

ENTERPRISE AND LIFELONG LEARNING COMMITTEE

Monday 30 September 2002
(*Afternoon*)

Session 1

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† 26th Meeting 2002, Session 1

CONVENER

*Alex Neil (Central Scotland) (SNP)

DEPUTY CONVENER

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

COMMITTEE MEMBERS

*Rhona Brankin (Midlothian) (Lab)

Brian Fitzpatrick (Strathkelvin and Bearsden) (Lab)

*Mr Adam Ingram (South of Scotland) (SNP)

Gordon Jackson (Glasgow Govan) (Lab)

*Marilyn Livingstone (Kirkcaldy) (Lab)

Mr Kenneth Macintosh (Eastwood) (Lab)

*David Mundell (South of Scotland) (Con)

Tavish Scott (Shetland) (LD)

*Andrew Wilson (Central Scotland) (SNP)

COMMITTEE SUBSTITUTES

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

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

John Farquhar Munro (Ross, Skye and Inverness West) (LD)

Elaine Thomson (Aberdeen North) (Lab)

*attended

THE FOLLOWING ALSO ATTENDED:

*Rhoda Grant (Highlands and Islands) (Lab)

*Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD)

WITNESSES

Eddie Brogan (Scottish Enterprise)

Bernard Donoghue (British Tourist Authority)

Ed Gillespie (Scottish Enterprise)

Bob Kass (Highlands and Islands Enterprise)

Peter Lederer (VisitScotland)

David Quarmby (British Tourist Authority)

Philip Riddle (VisitScotland)

Malcolm Roughead (VisitScotland)

Grant Sword (Highlands and Islands Enterprise)

Tom Wright (British Tourist Authority)

CLERK TO THE COMMITTEE

Simon Watkins

SENIOR ASSISTANT CLERK

Judith Evans

ASSISTANT CLERK

Jane Sutherland

LOCATION

Cowan House, Inverness

† 25th Meeting 2002, Session 1—held in private.

Scottish Parliament

Enterprise and Lifelong Learning Committee

Monday 30 September 2002

(Afternoon)

[THE CONVENER *opened the meeting at 12:58*]

Tourism Inquiry

The Convener (Alex Neil): Welcome to the 26th meeting this year of the Enterprise and Lifelong Learning Committee. I thank Highlands and Islands Enterprise for agreeing to host this meeting and for its hospitality, which began with lunch and will no doubt continue throughout the afternoon. I ask members and the public please to switch off mobile phones. There are apologies from Tavish Scott, Brian Fitzpatrick, Mr Kenneth Macintosh and Gordon Jackson. Fergus Ewing is substituting for Mr Adam Ingram. I welcome Rhoda Grant and I believe that Mr Jamie Stone will join us later. I also welcome Dr Roger Carter, who is our adviser on the tourism inquiry.

We have a strict timetable this afternoon. For various logistical reasons, we must complete our business by four o'clock at the latest. If I am unable to bring in every member in every evidence-taking session, it will be because we are working to that strict timetable. As usual, I will be as fair as possible to ensure that all members get a chance to ask questions during the afternoon.

Our first witnesses are from VisitScotland. I welcome Peter Lederer, the chairman, Philip Riddle, the chief executive, and Malcolm Roughead, the director of marketing. Peter, would you like to introduce your evidence?

Peter Lederer (VisitScotland): I am delighted to be here today to discuss the major issues that face Scottish tourism. We welcome the Enterprise and Lifelong Learning Committee's contribution and its recognition of what tourism can do for the Scottish economy. Tourism is everybody's business. The impact of the events of last year showed how much tourism affects the entire nation. I will give a few key messages from our written submission, after which we will devote as much time as we can to the committee's questions.

We should be ambitious for Scottish tourism and not talk down the industry as we are sometimes prone to do as a country. We need to think about what Scottish tourism could look like in five, 10 or

15 years' time. As I said, tourism is everybody's business. Everybody in industry and government needs to position tourism at the heart of the Scottish economy and public policy and build awareness of the economic, social, cultural and other contributions that tourism makes and can make to Scotland.

As our submission says, financial support for tourism is not simply about Government spending but about investment in one of Scotland's most important indigenous industries. Tourism yields a significant return on that investment. We need an adequate and sustained stream of investment to enable the full development and marketing of the potential of the Scottish brand. We need to invest in that future prosperity.

Post-reorganisation, VisitScotland is a different organisation. We have put in a huge amount of work to change the organisation's culture and how it works and thinks. VisitScotland is now better equipped to make Scotland a must-visit destination and to do much more to develop relationships with industry and areas of government. We have also developed the "Tourism Framework for Action 2002:2005" and a new marketing strategy that includes an e-commerce joint venture.

Members will know that the area tourist board review is an important piece of current work. However, that review must be about consumer needs and the local network that is required to deliver local needs.

Finally, our role is—like that of the entire public sector—to support the tourism industry, to improve VisitScotland's and the industry's partnerships with other parts of government, to be a catalyst for industry action and to give an overall strategic direction for the industry. Those are the key points from our submission that I wanted to highlight.

The Convener: Thank you, Peter.

Miss Annabel Goldie (West of Scotland) (Con): I have a couple of questions about relationships and the primary strategic drive for tourism in Scotland. Paragraph 6 of your submission is concerned with the roles of VisitScotland, the enterprise networks and the British Tourist Authority. I suggest that the Scottish Executive enterprise and lifelong learning department should be added into that equation, as it clearly has a staff and a role that are devoted to tourism. Do you agree?

Peter Lederer: Yes, absolutely. Paragraph 6 did not give a full list of key partners with which we deal regularly. Obviously, we also deal with other parts of government.

Miss Goldie: The reasoning behind my question is that, in the good-practice models that are found

elsewhere, one of the basic criteria seems to be having a primary strategy driver for tourism. I would like your comments on whether that is possible within our current hybrid structure.

Peter Lederer: Philip Riddle, too, may comment on that issue. One needs to take the matter back a step and ask what we, as a nation, and the Government want tourism to be. If one looks at tourism from that level of strategy, one starts to ask what needs to be put in place to make tourism more successful. One must set a target and then ask what investment and structure are needed to achieve that target and who needs to do what. The question is not about one organisation or group or about industry and government; it is about how we can work together to achieve our target. The situation is improving as we go along. I have been involved in tourism for 20 years and the relationships are better now than they have ever been. However, there is still much work to do.

Philip Riddle (VisitScotland): I agree. Partnerships are important across the whole industry, which is extremely diverse. That diversity characterises Scottish tourism. Partnership within the public sector is important, but it is particularly important to achieve partnership with the industry around a single vision.

Miss Goldie: That is helpful. What seemed to emerge from the Stevens and Associates report, which the Enterprise and Lifelong Learning Committee commissioned, was that the good-practice models that had been identified elsewhere were, as far as I can recall, deemed to be industry driven—or at least the industry played a significant role in driving strategy. Is the industry sufficiently involved in driving strategy in Scotland?

Peter Lederer: It is more involved than it has ever been, but as an industry player I would like industry relationships to be even better. The issue is more about communication than anything else. There have been strategic directions, but the communication has not been good enough. We have put in a lot of work in the past year to improve and establish relationships, but there is still a long way to go and communication is only as good as what you do today and tomorrow. We must continually work on that.

Because the tourism industry in Scotland is so diverse and spread throughout the entire economy and country in all sorts of ways, there will never be one simple solution with one organisation—it will take a lot of players. However, the industry is the key player. We must give it information and work with it to develop what it has. We must identify opportunities, niches and markets in what is probably the most competitive industry in the world and decide how to attack those markets.

Miss Goldie: On the British Tourist Authority, my colleague Tavish Scott and I have just returned from Denmark. We will shortly make a report to the committee on that visit. We had a useful meeting with the BTA in Copenhagen. What struck me was that, although VisitScotland is developing partnerships effectively, there could be greater scope for an organisation such as the BTA to develop partnerships, as it operates more widely than VisitScotland ever could. Is there any sense in pursuing a strategy that might involve piggybacking on BTA presences to widen VisitScotland's window for the potential traveller to Scotland?

Philip Riddle: There is undoubtedly more potential. We constantly discuss the future with the BTA and we look forward to considerable changes to increase leverage as we develop. We should be aware of potential elsewhere, not just with the BTA. We look for leverage wherever we can. By any commercial standards, the money that we spend on marketing Scotland is relatively small. A constant and big challenge for us is to find more leverage with other partners in the public sector and in the private sector in particular.

Peter Lederer: That is absolutely right. The relationship with the BTA has changed over the past two or three post-devolution years. A different relationship is being formed. The relationship is good, but there are opportunities to do better. On communication, we must ensure that the BTA understands our objectives and our focus absolutely so that it supports what we are trying to do.

The Convener: I would like to correct what I said earlier. Adam Ingram is here, so Fergus Ewing is not, as I thought, here as a substitute for him. I will try to ensure that Rhoda Grant and Fergus Ewing are given an opportunity to ask questions, although they are not members of the committee.

Marilyn Livingstone (Kirkcaldy) (Lab): I want to explore a question that I asked in Edinburgh about marketing since restructuring. Will you explain more fully the new way of marketing Scotland? What are the main growth areas?

Malcolm Roughead (VisitScotland): First, we looked at the consumer experience, as consumers must be put first. If one delivers against that experience, consumers will return. A lot of research was done and we were able to understand what people look for when they come to Scotland. We segmented the market by activity area and considered the places to which people go. We considered the kind of accommodation in which people stay and then did a scale-of-opportunity analysis, which considers each individual activity and Scotland's competitive context in domestic and international competition.

That allowed us to prioritise our resources and to focus on the appropriate activities.

Consistency of focus and message is a key to success. Obviously, many activities, such as business tourism, are high yield—we are currently restructuring that area. We have identified a number of activities to go under the umbrella of active Scotland, such as golf, walking, sailing and cycling. We have also considered cities. It is recognised that city breaks are a growing segment of the market, as are short breaks in general. Finally, we considered touring and wildlife and how we can deliver a sustainable programme.

Marilyn Livingstone: Which areas should you concentrate on? Research has been done and considered, but how would a strategy ensure sustainable growth?

Malcolm Roughead: That is a matter of prioritisation. Where we can compete must always be considered. That said, one must also have the product on the ground to ensure that we deliver the experience. That is where our work with enterprise agencies and industry comes in, as we must share information and get the buy-in from industry. Ultimately, the industry delivers the experience.

Philip Riddle: We are extremely conscious of and want to emphasise the need for consumer focus in our marketing—that has not always been done in marketing Scotland in the past. One of the aspects of consumer focus that one has to accept is that what is right today will not necessarily be right tomorrow, because markets evolve and change incredibly quickly. We have set up a structure in which we have emphases, budgets and initiatives, but we must expect to be continually reviewing them.

One of the most important things that we have done internally is to put increased emphasis on research, so that we can take it on board and say, “Where is the market going? What do consumers want? What do consumers see in Scotland?” We can then adapt and move our position so that it is in line with what consumers want.

The Convener: I should say that today is Marilyn Livingstone's birthday. I am sure that everybody would want to join me in wishing her all the best. We will not break into song.

13:15

Rhona Brankin (Midlothian) (Lab): When I read the BTA evidence, I noticed that there was a large amount of detail about the “Only in Britain” campaign, with which VisitScotland was involved. What is your perception of the campaign? I know that it is early days and that there are only early indications of some success. What is your

evaluation of the campaign at this stage as far as VisitScotland and the Scottish tourism industry is concerned?

Malcolm Roughead: VisitScotland obviously played a part in putting together the campaign, which was led by the BTA and the industry at large. That was a good lesson in partnership—people coming together and leveraging the assets that are out there. It is very early to say whether the campaign has been successful. There is no doubt that the activity that took place within the various markets has contributed not only to getting people into the country but to overcoming some of the negative perceptions that people in those markets held. I am sure that the BTA will complete a full analysis of the campaign. We will share the data as soon as we get them.

Rhona Brankin: That is fine. I want to get a feel for how VisitScotland thinks its views were incorporated into the campaign. The evidence from the BTA suggests that there was a strong feel for genuine partnership working in that campaign.

Peter Lederer: It is like all things: if you want something to happen differently, make sure that there is a crisis. We had a crisis last year and that brought people together in a way that had never happened before. It taught a lot of people a lot of good lessons, but the process is incredibly complicated. I watched from the sidelines the work that the BTA had to do to pull all the interests together to make the campaign happen. There is no other circumstance in which so many people would come together for a marketing campaign. The campaign was a difficult animal to control, but we did so and the campaign was launched on time.

Several interesting questions arise from the campaign. What is the result in terms of visitors? What is the feedback from all the parties about how the campaign went? Would they do it again? As in all such things, the general feeling seems to be that it was successful but that we would like to change various parts of it. Most of the players will have those views. It is important to collect such inputs and to establish how we take forward the thinking about that way of doing things. There are lessons to be learned for Scotland—can we learn from that campaign about better ways of doing things in Scotland?

