closely embedded with EventScotland on the Ryder cup. We work tightly with Robbie Clyde and we are holding venues for him as requested. The accommodation side is pretty locked down. Our daily relationship with EventScotland is really tight. It is well run by Paul Bush, and there is a good team. EventScotland forms part of the strategic major events forum in Glasgow, which covers all the major events in the city. It is a tight partner in Glasgow, as is VisitScotland. Malcolm Roughead and I are closely involved with 2014, and VisitScotland is closely involved in the Olympics.

**The Convener:** Right. Thank you all for giving up your time and coming along. Your evidence has been extremely helpful.

11:55

*Meeting suspended.*

12:00

*On resuming—*

**The Convener:** Good afternoon, as it is now. I thank the third panel of witnesses for joining us. I ask you to introduce yourselves and say what your roles are. We will start with Willie Macleod and work our way across the panel.

**Willie Macleod (Scottish Tourism Forum):** I am representing the Scottish Tourism Forum, of which I am a board member. My day job is primarily in tourism and economic development consultancy, and I am a non-executive director of

a couple of businesses that are involved in hospitality and heritage-related visitor attractions.

**Jane Gotts (BusinessClub Scotland):** I am the programme director for BusinessClub Scotland.

**Dr Lesley Sawers (BusinessClub Scotland):** I am representing BusinessClub Scotland as its chair.

**Malcolm Roughead (VisitScotland):** I am the chief executive of VisitScotland.

**Dr Mike Cantlay (VisitScotland):** I am the chair of VisitScotland.

**The Convener:** I thank you all for coming along. I apologise for the fact that we are running a little bit behind schedule, but I hope that you enjoyed listening to the earlier evidence session, and that you perhaps picked up on some of the issues that the committee is keen to pursue.

I invite Chic Brodie to begin our questions.

**Chic Brodie:** We have heard very positive news this morning, and a lot of the things that we are doing, such as the winning years, are key.

There is something that I would like to lay to rest so that we can move on. Malcolm Roughead has been here before—forgive me, Malcolm—but it is important that we dispense with all the talk of 50 per cent growth and get that off the table, after having spoken to you and to the cabinet secretary and having heard the information today.

I am looking at the information that VisitScotland has produced on the millions of trips in Scotland. In 2005, the figure was 17.3 million and in 2009 it was 15.1 million, so it fell by 2.2 million. Spend in real terms went down from £4.7 billion to £4.1 billion.

I return to the question that we have raised with you previously. Despite what the cabinet secretary believes, and what I would like to believe, you said at the previous committee meeting you attended that the target is not achievable, and VisitScotland's submission refers to the budget that you were given. I want to feel that, with all the good news that is going on, VisitScotland is in control of the base numbers that form the foundation from which we can spring to do things such as the winning years and so on. Can you clarify for us once and for all exactly what the position is regarding VisitScotland in terms of the numbers that form the basis for our tourism projection?

**Malcolm Roughead:** First, as I said at that meeting, the conditions in the period around 2006 were vastly different from what they are now. Secondly, I appreciate that you are using 2009 numbers, but you will see from the numbers that are available for the first six months of this year

that there is a 4 per cent growth in tourism. That is a fantastic performance given the current economic climate.

Much of that growth is due to the fact that tourism is at the heart of the economic growth strategy with regard to the support that VisitScotland and others are receiving. That allows us to move into the winning years—and beyond, because it is not just about the unprecedented opportunities that we have in the next three years.

Some of you will have seen the activities that were presented last night, and—as some of the earlier witnesses said—we must think about how we carry those on past 2014 and into 2015, 2016 and 2017. Scott Taylor presented some pretty impressive and robust figures on the conference market. We need more of that, and more events—the world gymnastics and world orienteering championships, for example, are coming to Scotland. It is about being ambitious, and moving on to focus on what we do well.

Earlier this morning Lucy Bird talked about the need to be fleet of foot, which is absolutely right. The opportunities are there: we have to take them, and ensure that we do so in partnership.

**Chic Brodie:** I understand that, and this will be my last carping comment. I would anticipate that VisitScotland would have its hands around the numbers so that we know what the Government will spend and the direction in which we are heading, which is key to our economy. Despite a lot of the good news that we have heard this morning and which we heard last night, frankly, I do not see that you have got your hands around the numbers. You say what the budget that you have been given indicates and you have talked about some of the things that are happening; I want to see what you believe the numbers are.

Of course, the numbers will change as circumstances change. However, we need an on-going review so that we know that we are spending the money on tourism where it will give us the biggest bang for our buck. I will make no more comment on that.

The engagement with VisitScotland that we have heard about this morning is encouraging.

**The Convener:** Hold on, Chic. Before we move on from the growth target, I would like to ask a follow-up question. It is important to get this on the record.

Mr Roughead, at the previous meeting that you attended you were quite explicit in saying:

“It would be naive to expect that in the next three to four years we would see an increase of 50 per cent”—[*Official Report, Economy, Energy and Tourism Committee*, 26 October 2011; c 393.]

in tourism revenues. Do you stand by that comment?

**Malcolm Roughead:** I said that in the context of where the numbers had come from; at that time, the prevailing economic conditions were completely different. It is about moving forward and building on the ambition that we have. It is important that we remain ambitious. Whether the figure is 50 per cent or whatever the industry decides will replace it, it is absolutely ambitious to use all the opportunities that exist for us. There are multiple opportunities. I repeat the point that, in partnership, we will be able to take this forward and develop tourism and the Scottish economy.

