

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 1 April 2009

Session 3

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ECONOMY, ENERGY AND TOURISM COMMITTEE

12th Meeting 2009, Session 3

CONVENER

*Iain Smith (North East Fife) (LD)

DEPUTY CONVENER

*Rob Gibson (Highlands and Islands) (SNP)

COMMITTEE MEMBERS

*Ms Wendy Alexander (Paisley North) (Lab)

*Gavin Brown (Lothians) (Con)

*Christopher Harvie (Mid Scotland and Fife) (SNP)

*Marilyn Livingstone (Kirkcaldy) (Lab)

*Lewis Macdonald (Aberdeen Central) (Lab)

*Stuart McMillan (West of Scotland) (SNP)

COMMITTEE SUBSTITUTES

Nigel Don (North East Scotland) (SNP)

Alex Johnstone (North East Scotland) (Con)

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)

David Whitton (Strathkelvin and Bearsden) (Lab)

*attended

THE FOLLOWING GAVE EVIDENCE:

Richard Arnott (Scottish Government Culture, External Affairs and Tourism Directorate)

Henk Berits (National Trust for Scotland)

Eddie Brogan (Scottish Enterprise)

Councillor Tom Buchanan (City of Edinburgh Council)

Vicky Carlin (Scottish Government Culture, External Affairs and Tourism Directorate)

Kenneth Clark (Scottish Development International)

Bob Downie (Royal Yacht Britannia Trust)

George Harper (Argyll and Bute Council)

Iain Herbert (Scottish Tourism Forum)

Peter Lederer (VisitScotland)

Calum Iain MacIver (Comhairle nan Eilean Siar)

Alan Rankin (Aviemore and the Cairngorms Destination Management)

Philip Riddle (VisitScotland)

Councillor Josie Simpson (Shetland Isles Council)

David Smythe (Association of Scottish Self-Caterers)

Kenneth Wardrop (Destination Edinburgh Marketing Alliance)

CLERK TO THE COMMITTEE

Stephen Imrie

SENIOR ASSISTANT CLERK

Katy Orr

ASSISTANT CLERK

Gail Grant

LOCATION

Committee Room 1

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 1 April 2009

[THE CONVENER *opened the meeting at 09:31*]

Decision on Taking Business in Private

The Convener (Iain Smith): Welcome to the 12th meeting in 2009 of the Economy, Energy and Tourism Committee. The main item of business today is a hearing on the state of the Scottish tourism industry in the current economic climate. However, before we come to that, do members agree to take in private agenda item 3, under which we will consider whether to seek approval for the appointment of an adviser for the follow-up to our tourism inquiry later in the year?

Members *indicated agreement.*

Tourism

09:32

The Convener: Item 2 is on the state of the Scottish tourism industry. We have three panels, the first of which represents the people who are at the chalkface of the industry. I welcome our panellists and ask them to introduce themselves and to say who they are representing.

Iain Herbert (Scottish Tourism Forum): I am the chief executive of the Scottish Tourism Forum.

David Smythe (Association of Scottish Self-Caterers): I am chairman of the Association of Scottish Self-Caterers, which is a membership organisation. We have a membership of around 600 self-catering businesses, which have around 3,000 properties throughout Scotland.

Bob Downie (Royal Yacht Britannia Trust): I am the chief executive of the Royal Yacht Britannia Trust.

Henk Berits (National Trust for Scotland): I am the National Trust for Scotland's director of marketing and commercial services. The trust is a charity with 320,000 members.

The Convener: I thank you all for coming to the meeting.

The committee is particularly keen to get a feel for how the tourism industry thinks the year will shape up. We are considering issues to do with the general economic climate and how that is impacting on businesses in particular, and we are interested in whether you think that homecoming Scotland 2009 is having a positive effect on the tourism industry or, at least, stemming the worst of the decline that may be expected to result from the economic situation. Members of the panel might want to give brief introductory comments on the general state of the tourism sector at the moment, and we will take things from there.

Iain Herbert: The Scottish Tourism Forum represents businesses right the way through from hotels and attractions to bed and breakfasts. We are hearing from our members across the industry that business tourism is really struggling at the moment, which is probably no great surprise. General businesses are clamping down on travel and, in particular, events. That reflects the current economic mood—there is uncertainty and businesses that can afford to do events or to travel are also cutting back in that market. At the moment, they do not particularly want to be seen to be using those things, which is obviously having quite an impact on parts of the tourism sector, in particular.

The domestic picture is slightly different, as domestic-facing businesses—hoteliers are a good example, as are caravanning and self-catering, which David Smythe might talk about—are doing rather better. As reported during Scottish tourism week, Crieff Hydro has been doing very well, with bookings having gone up between 10 per cent and 14 per cent in January and February. Businesses in that market are doing quite well.

We are seeing a number of businesses changing their offers and trying to adapt or react more quickly to the changing market. We have seen a definite fall in the number of domestic city breaks. When colleagues and I talked to people in London last week, we heard that people have also seen a change in the domestic city breaks market there.

Airports are reporting reduced traffic coming through, which leaves questions about some domestic and international routes. Domestic routes in particular, which rely on business tourism during the week and probably more on the domestic market at weekends, have seen a falling away in numbers, so there has been quite a bit of mothballing of aircraft over the recent period. That will probably mean lower numbers of outbound flights later in the year, which will make it harder for people to pick up the last-minute foreign deals to which they have perhaps become accustomed. Conversely, that might work in favour of domestic tourism.

The picture is quite mixed. More people are holidaying at home and we are seeing some changes in habits, so it will be interesting to watch what happens over Easter. Bookings are reasonably strong, but I think that more people will holiday at home, if you like, by going out on day trips during the Easter school holidays. Conversely, that could mean that some attractions, restaurants and pubs might do quite well.

David Smythe: Traditionally, 80-plus per cent of the self-catering market is United Kingdom based, so our market is currently doing okay and has the potential to do very well indeed.

We face two problems. First, unemployment is lagging behind the recession, so the number of jobless people is still rising. If people are unemployed, they will probably not take a holiday. Secondly, allied to that problem, people are feeling insecure about their jobs. Those people probably will take a holiday, but the lead-in time for their holiday could well be much shorter. Both effects can be seen in the fact that there is some evidence for a gap in the Scots market in early July. However, we hope that that will fill as we get nearer that time.

Exchange rates are helping to keep people within the UK. With the euro being one third more expensive, fewer people are going across to Europe. That is certainly helping us. The effect works the other way, too. We hope that we will gain more people from the euro countries, given that the exchange rate is favourable for them. We need, however, to remember that some of those countries are also in recession, so their people might also stay at home. The effect is pulling in two different ways.

The 100 per cent rates relief for small businesses, which will come into effect this April, will benefit many of our members. That should have a good and helpful effect on small businesses in the industry.

The best businesses are adapting well to a changing market by using new technology—such as web 2.0—to work with others and seek customer feedback, but there is room for improvement because a raft of businesses are not doing those things. In respect of quality assurance, the attitude of the owners that visitors meet still attracts high numbers of complaints. In addition, looking around, one can still find some poor websites. We have a sort of divide between businesses that want to engage with what is going on and businesses that are just tagging along. The challenge is to bring those at the bottom up to the level of those at the top—or, at least, to bring the middle lot further up.

Bob Downie: I have little to add to what Iain Herbert said. Corporate business is really struggling, but day visitor numbers are almost the same as last year.

Henk Berits: Commercial services at the National Trust for Scotland is a complex business. As other panel members have said, corporate hospitality is obviously suffering a lot, but there is an upside from the staycation—or holidaying at home—market. It is helping our holiday accommodation occupancy rates, which are better than they were last year. It is very early days for seeing the overall trend, but it is obvious that hospitality for the corporate world will suffer over the longer term.

Membership is still holding its own, which is important. My main concern for this year is what will happen to the numbers. As some of my fellow panel members know, I am all in favour of a co-ordinated approach that takes confusion out of the market for visitors to Scotland. We are making big inroads on that, and having an overarching brand, such as homecoming Scotland 2009, will help, although it is too early to assess its impact.

The Convener: What does the panel think of the support that VisitScotland provides for promotion of tourism in Scotland, through

homecoming, for example? Is VisitScotland doing enough to support the tourism sector?

Iain Herbert: Much air time has been given to people who are critical of efforts to do with homecoming, but when I attended a meeting with VisitBritain recently as part of British tourism week, I found that people are quite envious of homecoming's timing, given the need to mitigate the current economic situation. Homecoming has provided a great opportunity to raise awareness of Scotland as a key destination, so it is a timely intervention in that regard.

The speed at which members of the industry have got on board the homecoming train might reflect people's particular opinions on the initiative. Many members have taken homecoming as an opportunity for excellent free marketing and an opportunity to showcase local events. There is a full programme of events for the year; a lot is happening. How many extra visitors homecoming brings will emerge, but I think that VisitScotland predicts that there will be about 100,000 extra visits to Scotland during the year. Homecoming has provided a great opportunity at a time when it is particularly needed.

We should be considering how we maximise spend on the marketing of Scotland. It has probably never been more important to increase marketing activity and to secure a greater market share. We are operating in a tough landscape, so we need to be competitive.

David Smythe: I echo those comments. People perhaps initially thought that it was unfortunate to try to bring people to Scotland at a time when people are disinclined to travel—and Edinburgh is all dug up, for goodness' sake. However, homecoming has turned into a great opportunity and has put us ahead of other countries. Other countries are trying to cook up schemes, whereas our scheme is running and is well embedded. There are genuine new events, and marketing for existing events has increased, which works both ways, because the events promote themselves and they promote homecoming—there is double marketing.

Industry is much more aware of homecoming than it was in August—I think that 85 per cent or more of the industry knows about it. Homecoming is positive and we must try to encourage businesses to engage in it and point visitors in its direction.

Bob Downie: It is quite handy that homecoming happened this year, but what will happen next year and the year after? In that sense, homecoming is almost a distraction from the need to address real issues to do with Scottish tourism.

Henk Berits: Homecoming is a platform on which we can build. I echo what other panel

members said. My personal mantra is, "Keep coming home"; homecoming should be about not just this year but a long-term plan. It is about joint marketing, which is vital in creating a unique position in the global arena.

Lewis Macdonald (Aberdeen Central) (Lab): Bob Downie's comment merits further exploration. I was surprised that you described homecoming as a distraction from the real challenges. Do you think that there is activity around homecoming that should be directed elsewhere? I am interested in what the other witnesses think, too.

Bob Downie: The homecoming project reminds me a bit of the MTV music awards event in Leith. There was a great big tent and a great big party, but afterwards there was nothing left and we got no benefit. Homecoming is one event in one year. It is timely given the economic situation, although it was not designed to be timely, other than in the sense of the Burns anniversary. However, it will not sort the ails of Scottish tourism—they will still be there at the end of this year.

09:45

Lewis Macdonald: Will you expand on that a little?

Bob Downie: We focus continually on improving the marketing of Scotland, but we do not focus on improving the Scottish tourism product. Until we address the issues of quality in Scottish tourism, there is no point focusing on marketing. The homecoming is a marketing initiative. I do not criticise its short and longer-term benefits, but unless we take a more focused approach to managing Scottish tourism, we are wasting our time with all those glitzy marketing programmes.

Lewis Macdonald: So you do not think that a timely marketing opportunity such as homecoming is an opportunity to build the quality of the product. Cannot the promotion of the destination lead to an improvement in quality?

Bob Downie: At the local level, homecoming has perhaps galvanised groups to work together to create events, and those relationships and partnerships might continue in the future. However, homecoming will not itself address the problems of Scottish tourism—they will still exist. The homecoming will come and go like the tide, but we will still have the same problems on the beach.

Lewis Macdonald: I am interested in Iain Herbert's view on that proposition on quality.

Iain Herbert: I recognise Bob Downie's points about the future challenges for the industry. On behalf of the industry, the forum recently worked with the established tourism framework for change group to review the situation and to consider the

key attributes that are needed to drive forward tourism in Scotland. We changed and moved away a fair bit from the 14 key targets in the original framework and came up with three key headings. One is, firmly, customer experience; the second is investment; and the third is marketing. The customer experience heading includes many of the points that Bob Downie talked about, particularly in respect of skills and understanding the importance of quality. In effect, we are only as good as the last person whom a customer meets. One need only read some of the comments about various establishments that are left on the TripAdvisor website to find that although some establishments are very good, some unfortunately let us down.

The framework seeks to address that in a way that is rather different from previous approaches, by having the industry step to the fore. We have just come out of what was a unified Scottish tourism week: there was a feeling of unity and there was mutual understanding of the importance of raising quality and considering the level of investment. The aim is to make Scotland an exciting place in which to invest in tourism. Given the current economics, some sectors that were thought of as solid probably now seem rather more fragile. However, one thing that we can say about tourism is that it is here, it has been here and it will continue to be here because it cannot go anywhere else. Scottish tourism has to be here. We have an obligation to make Scottish tourism the best it can possibly be, because our visitors will judge us on it. If it is not of good enough quality, it will be much harder to market the product, because customers who have been here will say something different from what we are saying.

In general, customers experience good quality as well as some average quality throughout Scotland. We have excellent small and large businesses. Through the framework for change, we are trying to take a cohesive approach for the industry. With respect to my public sector colleagues and the more interventionist approach to tourism, I would say that the industry will stand up and give a bit more leadership as we progress.

Rob Gibson (Highlands and Islands) (SNP): I am interested in how tourism is becoming more sustainable. We have heard that the self-catering market is fairly sound and solid. I wonder about people's patterns of travel, given the fall in air passenger numbers. Are people travelling more by train? I will not explore that further, as other members will do so, but it seems to me that demand is changing. Scotland offers a product that is different from that which is on offer in many other parts of Europe. We have always considered the numbers who go through doors in major attractions. Is a model of sustainability in tourism

beginning to emerge and, if so, will the framework for change support it?

Iain Herbert: A local business will be successful by ensuring that it provides what customers want. Visitors give note of different interests. Some will want to know the carbon footprint of any event in Scotland, and will consider how they can mitigate the effects as much as possible.

There are excellent examples of small businesses, and David Smythe can talk about a few on the self-catering side. I recently came across an example of a lady who has five self-catering cottages and heats them using wood-chip burners. She started about 10 years ago, so she was very much at the cutting edge. What she is doing is reflected in the number of her bookings. She is open all year round and has done extremely well.

Two years ago, at the most recent conference of the Scottish Tourism Forum, we asked whether the green sustainability question was seen as a challenge or an opportunity. More than 70 per cent of the people in the room saw it as an opportunity.

We see changing patterns in the way in which people are using Scotland, and a good example is the mountain bike championships in Fort William. However, we have to ensure that our approach is integrated. I think the ScotRail train to Fort William that has only two spaces for bikes. How can that be right when we are encouraging people to take an integrated approach?

There are quick wins that we can consider. High-speed rail links would be nice, but they will be costly and will be for the longer term.

David Smythe: The self-catering market has landed lucky, when we consider how visitors behave. Self-catering offers a genuine experience. If people are staying in a house or flat in a village, or on a croft, they are instantly part of the community. They have to shop locally and have to behave as locals do. People are looking for that real experience of interacting with the people where they are.

There is a big move towards promoting local food. When people are staying in self-catering accommodation, they either cook in or eat out. Most people do a bit of both. We are trying to link the producers of good local food with the places where people can eat. We want to act as a signpost to visitors.

We are trying to get our members to join the green tourism business scheme. However, the scheme is tricky, with lots of bits to it, and it can be quite difficult to join. The scheme needs to be promoted more, and joining needs to be made easier. However, it matches with what the self-catering sector is providing. Quite a few of our

members are now registered, which is a good thing. However, it will be a challenge to keep it going and make progress.

Rob Gibson: Can there be a link with major events, rather than with particular places or attractions? Such a link can lead to sustainability. I am thinking of festivals such as the Heb Celt festival in Stornoway, or the Outsider festival in Aviemore, which is coming back. Are such festivals assuming more importance in the tourism picture? Is it the attractions—the castles and the Britannias of this world—that are more likely to lose out in the downturn?

Bob Downie: It is not a simple either/or. Throughout the year, we need the animation that events can provide. People need to know what is on, and we also have to deal with the nonsense of places that say, “We don’t open until Easter,” or, “We don’t open until the May bank holiday.” I regard it as being crucial that we have a strong events calendar throughout the year. We need to make the cake bigger; it is not a question of working out changes to who can get what size of slice.

Rob Gibson: So, must homecoming Scotland, with its list of events, be a pointer to the future rather than an end in itself?

Bob Downie: Absolutely—that is why I am asking what is happening next year and the year after, and so on. There is a worry about situations such as, for example, having a few bonfires on the hill because it was the millennium, but nothing happened the following year.

Rob Gibson: Well, the glass is half full.

