

ENTERPRISE AND LIFELONG LEARNING COMMITTEE

Wednesday 8 March 2000
(Morning)

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ENTERPRISE AND LIFELONG LEARNING COMMITTEE

6th Meeting 2000, Session 1

CONVENER

*Mr John Swinney (North Tayside) (SNP)

DEPUTY CONVENER

*Miss Annabel Goldie (West of Scotland) (Con)

COMMITTEE MEMBERS

*Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)

*Nick Johnston (Mid Scotland and Fife) (Con)

Marilyn Livingstone (Kirkcaldy) (Lab)

*George Lyon (Argyll and Bute) (LD)

*Ms Margo MacDonald (Lothians) (SNP)

Mr Duncan McNeil (Greenock and Inverclyde) (Lab)

*Dr Elaine Murray (Dumfries) (Lab)

*Elaine Thomson (Aberdeen North) (Lab)

*Allan Wilson (Cunninghame North) (Lab)

*attended

THE FOLLOWING MEMBER ALSO ATTENDED:

Mr David Davidson (North-East Scotland) (Con)

WITNESSES

Mr Ivan Broussine (Scottish Tourism Forum)

Mr Riddell Graham (Scottish Borders Tourist Board)

Mr Alasdair Morrison (Deputy Minister for Highlands and Islands and Gaelic)

Ms Carole Munro (Scottish Executive Tourism Division)

Mr Jack Munro (Edinburgh and Lothians Tourist Board)

Mr Paul Murray-Smith (Scottish Tourism Forum)

Mr Christie Smith (Scottish Executive Tourism Division)

CLERK TEAM LEADER

Simon Watkins

SENIOR ASSISTANT CLERK

David McLaren

ASSISTANT CLERK

Mark MacPherson

LOCATION

Committee Room 1

Scottish Parliament

Enterprise and Lifelong Learning Committee

Wednesday 8 March 2000

(Morning)

[THE CONVENER opened the meeting at 10:02]

The Convener (Mr John Swinney): Good morning, ladies and gentlemen. I open the sixth meeting of the Enterprise and Lifelong Learning Committee. We have received apologies from Duncan McNeil. Elaine Murray and Elaine Thomson will be slightly late.

Tourism Strategy

The Convener: The first item on the agenda is that the committee agrees to take item 4 in private. That item is consideration of any submission that we make to the Scottish Executive in relation to its published document "A New Strategy for Scottish Tourism". Is the committee agreed that we take that item in private later this morning?

Members indicated agreement.

The Convener: Item 2 is consideration of the Scottish Executive's published document "A New Strategy for Scottish Tourism". Our evidence today will be split into three sections. The first section of evidence will be presented by representatives of the Scottish Tourism Forum, who have just joined us. We will then meet two directors of area tourist boards—Mr Jack Munro, the chief executive of Edinburgh and Lothians Tourist Board, and Mr Riddell Graham, the chief executive of Scottish Borders Tourist Board. Those names were not provided to members in advance of this meeting. At about 11 o'clock, we will hear from the Deputy Minister for Enterprise and Lifelong Learning, Mr Alasdair Morrison, who met the committee in private some weeks ago.

I welcome Ivan Broussine and Paul Murray-Smith of the Scottish Tourism Forum. I ask you to introduce yourselves and say a few words by way of introduction.

Mr Paul Murray-Smith (Scottish Tourism Forum): To constrain my comments to a couple of minutes, I will assume that the committee knows a little about the Scottish Tourism Forum. However, I will briefly outline the background to our submission. The forum has a very wide and diverse membership drawn from the tourism industry. It is composed of members of area tourist boards, various marketing groups and most of the

key trade associations, and represents businesses big and small. Our membership covers more than 16,000 businesses.

The Scottish Tourism Forum welcomes the strategy because it addresses the key issues and supplies the funding that will make it happen. The five key areas for the industry are: marketing, technology, quality, people issues and the structure of and support for area tourist board funding.

We need to ensure that all the relevant organisations are working in concert. We welcome the reviews of economic development that are being undertaken by the committee and by the minister. It is the industry's broad belief that although every agency's work is being recognised, we need to move on to a new level of business support to take us into a new and very competitive era.

Industry feedback has indicated that some of the mechanisms are sometimes fragmented, inconsistent and even arbitrary. Delivery across the network and mapping economic support are a bit of a nightmare. We know how big the country is, but there are 32 local authorities, 23 local enterprise companies, 14 ATBs and nine national agencies. That does not make for a cohesive, interdependent and results-oriented economic support structure.

Although the strategy goes some way towards meshing national and local organisations' activities and targets, we must now move on. We need to consider carefully a number of options, and are still in the process of consultation with the widest aspects of the industry through our own membership.

We need to focus on three important areas, in particular, the first of which is the absolute priority for Scotland to be marketed vigorously and unambiguously to our target markets. Secondly, the industry clearly wants a local one-stop-shop approach to aid business support. Thirdly, the industry should be involved and engaged.

On my left is Ivan Broussine, the chief executive of the Scottish Tourism Forum.

The Convener: Does Mr Broussine want to add anything at this stage?

Mr Ivan Broussine (Scottish Tourism Forum): No.

The Convener: Thanks for that very helpful introduction to the work of the forum, Mr Murray-Smith. When the committee discussed the matter in private with the minister, what emerged was the need for the industry's role in the development of tourism to be very clear. There is a temptation to believe that public agencies and ATBs should be leading the process. You mentioned that the third

key area in the future of tourism is industry involvement and engagement. What position is the industry in to implement the Government's tourism strategy? How will the industry contribute to the dialogue on those issues?

Mr Murray-Smith: The committee might be aware that we had discussions with Henry McLeish last week about the details of the tourism strategy. We talked particularly about the industry's engagement. It is important that the industry takes a leading role, the focus for which would be the Scottish Tourism Forum. As everyone, I think, now agrees, this is very much a partnership.

In deference to this committee, we postponed a forum meeting that had been scheduled for this morning; but we have a meeting this afternoon to tackle the major issues that are coming out of the strategy. We have also agreed to undertake a major event in April that will draw together 150 key players in our industry to debate what action we can take to move the strategy forward.

George Lyon (Argyll and Bute) (LD): You say that you will debate the way in which the industry can take the strategy forward. On page 3 of your submission, you say:

"We need a fundamental shift and improvement in industry engagement".

It seems that you are saying that you are not properly engaged in the process at the moment. What ideas do you have for moving forward? In one debate in this committee, when we considered the original tourism strategy document, the industry seemed to be missing out completely. We raised that issue with the minister. I would like to hear your views, because it is the industry that should drive this process forward.

Mr Broussine: The industry has unquestionably to take a leadership role; but we must also recognise—as you do—that the structure of the industry militates against that because of the average size of companies and because of the number of companies. Ours is not an industry that is easily definable in the way that the industries of biotechnology, electronics, semiconductors or finance are. Our industry is far more fragmented and segmented.

The engagement of the larger companies is not the hardest task. We can engage the top 100, 200 or 300 companies; but we then have to engage up to an additional 20,000, and to involve them in taking responsibility. That is true not only when we consider implementing strategies and policies at a national level; it is also true when we consider what actions to take and what investment to make at the level of an individual company. Those processes are necessarily complex.

The forum is one mechanism for engaging and involving companies. It allows trade associations to come together, and they in turn will communicate with their memberships. A substantial number of companies are members of their area tourist boards, which play a significant role in their involvement, but a large number of companies are disfranchised; they do not belong and are not participating, even if they are members of trade associations or area tourist boards. We therefore need a relatively sophisticated mechanism for communication with, and the engagement of, those companies. We need clear messages and effective sales, to get the companies to buy training and to make investment in personal computers and e-commerce so that they hit the targets that are outlined in the strategy and so that we can ensure that they have effective employment practices. We need to have a continuous process of communication with those companies.

There are a number of actions that we, the area tourist boards and the national agencies can take, but we all have to work in concert and send consistent messages back to the individual companies. Although that is a hard task, it could be done in two or three years. We have an opportunity to draw in those companies. If the messages are consistent, and if the rationale for buying into the quality assurance scheme is compelling, buying in becomes easier for those companies.

Miss Annabel Goldie (West of Scotland) (Con): I was interested in the comments in your submission on area tourist board funding. You acknowledge the significant role played by area tourist boards, as was obvious in your introductory remarks. You said that the concerns that have been expressed about the current funding structure of ATBs should be noted and that they should be monitored closely. Would you like to expand on that?

Mr Murray-Smith: You need to understand the nature of our industry, whose products will be gone for ever if they are not used. That means that great flexibility is needed, which is reflected in the marketing that is required to support the industry. In some ATBs, such flexibility has been unavailable because of a lack of resources.

