

ENTERPRISE AND LIFELONG LEARNING COMMITTEE

Wednesday 11 December 2002
(Morning)

Session 1

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ENTERPRISE AND LIFELONG LEARNING COMMITTEE

† 31st 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

WITNESSES

Peter Lederer (VisitScotland)

Tom Matthew (Highlands and Islands Enterprise)

Mary McLaughlin (Scottish Enterprise)

Philip Riddle (VisitScotland)

Mike Watson (Minister for Tourism, Culture and Sport)

CLERK TO THE COMMITTEE

Simon Watkins

SENIOR ASSISTANT CLERK

Judith Evans

ASSISTANT CLERK

Jane Sutherland

LOCATION

Committee Room 2

† 30th Meeting 2002, Session 1—held in private.

Scottish Parliament

Enterprise and Lifelong Learning Committee

Wednesday 11 December 2002

(Morning)

[THE CONVENER opened the meeting at 10:03]

Tourism Inquiry

The Convener (Alex Neil): Welcome to the Enterprise and Lifelong Learning Committee's 31st meeting of 2002—our last meeting before the Christmas recess. We have apologies from Brian Fitzpatrick, Rhona Brankin and Tavish Scott. I welcome John Farquhar Munro, who is Tavish Scott's substitute. Annabel Goldie has just arrived—what an entrance.

We will take three sets of evidence this morning to follow up previous evidence. I welcome Tom Matthew, who is the transport policy manager at Highlands and Islands Enterprise, and Mary McLaughlin, who is the head of transport and area development at Scottish Enterprise. We thank you for your submission. You may say a few words of introduction, after which I will open up the meeting to questions.

Tom Matthew (Highlands and Islands Enterprise): I have no opening remarks. I am happy to take questions from the committee.

Mary McLaughlin (Scottish Enterprise): The same goes for me.

The Convener: My first question is to Tom Matthew. The problems that have arisen from the private finance initiative contract at Inverness airport have concerned the committee. Highlands and Islands Enterprise is not the main player in that situation, but will you update us on the negotiations to try to untangle what seems a bloody mess?

Tom Matthew: All that I can tell the committee is the latest that I have heard from our checks with Highlands and Islands Airports Ltd. HIAL is still in negotiations to revise the terms. We are concerned about the matter, for the reasons that you mentioned. However, we have had a successful start to an Inverness to Manchester service, which is aimed more at the business market than at the no-frills market. I do not want people to think that nothing can be done to develop services out of Inverness before the PFI deal is renegotiated. Some constraints are being placed on no-frills carriers, which the committee

identified when Bob Macleod from HIAL spoke to it, but we are keen to consider what can be done within the PFI, particularly on the full-service side.

The Convener: We have seen some progress to provide more flights to Stornoway. What about the northern isles? The committee's first visit for its tourism inquiry was to Shetland. We were struck by the potential for tourism in the northern isles and the need for cheaper access by ferry and by aeroplane. What progress is being made on that?

Tom Matthew: We are aware of some interest from several airlines from Scotland and internationally. I cannot go into that today, because of commercial confidentiality. Off the top of my head, I know that the flight path from the Faroes to Aberdeen passes over Shetland. Orkney and Shetland and the Scandinavian nations have had links. We are keen to consider that issue.

The involvement of new operators might affect the cost of access, but the existing fare levels also raise an issue. In our response to the aviation consultation document, we said that greater use might be made of public service obligations to try to reduce fares. The market in the Highlands is developing, but we are concerned that it might not be moving quickly enough. Perhaps we need to reduce fares before low-cost carriers become involved, to create a wider range of benefits.

The Convener: I have a couple of questions for Mary McLaughlin. What progress has been made on direct low-cost flights from Europe to Scotland, which bring many visitors? From where Scottish Enterprise sits, do you have an update on the prospect of direct flights from North America?

Mary McLaughlin: My submission outlines three sectors in which Scottish Enterprise is interested. One is the out-of-town sector, which brings in tourism, and another is city-to-city low-cost flights. However, Scottish Enterprise is also interested in scheduled flights and global connections. We have worked with airports and used the introduction of the interim route development fund to try to develop new services for April or July 2003. As with the issue to which Tom Matthew referred, commercial confidentiality applies, but we are working on several fronts. The outcome depends on how negotiations go, but we are discussing a considerable number of new routes for next year—probably as many as 10. If things do not go well, the figure could be five. That is the range.

As for transatlantic flights, the committee will know that, before 11 September, we were negotiating with a carrier to start services. After 11 September, we did not conclude the negotiations. The North American market is doing quite well. We recently undertook a study with Booz Allen

Hamilton to re-examine the North American market and the opportunities there. Although we do not believe that we will get services by April 2003, or indeed by the end of 2003, we are quite confident that we will be able to attract additional services the year after that. We want to target airlines that are operating summer-only flights at the moment to see whether we can secure all-year services for next year and to find ways of assisting that process.

The Convener: Is the route development fund that was announced about a month ago up and running? How will it work and who administers it?

Mary McLaughlin: The scheme is an interim route development fund. While working through the Department for Transport's process, we were thinking about ways of developing a long-term strategy with VisitScotland, Highlands and Islands Enterprise and the Executive. After 11 September 2001, we identified what was left in the marketplace. Having attracted the routes conference 2003, we planned to use that opportunity of having the airlines on our doorstep to launch something about the strategy that we wanted to develop. However, we had considerable interest from airlines, partly because we were hosting the conference and were talking to them as part of the process. As a result, we felt that it was important to introduce an interim arrangement. The interim route development fund will allow us to work with the airlines and iron out some issues before we introduce the fund fully.

At the moment, the fund is administered with the Executive. We are contributing to the fund, as is Highlands and Islands Enterprise. However, as the economic development agency, we have also used the *Official Journal of the European Communities* to tender out various different economic and value-for-money analyses. We are investing in the process.

Miss Annabel Goldie (West of Scotland) (Con): Given the work that Scottish Enterprise has undertaken since the report was commissioned last year, what has been the principal impediment to expanding route capacity?

Mary McLaughlin: The principal impediment is future connectivity for our businesses and inbound tourism. At the moment—

Miss Goldie: But surely that is an opportunity. I am talking about impediments that have stood in your way when you have tried to achieve positive outcomes.

Mary McLaughlin: Okay. Sorry.

Scotland is quite a small market. When airlines seek to serve markets, they want to make money by developing the routes. That is an opportunity as well as an impediment. Over the past few years,

as aircraft have become smaller, thinner routes from Scotland on which airlines can operate on schedule have become more attractive. However, at the moment, the airlines just about make it. As a result, an airline that decides to develop a service from Scotland is taking more of a risk than it would be if it decided to do so somewhere else. As airlines can deploy their aircraft wherever they want to, we are trying to use the route development fund to tell the airports and airlines that we as Scotland plc are willing to share a risk with them. Obviously, we want the airports and airlines to take more of a risk in that respect.

Miss Goldie: So the principal difficulty lies in getting the airlines to accept an element of risk.

Mary McLaughlin: Yes—and in getting the airports to do so as well.

The Convener: Will the route development fund help to reduce that risk in any way?

Mary McLaughlin: Yes. That is its whole point. However, we will share the risk on routes only where we can make economic gains, which comes back to my point about carrying out an economic impact assessment.

The Convener: You are talking about an interim route development fund. Does “interim” mean one year, three years, five years or more?

Mary McLaughlin: We developed the interim fund because opportunities for April 2003 were emerging that we felt we would have been unable to realise unless we had some sort of instrument with which to develop services. As a result, the fund is only for services that are being developed next year. We will see how that goes. In any case, that will allow us fully to calculate what the fund will cost us over the next few years. Support could be given to a route for three years.

The Convener: So, in a sense, the fund is still a pilot. If it works, it will be extended; if it does not work, it will not be.

Mary McLaughlin: That is right.

David Mundell (South of Scotland) (Con): Some concerns have been expressed that route development might not be equally beneficial to all airports. Prestwick, for example, has really pressed ahead with route development, but are there guarantees that funding will support such innovative development rather than simply go to Glasgow and Edinburgh, where there has not necessarily been such innovative development in the past few years?