**Dr Cantlay:** I repeat what I said to the committee previously. I applied for the post of chair of VisitScotland because of the growth agenda. Growth had been flat for several years although we had the 50 per cent ambition. If you look at any industrial sector in Scotland, the UK or, gee, the world, a target of 50 per cent growth in three years—36 months—is a huge ambition. Nevertheless, it sits there as an ambition to go for, and that is where the concept of the winning years fits in.

Over the past 12 to 18 months, we have been focusing on how we move Scotland forward and get cash in the till in the short term to get at it. The figure of 50 per cent growth is not a target for VisitScotland as much as an ambition for the industry. As Willie Macleod will tell you, the tourism leadership group is looking at the issue of how we move forward the tourism framework for change into the next strategy. We will very much take a lead from that group. In the meantime, the 50 per cent growth target is our ambition and we will do everything that we possibly can to attack the opportunity that we will have over the next 36 months.

**The Convener:** Thank you for that clarification, Dr Cantlay. You are quite clear that that is your ambition. I point out that, although there are three to four years to go, the target was set for a 10-year period and we have not made much progress over the previous six to seven years. At a previous meeting, Mr Roughead said that the target is not achievable. You will understand why there is concern among members of the committee that we are getting mixed messages from Scotland's tourism agency, which has been tasked by ministers with taking the industry forward. We are not getting a clear steer from you about whether you think that the target is one that we can work towards. When Mr Swinney came to the committee, he said that the Government is committed to achieving the target. Can we be absolutely clear: is VisitScotland now saying that the target is realistic and achievable?

**Dr Cantlay:** That is different, if you do not mind my saying so. It is an ambition that we are going to strive for. Fifty per cent growth in 36 months is a huge target when we have previously seen almost no growth. The 50 per cent target was set at a time when growth across global tourism was 4 per cent—it has recently been negative for a period. It was set in that context. The challenge for the tourism leadership group is how the industry can set a target or an ambition going forward that will stand the test of time. Undoubtedly, if we looked at the target now, we would look at it from a different perspective.

For me, however, that is less the issue than the “So what?”; in the context of the tourism framework for change, it is the “So what?” bit that I want to get at. What are we going to do over the rest of the 10-year period to make a meaningful difference? That is why I was presenting the winning years to the Parliament last night. Some of its key features could make a difference, if we really work at them.

**The Convener:** I will let Chic Brodie back in, in a minute.

I understand that you are ambitious and that you want to see growth, but that does not really get to the nub of my question, which is whether the growth target is realistic and achievable. It is a simple question that just needs a yes or no answer.

**Dr Cantlay:** It is a huge challenge for any sector represented here, but the cabinet secretary is right to say that there is still that ambition. It is the industry’s ambition, and that is why VisitScotland is responding in an aggressive way to try to tackle the situation. Tourism is potentially a short-term win for many countries around the world. Other Governments have learned that achieving 20:1 returns from Government spend on marketing, for example, is a good way to move economies forward. Countries such as the United States are having a real go at international tourism in a way that they have not done before. That is why we really have to go for this, and to focus on the winning years. We shall see. Undoubtedly, and appropriately, you will clock this up in 2015 and see how we have done. My ambition is to have our best go at that 50 per cent target.

**The Convener:** Okay, thank you. That was not a yes or a no; I think that it was a maybe—

**Dr Cantlay:** We will give it our best shot.

**The Convener:** Okay. Does Chic Brodie want to come back in on this point? I know that Rhoda Grant has a question on this point, too.

**Chic Brodie:** I would like to move to a more positive environment—

**The Convener:** On this point?

**Chic Brodie:** On this point, let us agree that it is an ambition, and a target that we will all strive to achieve. However, my last issue is that the situation has not arisen in the past three years. The framework for change was written in 2006; the figures should have been examined annually and adjustments made on the basis of what was happening. The situation should have been highlighted a lot earlier than in 2011, which is three or four years before the ultimate target date. Can we agree that that will now happen, and that such activity will be the basis for the input to any budget or spending review in the future, so that you are not just given a budget?

**Dr Cantlay:** That is a fair point. Another significant point that came up earlier is that there was 50 per cent growth from £4 billion to £6 billion. However, I am more comfortable with the £11 billion figure. That includes accommodation and the day-trip business, which represents a significant element of tourism. The tourism leadership group has been getting its mind round the scope of the industry that we will focus on. Had that been done in 2005, the tourism framework for change might have been designed slightly differently.

The trick with the winning years is the step change, which we talked about earlier. Every now and again, tourism gets a chance to create a jump. This is about being busy over the next three years, but it is also about creating something of a honeypot in Scotland in the world of tourism, leisure and travel in order to encourage inward investment and create a legacy that will last from 2012, 2013 and 2014 through to the back end of the decade. That is the ultimate goal, and it needs to be built into the target. This was all about where we would be in 10 years, but the winning years is about the legacy that we will see rolling out all the way into the early 2020s, if it works.