In other words, we have not been able to react quickly enough to deal with some of the immediate challenges that we face in the industry, mainly because of a lack of funding at the area level. That is the feedback that the industry has given to the area tourist boards. The tourist boards need to understand that if visitor numbers are dropping, they cannot hold back on the costs. They must invest more to replace the lost volume. This is about providing flexibility in funding terms, so that

the market conditions can be adapted to the needs of business.

10:15

Miss Goldie: Do you think that the funding structure for ATBs should be altered?

Mr Murray-Smith: There is a danger in ring-fencing funding, as that does not give the local economy the flexibility it needs to allow movement from one industry into another. Having said that, there are serious challenges to providing flexibility. When visitor numbers are down, we need to pump more marketing into the industry immediately, to resolve some of the short-term problems.

Miss Goldie: I want to expand on what Mr Broussine was discussing with Mr Lyon—achieving a consistent approach to standards in the industry. Do you regard the quality assurance scheme that is currently operated by the Scottish Tourist Board as adequate, or do you think that there is a need to re-examine it and expand how it operates by bringing more people into the system?

Mr Murray-Smith: If one compares the system here with the one that is in play in England, which is one of our biggest markets, it would appear that Scotland is way ahead in the quality assurance game. That is not complacency, but a realisation that one of our major competitors is lagging behind. We are leading the way, and we welcome the additional resources that are being invested in the quality assurance scheme, because that is key to helping us to drive standards up and to police them. There is always a fear of policing standards of quality, but the industry broadly welcomes this initiative.

Mr Broussine: There is still a live debate in the industry about the requirement or otherwise for compulsory registration and classification. There is some ambivalence because, as you will know from elsewhere, getting an absolute consensus is quite difficult. However, large sections of the industry are keen on a compulsory registration scheme to reinforce quality assurance. Conversely, we know that many people and companies are not keen on that—the issue still needs to be debated. The emphasis on and investment in quality assurance is welcome, particularly given the dimensions that are included in the strategy, but we need to move on to the next stage and consider whether that and the quality thresholds are enough.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): Our examination focuses in particular on the current structure of the tourism support system in Scotland. You have talked about the plethora of bodies that exist—I believe that Mr Murray-Smith called it a bit of nightmare. In paragraph 7 of your first written submission, you describe the current situation as “complex and

confusing”. In paragraph 15 you go on to describe “a three tier level of business and enterprise support”

and set out objectives. At this point in your consultation exercise, are you advocating specific amendments to the existing structure? If so, what are they?

Mr Murray-Smith: We are advocating clarity. Earlier, I mentioned having a one-stop shop. It is difficult for a small or any other business to go to a number of different organisations for different aspects of business support. At this stage, we are not being prescriptive about the answer. There is a variety of options for us to consider. We need to consider how the criteria are to apply to them.

It makes a huge amount of sense that someone can go to one shop or one door and get the necessary business support instead of approaching several organisations.

Fergus Ewing: In other contexts, we have heard that what might be a desirable model is not a one-stop shop, but a first-stop shop. In such a model people in tourism and other business can go to a first port of call, and from there are quickly directed to the correct agency or body to be provided with expertise and support. Might you come back to us with such a model?

Mr Murray-Smith: Yes, that is certainly an option.

Fergus Ewing: We are all looking for clarity. We have to come up with conclusions that we can implement. Can you come back to us with clear proposals, after your consultation is completed but before our exercise is finished?

Mr Murray-Smith: Certainly—that is our intention.

The Convener: That is appreciated.

Allan Wilson (Cunninghame North) (Lab): To return to the point on the industry-based solutions that my colleague, George Lyon, made, and to which Mr Broussine responded, I was particularly struck by your reference to the strategic issues that you agree require to be addressed. You refer to the tourism industry in Scotland applying supply-led solutions and your wish for the industry, Government agencies and other public authorities to move to a demand-led culture. I would agree with that.

A further two statistics in your submission stand out. One is that the average size of tourism companies in Scotland is eight or nine people. In the other paper, your response document, the contradiction is that the industry includes some large companies which, between them, employ 45 per cent—that is an estimate; it may be more—of the total number of employees in the sector. That suggests that there are in fact two industries

operating side by side and that there are increasing tensions between the two sides. The solution that one side of the industry envisages might not suit the other side.

E-commerce and Ossian seem to me to be a way to redress that imbalance and to promote the demand-led culture that you and I would desire. How do you engage the large company side of the industry in the training and lifelong learning agenda? The larger companies are either UK-owned or owned abroad; the smaller companies are largely indigenous, could be family oriented and might have quite different needs and aspirations with respect to e-commerce and Ossian.

Mr Murray-Smith: I will let Ivan Broussine answer in a minute, but I would like to point out that there is not a division between large business and small business. The two sides work closely together and feed off each other. The larger organisations are involved in some of the major trade associations, as are the small organisations.

It is very important that the large organisations adopt a leadership approach and try to help small business—which they do, by talking together in trade associations and by encouraging them in other ways. Some of the key players in our industry play an active role in trying to disseminate information that will help small business. It is important to recognise that.

Allan Wilson mentioned information technology and high tech. A key issue, which relates to leadership, is how to address the fact that a vast number of small businesses, particularly in Scotland, do not even have a personal computer—so how can they participate in Ossian? We need to address that issue: we cannot walk away from it. Again, it is not just the responsibility of industry; it is for the public agencies and the Government working together to try to solve the problem. There is a huge amount of intellect in the commercial world that we can help to apply.

Mr Broussine: The issue of large and small companies is substantive at one level, but I echo Paul's point that they all belong to the same industry. The risks arise when any other operator that contributes to the visitor experience—from the point at which information is gathered to the point of booking, to the point of travel, to the point of arrival in Scotland and the experience that visitors have in Scotland—can jeopardise the credibility of the larger companies, and Scotland's reputation, by delivering an inadequate service. The integration of large and small companies revolves around the visitor experience.

If a visitor travels up via air, then takes a taxi, then hires a car, then visits somewhere such as a visitor attraction, and all those experiences are

good, but then experiences one lousy night, that visitor becomes almost anti-Scotland and the credibility of all the other service providers is undermined. That is why the clustering or supply-chain approach is crucial to the industry's development.

Allan Wilson: That is also an argument for encouraging large corporations to share facilities, expertise, training and technology with smaller companies, is it not?

Mr Broussine: It highlights the responsibility of the individual company. We have been telling the small companies and trade associations that they have a responsibility to bring themselves up to speed, to commit to their area tourist boards, to participate in the quality assurance scheme, to raise quality thresholds, to provide good employment practices, and to recruit people well and pay them properly. Those are the industry's responsibilities, which show that the industry still has some way to go.

Nick Johnston (Mid Scotland and Fife) (Con): Good morning, gentlemen. In your submission, speaking on the delivery of local economic and business services, you mention the confusion in the area tourist board network. For instance, an ATB may over-deliver business and grant services in one area but not in another. Have you had an opportunity to have a look at the paper from the Scottish Hotel School? It says:

"The very existence of the ATB network lies, historically, in a view of the tourism industry as a special form of enterprise requiring separate administrative and promotional arrangements. This view of the industry is now highly questionable and should be inspected closely."

The Scottish Hotel School goes on to suggest that responsibility for the promotion of tourism should be phased into the Scottish Enterprise network and the reconstitution of the Scottish Tourist Board,

"with LECs forming tourism sub-committees to replace many of the functions of the ATBs."

The view has been expressed by many small businesses that they should become more closely integrated into local enterprise companies. Does your organisation have a view on that?

Mr Murray-Smith: You are asking us to be prescriptive. Industry wants simplicity and understanding, with clarity about who is doing what. The aim is for businesses to be able to go to the area tourist boards to pick up the support that they need, whether that is training or marketing support or any other business support. Marketing is fundamental to the tourism industry and needs the support of a central mechanism or agency to make it work effectively. How that support is distributed locally is a matter for further consideration.

Nick Johnston: I was not asking you to be prescriptive; I was asking you for your opinion on the Scottish Hotel School's assertion that it may be better to bring ATBs within the scope of the LECs.

Mr Murray-Smith: That is one option.

Mr David Davidson (North-East Scotland) (Con): In your opening comments, Mr Murray-Smith, you talked about leadership of the industry through the forum and about not being prescriptive. You have described a lack of cohesion in the industry and, in your submissions, you talked about overlap and confusion in the support system. I suspect that you are coming round to this, but if your forum is seeking to lead, do you have a series of options? What are those options, in regard to the roles of the area tourist boards and the Scottish Tourist Board?

Mr Murray-Smith: I am not avoiding the question, but you will understand that the views of the industry must be reflected in the process. It is a matter that will be discussed in detail this afternoon. I hope that there will be an opportunity for the most diverse aspects of the industry to feed into the process before we become more prescriptive. However, there are several options for consideration.

10:30

Mr Davidson: If you will be considering those options, how are you able to stake your claim for leadership in the industry?