Mary McLaughlin: Absolutely. We have visited all the airports and have discussed development with each one. To clarify, I am talking about services out of Aberdeen, Dundee, Inverness in the Highlands and Islands, Glasgow, Edinburgh

and Prestwick. A number of opportunities at Prestwick could probably be realised through the route development fund. Although Prestwick has worked in an innovative way, some routes are out of its reach. However, we can assist with some routes and bring them on board more quickly than would normally happen.

10:15

David Mundell: On another issue that relates to your work, how different is the business market from the leisure or family market? When I travelled on a low-cost flight, I was struck by the fact that one guy in a suit stood out from everybody else.

The Convener: Was that you, David?

David Mundell: No, it was not. There were probably not many Conservatives on the flight, but I did not stand out by wearing a suit. Is there any research on business people who say that they will not go on certain flights?

Mary McLaughlin: That is a complicated question to answer, as such factors must be considered on a route-by-route basis. London services, for example, have a high business use, but there is not necessarily a similarly high business use of European services, partly as a result of where they go—there is more leisure use of European services. Each route brings different factors and use of routes depends on whether the final point of destination is near to where businesses want to go and whether they would rather pay extra costs to go to the hub operation.

We think that all sectors need to be involved because only the scheduled guys will give the necessary global coverage. The low-cost guys give good point-to-point connections to cities and more out-of-town destinations. From a tourism perspective, out-of-town or city-to-city trips deliver inbound leisure visitors. However, it should not be forgotten that around 50 per cent of passengers on scheduled North American services are inbound—people coming here—so those, too, are beneficial to the economy.

David Mundell: On a parochial point, the United Kingdom Government has, as part of its review, highlighted potential development at Carlisle airport, which is less than 15 miles from the border. Such development could be important to the south of Scotland. Is that issue on your radar?

Mary McLaughlin: No.

David Mundell: May I put the issue on your radar? Obviously, the matter does not fall within your remit, but such developments are potentially important. The committee has discussed the fact that, in Scotland, once people reach Glasgow and Edinburgh, they do not go south; instead, they tend to go north. It is important that developments

at Carlisle airport are also seen in a Scottish context.

Mary McLaughlin: We have to see any developments at airports in a Scottish context. I take your point. If something is developed at Newcastle, we must consider its effect on the commerciality of services elsewhere. However, we could not support services that develop at Carlisle, as that is outwith our scope.

David Mundell: That is self-evident, but you could be aware of them and build them into your overall picture.

Mary McLaughlin: Absolutely.

The Convener: I presume that you would talk to the Northwest Development Agency.

Mary McLaughlin: We talk to all the agencies.

The Convener: I want to ask Tom Matthew about the significance of public service obligations in promoting tourism growth in the Highlands and Islands. What needs to be done to make more use of PSOs?

Tom Matthew: I agree that more use needs to be made of PSOs. If a return flight from Edinburgh to Shetland costs £395, that is hardly likely to encourage tourism. The market is changing—for example, there are the new British Midland Airways flights to Stornoway and the Manchester service. However, HIE's view is that the market is not moving quickly enough and that air travel costs are too high.

I emphasise that PSOs do not necessarily require subsidy. We believe that some routes could be operated commercially and still have fares and specifications changed to give more support to economic development. I would not want people to be fixated on the view that a PSO necessarily means more subsidy. We are keen for air services to be developed to parts of the Highlands that are fairly inaccessible—for example to Skye, and to the Argyll islands from Oban. The issue is not only about getting fares down on existing services, but about using PSOs to bring air services to inaccessible places.

Andrew Wilson (Central Scotland) (SNP): Given what you just said, what is HIE's view on the apparent time limit for the Barra PSO, which is causing great uproar there?

Tom Matthew: Next week, we will consider a report that we commissioned on the issue. We are concerned about the fact that, even though £13 million of public money has been spent to improve services for the south of the Western Isles, the island of Barra could end up worse off. We would need to be convinced that the Sound of Barra ferry service could work and provide links to air services.

We should remember that a range of users will want to use that ferry service and that it will be important for freight traffic. There is a danger that we will ask the service to do too much—we could end up skewing the timetable towards air users who want to go to Benbecula, which could mean that the service would become inoperable for freight or inter-island travel. When we see the economic impact report, we will take a firmer view. However, we certainly do not want services to Barra to go backwards, particularly in light of the fact that there has been a significant expenditure of public money.

Andrew Wilson: Why do you think that the services have gone backwards? Why has the minister extended the PSO for only a shortened period?

Tom Matthew: I presume that the Executive wants to assess the impact of the inter-island ferry. I can understand the argument that the ferry will have an impact on air travel between Barra and Benbecula. However, given that it will cost people on Barra about £30-odd return to travel to Benbecula to the airport, we are concerned that the people of Barra will end up with a worse transport service, despite the fact that £13 million, including European money, has been spent.

Andrew Wilson: I think that we are all with you on that one. Would you say that the Government is experimenting with demand in Barra and that the outcome could be negative for Barra?

Tom Matthew: Obviously, the proof of the pudding is in the eating. From our point of view—looking at the map from Inverness rather than from Edinburgh—the inter-island ferry service will cost additional time and money. The fares on the Benbecula service are unregulated. We do not believe that sufficient volumes would necessarily move from Barra to Benbecula to support a second flight. I do not think that the ferry service would particularly strengthen the Benbecula route either.

Andrew Wilson: Are you making those views clear to the minister?

Tom Matthew: When we have the impact report, I am sure that we will discuss it with Executive officials and, as ever, we will make our views known to everybody.

John Farquhar Munro (Ross, Skye and Inverness West) (LD): Is part of the difficulty with or impediment to the continuation of the Barra air service the fact that the Civil Aviation Authority insists that the same rules and regulations must apply to landing on the beach at Barra as apply to landing at Stornoway or Inverness airports, which seems to be a bit of nonsense?

Tom Matthew: Definitely. That is not just an issue for Barra, but for all HIAL airports with small volumes, which are expected to have the same sort of training and regulatory safety cover as the airports with higher volumes. No one is asking for unsafe air services, but there seems to be a mismatch between the volumes going through small airports and the regulatory requirements. The result is that we are accused of supporting facilities that look as though they are bad value for money in terms of public expenditure. However, fares are depressing demand and overly stringent regulations are putting up costs, which makes such facilities look as though they are bad value for money. We strongly support the statement in the consultation document that we should look at countries such as Norway and America, where the regulatory touch is a lot lighter but safety records are no better and no worse than in Scotland.

John Farquhar Munro: You will appreciate that the local perception in Barra is that the loss of air services would be a serious blow. People would be dependent on crossing over on the ferry from Barra to Eriskay and then up to Benbecula and there are many days—not only in winter, but throughout the year—on which the ferry cannot operate.

Tom Matthew: That is an issue, but I would say that the broader issue is that, if the ferry timetable were skewed to meet the needs of air travellers, the service could be broken for those who needed freight connections or who wanted to go further up the chain to use the Sound of Harris service. How can we construct a timetable that will meet the needs of all the users? Again, we return to the fact that, despite the £13 million that has been spent in that area improving public transport, there is a danger that the inter-island ferry service could topple the whole system so that we end up no better off than we were.

The Convener: The committee received evidence on over-regulation in areas such as Barra from Mr Macleod, the managing director of HIAL. When we draft our final report, we will address that issue, of which members are very conscious.

John Farquhar Munro: Especially when we consider that it costs nothing for a plane to land on the beach in Barra. That must be considered during the committee's deliberations.

The Convener: As there are no further questions, thank you for attending the meeting.

The second set of witnesses is from VisitScotland. I welcome Peter Lederer, its chairperson, and Philip Riddle, its chief executive. The committee has received a lot of material from VisitScotland during its inquiry and has, therefore, a lot of questions.

Peter Lederer (VisitScotland): I shall summarise VisitScotland's priorities. VisitScotland's focus is on key messages and the need to realise the potential of Scottish tourism, which if we are ambitious, is attainable through different thinking. The industry and the Government must focus on the following priorities: putting tourism at the heart of Scotland's economy; the message that tourism is everybody's business, something which recent events have proved; generating a sustained investment to market Scotland as a must-visit destination; driving up quality standards and skills throughout the industry; creating greater direct access and improved and integrated transport into and within Scotland; and maximising the opportunities of e-commerce, on which VisitScotland has been focusing.