David Smythe: Many councils are now becoming interested in tourism and running events. For example, Perth and Kinross Council’s economic development unit is taking a big interest in tourism. It would be a good thing if that were being mirrored throughout Scotland, because events bring people, and people bring tourism prosperity.

Christopher Harvie (Mid Scotland and Fife) (SNP): I want to ask some questions specifically on transport. We were very concerned, when we held our inquiry on tourism, about the erratic rail services from England. Those services are important in bringing people to Scotland, particularly from the English provinces, and they have got a lot worse since our inquiry. It was pointed out that last weekend there was no way that one could get from Scotland to England on a train without going by bus for some of the distance, despite Network Rail’s earlier assurances. What effect do you think that has on tourism? The horror stories that I can tell you from my fairly regular journeys are legion.

Iain Herbert: We are certainly seeing a change in the mood of visitors who come to Scotland. Business users tend to use rail services when they travel, so it is vital that those work efficiently and effectively, and that onward connections are linked and accessible to make the journey easier. The traveline.org.uk website now makes it easier to plan journeys, and it has brought about some understanding of how to get from A to B in a more joined-up way.

Although we welcome the shortening of the journey time to Inverness, the state of the rolling stock should be considered: for example, whether it is of the right standard to encourage people to use that method of transport, and whether it provides the service that people seek. While the golf was on at Carnoustie, the trains ran very efficiently, and extra services were put on—it is about working in partnership at the local level.

To go back to the point about events, we need to ensure that there is a joined-up approach to give people the opportunity to travel well. We have to be realistic about travel around Scotland and ensure that we are not cutting anybody out.

Rail links from London are now faster—and will be made even faster—but it would be good if that improvement in the service is extended to Scotland. When I travelled by train recently, the electric train unfortunately lost power in Doncaster. It sat in the siding for an hour and we were rescued by a train called “Thunderbird”, which sounded quite exciting to my son. It was an interesting experience, but not one that I would want to repeat.

Bob Downie: Christopher Harvie’s knowledge of trains goes way beyond that of anyone else in the room, but the welcome return of the Rosyth to Zeebrugge ferry route next month is more important for Scottish tourism—it is a more tangible connection. I hope that over time we can get the service to run daily.

Henk Berits: Getting the Rosyth ferry service back in operation is a fundamental part of running Scotland and getting people in, because it is such an easy way to access Scotland from the continent.

Christopher Harvie: In any continental country, it is easy to carry bikes around by train. As I have already pointed out, only two bikes are allowed on a train to Fort William. In Europe, there is usually a facility for Klappstühle—seats that can be retracted—so that up to 18 bikes can be carried on a train, provided that the passengers are seated elsewhere. A bike truck can also be attached to the train. That sort of thing is terribly important.

It is homecoming from Europe and not from North America that will bring in the money—I thank those who are nodding for doing so. We

underestimate the potential of bikes, which the ferry from Zeebrugge to Rosyth will bring in. Once people come here with bikes, they do not want to cycle up some of our lovely motorways or dual carriageways—not that they would be allowed to. They want to be taken close to their destination, and going by train is the only way to do that.

Iain Herbert: Network Rail might say that the demand for such facilities was not apparent, but until we promote the opportunity it is hard to demonstrate the demand.

10:00

Bob Downie: The issue is fundamental. Peter Lederer used to say that if we could get the Oban train to connect with the ferry to Mull, we would solve Scottish tourism. My version of that is that if you are going to North Uist in a week's time, if you can take four bicycles from Edinburgh to Oban and come back via Skye, you will be doing well.

Christopher Harvie: Our report makes the point that we are interested in tourism banks, which operate in Austria and Switzerland. Now that fewer banks are around than when we produced the report, are tourism banks worth considering? They could be extended into tourist-oriented transport links. Many people—including me—find that our savings are in accounts that yield zilch. We would be only too glad to invest in such banks.

Bob Downie: The notion of a tourism investment bank is for further down the road. What is needed is more public intervention to develop the quality of our facilities. The investment return would not merit the cost of such changes, which is why they are not happening. Even if businesses could obtain loans for such work, they could not justify its cost, which is way beyond any return that they would have. The committee will recall that the community in John O'Groats talked about buying the local hotel, which was so bad and rundown that it did nothing for the community. The hotel's owner said that they could not afford to do it up, because it had no customers. The investment return does not justify the required improvements, so more intervention to improve the quality of the products is needed.

Christopher Harvie: That can be achieved if we have a bank that makes advances for infrastructure projects.

Bob Downie: That is justified only if the number of customers will increase. I am saying that the increase in custom would not justify such investment, so it will not happen. For the greater good of Scottish tourism, more investment is needed to raise the base standard of everything that we do beyond what businesses can afford even when such lending is available.

Christopher Harvie: I do not see Swiss or Austrian hotel owners on street corners selling *The Big Issue*.

Bob Downie: If you want to talk about hotel schools, I would love Scotland to have a hotel school—we have talked about having one for at least 20 years.

The Convener: Is there a problem with the availability of finance for investment and to tourism businesses in general? Yesterday, I received an e-mail from a constituent who runs a guest house—I will not name him or the business. He applied to his bank for a loan but was turned down, despite a 63 per cent increase in business in the past three years and even though the bank had said that it would support his business. The bank told my constituent that it does not lend to the sector. Is that a general issue? Is there a problem with banks lending to the tourism sector or to small tourism businesses?

Iain Herbert: I am not aware of a direct statement that banks are not lending to the sector, but several forum members—small, medium and large operators—have told me that they found dealing with a bank extremely difficult.

Banks are unwilling to provide support. That does not apply just to our sector, but perhaps banks lack understanding of how our sector operates. That can lead to challenging cash-flow issues for some operators. Unfortunately, those who have invested in the past are being hampered in making future investments, even though they are sitting on a plot that is ready to be turned into something on which they could spend money, which would help not only our sector but the construction sector. That is holding back the drive forward.

Other banks are revisiting previous arrangements and implementing much harsher terms or even suggesting that they might withdraw the funding completely. That is a real challenge in what are challenging times. Hitting operators both at that end and at the business market end puts them in quite an unstable position.

The banks need to change, and considerable effort is being made to get them to move but, from what we can gather, operators are sensitive about saying too much about the situation. After all, they rely on that direct relationship with the bank.

David Smythe: Staying in the VisitScotland quality assurance scheme automatically drives annual investment, because four-star establishments want to stay four-star. As a result, things have to be replaced and so on.

There are pots of money that individual businesses or groups of businesses can look to. For individual businesses, there are various

funding sources such as VisitScotland's growth fund and the innovation fund, and funding for tourism groups includes farm diversification funding and rural LEADER funding.

I have to say that our members have not highlighted the banks as a problem, but I am not saying that that will not happen. It might well; it is still early days and we will just have to wait and see.

The Convener: We are talking about relatively small-scale investment but, at the other end of the scale, there has been the collapse of Mountgrange Capital in Edinburgh. Is that likely to be replicated? Are we expecting other major schemes not to go ahead because of companies' financial difficulties?

Iain Herbert: I am sure that in these challenging times there will be more casualties. As I said earlier, businesses are adapting quickly to the changing market and are considering other opportunities where they can. However, if they are being pushed both by the market and as a result of investments that they have made to move things forward, we will see more casualties.

Gavin Brown (Lothians) (Con): The committee's tourism report was published about nine months ago; some of its recommendations have been implemented, while others have not. Bob Downie will be pleased to learn that we very strongly recommended the introduction of a hotel school after visiting such an institution in Vienna.

Since the report's publication, there have been two major changes: first, at the time, we had a credit crunch instead of a recession; and, secondly, homecoming is now upon us instead of being something that we were looking forward to. With regard to the economy, David Smythe, I believe, said that July is not looking very good at the moment. Will you expand on that comment?

David Smythe: We see more of the traditional home Scottish market in early July because the English schools do not break up until later, but there do not seem to be as many bookings as normal. We hope that they will still come through; it is early days and, once we get through Easter, we tend to see another flurry of booking inquiries. Nevertheless, the issue should be flagged up.

I have to wonder whether VisitScotland's marketing to Scots is as robust as it should be. Perhaps we should examine or ask about it to find out what is happening.

Gavin Brown: A look at previous years' figures certainly suggests that, over a number of years, the number of Scottish people holidaying overnight in Scotland has fallen by about a million stays a year. That is quite a drop.

The overall figures for Scottish tourism suggest that 2007 was not as good as 2006. We have only

nine months' worth of figures for 2008, but the provisional conclusion is that last year was not as good as 2007. What are the figures for 2009 going to be like? I appreciate that we are only three months into the year, but you must have a pretty good feel from your various attractions and residences whether the figures will be worse than 2008. Are factors such as the pound's weakness going to outweigh other factors such as worldwide job losses?

David Smythe: In self-catering, we have our fingers crossed, but we think that we will do better than last year. I think that the same goes for caravan parks and that end of the industry. Others will struggle.

Iain Herbert: I agree. Business tourism, such as corporate events, tends to provide good added value to the economy. With that having moved away, there is no doubt that people are being cautious about how they spend money—some are spending nothing at all the moment. That is happening at two levels: first, investors are holding back from investing in the product until they can see what is coming; and, secondly, consumers are deciding to book later or to holiday from home for the moment. Given those trends and the current economics, it is difficult to see how tourism could increase from last year.

We must not lose sight of the overall potential. Recently, through VisitScotland, we received a report by Deloitte that was based on research by VisitBritain into the potential of tourism. VisitBritain's starting point was not to assume that it knew anything, which was refreshing. Its conclusion was that there is huge untapped potential for tourism in Scotland and throughout the UK. The report reinforced the views of many people in the industry that that potential could come through if we worked in a slightly different way.

We must get through the next couple of years, but during that time we can prepare for coming out of recession. If we are ready and on the front foot, we stand to do much better than if we walk around in circles saying how terrible things are. Someone said to me that we are on the dark side of the moon at the moment but that we should get ready to be thrown out on to the other side. It is important that we realise what is happening, but it is equally important that we start to consider a different way of working. We should make a step change to prepare for what we will encounter on the other side of the recession.

Bob Downie: In our case, visitor numbers last year were slightly higher than the year before, so we are optimistic about this year.

Ten months on from the publication of the committee's report on its inquiry into tourism, we

have a first draft of the national investment plan. What does that tell us, other than that there is a lack of urgency? It tells me that we do not have a vision for Scottish tourism. We need to be clear about what that vision is and who is responsible for developing it, but we do not have clarity on those issues.

Members probably think that developing a vision for Scottish tourism is a matter for VisitScotland, but the statutory responsibility for doing that lies not with VisitScotland but with Scottish Enterprise. The committee talked about decluttering the tourism landscape, but 10 months on nothing has happened. Before its report appeared, Scottish tourism was in decline; it is now in further decline, but we keep talking about 50 per cent growth. Last year, the committee almost told me that I was daft to question whether we could achieve such growth, but we have not changed anything—we are still doing the same things that we did before. It is beyond me to explain how we expect to achieve different results with the same team and tactics.

Henk Berits: Gavin Brown is right to raise this issue. Last year, visitor numbers for the National Trust for Scotland were down on the previous year. Included in those figures was the heritage market, which is under a great deal of stress and is declining. We are concerned about how we can drive visitors into the heritage segment of the overall tourism market.

The member asked about our expectations for this year. The year has just started for us, but it is a case of so far, so good. Numbers are holding up—they are not growing, but we are holding our own. It is too early to say whether that is attributable to the weakness of the pound or the homecoming initiatives but, with the exception of certain elements—the corporate side, which is under huge pressure, as I indicated earlier—I am happy with how the business is going. Numbers for holiday accommodation are already up on last year. However, customers are much more willing to negotiate on the price, which was not previously the case. That means that a lot more pain is involved in converting inquiries into bookings, but bookings are up.

The profile of the business is changing again. We have more people from England, and the committee can guess why that is: the staycation is a big thing at the moment, and people are holidaying in their UK. In addition, more people from the nearby continent are booking our holiday accommodation, so there are upsides. Indeed, the overall picture is that visitor numbers are the same as, if not better than, last year. If April is as sunny as it is forecast to be—that is an unknown—that will be of huge benefit to all people with visitor

attractions in the heritage and outdoor market. We cannot plan for sunshine, however.

10:15

Gavin Brown: Bob Downie's comment comparing homecoming to the MTV awards reminds me of the rather unkind comment that homecoming is like MTV without Beyoncé. I do not share that view; I was quite optimistic as we entered the year.

One big thing about homecoming is that it is not meant to be only for 2009. The big strategic plan was to help Scotland to reconnect with the Scottish diaspora in the medium to long term. Some put the figure of people around the world with Scottish heritage at 25 million, while others put it at 50 million or 100 million. The estimates vary, but the figure of 25 million seems to be broadly accepted. The idea is that re-establishing connections over time with the diaspora will help homecoming every year—an idea that takes care of some of Bob Downie's concerns.

We are only two months into homecoming. From the perspective of the attractions that you are running and accommodation that you are providing, are you seeing people from the diaspora? If so, is the number greater than in previous years? Are people from the diaspora coming to Scotland because of homecoming, or would they have come in any case? What is the feeling on the ground at this early stage?

Iain Herbert: It is too early to say. Clearly, some events have taken place, including the opening event, which created considerable interest. Some people came and stayed, others visited, and they have spread the word about the area. Smaller-scale events have also taken place. I can say without a doubt: homecoming will have a positive effect.

We do not yet know how homecoming will mitigate some of the other stuff that is going on. For example, we do not yet know the impact on business tourism. I hope that, as businesses start to soften their tactics, including around travel, things will start to flow again. We should see change in the number of people who are holding back from travelling. Easter will be a good benchmark in that regard.

Bob Downie: One challenge of homecoming is that it was not set in a wider strategic context. It was not a case of, "This is what we're doing with Scottish tourism."

In my previous job, I chaired the Edinburgh's hogmanay celebrations. I have also chaired the tall ships race—I think it was the 1995 race. Those events in themselves generated £30 million or £40 million for the local economy. Homecoming may

have the longer-term benefit that you mentioned, but the question remains: is it attracting the customers whom we see as the future of Scottish tourism? I do not know the answer. As I said, homecoming was not set in a wider strategic context; it was all to do with Rabbie's birthday.

Are the people who are coming back to Scotland for homecoming the visitors whom we genuinely think Scotland needs in future? They may be, but we do not know as the event was not set in the wider context. It was more a case of: "The Welsh have had an event, we have to have one." It was rather like the thinking on the garden festival: "We haven't had one; let's have one."

Events have to be set in a wider context and a vision of Scottish tourism. It has to be a case of saying: "We will have these events because they will attract those people." Edinburgh's hogmanay was about bringing younger people into Edinburgh and putting the city on that map. Will homecoming do that sort of thing? We do not know. Indeed, it might not matter whether it does that or not. We may simply say, "As long as we get some customers in this year—which is a tough year—that'll be fine." However, my question remains: what about next year and the year after?

Rob Gibson: As we have heard, the National Trust for Scotland has had considerable problems in meeting the potential of its properties because of the difficulties of running them in this day and age. I am thinking of maintenance and staff costs and the current lower visitor footfall. Will such problems continue for the fixed assets with which you work in the heritage industry? Is a particular solution required now?

Henk Berits: We are in consultation and thinking about potential solutions to the problems that we are undoubtedly facing. Your question is a good one because we need to think in the longer term about the heritage proposition, which is a key element of Scottish tourism. The properties will force us to ask at a later stage, "How are we going to deliver this in a long-term, sustainable way?" That has to be the ultimate solution, and it has to be thought through. If that means sharing and involving different partnership organisations but still being able to offer a total solution to the customer, it will come out of that longer-term vision. That is what we are working on at the moment with all our partners in the heritage industry.

A good example is the close working relationship that we have with Historic Scotland and its privately owned houses in the Historic Houses Association under the Historic Properties Group umbrella. Many initiatives are being worked through, articulated and implemented, one of which is the homecoming pass. Some signs of collaboration are beginning to show, with reduced

costs to the benefit of the customers who participate in absorbing a particular product. There are ways to get through this problematic time, and what I have described has to be the outcome for the longer term.

It is early days. Although we are trying to fix problems, there is a longer-term vision, and heritage in Scotland, as a key element of the Scottish industry, needs to be looked at. I am delighted to say that, because of the relationship that we have with VisitScotland and the HPG, we are now physically implementing measures to the benefit of the customer rather than just talking about them. More thinking has to be done on that.

Rob Gibson: I will follow up on a point before Bob Downie comes in again. The cost of maintaining older buildings, scenery, mountain property and so on is mounting to an extent of which people are only just becoming aware. Is the maintenance of heritage properties and the landscape, if not 50 per cent, a very high and growing percentage of the costs of the National Trust for Scotland?