Mr Murray-Smith: That is because we are able to communicate with the widest possible representation within the industry. We try to get as many as possible of the interested parties—trade associations and individual businesses—to consider the issues as they affect them. Leadership is about teasing out the main options and consolidating them with a sensible argument as to how they can be presented as solutions to the current—as I would put it—nightmare.

Elaine Thomson (Aberdeen North) (Lab): One of the key elements of the strategy is the take-up of technology, including the development of Project Ossian and the use of e-commerce. In your submission, you say that you have some concerns about how that is being implemented—could you expand on that?

You also mentioned the lack of equipment. In my discussions with businesses in various different forums on the take-up of technology, several issues have emerged—equipment and infrastructure have been mentioned, but they are not the key issue. The key issues always seem to be leadership, awareness, education and understanding the need for technology. To what

extent should awareness and training be part of the process?

Mr Murray-Smith: That is a well-made point, to which there are three parts. The first part relates to Project Ossian. Now that more resources are being put into that project, the industry wants it to come to fruition quickly. It needs the project to make a difference and to improve market penetration in this country and abroad. The second aspect, which I touched on earlier, is to find a mechanism to encourage more—if not all—businesses to take up the necessary information technology capability.

The third, and very relevant aspect, is learning and education. Information technology and internet knowledge skills are becoming the reading and writing of today—skills that everybody needs. A high percentage of people have never been touched by IT and that is partly a social inclusion issue. That should be addressed by the new implementation group that the Minister for Enterprise and Lifelong Learning will launch soon, because that will be essential to the successful adoption of IT and to making tourism more competitive as an industry in Scotland.

The Convener: I now close this evidence session with the Scottish Tourist Forum. We shall hear next from area tourist boards. I thank witnesses for the information that they have given to the committee. The issues of structure and role are fundamental to the dialogue on implementation and delivery of the strategy. In the fullness of time, we would be interested to hear further feedback on the forum's consultation exercise.

In effect, we are doing two things: we are examining formally the Government's tourism strategy today and we are carrying out a wider inquiry into the delivery of local economic development and business support services. Ministers have asked us to expand the inquiry to consider specifically support to the tourism sector. We welcome that extension of the discussion and appreciate your input today. Your input in the future, too, will be appreciated.

Mr Murray-Smith: We would like to make a further submission.

The Convener: We will now hear from two chief executives of area tourist boards, which have been involved in our discussions on tourism strategy. I welcome Riddell Graham and Jack Munro and ask them to introduce themselves briefly to the committee.

Mr Riddell Graham (Scottish Borders Tourist Board): We will make a short presentation and then answer questions.

The 14 area tourist boards welcome the

committee's review of the delivery of tourism at local level and of the structures that support the industry. The area tourist board network wholeheartedly supports the new tourism strategy and has met on several occasions since the launch of the strategy to ensure its early and successful implementation.

In addition to its statutory responsibilities for marketing and visitor servicing, the area tourist board network is responsible for co-ordinating and delivering local area tourism strategies. We are concerned that there is duplication of effort by the many agencies that are involved, and we are aware of the uneven delivery of product development, training and business development to the tourism industry. That view is consistently expressed by the 16,000 business that are committed to supporting the work of area tourist boards. Those businesses are confused and sometimes frustrated by the plethora of organisations that are involved—they do not know who does what.

The area tourist board network is the democratic and accountable voice of those 16,000 businesses, and their clear message to us is that tourism marketing, visitor servicing, product development and training should be delivered through a single door. We believe that area tourist boards are uniquely placed to provide that single point of entry, as we are positioned at the interface between tourism businesses and their customers.

We have just left a meeting in Glasgow of the chairmen and chief executives of the area tourist boards. Over the past two days, we have worked together to develop and agree unanimously a coherent and imaginative set of proposals for the future. If those proposals are adopted, we believe that they will transform the effectiveness of Scottish tourism marketing and support structures, and will enable the industry to compete and prosper in a fast-changing and competitive environment. Finishing touches are being put to the proposals as we speak. The proposals will be submitted to the committee in written form by today's deadline.

The Convener: I am grateful that you have joined us while the meeting of the chairmen and chief executives of area tourist boards is going on. Are the proposals that have been developed at that meeting compatible and consistent with the Government's strategy for tourism?

Mr Graham: We used that strategy as our bible and we used it to measure whether our ideas would be deliverable. We used the prompts on Ossian, lifelong learning and niche marketing, and are confident that we can deliver on those through the proposals that we will submit to you.

The Convener: What discussion has there been

among your colleagues about the funding mechanism for area tourist boards that the strategy proposes? What are the views of the chairmen and chief executives about the effectiveness of that mechanism?

Mr Jack Munro (Edinburgh and Lothians Tourist Board): One of our major concerns is the lack of stability in area tourist board funding, which is totally discretionary.

We welcome the announcement in the strategy that local authorities should provide a three-year funding package. That will help stability and forward planning. Our concern is that with so many funding partners we will not be able to focus on the strategic elements. Riddell Graham said that the area tourist board network could provide a one-stop, first-door approach. We believe that sufficient funding is already provided to tourism by the public sector agencies, but that there is too much duplication. A one-stop approach would allow the resources to be spent in a co-ordinated and cost effective way.

The Convener: This may seem like a blindingly obvious question, but why is that not happening? You have just said that an abundance of resources is going into tourism, but that resources are not being spent effectively.

Mr Munro: That is because so many agencies are involved. One agency delivers training and the area tourist board has a statutory responsibility for marketing and visitor servicing. Business development and product development are handled by local authorities and the marketing of Scotland is the responsibility of the Scottish Tourist Board. We have inherited a situation where at least four distinct elements of tourism are funded separately. We think that it is time that those elements were brought together to ensure that our businesses prosper.

In simple terms, for a company to be successful, it must have a high-quality product or service, motivated staff and the product must be marketed to the right people at the right time to ensure repeat business. That is not happening. If a small company wants marketing or visitor servicing support, it comes to the area tourist board network; if it wants training advice, it goes to the local enterprise network and if it wants business development advice, it goes to the local authority. We want to pull that together, not necessarily in the context of a single agency, but certainly to allow the ATB network to provide advice to small business.

Dr Elaine Murray (Dumfries) (Lab): Does the structure of the ATBs makes them as effective as they could be? It has been suggested to me that there is a problem with tourist boards being membership organisations, because that gives

individual subscribers the view that they can affect the strategy of the ATB. It was also suggested that we should move towards a system in which people subscribe to a service, similar to the current structure of the LECs. Have you any comments on that?

Mr Graham: I am delighted that you raised that point, because it formed part of the major debate that the chief executives and the chairmen had yesterday. In one way, membership is a strength: we can say that we represent 16,000 businesses that subscribe to everything for which we stand. In another way, membership is a weakness, because there is an apparent difference between a member and a non-member. We need to be much more inclusive. In our proposal, we have recognised that there is an opportunity to engage those who are not involved with the ATB or committed to quality assurance. Having read many of the submissions to the strategic review consultation, we are ready to embrace that positive opportunity. We think that we have a solution that will satisfy both sides.

The democratic issue is important, because the industry must feel that it has a say. It would be wrong for us not to recognise that. At the end of the day, it is the industry that will benefit and it must take some responsibility for the process.

Dr Murray: How representative is the current structure?

Mr Graham: My area tourist board—which is, I suspect, similar to the rest of the network—has engaged more than 90 per cent of the available tourism businesses. People will, inevitably, move in and out, particularly at the smaller end of the market. However, all the main players in Scottish tourism are actively engaged in the work of area tourist boards.

10:45

Ms Margo MacDonald (Lothians) (SNP): Thank you for getting to the nitty-gritty. At the meeting of chief executives and chairmen, was there absolute unanimity on having four agencies delivering integral parts of a seamless tourism business? Is there an agency that can operate under the various headings that we have discussed—development of the product, training, and so on? We have been looking at examples of good practice, best practice and rubbish practice as well. Is best practice being managed anywhere, or is frustration ubiquitous?

Mr Munro: There is frustration. For example, eight of the area tourist boards deliver training, but the rest do not. That causes confusion. However, all 14 area tourist boards subscribe to the idea that there should be a single-door approach, and that the area tourist board network should provide that. As Riddell Graham said, we represent 16,000

businesses, the majority of which are small. More importantly, we are in regular contact with about 20 million customers. We are the only agency that provides a direct interface between the customer and the member. We must make that interface seamless for the customer as well as for the small business.

Our approach is predicated on the fact that we hold a huge amount of market intelligence, which must be communicated directly to local businesses so that they can improve their facilities, services and quality standards. That is the reason for adopting the one-stop approach.

Mr Graham: The area tourist board network has the advantage of being able to share best practice. You wanted to know whether we were unanimous—we agree unanimously that we need to capitalise on examples of good practice. The solution for Jack Munro's area in Edinburgh might not be right for the Highlands. However, if we can learn from our colleagues' experience of working with local businesses, best practice opportunities can be shared to improve the national industry.