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): I refer to the fourth priority that you identify in your written submission. You state that you support

“Greater direct access and an improved and integrated transport infrastructure. Put simply, we need to make it easier for visitors to get here and to move around once they have arrived.”

Can VisitScotland contribute directly to those aims? Has the Scottish Executive raised with you the idea that VisitScotland should contribute directly to, for example, the aim of attracting more visitors to the north of Scotland through low-cost air carriers such as Ryanair, which recently predicted 200,000 more visitors per annum? That would require some investment in order to allow Inverness airport to compete on level terms with other airports in relation to landing charges. Although that is your fourth priority for tourism, can you make contributions to it under your budget or are you constrained from doing so? If you are constrained, should your budget partly be used to meet such aims in the promotion of tourism in the north of Scotland?

Peter Lederer: When you say “contributions”, I assume that you mean financial contributions as opposed to any other input.

Fergus Ewing: Indeed.

Peter Lederer: I say that because we are involved in the debate in other ways. However, we do not have a product development role in the way that you have described. Our remit is to find out how we can support the development of products and ensure that they are actively marketed so that the marketplace knows about them. However, we cannot use moneys to establish an airline, secure subsidised landing charges and so on.

Fergus Ewing: Could you contribute to Highlands and Islands Airports Ltd, which is the Government body responsible for such matters? If it needed £4 million to £8 million—which is probably all that is required—could it not receive some of that money from your budget?

Peter Lederer: Our role is marketing, not product development. It is difficult for us to put money into developing a product. On the other hand, marketing a service or product is very much within our remit and we would contribute money towards that.

Fergus Ewing: I understand that. Obviously you have to follow the rules that are set down. However, people in the north of Scotland feel that a huge opportunity is staring us in the face. Visitors would use low-cost airlines to get to these parts, provided that there are enough direct routes. That is the future. How can we achieve such an objective if you are prohibited from making a direct contribution to sorting out the problem?

Peter Lederer: We contribute to the debate that makes these things happen. We work with and drive whomever we can to ensure that the issue is developed. However, until something is in place, we cannot market it. Our financial contribution is not made in order to set something up, but comes after that.

Fergus Ewing: I understand what you are saying. However, the problem is getting the service set up. You seem to be saying that VisitScotland can make zero financial contribution to that activity. If so, that seems to be a problem for tourism in the north of Scotland.

Peter Lederer: I acknowledge your comments. You have touched on an important area of discussion and policy and we need to decide how to develop those new services. However, if you are asking VisitScotland about its remit and what we can do about the situation, I can tell you that we are involved in the research that identifies opportunities and that we work with other people—some of whom are in the room—who will make the product happen. We then come in behind all that activity to ensure that the product is well marketed and that the general public and the marketplace know about it.

Fergus Ewing: I have a final question.

The Convener: A very short one, Fergus.

Fergus Ewing: Indeed. Do you think that extra money should be invested to secure an airline such as Ryanair?

Peter Lederer: We were pleased that additional money was made available for the whole area of transport and that transport infrastructure is recognised as an important issue. Although there is no question but that low-cost airlines make a significant difference, we should also remember that they sometimes take out more people than they bring in. Indeed, they make it easy for people in the north to get out. Our job is to get the marketing right and to ensure that people come in on those routes.

Philip Riddle: One should not underestimate the amount of money that we already invest in improving direct access. We are very much in favour of increasing access and contacts with the right destinations. The fact that we put a lot of money and effort into that is generally overlooked.

Fergus Ewing: How much money?

The Convener: Fergus, we can follow that point up in due course.

Fergus Ewing: I am sorry, convener. I just raised a new point that I thought we should pursue.

The Convener: I have got to give other members a fair whack.

David Mundell (South of Scotland) (Con): How does VisitScotland measure whether it is making any difference? There is an argument that people would come to Scotland anyway, if they chose to do so. How can you demonstrate that the amount of money that you spend makes a meaningful difference to the number of people

who come here and therefore that that investment is worth while?

Peter Lederer: Overall, I do not know of too many products that survive without marketing. The industry that we are in is one of the most competitive in the world. Marketing our product is essential, because there is so much noise in the marketplace that it is sometimes impossible even to be heard. We are in a difficult situation to begin with.

Measurement is key in any business. It is not easy. There are measures in place, which Philip Riddle or Malcolm Roughead will discuss in more detail, if the committee wishes. Generally, we acknowledge that we must always be able to demonstrate what returns we get. Various numbers are bandied about on the return on investment. There is unquestionably a return on investment. Our investment is not that great. My business invests more than £2 million a year in marketing. Our budget is very small, given that we are marketing a country. We are fortunate that we have a wide range of products—our competitors are quite envious of them—but it is difficult to get those products out into the marketplace. Overall marketing is vital. My colleagues might wish to add something on the main measurements.

Philip Riddle: Annabel Goldie has mentioned the report that the committee received from Professor Stevens. One must analyse what VisitScotland's role is before one tries to measure it. We already do most of the things that Professor Stevens highlighted in his report. It is not necessarily possible to measure directly the results of those efforts in visitor numbers. Setting the direction and establishing a brand are crucial roles for us, which cannot be defined solely by the number of people who come to Scotland, because that number is affected by many other factors.

However, we need a better econometric model for tourism in Scotland. That would help us all to establish the common vision, which is essential. We need to set more quantitative targets for the industry. That will make it easier to evaluate VisitScotland's role. I am convinced that the marketing that we do is essential and that it brings in benefits. I am also convinced that we can do more marketing and can bring in additional benefits. Alongside the additional marketing, we need a better structure for measuring overall performance.

David Mundell: In business, people measure the effectiveness of marketing. You must measure whether your marketing has been worth while. How do you determine what marketing budget is appropriate? We have received evidence saying that £50 million should be spent on marketing. How do you determine how much it is appropriate to spend, rather than simply spending what the Government gives you?

Peter Lederer: I find the issue difficult. It is a question of what one wants. Before one asks how much one needs to spend on marketing, one must decide what it is that one wants. We have a £4 billion industry. The Parliament might say, "We would like that to be a £6 billion industry." If we decide that we want to increase the impact of the product on the economy by 50 per cent, that will require an investment. What investment is required to achieve that objective? We must set the objective first.

In the past year to 18 months, we have spent a lot of time getting ourselves sorted. We are now in a position to set a target. We need to be ambitious. The question is not whether it would make a difference if we had £5 million here or £10 million there. That would make a difference, but we must go beyond such considerations and ask, "What do we want to achieve and what human and financial resources do we need to achieve our target?" I am looking to double the size of my business. I need to consider what I must invest to take it from being a £35 million business to being a £70 million business.

Malcolm Roughead: There are no strong brands that do not invest in their future. I return to the point that I made about consistency. It is a matter of consistency of investment, not just of consistency of message. We must examine the scale of the opportunity that is presented and we must try to measure it. One would do that with any other product—one would consider the market that one was in, the share of market that one sought and the competitive context.

That involves benchmarking against competitors and examining their share of voice, the amount that they spend and what consumers think about the product. People have to ask themselves whether they have a ready market or whether they have to create one. There are loads of variables, which we must and do consider. We would like the current measurements to be a bit more robust, but we are working on that—it is one of our objectives.

13:30

David Mundell: Despite all the evidence that we have received, I am not clear about who is driving forward product development. We have had much discussion of the sorts of people whom we want to bring to Scotland but, in some parts of Scotland, the quality of accommodation that people might look for simply is not there. Who is overseeing the situation? Is anybody ensuring that the marketing activity matches the product? In the booklet that we have been given, "Tourism in Scotland 2001", I was surprised to note the relatively low opinion that visitors appear to have of places to eat out, for example. Who is driving product development?

Peter Lederer: There are two parts to that. Such issues are about the quality side of product development. The question is how we raise the game with regard to the product that we have, and that is led by what we are doing with quality assurance and the classification grading schemes. Their intention is to drive up quality all the time, and they are doing so.

Whether product is missing should be determined by the market requirement. If the feedback from the research that Malcolm Roughhead was talking about says that we need a specific product because Scotland is missing out on something, we will have to work with others on that. That may involve the enterprise networks, various parts of government and the private sector in identifying opportunities. That does happen. The budget market is a good example. A new market opens up and the private sector works in that area. Much of the existing research comes from VisitScotland. In most cases, the requirement for products must come from the market—from research on what consumers ask for.

A final element is innovation, when the customer does not know what they could have. That requires thinking about what new or different thing might be put in place to surprise the customer and be successful.

The Convener: I welcome Jamie Stone MSP.

Rhoda Grant (Highlands and Islands) (Lab): I am pleased that a lot of market research is being carried out. How do you feed that back to the large number of providers so that they can react to the research and provide what the customer is looking for?

Philip Riddle: We use various mechanisms, in particular the local delivery network, which is a support mechanism that is provided by the area tourist boards, which make up one of the key links in the chain. That aligns the product with what the consumer wants, as shown by the research that we produce.

We use a series of other mechanisms, too. I make a plug for our industry website, scotexchange.net, which I hope all members will look at. It is loaded with extremely useful information for the industry. We have various publications and e-newsletters, and countless presentations are made. We continually work through trade associations to update people on what the market looks like from our point of view and to present information from people working in the industry—what they feel and what they see among consumers.

Rhoda Grant: I am pleased about that, but how do you get people to work together to provide the changes? For example, a huge amount of work has been done in Orkney, where competitors have

worked together to brand themselves as providers of high-quality accommodation and food. The industry needs to do more of that, but that is difficult when various providers are competing in a small area. How do we pull people together so that they can compete on a greater scale with people outwith Scotland?

Philip Riddle: It comes back to the strong vision that we are developing and an awareness that the competition is not across the road but, for the most part, outwith Scotland. As people realise that, they become aware that it is much more effective to band together with other accommodation providers or with industry participants who are not in the same area of provision, by, for example, linking accommodation and transportation with a visitor attraction. The industry has to realise that it must do much of the work. We can help to identify where the competition is and how effectively it is being met.

Mr Adam Ingram (South of Scotland) (SNP): In your submission, you give a fairly non-committal answer on the area tourist board structure. My perception is that area tourist boards can be as much a hindrance as a help to the promotion of Scotland as an international destination, which is the key task.

For example, I was on Ryanair's inaugural flight from Glasgow Prestwick to Brussels.

The Convener: I trust that you put that in the register of members' interests.

Mr Ingram: Yes, of course.

At Charleroi airport, I noticed that a great deal of information on Ireland was available but nothing at all about Scotland. What does that say about the area tourist board infrastructure in Scotland?

Philip Riddle: How we market Scotland in and around Brussels is up to us and the BTA. To keep the issue in perspective, I point out that overseas visitors account for 8 per cent of visits to Scotland and 15 per cent of the spend. Although that is a key part of the market, it is considerably smaller than the domestic market.

The question whether it is best to put up signs at Brussels airport, which will be seen only by people who have decided where they are going, or to target people through direct marketing in their homes is an example of the kind of thing that we worry about every day. The Irish comparison frustrates me because, in many ways, it is not a fair or reasonable comparison.

On area tourist boards, the research shows that consumers want excellent local information. They also want a high-quality local product, which means that they want clean streets, open toilets, open shops, courteous service and value for money. Whatever network we put in place has to

suit those people, as they are the ones who will buy the product. We must be careful that we do not get hung up on questions of boundaries and geography, because visitors—whether they come from Newcastle or New York—do not understand or care about those boundaries. As long as the review of area tourist boards is focused on what the consumer wants, we will come up with the right answer. If we do not, we will still have a problem.

The situation needs sorting. Things have moved on tremendously in the past five years, let alone in the 15 years for which area tourist boards have been around.

Mr Ingram: Is the number 1 priority for VisitScotland to go out and market Scotland to the international visitor or is it to develop the product in Scotland?

Philip Riddle: It is important to emphasise that we must have an integrated approach. We cannot simply market if the product is not right, because that would be a waste of marketing money. Similarly, there is no point in marketing and having the product right if we do not join the two together through effective selling and delivery.

Our priorities must be threefold. Number 1 is marketing, within which our priority is the UK market, which is by far the biggest market for Scotland and which has immense potential. There is also great potential in the international market. Our second priority is to make it easy for customers to find out about and to buy what they want in Scotland. In that regard, our main priority is an effective e-tourism platform in the form of information and booking centres and websites. Our third priority is to ensure that, when consumers come to Scotland, they find what we have offered and what they were sold and to ensure that their expectations are more than fulfilled. As has been mentioned, we must ensure that the product on the ground is good quality and that it is aligned with the marketing.

We move on all three fronts and we will continue to do that to ensure that we keep abreast of the situation and maximise economic development.

Andrew Wilson (Central Scotland) (SNP): I want to follow up on an earlier point by asking Mr Lederer what makes a comparison with Ireland unreasonable.