**Rhoda Grant:** I want to ask about the baseline for the 50 per cent increase. Instead of looking for a 50 per cent increase on £4 billion, you are now saying that the figure is £11 billion, which tells me that we are beyond target. Obviously we are not, however, because you are talking about adding different things into that figure. In order to get some clarity on where we are in relation to the target, can you tell us what the baseline is? What is the figure on which we are looking for 50 per cent growth? What does it include, and what sectors does it involve? We have heard evidence that this is difficult to measure because it is hard to define what is and is not tourism, so it would be good to have a baseline to measure against.

12:15

**Malcolm Roughead:** The point was made that the figure has been flatlining. The figure was about

overnight accommodation. I am sure that Willie Macleod will correct me if I am wrong, but I think that the process started in 2004 and the figures were published in 2006. That process was based on that figure of about £4 billion.

The £6.8 billion that we are talking about in terms of additional expenditure is the day-trip market. In 2004, that was not within VisitScotland's remit. However, with the integration of the area tourist boards in 2005, VisitScotland took on that activity.

**Rhoda Grant:** So the baseline is £4 billion in overnight accommodation, which means that we need a £6 billion increase in overnight accommodation if we are to reach the target.

**Willie Macleod:** The £4 billion is not just overnight accommodation; it is the associated spend of those who stay overnight in Scotland. It includes the amount that they spend on food, drink and retail. It is the gross expenditure of international and domestic visitors.

When the ambition was set, there was every reason to believe that Scotland could achieve its market share of a global 4 per cent a year growth in tourism. As we all know, the events since 2007-08 have had a profound affect on every business. There are some excellent success stories—we heard earlier from Scott Taylor and Lucy Bird about the good things that are happening in Glasgow and Edinburgh and the buoyancy of the markets of those cities. However, I do not think that those success stories are being reflected throughout the country. The performance of tourism businesses, particularly in remote and rural areas, is less than that.

Almost daily, I speak to people who are running tourism businesses and who are concerned about the future. They are concerned about their turnover and profitability and about the daily stories of economic gloom, globally, on consumer spending and people's ability to keep spending. My view is that Scotland has done well to maintain its position over the past three years. There are huge opportunities in the future and we need to capitalise on them. Maintaining our value at about £4 billion, in today's figures, is not bad, given the environment in which we have been operating. I do not think that there are many individual tourism businesses that, between now and 2015, will be looking to a 50 per cent growth in their turnover and profitability. Some will simply be keen to survive.

**The Convener:** That is helpful. Would it therefore be your opinion that a 50 per cent growth target is not achievable? In other words, do you agree with the position that was taken by VisitScotland last month?

**Willie Macleod:** I would find it difficult to support a view that, by 2015, we will have a £6 billion industry based on the £4 billion or £4.2 billion baseline from 2005. I respect the fact that VisitScotland is taking the day-trip market seriously—it is an important market for many tourism businesses—but we must be careful that we are not comparing apples with pears when we talk about the £11 billion and the £4 billion. Those figures are made up of different markets.

We should take the day-trip market seriously. I am concerned with one business to whom the day-trip market is more important than staying visitors.

**Chic Brodie:** I want to ask Dr Sawers about business tourism. We hear that Gatwick is running out of capacity and we know that Heathrow runs into problems with fog. What are tourism agencies and yourselves doing about business conferences that might prefer to go to the south-east of England?

**Dr Sawers:** I will answer that question by first explaining the role of BusinessClub Scotland, which was formed in 2004 by the six business organisations in Scotland. Our role is primarily to drive business engagement in the major events that are already taking place in Scotland. I hope that, with our focus on ensuring that businesses are aware of those opportunities and that they are pointed in the direction of the agencies, organisations and trade associations that can give them the skills and support they need to win major contracts, we will deliver the economic legacies not just of Glasgow 2014 but of the Ryder cup and the hundreds—indeed, thousands—of events happening across Scotland from the Ayr flower show to the Portsoy boat festival.

Although we have views on accessing opportunities specifically for the tourism industry, that issue does not fall within BusinessClub Scotland's remit. However, we certainly work with the major business organisations to highlight any concerns, opportunities and indeed barriers to Scottish businesses winning contracts from the major events that are taking place in the country.

**Chic Brodie:** Thank you for that clarity.

Everyone is—or at least should be—excited by the various opportunities and, having got the earlier discussion out of the way, I think that the question now is how to take the whole programme forward. With regard to the different products that are available in Scotland, including mountaineering, extreme sports, golf and what have you, has there been sufficient engagement by the local authorities in the disparate parts of Scotland to support our overall objectives? If not, how can the situation be improved?

**Malcolm Roughead:** That is a very good question. There is what you might call the holy trinity, which is made up of the national agency, the local authorities and the representatives of the various DMOs, some of whom you questioned earlier. The aim is to focus on each party's area of strength and what it can bring to what we are targeting or trying to implement.

I can give you some very good examples of that work. Over the past few days, I have been in the Highlands presenting at the Cairngorms business partnership and we had workshops on getting alignment and maximising individual contributions—which, of course, do not have to be monetary but can take the form of human resource and knowledge. Likewise, on Monday, I was down in Dumfries and Galloway working with 165 people. Over the past 18 months to two years, I have seen not only much more engagement across the piece and across all the players who make a difference but greater understanding of each other's needs and requirements. By pulling together all the strengths in the various areas, you can get the biggest bang for the buck.