Ms MacDonald: Perhaps I am being rather insular, but I am interested in Edinburgh because, in many respects, it must be the template. Given the fact that it is a fairly small city, it ought to be easy for Edinburgh, with its colleges and meeting places, to set an example.

Mr Munro: There is a critical mass of wonderful facilities in Edinburgh.

Ms MacDonald: Yes—but what else is there? There is red tape or people with empires to defend.

Mr Munro: The traditional structure causes certain blockages, but there should be multi-agency involvement.

Ms MacDonald: Why should you do it instead of, say, a specially designed department of Lothian and Edinburgh Enterprise limited?

Mr Munro: Democratic accountability is afforded to us by the 1,400 businesses here in Edinburgh. More importantly, no other agency has the market intelligence and customer contact that we have. That places the area tourist board network in a unique position. The strategy will be customer-driven, and we are the agency that is in touch with customers.

Ms MacDonald: Edinburgh Leisure is a company owned wholly by the council, with its own marketing operation. Could you use that sort of structure?

Mr Munro: For tourism to be effective, there must be partnership between the public and private sectors. To prevent market failure and to ensure that social issues are included, we need

public sector support or intervention, but the partnership must be seamless.

George Lyon: You said that a huge amount of public money is available to the tourist industry, and that the money from other sectors simply does not match the £19 million quoted in the press. What is your estimate of the total amount of public money that is being put into the tourist industry? How much does the industry itself contribute to promotion and reinvestment in its own future?

I also want to ask about the single body you mentioned. As I understand it, the ATBs should deliver training, business development and other services. Are you seriously arguing that we should create an institution with all those functions solely for one industry? How would you argue against every other industry that might want the same thing? Surely that is a recipe for more confusion, not less.

Mr Munro: According to the Scottish Executive, almost £80 million is being spent by the public sector agencies on tourism. That £80 million is from a combination of the Scottish Enterprise network, the Scottish Tourist Board, the local enterprise company network, and other groups.

Mr Graham: As far as the industry contribution is concerned, only the area tourist board scenario is within my ken. The Scottish Borders Tourist Board's annual turnover is about £1.6 million. The amount that we receive in membership subscriptions is a very small proportion of that. However, the industry contributes substantially to the running of the board. I reckon that more than a third of that £1.6 million—between £500,000 and £600,000—comes from the industry in engaging with the board in joint marketing activity and in service delivery.

I cannot speak on behalf of the Scottish Tourist Board about how its budget is supported nationally by the private sector, but I know that private contributions are not insubstantial. About a third of the total spend on area tourist board functioning comes from support from the industry. That nicely reflects the area tourist board structure, which involves the local authorities, the national tourist board and the private sector working together for local benefit.

Mr Munro: My larger urban board has a budget of approximately £5.2 million, of which 67 per cent comes from the private sector through membership subscriptions and commissions from members.

George Lyon: Do you have a figure for Scotland?

Mr Graham: I am afraid that we do not, but we could easily provide one if it would be helpful.

In answering your final point, I would not like to

be misquoted. My point was that we felt that we were uniquely positioned to help deliver a seamless strategy, but not necessarily to be the body that provides the services. The one-door approach was mentioned. We suggest that, because of our position between the business and the customer, the door that people should go through should be the area tourist board. That is not to say that we would end up delivering the services, but it would make things much simpler for the customer. Businesses would know, if they needed access to training, business advice, support and marketing, that those could be delivered through that structure. The whole interface will be substantially assisted by the development of the quality assurance inspection system by the adviser. Those services could be provided by a range of bodies behind the door, but the seamless approach is crucial.

Mr Munro: In the context of lifelong learning, what we are discussing does not involve only the public sector agencies. It is also about us providing our members with access to learning opportunities. We have embarked on a pilot programme with the Scottish university for industry at the tourist information centre at Waverley station in Edinburgh, where a number of visitors have asked us for access to the internet and the facility for sending and receiving e-mails. We have taken those requests on board.

Such a facility could also become a learning centre, and we have worked closely over the past three months with the Scottish university for industry, through the capital modernisation fund, to make that facility available as a training resource for our members during the winter. There is complementarity of use, as the centres are busier in summer than they are in winter. That could be relevant for rural tourist information centres. Our members—only 30 per cent of which do not have access to personal computers—would be able, through that joint initiative, to come into the tourist information centre and learn how to use PCs, thereby enhancing their skills.

That approach does not work only with traditional tourism industries; it embraces the principles of lifelong learning by providing small companies that do not have access to PCs with the opportunity to learn about them. Our staff provide that joint facility and we believe that it is an effective use of new funds. That type of engagement is outwith the usual context of area tourist boards and outwith the traditional structure, and that is how we want to move forward.

Allan Wilson: I am thoroughly confused. I thought that you were arguing, as your submission states, that ATBs were unable to realise their full potential because of insufficient and insecure resources. You included the caveat that, in order

to justify additional resources, you would have to provide quantitative evidence of value added to the project.

On the other hand, the very existence of ATBs has been called into question, as the historical view is that the tourism industry is a special industry that requires its own promotional expertise. Is the choice really between those two extremes or is there a proverbial third way, as you now seem to be hinting?

Mr Graham: We argue that the tourism industry is unique. Unlike other industries, people must come to Scotland to experience the product, rather than the product being sent to the customer. A holiday experience has tangible and intangible benefits. If one buys a cashmere sweater, one can see, touch and wear it. If one buys a holiday, that will involve accommodation and taxis, but it also involves the countryside, the landscape and the rain. Because of those differences and because of the large number of businesses in the industry throughout the country, it is different. That is the basis on which we argue that we are uniquely positioned.

Mr Munro: There are regional and seasonal variations in tourism, and support is, therefore, necessary. The tourism season in some parts of Scotland is very short. One of the big challenges facing the area tourist board network is to ensure that there is dispersal to the regions from the major urban centres, which have grown by about 25 per cent over the past 11 years. That could be done effectively, but lack of cohesion prevents it at the moment.

Miss Goldie: The submission by the chief executives of the area tourist boards states that

"ATBs must be given the necessary empowerment and assured resources to enable them to lead".

Where do you think that those assured resources should come from?

Mr Munro: The assured resources would come from the existing resources being spent on training, product development and marketing and on visitor services being provided in a more cohesive way.

Miss Goldie: Where would the assured resources come from?

Mr Munro: From the existing resources. It is a combination of the current spends of public funding under those existing budget heads.

Mr Graham: The other issue that we addressed is that there are opportunities to improve the performance levels of area tourist boards as they exist. We must address the reason for there being 14 finance directors in the area tourist board network, for example. There is an opportunity to

rationalise and make more efficient the resources that we have at the moment. We are not just looking outward; we are looking inward to see how our organisations can be more efficient in delivering the services that our customers—businesses and visitors—want. There is a double edge: we have to consider the existing resources and try to reduce duplication and overlap and we also have to consider the most effective use of what we get at the moment.

11:00

Miss Goldie: Further on in the submission, it says that while area tourist boards should be charged with selling the product direct to the customer, they should also lead the efforts to regenerate the Scottish market. How would that be done?

I am struck by your comments on membership. We know, from various submissions that we have had, that a significant proportion of operators in the sector are not members of any formal structure. Do you have an evangelical role as regards that?

Mr Graham: Yes. Since the launch of the strategy, we have had a campaign in Glasgow to get the Ross and Rachel segment of the market to leave the stress of the city and take a short break in the Borders. Last year, a similar campaign met with success in Edinburgh in the summer, when the festival is in everyone's face. Our strategy is innovative, recognises that Scots holiday in Scotland and presents the product in a slightly different but much more targeted way. We are already using niche marketing with our colleagues south of the border and with Jack Munro's board.

Miss Goldie: We should return to the key question of who belongs to an area tourist board. What do you do about the fact that a relatively small number of operators in an area belong to a tourist board? It will be difficult to drive up standards through a consistent approach if 54 per cent of the operators are not in the board.

Mr Graham: In the Borders, more than 90 per cent of the businesses are members of the tourist board. The 10 per cent that are not members represent an opportunity for us. We want to engage them in a more effective way than we have done.

Miss Goldie: The figure of 90 per cent is encouraging. Is that a universal figure for all tourist boards?

Mr Graham: In the main sectors, the figure is of that order. There are 16,000 operators involved but there will always be some who, for whatever reason, do not want to be engaged.

Fergus Ewing: In your submission, Mr Munro, you said that tourism businesses felt that membership of an area tourist board was too expensive. Also, you candidly admitted that there was an element of duplication. Do you believe that the financial benefits of the removal of duplication could be passed on to members in the form of lower fees? Would that help with the problem of some operators not wanting to become members?