Peter Lederer: If there were an equivalent of Aer Lingus—an Air Ecosse—that we could plug into, the situation would be different. In terms of visitor numbers, we have a more successful product than Ireland. Examples such as the one that was mentioned make it sound as if we are behind Ireland, but we are not. The Irish started with a low base and have done a fantastic job of repositioning, but that does not mean that they have been more successful than we have.

Looking back, I think that there are things that we could have done better, but we are addressing those issues. The Irish have advantages that we do not have, such as connections with Europe and the ability to integrate around a national airline. We do not have a national airline and we are unlikely to get one. The comparison with Ireland is not really fair. It is an easy comparison because Ireland happens to be across the water, but it is not necessarily the best one.

Philip Riddle: One must take care with statistics in comparing us with Ireland. The figures on international visitors to Ireland that were quoted in the Stevens and Associates report for the committee included visitors from the UK. That is strictly correct, but the figures for Scotland do not include visitors from the rest of the UK. That distorts comparisons and means that one must be a little careful when measuring different aspects.

Andrew Wilson: That is pretty clear. I have another question for Mr Lederer. The relationship with the BTA has changed since devolution. Why is that and in what way has it changed?

Peter Lederer: Prior to devolution, times were different. One benefit of devolution is that it has rightly put more focus on matters such as tourism. Debates such as this are more common than they were before and that is to be encouraged. The relationship with the BTA has changed post devolution. We need to think about how we communicate with the BTA and how we use it in the markets that we want to address. Similarly, the BTA must contend with a changed environment. It has to work with the National Assembly for Wales, the Scottish Parliament and the situation in England, which changes day by day. The board of the BTA, of which I am a member, discusses that issue regularly. The BTA is evolving, as it should.

Andrew Wilson: Further to the point that Fergus Ewing put to Mr Riddle, I wonder what is being done to encourage direct access flights, in terms of both cash and effort?

Philip Riddle: We see our responsibility as being that of marketing at the other end—from Scotland. VisitScotland does not want to provide Scots people with incentives to go overseas on holiday; we want to market Scotland in those destinations. We try to choose the destinations carefully—some are better at producing tourists who come to Scotland than others. We run extensive marketing campaigns, not just with airlines but with Superfast Ferries for example. We were heavily involved in the introduction of the new ferry service. Malcolm Roughead will have the figures for this year's budgets.

13:45

Malcolm Roughead: Last year, we spent in the region of £1.5 million in Europe on work with direct

access carriers. We also work internally in the UK with organisations such as Great North Eastern Railways, Virgin Trains and the bus groups. Our work is all about achieving a cohesive programme that brings people to Scotland.

Andrew Wilson: I would like to clarify that point. How much of that money is for direct flights?

Malcolm Roughead: About £1.2 million.

Andrew Wilson: Thank you.

My final question is specific. What are your plans for an econometric model, the idea of which sends shivers down the spines of economists? Have you allocated a budget to that model?

Philip Riddle: We have been in discussions with economists in the Executive about that. The idea must be bigger than VisitScotland—it is an idea for the industry. We have not allocated a specific figure for that work, but we have plans to allocate staff and some necessary cash from our research effort to the model. At this stage, the model requires the input of people and thinking more than anything else. We are trying to work out what the drivers are as well as their effects on the economy.

Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD): I apologise for being late. I was delayed at a meeting in deepest Sutherland. I have listened to what has been said and, in a way, the fact that I have just been in Sutherland leads me to my comment. Scotland the brand has been mentioned—I will come back to that—but I want to probe your thinking on the marketing of Scotland's diversity and whether it has potential. I want to draw a parallel by comparing what happens now with what happened when I was 20. Then, I could buy only one kind of wine—a bottle of Hironnelle, for example—but now there are umpteen wines to choose from. Buyers have become more sophisticated. Do you agree that diversity has become increasingly important, as the tourism market has become more sophisticated, and that its importance should be recognised in marketing?

Malcolm Roughead: Absolutely—you make a good point. Consumers are becoming more sophisticated and the experience that they want is no longer generic. They do not want to be packaged up and bussed around the country; they want to get out there and do their own thing. Our work is based on consumer feedback and research, which is why we have a portfolio and why we prioritise our activities. That allows us to talk up Scotland's diversity and to put it in front of people. However, we must make that information available in places where people can see it—such as on television—or read about it. Our work is about focusing, but we also use diversity to our best advantage.

Philip Riddle: The technological advance in communications is a great advantage for Scotland as it gives us the ability to package our diversity and to reach market segments of one. We did not do that before because it was not cost effective. That gives us a lot of optimism about selling Scotland more effectively in future. We can offer the mass market a diverse product through our website and our contact centre. People can research their individual requirements within those facilities and, in time, they will be able to build up their own packages and make bookings.

Mr Stone: To what extent does VisitScotland have an overview—audit may be the wrong word—of the ATBs' strategies, bearing in mind what we agreed about diversity?

Philip Riddle: I beg your pardon. Could you repeat the question?

Mr Stone: How do you check that the Highlands of Scotland Tourist Board is selling diversity?

Philip Riddle: My answer goes back to our response to an earlier question about what happens locally. In future, the primary role of ATBs, which are our local delivery mechanism, will be to align what is available with the national marketing strategies. We will be able to see easily whether that alignment is happening through take-up in local businesses.

The Convener: In answer to an earlier question, Philip Riddle rightly emphasised the need for an integrated approach to tourism, but it is clear that responsibility is divided between agencies—marketing is the responsibility of VisitScotland whereas product development is the responsibility of the enterprise network. When we consider visitor attractions and the like, we see that a host of other public sector agencies are also involved.

I remember when the former Scottish Tourist Board was stripped of its product development responsibility. The enterprise network's evidence at the time was that product development should be either put under the Scottish Enterprise and Highlands and Islands Enterprise umbrella or kept as part of the Scottish Tourist Board remit. The enterprise network made the point that responsibility for marketing and product development should not be split between agencies, because that would not be done in any other business situation. Would not it be sensible to have both aspects of the business within one agency?

Peter Lederer: That is all right as long as people work together. It is like having two teams in one organisation; if they do not work together, things will not work whatever one does. The enterprise network has a broad responsibility for product development in industries and areas other than tourism. It is more important to know how well

the marketing of the product is aligned with the product and for that to be viewed in the context of what the consumer wants. It is important to have a regular audit and discussion, but the overall issue is to know who is doing what and how well they are doing it.

The Convener: So the split is not a big issue.

Peter Lederer: It is not a particular issue. We have other priorities to worry about. We keep a careful eye on how the enterprise network develops and where its future priorities lie. We have to ensure that we fight our corner to ensure the network's support of the product development of our industry. We also have to ensure that the product is kept in line with what the consumer wants. We would be concerned if that situation changed. I repeat that the issue forms part of our regular communication with the enterprise network.

The Convener: I want to ask about the value that is added by VisitScotland and its activities. VisitScotland has been under attack in the past 10 days. Michael O'Leary of Ryanair has said that he wants you abolished and, this morning, the Forum of Private Business said that it wants you privatised. I do not agree with either view. If Michael O'Leary was sitting beside you, what reason would you give for not abolishing VisitScotland? Equally, if Mr Anderson from the Forum of Private Business was sitting beside you, what reason would you give for VisitScotland not being privatised? I assume that you disagree with the comments.

Peter Lederer: I have a great test for anything that I do in my business life, which is to ask, "If it did not exist today, would we invent it?" If the answer is "Yes", the next question is, "What would it look like?" If the answer is "Different", it is likely that something needs to be done. When the STB was under review, I had a lot of conversations about such matters. There is no question in my mind but that it is important for Scotland to have a successful tourism industry.

The Government's role is important. We should not forget that tourism is not only about visitor numbers or visitor spend; it is about the reputation of the country and how people perceive the quality of that country's products. When people look at a bottle of Highland Spring water, they see on its label some tartan and a picture of a particularly beautiful part of Perthshire. It is just as important for the people who market Highland Spring water, Baxter's jam or Walker's shortbread that Scotland has a high-quality reputation. Much of the work that goes on in tourism marketing overseas and in the UK does far more than simply establish the reputation of the country or create a desire to visit the country.

The role of the Government in that is very important, as it has a huge input into the Scottish economy. It is interesting how we consider other industries that are on a lesser scale than tourism. We have no problem in getting our minds around them, but we have a problem with tourism. We need to change that. We need to be more ambitious about tourism and we need to get involved. The industry is starting to realise the role that it has to play. That is excellent. The Government also has a huge role to play, whether through VisitScotland or another vehicle. Following the reorganisation of VisitScotland over the past year, I am not only passionate about the fact but sure that we are ready to make significant steps forward if we all share that ambition.

Philip Riddle: Scotland definitely needs a strong brand. Such a diverse industry cannot take Scotland's brand; there has to be a public sector lead in taking the brand into the market to shape what Scotland means around the world.

The Convener: Do you see yourselves—as the Danish Tourist Board sees itself—as primarily part of industry or as part of government?

Peter Lederer: That is an interesting question for me, as I am in both camps. Without the industry understanding and the relationship with the industry, it would be difficult to do anything. Equally, the information from the research that Malcolm Roughead does and the understanding of the consumer could never be garnered by the industry on its own. Nobody could do that except the big players, which would leave the majority of the industry. How would they find the information? I am not sure that I think of us as part of government or as part of industry. We definitely have a foot in both camps and our job is to make the two work together.

Philip Riddle: We always bear in mind the fact that we are acting for the Scottish taxpayer, as it is Scottish taxpayers' money that is used. Our role is to maximise the benefit of tourism for all Scots who pay the taxes that go into the market. If we are not doing that, then there is a question.

The Convener: We will have a brief final question from Rhona Brankin.

Rhona Brankin: I tend to weary of the constant comparisons with Ireland and I agree that we punch above Ireland's weight in many areas. Ireland would give its eye teeth to have access to a domestic market of the scale that we have. Could the witnesses supply us with further written evidence on what they perceive to be the major challenges in growing the domestic market? I would find that helpful.

Peter Lederer: Yes.

The Convener: That has been extremely helpful. I thank the witnesses for their written and oral evidence.

Our next witnesses will be from the British Tourist Authority.

Members sometimes wonder why I take questions in a certain order. I try to get a party balance, ensuring that everyone gets in, and I try to ensure that the non-committee members get a reasonable chance as well. I think I managed to achieve that in the last session.

Miss Goldie: Commendably.

The Convener: I hope that I shall achieve it in this session.

David Mundell: We will fill out a feedback form.

The Convener: I welcome the representatives from the British Tourist Authority and ask David Quarmby to introduce the team and their evidence.

David Quarmby (British Tourist Authority): Convener and members of the committee, may I first thank you for inviting us to join you today. It is a great pleasure to be here, and wonderful to be in the Highlands again.

I am chairman of the British Tourist Authority. On my left is Tom Wright, who joined the BTA in June and took over on 1 August as our new chief executive. On my right is Bernard Donoghue, who is our government affairs manager.

By way of introduction, I would like to make just three points. First, although our remit from the UK Parliament at Westminster is to promote Great Britain as a whole, the BTA is very aware of its formal accountability to the Holyrood Parliament for the work that we do to promote Scotland. We are keen to give an open and honest account of ourselves, and to debate with you how best we can help tourism in Scotland to become more successful.

14:00

Secondly, although this is more fully described in our memorandum, it may be helpful if I remind members of the breadth and range of our overseas activities to promote Britain—and Scotland in particular—and if I describe how those activities provide a firm platform for the overseas marketing campaigns that VisitScotland carries out from time to time. We have a network of overseas offices in 27 countries. In some of those offices, our work is supplemented by VisitScotland on a campaign basis. Across the world, we work, in effect, round the clock to provide a comprehensive information service to prospective visitors—by telephone, e-mail and letter.

Last year, we had more than 3.6 million contacts and we distributed 6.5 million pieces of print about Britain, all of which included substantial material about Scotland. Every BTA office has a proactive public relations and media operation. To support the continuing coverage overseas of Britain and Scotland, our offices arrange more than 2,000 visits every year for journalists and broadcasters, so that they can come and write about this country. Every office carries out a range of marketing and campaign activities.

As well as advertising, we promote to 1.5 million prospective visitors on our databases. Every BTA office runs an internet gateway site in the local language. Sometimes, it is in more than one language—Spanish and Catalan, for example, in our Madrid call centre. If we consider those local sites alongside our main website at visitbritain.com, we get more than 16 million visits to our family of websites in the course of a year. We maintain close relations with the travel trade overseas, and we bring British and Scottish suppliers to meet people at roadshows, trade missions and trade exhibitions.

That is the platform—the network or the infrastructure, if you like—that we provide for our strategic partners, the national tourist boards, together with our understanding of the market and the consumer in those 27 countries.

That leads me neatly to my third point, which is about how we work with VisitScotland and with the industry here in Scotland. I do not think that I am exaggerating in saying that our working relationship with VisitScotland has never been better. It is underpinned by a service level agreement. The huge effort, since devolution, that the Scottish Executive, VisitScotland and the industry have made to clarify the tourism strategy for Scotland has been blessed by the Parliament. The strategy sets out a framework for action, including the recent work on branding, which is helpful because it gives us clear guidelines on what we can do best to help tourism in Scotland in a post-devolution world.