I am slightly frustrated by a point that was raised about the energy of VisitScotland. Having been involved in many private and public organisations, I know that the energy in VisitScotland is very impressive; it has a great team. I invite members to visit any of VisitScotland's work at the sharp end—be it a promotion, the contact centre in Livingston, or a board meeting. Members would find the work most interesting.

The Convener: The committee has made a point of visiting VisitScotland's work at the sharp end; Gordon Jackson and I went to California and Michael Matheson reported back on the exhibition in London.

Shortly after the committee last heard from VisitScotland, the UK Secretary of State for Culture, Media and Sport, Tessa Jowell, announced changes to the British Tourist Authority, in particular, its absorption of the English Tourism Council. In VisitScotland's evidence to the House of Commons Select Committee, you said that you had not been consulted about that, which is deplorable. This committee was not informed either until the change had taken place, something about which I am unhappy. What are the implications of the change? Will the BTA become the English tourism authority?

Peter Lederer: The devil will always be in the detail. So far, two overarching concerns have been very strongly expressed. It is worrying that there is such a big change as this in the most competitive industry in the world at a time when it has never been so competitive and will only become more so. Any eye taken off the ball of our overseas marketing is a concern. We must watch that very carefully.

We must also discuss with the BTA and the new organisation not only how that is perceived, but how it works. Effectively, our overseas marketing is conducted by an organisation that, in another

market, is our biggest competitor. There is an issue about how that works. We must remain watchful about how that develops and moves forward.

10:30

The Convener: That underlines the point that you should have been consulted before the announcement, as, indeed, should this committee.

Peter Lederer: It was surprising that there were no discussions before decisions were taken, as some issues could have been raised then. Apparently, there are assurances in place; we must keep a close eye on them. A little discussion beforehand might have prevented some of the problems.

Philip Riddle (VisitScotland): Our relationships with the BTA have been good and constructive and we have worked well together. Even without the announcement, we had been engaging with the BTA about changing the way we work, because the market is changing and we need to change. Much change is already necessary in the relationship, so that complicates the programme that we wanted to propose.

Miss Goldie: The Stevens report, which the committee commissioned, found that among the important criteria for successful tourist countries were clear strategy, vision and leadership. I know that you are always frank when giving evidence to the committee, but I want you to be uninhibited. Have we got that right in Scotland?

Peter Lederer: We are getting it right. The starting point, certainly when I became chairman, was that we had an enormous amount of work to do. We have effectively reinvented an organisation. A year and a half on, VisitScotland is a very different organisation. About one third of the staff is new, and there is a new energy in the organisation. There is certainly a very clear strategy, and a huge amount of energy is going into what we do.

We are well on the way to getting it right, and Terry Stevens said publicly at the industry conference last Monday that Scotland is well on the way to that. It is not there yet; there is still a huge amount of work to do, but we certainly have the basics in place to get it right. Now that we have the right people in place, it is a matter of getting into the market place and delivering.

One frustration of going through a change such as that we have been through is that we are diverted into talking about things that are not actually bringing visitors to Scotland. That is now changing. Much more time is now going on bringing visitors to Scotland, rather than spending days defending ourselves. The basics are in place.

Miss Goldie: I understand the answer in relation to the structure of VisitScotland. What about the external territory? Do you have the space that you need to operate with a clear sense of leadership and strategic direction?

Philip Riddle: To add to Peter Lederer's comments, it is a bit like climbing a mountain. You get to the top of a ridge and think that it is great, but then you see the potential to go much further. We have climbed the ridge, and we can see much better where to go. We are getting the tools and the space. The vision of the top of the mountain is not yet as clear as we would like it to be.

We must do some work on the longer-term vision of where Scotland is going to be in 20 years' time, but it is very important to do that in stages. We have made progress over the past year, and we have been given support so that we are now beginning to see the top of the mountain.

Gordon Jackson (Glasgow Govan) (Lab): I want to articulate an issue that you know has been bothering some of us since we began the inquiry. I came to the inquiry totally ignorant. I may not be much better now, but it was a brand new subject for me, and I came to it with a fresh approach.

When Alex Neil and I went to California, the one thing that struck me was the role of the private sector. We looked at how the Californian tourist industry is structured. In Sacramento, for example, we saw that the whole tourism industry was being driven by the private sector. It is their business, and businesses are there to make profit. Although government and agencies are involved, we saw powerful, leading private sector figures driving the agenda in every structure. I have wondered since I returned whether we have the balance right here.

You represent the private sector at the top end of the market but I am not talking about you as an individual; I am talking about how the private sector drives the initiative and plugs itself in. I am not sure if I am articulating this correctly, but it seems that some things are not working here in the same way that they do in California. I see Alex Neil nodding. We both got that impression. I know that you personally represent the private sector, Peter, but could you help me with that?

Peter Lederer: I am sorry that I have failed you to date. I will try harder.

My ambition—and everything that I have articulated since I became chairman of VisitScotland—has been to be much harder on the private sector than on the public sector. My demand, and my push at any speaking engagement that I have attended, is that the industry needs to get its act together. The industry must speak with fewer voices and pull together; it also needs to take charge and play a leading role. The tourism industry in Scotland still finds it easy

to stand on the sidelines and not get involved; it criticises, but without having a better idea. That is not allowed in my own business. We need to change that.

There is no question, however, that things are getting better. In my 19 years in Scotland, the industry has never been more united than it is now, although it is still not united enough and is not confident enough to take the lead that you and I would like it to take. The industry is changing as fast as the market is changing—almost by definition—and there is now much more engagement with us at all levels, whether that applies to the big hotels, to bed and breakfast and guest house operators or to airlines and other transport interests. There is now a lot of discussion with industry involvement.

The next step is to enhance the industry leadership. We would all like that. Part of the frustration for us is that we would like to get the industry talking, being more supportive and driving and leading, rather than always looking to us. Things are taking time to change, but they are moving faster now than they ever have in the past.

Gordon Jackson: I was not meaning to criticise you at all. More to the point, I was not meaning to criticise the private sector. Oddly enough, I had not seen things here as the fault of the private sector. It struck me that the structures were never put in place to give the private sector the role that we might like it to have.

Perhaps I should be critical, and perhaps the private sector and the industry have not voluntarily played their part, but, when I talk to people from smaller organisations than yours, their complaint is always that there is not a structure to bring them in. That may be wrong, but perceptions are all. They feel that there are not the structures that would allow them to take the lead. Do you feel that that is right? Do structures need to be changed? I am not criticising the private sector; I am criticising the lack of structure to give it the opportunities. Perhaps I am wrong.

Peter Lederer: We have got this wrong in the past. There is always the danger that we think of the structure and then work that back to the objective. The area tourist board view will, I hope, address that. If we have a clear objective with the parts in place to allow us to achieve that objective, and if we then put the structure in place, that has a chance of working.

Although things are changing, there is still frustration for us too. On the one hand, the industry asks for more involvement and so on; on the other, representatives get together and say that VisitScotland or the public sector should take the lead. You are right in that there are opportunities for national and, more important,

local businesses to get together to drive more of the agenda and to get more involved in leading the way for their areas, rather than waiting to be led by someone else, particularly the public sector.

Gordon Jackson: Are you hopeful that, with the guidance of VisitScotland, the industry will develop further and we will see what we saw in California? I am conscious that what we saw on our visit was through rose-tinted specs—we were somewhere warm and nice—and I am not trying to suggest that everything there is wonderful and everything in Scotland is bad.

The Convener: I would be happy to go back to double check.

Peter Lederer: I would be happy to come with you.

It is a changing scene, and there is more opportunity for the industry to get involved. Part of it is up to us. The higher the confidence level rises in VisitScotland's ability to do its job and the more that people see the results of our work—which are now starting to come through—the more that people will get engaged and see it as their responsibility rather than just that of Government.

Gordon Jackson: You said that part of your role is to bring them in. That is a shared objective.

Peter Lederer: Absolutely. We cannot do it without you. We are a small player in the industry. Our budget is a small part of what the industry spends as a whole. We are at the edges.