Henk Berits: You are right, although the cost is not the figure that you mentioned. I do not know the exact cost of maintaining our estate, but it is going up without doubt, and that poses a huge extra challenge to our members to find other members on our behalf. We have a dilemma: how do we create a long-term sustainable solution to protect and conserve those buildings while creating a visitor experience? We are looking at all our members to find not just a quick fix but a long-term solution. That is undoubtedly a challenge.

Bob Downie: At a VisitScotland workshop on the national investment plan, we looked at those issues. We recognised that historic properties, particularly in rural areas, are a real magnet—they are so important to the economy in a wider sense that we need to protect and support them. As I mentioned earlier, you could spend hundreds of thousands of pounds on those properties and they would be worth no more money at the end of the day. There is no economic justification for spending the money, but we have to recognise that such properties are fundamentally important in those rural areas.

Later on, the committee will talk about destination management organisations. At the Scottish level, we need a destination management organisation and local plans to say, "Right, we will go to Skye and determine what is important there. Even if we get only 50,000 customers, we need this to be the very best castle in Scotland because of the impact that it will have." The cost of doing that will be far beyond what could be afforded based on the number of people going to that attraction, but we have to invest in and protect

those assets as part of the bigger picture of Scottish tourism.

David Smythe: Our heritage is absolutely key. It is part of the Scottish promise, along with the scenery and the people, and it is a key reason why people come here. If National Trust or any other heritage properties shut down all over the country, it will damage Scottish tourism. If there is a problem, it needs to be addressed smartly.

Lewis Macdonald: I want to follow up that point with Henk Berits. You have said that corporate numbers are going down but visitor numbers are staying up. The proposal to close Haddo house to the general public is, apparently, linked to a proposal to concentrate on corporate entertainment at the site. Surely that does not make sense, given the economic circumstances that you have described.

Henk Berits: I have to correct you: we are not closing Haddo house to the public. The country park remains open, because it receives huge visitor numbers. We are closing the house only for certain days of the week. We are converting the profile of the visits into pre-booked tours, because we spend an awful lot of money guiding the occasional visitor around the property. We are trying to find a long-term, sustainable solution. We are still in consultation about finding solutions for all the properties. Something might come out of that. There are interesting proposals coming our way for all the properties that have been mentioned. We are not there yet; we will come to the final decision in the middle of May.

On the corporate point, for Haddo house it is more about the weddings market, because it has a chapel and great facilities for that market. In our business, we put the weddings market in the corporate arena. The weddings market is still growing, because people still want to get married at a great location. Haddo is a key property for that.

Lewis Macdonald: On the same theme, will you tell us about the proposals for the Burns cottage museum in Alloway? I understand that there are proposals to limit access to the museum in the course of the year. Is that correct?

Henk Berits: I am not aware of such proposals. We are starting the building work at the moment.

Stuart McMillan (West of Scotland) (SNP): I have a couple of questions. The first is for Mr Downie. You said that you were involved in the tall ships event. Was that the one in Greenock in 1999?

Bob Downie: No, it was the one in 1995 or 1996, in Edinburgh.

Stuart McMillan: The event is coming back to Greenock in 2011. I will get that plug in now. The

last time the ships were in Greenock we had glorious sunshine for the whole weekend—the phrase “glorious sunshine” is not often associated with Greenock.

On public intervention, you gave us the example of John O’Groats. How much investment in the form of public intervention do you think is needed to improve the tourism product throughout Scotland?

Bob Downie: It would be impossible for me to answer that question without doing a proper audit. However, I would work back the way. If you grew Scottish tourism by 50 per cent, that would equate to £2.1 billion, depending on what baseline you used. On homecoming, we are talking about a leverage of 8:1. If that was acceptable to you, you would put an extra £250 million into Scottish tourism between now and 2015. I used to work at Scottish Enterprise, so I know that 8:1 is quite a high leverage. If tourism is so important to the future of Scotland, you might consider having a lesser leverage ratio and more investment. However, without a proper audit of facilities and without knowing what standard we wanted to bring them up to, we would never know the answer to your question. If 50 per cent growth equates to £2.1 billion, and you were comfortable with an 8:1 leverage, you would need to put an extra £250 million into Scottish tourism between now and 2015, although that is without considering the impact of the recession.

Stuart McMillan: My second question is to Mr Smythe. You said that local authorities are now interested in tourism and you gave the example of Perth and Kinross Council. Why has it taken so long for local authorities to show an interest in tourism?

David Smythe: It goes back to the days of the area tourist boards. Scotland used to have 14 area tourist boards—they were rationalised down to 14—which were local champions for the tourism industry. They glued the industry together; they were local people who did local marketing and got involved with events. In a way, they sat alongside the council and took care of all the tourism stuff that was going on. Now, the situation is more complicated. VisitScotland is taking a broad-brush approach. In Perth and Kinross, the council is moving in. It is looking after events—it runs certain events—and appointing tourism officers and marketing officers. The council is taking over part of the role, to fill the vacuum.

Stuart McMillan: Do you have an idea of the level of investment from the council?

David Smythe: No, but I can get the figure for you.

Stuart McMillan: Thank you.

10:30

Bob Downie: Local authorities were given a statutory duty to get involved in tourism only about 15 years ago. Their involvement was mainly through the tourist boards. During the past 18 months or so, local authorities have inherited powers from Scottish Enterprise, so they have a wider remit for economic development and local regeneration. Fair play to local authorities for expanding their interest in tourism—traditionally they did not have much of a locus beyond what was done in tourist boards and convention bureaux. The situation has changed during the past 18 months or two years.

The Convener: A destination marketing initiative, rather than a destination management organisation, is proposed for Edinburgh. Is that the right way to go, or should local authorities be concentrating on the development of destination management partnerships?

Iain Herbert: The Scottish Tourism Forum is carrying out a review of area tourism partnerships, which is showing that we must consider how visitors use Scotland. Destination management organisations highlight that issue in their engagement with businesses; they can also engage with visitors.

It is important to consider what the industry is doing, given the current economic situation, and to ensure that, as far as possible, there is no confusion about or duplication of people's roles. We must acknowledge the important role that Edinburgh plays and its potential in relation to tourism. It is important that we get the offer right in Edinburgh.

We must concentrate on the offer—what destinations provide for visitors. That approach to managing a destination is being taken in St Andrews and in Aviemore and the Cairngorms. As Bob Downie said, it is much easier to market something if it is right. Let us get the offer right and ensure that it fits, but let us not take on extra costs or duplicate work, if we can avoid doing so. We should ensure that we tune into opportunities such as homecoming and maximise their effect. We must use national campaigns to best effect.

There is no doubt that Edinburgh has potential, but first and foremost we must welcome activity at the local level that gets the industry involved and drives things forward in a joined-up way, without duplicating effort.

Bob Downie: Some 17 or 18 years ago Edinburgh marketing was set up, mainly by the council and Scottish Enterprise—it was probably the Scottish Development Agency at that time—to promote the city as a place to live, work and play in, to visit and so on. The Edinburgh DMO is not just about tourism; it should be considered in a

wider context. It is almost a mini locate-in-Edinburgh initiative, which is trying to encourage business as well as tourism. Kenneth Wardrop will talk about that.

I am more in favour of a management organisation. We need to start at the top, with a Scotland destination management organisation to sort out the wider picture. Alan Rankin will talk about what is happening in Aviemore. When we talk about DMOs, the most important issue is what the M stands for—the committee's previous adviser used to talk a lot about that. The Edinburgh initiative goes much wider than tourism.

Marilyn Livingstone (Kirkcaldy) (Lab): All the witnesses in our tourism inquiry talked about the importance of the quality of the welcome. We must get that right if we want a sustainable tourism industry. Iain Herbert has made that point for me.

We also heard about the recruitment and retention problems that people were having and about the big mismatch between the skills that were available to them and the skills that they needed. We recommended that consultation should take place with key stakeholders and that we should examine skills and learning as a whole. What moves have been made in that regard?

Iain Herbert: As a result of the committee's inquiry and its discussions, a group was formed with the Scottish Government to look at skills for the tourism industry. A great deal of work has been done on the issue, and the group is due to report on or around 29 April.

The group's starting point was the apparent mismatch between skills provision and the uptake of skills in the industry, which the committee discussed in its inquiry. I would not like to pre-empt the report, but I can say that we have taken a clean-sheet approach to identifying the problem that we are trying to solve. It is vital that we have the right skills in place, not just from the point of view of the welcome that we provide and the opportunities that that creates to engage with the public, but in relation to growing the pot, which is something that we talk about. There are some great examples in our sector of people increasing their gross domestic product by cross-selling in their own business.

Much of that process should be market led. It is coming through strongly that the development of skills must be demand led rather than supply led. In the future, we should see much closer working between the industry and skills providers. As an industry, we have been bad at articulating what we do and do not value. When it comes to attracting people to the sector and retaining them in it, we must show the full width of the jobs that are available and not just focus on a few, more visible, front-line jobs.

From a demographic perspective, it will be a lot harder to fill jobs in the future, so members of the industry are willing to consider how to retain and train staff in their organisations. The good companies are doing that—they are ensuring that that happens by developing the right culture. Unfortunately, the companies that make the headlines tend to be the ones that top up salaries with tips so that they meet the minimum wage.

We can assess the industry's response partly through the tourism framework for change. There might not be overprovision of skills; there might be just confusion, so signposting might be needed so that people can find out how to access, use and value the right skills. We have a fairly highly trained workforce in Scotland. It is just a question of ensuring that the industry can keep its workers in the sector and value them.

Bob Downie: I sometimes think that we are looking through the wrong end of the telescope. We keep talking about what I would call craft skills. We could go on for hours about the fact that we do not have enough higher national diplomas or enough practical university courses, but we must look at management, because that is where the problem starts. In any business, the problem starts at the top. The chap who was considering a hotel school said that about 20 per cent of our tourism graduates go into the industry, but is it the right 20 per cent? The quality of management is fundamental. Unless we steadily improve the quality of management, we will be wasting our time on craft skills. Craft skills are important, but we must have the right managers trained to the right level.

David Smythe: The hundred thousand welcomes course for small businesses has been relaunched. European funding has been secured to roll that out to small businesses in rural Tayside. It is a one-day course that provides soft skills training and gives advice on useful things that small businesses can do.

Some small businesses that have been trading for a number of years continue to do what they have always done—that is definitely an issue. They might be busy, but they have not kept up with how visitors expect things to be when they arrive. The quality of the welcome is hugely important and there is room for improvement, certainly by some people.

Marilyn Livingstone: We were interested in the whole package. The issue has been covered a bit in your evidence. How can we get role models so that we can give a good image of the industry? As Iain Herbert said, the bad examples always seem to make the headlines. To get young people in particular involved in the industry, we must have good role models and show that there are good career advancement and personal development

opportunities, whether in management or in a person's chosen craft area. Will the group that Iain Herbert mentioned consider the whole package, from getting people into the industry and keeping them in it to giving them good career prospects and terms and conditions, or will it consider just the skills and training element?

Iain Herbert: The industry, working in partnership with all the other players in the sector, needs to take a lead. As I said, the tourism industry must be recognised as an industry that is here; it is not going anywhere. It can be invested in to help employment prospects throughout Scotland and communities. There tends to be quite a close fit between what people want in an area and what a visitor will look for when they go to it.

The tourism industry offers real opportunities. It probably looks at people's service and skill levels in a way that is different from how it looks at the purely academic routes that some people consider. The industry and all the other players therefore open up opportunities for people, who will then realise that they have real opportunities in the sector. It is good to see responses during Scottish tourism week when recognition is given to the importance of tourism to Scotland now and in the future and the opportunities for employment and so on that it can bring. The industry must work closely with partners to make that happen, and the real opportunities that exist must be reflected on.

I echo what Bob Downie said about leadership and management. If we get the culture in organisations right, the rest will flow much more easily. If a person who has gone into the industry has a poor experience, it is unlikely that they will recommend it to people, but many people have great experiences. During the summer, a student can stick their toe in the water in a part-time capacity and then work their way through the industry. There are good examples of people who have gone into the industry at that level and are now general managers of organisations. If we get the culture and experience right for people in the sector, the rest should flow from that. There is great excitement in the industry about discussions not just around the hotel school, but around the centre of excellence, which will cover leadership and management skills.

Marilyn Livingstone: Is appropriate funding available to support your vision?

Iain Herbert: A lot of money goes into training and skills, and we must evaluate its use. We must consider how industry uses, interacts with and values that; then we can say whether enough money is available.

We would certainly welcome the opportunity to consider focused activity and areas in which the

industry could work with partners to provide real-life experiences. People on the old sandwich-type courses that universities used to run would go out into the industry and work in a real environment. We often hear the phrase “industry burn-out”. People have gone into organisations and said, “Wow. This operates at a level that is different from what I thought it would be.” There is merit in working closely with the industry so that people can enjoy such experiences. If people enjoy interacting with customers, they will enjoy working in the tourism sector.

Lewis Macdonald: I want to return to the decline in the quality of our train services since our report was published, which Chris Harvie raised. It is clear that our recommendations did not go where they needed to go. The operator of the CrossCountry train franchise, which brings visitors from the south-west and midlands of England to the north of Scotland, has withdrawn on-train catering north of Edinburgh. National Express has taken over the east coast main line franchise that connects Scotland to London. Yesterday, I was on a train between Aberdeen and Edinburgh that showed alarming signs of wear and tear; it looked suspiciously as though there was a lack of routine maintenance.

Issues around the rolling stock that is used between the central belt and the north of Scotland have already been mentioned. Are the companies that operate the franchises, including First ScotRail, members of the Scottish Tourism Forum? Have you the means to influence them? If you do not, and if we do not, who does? Whose job is it to represent the interests of the Scottish tourism industry to those transport operators?

10:45

Iain Herbert: Those companies are associate members of the Scottish Tourism Forum. Do we speak often enough to them, and do we articulate clearly what we need from them? Probably not. We have aimed extremely high in the past, but we should consider the real needs that visitors have now.

We should, as you suggest, consider wear and tear, the lack of rolling stock that can accommodate bikes and so on. We should demonstrate how the companies could benefit if they considered those factors, and tell them how we cannot drive things forward in certain areas unless a partnership approach is taken. There is a real need for us to articulate clearly what we require from those companies; we can then speak to the committee again. If what we say falls on deaf ears, we will need to raise our game.

Bob Downie: Mary Dickson of FirstGroup, who is on the First Minister’s national economic forum,

previously chaired the tourism sub-group. We have access to her, and she seems pretty keen in her support. I do not know the economic realities of the business that she works in, however.

David Smythe: Our association is a member of the Scottish Tourism Forum, and we would look to the forum if there were problems to do with rail services. It is not all gloom and doom. New services from Perth to Edinburgh started in December, and they have been very useful.

It is a shame that we have not got the rail link from Edinburgh airport, which would have improved the lives of a lot of people, particularly those who live north of the Forth—in Fife, Perthshire and further north. I know that that was a political matter, and we cannot go back, but that was a lost opportunity, sadly.

The Convener: Well, that is a positive note to finish on. I am afraid that time is against us. I thank the panel for their contributions. We will follow up with more detail on the tourism inquiry before the summer recess. If you have any further comments, we will welcome them. Thank you very much for coming along this morning.

10:47

Meeting suspended.

10:52

On resuming—

The Convener: I welcome our second panel of witnesses, who represent local authorities and destination management organisations. I ask them to introduce themselves briefly and tell us which organisation they represent, and we will then open up to questions.

Alan Rankin (Aviemore and the Cairngorms Destination Management): I am chief executive of Aviemore and the Cairngorms Destination Management—I emphasise the word “management”.

Councillor Tom Buchanan (City of Edinburgh Council): I am convener of economic development at the City of Edinburgh Council.

Kenneth Wardrop (Destination Edinburgh Marketing Alliance): I am the project director for the Destination Edinburgh Marketing Alliance.

Councillor Josie Simpson (Shetland Isles Council): I am chair of the economic development committee in Shetland.

Calum Iain MacIver (Comhairle nan Eilean Siar): I am director of development at Comhairle nan Eilean Siar, the Western Isles Council.

George Harper (Argyll and Bute Council): I am strategic director of development for Argyll and Bute Council.

The Convener: I will kick off the questioning by asking the panel their views on the state of the tourism industry; whether they think that it is likely to be a good or a bad year in their area; whether homecoming Scotland is having a positive impact on tourism in their area; and what other key issues the industry faces in their area this year.

Alan Rankin: In our area, we undertake a quarterly business survey, so we speak from a certain amount of factual knowledge on the ground. The survey has shown that Christmas and new year were better than the previous year and that there were higher levels of trading during February half term than in the previous year—it helped that we were knee-deep in snow that week. The anecdotal indications are that Easter is looking exceptionally strong. Forward bookings to January are holding at an average, but there is no great concern about that at this point.