The working relationships are close, as you have heard Peter Lederer say. As chairman of VisitScotland, he sits on my board and contributes significantly to our deliberations on performance, strategy and plans. VisitScotland executives contribute to our business planning process so that we know that our operational plans reflect how they wish to see Scotland promoted overseas. VisitScotland's marketing director, Malcolm Roughead, sits on the tourist board marketing group that the BTA chairs, to ensure that our plans are harmonised with those of our partners. We also work directly with area tourist boards and key industry players on specific programmes, as we do with the Greater Glasgow

and Clyde Valley Tourist Board on business tourism and bringing world conventions and exhibitions to Glasgow.

In all that, we are ambitious for Scotland and believe that it has great potential. Our appearance before the committee is timely, as the BTA is reviewing its strategy, so we have the perfect opportunity to build into our plans and ambitions the committee's thoughts and recommendations.

The Convener: Is the service level agreement between the BTA and VisitScotland a public document?

David Quarmby: Yes. It is on our corporate website as a matter of record.

The Convener: It would be useful if we had a copy of that.

David Quarmby: We would be pleased to send that to the committee. I should explain that the document is about three or four years old. We put it together in anticipation of devolution, but we are reviewing it with VisitScotland in the light of the present situation and the developing relationship.

The Convener: Is an annual progress report produced or a performance review conducted of the service level agreement?

David Quarmby: The service level agreement is reviewed regularly by my board.

The Convener: Could we have feedback on the outcome of those reviews?

David Quarmby: Yes. We will send that to the committee.

Miss Goldie: I will repeat what the convener said: it is a great pleasure to see you in Inverness. I hope that the engagement is useful for the committee.

Under "The continuing role for BTA in marketing Scotland", paragraph 44 of the BTA's submission talks about visitors who come only to Scotland and visitors who go to other parts of Britain, too. Is Britain, or perhaps London, a significant gateway? If so, is the BTA the strategic mechanism by which people could be redistributed to Scotland?

David Quarmby: Our agreement with our parent department at Westminster says that one of our objectives, as well as raising the total value of tourism into Britain, is to increase the proportion of tourism that goes outside London. We have an objective to do that, we are monitored against a target for that and our marketing programmes reflect that; including, of course, getting people to Scotland, whether they come directly or via ports of entry, such as airports and seaports in England.

Miss Goldie: I am anxious to establish whether some people who go to London would, without

further direction, stay there. Through the BTA, are we the beneficiaries of visitors who would not otherwise reach us?

David Quarmby: Yes, because we run an office that you may have visited, called the Britain visitor centre, in Lower Regent Street, whose principal purpose is to enable visitors who have arrived in London to get information about and be encouraged to visit other parts of Britain. Among other partners, VisitScotland has a desk in that centre, to promote and give information about going out of London and into Scotland.

Miss Goldie: I was encouraged to hear you say that your relationship with VisitScotland is at an all-time high, which is a positive analysis. Your submission refers to the number of offices that the BTA operates in countries throughout the world. Is there an opportunity for expanding the partnership between VisitScotland and the BTA and letting VisitScotland benefit from that presence by piggybacking on it?

David Quarmby: Yes. All our offices are available as resources for VisitScotland and the other national tourist boards to use. VisitScotland concentrates a substantial part of its marketing resource on its four key markets of Germany, France, the Netherlands and the United States, but it works with us in several other markets, such as Scandinavia—the Scotland in Sweden promotion goes on as we speak—Australia, Italy and Spain. That may not be advertising activity, but may involve trade relations. VisitScotland may participate in trade missions, attend trade exhibitions or participate in a PR campaign launch. VisitScotland already uses the existence and infrastructure of BTA offices in many ways in several other markets.

Tom Wright (British Tourist Authority): I have a point to add to that. Scotland has some primary and secondary markets, but part of what the BTA is doing is considering emerging and new markets. We are currently in 27 countries around the world, but tourism is changing dramatically. We are closely considering and researching new markets such as China, India, Poland and Malaysia. We can help VisitScotland to identify new markets and support its entry into those markets as appropriate.

Miss Goldie: I am still trying to clarify the best way to develop the partnership between the BTA and VisitScotland with the specific objective of getting more visitors to Scotland. I was interested to see that one of the campaigns mentioned in your submission is the Scotland in Sweden promotion. That is an example of that partnership operating.

I wonder whether there is an opportunity for being less specific in terms of relationships with a

country, and more specific in terms of partnerships such as the Scandinavian partnership. When I went to Denmark, the impression that I got was that Denmark does not see itself in isolation within Scandinavia. It works closely with Sweden, Norway and the other Scandinavian countries. I am curious to know whether we have a BTA-VisitScotland Scandinavian presence.

David Quarmby: The simple answer is to look market by market and product by product. For example, the principal means of travel from Scandinavia to the north of England and Scotland is via the ferries that run from Denmark, Sweden and Norway.

In the past we have done work, and we continue to do work to promote the destination. It is not enough to promote just the carrier. You have to promote the reason for going to a place. We have to find the markets to which Scotland appeals as a destination, and work with carriers throughout Scandinavia to promote Scotland and generate business.

There is an opportunity to do more of that on a regional basis outside the UK. Depending upon the resources that VisitScotland is able to put into overseas marketing, we look forward to doing more with it. VisitScotland gets good returns from the resources it puts into marketing overseas, because every pound goes into the marketing; VisitScotland uses us as a platform to provide the administration, fulfilment and public relations.

Andrew Wilson: I have a couple of specific questions to start with.

What is your overall budget? What share of it goes into marketing and what share goes into dispersal activity?

David Quarmby: What do you mean by what share goes into marketing and what share goes into dispersal activity?

Andrew Wilson: What is your overall budget and what is your marketing budget? That is the first simple question.

You mentioned that a key part of your remit is dispersal. What financial focus are you giving to that?

Tom Wright: Our budget is in the region of £36 million in a normal year. That comes from Government grants. We supplement that with a lot of industry money that we co-invest in our overseas markets.

It is difficult to give you a precise figure on the split between marketing and overheads because a lot of our infrastructure is in customer and consumer fronting activity. Our New York office has a large call centre where the main focus is on servicing customer needs and interests in that particular market.

We can come back with a more considered figure in answer to your more specific question. However, clearly our main investment is in our 27 offices around the world and our strong presence in those markets. That is where our focus is predominantly placed in our marketing investment.

Andrew Wilson: That is helpful.

Turning to the question of dispersal, can you furnish us with some information on what your targets are and how you are achieving them? Do you have anything you can tell us about just now?

Bernard Donoghue (British Tourist Authority): That is a really good question because, at the moment, each of the national tourist boards and the respective devolved Governments of the United Kingdom have different tourism plans, ambitions and targets for the BTA. We would find it helpful—for our clarity as well as yours—if all the UK tourism ministers got together regularly and set targets for us.

The Department for Culture, Media and Sport sets us targets for getting people out of London, which we exceed. We would relish setting a target for the growth of the entire tourism cake, rather than the different slices of it, but we have found that difficult. We would be delighted to get clarity from UK tourism ministers. I have no doubt that the committee feels the same.

Andrew Wilson: I wish you the best of luck.

Bernard Donoghue: We would be grateful for any help that members can give us.

Andrew Wilson: That is what we are here for.

Direct marketing and the promotion of Scotland as a brand are big issues for us. To date we have received different and competing evidence from witnesses in our inquiry. You have heard where Annabel Goldie is coming from. My instinct is to come from the opposite perspective.

14:15

Miss Goldie: We would find that reassuring.

Andrew Wilson: As always, I am open to proof.

Given that there are such diverse administrative areas—for want of a better expression—in the country, what is the overall brand that you are selling? Is it the royal family and heritage, which feature prominently in your written submission? Is it golf? If you were making your pitch to someone, how would you encapsulate the brand in marketing terms?

Tom Wright: There are two issues—branding and the products. As we say in our submission, we take a drill-head approach to branding. We recognise that different brands are stronger in different countries. In some markets we may lead

on Scotland, because it has the most compelling imagery and is the strongest brand for us to market in the country concerned. We work very closely with VisitScotland to bring alive its brand values of “dramatic”, “enduring” and “human”. In other markets Scotland may work well within a British or wider context. In each market we optimise the positioning of the different country and British brands. VisitScotland is able to supplement our activity in its key markets.

We recognise the enormous diversity of product in both Britain and Scotland. The products that we market around the world reflect that diversity. I will illustrate our approach with some examples.

As members know, Bollywood is the south Asian film industry. It is particularly strong in India and the middle east. Britain is a key centre for the production of Bollywood films. Members may be surprised to learn that 78 of the 129 locations where those films are made are in Scotland. We promote that fact heavily in the markets in which Bollywood films are popular.

We all know how big the cruise market is, and how it is growing throughout the world. Cruise UK promotes Britain as a cruise destination. Seventeen Scottish ports feature heavily in the product.

Following the Ryder cup, which finished yesterday, golf is a topical issue. We are focused on the Ryder cup, because over the next 12 years the European leg of the competition will be held in Britain and Ireland. As part of the build up to the 2014 Ryder cup, which will take place at Gleneagles, we are about to launch our new golf product. The product features 43 Scottish courses, out of 128 in the whole of Britain.

We promote eight walking holidays, 13 gardens and 14 royal heritage destinations in Scotland. As part of the UK city experience, we promote four Scottish cities heavily around the world. Our strategy is to bring the brand alive—recognising the values of Scotland and working with VisitScotland. Our aim is to promote Scotland and its diversity in our products, taking account of the best fit for individual markets around the world.

Andrew Wilson: That is very useful. So golf, Bollywood, walking, gardens, royal heritage and so on are the drill heads that you use.

Tom Wright: I have given members some examples, but we have a much broader range of products. The drill-head approach is a matter of branding.

Andrew Wilson: In which markets does the drill head come with a tartan fringe?

Tom Wright: That varies from promotion to promotion. Last year we did 165 pieces of promotion that featured Scotland.

Andrew Wilson: I understand the point, and you make a good case. The drill-head idea is specific and easily understood. Where is the drill head Scottish and where is it not?

Tom Wright: As I said, it would vary from promotion to promotion.

Andrew Wilson: Out of the 165, how many were Scottish?

Tom Wright: There are examples where we do consumer exhibitions in Sweden that are 100 per cent Scottish. In fact, we are just about to embark on a major Scottish programme in Sweden as we speak. We have business tourism campaigns in France that are 100 per cent Scottish. In Holland, we have strong travel trade programmes and promotions that are 100 per cent Scottish. In Norway, we have extensive relationship marketing programmes that are 100 per cent Scottish.

I could go on and on. Out of the list, there is a range of promotions that are 100 per cent Scottish and there are other promotions in which we might mix the appropriate products and brands. If we are promoting Bollywood locations, we might be using that promotion in a broader British context and bringing the component parts of that alive.

Andrew Wilson: That is very good. This is not a huge part of the inquiry; it is only one aspect of it. It would be nice to see some specific examples of what you say so that we can examine the materials for our interest. That would be first class.

The Convener: I was going to ask Tom Wright whether we could get copies of a selection of the brochures. That would be nice. It would be useful to see them.

David Quarmby: We can leave those with you. We will send supplementary information to the clerk to illustrate what Tom Wright has been saying.

Andrew Wilson: That is good. It would be great if you could provide us with something that captures where Scotland is a drill head and where it is not, so that we can see the alternative. An idea of the proportion of the overall work that is Scottish would also be good.

I think that you were here when we heard VisitScotland's evidence on direct transport marketing, which is a big issue for the Highlands. Direct transport marketing is controversial. VisitScotland is putting an effort of about £1.5 million into marketing direct transport—such as direct flights—into Scotland. How much are you putting into marketing for direct transport into Scotland?

David Quarmby: We would need notice to give you a complete picture. However, for example, we led on the promotion of the Ryanair route from

Torp in Norway to Prestwick to drive traffic from Norway. We have done our bit to help to promote the Zeebrugge to Rosyth ferry service in the Netherlands and Belgium, although that was rather late in the day because of difficulties that the operator had in creating local networks.

Bernard Donoghue: The committee may recall that, last year, we brought over the world travel leaders summit at the height of the foot-and-mouth crisis. Fergus Ewing helped us out. We took the participants round the whole of Britain, but particularly round the Highlands. They stayed in Inverness and Nairn.

As a direct result, we quashed some of the rumours and misconceptions about the extent of foot-and-mouth disease. Overseas, everybody saw images of burning pyres on CNN and Sky News and thought that the whole of Scotland was affected by foot-and-mouth disease when only Dumfries and Galloway and part of the Borders were affected. We brought over a representative of a Swiss low-cost carrier who, on the basis of seeing for himself, decided to continue the flight service between Switzerland and Inverness. That service continued uninterrupted.