Andrew Wilson: I think that we understand the constraints, and you have been frank with us this morning. I want to return to the question of the subsuming of the English Tourism Council into the BTA and the implications of that. You were frank about the frustrations that that could cause, and I want to ask a few questions about that because there are a few points that I want to raise with the minister when he comes in after you.

In 2000, the Department for Culture, Media and Sport, which is now under Tessa Jowell, published a strategy for tourism, which is a reserved matter. Were we consulted about that in the form of VisitScotland, its predecessor or the Executive?

Peter Lederer: I am not sure. I would have to check back to 2000.

Andrew Wilson: Okay. Following on from that strategy, about which I will speak more when the minister is here, the DCMS set up a formal monitoring and evaluation process in which new ideas could be developed. One idea was that of tourism summits to be attended by the central and devolved Government authorities involved, including delegates from Wales and Northern Ireland. From what I can gather from the published lists of delegates, nobody showed from Scotland,

which suggests that we are somewhat remote from that process. Can you confirm that?

Peter Lederer: We are not involved in those summits. I only know what I have seen in the press, but those summits are not something that we are invited to or part of.

Andrew Wilson: We are not invited to them?

Peter Lederer: The summits are at ministerial level.

Andrew Wilson: Okay, we will come back to that with the minister.

It strikes me as curious. I understand that there are gains and losses for everyone in co-operation, and if you have a better relationship with the BTA, there will be a net gain. However, if the funding and the strategy are not particularly coherent, there is a loss for everyone. From what you have said today, it strikes me that the current situation is not a sensible way to conduct our relationships. Do you find it curious that while the BTA has a strategic role in both Northern Ireland and Scotland, the Northern Ireland Assembly has devolved financial control over tourism but we have no devolved finances for tourism? That does not seem sensible. Will you comment on that and on whether you would feel more empowered in your relationship with the BTA if we were simply to devolve the cash and allow you to contract back into the joint effort of the BTA? That would give you some financial power at your disposal in the process.

Philip Riddle: I do not want to let the impression lie that we do not have good operational contact with the other tourist boards in the UK and with the BTA. We meet regularly, and even though we are not involved in ministerial-level summits, the exchanges are good. Peter Lederer is on the board of the BTA. I meet the chief executives of the tourist agencies in England, Wales and Northern Ireland regularly, so the operational contact and exchange of ideas about strategies and implementation is good.

You asked whether we would prefer cash to be devolved. That would be a last resort. We would much prefer to work constructively with the BTA. There is much more benefit to be gained from leveraging resources and making sure that we get two plus two equals five out of that. If the cash were devolved, we would get a smaller pie overall. The issue is having the right representation of Scotland in international marketing. It is our job to ensure that that happens. We prefer to do that through the existing structures, with the support of the accountability of the BTA to Scotland and the Scottish Parliament, which is an extra influence.

10:45

Andrew Wilson: With the greatest respect, it is rare to hear a chief executive officer say that they do not want devolved control over the revenue function. Given that no devolved cash comes your way, would not it empower you in your relationship with the BTA to have at least some form of contractual relationship, so that you could buy services instead of just having to hope for the best, which appears to be the situation at present? Unlike in Northern Ireland, no cash comes into the Scottish budget for the reserved areas of tourism; the decision is purely for ministers to take.

Philip Riddle: It would empower us. We should have that power anyway. We have a contract and we have a memorandum of understanding with the BTA, which we are revising. The road ahead is to strengthen that and to have more specific targets. I think that with any kind of ring fencing, if you are too narrow and you have a set amount of money that must be used for a certain number of functions, you can inhibit the full imagination and usefulness of the organisation. It is better to set guidelines.

We would like to have a commercial relationship with the BTA that is founded on horses for courses around the world and which recognises that markets and countries are different. In some markets, we would like Scotland to lead. We would like help from the BTA in the background, but we would like to be out there in front. In other markets, we would prefer the BTA to act as an agent. We would be the custodians of the Scottish product and we would deliver the product, but we would like the BTA to sell it on through its local market knowledge, theoretically on a commission basis. In some markets, we would like the BTA to act as a reseller. It knows what Scotland is about and it knows what the local market is about. We would leave selling the product to the BTA, because we do not have the same knowledge and we do not want that level of involvement.

We would like our agreement with the BTA to reflect that tiered relationship and for there to be specific targets, but we would not want to compartmentalise money and say, "We will give you this amount of money to do that." That would limit overall effectiveness.

Andrew Wilson: That all sounds perfectly coherent and sensible, but the evidence of the past three years is that we have a DCMS strategy that we have had no role in drafting. Do you understand our concerns? We have certainly played no role in monitoring the strategy and we played no role in its development. There has been a major change in Government policy, which we were not even informed about. You did not find out about it and the minister did not know about it. Words are good, but the fact of the matter is that

we are being left entirely in the dark about the development of Government strategy. I find it questionable that, as the leader of an organisation, you would not want to take a more active, hands-on, financially empowered role.

Philip Riddle: As Peter Lederer said, we are concerned about the developments. I am articulating what we would like to see. As I said, we engaged in discussions with the BTA along those lines and we were hopeful that we could get a win-win situation for everybody. We will now have to revisit those discussions.

Peter Lederer: As a board member of the BTA, I am in the fortunate position of being able to assess the value for money that we are getting, as can the rest of the organisation. I look at the situation in two ways: if we got devolved money, first, it would not be as much as we think it would be; secondly, would it replace what we get? Would we get more value than we get now? My assessment is that we are getting back more now than we would end up getting. Value for money is an issue.

The key for us is what the BTA will become. What if it takes its eye off the ball, or if things get diluted or changed, or if the BTA concentrates on England? That is an issue for us, because we may not get value in the future.

I have also been trying to change the BTA's attitude, because there is no question but that the BTA did not get devolution when it came along. It has only recently got it. My counterpart in Wales and I have both been pushing hard to ensure that the BTA understands that the previous situation, under which there was a slight feeling that we were sub-brands of the BTA, has now been turned on its head. We now expect the BTA to understand our strategy. We tell the BTA what our strategy is, which markets we want to be in, what we expect back, and the milestones against which we will measure what it does. We expect the BTA to go out there into those markets.

The BTA is very good in those markets. We should not underestimate the extent to which the BTA is pretty highly regarded by other national tourism bodies around the world. We should be careful not to throw out the good things that the BTA does, but the BTA must understand that it is now delivering for the Scottish strategy and for the Welsh strategy, as well as for the English strategy. I am sure that that will develop over time.

Andrew Wilson: Peter Lederer is a board member of the BTA. Were any other board members of the BTA told about the move?

Peter Lederer: I understand that the chairman was summoned to a meeting with the minister at which he was told, but the board was not made aware until after the decision had been taken.

The Convener: The chairman told me that he was not informed until after the event. I think that the BTA also advised the minister against the action that was taken. Is that correct?

Peter Lederer: I am not sure. The BTA board had a position about what it thought should happen with England and how the BTA should move forward. The board always maintained quite clearly that England should have its own marketing budget.

Marilyn Livingstone (Kirkcaldy) (Lab): I have two questions. First, what priority will be given to domestic markets in comparison with international markets? My second question is about structure. What will be the ATBs' role in delivering that?

Philip Riddle: As the committee well knows, the domestic market is by far the biggest proportion of Scotland's tourism market. We expect that to remain so. Both Scotland and England have many market segments that are still relatively underdeveloped, so there is still quite a lot of work to go into the domestic market, which is not saturated—not by a long shot. I do not think that we will feel that the situation is satisfactory until we have everybody south of the border coming up to Scotland for at least one holiday a year. Some effort is still required.

Relative to the number of visitors, we already spend a greater proportion of our overall spending on overseas marketing. Less than 10 per cent of our visitors come from overseas, yet we spend between 25 per cent and 30 per cent of our budget on overseas marketing. The reason for that is the great potential of the overseas market. There is also a need to diversify.

One important message for the future is that we need to be fleet of foot and to be involved in many market segments. We also need to be able to adapt to different market segments, as the market can change quickly. Instead of seeing things in terms of domestic versus overseas, we need to zero in more on the market segments. The expectations of a person who comes on a city break from the south of England will not be much different from those of someone who comes from Germany or Belgium. We need to have an attitude that considers not only the countries but the market segments. We need to be ready to adjust and open up new markets. In that way, as some market segments become flatter, we will be in a position to lift the others.