**Chic Brodie:** As far as transport requirements are concerned, do you think that the strategy with regard to airlines and ports is adequate to support your objectives?

**Dr Cantlay:** The tourism leadership group, which is working on the successor to the tourism framework for change, will examine issues such as high-speed rail. That is entirely appropriate, because it relates to our long-term ambitions.

The challenge is that, however well a business is doing, things are still really tough out there. Most businesses will point out that, even if sales are expanding, costs are still moving at a great pace and it will be challenging to put together an ambitious agenda for the next two or three years. However, as far as the transport system is concerned, we have what we have. It does not matter whether we want high-speed rail or the A9 to be dualled; the fact is that that will not happen in the next three years and, if we are going to be really serious about this, we will have to make what we have work as well as we can for the next 36 months. There are all kinds of transport issues to deal with; the Olympics, the Commonwealth games, the Ryder cup and so on will put all manner of stresses and strains on the transport system and, as I say, we will have to make what we have work really well over the next 36 months.

**Mike MacKenzie:** It worries me that the tourism strategy seems to be a wee bit based on the luck factor associated with attracting these big sporting events, which are nevertheless very welcome. People speak about the residual benefits, but it strikes me that there is a risk that all those sporting fans who come to watch golf or the

Commonwealth games will, the following year, go to another part of the world to watch another sporting event. How is the residual benefit supposed to work? What is the mechanism?

**Dr Cantlay:** There are tools that we are trying to utilise. The legacy of our capability to organise world-class events is one feature. An example is the Scottish Hydro arena, which is being built for the Commonwealth games and which seats 12,500 people. That is a complete game changer for sporting events and business tourism through conferences and conventions, as Scott Taylor would tell you. It is so big that it outruns the capacity of Glasgow, which relates to the question that you asked about Glasgow and Edinburgh working together. To fill the Hydro arena for conference or convention activity would be a game changer. Creating the legacy is about harnessing the power of the various events. Part of that will be about sport, but part of it will go much further.

**Malcolm Roughead:** There are three strands to that. There is the immediate economic impact from the event as a result of people coming and spending money. Then there is a halo effect. If the event is presented successfully to what will be a global audience in many cases, that will have a knock-on effect that can only be good for the type of work that Lesley Sawers does. That is where BusinessClub Scotland comes in. It can pick up contacts and do the networking. That is looking to the longer term, rather than only the short-term immediate impact of the event.

**Mike MacKenzie:** We have heard that rural businesses in particular are suffering, and there are concerns that the London Olympics will suck tourism away from Scotland. Is there a concern that the big events in the cities will be to the detriment of rural tourism businesses that are already struggling?

**Dr Cantlay:** The Olympics are a good example of an opportunity, although we could say that there is a threat, too. London will be the key focus in the UK during the Olympics period and people will travel there. We could think of some of the issues as challenges, such as the transport issues and air connectivity. There is a challenge, but there are opportunities, too. There are opportunities to pull people out of London to come to Scotland. There is the cultural Olympiad. In relation to staycations, we believe that many people in the UK will want a holiday around the peak season and will want to stay in the UK because the Olympics are on and they want to watch them on telly. The south of England will be full so, if people are going anywhere, they will come north.

There is an argument that, the further away from London an area is, the greater the chance of its benefiting if it targets and markets aggressively. That is the point of the winning years campaign.

Almost none of that will just fall on us—we will have to work at it, not just as the Government and Government agencies, but as a country. We will have to take the elements and really go for it and see what we can make of it at a time when our competition in Europe and the world has had a tough time. We will have to see whether we can win market share and set up the legacy.

**Mike MacKenzie:** We heard earlier that occupancy rates in Glasgow hotels are running at about 80 per cent and that, even now, there is a clear demand for new hotels in Glasgow, yet the banks are a significant constraint on developers building new hotels. Are you concerned that that will significantly limit our ability to take up the opportunities of increased tourism as a result of the large events?

**Dr Cantlay:** I hope that the events will be an opportunity. I see that Lesley Sawers wants to comment.

**Dr Sawers:** I will come to the banking question, but first I want to go back to an earlier question from Mike MacKenzie. BusinessClub Scotland urges the committee to think of the wider economic benefits to Scotland from major events. Not only are they important for tourism and in giving Scotland an international profile, but they are huge drivers of economic regeneration.

We need only look at the east end of Glasgow to see how such events can be huge drivers of change. They create jobs and opportunity for people in the job market. The Commonwealth games and the Ryder cup will create huge opportunities in volunteering for people who are far removed from the job market. There are therefore key economic benefits for Scotland far beyond tourism visitors and their spend.

12:30

The events industry is a multinational, global sector in which Scotland has little share. We hope that, through BusinessClub Scotland, Scottish businesses can get expertise, win contracts and get a foothold in the market through 2012, 2014 and the Ryder cup that will enable them to compete successfully and to work with SDI and the Scottish Government to win contracts in Rio and Qatar and for other major global events.

Scottish companies have already had some pretty significant contract wins across the world. We want to see more of that and more contracts coming out of the Commonwealth games and the Ryder cup going to Scottish companies and not to the Australians or consortiums coming in from the far east that have the experience that our Scottish companies do not have. Jane Gotts can elaborate on some of the contract wins that we have already.