In such instances, we can make a difference by bringing people to Scotland so that they have some sort of experiential learning and by providing market intelligence in the territory overseas.

David Quarmby: Perhaps it is worth mentioning the Ryanair Dublin to Glasgow flights, in connection with which we have been deeply involved in promoting Scotland—certainly the Borders, Ayrshire and Dumfries and Galloway. We will also be promoting the Dublin to Aberdeen route to bring people up to Speyside.

The Convener: I take it that Michael O'Leary has not called for your abolition.

David Quarmby: Not yet.

Bernard Donoghue: Not as far as we are aware, but it is only half-past 2.

Marilyn Livingstone: During your evidence, you talked about reviewing your strategies. You are obviously having a rethink of your priorities. How will you involve VisitScotland in that review? Will the review take account of direct access into Scotland? If we look at our market, we find that 92 per cent of tourists are from the United Kingdom and 8 per cent are from abroad. I know that the trends are for falling international visitor numbers, but how will your review help to expand the markets?

We are interested in direct access to our markets, the changing consumer base and the time squeeze. It is important that people are able to access us directly. What role will VisitScotland play in reviewing the strategy? What are the key

elements of the review and where will direct access sit within that review?

David Quarmby: I shall ask Tom Wright to deal with those questions. As the new chief executive, his first task has been to lead the review of our strategy.

Tom Wright: The change in media is having a dramatic impact on the BTA around the world. Many years ago, the walk-in centre was a key part of our offering, and people would walk in and gather tourist information. The internet has transformed the nature of the relationship that we have with potential customers around the world. The fact that there have been 16 million visits to our website gives you some perspective on the potential that we have around the world, and we make 3.6 million contacts with individual customers every year.

The forward strategy therefore recognises the importance of the relationship that we build up with potential customers around the world. Developing our databases gives us greater insight into the global customer, which allows us to personalise the content and product offering and to focus on connectivity. We can then focus on specific areas of Europe where there are good connections to Scotland. That is a key part of our strategy, and we are working with VisitScotland in that process. Growth in understanding the customer and personalisation of the contact and product that we offer is therefore a key element.

The internet allows us to enter new markets around the world that were previously quite expensive, because we had to invest in bricks and mortar to go into those markets.

Branding is another key area. We recognise that VisitScotland has a compelling and strong vision of the Scottish brand, and we want to bring that vision alive in our markets around the world. We are working with VisitScotland collectively, and with the same consultancy agency that did the branding work for VisitScotland, to help us in that process.

Those are three of the key strategic areas that we are working on. We are also getting to grips with different segments of the market. We are studying trends over recent years to understand the differing roles of business tourism, the importance of students and the importance of the family market and travelling to visit friends and family. As we develop our databases and the products and brands that we offer, we are focusing on different product sectors in promoting Scotland in the best possible way to bring alive the diversity of product in Scotland.

David Mundell: What work have you done on the perception and understanding of Britain by people abroad? Do people understand that Scotland is part of Britain, for example?

David Quarmby: Part of our work on reviewing the branding of Britain, and of Scotland, Wales, England and London, has been to delve deeply into how people see those different concepts, and it is quite revealing.

Tom Wright: Over the next few months, we will conduct research not only in the pre-existing markets but in new markets such as China, to understand the brand positioning. Obviously, we do not have the results of that research yet, but the initial insights reflect the fact that the brands, whether Britain or Scotland, are seen very differently in different parts of the world. In Japan, for example, people have a different perspective from people in Sweden. We are trying to understand how those countries see Britain, so that we can help the industry, ourselves and VisitScotland to optimise the positioning and bring the right products to bear in those markets.

David Quarmby: I have been with the BTA for some years now. In all parts of the world, Scotland has a distinctive set of brand values and is perceived as a distinctive place, either as part of Britain, as part of the British isles or however it is thought of. VisitScotland's recent refreshing of the brand will help both it and us to reinforce Scotland's distinctiveness as a destination. In a competitive world, distinctiveness will sustain tourism in the longer term.

David Mundell: Are you satisfied that VisitScotland is on the right lines in the way that it has prioritised the people whom we are going after, or are we missing something?

14:30

David Quarmby: The overall strategy to develop a niche product and niche markets in the context of Scotland's general appeal as a destination is right. It is all part of developing Scotland's distinctiveness in an increasingly competitive world. As we have indicated, we are working closely with VisitScotland on high-value products such as golf and other outdoor pursuits and on promoting the cities—Edinburgh and Glasgow—as very distinctive places.

Tom Wright: PR plays a hugely critical role in promoting Scotland around the world. Earlier, we mentioned that we generate about 6,000 articles on Britain, about 1,000 of which feature Scotland. The great thing about PR is that it allows us to tailor the message to the country. For example, the Irish newspaper *Sunday Independent* ran a typical article under the heading "The last wilderness in Europe", which was a very good piece of coverage about Scotland. We have many such examples. With PR, we can promote Scotland in every country around the world, depending on which parts of it are most compelling to audiences in those countries.

David Mundell: I read in your submission that you have statutory responsibilities in relation to the Greater London Authority. Is the GLA as keen to see people being diversified out of London as we are? When people go into BTA offices, do you push Scotland, Wales or Northern Ireland? How do you balance competing responsibilities or requirements?

Bernard Donoghue: With difficulty, to be honest. That is why an amendment was tabled during the passage of the Greater London Authority Act 1999 at Westminster to ensure that the Mayor of London's tourism responsibilities included seeking and taking advice on London's role as a gateway from VisitScotland, the BTA, the Wales Tourist Board and the rest of the UK tourist boards. That is incredibly important, not least because it provides us with a statutory base on which we can help Ken Livingstone frame his tourism ambitions for London. Of course, London has its own ambitions to secure tourists, but we need to spread the benefits of tourism both outside London and throughout the year.

We are in a very good position. We have been helping the London Tourist Board and the London Development Agency to frame things, which means that we have been able to bring the idea of the regional spread to the front of some of their tourism ambitions.

David Mundell: Have you been successful?

Bernard Donoghue: Ken Livingstone's success is always a matter for debate. However, the documents that he has published so far have been fully proofed for tourism regional spread. We will just have to wait and see whether that approach is borne out in reality.

The Convener: Do you know whether the Prince of Wales has sent him a letter about it? [Laughter.]

Rhona Brankin: A lot of money was invested in the only in Britain campaign, which was set up in response to a crisis in the industry. Although it is still early days to assess whether the money was well spent, what are the initial indications? Moreover, what lessons can we learn from the experience? I am particularly interested in what we can learn about value for money and from new partnerships that were forged as a result of such an innovative approach, especially in working in new ways with industry partners.

David Quarmby: I will ask Tom Wright to comment on the results of the campaign in a moment. From my perspective, the campaign has been astonishingly successful in creating a groundbreaking partnership between Government and industry—groundbreaking partly because of its scale. The total value of the campaign, including the collateral activity by partners—in

other words what is not spent centrally, but spent by partners in their own activities—exceeded £40 million. It was large-scale stuff, and we would be surprised if it did not have some impact.

As I said, the campaign was groundbreaking in that it was a true partnership operation. Although the BTA chaired it and provided the staff resource to deliver it, all the decisions were made by a partners council and a partners steering group, which contained key representatives of the industry and of the family of tourist boards. VisitScotland was a member of the partners council, and was influential with regard to the decisions that were made.

The only in Britain campaign has been running for about five months now. It is often difficult to get a full result early on for such campaigns, but we have received many indications of the impact that it has had. I now invite Tom Wright to comment.

Tom Wright: The campaign was extraordinarily successful as far as the learning side was concerned. It brought together 31 partners, including VisitScotland. Of those 31, there were 23 trade partners, 17 of which brought strong offers to Scotland into the campaign. One positive of the campaign is that it has brought everyone together.

The figures are increasingly encouraging. There has been a 7.2 per cent increase in the number of visitors coming to Britain in the last quarter. We have always said that it would take some time for the recovery to take place, but we are tracking towards the level of 2000 as we approach the end of this year, which was always a key objective. That recovery is beginning to be seen to take place.

The European Travel Commission reflected on how much worse things could have been as far as the American market was concerned had we not undertaken this activity, which the ETC estimates has saved us up to \$1 billion of revenue from inbound tourists from the United States.

Rhona Brankin: That brings me to my question about how we evaluate success and the development of performance indicators. Would you view the development of performance indicators as forming a set, or suite, which all tourist boards could use in order to achieve a level playing field across the UK?

Tom Wright: Absolutely. We have a number of funding agreements against which we are measured. As part of our strategy, we are expanding the key performance indicators and key success factors against which we measure ourselves. We are tracking how effective we are and considering what we are going to do by when.

Rhona Brankin: What sort of time scale are we working on?

David Quarmby: As you can imagine, the Secretary of State for Culture, Media and Sport is keen to be able to present to HM Treasury the results of the campaign. We have promised a full and final report by next April. That is a longer time than the secretary of state would like, so we will present a report towards the end of 2002, which will give all the results to date, and which will measure, so far as possible, the campaign's impact on the British tourism economy. We will not be able to identify that impact by different parts of Britain, although we will be able to indicate the total amount involved. We should also be able to identify the way in which different businesses have, we hope, benefited.

In relation to the only in Britain campaign, there is an important point to make about small businesses, which I will let Bernard Donoghue make.

Bernard Donoghue: We have already identified some learning-related points. The model of the million visitor campaign—the MVC—and the only in Britain campaign brought together public sector and private sector money in a way that was almost unique. In retrospect, that model probably works best in a time of crisis, compared with a time of normality, because people are more prepared to share their marketing budgets to ensure a recovery for the inbound industry.

National tourist boards do not exist for the benefit of British Airways or Hilton; we exist because we provide a route to market for small and medium enterprises. One of the things that was critical to the success of the MVC, which we hope will be borne out after evaluation, was that we were able to get 3,000 small businesses access to market via our website. It is crucial for us to ensure that small businesses benefit from any public money investment. One of the things that we will evaluate rigorously is how small businesses—in addition to the big players—have benefited.

Rhona Brankin: I will ask a completely different question. I was involved in kicking off the Ryder cup bid. At the time, there was intense competition among Celtic Manor, Scotland and Slaley Hall in the north-east of England. How did the BTA handle that? In one sense it was a bit of a first, but I am aware that the highly competitive nature of major events tourism means that there is an issue about competing venues in the UK.

David Quarmby: When Britain is competing with another country, we are in there unequivocally. We organise letters of support, if necessary, from the Prime Minister or the First Minister or whoever is appropriate. We have done that on a number of occasions. When different locations in the United Kingdom are competing, I am afraid that we have to sit back and let them

slog it out. When one is chosen, we will promote it as the destination.

The Convener: The lesson from the Ryder cup is that if you put two Ayrshiremen in charge, you win.

Fergus Ewing: Paragraph 23 of your written submission refers to six current campaigns, one of which includes the promotion of the UK city experience. Bernard Donoghue referred to promoting Glasgow and Aberdeen. As the member for Inverness, I wondered whether the BTA explicitly promotes and describes the attractions of cities other than Glasgow and Edinburgh, perhaps including this one?

David Quarmby: The UK city experience campaign features Aberdeen and Inverness. We will be glad to pass you a copy.

Fergus Ewing: I am pleased to hear that.

The Convener: Fergus Ewing had better circulate the document to the whole committee.

Fergus Ewing: Is there potential in promoting Inverness, and perhaps other cities in Britain, as European centres of culture? As I understand it, the decision about the European capital of culture will be made next April, but I understand that this month, or perhaps next, a decision will be made about a short list of four to six cities that will be centres of culture. Do you see promotional opportunities in that for cities such as Inverness?

David Quarmby: Definitely. So far as we are concerned, there are already 12 winners. [*Laughter.*] No, I mean that. We have a very exciting plan for this.

Tom Wright: We have been working on our campaigns for 2003 to engage the 12 entrants and harness the tremendous energies that have gone into the bids, the professional output and the strength of the culture in all the bidding cities. We are working on that as we speak. We are excited about the vibrant campaigns that will promote those 12 cities and the strength of the culture within them.

Fergus Ewing: I am sure that you will be aware of a new event that took place in Inverness for the first time yesterday—the inaugural Loch Ness marathon. I participated in the race and achieved my twin aims of finishing and avoiding precipitating a by-election—the second of those was met with mixed reactions from my colleagues. When the event was being promoted in the spring by a very competent body called the Scottish Community Foundation, I suggested that just as New York makes \$30 million from its marathon, there was an opportunity to promote the Loch Ness marathon as a niche event. In particular, the race could be promoted in niche magazines such as *Runners World*. I mentioned the matter to you before the meeting began.

Is it your strategy to actively promote niche attractions in niche magazines? That seems to be the most effective way of turning the casual reading of an article into an active decision to visit another country.