Sorry, what was the second question?

Marilyn Livingstone: How will the ATBs fit into the development of that market?

Philip Riddle: The ATB review has been mentioned, and it is important that we have a good look at the overall roles and responsibilities. I see

there being a greater emphasis on the local support network engaging the industry to align it with the national strategies, as Mr Jackson mentioned. We have national strategies in place to deal with the segments that we are going for, the countries that we are going for and how we will go for them. We need a much bigger cascade structure throughout the country to get the industry to devote more power overall to addressing those strategies.

There are also marketing roles beyond those strategies. There will be a significant role for ATBs in relation to business tourism, which has been underdeveloped generally but which will be a big segment for the future. In many aspects of business tourism, particularly the conference and convention business, cities are the leaders. In most cases, they are best placed to develop business tourism. Again, we are talking about horses for courses. If we are talking about going for the world-wide convention business, we will probably see Glasgow, Edinburgh and Aberdeen taking the lead, because they are really professional and know the market. That is how the competition is arranged. Some segments of the market will be developed locally.

Marilyn Livingstone: You were talking about cascading down the effects of that. We should not get wrapped up in structures, but they are important, as is how the ATBs work with VisitScotland. What role do you see for tourist information centres and how would you make sure that they deliver your strategy?

Philip Riddle: Undoubtedly there is a move in the market towards using other information sources and means of booking. Market forces have undermined the TICs' traditional role and we have to adjust to that.

I believe that it is still important to have centres for local information. I would like there to be more collective responsibility for the TICs because they are community resources as much as tourist resources. They can do a lot to stimulate the interest of Scots in Scotland and in travelling in Scotland. There needs to be a bit of reorientation in the TICs. We have to accept that the traditional bookings revenue source is eroding. In future, local centres will use the national booking service at visitscotland.com as their main backup to provide booking facilities for the area and for all of Scotland. They will provide a useful service as a human interface between the consumers who want to talk to people and the machinery and network in the background, which are also quite important.

John Farquhar Munro: It occurs to me that, in spite of the best efforts of VisitScotland, the Highlands of Scotland Tourist Board and the other agencies that are trying to promote tourism in

Scotland, they are not achieving the success that we would all like to see. I do not think that that has anything to do with the inability of VisitScotland or others to achieve targets. It is a problem with the BTA.

From the documentation that we have, I see that the BTA operates or has offices in something like 27 countries. One would imagine that that would generate a lot of tourist traffic into Scotland. I have done some research on that and have found that overseas visitors who have been encouraged to come to the UK, possibly by the BTA, are almost without exception directed to one of the London hub airports. They never seem to accept that Scotland is a holiday destination and they might be able to fly direct to Scotland.

If I wanted to take a flight to New York or San Francisco or Vancouver and I went to the travel agent, I would never be offered a flight through Edinburgh or Glasgow. I would invariably be directed through Heathrow or one of the other London airports. How can we change the culture within the BTA so that it accepts that Scotland has air links and is an ideal holiday destination? Why is Scotland not promoted more?

Peter Lederer: As we were saying earlier, part of the problem has traditionally been the number of direct access flights that we have. There is only a small number of flight places into Scotland without coming through another hub such as Amsterdam or London. We are all trying to work on that.

An English committee would be asking why England does not get the same number of tourists outwith London that Scotland gets. The English do proportionately less well than we do—we get more than our fair share. The BTA would say that Scotland is its second brand after London. London will always be the big draw, but Scotland is the next place that people mention.

I agree that, in the past, we have not done enough to capitalise on that. Those in the long-distance markets will not come to Scotland alone; they will tend to spend a few days in London. The trick is to get them to come to Scotland as well. Although more of such work is going on, a great deal of it is required. In our strategy, we give much thought to how to get people out of London and through the hubs to Scotland. In the short term, we will not have as many flights as we would like, so we must concentrate on getting people to Scotland through the hubs. That is our focus. The position is getting better, but there is still a lot of work to do.

11:00

John Farquhar Munro: We should encourage people to come through the hubs and to accept that Scotland has its attractions. We have a

problem once we get them here, because we do not have effective area tourist boards with tourist information. The ATBs that operate seem to concentrate on filling bed spaces rather than on selling aspects of Scotland such as its environment, its culture and its outdoor pursuits. That should be addressed.

Peter Lederer: That issue will be taken up as part of the ATB review. The local marketing that Ms Livingstone mentioned is one of the key areas being examined. We are also considering how we can improve the information role. ATBs' role in selling bed spaces has already been usurped, because technology has moved on—the fact that visitscotland.com exists means that everything has changed. There has certainly been a change in how consumers look for information. It is interesting that gaining information is the purpose of the majority of website use. The ATB review needs to take that into account, because the whole world is changing.

John Farquhar Munro: Some of the TICs are run almost on a voluntary basis. The problem is that there is no consistency. How can we establish some consistency in the TICs?

Philip Riddle: We work hard to achieve consistency of branding and training. Most of the people who are involved in TICs are well trained and present an excellent image of Scotland. The issues relate to economic viability. Usage of TICs and their income have decreased, because there are so many alternative sources of information and ways of booking. Our challenge is to maintain high standards with committed people, while working from a lower income base.

We will always need TICs and we will always need centres that are centres of excellence and that stand out from others. It will be possible to use such centres as models throughout the country.

David Mundell: I want to ask about product development. Your relationship with Scottish Enterprise fits into that. When we held a committee meeting in Inverness, we received disturbing evidence from Scottish Enterprise. Basically, Scottish Enterprise said that when it invests in or supports tourism businesses, it does so against its own criteria and targets—it is not required to have regard to tourism strategies. A particular enterprise company has confirmed that. As you might be aware, the enterprise companies divide up businesses into gold, silver and bronze businesses, to which they give different degrees of support. The enterprise company in question had no dialogue with the tourist board in deciding which tourism businesses to support.

Scottish Enterprise has significantly more resources to invest in tourism than VisitScotland

does, and significantly more resources than the area tourist boards. Where does the resolution of that apparent contradiction lie?

Peter Lederer: My personal opinion is that we would all like to see the enterprise network rethink tourism, which is an enormous industry for Scotland. If Scottish Enterprise is asked about tourism, its response tends to be, "Tourism is like any other industry—we have our business gateway and if tourism businesses want to plug into the enterprise network that is how they do it." That is less of an issue with HIE.

We have held meetings with the chair and the chief executive of Scottish Enterprise to try to work out whether we need to change our approach and to decide whether tourism is different enough to merit a different approach. We do not want to be seen as a different industry—tourism is as important an industry as any other industry.

The tourism industry has not understood the enterprise network's approach. That might be the result of a communication problem, but the tourism industry needs to understand what Scottish Enterprise can and cannot do. As I said, that is not so much of an issue with HIE, as the Highland region is linked more closely to tourism, probably because tourism plays a much greater part in the HIE network.

VisitScotland is trying to work more closely with the enterprise network to analyse the issues. We want to know why more tourism businesses are not engaging with what the enterprise network is doing and what the enterprise network is doing to get out there and communicate the support that it offers the industry.

Philip Riddle: A bigger issue is involved, which returns us to the theme of tourism being everyone's business. The tourism industry has not only missed opportunities to take concerted action with HIE and Scottish Enterprise; it has done so with many other bodies

We want retailers to rethink the tourism dimension to what they do. The railways do not always think about the tourism dimension and neither do the airlines. Tourism permeates Scottish society—everybody benefits economically from it, which gives everybody a responsibility for it. We want to carry forward the message that we are all affected by tourism and we all have something to contribute to it.

I believe that the publication of the "Tourism Framework for Action" has resulted in significant progress. Many parties—in the private and public sectors—are much more closely involved and actions have been allocated. The framework document made people think more laterally, but we still have a way to go, as Peter Lederer said.

David Mundell: It cannot be acceptable that, when Scottish Enterprise considers putting resources into a project, it takes no account of whether the decision is consistent with the tourism strategy for the area or for product development. To take an extreme example, Scottish Enterprise's targets might suggest that it would be a good idea to invest in a theme park because it would employ a lot of people, but the area might have been identified as one that attracts older people with higher incomes who want quality products that are associated with walking holidays. Such issues need to be reconciled. In that example, Scottish Enterprise might have been able to tick a box, but it would have done something that was wholly inconsistent with the tourism strategy.