Councillor Buchanan: From the City of Edinburgh Council's point of view, we certainly face challenges across the tourism sector. Different areas are facing different challenges. However, the gathering—one of the biggest events in the year of homecoming—has, with four months still to go, sold 6,400 of its 8,000 passports. It is obvious that homecoming is having a beneficial effect. I leave it to Kenneth Wardrop to add more detail.

Kenneth Wardrop: Edinburgh certainly had good Christmas and hogmanay celebrations—our winter festival—for which the turnout was good. It was a good start to the year.

Corporate business is a particular pressure for the hotel sector in the city but, together with the Edinburgh Convention Bureau, we are trying to address that. International association business is holding up. That is a unique Edinburgh niche for convention business.

We are seeing growth in European traffic. Edinburgh has 12 new direct routes, with airlines such as Jet2, Ryanair and easyJet bringing more European visitors. That is obviously linked to the present exchange rate between the euro and the pound.

It will be a challenging year for the Edinburgh festivals in the summer. We are stepping up our marketing to key markets for the city. Earlier, the committee heard about city breaks. That is a strong and growing market. We are focusing in particular on our key UK markets. The committee also heard about the need to attract more domestic tourists to Scotland and to Edinburgh in particular. That will be a focus for us.

Councillor Simpson: In Shetland, bookings have been much the same as last year. We are very much looking forward to building up the link to Bergen with Flybe. More continental flights will be coming in. We are quite optimistic about this year, but we get back to the same old problem with transport. In peak season, it can be very difficult for tourists to get a space on the NorthLink boat into Shetland. That bottleneck can create a problem for us.

Calum Iain MacIver: As the committee will know, the economy of the Western Isles faces a range of challenges. Our economy is performing at about 66 per cent of UK GDP per head, so there are a lot of sectoral and structural challenges.

The success story over the past decade or so has been tourism, which has been growing by about 2.5 per cent per annum. Tourism provides jobs and good, solid economic activity in some of the most peripheral communities in Scotland. It is a key sector that we are keen should grow further over the coming period.

The outer Hebrides tourism industry association, which is the private sector body that brings different parts of the industry together, expects that the growth will continue. The association thinks that the sector will grow and will meet the Western Isles' proportion of the 50 per cent growth target for 2015; the association thinks that the outer Hebrides can deliver on that.

A lot of homecoming inquiries are coming through the local VisitScotland office and through the council. We are not yet sure whether those inquiries will translate into visits, but we hope that they will. We are seeing a lot of bookings, which are on a par with last year. The industry is therefore quite positive about the next period.

There are a couple of new things that we hope will have an impact. One is the introduction of the road equivalent tariff—RET. We will have to wait and see how that plays out, but we are confident that it will deliver new economic activity to the area, through tourism in particular. Overall, we feel reasonably positive.

George Harper: I will keep on the positive theme for Argyll and Bute. On the issue of homecoming, we had an early disappointment when the Connect festival at Inveraray was postponed. I felt that the postponement was a bit premature, but it was obviously related to the recession. However, a number of springtime homecoming events are proposed for Argyll, and we look forward to them. Also, as the season progresses, the various Highland games will take place, and then there will be the Mod in Oban. We have been encouraged by the interest expressed.

I did a trawl of the various visitor information centres throughout our area. I will start by talking

about Loch Lomond and the south of Argyll. Early indications of activity since February are very encouraging for many of the small businesses in the area, which stretches to Inverary. The number of visitors to Tiree has increased by 3.5 per cent and there have been increases in Mull and Islay. Again, we are monitoring RET closely to ascertain what impact it could have on our islands that are covered by it. Through general observation while travelling throughout Argyll, as I do regularly, I have noticed encouraging signs in the form of campervans, caravans and foreign registration plates. This early in the year, I can take that only as a very positive sign.

11:00

The Convener: How do you see VisitScotland's role in promoting your areas? Is VisitScotland doing a good or a bad job? What could it do better or not do at all in your areas?

Alan Rankin: The approach that we are taking as a management organisation is to seek engagement at local level and get the product right before we begin to market the destination seriously. We are about 18 months into a life cycle in which we start off as a DMO. Our priority has been to get the local businesses to buy in. To put it in context, tourism in our area is worth about £135 million and provides just under 4,000 full-time equivalent jobs, so it is the life-blood of the area. There is no bigger or more important industry in the area.

We are determined to get local engagement with businesses right, so that we can then develop the product and customer proposition. We see our role as working in partnership with VisitScotland when we move into our marketing phase. We are not fully into that phase yet, but we see the expertise in VisitScotland as an asset to the area. As a management organisation, we are doing management right now, but we certainly propose to move to promotion. That does not change us into a marketing organisation; we remain a management organisation, which is a critical point.

Councillor Buchanan: I see what we do very much as a joint venture—we have to work closely with VisitScotland. It has a vast range of experience of international marketing and we need to buy into that. The Destination Edinburgh Marketing Alliance is an alliance between the private and public sectors in several areas—not just tourism but the themes of live, visit, study and invest. We wish to buy in the appropriate experience that VisitScotland has and ensure that we use it to the benefit of Edinburgh and its business community.

Kenneth Wardrop: I echo that. Promotion is about four areas: live, visit, study and invest. The

proposition of the Destination Edinburgh Marketing Alliance is about cross-selling those areas and using our high brand awareness and levels of positive perception about Edinburgh and Scotland to promote Edinburgh in those different areas.

We will work with VisitScotland, which has been part of the marketing alliance from the outset and has helped to shape this public-private partnership in the city. It is about establishing a new way of working and a new partnership with VisitScotland. We are upping the contemporary pulse in the presentation of Edinburgh. We know the key audiences that we want to go after; it is a young audience in Edinburgh, where over 50 per cent of our visitors are under 35. That is different from the profile of visitors to other places and it reflects the fact that Edinburgh is a city break destination.

We will go after those key audiences. We are looking to purchase services from VisitScotland through a scheme that was set up in 2004, and that is how the relationship works. We are looking at the menu of offer from VisitScotland and trying to influence and shape it in a way that helps us to project the contemporary, innovative and dynamic image of Edinburgh that we want as well as cross-selling the four areas that I mentioned.

A good example of the work that we are doing with other people at the moment is the rugby month of May, which is an events-focused piece of marketing of the city. We are also working on the publicity in the key European markets for the direct flights to Edinburgh from Altenburg and Limoges, which started yesterday, and from Dusseldorf, which Jet2 is running.

Councillor Simpson: We in Shetland wish to work closely with VisitScotland. However, we were pushed down the road towards setting up a DMO because we felt that we were losing some of our independence. We were not able to go out there and promote Shetland as we would like it to be promoted. Of course, VisitScotland has a lot of services that we will have to buy in.

We are a small group of islands right in the middle of the North Sea. We are as near to Norway as we are to Scotland. Nobody can promote us better than we can. At the same time, we have to work extremely closely with VisitScotland. However, it has pushed us down the route towards setting up a DMO because, in our discussions with VisitScotland, we were unable to achieve what we are trying to achieve.

Calum Iain MacIver: In the outer Hebrides, at a local level, there are excellent relationships between the council, VisitScotland, Highlands and Islands Enterprise and the tourism industry. Everyone is agreed on what we want to achieve, and an excellent partnership agreement has been in place for quite a long time. However, the

situation gets slightly hazy with regard to the promotion of our area at the national level. A lot of the activity that the local partners, including VisitScotland, want to take place involves the Gaelic language and the specific culture and heritage of the area. However, it is difficult for VisitScotland to profile that in some of its national branding and advertising. We also want the existence of RET to be emphasised, but it is difficult for VisitScotland at the national level to grasp such issues. The reasons for that difficulty are understandable, but there is a wee bit of frustration in the local industry that we are not getting the type of marketing that we want.

Locally, we get pushed into doing certain pieces of marketing, such as the *cearcaill na Gàidhlig*—or Gaelic rings—scheme, which uses the transport infrastructure of the mainland and the islands to create circular journeys that visitors can follow from island to island, which keeps tourism value in the area. Locally, VisitScotland has done excellent work on that, but it is difficult to get the initiative pushed at a national level.

Locally, we have excellent relationships, but we face a challenge with regard to meshing between the local and the national levels.

George Harper: As you all know, our MSP is the Minister for Enterprise, Energy and Tourism, who is in regular dialogue with us. After the changes of a year or 18 months ago, the local authority took a positive step and decided to speak to the other partnership organisations that are involved in the public sector and the people in the trade in order to form a strategic partnership. That took a fair bit of discussion. We had excellent support from VisitScotland and Highlands and Islands Enterprise. Those organisations and, of course, the Loch Lomond and the Trossachs National Park Authority in effect form our strategic partnership. We are conscious of how much we rely on transport partners such as First ScotRail and Caledonian MacBrayne. Earlier, you heard from the National Trust for Scotland, and Argyll and Bute has more than its share of historic buildings, which I know about from the planning point of view. We decided that all those bodies should be part of the group that drives forward tourism because, in Argyll and Bute, tourism is inextricably linked to economic development.

Earlier, someone asked what councils are putting into tourism. I would say that, because of the holistic view that we take, tourism and economic development feature extremely highly in our corporate strategy and our single outcome agreement.

We did not want the strategic partnership to do 62 and a half different things. Instead, we came up with half a dozen key issues that are important in our area, which are collaborative working; skills,

training and development; communications; branding and marketing; the year of homecoming; and practical issues such as transport infrastructure, planning and the provision of toilets, which is quite a theme throughout the vast area of Argyll and Bute.

For a number of years, we have had a service level agreement with VisitScotland, which relates to money that we give to VisitScotland for services that it provides to us. We are currently in the process of completing the agreement for 2009-10. When that has been completed, we will hold a seminar, hosted by Jim Mather, that will examine the impact of tourism in our area, with a particular emphasis on the people who deliver the service.

We have one DMO, which relates more to the management side. It covers the Dunoon and Cowal area, which is in effect the water-based entrance to the national park. It is beginning to develop working papers on how it is going to make progress.

Rob Gibson: I asked the previous panel about how sustainable certain aspects of tourism are. We can see that falling numbers of people used our airports in the past year—the figures are 14 per cent down from this time last year. Further, tourism relies on factors that are beyond our control, such as the current low exchange rate for the pound. In some areas, tourism is a major growth industry—perhaps the only one—and we need to think about its sustainability and relate that to the framework for change, which was discussed earlier. How can your areas sustain tourism in the long term?

Alan Rankin: We can do that through partnership working. That is the core principle. Unless we are all pointing in the same direction, it will be difficult to make tourism sustainable.

Our area has a different model from the one that my colleagues on the panel have in their areas, as we are a private sector-led organisation. The critical issue that we are considering with regard to economic sustainability involves getting everyone around the same table. Within the national park area, we have five local authorities, two enterprise bodies and five business tourism associations, as well as VisitScotland and the national park authority. All those bodies are involved in tourism, which is the life-blood of our economy.

Last week, we looked at how tourism can be moved forward as part of Highland Council's single outcome agreement. In our area, there is appreciation of the need for partnership, which allows the council to come into play when we are dealing with infrastructural issues. Bob Downie suggested that we carry out an audit of Scotland. We are going through that process locally to ensure that the different agencies and the private

sector are connected, so that the customer experience can be maintained.

11:15

Rob Gibson: George Harper made that point in spades when he spoke about what is happening in Argyll. However, sustainability is dependent on many factors over which you have no control. You can have a great product and so on, but you are reliant on conditions that allow people to come to you, either from within this country or from abroad.

Alan Rankin: We are one of the components of the proposition that is made overseas. The essence of the local, private sector-led DMO is a passion for the local product and its development, because so many businesses and so much employment rely on that. That is the private sector take on the issue. As I mentioned earlier, we need to be connected. We operate and think locally, but DMOs should be used as a conduit, to connect national strategy at local level. The potential for doing that has not yet been fully tapped.

Councillor Buchanan: It is hugely important that we look at sustainability in the round. Fifty per cent of international visitors to Scotland come through the Edinburgh gateway, so connectivity is hugely important. Christopher Harvie and Lewis Macdonald spoke about the rail network. If we get that connectivity wrong, we will lose our sustainable tourism opportunity. We should retain the live, visit, study and invest theme. If we get someone here to visit, we want them to return, so that we get an additional bang for our buck. In selling, which is my background, we have the phrase "mine narrow, mine deep"; it means that, once you have a customer, you should vacuum them clean of any penny that they have. The tourism experience in Scotland should attempt to get as much as it can out of every visitor, especially in these challenging times. If we do not have a sustainable tourism offering, that will not happen.

Rob Gibson: As a member of the Transport, Infrastructure and Climate Change Committee, I could wax lyrical about trains and other forms of transport. Josie Simpson mentioned the investment that is needed in the ferry to Shetland. The fact that it is a one-decked ferry, unlike most other ferries in Scotland, is down to various factors. Connectivity is only one aspect of sustainability—we must ask ourselves what people want to go to places for. People want to go to Shetland for the wildlife, the culture and events. Are we able to sustain those at a level that will interest folk around the world in coming here?

Councillor Simpson: You have touched on an important point. Transport is a very big part of the tourism industry throughout Scotland. We need

buses, trains and ferries to the islands. I mentioned the Flybe service to Bergen. I hope that we can build on that and open up links to the Scandinavian countries. That is a big market, if we can sort out the transport side of things.

Rob Gibson: In Edinburgh, sustainability is dependent on transport links for work, as much as for tourism. Do we need to look at the wider picture? The connection between Norway and Shetland is relevant to work as well as tourism.

Kenneth Wardrop: Connectivity is a key factor that influences decisions on whether to invest in a location, both within the UK and internationally. It is important to remember that UK visitors are still our most important tourism market, so how they access the Scottish product is important for sustainability.

Certainly, getting the product right in the round is important and is what Edinburgh is focused on. The cultural product is very important, as it cuts right across what attracts both inward investors and those who want to come and live, work or study here in Scotland. The cultural product is a strong component part.

We must recognise that we operate in a competitive global environment, with huge investments being made around the world, particularly in business tourism infrastructure. Therefore, we cannot be complacent and we must keep our investment going. In Edinburgh, we currently have 23 live hotel inquiries. We also have the new Apex hotel in Waterloo Place, which opened last weekend; the Hotel du Vin, which opened at the beginning of the year; and the Missoni hotel, which is just starting up. In addition, easyHotel has announced that it will open a hotel on Princes Street. That investment in infrastructure is important and needs to be sustained now so that we have the product when we emerge, as someone mentioned earlier, from the dark side of the moon. At this point, we need to ensure that we get the infrastructure and product right.

Getting the product right is very much about knowing your customer, which is what we are focused on. We need to understand the customer and the customer journey of those who wish to invest, live, visit or work in our capital city. Getting the product right is also about partnership, which is an important part of what DEMA is about. We are a public-private partnership that aims to ensure that we get product right to fit market.

George Harper: A complete contrast from that is provided by the rural side. Obviously, the strategic partnership is helping to bring out key issues such as transport and communications or connectivity, which is vital for remote, rural, sparsely populated communities. Having

responsibility for the strategic transportation function within the local authority, I know that we are looking carefully at transport interchanges and connectivity in its wider sense, which involves Caledonian MacBrayne, First ScotRail and bus services. Getting out to the islands is probably still viewed as a challenge. We also now have air services operating out of Oban airport as well as a seaplane. Connecting all those things together will certainly open up opportunities in Argyll, but we need reliability and connections between services. Lack of connection leads to disappointment, and disappointed people will not come back. The local authority, VisitScotland and Highlands and Islands Enterprise are working on that with vigour.

Lewis Macdonald: The previous panel of witnesses suggested that there is little point in having a marketing strategy if the quality of the product is not right. Alan Rankin has described how a DMO can play a role in bringing together the public sector and the private sector to ensure that that happens.

Given that responsibility for economic development, the business gateway and local regeneration now lies with local authorities, what is the proper role of local authorities—I am interested in hearing Alan Rankin's view as well as that of council representatives—in improving the quality of the product and in making it available? What is councils' proper role in supporting businesses to do that? I am interested in that because we have heard a clear contrast between a destination management approach and a destination marketing approach. I am a bit concerned that the focus ought to be on the quality of the product, which is for the DMOs but is surely also for local authority partners.

Kenneth Wardrop: In the Edinburgh visitor survey, we achieved 96 per cent satisfaction on the visitor experience. We are regularly voted by customers—via *The Guardian*, *The Observer*, *Condé Nast Traveller*, TripAdvisor—as one of the world's great city break destinations. We are getting it right, so I do not think that we should beat ourselves too much. However, we cannot be complacent as we are in a very demanding market.