14:45

Tom Wright: Absolutely. Our strategy is to use our sports tourism and event internet sites to demonstrate the diversity of activity events in Britain and Scotland throughout the year. I cannot remember the figure off the top of my head, but at any one time, our websites promote a long list of events in Scotland. We are committed to promoting the diversity of activity events in Scotland on our websites and in our marketing around the world.

Fergus Ewing: Perhaps you could make a contribution towards the cost of advertising next year's marathon.

Tom Wright: We would be delighted to ensure that the event is featured in our material.

The Convener: I should say to Fergus Ewing that this is not another marathon.

Mr Ingram: Your submission makes much of the price sensitivity of people who come to this country on holiday and of the fact that Britain is an expensive place to visit. Is not there an inherent contradiction in your objective of bringing people to Britain through London, which is probably the most expensive place in Britain? Do not the extra costs of internal travel make it harder to disperse people around the UK? Should not we consider bringing tourists directly to Scotland, rather than through a London gateway?

David Quarmby: That is exactly our objective. When we say that we bring people in to the rest of the country through London, we simply recognise that Heathrow, Gatwick and Stansted airports are global hubs. We try to get people who come in that way to go to the rest of the country. At the same time, as we have illustrated, we do all that we can to help develop direct access to the regions and to the other nations. For example, for more than 15 years, we have worked with Manchester airport and a consortium of organisations in the north of England to develop and drive traffic straight there, some of which comes to Scotland. We have described how we have worked with Ryanair to develop routes and market services from Norway, Ireland and Brussels to Scotland. The BTA takes the existing pattern of air travel into London airports as a platform from which to drive people beyond London and into the rest of the UK.

Mr Ingram: What is the feasibility of establishing in Scotland a similar type of relationship to that which you have with the Manchester area?

David Quarmby: We would be delighted to explore that.

The Convener: During the past five years, visitor numbers in Scotland have been in decline, although thankfully this year there are signs of an upturn. Foot-and-mouth and the events of 11 September probably contributed substantially to the problem in the past 12 months, but numbers were declining before that, despite the average annual growth in global tourism during that period of between 4 and 6 per cent. Did the rest of the UK experience a similar decline in that period, or were visitor numbers steady or rising? Why have visitor numbers in Scotland fallen?

David Quarmby: I will give my take on that, then ask Bernard Donoghue to comment. The proportion of leisure and holiday tourism from overseas is much higher in Scotland than it is in the UK as a whole. To put it the other way, the proportion of business tourism in Scotland is smaller than that in the UK.

In recent years, although the total spending on tourism in the UK has been fairly flat, the figures have disguised two trends going in opposite directions: a long-term decline in holiday tourism and a growth in business tourism.

In my view—and I have not studied the figures—the fact that the rise in Scotland has been of a different proportion to that in the rest of the UK is the factor that has caused overseas tourism in Scotland to decline slightly. However, in 2001, Scotland suffered less than the rest of the UK did from the effects of the foot-and-mouth outbreak and the events of September 11. We hope that the recovery that we are driving this year through all the marketing that we have been talking about—which is going pretty much according to plan although it is slow—will benefit Scotland at least as much as, and hopefully more than, it benefits the rest of the UK.

Bernard Donoghue: There are other reasons for the declining numbers of visitors coming into the UK, some of which Peter Lederer talked about earlier. They include greater consumer choice; a greater propensity to fly; and improved access to new, exotic and interesting locations.

In February, I was in New Zealand, where the tourist board has a fascinating story to tell. Around 85 per cent of all the inbound visitors to New Zealand come from only four countries, whereas in Britain, 85 per cent of our inbound visitors come from 27 countries. There is an interesting dilemma there. We have to work harder, in more locations, than New Zealand would have to to achieve an increase in inbound visitors. That means that we have to deploy our resources more strategically. We cannot outspend our competitors—some American states have higher domestic advertising

budgets than all the tourist boards in the UK put together—so we have to outthink them. Our new strategy is intended to ensure that we can outthink people to reverse the decline in tourism and, because that is not sufficient in itself, to grow the market for the whole of the UK, including Scotland.

David Quarmby: I have optimism about the short and medium-term prospects for travel from Europe. European tourists are being attracted to eastern Europe and so on, but, while the explosive growth of the low-cost airlines and the substantial price reductions of the main flag carriers between the UK and continental Europe might be taking a lot of Brits out of our market, it gives us a huge opportunity to promote travel from Europe into the UK, especially into destinations other than London as the regional airports develop themselves. We hope that Scotland will benefit from that.

The Convener: According to Ryanair, 80 per cent of people on their flights from Oslo and Frankfurt are, respectively, Norwegian and German. That means that Ryanair brings more people to Scotland than it takes out.

David Quarmby: That is an interesting trend. The early low-cost flights were to places such as the south of France, Italy and Spain and carried far more Brits than foreign nationals. However, as you say, the balance is shifting. That is a big opportunity for all of us and we are very excited about it.

The Convener: Thank you, your evidence has been helpful. We appreciate your coming up from London to talk to us in Inverness.

We will take a short comfort break until 3 o'clock. Andrew Wilson has told me that he has to leave now, so I apologise on his behalf.

14:53

Meeting suspended.

15:03

On resuming—

The Convener: We move on to our third set of witnesses, who are from Highlands and Islands Enterprise and Scottish Enterprise. I welcome the witnesses and ask Bob Kass to introduce the two teams—it may be only one team, depending on how you look at it—and to make some introductory remarks.

Bob Kass (Highlands and Islands Enterprise): Eddie Brogan and Ed Gillespie will introduce themselves.

I extend a warm welcome to the Highlands to the committee—in some cases, I welcome you back, and in others, I welcome you home. Today is a day that shows off the potential of the Highlands as an attractive tourism destination.

I have with me Grant Sword, who is a board member of Highlands and Islands Enterprise and an hotelier and businessman of 26 years' experience in the area.

As the committee knows, HIE is a multifunctional development agency that works across all the relevant sectors in developing the economy according to the agenda of "A Smart, Successful Scotland: Ambitions for the Enterprise Networks". Tourism has a particular significance in our work, because it accounts for about 8 per cent of the gross domestic product of the area and for about 15 per cent of employment. That makes it about twice as important per capita to this area as it is to Scotland as a whole.

Tourism also has a particular reach outside the main honeypot tourism areas, extending right across the region into the most remote and fragile parts. If, as the committee has heard, the focus of VisitScotland and the British Tourist Authority is on the consumer and on destination marketing, the key focus of HIE and the enterprise networks is on business and business competitiveness and on maximising tourism's contribution, as a sector, to the aims of "A Smart, Successful Scotland", to the economy and to the social and environmental well-being of the area.

The HIE network spends about £9 million a year on product development activity in tourism and works in a range of product development areas such as hard infrastructure development, accommodation activities, amenities and other sectors. It develops business leadership, managerial and visitor service skills among businesses and, increasingly, it groups businesses together to enable them to work co-operatively in innovative ways to develop their products and market them. HIE develops individual capabilities in key areas such as e-commerce and it works in infrastructure provision, for example providing footpaths for tourist access and building the Cairngorm funicular railway.

I hope that our submission speaks for itself, but I shall cover two or three key points that it makes. The committee asked about our perception so far of the "Tourism Framework for Action" document. We think that it proposes an extremely promising approach. It was put together in a highly integrated way by the economic development agencies, VisitScotland, the Scottish Executive and the private sector, and it majors on carrying forward its content by maintaining and enhancing that integrated approach among agencies, government and the private sector. It focuses particularly on generating stronger private sector leadership in the process. The new style VisitScotland is very much an aid to that integrated process. The adequacy or otherwise of public sector funding for marketing or other areas of tourism development

should be considered in the light of a clear understanding of what the potential and actual outputs are for public sector investment, as opposed to private sector effort.

On area tourist board reform, we recommend that the ATB structure should be rationalised on the bases of cost, accountability and consistent delivery of activities. It should be husbanded into VisitScotland, under the direction and sole funding of VisitScotland.

Finally, we have sought to highlight the importance of transport in addressing visitor access issues and the dispersal of visitors in the Highlands—which has a difficult geography for that purpose—seasonality as a factor in business profitability, careers and the general economic contribution of tourism.

Ed Gillespie (Scottish Enterprise): Thank you for receiving us this afternoon. I am senior director of operations for Scottish Enterprise. I have special responsibilities for our clusters, of which tourism is one. Eddie Brogan is the head of tourism at Scottish Enterprise. We thought that we would give the home team the opportunity to make the presentations today. The most effective and, I hope, efficient way to proceed will be for us to answer questions on our submission, which the committee has.

The Convener: Thank you very much. I will open with a question for Highlands and Islands Enterprise. I live in Ayr, so I am acutely conscious of the importance of low-cost flights in regenerating Prestwick airport, which is the fastest-growing airport in the United Kingdom. The survival—as you know, Prestwick was on the edge of closure—and subsequent growth of Prestwick has culminated in its securing substantial investment in a repair and maintenance facility, which will create 200 well-paid jobs. That is apart from the growth in airport traffic. I am highly conscious of the tremendously positive impact that Ryanair has had on Prestwick and on the Scottish economy. I mentioned the numbers of Norwegians coming from Oslo and Germans coming from Frankfurt.

It seems that the failure to get low-cost flights into Inverness and Stornoway airports represents a major missed opportunity, not just for the Highlands and Islands, but for the Scottish economy, to which such flights would have been a potential net contributor. Has HIE undertaken any studies on the potential impact of low-cost airlines flying to Inverness or other Highlands and Islands airports and on the potential benefits from related activity that would accrue from the establishment of such low-cost connections between the Highlands and Islands and the outside world?

Bob Kass: Yes we have.

Grant Sword (Highlands and Islands Enterprise): We have undertaken the first such study in Scotland. We funded the study, along with Highlands and Islands Airports Ltd. The first draft of the report was presented to us this week and the report will be made public in the next couple of weeks. It indicates clearly the economic and social benefits that low-cost airlines would bring to our area.

We were keen to examine the dispersal of benefits—we did not want to consider just the honeypot area of Inverness. We gave guidance that the study should examine the economic impact, the impact on visitor numbers and the extent of dispersal. We have that information, which makes for interesting reading. Specific action will follow it.

The Convener: Could the committee have copies of the report, please?

Grant Sword: The report is not public yet—it will be published in a fortnight's time. We received the first draft from Segal Quince Wicksteed Ltd this week. The committee will receive copies hot off the press, as soon as the report is made public.

The Convener: That is great.

Given the collapse in negotiations with Ryanair, does the study address, or have you addressed separately, how you might advance the issue?

Grant Sword: Yes, we have been working closely with HIAL on the matter. We face a difficult situation, as does HIAL. There are constraints of which we must be mindful, not the least of which is the funding structure of Inverness airport. Those constraints affect our ability to pay the ransom that Ryanair is asking for. There would be knock-on effects for other airlines. There are ways round the problem—the study indicates that opportunities to overcome it exist. It is not the case that no low-cost airlines fly into the area, but we need more and we need them quickly. We are working towards that goal.

The Convener: I understand that the way Inverness airport is funded means that, ironically, it would cost the airport to expand the number of visitors who come through the airport.

Grant Sword: There are certainly restrictions on the current financial structure of HIAL that need to be explored. Restructuring is necessary to allow opportunities of the kind that we have discussed. The situation is totally different from Prestwick, in that Inverness airport is a public sector airport, whereas Prestwick airport is a private sector airport. If we ran HIAL privately, what we negotiated with one airline would be our business—it would not be in the public domain. It is evident that we are restricted in that regard.

That said, we are positive about continuing dialogue. We will work closely with HIAL. We

realise the importance of the issue. The economic impact study has highlighted some interesting figures, which the committee will receive soon. We hope to take the matter on from there.

The Convener: Does the study address the issues that you have just mentioned relating to the need to restructure the airport's funding?

Grant Sword: No, it does not. The survey was aimed specifically at the economic and social benefits of low-cost routes into our area.

The Convener: Are you, therefore, saying that to make that happen, the way in which the airport is funded would have to be restructured.

Grant Sword: No. We think that we may be able to seize more immediate opportunities to bring in more low-cost flights before there is any restructuring of HIAL, although that is a pressing issue, which will have to be addressed quickly.

15:15

Marilyn Livingstone: I have a couple of questions. The first is for Scottish Enterprise. In your evidence, you talked quite a bit about major policy changes that have been needed to cope with changing demands. What effect have your policy changes and structural changes had on the promotion of tourism, especially on the product development side?

Ed Gillespie: Like any organisation in the world, Scottish Enterprise has had to take a long hard look at its efficiency and effectiveness. Having spent most of my time in the private sector, I never forget that we are spending taxpayers' money. We have to do that as effectively and as efficiently as possible. We have gone through a substantial session of inward-looking business transformation and downsizing. Most organisations find that they have to do that from time to time. We are coming to the end of that process and we hope to be more effective and efficient in the way that we spend money.