**Jane Gotts:** The contracts for the major infrastructure projects for the Commonwealth games are being let and Sir Robert McAlpine and Balfour Beatty are the main contract winners at the moment. However, what has really been the key to success in terms of a lasting economic legacy is the subcontracting that is going to many businesses based in Scotland. Scottish companies have already won 80 per cent of contracts for the games.

Malcolm Roughead referred to the on-going legacy. To ensure that we continue to fill the arenas and the national indoor sports arena that is being built, we need to have the business capability to sustain major events. BusinessClub Scotland is working on that in alignment with VisitScotland and the national enterprise agency. We must have the business capability as well as the tourism capability to run major events. That is a key objective for us over the next three years up to 2014.

**Willie Macleod:** I want to go back to Mr MacKenzie's point. I do not know whether Mike Cantlay or Malcolm Roughead would agree with me, but I do not necessarily agree that our tourism strategy is based purely on major events. The major events are a fantastic reason to visit Scotland, and you cannot have a tourism industry unless there are reasons why people want to visit the destination. However, there are other elements to the strategy that are equally important.

Mike Cantlay referred to the tourism leadership group, which is looking at a refresh of strategy. One of the early findings is that we must address the adequacy of our transport infrastructure. No matter the reason for coming to the destination, if people cannot get there, the strategy is flawed. We must therefore have an adequate transport structure for coming to the country and travelling within it.

Other elements of the strategy are being looked at—for example, developing other markets. We are a fairly mature tourism destination; we are not one of the new tourism destinations that are attracting global visitors. We must sometimes work harder to grow our market share against increasing competition. We must therefore consider developing markets and adding value. There are many components of that, but we must ensure that when visitors come to Scotland they get the best possible experience, the best value for money, the best customer service and the best skilled staff. We heard from Norman Springford and Gavin Ellis about the difficulties in attracting, retaining and rewarding the right staff, who are an equally important component of the strategy. If we do not have all the components in place, we will lose the benefit and opportunity that the winning

years will undoubtedly present. We have to get all the building blocks in place.

**Mike MacKenzie:** I am very grateful for that, Mr Macleod, not least because you seem to be the only person who has touched on the idea that the big events can serve as an introduction to Scotland for people who are perhaps visiting for the first time and who can get to know some of the other attractions that Scotland offers. I find it disappointing that nobody else has developed that theme. That is what I understood a large part of residual benefit to be about. I am disappointed, because we are perhaps ignoring the biggest residual benefit.

**Dr Cantlay:** I am happy to take that on the chin. We are looking at eight features in the winning years, of which three are sport related: the Olympics, the Commonwealth games and the Ryder cup. The Disney movie is a quite different asset, as are the creative, natural and homecoming themed years. When I make a presentation to a community, it usually shines through that not all of those will work perfectly for that community, but some will work really well for it. The trick is to use what we have as an opportunity to drive things forward.

Another thing is to create the atmosphere of confidence. We often think of our industry within brick walls. Some of the very biggest players are global players. Tourism, travel and leisure form arguably the biggest industry in the world. We need to create confidence that Scotland is a great place to invest among some of the very large players, such as airlines, the large hotel companies and the large leisure players. The sporting events are catalysts that we hope will create a long-term legacy.

**Dr Sawers:** It is not that we do not share that aspiration and ambition. It was remiss of us not to say that; it is almost like an unstated belief. As well as being a great place to visit, Scotland is a great place to live, work and do business. The events provide huge opportunities to bring significant inward investors to Scotland. We are working closely with the enterprise agencies to make sure that we test our models during 2012 so that we can showcase everything that Scotland has to offer beyond its tourism assets.

**Stuart McMillan:** I have a couple of questions.

Mr Taylor from the previous panel talked about how Glasgow hotels are nearing capacity. There could be an opportunity for non-city urban areas, particularly in the west of Scotland, which I represent. A new arts centre is being built in Greenock, which should be finished by next year. It will have a 500-seat main auditorium and a second 200-seat auditorium. Working with people from the Beacon arts centre and Discover

Inverclyde, there will be an opportunity to utilise that facility more regularly when it is completed and bring tourism opportunities into the Inverclyde area. Has that happened up to now? Have there been any discussions with representatives from Discover Inverclyde?

**Dr Cantlay:** We talked last night, and I will hotfoot it to see them.

**Malcolm Roughead:** You are right that there is an opportunity. For places outwith the cities the issues are still the same: it is a question of getting funding and being able to release capital to take advantage of the opportunities that undoubtedly exist. You heard about the overspill related to events such as the Ryder cup and the Commonwealth games. We will pick up the example that you raise with our business unit tourism team.

**Dr Cantlay:** It was remiss of us not to mention last night something that is as good an example as I have seen. We used to have area tourist boards, but we are now moving into a world where industry is taking more control of its auspices and coming together in destination organisations, which we support strongly.

One of the best examples in your part of the world is Arran. Its industry group looked to the season ahead, thought, "This is going to be tough" and decided to invade George Square. It said, "If we're going to be busy during the summer, the best thing that we can do is attack the west coast market, so we'll borrow George Square for the weekend, get a few trucks and take Arran to Glasgow." It was absolutely tremendous.