From the local authority background, the City of Edinburgh Council invests £33 million in tourism every year as part of that holistic approach, so we are a player. With the power of wellbeing that we now have under Government legislation, economic development is at the heart of what we are trying to achieve. We are very focused on achieving sustainable economic growth for Edinburgh and for Scotland in all our activity. Our remit now goes into skills development and training and into business gateway support, so local authorities are a lynchpin in addressing a lot of the issues that

have been identified in partnership with the other players.

Investment in product is fundamental. Setting a framework and creating an environment to support and encourage investment and growth are fundamental. We are getting that right in Edinburgh, as you can see from some of the big developments that have been approved recently, such as the Henderson Global St James Quarter development, the proposal for the Tiger Developments Haymarket development and the proposals for Princes Street. Such developments will help the regeneration of the city. There are also the developments in the waterfront area around Leith docks, which are creating a visitor waterfront destination down there.

Councils are serious about supporting such developments and tie that back to the market—they need to have a perspective of who the customer is—and how that is changing. We are seeing a step change in Edinburgh, in particular. When councils are out promoting to the customer, we have to know what the customer wants, understand the customer and then feed that back into the shaping of product.

Lewis Macdonald: Do you use VisitScotland's intelligence on customer choice and preferences?

Kenneth Wardrop: We use every source we can. We use global sources and local sources, and we are now looking to get much more fine tuned. That is where the Destination Edinburgh Marketing Alliance comes in: it is about fine tuning our understanding of the customer and drilling down to understand that at a local level. We are working with VisitScotland, Scottish Enterprise and Scottish Development International. There are huge amounts of global research that somewhere such as Edinburgh can tap into.

Calum Iain MacIver: In the Highlands and Islands, the introduction of the business gateway will change the dynamics quite a lot. As we know, the business gateway is a new product in the Highlands and Islands. It is being soft launched today—the main launch will be in June. The business gateway in the Highlands and Islands starts today. To all intents and purposes, it gives the local authority the first point of contact with a business so that it can look to invest in its product, skills or whatever. That first point of contact with the local authority is critical, as is how we go about it.

The refocusing of Highlands and Islands Enterprise in the Highlands is also interesting. As we know, Highlands and Islands Enterprise has been told to focus on growth and the growth of businesses. How that will pan out in terms of tourism businesses at the smaller end—the bed and breakfasts, guest houses and self-catering

accommodation that are the backbone of tourism, certainly in the outer Hebrides—and how HIE will be able to intervene with that type of customer will have to be teased out over the next period. Similarly, how Skills Development Scotland sees its new role in regard to training issues will be quite interesting. That is an evolving picture.

What stands us in good stead in the outer Hebrides is the fact that we have got the partnership right. We have a good, solid, strong partnership with all the key players around the table, all agreed on the same vision and the same plan. I hope that a cohesive partnership with a good solid plan will be the bedrock. If there are issues to be teased out in regard to economic development and business, the business gateway should be able to do that.

The key driver for sustainability in the outer Hebrides tourism industry is what the industry is based on at the moment—the culture and heritage of the place. The majority of our visitors come to sample the Gaelic language and heritage. A lot of our visitors are visiting friends and relatives, and a lot of them come to events such as the Heb Celt festival. So, the development of the Heb Celt festival and other events of that nature will be critical. An interesting statistic is the fact that there are 6,000 Gaelic learners in Germany at the moment. That situation is replicated throughout Europe, the United States, Australia and New Zealand. Culture and heritage are, we hope, what will drive the sustainability of the tourism industry in the outer Hebrides.

Councillor Simpson: The council has a big role to play in this. The business gateway has been launched in Shetland today and provides a great opportunity for HIE and us to promote economic development. In two weeks' time, we will move into a new building together. We should work together—the business gateway is a great opportunity of which we must take advantage. We have a big role to play in tourism in Shetland. The biggest advertising tool that we have is quality: we must build on and improve what we are delivering to customers. I am sure that our working together through the business gateway is a step forward.

11:30

Lewis Macdonald: How will you do that? What is the strategy for improving the quality of the product?

Councillor Simpson: We must work closely with the tourism industry in Shetland. We have set up industry panels that can feed their problems back to us. When they do that, it is up to us to try to address those problems, so that they can improve what they deliver to customers.

Alan Rankin: I come back to the core element of the question. We see local authorities and all public partners—especially in our area, where we have the special nature of the Cairngorms national park to consider—as enablers for the private sector. The private sector is closer to the ground and can translate the national strategy to the local area in ways that are appropriate to it. My experience in tourism suggests that that approach gets better buy-in from smaller businesses.

If we want to influence businesses to make behavioural change that will improve the product and deliver on the promise that VisitScotland makes in its top-end adverts, local partnerships must be involved. We are pushing forward a private sector-led enabled body that has high levels of support from the Cairngorms National Park Authority, HIE and Highland Council. That model is working, because we have almost doubled our business membership.

I extend an open invitation to the committee to see how the model works. It is private sector led, but we have absolute support and buy-in from the public sector. That approach is attracting a positive response from industry bodies. In previous years, the industry had the feeling that policy was being done to it; we need to avoid that. We are at a critical point and have the ability to turn things around. The industry is not trying to tear up the rule book—there is great worth in developments under the tourism framework for change and in the revisions that are being made to it now. We have a fantastic opportunity—not in conflict or isolation, but in partnership.

Lewis Macdonald: Is improving quality your job, rather than something in which you expect the public agencies to participate actively?

Alan Rankin: We see it as our job to engage with the businesses, because we can have more open and honest one-to-one conversations with them. For example, we have just engaged in a mystery shopping project in the area. Because we have had the destination mystery shopped, I now know which businesses are letting us down and which businesses are delivering gold-plated services. As a private sector-led membership organisation, we can discuss the results of the exercise with businesses on a one-to-one basis. That model is right for our area, but I have learned that in tourism there is no one model that fits all areas. We are a rural, national park destination, not a metropolitan product.

Gavin Brown: I want to focus on Edinburgh for a couple of minutes. Having spoken to businesses, especially tourism businesses, in Edinburgh, I know that there is broad support for the concept of the Destination Edinburgh Marketing Alliance; people were struck by the fact that Edinburgh is the only capital city in Europe

without a dedicated marketing bureau. I want to make that clear before I ask my questions.

The businesses to which I speak are concerned about the potential for duplication and about what DEMA can and is setting out to achieve. Can you indicate for the record whether the City of Edinburgh Council will give less money to VisitScotland this year than it gave last year?

Councillor Buchanan: Yes.

Gavin Brown: Can you provide us with a rough, ballpark, figure?

Councillor Buchanan: We have withdrawn from our investment in VisitScotland, so it will be for DEMA to decide how our money is used. The figure should be around the £250,000 mark, as opposed to—Kenneth Wardrop will correct me if I am wrong—nearly £650,000 two years ago. There has been a change in the level of investment as well as in how we buy services. One message that I want to get across is that I would find it hard to explain to Edinburgh taxpayers why we should give a block grant to any organisation without basing that funding on evidence. We will buy services as we need them from a marketing menu—a pick and mix of services—that is provided by VisitScotland.

On Gavin Brown's other question, I think that, yes, the private sector has bought into DEMA. That buy-in would certainly not have happened if people thought that we would simply replicate services that are provided elsewhere. I will absolutely not allow our administration to create a body that has 40 marketeers who simply do the same thing as 40 marketeers would do for VisitScotland in Leith. That will just not be the case.

Kenneth Wardrop: Although the City of Edinburgh Council might be putting less money into VisitScotland because of DEMA, that is not to say that DEMA will not ultimately purchase more services from VisitScotland. We are trying to align the activities of the plethora of players who operate in the city. When we first started out with the public-private partnership, the private sector was very clear that there was a lot of fragmentation and duplication in the city. DEMA will get rid of replication and fragmentation by drawing together those activities into a consortium of interest and by acting as a hub.

Through the new destination promotion strategy that DEMA has drafted for the city, we will focus on how we reach key audiences. We want to work in partnership with VisitScotland because we are going after the same market. It would be a bit strange if VisitScotland and the capital city, which is a key driver of Scotland's economy, were not going after the same people. However, we are looking for a different kind of partnership with

VisitScotland, with much more engagement and a new way of working. As I said earlier, VisitScotland has participated in shaping DEMA from the very beginning, so this is not new knowledge to VisitScotland.

We want more influence over the messaging in the markets that we are going after. We want to change that messaging slightly to provide a more contemporary message about Edinburgh as a cultural, dynamic, contemporary capital city so that we can go after the young audience in particular. We will work with organisations such as Festivals Edinburgh, Edinburgh Principal Hotels Association, Edinburgh tourism action group, Edinburgh science triangle, Edinburgh Chamber of Commerce and Essential Edinburgh, which is the organisation for the new city centre business improvement district. Collectively, those organisations represent about 3,000 businesses in the city. We are responsive to what the private sector wants in terms of messaging about the city.

We will also need to prove additionality and return on investment. We need to work with VisitScotland on reaching both international and UK markets to get that leverage for the city.

Alan Rankin: One facet that I would like to add is that, in marketing terms, we are not far off all pointing in the same direction. VisitScotland has produced some high-value segmentation work that has channelled the marketing strategy on top of the product portfolio. From a destination development point of view, we would like to see an element of destination coming in to support both that segmentation and the product portfolio approach. Given that we have a fantastic international asset in our national parks, we would like to see those feature as a facet in the marketing mix.

Gavin Brown: Let me return to the Edinburgh issue just for another minute or two. If I have understood the gist of the answers correctly, the City of Edinburgh Council believes that the money that it previously gave to VisitScotland would be better spent on DEMA's activities. At the moment, Edinburgh is doing okay in a range of areas, given that—to quote Councillor Buchanan—50 per cent of visitors to Scotland come through Edinburgh and, as Kenneth Wardrop said, the satisfaction rate of visitors to the city is 96 per cent.

In terms of the number of visitors and revenue, Edinburgh is second best in the UK and it is consistently placed in Europe's top 10 destinations, but I agree that we should not rest on our laurels or be complacent; we want to ensure that the money is better spent. Have you carried out a financial analysis of what you got for it previously, compared with what you hope to get for it in the future? How will you track what is happening? If the new arrangement provides more

bang for your buck, it will be supported, but in the time that I have had to investigate the matter and to speak to people about it, I have been unable to get a clear analysis that shows how much you will get for the money and how much better it will be spent. Is that information available?

Kenneth Wardrop: It is not available at the moment. The live, invest, work, visit and study approach requires us to look across all strands when determining how to promote the city. We have struggled to get the information that you seek from VisitScotland. It is an on-going challenge for VisitScotland to show that we are getting a rate of return on investment and additionality at local destination level. We are continuing to work with VisitScotland to drill down on the issue.

Although funds will be channelled differently, the council will continue to support the work of the Edinburgh Convention Bureau, through DEMA. In the past, the funding that we gave to VisitScotland was recycled and became VisitScotland's contribution to the bureau. VisitScotland says that it will no longer provide that funding, so we will have to make up the difference. We believe that, if we are to meet the target that has been set, some of the money will be better spent on promoting business tourism, which is one of the areas with the biggest potential for growth. That is reflected in the division of our tourism funding.

We have a draft operating plan that is beginning to identify the key campaign activities for the coming year. Our focus is on the rate of return from investment and additionality; we are also looking at the leverage that each project will achieve. That is linked to the alignment of different strands of spending by organisations in the city, to ensure that we get more bang for our buck. Four or five of the partners will come together to go after a particular market and audience for the city. We will be driven by the need to respond to the key performance indicators that the project board has set. The board will monitor the performance of our new approach to tourism marketing, based on the return that it gets for the city.

Gavin Brown: So you are not sure what was the return on investment from the money that used to go to VisitScotland and you do not have a financial analysis of what the return on future investment will be?

Kenneth Wardrop: We are in the process of pulling together that information.

Gavin Brown: Should that not have been done before the decision was taken? When someone is starting a new business, before they request a loan from a bank they must have a good picture of what they are hoping to achieve.

Kenneth Wardrop: We have just completed the destination promotion strategy for the city and are

in the process of honing the targets for that. Earlier we heard about soft launches; we have been on this journey for two years. We are now in the next phase of the journey—we have not dotted every i or crossed every t, but the alliance is of the view that we need to take the next step and that we should get up and running as a separate entity. The board will now hold us to account on achieving the KPIs that it has set.

Gavin Brown: I do not want to dwell on the matter, but you said that the initiative has been under way for two years and that you do not know whether it will produce better financial results; you have not even done modelling on the issue. By focusing on living, investment and education as well as tourism, you are mining more widely, rather than more narrowly. What will you do if that approach does not provide more bang for your buck?

Kenneth Wardrop: We have not been going for tea—we have been investigating the matter for two years. Today is the start of the next phase of the journey. Following a two-year investigation, we came to the conclusion that the live, invest, work, visit and study approach is the best route for winning destinations, if we look at our competitor cities across the globe. That has shaped thinking on the focus of the organisation. The purpose of the destination promotion strategy is to identify the specific markets that we should pursue; we have now embarked on that process.

This is an evolutionary process. We have not gone for a big launch; it is the continuing evolution of a journey that we started with local partners as we set out to define and shape DEMA. Indeed, the process is not in its final form yet; it is evolving, and the final form will match the best organisation for reaching the markets that we are trying to get to.

11:45

The Convener: George Harper has been trying to get in for some time.

George Harper: Thank you, convener. This goes back to the issue that Lewis Macdonald raised about what the local authority can do. Without fear of repetition, I would mention business gateway—we are going down that route in our area, where it was launched today. I host employability services, and we have a complete package for it. We are operating that out of the Highlands and Islands Enterprise office in Argyll, where we have much more of a partnership approach.

We have covered the infrastructure side, but one aspect that has not been touched on regarding local authority provision, but which has particular relevance to us all, is the quality of the

environment. Local authorities can play a very positive role in providing cleaner and safer streets and various initiatives. For example, my local authority is taking a dynamic view with regard to its five waterfronts, in Helensburgh, Oban, Dunoon, Rothesay and Campbeltown. There is an investment of more than £30 million there, which we hope to match with other funding to regenerate those areas, some of which go back to the halcyon days, dare I say it, of the doon the watter trips. That investment is much needed.

The local authority is producing design guides. Money is going into historic buildings and historic gardens. All of that improves the environment and thereby improves the visitor experience. Without labouring the point, the three key issues for the local authority from my point of view, looking at things holistically, are the environment, infrastructure/transportation, which we covered previously, and training. I run two business gateways. The set-up in the one in the Helensburgh area is completely different from those in the Highlands and Islands, which are focused on tourists and tourism-related activities.

Councillor Buchanan: I will make a point in response to Gavin Brown. One aspect of this journey is that we did not know what we were getting as a return for our investment in VisitScotland. We wanted to go on a journey that would allow us to do much more work through partnerships that involved the private and public sectors coming together.

We have insisted on separately audited returns on what we are getting for our money. I do not think that we would have got the type of people who have got involved and who are on the project board and the delivery group board if they did not believe that we were going to get a better return for our investment. They will be investors who are themselves involved in various marketing activities.

I repeat that we will be buying service from VisitScotland, but it will be evidence based, and it will be from a menu of services that we feel the city needs.

The Convener: Some people—including, I am sure, tourism businesses in my constituency, North East Fife—would argue that Edinburgh already gets a disproportionate share of Scotland's visitors as a result of where it is. I am not saying that Edinburgh is not an important product—it should be promoted as part of Scotland's tourism—but through the work of VisitScotland, and in any event, a very large proportion of visitors who come to Scotland visit Edinburgh. How would you respond to such comments from places such as Fife, the Borders, and perhaps even the Lothians, where people might feel that not enough is done to get visitors

out of Edinburgh to other parts of Scotland? Do you think that what you are proposing to do will increase the size of the cake, or will it just give a bigger share of the cake to Edinburgh?

Councillor Buchanan: It is hugely important that we spread visitors throughout Scotland as far as we can, using Edinburgh as a magnet to bring people in. Dave Berry from East Lothian Council and I were recently working with Edinburgh Convention Bureau on an initiative whereby if a business tourist comes to the city and wants a golfing break in East Lothian, there can be a marry-up between the two areas. Each area needs to know what the other can deliver. Edinburgh has an international conference centre, and some of the finest golf courses in Scotland happen to be in Fife and East Lothian. Why not piggy-back on such opportunities?

We will focus our minds on repeat business. Repeat business is not just about giving people the same experience; it is about giving them a different experience. That might involve a short break in Edinburgh as part of a golfing holiday in Fife. There is a range of opportunities. We have to work together as a city region.

The Convener: How do you work as a city region as opposed to a city? The brand is Edinburgh—inspiring capital; how does that promote the wider region? How can the wider region get involved in DEMA, so that the opportunities to which you referred can be realised?