Tourism continues to be one of our seven cluster priorities. It currently rates as number 3, behind biotechnology and digital media, which are two growing areas of economic development. There have been some changes in the management and focus of our tourism effort. However, we have not reduced our financial commitment to tourism and we do not intend to do so. Our financial commitment varies from year to year. We have been involved in some fairly large projects, which can put up the total in particular years. In other years, when a big project has just been completed or has not yet started, the total comes down. The commitment varies over time, but it is still strong, because we believe that tourism is important.

In the last year for which we have figures—2000-01—tourism had a value to Scotland of about £2.9 billion. Tourism supports employment for more than 200,000 people and is important for about 15,000 self-employed people. Those numbers alone show that tourism is important to the economy and economic development of Scotland.

Marilyn Livingstone: How does your policy vary from region to region? I have read quite a bit about the work that you are doing on your key accounts. Will you talk about regional spread and clusters? You say that tourism has the third highest priority, but how does that vary from network to network? Some areas will require more provision than others. How do you allow for that and for local innovation?

Ed Gillespie: I will start and then hand over to Eddie Brogan, who will give you more detail.

The cluster team is a national team. It focuses on the whole of Scotland and drives our strategy on products and on the provision of major attractions such as Loch Lomond Shores. At the level of local enterprise companies, there is room for local innovation. We now have 11 LECs that do specific things. There is, for example, the Balmoral road race, which I know about from my days in Grampian. That example is specific to the north-east of Scotland, just as other examples are specific to other parts of Scotland.

We have some generic products that involve training people in the tourism industry. Since the early 1990s, we have put some 80,000 people through training programmes that have been aimed at the hospitality and tourism industries. Investors in People is also a generic product that we use to develop many companies, some of which are tourism companies.

We have a national overlay and we have specific innovation at local level. We will always respond to the industry if it brings us innovative and new projects, of which there have been a few. There are big projects such as Loch Lomond Shores, projected visitor numbers to which are 1.8 million and which is hitting its visitor number targets in its early days. There are also small projects such as the Scottish Seabird Centre, which is responsible for 20 jobs. There are big national projects and small local projects.

Eddie Brogan might want to add something.

Eddie Brogan (Scottish Enterprise): We have a network-wide tourism plan. We are working with the industry to ensure that all the key strategic business and skills issues are addressed as consistently and coherently as possible across the network. We are in a transitional phase at the moment, but the aim is to get into a situation where businesses are able to access the same

core tourism-specific programmes on a network-wide basis.

In addition, there are opportunities for local areas to develop projects that capitalise on those areas' strengths. Loch Lomond Shores is an example, but we are keen to encourage projects in more peripheral areas. Our written evidence includes examples, such as from Dumfries and Galloway and the Balmoral road race in the north-east.

We are trying to ensure that our general business support services are delivered reasonably consistently and to ensure that resources are available to help to deal with opportunities when they arise.

Marilyn Livingstone: Some of the previous evidence was about how the network works in partnership. You are talking about the network's priorities. How does it take on board local priorities? How does it work with local authorities, for example?

Eddie Brogan: In most areas, there is quite a strong tradition of area tourist boards, local authorities, local enterprise companies and industry working together on area strategies and initiatives. Those who are involved take a view of what the particular market opportunities are in their area and organisations find out where they can make their most valuable contributions; each organisation has a relatively distinctive contribution to make. Marilyn Livingstone mentioned local authorities and I endorse their critical role in initiatives to enhance the quality of tourism products at local level.

There is scope to improve the effectiveness of how organisations work together, as there always is. In particular, local collaboration has to be more geared to meeting the needs of specific target markets. For instance, in Edinburgh we now have local tourism innovation groups, which are focused on meeting the needs of, for example, the business-travel market or the short-break market. The groups are encouraging businesses to collaborate on improving the visitor experience and on getting more value out of specific markets. A market-driven approach should be the basis for the way forward.

Marilyn Livingstone: Could we have supplementary evidence on best practice?

Eddie Brogan: Absolutely.

Marilyn Livingstone: I have a small question for HIE. Your evidence mentions tourist information centres and franchising. How do you think that would be of benefit?

Grant Sword: In the part of our submission about the ATB review, we acknowledge the importance of slimming down the ATB network.

Because of the rural nature of some of our tourist information centres, we felt strongly that one size does not fit all, which gives us significant cause for concern. We see the TICs as falling into three categories—city centre, gateway and rural. We envisage the rural TICs becoming local franchises. We have good exemplars of that that have been piloted by the Highlands of Scotland Tourist Board and the local authorities over the past year or so. There is a TIC in Dornoch that is being run privately and seems to be doing well. It has enhanced the quality of service and the product and it appears to be working for all concerned.

The other example is slightly different. It is out on the Ardnamurchan peninsula in Kilchoan where there is a more integrated community-run centre that is running very well and effectively. The centre includes a doctor's practice, a Highland Council service point, a local volunteer-run cafe and other community facilities, such as a village hall and sports facilities for children from the area. That is the model that HOST is piloting. We regard it as a good exemplar and would like to move forward with it.

The Convener: I have received a request from broadcasting that everyone present switch off their mobile phones—it is not enough to set them to silent mode. If mobile phones are not switched off, they create background noise that interferes with the sound recording system.

Miss Goldie: At the risk of being tedious, I would like to return to the airport issue. There is a poster on the wall that says that there is

"More sky than we need",

but there are clearly not enough planes in it. If there is a boulder in the path, who will shift it? Will the enterprise company do it, will local industry in the tourism business do it or will the Scottish Executive do it?

Grant Sword: A collaborative approach is needed. The Scottish Executive has a big say in how the system is structured, because the Government was very influential in setting that system up. Careful consideration needs to be given to the matter; it must be thought through carefully. Whatever we do will have financial implications. One of the options that we need to consider is that of buying out the existing arrangements.

Miss Goldie: Is there a time scale for dealing with the issue? Will it happen next year or in five years?

Grant Sword: It is hard to say. We see airports as a very important issue and will press the matter as fast as possible. The problem is a real constraint.

Miss Goldie: When reading the submission from Highlands and Islands Enterprise, I noted the significance of tourism to the Highlands and Islands. Tourism generates 8 per cent of the area's GDP and 15 per cent of its employment. I also noted that HIE may have budgetary problems in relation to tourism. HIE's annual expenditure on tourism might drop to £1.5 million, from an average of £3 million in the past three years. Does HIE have a problem in reprioritising expenditure? Given its importance, the tourism industry might argue that it is not receiving proportionate expenditure from the enterprise network.

Bob Kass: Is the member referring to the future potential loss of European funding?

Miss Goldie: Yes. It is suggested that Highlands and Islands Enterprise might lose £1.5 million from its annual budget for tourism.

Bob Kass: The European input has been invaluable in enabling us to address some of the basic issues that we needed to address, such as the quality of accommodation stock and the quality and variety of activity provision. Active programmes have been set up to deal with those matters.

In our experience, the amount that we need to spend on tourism is guided significantly by the demand that we generate and the willingness of the business sector to invest with us and to participate. We have to date not had to turn away any significant or viable proposition because of a lack of funding. One of the benefits of a multifunctional development agency is that it is able to respond to opportunities and needs. The Cairngorm funicular was a tremendous and rare opportunity to maintain a 12-month tourism season in a large part of the Highlands.

I guess that our funds will always be directed in different ways in different years, depending on opportunity and need. After 2006, we will seek more European funding, but it is by no means certain that we will get it.

Miss Goldie: HIE faces a potential challenge.

Grant Sword: We see clearly that tourism is of great importance to us. If a redeployment of funds were needed, that would be high on the agenda. However, such a step would have to be considered against other budgetary demands. Tourism is an important business for us and we already apply for significant resources to fund it.

Miss Goldie: I have a final question for the witnesses from Scottish Enterprise. Highlands and Islands Enterprise's submission contains a clear and candid comment about the area tourist board network. I am clear about HIE's assessment—it is blunt and unequivocal. However, from Scottish Enterprise's submission, I am not so clear about

its view of the area tourist boards. Perhaps Mr Gillespie or Mr Brogan would like to clarify what that view is.

Eddie Brogan: I will do that. When we were preparing our evidence, we were also preparing our submission to the Executive on the review of the area tourist boards. Significant change is needed to the area tourist board network to reflect the changes that are taking place in the industry and the challenges that face tourism businesses. For those changes to be consistent, they should be driven by the needs of the "Tourism Framework for Action" strategy.

15:30

It is particularly important that there is strong integration between the services that deliver locally and the service that delivers nationally in respect of tourism marketing—between the ATBs and VisitScotland. That will be very important in our overall efforts to deliver on the Scottish brand and in respect of the development of products and services in line with VisitScotland's emerging product portfolio. We are working with VisitScotland on that.

VisitScotland made the important point earlier about improving local market intelligence. That point is echoed in the work that has been done for the committee. If we, as agencies, are to respond and if we are also to help businesses to respond appropriately, we need to have good market intelligence and we need to know how markets are changing.

We believe that the effort that VisitScotland puts in at national level in terms of overall market trends needs to be mirrored in a consistent effort at local level. That will enable us to understand market opportunities, industry performance issues and satisfaction levels. We would like that issue to be much higher up the agenda in any new structure.

Boundaries are not the real issue. Flexible arrangements need to be put in place to allow the industry to work collaboratively to promote destinations. In marketing terms, it makes sense to do that. That said, the number of area tourist boards is not critical. However, there is a danger in that, as—

Miss Goldie: I am sorry to interrupt, but I would like to clarify one point. Highlands and Islands Enterprise states:

"The current number and structure of ATBs is unsustainable and these should be disbanded."

HIE further suggested that a smaller number of ATBs should be

"consolidated into a Scotland-wide network".

Do you share that view?

Eddie Brogan: We would like a new model for the area tourist boards to be put in place—one that reflects the needs of the industry.

Miss Goldie: So you do not share HIE's view.

Eddie Brogan: We would prefer a process of managed change, which says, "Here's where we are now and here's the new structure that needs to be put in place." It is important that we retain the strengths that the area tourist boards have brought to Scottish tourism, particularly in terms of engaging with small businesses. We need to build on what is there at present. We would not use the language that HIE used, but we agree that there is a need for substantial change.

Ed Gillespie: Our number 1 priority is integration with VisitScotland. Change needs to happen.

Miss Goldie: Does that integration extend to the core funding that comes from VisitScotland?

Ed Gillespie: We are talking about a clear integration that is as tight as it can be made. Marketing needs to be channelled down through the ATBs and VisitScotland. The new model may be the one that our friends and colleagues at Highlands and Islands Enterprise suggested, but we are not sure. We need to work through our thinking to get it market focused. That said, the time for change is quite close.

Miss Goldie: I do not want to be polemical, but is it not a matter of concern that the two main enterprise networks for Scotland do not seem to have a common view on an issue that is pretty critical for the tourism industry?

Ed Gillespie: With respect, I do not think that there is a great difference between us. What appears to be a difference may be more a matter of timing and process.

Mr Ingram: The Stevens and Associates report emphasised the importance of strategic leadership in the industry and private sector. It is no secret that public agencies and the industry have not seen eye to eye on the subject of developing the tourism industry. What constraints are there on developing the type of strategic leadership that the Stevens report advocates? In particular, it advocates that public agencies work with winners in the industry and suggests that public agencies should adhere to the advice of industry leaders. Will you give us your views on those recommendations and tease out any constraints that you feel exist?

Eddie Brogan: I will have a first go at that. The critical point about industry leadership is that it will not happen on its own. We need a managed process of building the mechanisms that will

deliver industry leadership. Those mechanisms are beginning to emerge, but there is a long way to go. That is a new way of working for Scotland and it will take us some time to put the mechanisms in place. I have in mind mechanisms such as the tourism innovation group, which we set up recently. It encourages the industry to identify and promote new ideas and approaches, and it identifies exemplars of best practice. Another mechanism is Tourism People, which HIE and Scottish Enterprise fund jointly. It is designed to help the tourism industry to pick up the skills agenda and begin to advance it. Tourism People is the industry speaking to the industry about one of the most critical issues that it faces for the future.

Co-operation also needs to happen at other levels. It needs to happen in key product areas, such as golf. We need mechanisms whereby the industry can work together on such areas. The Stevens report showed that a number of countries are tackling that through the formation of clubs or clusters through which the businesses that have an interest in a particular niche market or product area are encouraged to work together. We have some catching up to do on other countries in that regard. That is also part of the way forward.

At individual destination level, we are working with businesses in St Andrews, for example. We are trying to get the businesses there to take ownership of the way forward for the tourism industry in St Andrews.

The process must be managed. The public sector has an important role to play in helping to bring businesses together and in resourcing such initiatives, particularly in the early days, to get us to a point at which the industry begins to see the benefits and can begin to pick up the reins much more seriously.

Mr Ingram: Are you engaged with the major players in the tourism industry?