Mr Munro: I think that the submission that you are talking about was made some 18 months ago. A fresh submission will be with you today. We are aware that we give value for money to our members. Membership of the Edinburgh and Lothians Tourist Board has never been higher.

The savings that might be achieved through more cohesive action might not be used to underwrite membership but would be used to provide greater value for members and ensure that they are able to participate in training and marketing to a greater extent.

Mr Graham: We have examples in my area tourist board of people who save money because they are members. Money is saved through initiatives such as the effective purchasing scheme that we operate as a unique benefit of membership. Soon, members will be able to purchase IT equipment through the scheme. We need to communicate more effectively the fact that great savings can be made through membership of the area tourist board.

George Lyon: Is the cost of membership graded according to measures such as turnover or size of business? Does the membership fee include the cost of quality assurance?

Mr Graham: In my board, which is a typical one, there is a base fee—in our case, that fee is £85—and a supplemental charge that is based on size and varies depending on type of business. For example, Peebles Hotel Hydro would pay substantially more than a two-bedroom bed and breakfast. That approach reflects the benefits that we provide to members. We try to match the buy-in to the benefits that we deliver.

Mr Munro: The fee is not based on turnover because companies will not declare that figure. The fee is calculated on bed units for hotels, square footage for retail businesses, number of coaches for coach companies and so on.

The Convener: My apologies to those who have not been able to ask questions. I thank our witnesses for their contribution. We look forward to receiving further input from the boards in due course. Our local economic development inquiry will consider the delivery of tourism-related services at a local level. We would be grateful for our witnesses' views on that subject.

11:06

Meeting adjourned.

11:09

On resuming—

The Convener: I welcome Mr Alasdair Morrison, the Deputy Minister for Enterprise and Lifelong Learning. I noticed in the newspaper that one of Nick Johnston's colleagues accused the minister of being pup-faced. I see that he is fresh-faced this morning.

The Deputy Minister for Highlands and Islands and Gaelic (Mr Alasdair Morrison): As always, convener.

The Convener: I ask the minister to introduce his colleagues and make some opening remarks.

Mr Morrison: My colleagues are Carole Munro and Christie Smith. Both are from the tourism division of the Scottish Executive.

I welcome the opportunity to meet the committee again. Henry McLeish and I want to thank the committee for its constructive comments. We took the committee's advice to extend the period of consultation by a month and we postponed the publication of our strategy document this year by a few weeks. We look forward to hearing the committee's comments on the issues that have been examined today.

The Convener: The committee welcomes the approach that the Executive has taken on the tourism debate. The extension of the consultation period over the summer was appreciated by the industry. The time taken by the Executive to reflect on the committee's views was also appreciated and gave the committee the sense that its opinions had been taken to the heart of the consideration of the strategy document. We have managed to go through the process to the betterment of the tourism strategy. That is an example of how the committees can add value to policy making in the Executive.

We have heard from the Scottish Tourism Forum and from area tourist board representatives this morning. The issue of structure has never been far away from our discussions. How much progress has been made in implementing the strategy? How will the agencies and the industry be involved in the implementation?

Mr Morrison: We announced the strategy at the end of January and, as part of the continuing strategy, Henry McLeish is meeting the chief executives and chairmen of area tourist boards this morning. We are continuing a process of dialogue and are awaiting this committee's comments. As you have mentioned, there are a number of on-going reviews. Mr McLeish's

meeting this morning is an important part of the implementation of our strategy.

The Convener: The committee felt that the role of the industry was important. What issues have emerged from the dialogue that you have had with industry about implementation? Have the views of industry influenced the Executive's priorities in the implementation of the strategy?

Mr Morrison: The closely related issues of quality and skills have been highlighted by a number of people, including people in the industry. Quality must be improved and the skills base must be extended.

Dr Murray: You said that the Executive intends to review the role of the enterprise networks in supporting tourism. How will that review be structured? How will it interface with what we are doing in examining local economic development and tourism's role in that? How will we co-ordinate what we do and what you do?

Mr Morrison: Henry McLeish announced the review of Scottish Enterprise and Highlands and Islands Enterprise prior to the publication of their strategy. Your own committee is examining a number of issues and that has been extended to examine the role of area tourist boards. My colleague Christie Smith will flesh out some of the detail.

11:15

Mr Christie Smith (Scottish Executive Tourism Division): The question of how the enterprise network should best support tourism is one of the questions that is raised in the consultation paper which the minister published earlier this year. The closing date for comments on that is 4 May. The minister expects to reach conclusions before the summer recess. He will take into account this committee's conclusions about the delivery of local economic development.

Ms MacDonald: Have you had many submissions already, or are people hanging fire?

Mr Smith: The process does not depend on written submissions to the consultation paper. The minister met the Scottish Tourism Forum last week. He is meeting the area tourist boards today. A programme of face-to-face meetings with area tourist boards and other agencies in the tourism sector will continue until May when the consultation period closes.

George Lyon: We have had various submissions, some of which have covered the structure. We have one here from the Scottish Hotel School, which is quite a radical document in some ways. It proposes that:

"Allocation of responsibility for the internal administration of tourism to be moved to SE, HIE and the Scottish

Enterprise Network with Area Tourist Boards in due course being reconstituted as specialist arms of Local Enterprise Companies."

It goes on to say that the Scottish Tourist Board should be redefined and reconstituted as a ministry of tourism, with responsibility for general and international marketing. Has the Executive a view on the longer term and some of the comments in that paper?

Mr Morrison: Margo MacDonald used the phrase "hanging fire". That is the position that the Executive will take. The convener of this committee and its members would not be pleased if we started firing off in different directions and apparently coming to conclusions prior to the end of the reviews. It is a process of waiting to see what comes from all the reviews and, as I have said a number of times already, what conclusions this committee comes to.

George Lyon: Are you saying that the Executive has not even done a SWOT—strengths, weaknesses, opportunities, threats—analysis of the current structure, to say where the strengths and weaknesses are and on which matters we should make progress? Surely you have done a basic analysis of the current structure to consider where there are weaknesses.

We have heard evidence this morning from various organisations about where they believe there are significant weaknesses in terms of congestion and too many different agencies engaged with the tourist industry. We heard from the area tourist board chief executives that they believe that they should do the whole thing—or maybe not quite everything, but they were alluding to that. Have you done any solid work on analysing the strengths and weaknesses of current structures?

Mr Morrison: This is again an on-going process. We constantly review situations and keep up to date. It is necessary to have comments and more detail before one can have a SWOT analysis.

Nick Johnston: How well do you think that the strategy addresses the transportation issues, the fuel issues, issues about the fiscal and monetary decisions made by the Chancellor of the Exchequer and all the other issues that have been brought up in the consultation papers? It seems to me, and to the Scottish Tourism Forum, that those issues have not been addressed in the tourism strategy.

Mr Morrison: Those issues are addressed. The draft submission from your own committee, which was discussed in private, did not raise some of the issues that you have raised. We took the committee's view on board—that is reflected in the strategy document. Westminster has competence

over fiscal issues; we do not have competence.

One of the exciting developments in relation to transport, as part of Project Ossian, will be that when the national transport timetable is finalised, it will be pinged on to the Ossian system, which will improve the information that visitors will be able to access. We are putting great emphasis on the national transport timetable and it will be an integral part of Project Ossian.

Nick Johnston: You have set some ambitious targets for Project Ossian. What will be the consequences, and to whom, if those targets are not met?

Mr Morrison: We have said that Ossian will be live by June. We are confident that we will meet that target. We must remember that Ossian is up and running; it is already the largest database of its type in the world, but like lots of things in cyberspace and relating to internet technology, it can soon be overtaken. For this financial year, we have made a commitment of an additional £250,000 to ensure that we reach the targets that we have set. Some people have described those targets as ambitious. The extra £250,000 should ensure that Project Ossian continues to make progress.

Nick Johnston: On the mid-term target of 50 per cent of accommodation businesses trading over Ossian by 2003, what is the consequence, and to whom, if that target is not met?

Mr Morrison: One of the biggest consequences would be that the industry, and those participating in it, would lose out. Internet usage is increasing at a phenomenal rate—some 11,000 new users are added to the internet per week in the UK. Globally, it is increasing at a phenomenal rate. I think that it is projected to increase sixfold in the next five years. Those who do not embrace the new technologies and new ways of doing business will lose out.

Fergus Ewing: Since we had the debate on the announcement of the tourism strategy, many people, constituents and others, have expressed concern about the effect of the high level of sterling. One individual wrote to me and said:

"I recognised that some sectors of the UK economy, including some sectors of the Scottish economy, tourism among them, were suffering from the strong exchange rate."

Will you express a view on this, and do you agree with the author of that letter who was, incidentally, Eddie George?

Mr Morrison: I have not read that letter, although I accept Mr Ewing's interpretation of it.