Ironically, that is the sort of industry-led initiative that we would not have seen in the area tourist boards days. We are now seeing that approach across the patch, even in rural areas, with different groups—some of which you spoke to today. The outdoor capital of the UK in Fort William is a great initiative, and some of the island communities are doing great work. Those groups are on a journey that we need to support to ensure that they capitalise on the potential of the winning years.

**Jane Gotts:** On the back of the successful tall ships race, the BusinessClub Scotland is asking how to maximise the business impact of such events in the local community. That involves raising awareness of an event's procurement opportunities.

Local organisations and local authorities have an opportunity to consider how they can piggyback on 2014 to create a business opportunity for themselves, and we can follow up your example with your colleagues in Inverclyde. There are huge opportunities across Scotland, and they are part of the winning years strategy. What happens in 2014 is not just about Glasgow but about wider

Scotland. We should capitalise on events in the way that we did with the tall ships race, which was very successful in highlighting the local area and the products, services and goods in the region.

**Stuart McMillan:** I will speak to you about that after the meeting.

I chair the cross-party group on recreational boating and marine tourism. In recent years, HIE and Scottish Enterprise have cosponsored a few publications on different sectors' economic and tourism benefits to Scotland. One publication was on sea angling. It contributes £150 million annually to the Scottish economy, much of which relates to tourism. I do not go sea angling or take part in sailing or canoeing but, as I stay in Greenock, I fully recognise the economic benefits of those activities to the west of Scotland and more widely.

My questions are to all the panel members. What do you do to promote sea angling, sailing, canoeing and other water-based sports as activities rather than in relation to big events? How do you encourage people to go to all the airts and pairts of Scotland to participate in those sports?

**Willie Macleod:** I will take the lead on those questions. I confess that I am a recreational sailor, so I have a vested interest. I also have a vested interest in retaining the coastguard service on the Clyde.

A number of organisations, including the trade-based organisation Sail Scotland, promote virtually every aspect of marine-related tourism—from learning how to sail a dinghy to windsurfing, subaqua diving and sea angling. An excellent example of co-operation comes from the providers of such activities and the providers of marinas, where the activities are often based.

The one issue that might hold us back is the lack of safe and secure small marinas for all the activities in many areas of Scotland. Oban might be a prime example. Kerrera has a marina, but for many years people have spoken about having a marina of some significance in Oban Bay. Apart from engineering studies and other matters, one difficulty that holds that back is the raising of finance.

Portavadie provides a perfect example of private sector investment of £40 million in a new marina. Across Loch Fyne at Tarbert, the Crown Estate Commissioners have invested money and leased an excellent facility to Tarbert Harbour Authority. We should not lose sight of the great potential to capitalise more on marine tourism, not just in the west of Scotland but on the north and east coasts as well.

**Malcolm Roughead:** I totally agree with Willie Macleod. A great opportunity exists, but it will

remain a potential opportunity until the product is in place.

On a smaller scale, we are working with the likes of Sail Scotland and CruiseScotland. CruiseScotland was recently granted money for a project from the VisitScotland growth fund, which is designed to help sectoral groups to come together and work together. We previously had close involvement with Fish Scotland, which takes in angling. Such groups are positive and committed and bring a lot of knowledge to what we do and how we communicate, but the real opportunity will arise when the infrastructure is in place.

12:45

**Dr Sawers:** For clarity, that activity would be outside the remit of BusinessClub Scotland. We would get involved in major aquatic or water-based events, but only in relation to how we use our hydro assets for business advantage.

**Stuart McMillan:** Would you get involved in something like the Tiree wave classic?

**Dr Sawers:** Yes.

**Jane Gotts:** Through EventScotland, we would get involved in promoting the economic opportunities of an event such as that.

**Stuart McMillan:** Mr Roughead, you mentioned CruiseScotland and Sail Scotland. Will you provide the committee with further information about their activities in writing?

**Malcolm Roughead:** Yes.

**Stuart McMillan:** I have a question about the Olympics, about which we have heard a lot today, including from the previous two panels of witnesses. What specific actions do you intend to take to encourage people from London and the south of England to come to different parts of Scotland while the Olympics are on? The Olympics games will happen at the same time as the festivals are on in Edinburgh, but what message will you give to tell people from London and the south of England why they should come to the west of Scotland, for example?

**Malcolm Roughead:** I will answer on Scotland in general, and we will assume that the west of Scotland is included in that.

The year of creative Scotland is a wonderful opportunity, because it is a counterpoint to the world's spotlight being on sport. That allows people who are perhaps not desperately keen on going to the Olympics to come and experience of Scotland's rich cultural tapestry.

There are four specific markets. The first is the inbound London element: people who are going to

the Olympics, whether independently or as part of group travel. We have been working with the relevant operators for about two years to get Scotland on to their agenda so that, when those people come, they will come north as part of the trip. That market is smaller than the other opportunities that exist, but we need to take advantage of it.

The second market is people who would go to London but, as Mike Cantlay says, find it very expensive or full or cannot get there. That means that they are warm to the notion of coming to the UK in general, so we are trying to get in front of them to say, "Why not come to Scotland? Everything that you want to do is up here in spades."

The next market is London and the south-east. We have been supported by Boris Johnson, the mayor of London, who has been telling people to get out of the city during the Olympic period. I am grateful for that endorsement. Again, our strategy is about telling those people that Scotland is where they want to be and that the cultural offering here is strong and positive. You are right to make the point that that is not just in Edinburgh. There is a lot going on throughout the country, and we are trying to get that in front of people.