Eddie Brogan: We are, but not to the extent to which we should be. That is a fair point, which reflects the history of public sector involvement in the tourism industry, which has tended to focus on helping the weakest businesses in areas such as skills and basic business development issues. Scottish Enterprise now places much more emphasis on leading from the front by working with the businesses that are innovative and willing to show the way for the rest of the industry, rather than pushing from behind. In that respect, we are consistent with what the Stevens report recommended.

Mr Ingram: I take it that you support the recommendations of the Stevens report.

Eddie Brogan: Its recommendations are similar to the conclusions of work that we did with

VisitScotland, HIE and the industry in 2000. Many of the issues that are raised in the Stevens report are covered in the "Tourism Framework for Action". The challenge is to put those conclusions into practice. That is where we are trying to go now.

Bob Kass: You asked us to point out some of the constraints on and difficulties of bringing the industry together. In the Highlands and Islands—but also in the rest of Scotland—key constraints are geography and the small average size of businesses in tourism. Seasonality is another—there are certain times of the year when most small businesses do not want to spend a great deal of time getting involved in industry leadership as opposed to good business leadership.

Some of those considerations lie behind our response to the area tourist board review. There are individual businesses and groups of businesses that understand their markets extremely well and can be extremely good at customer relationship management, marketing and product development in their own right with support from the public agencies. They can move faster and address needs and opportunities more quickly than any public agency can. We would like a flotilla of such businesses throughout the Highlands and Islands—and throughout Scotland—doing what they do best, which is developing and marketing their businesses with certain interventions from us.

Having said that, we co-fund the bigger aircraft carriers, which are Tourism People and the tourism innovation group. The Scottish Tourism Forum was substantially developed with our joint financial assistance. Finding an intelligent, coherent, influential voice for the industry is a key priority, but developing competitiveness has to be the underpinning aim.

Grant Sword: There are a number of blockages or constraints. Frustration with the speed of change is one—I am now speaking from personal experience, as a businessman. One of the reasons why businesses have been successful in the past is perhaps that they have not given up a lot of time to public life. The important thing is to ensure that market forces take over. That is what is happening in the Highlands now, with the evolution of the Highlands and Loch Ness marketing group, for example. It covers an area as far north as Dunrobin castle and Clynesh distillery, down as far as Drumadrochit and across to Nairn and Elgin. It is a group of people who have got together and marketed themselves. The group has been going for three years, and it is paying dividends. The important thing for the survival and fruition of little groups such as that is for people to understand that their neighbours are not their competitors. Once we get that message

across and once people get over that blockage, they have cracked it. Our competitors are in Europe and the rest of the world; they are not the hotel down the road, the guest-house 50 miles away, or businesses in Strathclyde or the Trossachs.

The Convener: Five members still wish to contribute, and I will try to let them all do so, but I require their and the witnesses' co-operation in being short and sharp—as you always are, Rhona.

Rhona Brankin: I wish to pursue the witnesses' views on the relationship between investment and value for money. How can you ensure that you get value for money? Secondly—you may wish to answer this in writing after the meeting—what are the key challenges for getting the right skills in the tourism market?

Bob Kass: Value for money varies between different programmes of activity. Sometimes immediate evaluations are possible. We run e-commerce seminars and development programmes with businesses in tourism and other sectors, and we want to measure the number of businesses that engage in those activities and in e-commerce. That is a primary-level value-for-money judgment. In assisting individual tourism businesses to develop either the quality of their accommodation or a new type of offer for the marketplace, we would examine the business that develops around that and the level of related job creation. In such cases, we would be looking for immediate payback for the public purse.

We then have to go a step higher and ascertain the value of the set of activities that we are bringing to bear on tourism. We undertake independent programme evaluations, and have been considering doing one on tourism in the next year or two to look at the industry holistically and independently evaluate the whole panoply of our tourism-specific and generic development activity, including Investors in People activity and business leadership activity.

Ed Gillespie: We have laid out some illustrations of value for money on page 2 of our written submission, and we would be happy to give you more written material on value for money in relation to a range of big and small projects. Where we have done an evaluation, we measure either financial gain or other proxy gains, for example numbers of visitors and percentages of people responding. We know that 90 per cent of the respondents who attended the Gleneagles master-class series, for example, have gone on to do something specifically as a result of making evaluations in such detail. I would be happy to provide an additional written submission.

Rhona Brankin: So there is more to it than throwing money at the industry; it is important that

performance measures are developed to evaluate projects.

15:45

Ed Gillespie: Very much so. The evaluation of projects is a difficult but essential part of what we do. We would be happy to share information on that with the committee.

Rhona Brankin: What about the skills side?

Eddie Brogan: One skills issue that I would pick out, which is highlighted both in our written evidence and in the "Tourism Framework for Action", is business leadership skills. We believe that an awful lot flows from that. If people who are running tourism businesses have the rights skills, not only will their capacity to be innovative in developing products and services be strong but they should, in turn, have the ability to put in place the right human resource practices within their businesses. Management skills have always been a key issue for the tourism industry, but we are now putting much more effort behind trying to build management and leadership skills in the industry.

David Mundell: Eddie Brogan mentioned integration with VisitScotland. Do we have the right balance for where Scottish Enterprise's responsibilities end and where those of VisitScotland begin? As someone looking from the outside, I think that the responsibilities are not balanced, in that the resources of Scottish Enterprise are enormous relative to those of VisitScotland. For example, the average enterprise company has budgetary dominance—and probably organisational dominance—over the tourist board that operates in the same area. Is the balance between the two organisations right?

Eddie Brogan: Our overall network spend on tourism is estimated to be about £14.5 million this year. That is still substantially short of what VisitScotland and the area tourist boards collectively spend on tourism, although I accept the point that the overall resources of Scottish Enterprise are much greater than those of VisitScotland.

As VisitScotland pointed out earlier, we work in a sophisticated marketplace. The performance of the tourism industry in Scotland is absolutely founded on the quality of the visitor experience on the ground. If we are to have any prospect of success, it is important that we continue to invest both in the quality that individual businesses provide and in Scotland's wider tourism infrastructure. If we do not do that, the resources that we put into marketing will not bring any sustainable results. I argue that investment of resources in the development side of tourism are essential if we are to have any hope of developing a sustainable industry.

Ed Gillespie: Scottish Enterprise's strategy is drawn from "A Smart, Successful Scotland". We also have the "Tourism Framework for Action". I believe that we have the resources to do the job but—to go back to my previous comment—getting it done within the existing structure is about getting the right people, the right strategy and the right product. We should resist the temptation to change the structure every time that we have a problem. We need to be more focused on how we deliver the strategy that we have set out for ourselves. For me, that is a key step.

David Mundell: We know that Scottish Enterprise is driven by all sorts of targets, which we hear about all the time—

Ed Gillespie: There are 27 of them.

David Mundell: How are we to be reassured that those targets are completely consistent with the tourism product development that is identified in the work carried out by VisitScotland? Will Scottish Enterprise put money into supporting and developing a business that is in accordance with what has been identified by VisitScotland but that is not in accordance with Scottish Enterprise's targets?

Bob Kass: May I come in on that?

David Mundell: No—well, you may in a minute.

Ed Gillespie: For me, the situation is relatively simple. I have tried to say it before: "A Smart, Successful Scotland" is the strategy of the minister and the Parliament and it rightly drives Scottish Enterprise. Within that strategy, there are three main pillars of activity. We also have the tourism framework. We operate within the overarching strategy and the framework to deliver the part that we play in the much larger tourism scene in Scotland.

We need to focus on effective delivery and implementing the strategy, not on changing the structure. We demonstrate that by the additional information that I have offered to Rhona Brankin—I will also happily send it to the committee clerk—which outlines how we have delivered against those plans in the past year and the previous years.

David Mundell: I understand what you say on how you are delivering against your criteria—

Ed Gillespie: Excuse me, they are not our criteria. They are not determined by Scottish Enterprise; they are the collective whole's criteria. We are working to "A Smart, Successful Scotland". That is what drives us. We must not call the criteria ours.

David Mundell: Okay. They are the Scottish Executive's criteria, but they are not from the collective whole, if you are including all of us in

that. You work to those criteria. How are we to be satisfied that they fit with what we have heard in relation to VisitScotland? Surely if those who were responsible for marketing were also responsible for product development, we could be confident that the two were synergistic.

Eddie Brogan: We have put in place joint working arrangements with VisitScotland to address that issue. Bob Kass, VisitScotland's director of industry services and I form a joint planning team. Part of our work at the moment focuses on product development to ensure that our product development priorities align with VisitScotland's view of the marketplace and its emerging product portfolio.

Bob Kass: HIE has formed a steering group and implementation group at Scottish Executive ministerial level and downwards. We also have a joint planning team with the three agencies concerned. Beneath that, we have two sub-groups: one that considers the product portfolio and the balance of investment in sectors and niches to support the portfolio and another that examines business development and how we balance our investment in business.

One of the key issues in the Stevens report was integration of agencies. One example that was given was the south-west of England, where a regional development agency is working extremely well with a regional tourist board so that they balance their inputs. The "Tourism Framework for Action" has been fundamentally instrumental in ensuring that we share the scale of opportunity and the development aspects for the sector.

Mr Stone: On the area tourist board structure, as I represent a singular and different part of the world—Caithness is as different from Inverness as Inverness is different from Ardnachurchan—it was music to my ears to hear the VisitScotland witnesses say that they realise that diversity is increasingly important in an increasingly discerning and sophisticated tourism market. How does HIE square that with the restructuring of the ATBs, in which there would be an even bigger ATB for the Highlands, which, if we are not careful, could become even more centralised? Would it not be much more sensible to engage with diversity, increase devolution—more home rule to Caithness—and engage with the areas, their different interests and the different contributions that they can make? In that way, we could harness the energy of the Highlands to the greater good.

Grant Sword: That is exactly what we have outlined in our submission to the ATB review. Our most important recommendation is that the ATB structure is too unwieldy and that we perceive an opportunity for local collaborative action groups to take charge of their areas because they know and can action them best. That is where the fundamental change will come in.

We do not envisage that each area will be disfranchised by a reduction in the number of ATBs. We envisage that that will be a huge improvement on the current structure and we would welcome the opportunity to attract more local input into each area.

Mr Stone: So can we say to Caithness that, if things go as you want them to, the area will have more say in its tourism marketing?

Grant Sword: Absolutely.

Rhoda Grant: VisitScotland talked about the market research that it carries out. Is that fed into HIE and Scottish Enterprise as agencies that fund product development and can you use that research when you are approached for assistance with product development to ensure that it fits in with the market research?

Bob Kass: Very much so. I should have mentioned that the agencies share a research team. That is essential because, as we know, marketing is not about promotion or product development but about finding out what customers need, developing the product to meet that need, promoting it accordingly and re-researching it in order to keep it alive. We are moving into that sort of virtuous cycle now. Clearly, the leadership in that regard lies with VisitScotland, but there are areas in which regional bodies such as ours need to have regional handles on the capacity of certain sectors of the industry. I think that we are moving towards a shared view of what is needed and what can be done.

Eddie Brogan: The norm in product areas is for us to have some form of joint group across all three agencies. We would look to VisitScotland to provide the market intelligence and to help with the routes to market at the other end of the process, through its websites or other marketing activity. We would contribute by doing business development work and by helping to bring businesses together to develop facilities, if that were needed in particular areas. The three agencies work hand in glove on specific product areas as well as working on the overall product portfolio.

Fergus Ewing: I welcome HIE's support for the funicular railway in Aviemore. My question relates to the future of Scotland's former premier tourist resort and the vexed and long-running issue of the redevelopment of the Aviemore centre, which is important to tourism in the area.

As you know, there have been many delays, false dawns and raised and dashed hopes. There is a great deal of cynicism and scepticism in Aviemore and the people there feel that they have waited as long for progress as Mrs Edwina Currie waited for a Cabinet post, although they hope for a different and better outcome.

Can you give us a positive statement on when the redevelopment will go ahead? What resources will it include? Will it include facilities such as an ice rink and the other resources for which the community has called?

Bob Kass: We recognise the problem that you are talking about. Aviemore is important in itself and as the kernel of a hugely attractive tourism environment. Not only is it the gateway to the Highlands, but it will be an important gateway to the new national park.

I am not sure how to make what I say sound new, but I ask you to keep watching this space. I do not want to give too many hostages to fortune, but I can say that I believe that we are fairly close to being able to give you some exciting news on Aviemore. It will incorporate what can be feasibly incorporated with commercial partners in the first instance. That package has been hammered out over the past few months and I think that it will represent a giant step forward. It will not satisfy everyone immediately, but it will signify change and progress.

The Convener: A giant step forward for mankind, no doubt.

I thank you for your helpful oral and written evidence. I also thank all the people who assisted today: the clerks; the staff of the official report; the broadcasting support unit; and the security staff. All of them were absolutely essential in making this a successful visit. I once again thank Highlands and Islands Enterprise for its generous hospitality during the day.

The next meeting of the Enterprise and Lifelong Learning Committee will be next Tuesday, when Annabel Goldie, the deputy convener, will be in the chair.

Meeting closed at 15:58.

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