Peter Lederer: In the past, there were examples of the former Scottish Tourist Board not being as involved as it should have been in the thinking behind decisions about investments. That is not the case any more; the relationship is much closer. Discussions take place and Scottish Enterprise's strategy has moved on. It does not invest in those sorts of projects any more—the money is not there for them. Scottish Enterprise's present focus is on existing businesses. However, communication is such that that should not happen today.

David Mundell: Right, but do you not feel that we need a mechanism to ensure that Scottish Enterprise's investment in tourism is consistent with VisitScotland's strategies?

Peter Lederer: The "Tourism Framework for Action" is published and the minister chairs a regular meeting to ensure that the strategy document is being implemented. In addition to the group that is chaired by the minister, an implementation group also meets regularly. A lot of work is under way to ensure that such issues do not arise in future and that we stick to our strategy and do not deviate from it.

David Mundell: Does that apply to other initiatives? A lot of resources have been put into assisting the agricultural community to diversify, but many of those initiatives have been delivered in isolation. For example, people are encouraged to develop self-catering accommodation although that might not be consistent with the overall strategic view. Are you satisfied that there are mechanisms in place that will ensure consistency and focus?

Peter Lederer: The "Tourism Framework for Action" document focused people's minds and made them realise that they had to talk to each other. One of the key advantages of having a minister with responsibility for tourism is that attention can be focused on issues of communication. The situation is improving all the time.

Philip Riddle: The issue that you identify is significant. Obviously, the divergence that you mention should not happen, but it has happened. We see signs of improvement, but the situation is not quite what it should be. We are working on it.

David Mundell: We hear a lot about the need for more quality accommodation and for this, that and the other but, at this point in the inquiry, I do not see where the focus for product development is coming from. It is not coming from business or Scottish Enterprise, as Gordon Jackson noted earlier. Who is driving product development at the moment and who should be?

Philip Riddle: There are various aspects of product development. The people who drive product development should be the ones responsible for the marketing of Scotland. In the past, we have made mistakes because we have been thinking about what we want to sell rather than what consumers want to buy. What consumers want to buy should be picked up by the people who market Scotland and should determine how we develop the product.

We have a product portfolio, which we did not have before, that details how we are reaching consumers. It is influenced by the messages that come back from consumers about what they want. The portfolio is centred on city breaks and cultural and heritage activities rather than on particular areas.

Product development on the ground has many facets. A lot of work is being done on repackaging what exists. The work should be done locally and there is an important role for the ATBs and VisitScotland in that regard. The raising of skill levels is also important. Such skills might be shared among various industries, which would enable the expertise of Scottish Enterprise to be used, as it develops skills across Scotland. Not to use that expertise would be a waste.

What consumers say to us should be what develops our products, but work on development can be shared among several bodies. However, your initial point is important: all that work must be linked together and must be moving in one direction if we are to ensure that we have synergy.

David Mundell: On quality, are you satisfied that the mechanisms that we have, for example grading schemes, are sufficient to do the job, or do we need to have a compulsory quality requirement that means that people who do not meet a certain standard are unable to operate?

Peter Lederer: That is a big question. The first thing to acknowledge is that the scheme that we have in Scotland is generally acknowledged as being one of the best anywhere—it is so good that we have been able to sell it to other countries. The preference would be to continue to build that

system, to make it better and to involve more and more people. To do that, we have to understand why people do not get involved and find ways of involving them. It is hoped that that will generate more interest and involve more people.

We must be cautious about compulsory registration. We need to define what it is. If compulsory registration means forcing people into a classification or grading scheme, that is a very wise route. Other countries have it. Laws already exist to close businesses if they do not meet health and safety or hygiene standards. If compulsory registration is education based and drives standards of management and the leadership of the industry and businesses, that is a different form of registration. That scheme operates in Austria, where a person cannot open a hotel, bed and breakfast or self-catering establishment unless there is a diploma on a wall.

We must be careful about what we mean by compulsory registration. There would have to be a debate. If we can put more emphasis on using existing laws and be more aggressive in fine-tuning the current scheme, we can go a long way before we need to get into that.

11:15

Mr Kenneth Macintosh (Eastwood) (Lab): One of the most frustrating aspects about the inquiry so far has been the lack of firm economic data with which to make comparisons or, in particular, to assess whether spending on tourism achieves value for money. That has a couple of impacts.

We received weak evidence that the tourism industry is worth hundreds of millions of pounds and, therefore, that the Government should supply more resources to fund it. On the other hand, we are in the difficult situation of assessing the importance of the money that was given to help tourism businesses fight foot-and-mouth disease. I am sure that your organisation and the Government also found it difficult to get firm data.

In your written evidence, you give some information about your work to rationalise and harmonise economic measures across Europe so that standard comparisons can be drawn. How far has that work progressed? Can you give a rough idea of what you consider to be the added value of VisitScotland's spend on tourism?

Philip Riddle: I hope that it is apparent from our written evidence that we measure the performances of VisitScotland and the industry separately. One should not confuse the two, although that sometimes happens. It would be nice to think that we were determining the industry, but that is just not the case. Tourism is a big industry, but we are a small body of only 200 people.

On measuring how well the industry is doing, we have some reasonable data about visitors and their spend for both the UK and overseas. We also have information about occupancy that shows us where we have been, although more predictive data are missing. We are focusing more effort on those data for the future, so that we can show where we are going rather than where we have been.

On the where-we-have-been side, we are working on the tourism satellite account system, which will give us a much better impression of the value of tourism to the economy. It is very important to support the case that we often make that tourism is, in many aspects, Scotland's most important industry. We need to back that case up more. There are certain hurdles, not least of which is the fact that tourism satellite accounts are designed for individual nations, and we are not regarded as an individual nation. We have some almost bureaucratic hurdles to overcome, and it may take time to do so. However, that system will be helpful as far as measuring the industry is concerned.

It is difficult to correlate the exact figures on VisitScotland's performance. If numbers go up, there is always the problem that that may have happened through something that we have done. If numbers stay the same, there is a worry that they might have gone down if we had not done something. We need to strike the right balance.

Our emphasis should be on trying to measure how effectively we are doing what we are charged to do. Our primary task is not to sell individual businesses but to sell Scotland. A large element of that work is the promotion of a Scottish brand in the marketplace. We are introducing brand equity monitoring, which will give us a measure of how well we are doing and should enable us to predict how well we will do in future.

The use of visitscotland.com, from which we will get much more direct feedback, is the other main tool that will help us in future. Today, when we launch a campaign, we follow up, conduct a telephone survey and assess from it how the campaign has translated into people coming to Scotland or how much money visitors spend. We try to ensure that we get a return-on-investment figure from that, which gives us an indication of success. When we are able to follow up most of our promotions through visitscotland.com, which will supply booking information such as numbers, we will be able to see much more clearly the relationship between the call rate and the number of bookings with everything that we do. For instance, we will be able to match a television advertisement that went out on a Thursday night with the number of calls that were made to the booking centre that night or the Friday morning.

That will give us good information that will enable us to adjust what we are doing.

We do not feel completely bereft—we are doing things that will assist management decision making and the measurement of impact in the future.

Mr Macintosh: We heard that the BTA uses a different kind of model from that used by VisitScotland. Are you considering using the BTA-approved model of measuring brand investment?

Peter Lederer: The BTA measures roughly the same thing, although it sometimes does so in a slightly different way, so there is an issue of harmonisation. It is trying to get a return on investment from campaigns and to extrapolate from visitor numbers how much the spend is. It is easier for the BTA to get hard data and to measure the number of visitors from overseas, but a lot of our trade comes from within Scotland—from Scots making visits—or from people coming over a border that is completely porous, as it should be. The principles on which the BTA's methods are based are roughly the same as ours. For example, the BTA extrapolates from experience how much visitor numbers mean in terms of overall spend.

Mr Adam Ingram (South of Scotland) (SNP): I would like you to clarify a point about the BTA. Does the Secretary of State for Scotland have any involvement in the relationship between the BTA and VisitScotland or between British and Scottish tourism?