The final market is our business-as-usual market: loyal visitors to Scotland, particularly from Manchester northwards, whom we target. Again, our marketing is about ensuring that they come northwards rather than stay at home to watch the Olympics. They can watch the Olympics on the telly up here.

**Dr Sawers:** Scottish Enterprise, the Scottish Government and business organisations are doing a lot of work to profile and position Scotland as a great place to work and do business because of our expertise in financial services, renewable energy, tourism and a range of sectors. It would not be appropriate for us to share the detail on that, because it is still in the planning stage, but we intend to showcase team Scotland in London during the Olympics.

**The Convener:** There is a controversial proposal to erect five giant Olympic rings on Edinburgh castle. Do any of the witnesses have a view on that?

**Dr Cantlay:** I was scribbling and hoping that somebody else would answer that question. [Laughter.]

It is important to recognise the significance of the Olympic games and the opportunity that they present. Our EventScotland team has been involved in helping to ensure that the torch relay works well for Scotland. There is an opportunity to be involved, but I am not aware of what thought

went into the range of locations available in Edinburgh and other parts of Scotland.

There is clearly an opportunity, but the proposal has caused a lot of concern. The proposal has already gone into the planning process, so we will see what comes from that. If it is decided that the castle is not a good place to have the rings, I hope that we find a solution so that we can enjoy the Olympic rings in Scotland—after all, we are talking about the Olympic rings. There may be another way to do that across Scotland, but we will see what the planners come up with.

**Willie Macleod:** I am aware of one irate e-mail from a member of the Scottish Tourism Forum who objects strenuously to the proposal. Personally, I think that it is a little small-minded to challenge it. My personal view, as a resident of Edinburgh, is that it might take my attention away from the tram works.

**The Convener:** We will not go there this morning.

**Willie Macleod:** I have no wish to.

**Dr Sawers:** It is not for me, as a representative of BusinessClub Scotland, to comment on that, but I reinforce Dr Cantlay's comment that we cannot miss the business opportunities that will come to Scotland from 2012.

**The Convener:** All members of the panel handled that question very diplomatically.

**Anne McTaggart:** How do panel members measure the social and cultural benefits of tourism investments and events?

**Malcolm Roughead:** That is a very good question. A methodology has now been adopted by UK Sport and all other sporting bodies. The work is carried out by an organisation called Repucom. The methodology looks at not only economic impact but social and cultural impacts and, as you can imagine from the name, reputation. A suite of measures is utilised. If you would like, I am more than happy to send the committee more details.

**The Convener:** That would be helpful.

**Jane Gotts:** Our focus is primarily on the economic impact, but we are finding so far with the Commonwealth games that there is a huge emphasis on the community benefit clauses. They have been introduced to the games and are being looked at by other major event organisers globally, which is excellent.

The clauses mean that 10 per cent of the contract value of the major infrastructure projects must be able to demonstrate a community benefit. The approach has led to new jobs and new skills, particularly for people who are out of work. It is a great model that will be used even more regularly

as more procurement opportunities around 2014 come out. The approach is already delivering part of the economic legacy. We are very supportive of it, and we will continue to promote such opportunities to businesses that are members of the club.

**Dr Cantlay:** The whole homecoming concept has been interesting. The themed years have had a profound effect on Scots. There has been a year focused on food and drink and the year of active Scotland to encourage Scots to get out and go to places where they have not been before and to try things that they have not done before. We are now working on a theme of creative Scotland and a theme of natural Scotland.

There is a huge opportunity in the concept of the Scottish people feeling part of the tourism offering and getting more involved. It is difficult to measure, but we will have a go.

**Dr Sawers:** Jane Gotts alluded to community benefit clauses. We should remember that Scotland is leading the way. We have done a lot of research internationally on the measurement of the economic, social, community and health benefits of other major events that happen across the globe. We cannot find any event that gets into some of the softer measures, which have strong economic benefit and value to the nations and regions that organise the events. We are leading the world with the legacy plans, structures and processes that we have put in place to measure the impact of the Commonwealth games and the Ryder cup.

**Jane Gotts:** One key aspect is drawing in the skills from the third and voluntary sectors. Both sectors play an active role in the legacy plans at both the Scottish Government and city levels. That is also something that has not been done elsewhere.

**Anne McTaggart:** That is music to my ears. Given the benefits of including communities in your local tourism decision making, in what ways do you do so?

**Malcolm Roughead:** I am sorry, but I missed that question. Did you ask in what ways we include communities in planning or delivery?

**Anne McTaggart:** In both, actually. How much do you involve communities in the planning and delivery processes?

**Malcolm Roughead:** EventScotland delivers a national events programme for which there is a bid fund. Organisers and communities bid for the funding and, if they are allocated funding, they are also allocated an event manager to help them with advice or what has been learned from similar events that have taken place previously. Ultimately, we will keep away from communities

that put on events unless they want our support, because they will know what they are doing and what they want to get out of them. We are available more as a facilitator and catalyst.

**Dr Sawers:** I would like to say something about the business community. There are around 300,000 businesses in Scotland, the majority of which—around 90 per cent—employ fewer than 10 people. The intention of BusinessClub Scotland is to ensure that those small companies in local communities win contracts. It is important that local businesses in the east end of Glasgow take ownership and maximise the opportunities, as we mentioned in the context of the tall ships event at Greenock.