Kenneth Wardrop: The Edinburgh—inspiring capital brand has been running for about five years. It promotes the city region through discussion and negotiation with our city region partners. We must acknowledge that Edinburgh is a gateway; it is an attack brand with a high brand value. As we said in our submission, cities throughout the world are destinations in their own right. The customer decides to come to Edinburgh; we think that there are opportunities to build on what Edinburgh has to offer.

We heard that 50 per cent of international visitors route through Edinburgh at some point in their journey. A strong and successful Edinburgh can only be good for a strong and successful Scotland. The growth of direct international air routes can only help Scotland, and the Norfolkline service will help Fife and Scotland if we can encourage as many people as possible to use it to come to Edinburgh and Scotland.

We heard about business tourism. Glasgow and Edinburgh account for 90 per cent of all conference business. We cannot ignore that; it is in the nature of cities to attract convention business. As Tom Buchanan said, the challenge is to extend that business to the rest of Scotland. I

am unashamed about focusing on Edinburgh; my job is to draw more visitors to the city. However, we work with VisitScotland and we hope that when we attract people to Edinburgh we can introduce them to Scotland and sell them on.

Recent work has shown that the Edinburgh festivals draw a huge number of first-time visitors to Scotland, which can only be good for Scotland. There is an opportunity to say to such visitors, "You've had a taster in Edinburgh; now look at the other fantastic offers in the rest of Scotland."

Edinburgh acknowledges its role as a gateway and capital city. There is a huge opportunity for tourism in Edinburgh to grow. Many of the 23 active hotel projects in the city will bring to Scotland global chains and brands that are not currently here, which will represent a step change. We are a global product and a shop window through which the rest of the world can see Scotland.

The Convener: The Scottish National Party Government recently announced that capital city status money will go to the City of Edinburgh Council. How much of that money is earmarked for the DEMA project?

Kenneth Wardrop: Through the city growth fund, the Edinburgh—inspiring capital brand received about £350,000. That sum will continue to come to the brand for the next two years. During the past five years there has been significant investment in the brand, which is DEMA's consumer-facing marketing tool, and we will continue to build on that investment.

Much of the investment will go towards using the brand as a much more dynamic tool for promoting the city, by using the internet and the web 2.0 approach. It is about marketing and building relationships with consumers who route into Edinburgh through the city portal. The £350,000 will continue over the next two years, from the capital city supplement.

The Convener: Is that the total amount that the council is putting into DEMA?

Councillor Buchanan: No. I can explain slightly better what is happening. I secured £1.3 million of additional resources for economic development, which covers the whole live, visit, study and invest agenda. Some of that money will go to DEMA, some will sidetrack around through DEMA and some will be used for our economic resilience plans, because of where we are in the economic cycle. The administration has increased by 28 per cent the budget for economic development. A large portion of the £1.3 million has come from the capital city fund.

Stuart McMillan: VisitScotland's approach is a decision-making approach, which involves people

asking where they can do X, Y and Z. The more traditional approach is to have a decision-making framework, which involves people asking where they can go and what they can do there. Is it possible for both approaches to be run in tandem?

Alan Rankin: I touched on that when I mentioned the worth of the segmentation approach, which has been supported by the project portfolio that preceded it. When seeking to develop our product, we apply the customer journey principle that supports the segmentation approach. However, we would like to see greater emphasis on our destination assets. The fact that our area has national park status and the quality of the environment are tied to the ambition to make Scotland a sustainable tourism destination—I refer to environmental rather than economic sustainability. We would like to see further debate on how that huge asset can be given greater weight in the marketing message. It is not excluded at this point, but there is a debate to be had on the issue.

Kenneth Wardrop: In Edinburgh, we are trying to combine the two approaches that Stuart McMillan described. The city of Edinburgh is a big draw for key segments such as cultural tourism and genealogy tourism, but it is also a destination in its own right. We know where the city's customers come from. Many of them are metropolitans—city inhabitants like to go on city breaks. We want to turn up the volume in those markets.

Calum Iain MacIver: I agree that it is essential that there is an element of destination marketing to support the segmentation approach. There is a fear in areas such as ours that, if the destination is not given an element of marketing, businesses will begin to use the web to market themselves in various ways, at different quality levels. If the segmentation approach is not supported by destination marketing, a disjointed message can go out to customers. We must be careful on that issue.

Stuart McMillan: You are saying that the one-size-fits-all strategy does not work and that different strategies are needed in different parts of the country.

Calum Iain MacIver: Yes.

Alan Rankin: Yes.

Kenneth Wardrop: Yes.

Lewis Macdonald: Do you not have to be clear about whether you are starting with the customer or starting with the destination? Which is it?

Kenneth Wardrop: The customer.

Calum Iain MacIver: The customer.

Alan Rankin: The customer.

The Convener: Those are brief responses.

Christopher Harvie: I have the impression that Edinburgh has become a second London, in the sense that it is a one-off destination. The customers who come here are young and are treated to an Edinburgh version of Piccadilly Circus, Buckingham Palace, Carnaby Street and so on. Will they come back? In Germany, there is a big difference between youth tourism and what is called educated tourism. Educated tourists are the people who will come back and be mined deep. I am afraid that the High Street from here west to the Tron is not the sort of magnet that would drag me in, were I someone with considerable middle-class spending power. I wonder whether we might have created a sort of London-like monster whereby people feel that they have to visit Edinburgh once, they are not greatly impressed when they visit and they do not come back.

12:00

Kenneth Wardrop: The satisfaction rates and the fact that we appear in *Condé Nast Traveller* magazine show that Edinburgh is a high-end, high-value destination. Our young market is equally high end and high value; it has exactly the same profile. The quality hotels in the city are not occupied by backpackers; we offer high-end, high-value tourism. I dispute completely what you say. Edinburgh is known as a quality destination, as voted by customers via TripAdvisor, *Condé Nast Traveller*, *The Guardian* and *The Observer*. According to our analysis, which ties in with VisitScotland's analysis, our key markets are high end and high value. The younger people of today are our future—we want to get them to come back again and again. Under-35s can be affluent too and there are a lot of them around our key UK and European markets.

We have done a huge amount of research on the festivals, which draw that high-end, high-value market. As I said earlier, a huge number of first-time visitors to Edinburgh come back as repeat visitors. We are getting it right and we have a high-quality product here of which Scotland can be proud.

Christopher Harvie: The response on London tourism is that very few tourists go beyond London, except possibly to the Bermuda triangle of London, Oxford and Stratford. We might have something similar in Edinburgh, where tourism is largely weekend based.

Kenneth Wardrop: That is the nature of the short-break market and it has been a trend. You cannot buck that consumer trend, which is for growth in the short-break market. Edinburgh has exploited the trend and mined it deeply for

Scotland. I agree that there are challenges for Scotland to introduce people to what else is on offer, but from an Edinburgh perspective, the short-break market is a success story for Scotland.

Councillor Simpson: One size does not fit all. What we can offer in Shetland is completely different from what they offer in Edinburgh. That is where the strength of the DMO lies. We can promote what we have in our area ourselves. We tap into a completely different market.

The Convener: I am afraid that time has defeated us. I thank the panel for their useful contributions. The committee will return to consider our tourism inquiry one year on before the summer recess and we might ask some of you for additional information before that time.

12:02

Meeting suspended.

12:06

On resuming—

The Convener: Let us resume, colleagues. I welcome our third panel of witnesses. I invite the panel to say briefly who they are and who they represent and then we will ask questions.

Kenneth Clark (Scottish Development International): I am head of tourism, trade and investment at Scottish Development International.

Eddie Brogan (Scottish Enterprise): I am tourism director at Scottish Enterprise.

Philip Riddle (VisitScotland): I am chief executive of VisitScotland.

Peter Lederer (VisitScotland): I am chairman of VisitScotland.

Vicky Carlin (Scottish Government Culture, External Affairs and Tourism Directorate): I am deputy director of promotion of Scotland and tourism, from the Scottish Government.

Richard Arnott (Scottish Government Culture, External Affairs and Tourism Directorate): I am from the Scottish Government tourism team.

The Convener: I start with a general question about how the organisations see the current state of the tourism industry, what they think the prospects are for the rest of the year and, in particular, how they think homecoming is impacting on the tourism market. Perhaps one representative from each of the three bodies on the panel will respond. Let us start with VisitScotland, as the lead body.

Philip Riddle: As regards the state of the market, the importance of tourism has been

touched on. To get it into perspective, tourism has been with us for a long time and will be for a long time to come. We believe firmly, regardless of what is happening just now, that tourism will be an even more important industry for Scotland in the future.

Right now, we are seeing some difficulty and the picture is patchy, although 2008 finished rather better than I anticipated when I was last before the committee. I estimated then that we would be down in value by around 5 per cent or slightly more, but it looks like we will be down by about 3.5 per cent in overall value for the year. That is not bad compared with world trends, although overall in the world tourism grew by 2 per cent in 2008. That underlines the point that tourism is still a strong industry that has a big future. Our job is to make the best of that and to realise greater potential.

The industry will last and it is linked intrinsically to Scotland. What we have to do better is deliver enhancing experiences, authenticity, quality, ease of purchase and access—all the things that have been talked about today and which will be increasingly important as we go forward.

On prospects for 2009, we will still face difficulties. Overall, the market in Scotland will go down, as it will worldwide. We are seeing some sharp declines in parts of the world already from quarter 4 in 2008 onwards. We will be cushioned to a certain extent by the currency exchange rate and a certain conservatism that will help us to attract more of the domestic market. That is a great testament to the diversity of our industry. Some places—notably New Zealand, although it is a good market and a great competitor—do not have the same cushioning of the diversity that comes from having a domestic and an international market, so they will be hit harder.

Scotland is well placed in comparison with many countries, but we will still experience some difficulties. The outlook is patchy across the piece and, although some businesses are doing well, the corporate sector is suffering more than most. Business travel and expenditure are down as a natural result of the combination of falling business revenues and an air of uncertainty around the economic situation.

Homecoming got off to an excellent start, and it will undoubtedly make a significant contribution, although it will not by itself turn around tourism, since we are in the grip of major world events. We are confident that it will meet the additionality target of £40 million—in fact, that is now £44 million, because we were given a little additional funding and have ramped up the target in accordance with the 8:1 return ratio.

The events that have taken place so far, such as the Iconic Burns event in Ayrshire and the Dumfries Burns Light event, have done well, and homecoming has injected additionality into other events such as Celtic Connections. Forward sales for the upcoming whisky month and the gathering are tremendously impressive.

For a relatively modest investment—albeit with fantastic partnership participation and engagement—the campaign appears to be very effective, and it will be the envy of many countries in the world that are seeking a banner under which to lead their tourism industries out of the recession. We have a banner, and it is effective—it is all about how we manage the campaign from here.

Vicky Carlin: I cannot add a great deal to Philip Riddle's comprehensive assessment. The launch of homecoming has been one of the key developments since the committee produced its report on its inquiry into tourism; and one of the key elements of the Government's economic recovery plan has been to intensify our support for the campaign.

As Philip Riddle said, the early indications are positive: there were some great statistics for the opening weekend, and there have been positive advance sales for the gathering, as one of the witnesses mentioned earlier. We hope to continue that success throughout the year of homecoming.

Eddie Brogan: The general feedback from the businesses with which we are working echoes what has been said. There are mixed patterns across the industry—particular challenges facing the corporate sector, a potentially stronger performance in the international association meetings market, and what looks like a strong performance in the self-catering sector.

We find that it is hard to generalise in times like these. Much depends on the individual businesses, and on the skills of the owners and managers and their flexibility and capacity to respond innovatively to what is happening in the wider market.

We stay close to our account-managed companies—we have a group of about 70 tourism businesses within that portfolio, and during the past couple of months we have been asking them about their prospects. Just over a third of those organisations say that they expect business to be static. The rest expect—in almost equal numbers on each side—that there will be either some decline or some growth.

That is probably a more positive picture than one might get from the industry as a whole, because by definition we have selected those companies for their growth potential. It reflects the message that is coming through that the picture is

mixed, depending on individual businesses and the mix of markets that they are targeting.

Kenneth Clark: I will outline SDI's point of view, which is worth giving. My colleagues head up the other priority industry teams within Scottish Development International that deal with financial services, energy, oil and gas, food and drink, and so on. We have used the homecoming brand in all our activities, and in our large trade mission and exhibition activity—the use is not restricted to tourism. The brand has been welcomed by all the priority industry sectors that we are working with in our events overseas, and we will continue to use it as a useful springboard this year.

On the tourism investment side—on which we have focused all our activities during the past two years—we have never been busier, in terms of the number of inward investment inquiries for hotel and resort development in Scotland that we have received and turned into opportunities. On the face of it, that seems to fly in the face of emerging consumer figures, but we are incredibly busy and have been since the last time that I addressed the committee.

We are working with a portfolio of between 60 and 80 concrete opportunities for hotel and resort development in Scotland, as well as developing some of the niche sectors on the boutique side and the marina and waterfront development side. Clearly, there is an element of opportunism about that. However, we are working with the overseas hotel and resort operator and developer community, which is thinking long term, sees an end in sight for the recession and is positioning itself to exploit the things that Scotland has to offer and which fit its criteria.

12:15

The Convener: Thank you for those opening remarks. Marilyn Livingstone has another meeting to go to, so I ask her to open the questioning.

Marilyn Livingstone: I want to follow up on Eddie Brogan's point about the 70 businesses that are being account managed. As you say, that is good and well, but my concern is for all the others. How flexible is Scottish Enterprise being with other businesses? Are you considering innovative ways of supporting those businesses, or will you stick with the 70 account-managed businesses? We are in a globally changing situation, and I do not think that it is appropriate to run with the same model that we were looking at last year. What is Scottish Enterprise doing with regard to tourism?

Eddie Brogan: The account-managed portfolio is only one strand of our work. A large part of our work in tourism is about engaging a much wider community of tourism businesses. We do that primarily through events, conferences, master-

classes, workshops and seminars. Those are designed to do two things: to get across practical advice to businesses on how they can respond to the current economic climate and changing market environment generally; and to provide them with an opportunity to meet one another, share experiences, network and form alliances. The feedback that we have had from businesses is that that aspect is very much valued.

In the past six months or so—certainly in the past year—we have had around 1,200 participants in our various workshops, master-classes and conferences, which have covered topics such as innovation and product development. We have done quite a lot to encourage the use of Scottish food produce by tourism businesses, we have been working on e-business and, latterly, we have put quite a lot of effort into helping businesses to adopt a mechanism for gathering and utilising customer feedback. That echoes points that were made about the importance at this time of being close to our customers, and of understanding their changing expectations and their satisfaction levels with the business. Again, there are support resources and workshops in that area.

We run some major events. Last November, we ran a conference for the business tourism community. I know from the feedback that that was very much appreciated, because it gave that sector a chance to hear from buyers and other people working in the industry throughout the UK and internationally about how best to respond to the challenges facing the sector.

To complete the picture, although we have that intervention with a large number of companies, much of our work is focused on promoting business collaboration and getting groups of businesses to work together. The main focus of that is probably in the destinations. We have heard a lot this morning about destination partnerships. We put a lot of effort into helping businesses to come together and to work with other partners, particularly local authorities, to develop common plans and common visions for what they want to do in their area. We help them to understand the markets that they are addressing and the assets that they have to build on, and we help with a lot of the other issues that have come up this morning, particularly to do with quality and investment.

Our experience is that a lot of the general issues facing the industry, including skills and recruitment retention, which you mentioned, can probably be targeted most effectively in the context of local partnerships, in which businesses work together, and in which there is a sense of peer pressure, collaboration and common purpose. That is the approach that we are promoting quite heavily.

The final strand that I want to touch on is our work on infrastructure. Over the past year or so,

our role has changed vis-à-vis the local authorities. We still retain a capital investment budget. This year and next year, a substantial part of that will go to tourism projects, notably the new arena that is planned for the Scottish Exhibition and Conference Centre. However, it will also go to the rural areas. We are supporting projects such as the new visitor centre for mountain biking down at Glentress. Our capital investment budget is finite, but we are doing what we can to ensure that as much of it as possible is targeted at key infrastructure projects for the tourism industry.

Marilyn Livingstone: As well as the group of 70 businesses that you look after and the group that is supported by the business gateway, there is a group in the middle. What financial support for business planning and help with skills and development is available to those companies?

Eddie Brogan: We do not provide much, if anything at all, by way of grant or loan assistance to those companies. We see our role as primarily to provide advice and to help businesses to work together. We help them to access intelligence on markets, best practice or what is happening in other countries. Our role is very much about the provision of different forms of advice.

Marilyn Livingstone: Where can the middle group get business planning help and advice and financial support?