On the effect of the strong pound on tourism, we have been encouraged this year, contrary to ludicrous forecasting by some people who waded

into the debate throughout the summer saying that we were going to have a disastrous year. Thankfully, that has not been the case. The spend by overseas visitors this year has increased slightly. There are encouraging signs, but Eddie George has obviously reflected his view in that letter.

Fergus Ewing: We all want to make certain that the money that is available is spent to best effect. There is concern that not enough money is being spent on marketing Scotland and bringing people to Scotland.

The announcement of the strategy document was accompanied by a press statement from the Scottish Executive, which stated that there would be an £11 million boost to tourism. That suggested to me, as a straightforward fellow, that there would be an extra £11 million. I have subsequently been advised by Henry McLeish that £5.25 million of that amount is for the Scottish Tourist Board and that

"These are unexpended funds carried forward from this financial year into the next financial year"—[*Official Report, Written Answers*, 3 March 2000; Vol 5, p 102.]

Does that mean that there has been an underspend of £5.25 million from tourist industry resources in this financial year? If so, should that money have been used to bring people to Scotland through effective marketing?

Mr Morrison: My colleague Christie Smith will discuss some of the detail.

We are putting an extra £1 million into niche marketing, which has been welcomed across the country and across the industry. Of the £5.25 million that is going to the Scottish Tourist Board, £2 million will go to area tourist boards.

Mr Smith: The £5.25 million is additional to tourism; it is unspent money within the Scottish Executive, not within the tourism budget.

Allan Wilson: We had the benefit of a couple of sessions with the Scottish Tourism Forum and area tourist boards prior to your coming in, minister, so some of what has been said is said in the context of our previous discussion. The Scottish Tourism Forum's submission mentioned that

"the tourism industry in Scotland operates from the view point of the needs and operation of the industry itself".

There are supply-led solutions and there is a need to move to a demand-led culture. How do we get more tourists here and give them a good experience when they are here?

On the question that the convener posed about industry engagement and niche marketing, which is a central strand of the Scottish Executive's own strategy, how do we encourage companies with

skills, expertise and opinions to engage in the process of promoting niche markets as part of the overall strategy in Scotland?

Mr Morrison: On Allan Wilson's last point, a mentoring scheme is going to be established shortly and will be of value. The public agencies will also establish a trade website, the target for which is, again, the end of June. That will give a lot of tourism businesses the information that they need to improve the nature and quality of the services that they provide.

Mr Davidson: In the sessions that we had earlier this morning, which have been mentioned before, there was a plea for stability in funding from the area tourist boards. Comments were also made about the plethora of funding partners. It was accepted that there was a lot of money available, but it was felt that it was not being terribly well focused.

In the debate on tourism a couple of weeks back, you said that you recognised that there was a need for longer-term and stable funding for ATBs. You did not defend very well the concept of the money continuing to come through local authorities. You did not give any reasons for that. There were let-out clauses within the wording that the Executive used. Why do you want to go on funding ATBs through local authorities? What benefits does that bring to tourism?

Mr Morrison: I can only apologise if my defence was not robust enough. The funding process will initially involve local authorities but, as was made clear by Henry McLeish at the launch of the strategy, it is a situation that he and I will monitor and review as necessary.

Mr Davidson: I accept that as a promise for the future, but do you have a time scale in mind for how long you will take to decide on funding streams for ATBs?

Mr Morrison: Again, the review is continuing. We will have reached the definitive position by early May and we will then have to leave a reasonable amount of time before we review the situation. It will be an on-going process and, as Henry McLeish made clear at the launch of the strategy, we are certainly not afraid of change. Those issues can be debated at the new ideas conference that will be established. It will be an annual event, which will be chaired by Henry McLeish or me, and it will involve people across industry. We look forward to hearing people's views at that forum.

Mr Davidson: In the meantime, you will continue to use councils as a medium to get funding to ATBs.

Mr Morrison: Yes. That has been made clear in the strategy.

The Convener: Would members like to make any further comments on ATB funding?

Ms MacDonald: I would like to ask about funding and structure.

The Convener: We want questions that are on ATB funding only.

Ms MacDonald: All right. Does the minister have an open mind on whether the funding should continue through the local authorities? It appears that he is hanging fire to see whether that system works or can be improved upon. Does the minister have an open mind on whether resources could be better channelled, and the industry better served and allowed to grow more, if there were a one-door approach for training, product development, marketing and all the functions that are currently spread out among different agencies? Does the minister have an open mind on whether ATBs should be subsumed into the local enterprise network?

The Convener: I think that I said that ATB funding was the issue.

Ms MacDonald: Yes, but this is about the money as well.

The Convener: Forgive me for being pedantic.

Mr Morrison: As on all issues, I have an open mind on this. It is obviously in everyone's interests that we have clarity and simplicity in our funding and in the way that we channel money. This committee will be striving for that, as will Henry McLeish and I.

Ms MacDonald: Aye, but have you got an open mind on the ways that you will channel money?

Mr Morrison: A very open mind.

The Convener: On ATB funding.

11:30

Fergus Ewing: I, too, have an open mind, as you would expect. With the benefit of that open mind, I found out on Friday that Highland Council will reduce its funding to the Highlands of Scotland Tourist Board by £30,000. The aim of having three years of continued core funding of ATBs by local authorities is admirable, but the danger is that local authorities are now expected to fund ATBs on a statutory basis rather than on a discretionary basis. That is the aim of the policy.

The upshot of it will be that local authorities such as Highland Council will say, "If we have to fix the budget for the next three years, we'd better fix it low." That danger has already been illustrated by the policy adopted by Highland Council, and that is the flaw of the minister's policy.

Mr Morrison: Policies adopted by Highland

Council are matters for Highland Council. I do not accept that there is a flaw in this policy. As I said, I have an open mind, and we are all looking for clarity and simplicity in the funding and in the way in which we deliver it. Highland Council will come to its own decisions.

My experience across Scotland is that we are beginning to see a change in attitude towards tourism; it has been one of this Parliament's successes that we have given tourism a higher profile right across the country than it has previously enjoyed.

The Convener: I would like to be clear about one important point. You said that Highland Council's decision to reduce its contribution, if that is what it has done, to HOST is a matter for Highland Council. That seems to be at odds with the type of reassuring statements in the tourism strategy document, which tell the ATBs that the Scottish Executive is using pretty stiff language to local authorities, and in effect is saying to them, "We want stable funding in a three-year package."

I listened carefully to what you and Mr McLeish said in the chamber on this point. You said that if that were not done, there might be consequences. To say that it is a matter for Highland Council, and then to say that there might be consequences, does not seem terribly consistent.

Mr Morrison: I contend that it is reasonably consistent. We are asking local authorities to provide stable three-year budgeting for ATBs, but ultimately it is for the council to decide where it draws the line.

George Lyon: If I remember correctly, the initial document said that there would be a review in 12 months, to see whether the funding mechanism was as robust as we had all hoped. What will be the consequences if budget stability and robustness is not seen to be delivered? How will you measure the robustness? How many councils will have to underfund before we take action?

Mr Morrison: With your permission, convener, I will read from page 39 of the strategy document.

"If it is clear that the position of the ATBs has not improved then we will look again at the case for central funding with a view to introducing it next year."

As Mr Lyon says, that would happen within 12 months. Mr Lyon asked about taking action and where we should draw the line. I do not think that we should make commitments and use Mr Lyon's equation to calculate when action should be taken based on the number of councils that underfund. Henry McLeish has said explicitly that we will review the situation and that we will keep a close eye on it. When the time comes—a time that the minister will determine—we will take the necessary action.

George Lyon: The document says:

"If it is clear that the position of the ATBs has not improved then we will look again at the case for central funding with a view to introducing it next year."

Is that the follow-up position if you believe that ATBs have not delivered what you were looking for?

Mr Morrison: That was Henry McLeish's commitment and it appears here in black and white.

George Lyon: But how will any judgment be made? What will be the criteria? That is what I am driving at. Would it require a 5 per cent fall, a 2 per cent fall, a 15 per cent fall?

Mr Morrison: We have to keep a close eye on the way in which things are progressing in the councils so that we can see where the budgeting lines are being drawn. I do not think that it would be fair to pre-empt the debate that will take place in 12 months' time.

The Convener: Margo, this is why I was anxious to have a discussion about ATB funding. There are issues that it is legitimate to raise.

Ms MacDonald: Yes, indeed. Minister, we can appreciate your open-minded approach. However, we know that the targets that have been set for growth in the tourism industry in Scotland lag behind the predictions for growth in world tourism. Therefore, this cautious way of approaching funding may be a luxury that we cannot afford.

I think that George Lyon was suggesting, and I agree with him, that we need to stake out now the sort of criteria that will be used to judge whether this method of funding will work. I share George's sense of frustration that you have not yet worked those criteria out. You say that you will look at it after a year and see whether it is working. How are you going to judge whether it is working? That decision will be very important in determining whether area tourist boards continue to be the pivot for the development of tourism in their areas. I do not think that you can escape on this point. You have to look ahead now.