In such events, it is not just about tourism engagement but about ensuring that local businesses provide the products and services that are consumed at them, that they have an input and a say, and that they can plan ahead. I am talking not only about businesses that are directly involved in tourism and the delivery of an event but about all the other businesses and events around it, the marketing and promotion for which can be geared up to maximise the opportunities from the visitors to and the focus on the local community for that period of time.

**Chic Brodie:** I have a question for all members of the panel. I do not know how effective the globalscot network is, but how do you plan to use it internationally to put across the marketing message for the winning years campaign?

**Dr Cantlay:** Funnily enough, I have just realised that, in three minutes, I am meant to phone the chair of Scottish Enterprise, Crawford Gillies, to discuss that point.

Team Scotland has to work together to deliver across the winning years campaign. We have Disney on camp, which is the largest entertainment company in the world. It has made a movie, and 36 divisions of it are looking to see how to make it work. The opportunities are therefore massive.

The winning years campaign is about being opportunistic. Scottish Enterprise, HIE, SDI and all our Government colleagues are determinedly joined up to deliver across the winning years. The globalscot network is a classic example of something that is operated elsewhere from us but to which we are supplying all the information.

**Chic Brodie:** Given your programme, it could be an international vehicle for selling and marketing.

**Malcolm Roughead:** Absolutely. It has a strong ambassadorial role. Its expertise has been used to influence decision-making processes for bringing conferences, for example, to Scotland.

**The Convener:** We will forgive Dr Cantlay if he needs to go to make his telephone call to Mr Gillies.

**Jane Gotts:** I endorse what Malcolm Roughead and Mike Cantlay said. We work through Scottish Enterprise to access the globalscot network, but it is not just the globalscot network that we are looking to work with to promote major event opportunities: it is the entire Scottish diaspora.

**Mike MacKenzie:** I have a brief question. Have any of you heard of Seamus a' Ghlinne?

I thought that the answer would be no. I will translate the name into English. Have you heard of James of the Glen?

**Dr Sawers:** Perhaps you could give us the context.

**Mike MacKenzie:** I am quite disappointed by that, but it makes my point well. Stuart McMillan was talking about our failure to capitalise on recreational boating and the associated tourism. My concern is that we are failing to capitalise properly on our heritage tourism.

James of the Glen was one of the victims of the Appin murder, which was immortalised by Robert Louis Stevenson in the international bestseller "Kidnapped". I suggest that anyone who is in the vicinity of Appin or Duror should look at the spot of the Appin murder and ask themselves the question, "Are we capitalising on our heritage tourism properly?" It seems to me that there is an awful lot of low-hanging fruit that, for some obscure reason, we are not picking.

**The Convener:** What we need to do is persuade Disney to remake "Kidnapped". That will bring people flocking back to Scotland's shores.

**Chic Brodie:** Like in "Taggart"—"There's been a murder".

**The Convener:** Indeed.

13:00

**John Wilson:** I have one short question. Dr Cantlay, you are quoted in today's *Scotsman* as saying that £2 billion is being invested in the next three to four years. I assume that that is within the tourism industry. Could you clarify where that investment is taking place and, importantly, where the financing for it is coming from?

**Dr Cantlay:** It is not £2 billion over the next three or four years; in effect, it is £2 billion now.

The investment involves a range of projects such as the national museum of Scotland, the Riverside museum, the Burns centre, new facilities in John o'Groats and Shetland, and the Victoria and Albert museum in Dundee. It also involves a variety of other things, some of which I mentioned

in my presentation last night, such as Portavadie marina, which is an absolutely magnificent private sector-led development that has received almost £40 million of investment. Mr Trump is making a substantial investment, as are other golf developers. That is great and, in fact, the investment comes to more than £2 billion.

There are two extremely important points. One is that there is nowhere else in the world where £2 billion-worth of investment is being rolled out in tourism. That should give us confidence about where we are at this point in time—there are half-built hotels lying all over the world.

The second important point is: where is the next £2 billion coming from over the next three to four years? My ambition is that, working with team Scotland, we create the enthusiasm among the world of developers, the larger business community, the banks and the planners to ensure that we seize the opportunity of the next two to three years to secure the next £2 billion. That is our ambition—it is not a target; it is an ambition.

**Willie Macleod:** I would like to respond to Mr MacKenzie. We make a great deal of our heritage-related tourism—the built heritage and the natural heritage. One of the unsung heroes in that regard is the Heritage Lottery Fund in Scotland. It has invested heavily, through grants, in some of the projects that Mike Cantlay mentioned, such as the Burns centre at Alloway, the national museum of Scotland and in the portrait gallery, which will reopen soon.

Our heritage is one of the primary assets that people come to Scotland to see. It is one of the things that distinguish us from the international competition. We make a great deal of it.

**Mike MacKenzie:** Do you agree that we could make a great deal more of it?

**Willie Macleod:** You caught me out with James of the Glen, so I must agree.

**The Convener:** I thank our witnesses for coming along. Their help is much appreciated. My apologies for having slightly overrun, but we have all found the discussion extremely helpful.

We will now move into private session.

13:03

*Meeting continued in private until 13:14.*

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