Peter Lederer: She has a role in as much as she sits at the Cabinet table and interacts with her fellow ministers. From that point of view, those discussions can take place.

Mr Ingram: But she has not been involved directly of late.

Peter Lederer: I know that the secretary of state has taken an interest in the subject, but I am not aware of whom she has been talking to or how she has been doing that.

Mr Ingram: Fine.

I am interested in your relationship with the low-cost airlines. In the past, they have not been too kind about VisitScotland's performance. Indeed, in the latest evidence session that we had with the likes of easyJet, the airlines indicated that it would be better to give the marketing money to them, rather than to you, to market the areas to which they fly. What exactly are you doing to develop the market for inbound tourists on direct air routes?

Philip Riddle: There are several points that I would like to make in response. First, "Give us your marketing money and we will do a better job of it" is the refrain that we could get from any

private sector company in Scotland. Gleneagles would like to have our marketing budget—I am sure that it could do great things with it. The role of VisitScotland is not to sell individual companies in Scotland, but to sell and promote Scotland as a whole and to create a platform for a great number of businesses to sell into the markets that we develop. If I was in the airlines' shoes, I might try to use their argument, but it is not a reasonable proposition and would not be equitable or consistent with our role in the promotion of tourism in Scotland.

I echo Mary McLaughlin's comments about direct access, but we must be careful to look at the net economic benefit. We know that the low-cost airlines are making a big impact, which, in general, is good for travel and tourism. The airlines have had an impact in Scotland and we do a lot of work with them. I am glad that you asked about that, because I have some examples of the work that we are doing with them, which I can pass around the committee. At least £1 million of our advertising work this year has been related to direct access, both for airlines and for Superfast Ferries.

Despite some of the comments in the press, we work well with those organisations and are glad to take advantage of the opportunity to do so. However, we must be careful when we look at the routes. A successful, no-frills airline route might be of no benefit to the overall Scottish economy. In Scotland, and in the UK more generally, a lot of the low-cost airline routes have been built on the UK citizen's propensity to travel out of the country. That is great, as it gives consumers choice and encourages travel, and I would not take that from them. However, as a Government agency, we have to take a slightly broader view of the net economic benefit.

We get a lot more tourists in by having those routes, but we also have people going out. There are complications with measuring differential rates of spend with any route. If one takes a simplistic view, a route that is 50:50 is one that is thriving for the airline but is of no net benefit to the Scottish economy. It is crucial that we invest in and market routes that will bring a net benefit. We have targeted places for investment and are talking to the airlines about that. We work well with the airlines, but we ensure that we look at the overall national interest rather than simply at the specifics.

I will leave with the committee examples of some of the advertisements that we have recently used in France and Germany and which show what I mean by working with the airlines. It is about marketing. We will do a promotion that is a platform for selling Scotland, but we particularly emphasise access. The advertisements are for both Superfast Ferries and Ryanair and

emphasise the proximity of their links with those countries.

Mr Ingram: When you talk about targeting routes, do you mean targeting existing routes that you reckon will add value to the Scottish economy and tourism, or do you consider setting up new routes? Would you proactively discuss with the airlines the possibility of establishing new routes?

Philip Riddle: Undoubtedly. There are three levels of activity, as some work is almost retroactive. At the proactive level, we say, "Here's where we'd really like the routes." Let me give a good example: we would really like a direct access route to Sweden, because we think that that would be beneficial for Scotland. We are trying to push the airlines in that direction.

The second area of activity involves helping with existing routes. The routes that we have with the south-east of England are also generally very good for Scotland. We are encouraging more routes from such places as Hahn airport in Frankfurt and Torp airport in Oslo. We encourage increased traffic on such routes and do more marketing on them. It is not just a case of leaving them alone once they are in place.

The third area of our work concerns places where the airline decides that it is going to go to, which is more likely. The routes that it chooses might not be top of our list, but we do not sit on our hands. We say, "Okay, the airline is going to put in a route here. It's not top of our list, but we must react to that by going in and marketing at the other end to ensure we're getting the best value for Scotland out of it." An example of that is the new route that is going to come in from Prague. To be honest, I think that the traffic will be mostly outbound—certainly in the initial years—but that will not prevent us from doing our best to try to interest people in using that route to come to Scotland.

Mr Ingram: As I recall that evidence-taking session, the airlines were somewhat critical of the fact that you tended to concentrate your marketing effort at specific times of the year, with the spring campaign and the like. They reckoned that a consistent effort right across the year was required. Is not one of your objectives to try to increase off-peak business, with city breaks and similar packages? What is your response to those criticisms?

11:30

Philip Riddle: It is fascinating to watch the way in which the market is developing. The point was made earlier that the market is changing all the time. In the past we have concentrated on the shoulder months—that is why we have had spring and autumn campaigns, but not a summer

campaign. However, we must move on from that approach because of the way in which the market is developing. For the most part, Scotland is a short-break destination. Short breaks tend to be non-seasonal, which is great news for us. This year there has been exceptional business in the shoulder months, whereas June and July were rather quiet. We need to readjust our programmes.

We will tackle the issue on two levels. There must be a constant buzz about Scotland, which was perhaps not the case in the past. We address that issue in our latest media schedule. We need continuous investment in the Scottish brand message. As the market develops and we identify gaps, we will have shorter, sharper promotions.

We must also identify where the Scottish tourism industry needs the benefit of such campaigns, rather than focus on when a particular carrier has a lean month. The needs of that carrier may not be in parallel with the needs of the Scottish industry.

The Convener: We know that tourist numbers have been in decline for five years. What is the prognosis? Will there be a turnaround in the number of visitors to Scotland? What are the outstanding structural weaknesses in the Scottish tourism industry?

Philip Riddle: We see heartening signs of an improvement in visitor numbers but it would be rash of me to say that the decline has been turned round. We must remember that the market is increasingly competitive. There has been a decline in the number of visitors to Scotland and I am sure that the tourism industry had some internal problems. The public sector support structure had to get its act together and quality had to improve. However, the world has become a much smaller place and the tourism environment is much more competitive. New destinations have opened up and become more accessible. The high exchange rate is also a difficulty.

Those issues have not gone away; in fact, the market is becoming more competitive. However, between January and August this year, there was a remarkable increase in visitor spend of about 13 per cent on last year's figure. Last year was not a great year, but an increase of 13 per cent is very heartening. It has been generated mostly by UK business—overseas business is still quite flat—but it is a good pointer to what is happening.

More important is the sentiment in the industry. We are receiving good feedback that suggests that the industry is beginning to find the common direction that we described as essential. The industry is beginning to see where we are going and what we must do to realise our potential. I am confident that the industry has far more potential than is being realised today. A turnaround is beginning, but it will take some time to complete

and there will be a few ups and downs along the way.

Peter Lederer: I echo what Philip Riddle said. Development in the short term is dependent on what happens politically worldwide in the next few months. That may present us with opportunities—domestic tourists may stay at home, and Scotland is a highly attractive destination. The overseas market will be difficult over the next year, but the potential exists and people retain the propensity to travel. We continue to spend money in and to keep in touch with our key overseas markets, where there is a good feeling. However, there is also a big question mark about what will happen.

I think that enough has been done as far as the structures are concerned—the ATB review is the final part of that work. We should, as an industry, stop making excuses. There have been years of reviews, strategies and everything else. We have got a strategy, a framework for action and a new organisation. Good thinking is going on around tables—like this meeting. We have done that work and should get on with it and start measuring progress. It took a lot of time to do that work, during which we took our eye off the ball, which is to get people into Scotland. We must now get on with that.

The Convener: Thank you for your written and oral evidence, which has been helpful. You will be glad to know that we will not call you back before we publish our report in January.

The third evidence session is with the Minister for Tourism, Culture and Sport, who will get a cup of coffee before he starts. I will suspend the meeting for a few minutes to give everybody a chance to warm up and get a cup of coffee.

11:35

Meeting suspended.

11:38

On resuming—

The Convener: I welcome the Minister for Tourism, Culture and Sport—when Mike Watson was here last, he emphasised that it is in that order. I also welcome Lesley Fraser, head of the major events unit of the Scottish Executive education department. I will not begin by asking what the score is on the bid to the Union of European Football Associations for Euro 2008.