Mr Morrison: That is a fair point. We have set ambitious targets for growth in tourism, albeit that those targets are slightly below the global estimates for growth of around 4 per cent. Our targets for spend are increasing by some 3.3 per cent per annum. That is above the projection for European growth, which is around 3 per cent. If we can translate that increase into an increase in our market share, we will see an additional £0.5 billion being generated for the Scottish economy.

There are issues of funding that are still being considered. I go back to the response that I gave to Mr Lyon: Henry McLeish made it quite clear at

the launch of the strategy that we would review the situation and that we would revisit it in 12 months.

Mr Davidson: Minister, back at the debate that we had in the chamber, you said—or I took you to say—that councils would indicate the figure for funding in the first year, and that they would give an outline figure for the next two years that would not be fixed in any kind of tablet of stone.

To pick up on Mr Lyon's point, if that is to be the procedure, councils could in theory, if they so wished, produce a reasonable number in year 1, and then in years 2 and 3, when you have changed your policy, they could reduce the figures because they had other issues on which they wished to spend money. Tourism would die the death. Such a scenario does not give tourism any kind of credibility or encouragement. Will you clarify what you meant?

Mr Morrison: We do not see tourism dying the death in Scotland. On the contrary, we expect our share of the tourism market to grow, and we expect that councillors on local authorities will recognise that. Our strategy has been welcomed across Scotland, and people now embrace this industry with a degree of seriousness that possibly did not exist in previous years. That attitude will appear in council chambers across the country. There is enthusiasm about tourism. An awful lot of people are getting genuinely excited about it, and are recognising its potential.

Mr Davidson: Why did you not suggest to councils that they gave a firm three-year package, instead of a one-year package with a two-year drift?

Mr Morrison: There is not a two-year drift; there is a firm one-year package, and then a guideline for the following two years.

Allan Wilson: There seems to be an assumption on the part of some of my colleagues—based on I know not what, except perhaps Fergus Ewing's contribution about what may or not be happening in Highland—that there will be a lack of stability in the finances of area tourist boards. That assumption is irrespective of whether area tourist boards, following our review and your review, come out as being the appropriate vehicle for the funds in the first instance. Is that also your assumption, or do you believe that what you are in the process of doing will lead to more stable finances for area tourist boards than was previously the case?

Mr Morrison: I am perhaps stating the obvious, but we are all looking for stability and clarity when it comes to delivering and funding tourism. That is what we are all pushing for.

The Convener: Tomorrow is local authority budget setting day. Will it be acceptable to the

Scottish Executive for local authorities, council by council, to put less money in real terms into tourism for the coming financial year than they have done in the present one?

Mr Morrison: Those issues will be determined by local authorities.

The Convener: I appreciate that but, with the greatest of respect, minister, we have been asked to give the tourism industry assurances that there will be a stable funding mechanism for ATBs. The Executive has given that assurance in its strategy document. I appreciate that there are matters that should be decided on locally by taking account of local priorities; but the Scottish Executive has produced this mechanism for funding and I am anxious to find out what the standard is.

Mr Morrison: As I have already stated, the standard is that we would dearly love councils to put more money towards tourism. They will decide their priorities. We have already heard from Mr Ewing what the picture is in the Highland region, but until we see what the picture is nationally, we really cannot come to a conclusion.

The Convener: On page 38 of the strategy document, it says that:

"The Scottish Executive has also agreed with COSLA a new approach to the funding of ATBs".

Yesterday, we all received a briefing document from the Convention of Scottish Local Authorities that certainly surprised me. It opens with the words:

"There are significant elements of the new tourism strategy that Local government welcomes and supports, including the continuation of direct funding by councils of ATBs".

The document goes on to express three points of concern:

"The lack of recognition of the council role in promoting and developing the tourism product

The exclusion from membership of the Minister's new Strategic Implementation Group

The failure to identify Local government, through COSLA, as a player in other new groups being set up under the strategy".

I apologise for raising those points if you have not seen the document, minister. I will certainly make it available to you. It was sent to members yesterday.

Allan Wilson: It was not sent to this member.

The Convener: It was sent to all members by e-mail yesterday. It is from Timothy Stone, who is COSLA's head of policy development.

Let us move on to other lines of questioning. The minister may want to come back to the points that I raised at some time during the inquiry, to

assure the committee that the issue of dialogue with COSLA has been satisfactorily addressed.

Miss Goldie: Participants in a recent survey that was carried out by the Forum of Private Business in Scotland raised certain specific concerns. The participants were principally medium and small operators in the tourism industry. Their top three concerns were business rates, overall level of taxation and tax administration for operators who, especially if self-employed, will be handling value-added tax, pay-as-you-earn and national insurance. I appreciate that certain of those matters are outwith your competence, but do you accept that that is a valid concern being expressed by a significant part of the industry? Will you consult your ministerial colleagues here and at Westminster about those matters?

11:45

Mr Morrison: As with many issues, there is a continuing dialogue with our colleagues at Westminster. In relation to VAT, in the United Kingdom tourism businesses have a higher VAT threshold than many of our competitors in Europe have, and that is recognised by businesses. We have continuing dialogue with colleagues as a matter of course, and it is not subject to publicity. We do not have dialogue by press release.

Miss Goldie: You do accept that valid concerns are being expressed by the participants.

Mr Morrison: We had our own consultation. The Forum of Private Business consulted 250 businesses, and we consulted 650 consultees across Scotland. I would argue that our consultation was wider and more inclusive.

Dr Murray: Please accept my apologies, minister. I have to go to another meeting in one minute's time.

The submission that we had from area tourist boards indicated that there is a feeling that transport policy is not tourist friendly, particularly with regard to signage. I have had that experience locally, where tourist destinations are having problems getting signage on trunk roads. Could there be more joined-up thinking in the Executive on that issue?

Mr Morrison: Henry McLeish and I have both encountered that problem across Scotland. We discussed it with my colleague Sarah Boyack and passed on our concerns to her.

The Convener: Is there a mechanism for resolving that issue?

Mr Morrison: Sarah Boyack and her officials will tackle that issue. It is a UK-wide problem. I was at a tourism summit in London last week, which was chaired by Chris Smith. The issue of signage is

not peculiar to Scotland. It is exercising ministers across the UK.

George Lyon: Fergus Ewing outlined that the industry has concerns about the strength of sterling and fuel prices. Figures show that Scotland's performance has been worse in terms of UK visitors coming here. In the rest of the UK last year there was an increase of 17 per cent in UK visitors to England, 48 per cent in Northern Ireland and 7 per cent in Wales, but a decrease of 4 per cent in Scotland.

Given that those regions face the same challenges such as the poor exchange rate and high fuel prices, why has Scotland been the worst hit of all the UK regions? How will the strategy that you are about to launch address the concerns of UK visitors to Scotland, when in the SWOT analysis the cause of the problem is not identified? Is this problem just a blip, or is it a long-term trend that we should be worried about? Will the strategy manage to turn that figure round and, if so, how?

Mr Morrison: England is our largest market, and the Scottish Tourist Board has just launched a marketing campaign targeting English visitors. We had a problem with Scots not holidaying in Scotland—numbers fell by 38 per cent in 1998—but we have recovered some of that ground, and the issue is addressed in the strategy. We are competing against destinations such as Florida and the Gambia, where you can spend a week for almost the same price as going to Europe.

A raft of issues in the strategy, such as niche marketing and activity holidays, are targeted at ensuring that Scots take holidays in Scotland. We also wish to ensure that proper marketing is done in England so that we expand our largest market.

George Lyon: On a point of clarification, you have not identified what has caused the blip. Out of all the countries in the UK, what has caused the downturn in Scotland only? If we have not identified the cause, how do we turn the situation round? It is worrying if the problem is a long-term trend.

Mr Morrison: A number of issues relating to 1998 were identified, such as the weather and the world cup, but I would rather focus on positive aspects. Focused marketing will help us to address the issue, raise our game, and increase our market share.

Mr Smith: We have not analysed fully last year's figures, but we do not think that there is a long-term trend. In recent years the Scottish performance has been quite close to the UK performance, although there are variations. Comparing last year's figures with those of the year before—which were low—probably does not paint a true picture, but we must still analyse what has been happening.

George Lyon: The year before last was a very poor year. The figures have recovered slightly, but they are still low.

Mr Smith: Similarly, you could point to a dramatic increase in the number of Scots holidaying in Scotland if you were to examine only last year's figures, but those figures would be compared with a dramatic fall in the previous year. You have to look over three, four or five years to see the true picture. Over that period, the performance of the Scots market has not been far from that in other parts of the UK.