Eddie Brogan: Businesses in that group are still perfectly eligible to go to the business gateway to get basic advice on business planning and business development. Our work with them is very much focused on the growth agenda. We believe that the issues on which we are working with them are the issues on which they most need help. We do our best to get feedback from them about where they need help and what aspects they find challenging, and we gear our support accordingly.

The key issue is that because of the sheer number of businesses that we deal with, many of our interventions are group interventions. Where possible, we try to give individual support. For example, last year we built on to our e-commerce workshops an afternoon session with individual businesses, during which our business advisers worked with people to identify what elements of the workshop might be helpful to their business and to give them advice on how to make progress.

Philip Riddle: I am conscious that the idea of a tourism development bank was discussed during the committee's review of tourism and that the committee recommended that we pursue it. I know that we will revisit the issue in more detail, probably in May. We are pursuing the matter. A tourism development bank would fit the bill, because there is a bit of a gap, as you said. France, which is a big tourism economy, has

committed €1.5 billion to small business development and investment. Spain has committed €1 billion of programmed investment to small business development through a body that is similar to a tourism development bank.

We have taken up the idea with both the Scottish Government and the Westminster Government and have received positive feedback, but it has been dwarfed by the other issues that are occupying financial minds at the moment. We are still optimistic that a tourism development bank with a national investment strategy could be part of a solution to the perceived gap that you have identified. It could not only assist with inward investment, which is well handled by SDI, but support more small to medium-sized businesses that are looking to invest in refurbishment and expansion. That is what will give us a head start as we come out of the recession.

The Convener: Earlier, I mentioned a business in my constituency—it is a guest house—that contacted me yesterday to say that despite the fact that its business had increased by 63 per cent, the bank had withdrawn its offer of a loan for expansion work on the ground that it no longer supports that sector. Where can that small but apparently sound business turn to get help, given that the banks appear to be unwilling to provide such businesses with money? Perhaps the Government officials can say what the Government is doing to work with the banks to ensure that investment funding is made available. The bank's decision will not only mean that the business cannot provide extra tourist beds; it will mean that the construction and other companies that would have been involved in the project will lose out. Are any of the Government agencies taking action in that area?

Vicky Carlin: I am not familiar with the detail of discussions that Government might be having with the banks, but I would be happy to provide information on that.

The idea of a tourism development bank has been discussed at the strategic forum, which is the group that ministers chair that brings together the enterprise bodies and VisitScotland. Scottish Enterprise, VisitScotland and Highlands and Islands Enterprise are doing further scoping work, and I know that ministers will be receptive to proposals once that work has been done.

Eddie Brogan: We are trying to do some other things, too. Where appropriate—it is not always appropriate—other existing funds might be better targeted towards tourism businesses. I am thinking in particular of our co-investment funds, which provide venture capital funding. Traditionally, such funds have not had much take-up from businesses in the tourism industry, but we are working with our colleagues to see whether we

can identify investment partners that might help to target some of those resources towards the tourism sector.

Rob Gibson: Having asked the previous panels about the sustainability of tourism, I want to focus on the point that was made by the representatives from two sets of islands in the previous panel. They raised a question about how VisitScotland and the enterprise networks support the specific marketing needs of those places. What is the interface between the national marketing effort and the needs of individual areas? For example, the series of homecoming documents that we have been given contain only generic photographs. Is the current system working? Does that not lead us into the need to develop DMOs?

Philip Riddle: First, let me say that we are in favour of destination management organisations, which we feel can have a crucial role to play in integrating the product delivery on the ground to match the marketing promise.

We work on the basis of a national dish with local flavour. I really believe that we are the best in the world at this, but we still have more work to do. Most countries admire the journey that we have been on. They look at how we have generated partnership working with local authorities and communities and produced what is in effect an integrated network. Not many countries are like that. Most countries are unable to achieve quite the consistency of purpose—we have a fantastic identity on this—that we have in Scotland. We sometimes talk about structures and relationships and such discussions are quite healthy, but let us start with the right perspective: we are very good at this. We are good at having an integrated approach that manages to align the local, regional and national. We could do a lot better, but the need to improve is very much on our agenda.

We need to start with the customer. Everyone has said that today, but I am not sure that we all live that. We need to take that on board to a greater extent. We need to start with what customers want. Sometimes, our passion for our area—I come from Dunfermline and still have a passion for the town—can cloud a little bit our perception of what customers see and want when they visit our country. We need to ensure that the customer comes first and to align ourselves around that.

As I have said before, we need to start with the customer journey. We need to reach customers in the market, which means not here but in their home, where they work and where they travel. We must first attract them to the idea of Scotland—not the place, but the experience—and then build on that. We then provide messages about how easy it is to get to Scotland and about our value, which is particularly good just now because of the

exchange rate. We then ask people what elements they want to make up their experience—we almost need to deliver an individual profile to people—and show them the kind of distinctive experience that they will get in Scotland.

We then need to come in strongly and show people where they will get that and—a good point was made about this earlier—let customers choose. However, the process does not end there. When the customer comes to Scotland, all those messages must be reinforced. When they are here, we need to give them information on how to get the fullness of the experience. That is where it is particularly important to bring out the identity of different communities in the islands. We need to reinforce the message and help customers to get the fullness of the experience and spend lots of money as well. Even then the process does not end. When people leave, we need to reinforce with reminders that tell people that we hope they enjoyed their experience and will come back again.

In each of those areas, the national dilutes into the local. We start off with a heavy national message but, by the time that people get on the ground and we are telling them what they can do and where they can do it, and when we are giving people reminders, we need to deliver a very local message. I think that we manage that pretty well, but we need to do it better for the future.

12:30

Peter Lederer: I was reflecting last night that it is eight years today since a certain member of your committee put my arm up my back and said that I really should do this job. I was thinking back to 2001 with its foot-and-mouth disease, mad cow disease, 9/11 and a completely broken Scottish Tourist Board. We need not to lose sight of where we have come from.

I was at a VisitBritain board meeting yesterday. VisitEngland has just been put together and the board members were asking me who they should look to for their model to move that organisation forward. As Philip Riddle said, we are in a good position. We need to be careful that we stay focused on the 50 per cent growth target and ensure that we do not get stuck in today or, even worse, yesterday. It is about what step changes we need to make to get us to that 50 per cent. If we just carry on doing what we are doing and tweaking things a bit, that will not get us to 50 per cent; we need to talk about the things that we will do differently to move ourselves ahead of the competition.

Rob Gibson: I was interested in the enterprise network's view of supporting particular parts of the country—for example, HIE and Scottish Enterprise

have a role to play. People in the Western Isles and Shetland are looking for some kind of bridge with what happens at the national level. What does the enterprise network contribute to those people's ability to function? Is its role played purely through the targeted companies or is it wider?

Eddie Brogan: It is much wider, as I tried to get across earlier. Of all the main strands of our work, the support that we provide to the destination partnerships is probably the main one. It is certainly the strand that attracts the most investment in staff time and budget.

The local destination groups, partnerships, DMOs or whatever you want to call them are really important for Scottish tourism's future for all the reasons that we heard earlier. We are in a market environment, in which tourism success is being driven more and more by the quality of the visitor experience that is delivered on the ground. Those local partnerships provide the opportunity to develop that visitor experience in a co-ordinated way driven by the industry, as Alan Rankin said, but with a very strong integrated plan with support from local authorities and national agencies. If we get it right, the DMOs can be the major contributor to the kind of step change that we are all after.

There is potential to enhance the impact of our destination work by connecting DMOs and getting them to work together as a community to share experience and best practice, to identify common issues that need to be addressed and to work with national agencies and national industry interests to do so. That is where I see the local destination-based groups fitting in to the industry strategy for the future. We have a national industry leadership structure that has its roots firmly in the grassroots of the industry at a local level.

That is the structure that we are trying to put in place. A new landscape is emerging, which will need a lot of support and encouragement and there will be teething problems that we will need to help the new structure to manage. At the end of the day, however, it will deliver a lot for Scottish tourism.

In Scottish Enterprise, we play different roles depending on the state of each local partnership. We are not involved in them all; our focus is on those that we believe will deliver the highest contribution to the Government's economic strategy and the tourism growth ambition. Our role is changing. In the early years, it was very much about fostering those collaborations, persuading businesses that it was in their interests to work together and helping them with the mechanisms to do that, such as business planning, the development of visions for their destinations, and market research. However, much of our activity is now at the delivery end. For example, we are

involved in several facets of the Glasgow tourism action plan; in infrastructure through the Scottish Exhibition and Conference Centre; and in supporting the investment at the Clyde. Although our role has changed, we were heavily involved in the physical improvements in the merchant city, which were a key driver.

We are also involved in quality work through the Glasgow tourism service initiative, which is a partnership project. We support local business groups in priority areas—for example, a group in the merchant city, a group that is working on the Mackintosh theme and a group that is working around the Clyde waterfront. We also support events as part of the Glasgow strategic major events forum. Our involvement is quite wide ranging, but it focuses on the development side. The marketing and promotional side is down to VisitScotland and the local marketing agencies, but the destination effort and the development effort have to go hand in glove with the management effort and the marketing effort.

Rob Gibson: I have a slightly different question, which is about the homecoming. I would like a response from VisitScotland or the Scottish Government. On 2 December, an entry was posted on the homecoming Scotland blog that discussed

"Scotland slang words for everyday use",

which referred to the Scots language as slang. What monitoring is there of what appears on such websites? The matter was drawn to my attention at last night's meeting of the cross-party group in the Scottish Parliament on the Scots language. If we talk about tourism valuing our culture, it is unacceptable to describe Scots as slang, which the blog entry did in detail. We know that Robert Burns did not speak slang. Which of you would be responsible for monitoring the material that is associated with homecoming Scotland?

Philip Riddle: Was that post on a homecoming Scotland site?

Rob Gibson: It was on the homecomingscotlandblog.blogspot.com site. I can give you a copy of it later.

Philip Riddle: We can certainly investigate that. If the item in question was published by us, we will take full responsibility for it and change it.

A wider issue is at stake, which does not relate only to the homecoming but is a general tourism issue—the growth of social networking and user-generated content. It is extremely difficult to control that, and we are wrestling with that in a wider context. Increasingly, people look to sites such as TripAdvisor for comments about the quality of premises. We know from leading figures in Scottish business that they have great

reservations about the veracity of some comments. The TripAdvisor site is well-established and renowned.

We are having to consider the direction in which we should go. Should we allow people open access to such sites and embrace them, because that is the way that the world is going, or should we take the stance of trying to close the doors and keep everything under tight control? Closing the doors completely and keeping everything under tight control would be extremely difficult, if not impossible. It is a question of finding a way to manage the situation so that people are allowed to express comments without our having to use a heavy hand.

The homecoming probably goes a bit beyond just the travel industry—it is a bigger, more emotional topic—but on the travel industry side, in my experience, a reasonable degree of self-regulation has developed over the years. The more maverick and malicious elements are being forced out—there are mechanisms for that, and I have confidence in the approach that is being adopted—but we have to watch what happens. Attempting to monitor such sites and to reply to everything is extremely resource intensive. It is a recurring issue. Every time we have an incident, we just have to see whether we can do anything about it.

Rob Gibson: Thank you for that, but the Government must be concerned that such comments are being made at a time when we are promoting Scotland's culture.

Vicky Carlin: The Government has made clear its commitment to the Scots language. The Minister for Culture, External Affairs and the Constitution is following up on a highly successful stakeholder event on the Scots language that was held in Stirling in February. He will write to participants soon to discuss possible ways forward. I do not know about the specific web content that you are talking about. As Philip Riddle says, if it has been generated by Government or one of its organisations, we will investigate and rectify the situation.

Rob Gibson: I will pass you a copy of the blog in question.

Lewis Macdonald: Vicky Carlin said that the Scottish Government intensified its support for homecoming as part of its economic recovery plan. What additional funding has the Government committed to or spent on homecoming since the publication of the economic recovery plan?

Vicky Carlin: The addition to the core funding for homecoming was the £500,000 over and above the core funding of £5 million that was committed around the turn of the year. In saying that we intensified our support, I was referring to

the addition of extra core funding and efforts to ensure that people across the public and other sectors contribute as far as possible to homecoming. We have seen great collective efforts by organisations across the public sector to contribute and play their part.

Lewis Macdonald: We all hope that the benefits of homecoming are significant. Philip Riddle was confident of achieving the £44 million of additional spend as a result of homecoming. Peter Lederer said that we must keep an eye on the big picture, the difficulty with which is the context in which the £2 billion increase in visitor spend over the next six years has now to be achieved. Clearly, the challenge is significant in these difficult times. How will the Government or VisitScotland assess the additional benefit of homecoming Scotland in the context of the wider changes—positive or negative as they may be over the course of the homecoming year? How will you know which gains are attributable to homecoming and which result from the wider work that I hope is taking place to increase visitor spend?

Philip Riddle: The research is specific to homecoming. It is not too difficult to ensure that, given that homecoming is built around a programme of 300 events. We can therefore identify a homecoming visit as opposed to a general visit to Scotland. We are pretty confident. Specific and more general studies will be undertaken and the results will show the additional spend from homecoming.

Peter Lederer: It is important that homecoming is not seen as a one-year, "That was nice, thank you very much, now let's go and find something else to do" event. Homecoming should be about changing attitudes and about selling and marketing. Indeed, welcoming people to Scotland—as we are doing with homecoming—should be the way that we do things in future. What we learn from homecoming will be really important and we must follow through on it. I hate to use the word "legacy", but we must use it.

Homecoming has taught me, colleagues in VisitScotland and other agencies that when people in the public and private sectors work together—as they did eight years ago—it is amazing how fast things happen and how much gets done. It is not a case of people arguing among themselves while the competition moves on. Homecoming is a good example of what can happen when people work together.

Lewis Macdonald: We recognised in our inquiry report that the wider targets are challenging, although we supported their continuation. I think that the Government or its agencies accepted 22 of the 26 recommendations in our report. In light of the developments of the past 10 months, what is now the nature of the challenge? Has it changed?

What more needs to be done beyond what we identified in our report?

Philip Riddle: The committee's conclusions and recommendations remain sound. Any review of the targets is more about timing. The economic recession is bound to set us back a bit, but we are still extremely confident that the industry has a lot of growth potential. The target figure of £2 billion remains, and we believe that it is achievable. We also believe that the key actions stem from the committee's recommendations, other evidence, and the industry's general on-going work. Furthermore, we believe that the revision of the tourism framework for change will further strengthen that work.

The step change that we have had to make can be summed up in two words: integration and investment. The committee addressed both issues in its report. By integration, I mean that people do things much more tightly. Peter Lederer mentioned that. In the current environment, you can see the popularity of short-break holidays and package holidays. Indeed, cruising holidays have grown immensely in popularity. Part of the reason for that is that purchasing and accessing them are easy and the quality is consistent. If we achieved consistent quality and ease of purchase and access Scotland-wide, we would be a world beater. That requires the integration of effort, backed up with good solid investment in infrastructure. We must not lose out. If the fabric goes and we get a reputation for being a bit old and not refreshing things, and for not investing in people, we will be in a bad position.

In accordance with previous recommendations, we need to get integration and investment right. The focus is on integration in relation to customer demand and investment to ensure that the fabric is top-notch.

12:45

Lewis Macdonald: At least some of the witnesses will have heard the previous evidence on the quality of rail services and the facilities that are provided for travellers. Does any agency have primary responsibility for ensuring that commercial transport providers provide services in a way that supports the tourism sector, or does the responsibility lie with Government?

Richard Arnott: I will attempt to answer that, although I am not responsible for transport. There was discussion earlier about the east and west coast main lines being closed at the same time, which obviously was unfortunate and unexpected. Colleagues who look after the trains system and policies on it have reassured me that there are discussions about ways of ensuring that that does not happen again. Your question might also refer

to who is responsible in Scotland for transport. Transport Scotland is the main agency with responsibility for transport and trains. Discussions are taking place as part of the First ScotRail franchise extension about the improvements that ought to be included in the franchise. Consultations on that are being assessed at present.

Lewis Macdonald: I understand that Transport Scotland has wider responsibility for managing franchises. My question was specifically about how transport and travel responsibilities are represented from a tourism perspective. In other words, what access do VisitScotland, your directorate or the enterprise networks have to Transport Scotland's discussions with franchisees on the service that they provide?

Richard Arnott: Access has been opened up as a result of tourism being recognised as important in the national transport strategy. That leaves a job for the industry, all the agencies and us to influence transport agencies to ensure that they take tourism seriously.

Eddie Brogan: The committee heard earlier from Iain Herbert of the Scottish Tourism Forum. Following the review of the framework for change, the Scottish Tourism Forum is putting in place a fresh industry-led mechanism to co-ordinate the delivery of the strategy, which will bring together key industry interests with the main agencies that have an interest in tourism. That group should provide the forum that we need to articulate the consensus on the industry's needs. It was admitted earlier that, in our dealings with transport providers, the industry has perhaps not been specific or articulate enough about what we want them to do differently.