Ms MacDonald: I have a broader question, because George Lyon has asked some of the questions that I was interested in. What you said is true: tourism has a higher profile, and more of us in Scotland are talking about it, but that does not mean that the tourism industry or holidaying in Scotland have a higher profile.

I am concerned. I do not want to sound hysterical about it, but things are moving so fast in the development and growth of new world tourism markets that we, also, must move fast. Do you see tourism as a stand-alone industry? Is there a different way in which to develop the industry and channel public money into it? Is the industry different from e-commerce and the biotechnology industry? The biotechnology industry does not operate mob-handed, and the companies tend to talk directly to whatever agencies or competitors they need to talk to.

Mr Morrison: The industries that you mentioned are far more structured than tourism, which is not structured like the financial services and biotechnology industries. You asked whether tourism is a stand-alone industry, and how will we develop it. We will develop it and we are already seeing the benefit of hitching up with other Scottish businesses that are playing on the global stage. We have signed up a company that exports 1.3 million software packages per annum around the world to carry our web address. We are hoping to sign up more companies to carry our www.visitscotland.org.uk address. To that extent, tourism is not stand-alone. It is trying to ride on the success of other Scottish industries that are doing well on the world stage.

Ms MacDonald: We are doing a lot to sharpen up delivery of local economic development plans through the enterprise network. We have a good idea of some of the things that we need to do with our enterprise network, the objective of which is to help our industries grow. Can you do the same with tourism, or do you need to view the tourism industry as running alongside the enterprise network?

Mr Morrison: A number of reviews are ongoing, and the debate continues. In terms of how

we grow and—dare I use the word—professionalise the industry, our commitment to quality assurance will be important in driving up standards, and those establishments that are registered with ATBs will be able to play their part in the Ossian project. I hope that that will professionalise the industry.

Mr Davidson: You have told us that local authorities have a key role to play in tourism. Is it the Executive's intention to give out guidelines to local authorities on, for example, the provision of toilets, car parks, viewing points and access to wet-weather facilities? There is an opportunity for them to be heavily involved in that. If that is the case, how will local authorities fund those measures?

Mr Morrison: Local area tourism strategies are being developed by local ATBs, which will follow what we have prescribed in the national strategy.

Mr Davidson: Will the Executive give absolute guidelines to local authorities? How will they fund measures if the Executive does that?

Mr Morrison: Again, local area tourism strategies will be developed and will follow the Executive's publication. Reasonable progress is being made throughout Scotland. The strategies will determine priorities, and they will be discussed by the councillors who sit on ATBs.

Mr Davidson: So, the Executive does not intend to provide cash for the provision of facilities by councils.

Mr Morrison: Council funding comes under the heading of tourism and leisure. Local authorities will determine priorities. In some areas the priority might be infrastructure, and in others it might not, but local authorities will follow local area tourism strategies, which will follow our publication.

Mr Davidson: Will the Executive review those strategies?

Mr Morrison: We are interested in everything that happens at national and local levels.

Fergus Ewing: According to information that I received from the Department of Tourism, Sport and Recreation in the Republic of Ireland, over the past five years Ireland planned to spend IR£652 million on tourism. The minister will accept that—however it is measured—less than half that amount was spent in Scotland over the same period. Does not the obvious and demonstrable success of tourism in Ireland prove that it pays to invest? Ireland has speculated to accumulate, while we have been left behind in certain respects.

Ireland supports Aer Lingus as its own airline. It runs 92 flights a week from Ireland to six cities in the United States. That is in contrast to 14 flights from Scotland to the US. By abandoning the link

between Inverness and London Heathrow, British Airways has done nothing to support Scottish tourism. That shows that the Westminster and Scottish Governments are failing to apply effective pressure to improve transport links, which we all agree are essential if we are to achieve even the modest growth rate that you have set for the years ahead.

Mr Morrison: We have not set modest growth rates. As I said in response to Margo MacDonald, we have set growth rates that exceed those that are being set across Europe. The targets have been described as ambitious and we hope to meet and exceed them in due course.

The comparison with Ireland is thrown up constantly, and I refer constantly to my experience. The Irish see us as a big threat. They are reluctant to share information with us because they see Scotland as their biggest rival. We are proud of that, and we hope that it will continue. It cannot be argued that we have been left behind. Spend by tourists in Scotland far exceeds that in Ireland, and the number of people employed in the industry in Scotland exceeds that in Ireland.

I do not think that we have been or will be left behind by Ireland. I said in a debate a couple of weeks ago that I saw a front-page headline in an Irish newspaper—*The Tírconnaill Tribune*—that said that tourism was in free-fall. There is no community in Scotland of which that headline would be true.

There are difficulties and challenges; for example in my constituency—the Western Isles—the picture is patchy. There is growth in Uist but not such good figures for Lewis. With respect, the comparison with Ireland is rather tiresome; the reality and what is sometimes punted—no pun intended—do not match.

12:00

George Lyon: As the submission by British Airports Authority Scotland made clear, it is not the number of flights from other countries to Scotland that is the problem, but filling those flights. How will our overseas marketing address that problem? Scottish Airports Ltd says that 33 per cent of seats on direct flights are unfilled. The question is not one of transport infrastructure and numbers of flights but about marketing Scotland as a destination to ensure the flights are filled.

Mr Morrison: Project Ossian will be important for marketing but so will off-line advertising. One company has signed up to advertise our website across the world but we want to involve more companies and we are vigorously pursuing that. Project Ossian is an important window on Scotland into which we are putting resources.

George Lyon: I am glad that the Executive is not following Ireland's example of cutting the tourism budget by 44 per cent, as Charles McCreedy did in his November budget.

The Convener: Does the minister want to make any concluding remarks?

Mr Morrison: I welcome the opportunity to discuss the Executive's strategy with the committee and I look forward to the committee's contribution. Thank you.

The Convener: Thank you, minister. I would be grateful for a note on the issues that I raised regarding the COSLA briefing paper.

Mr Morrison: I will be delighted to give a detailed response in writing.

The Convener: The committee will go into private session at the end of this meeting to discuss its response to the proposed tourism strategy and will communicate that response to you.

European Document

The Convener: Item 3 on the agenda is a report that has been referred to us by the European Committee on the application of directive 94/47/EC of the European Parliament and Council of 26 October 1994 on the protection of purchasers in respect of certain aspects of contracts relating to the purchase of the right to use immovable properties on a timeshare basis. It is a consumer affairs issue and as such is a reserved matter. However, the European Committee referred the directive to us and I did not want to exclude it from the agenda because it was a reserved matter. What is the committee's view?

Miss Goldie: Does the convener have a recommendation?

The Convener: My recommendation is to take no action.

Allan Wilson: The advice note that was sent us by Nikola Plunkett shows that there is a gap in our knowledge of the contribution to tourism that is made by timeshares. We might want to take that up with the Scottish Tourist Board. We do not know whether timeshares in Scotland are likely to be affected—perhaps we should find out. In a sense, the entire remit of the European Committee is reserved but its principal remit is to consider effects on Scotland of European legislation.

Fergus Ewing: There is a large timeshare development in my constituency. The contractual arrangement between owners of timeshare weeks and the providers is controversial. I would be concerned if we passed the matter through on the nod without giving it proper scrutiny, as I know the subject can be a minefield.

Miss Goldie: In paragraph 3 of Christine Boch's briefing paper it is suggested that the position of timeshare owners in relation to the operators will be improved by the directive. The issue seems rather obscure, however.

The Convener: It is being dealt with by the Department of Trade and Industry.

Ms MacDonald: Presumably, the Scottish Tourist Board will have been informed about the issue.

The Convener: It has been alerted to the matter by the enterprise and lifelong learning department.

Ms MacDonald: Our function is, surely, to inform the Scottish Tourist Board that the directive has come before the committee; that the committee has assumed that the tourist board is pursuing the matter and, if it is not, that it should let the committee know why not.

Mr Davidson: I should declare an interest as I own timeshares in several countries including Scotland. There are huge problems, not so much in the legislation but in the relationships between developers and timeshare owners. There are issues that are not covered by the document. I do not think that any timeshare in Scotland offers an arrangement of less than a 36 months, so that aspect does not apply. However, many companies that operate abroad are based in Scotland and we must look carefully at how that relationship continues. There is a company that has properties in Scotland and Spain and operates a standard procedure that is, on the whole, fair.

The Convener: Margo's suggestion, that we ask the STB what consideration it is giving to the issue, is good.

Nick Johnston: The final date for submissions is 30 April.

The Convener: The clerks will point that out to the STB.

Miss Goldie: Is there a timeshare owners association that we should contact?

Mr Davidson: I am not aware of any national association but within different timeshare schemes there are owners committees.

The Convener: We will talk to the STB, as suggested.

Ms MacDonald: I also suggest that we send a copy of the document to the Scottish Consumers Council.

The Convener: Yes.

We will now move into private session.

12:09

Meeting continued in private until 12:34.

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