Accessibility is a key issue that has been identified for the customer experience strand of the work that will follow the review of the framework for change. We will certainly look to the Scottish Tourism Forum and the working groups that it is likely to put in place for each of its themes to go into more detail about what is required. That will lead to a consensus that will carry more weight with the operators and bodies such as Transport Scotland.

The Convener: I have two brief questions for Philip Riddle and Peter Lederer on transport. First, when did either of you last meet senior representatives of Transport Scotland to discuss transport issues as they affect tourism? Secondly, does transport feature in the draft tourism industry investment plan?

Philip Riddle: The second question is easier—the answer is yes. I am afraid that I honestly cannot remember when we last had a meeting with Transport Scotland. We had a meeting last

year, but I cannot remember who it was with or what the date was.

Kenneth Clark: Over the past year or so we have really ramped up our engagement with other agencies that influence the investment agenda. We have found Transport Scotland to be very helpful when we have approached it in specific cases. Recently, we discussed with it the rerouting of a road, which affected a major hotel establishment. We were able to get in quickly and find out what the issue was. I found Transport Scotland to be very responsive in that case.

Stuart McMillan: The VisitScotland submission says that 30 service level agreements are in place. With which two of the 32 local authorities have you not signed an SLA?

Philip Riddle: I will have to get back to you to confirm that. I think it is East Renfrewshire Council and Inverclyde Council, or perhaps East Dunbartonshire Council. I am sorry; it is two smaller local authorities in the west of Scotland. Naturally, we would like to have an SLA with every local authority. Can I get back to you to confirm the answer?

Stuart McMillan: Sure. Irrespective of which local authorities we are talking about, is there any reason why SLAs have not been signed? What activities or actions are under way to rectify that?

Philip Riddle: Over the past few years, our approach has been to offer services to local authorities for them to buy. We have never said that everyone should and must buy into tourism through VisitScotland. Every area of Scotland is involved in tourism to a degree, but local authorities might choose not to place their investment in tourism. That is entirely their choice and we would always respect it. We will always offer the services that local authorities might want, whether marketing, information provision or other promotional activities. If a local authority decides that it has different priorities, that is entirely up to it.

The concern is not so much that we have service level agreements with only 30 out of 32 authorities—I think that 30 out of 32 is remarkably good—but the wider decline in overall funding from local authorities. I hope that I am not straying too far from the question in commenting on that.

Stuart McMillan: No.

Philip Riddle: Three different reasons for that decline have emerged over the years. One of those is a good one: we have become more efficient. Part of the rationale for the integration of the area tourist boards was to have a more efficient, streamlined network. We shared savings from that integration with local authorities to the sum of several million pounds. That took money

out of the system, but it was planned and agreed. It is good if you can plan and agree and reduce the cost.

The second and most significant issue that we face is the tightness of funding. Everybody is facing an awful lot of pressure. We are working with local authorities. We are trying to be imaginative, but local authorities tend to be cutting spend across the board, reassessing priorities, and trying to meet more limited budgets. We are helping local authorities by trying to make less money go further, which is extremely difficult. Ultimately, there will be cuts in services. However, that process is generally constructive. That is what is happening in quite a few areas.

The third issue is that one or two local authorities are looking at alternative means of using their funding for promotion. We have always had a very commercial relationship with local authorities and have set out what we offer. We measure spend. I know that that issue was discussed this morning. We are happy to make available to the committee reports that we have on the measurement of spend. I have in front of me a report for Edinburgh, which shows that, in 2007, from the investment we produced added value of more than £60 million for the city. We could get better at that. We offer services on a commercial basis. We say, "Here's what we offer. Here's the return you get on your money. If you would like to sign up with us, please join us, because it's better for the country if we take an integrated approach." However, we are aware that spending the public pound is up to local authorities and is their responsibility, and that local authorities are under pressure to meet other priorities.

One overall concern—many reasons are behind it—is that less money is going into tourism when it would be good to put more into tourism. That is the big issue that faces all of us and which we must face jointly—it is not just for VisitScotland, the Government or local authorities.

Stuart McMillan: I am interested in what you say. Reaching agreements with 30 out of 32 councils is a remarkable achievement, which I do not downplay. I stay in the Inverclyde Council area, which could be one of the two authorities that do not have agreements. I grew up in that area and have spent most of my life there. I know that Inverclyde has vast tourism potential. In recent years, little has been done to encourage people to come and spend their money in Inverclyde, so it is not a surprise that Inverclyde could be one of the two local authorities with which you have no SLA. Thank you for the information.

The Convener: That was more of a comment than a question, so we will move on to Gavin Brown.

Gavin Brown: Peter Lederer was right to say that various step changes are required. The committee's unanimous view in its report was that a step change is required in education, skills and training. The committee recommended

"that the Tourism Minister works alongside his Government colleagues and key agencies to declutter and rationalise the provision of education, skills and training in the sector and reprioritise the resources towards a system that is demand-led".

We had the interesting experience that people who needed employees appeared almost never to have met the people who provide training. That pushed us to reach our conclusion. What action has the Government taken to develop training since the report was published?

Richard Arnott: I will describe what has happened, although it is work in progress. The Government established a task group to address the committee's recommendations. That group brought together training providers, educators, the industry and all the agencies that are involved—that almost appeared to be happening for the first time, as you suggested. We started by assessing the committee's findings on the qualifications and training that are available. A vast amount of training is available and it is confusing and complicated.

As Iain Herbert said, the task group is due to conclude its work at the end of April; it is in the throes of drafting its report. The group has found that the training that is provided and the available qualifications are often demand led, although the industry is confused about what is available. It was agreed that, to an extent, the market should decide which courses should be available, rather than decide to stop some courses. The industry supports that idea, because the industry is a varied beast—a varied being. Businesses range from very small to very large and they have different geography. Coverage throughout the country is also needed. The group decided not to recommend blanket simplification of the training that is provided and that much more work needed to be done to explain to the industry what is available and what it can lead to. Those were the main findings.

Iain Herbert also mentioned that we sat down and tried to think about not what we have, but what we are trying to produce and what a sign of success would be. We considered that from the industry's point of view—what skills the industry needs, at whom training should be aimed and how it should be provided.

We aim to move towards a system in which industry demand determines what training is provided. If a course is not providing the industry, as the market, with what it needs, it should not be continued. Peter Lederer was a member of the

task group and led the industry in calling for such an approach.

13:00

Peter Lederer: We have made good progress. The task group is the first step. Now the industry must articulate better what success would be—what the scenery will look like in five years' time, compared with today, if there has been another step change. Key lessons can be learned on signposting straight away. The system is complicated, but it is not necessarily wrong—the problem is that the signposting is not good. Industry players want to know how they can get training in X—where they need to go and how they can get there. That information seems to be missing.

The committee proposed the establishment of a centre of excellence. I have a meeting on Friday to discuss the idea. A good industry group—hugely supported by Scottish Enterprise, which agreed to make available its expertise on the business planning side—is pulling the proposal together. We are now looking towards having a business school that is focused on tourism in the wider sense. I would like it to include food and drink as well as tourism, because the areas are integrated and there are many overlaps between them, but that is a bigger discussion. However, the proposal is moving forward well.

Gavin Brown: Could Mr Arnott ask whoever publishes the report to let the committee look at it as soon as it is available? It would be useful for us to have it before we review our report, 12 months after it was produced.

Richard Arnott: Certainly.

Eddie Brogan: My point relates to the earlier discussion about destination groups. One example of good practice that has been highlighted by the education and training task group is the St Andrews skills academy, which seeks to act in the way that Peter Lederer suggested—as a bridge or broker between the needs of the industry and colleges and private sector providers on the supply side. The academy is funded largely by Scottish Enterprise, but it is a partnership project. A project manager is working in the business community in St Andrews to identify its common needs and to organise training support courses to meet them.

The Convener: The academy is a very valuable project in my constituency.

Christopher Harvie: I have two shortish questions. First, do we have any evidence to date on the number of people who are coming from North America for the year of homecoming, as

compared with the number who are coming from Europe?

Philip Riddle: No, we do not have accurate information to date.

Christopher Harvie: My hunch is that America will probably not be as promising as we think, because of the state of the dollar, whereas Europe could be quite good.

Philip Riddle: We have deliberately tried to avoid segmenting too much where we see the benefit coming from. One of the advantages of having a diversified approach is that, if numbers go down in one area, they may rise in another. Your hunch may well be right.

The domestic market will also be stronger this year than it might otherwise have been. Already in 2008 we have seen increased spending by Scots. The committee has asked previously about how Scots are travelling and enjoying tourism in their own country. Although total volume has gone down, spending and the duration of trips by Scots have gone up. That trend will continue.

The profile of tourism may change a bit, but we will still get good representation from North America; North Americans are by far the biggest subscribers to the gathering, which is 80 per cent sold out. However, the strength of the euro compared with the pound makes us extremely competitive and should encourage both British people to stay here and Europeans to come.

Christopher Harvie: My second question relates to a linked issue that has already been raised—the fact that there does not seem to be much dialogue with transport providers. There would be a big dent in Swiss tourism if the Schweizerische Bundesbahnen were subtracted from it. We are in the same position.

I do not know whether any of you have had the experience of travelling on the glacier express into the Engadine in Switzerland. Twenty years ago, there were about three trains a day; there is now a train every hour, with an observation car, in countryside that is broadly comparable with what we can offer to Oban and Mallaig in the west Highlands. That is the sort of goal that we ought to be setting for tourist locations that are accessible by public transport. Tourism is something of an all-weather business. There are pretty ghastly days in the Alps as well as in Scotland.

Linked to that is an issue that came up as paragraph 242 of our report, in which we say:

"We further recommend that the Scottish Government and VisitScotland review the workings of the Austrian and Swiss tourism investment banks to see whether such an initiative could be part of a new national tourism investment plan".

Remember banks, anyone? We need another, and we need something along the lines suggested there. Many people will be elderly, like me, with accumulated cash festering away in an HBOS account at some ghastly rate of interest. Such people would respond to a public-private initiative along those lines. We ought to consider that because it could provide a lot of the funding for investment in tourism.

Philip Riddle: I will comment on your first point. The good news is that, in a recent worldwide poll, the west Highland line was voted the best railway journey in the world, beating into second place two railway trips in Peru. Eurostar came in fourth or fifth. I do not even know where the glacier express was.

Christopher Harvie: Eurostar is slightly better than the London underground.

Philip Riddle: In some ways it is an extension of it.

People appreciate exactly what Mr Harvie is saying. We had a meeting on transport in relation to the national investment plan, and we had a workshop in December. I believe that Transport Scotland was at the workshop—I will confirm that.

Joining transport up with tourism is vital—it is part of the experience; it can be a big part of the experience or it can just be about access, but whatever role it plays it is crucial.

We absolutely agree on the idea of the tourism bank. The committee was clear on that previously. We have continued our research in that area, particularly the contact with Austria. As has already been mentioned, we have made representations and we hope that that can be carried forward.

The Convener: I have a couple of questions about the Destination Edinburgh Marketing Alliance and the impact that VisitScotland thinks it might have on its work. I also wonder whether SDI has any comments on what Bob Downie described as a locate in Edinburgh approach. Does SDI have any concerns about what is being proposed, given that the 60-odd projects that you are working on presumably include some of the 23 hotels that were referred to by DEMA?

Kenneth Clark: One of my colleagues from SDI, director Stuart Laing, is on the steering committee of DEMA, and we will watch how DEMA progresses with interest. We have had a number of conversations regarding the broader agenda.

In some ways, in the investment approach that we are looking at, our client base is coming from overseas. We have made the point, not just to DEMA but to Glasgow City Marketing Bureau and other likeminded bodies, that we need to work back from what the client base on the investment

side is telling us. Very few of the clients that we deal with are interested in only one area—they are in the minority. I can think of only one or two of the major hotel brands that we deal with that have been quite specific about the particular city or location in which they want to operate.

We have made the point—and I hope that it is grasped by DEMA—that we need to be able to harness the information that it has, in the same way as we harness the information from VisitScotland, particularly for occupancy and tourism figures. We need to put that into a national proposition, so that if we are dealing with a major hotel operator and, for whatever reason—perhaps size of site or planning issues—Edinburgh does not work, we are able to keep alongside that operator for another site, for example in Glasgow or Aberdeen. We have taken a strong line on that. We have made that point forcefully to DEMA and Glasgow City Marketing Bureau, and they seem responsive to it. There is a wider agenda on the investment side. We are working closely with DEMA on that to ensure that it is aligned and does not go off in a direction that would help no one and damage its efforts and ours.

Philip Riddle: We, too, have been involved in the discussions all along, as was mentioned this morning. That is a healthy sign of partnership. Our concerns have been mostly about the customer focus. I was pleased to hear earlier panels of witnesses put a lot of emphasis on that. In practice, however, we have not seen real evidence of an understanding of the importance of customer focus. Customer need should define what the organisation does. In turn, that should define how it works with other organisations and the targets that emerge. We will be happy when we see that happening in practice.

We have to identify what will be done differently, given that money is coming away, for example, from VisitScotland. Who will we attract that we are not attracting today? How will we attract them? What channels will we use that we are not using today, and what will be the targets for that? As I said, we have committed a lot to Edinburgh. We have carried out successful campaigns and measured their effects. Obviously, we will be cutting back, and any reduction of the scale that has been indicated will have an effect. We have already had reductions in our budget. Admittedly, nothing formal has been agreed, but some things have been informally agreed. We have had reductions in the current year and we are looking to reductions next year, so we will cut services accordingly.

The overall concern is the one that I touched on earlier—that less money is coming into tourism. Tourism can play a vital role, not just for parts of the country but for the whole country, in lifting us

out of recession. It will be one of our main economic drivers for the future. I believe that areas of our industrial landscape will not fare so well and that the tourism industry will be increasingly important. We must maximise the amount of money that goes to the development and promotion of this vital industry.

Peter Lederer: It has always concerned me greatly that we must look for efficiencies wherever we can. One concern is the amount of money that goes into infrastructure, salaries and other things, that could have gone into marketing. Where are we losing out on promotional spend because money is used up in duplicating positions, offices or whatever? As long as things move forward in a way that minimises such duplication so that as much money as possible is released for marketing, that is good thing, but we need to keep a close eye on what happens.

The Convener: Can the representatives of the Scottish Government tell us whether it has a view on whether DEMA is a good or a bad thing?

Vicky Carlin: I endorse the points that Peter Lederer has made. We, too, have met DEMA, and in many ways the approach that it is trying to model in Edinburgh—to build synergies across the visit, live, work, study and invest strands—is similar to what we are trying to achieve nationally. All the bodies that are represented here today are engaged in work to try to ensure that we achieve those synergies across the different sectoral interests.

Ministers are aware that there is an efficiency issue that needs to be examined, as well as an effectiveness issue. Ministers would not want substantial amounts of money to be taken out of programme spend to fund infrastructure. However, we are in discussions with DEMA, as is VisitScotland, and we will continue to work on the issues.

The Convener: Again, time is not on our side. Thank you for your contributions to our hearing.

Philip Riddle: I have had confirmation of the two local authorities with which we do not have service level agreements. Stuart McMillan will be glad to know that Inverclyde is not one of them. I did an injustice to Inverclyde, because we do have an SLA with it. The two are East Renfrewshire and East Dunbartonshire.

The Convener: Thank you for that clarification. No doubt we will hear from you again in relation to our follow-up to the tourism inquiry before the summer recess. Thank you for your time this morning.

13:14

Meeting suspended.

13:15

On resuming—

The Convener: Do members want to suggest points from this morning's evidence that we might follow up, before we go into private session for our final item of business?

Rob Gibson: We have a list of projects that Scottish Enterprise supports, but we could do with a similar list from HIE. The local authorities in the Western Isles and Shetland are asking how HIE can support tourism in those areas. HIE's involvement is a grey area that needs to be sorted out.

The Convener: We can write to HIE and ask for that information.

Gavin Brown: Before we have our next tourism review, it might be worth your writing to the minister, convener, to remind him about our inquiry and his response—a month or so later—and to ask him to give us an update. If we have an update we will not have to ask for one and we will be able to focus our questions slightly better.

The Convener: That makes sense. Of course, under item 3 we will discuss the appointment of an adviser, who would be able to inform us about such matters. I intend the minister to be the main focus of a meeting on tourism later this year.

Lewis Macdonald: The Scottish Tourism Forum said that it would take up concerns that we raised about rail transport. Iain Herbert said that he would come back to us if the forum's pleas fell on deaf ears. It would be good to write to him to confirm that.

The Convener: Okay. We can pick up other points later. If members have no comments, that concludes the public part of the meeting.

13:17

Meeting continued in private until 13:22.

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