The Minister for Tourism, Culture and Sport (Mike Watson): There is everything still to play for. That is about as accurate as I can be. The process is on-going; various countries will make their bids during the day. The Scottish-Irish bid is the last to be heard and, hopefully, it will be the lasting memory.

The Convener: I am sure that members wish you all the best.

Mike Watson: I am pleased to give further evidence to the committee's tourism inquiry. I know that some committee members thought that I should have mentioned the restructuring of the British Tourist Authority at the meeting on 30 October. I considered mentioning it and, given that it was in the media at that time, I was quite surprised not to be asked about it. I took the view that it would not be appropriate for me to pre-empt the announcement by Tessa Jowell, the Secretary of State for Culture, Media and Sport, which was due the following day. Had the committee asked me questions, I would not have sought to evade them.

The Executive keeps in close contact with the DCMS on tourism issues at ministerial and official level. That meant that we were briefed first at official level and then the First Minister discussed our concerns with Tessa Jowell. I had a discussion with Kim Howells, who is the UK minister with responsibility for tourism.

I see the proposed restructuring of the BTA as an opportunity for Scottish tourism. As members know, it intends to concentrate staff and financial resources in eight hub offices in important tourism markets, from which a network of satellite offices will be supported. In basic terms, to sell Britain effectively to overseas markets, there will be more BTA resources where it matters. Of course, it is up to us to ensure that Scotland gets its share of those resources. Scotland's share is not proportionate because, after London, it is the most inquired about destination at BTA offices worldwide.

For those reasons, I believe that BTA restructuring could be good for Scottish tourism and it was on that basis that the First Minister and I welcomed Tessa Jowell's announcement. Although I did not hear the evidence given by VisitScotland, I have discussed the matter with Peter Lederer and Philip Riddle and know their views. That is not to say that we are not concerned with other aspects of the announcements. We are determined to ensure that the restructuring works in Scotland's favour.

The proposal to assign to the BTA a new responsibility to market England as a tourism destination in the Great Britain market runs the risk of making the BTA too focused on marketing England. That is why the First Minister and I sought and obtained Tessa Jowell's agreement to a raft of measures that will ensure that that does not happen.

The DCMS agreed that the activities of, and funding for, the new English marketing unit would be kept separate from the overseas marketing

efforts of the BTA. To enforce that, the DCMS agreed to consult the Scottish Executive on several points, such as the preparation of the management statement and financial memorandum of the reorganised BTA; all appointments to the BTA board, including that of the chairperson; and the BTA's corporate plan and annual targets. The DCMS will outline the level of funding and financial priorities for the BTA in writing. The BTA has also agreed to lay a copy of all future annual reports and accounts before the Scottish Parliament.

Our agreement with the DCMS on the detailed arrangements will ensure that the BTA's marketing effort on behalf of Scotland in overseas tourism markets will not be diluted. The BTA has offered VisitScotland a desk in each of its overseas hub offices, and I understand that VisitScotland is considering how that offer might be taken up.

Although the UK remains the priority market for VisitScotland, accounting for over 90 per cent of tourism trips, the growing overseas market is hugely important to the future success of tourism in Scotland. I am determined that tourism will become a growth sector in the Scottish economy, which is an objective that the BTA can help us to achieve.

Since the DCMS announcement on the BTA, I have attended a tourism ministerial summit in London which involved a range of Whitehall ministers and at which BTA restructuring was discussed. In addition, the Deputy Minister for Tourism, Culture and Sport, Elaine Murray, attended a meeting of UK tourism ministers at Westminster, which was convened by Kim Howells, and I attended the VisitScotland board meeting last week, at which the BTA was discussed. The meeting was held in London to coincide with a reception held by the Secretary of State for Scotland for MPs and tourism industry representatives from England to hear about what we are doing in Scotland.

I can say unequivocally that the Executive will work at ministerial and official level to identify how we can best take forward the opportunities that are represented by the new arrangements in the BTA. As the committee would expect, we are determined that there will be benefits rather than problems. If we see problems emerging, we believe that structures are in place with the DCMS and the BTA to deal with them effectively.

11:45

The Convener: Thank you, minister—that was helpful. As you know, VisitScotland gave evidence to this committee this morning and to the House of Commons Culture, Media and Sport Committee recently. VisitScotland pointed out that it was not

consulted at any point prior to Tessa Jowell's announcement. Obviously, as convener of the Enterprise and Lifelong Learning Committee, I am concerned that unilateral decisions appear to have been made without proper consultation with VisitScotland. In addition, given that the committee is in the middle of an inquiry into tourism, the UK ministers should at least have been courteous enough to let us know what was in their minds before making a decision. I want to register that I am not happy that there was sufficient consultation with other bodies in Scotland.

You said that there was sufficient consultation at ministerial level, but there should have been much more consultation with VisitScotland. In addition, in view of the committee's remit and the fact that we are in the middle of an inquiry, UK ministers should at least have been more courteous.

Mike Watson: Please do not be offended by this, but I am not absolutely sure that UK ministers are aware of the committee's inquiry. There is also the Culture, Media and Sport Committee's inquiry into tourism, to which I gave evidence, as did VisitScotland and the Scottish Tourism Forum, two weeks ago. Although I do not know, it is possible that UK ministers were not aware of the committee's inquiry; however, they should have been. I heard that VisitScotland's chair and chief executive strongly made the point that they were not consulted at the Culture, Media and Sport Committee.

Wherever lines of communication are open, they should be used. There are regular lines of communication between the BTA and VisitScotland and it is well known that VisitScotland thinks that it should have been involved in those discussions. It would have been helpful if it had been, but decisions on the restructuring of BTA were largely political and did not emanate from within the BTA. We should look forward and ensure that lines that are now established make the new arrangements work for Scotland's benefit.

The Convener: Absolutely. I hope that that will not happen again.

I want to look to the future. As you know, Gordon Jackson and I visited California. Our first visit was to the BTA office in Los Angeles. Gordon reported back on behalf of both of us and we were unanimous in our views. One issue that we thought needed to be raised before the reorganisation—and the reorganisation reinforces the point—was that VisitScotland should have representation in BTA offices abroad. You said that an offer is on the table for VisitScotland to have a desk at least in the hub offices. That would fit in with what Gordon and I felt from our visit to California—I think that Annabel Goldie and Tavish Scott had a similar feeling from their visit to

Copenhagen. You said that VisitScotland should make a decision, but we will touch on the matter in our report's recommendations. We recommended that approach to the committee.

I will pass over to Annabel Goldie, but before I do, I want to refer to an article in last weekend's *Sunday Mail*, which said that all the normal attendees at tartan day would not be going this year because of the Scottish parliamentary elections. An absence of Scottish representation at tartan day would be unfortunate. Will you comment on both matters?

Mike Watson: It would normally be appropriate for the tourism minister to attend tartan day. However, the fact that next year tartan day falls three weeks before the election makes it unlikely that I will attend and inappropriate for me to do so. There will be a Scottish presence, but it has not been decided yet.

The Convener: Apart from Sean Connery?

Mike Watson: I am sure that he will be there, but there will be some ministerial presence. It is possible that the First Minister will be there, but whereas in the past, three or four ministers have attended to support different strands of tartan day, that will not happen because of what is happening in Scotland at that time. Members will understand that. The Scottish presence will be strong, whatever the ministerial input is.

Gordon Jackson: Will you also comment about VisitScotland representation in BTA offices? That was the convener's other question.

Mike Watson: I thought that you were going to ask me about that, because the last time I was here, there was mention of the fact that when the convener and Gordon Jackson visited the California office, its employees did not know about tartan day. I have had a copy of the letter that you received to say that that was not the case.

The Convener: We got a mixed message.

Mike Watson: The VisitScotland presence in BTA offices is a matter for VisitScotland. Generally, such representation would probably be beneficial, but it is a question of resources and how VisitScotland uses its resources is its decision. I would also repeat what I said the last time that I appeared before the committee. I was in the Stockholm office in October and was impressed by the work that it had done. VisitScotland may want to examine the various hub offices as they emerge and decide where the staff would most usefully be placed. I suppose that VisitScotland may want to put staff in some of the satellite offices that are in areas of development. Off the top of my head, I imagine that the emerging countries of eastern Europe, particularly those that are joining the European Union, will

have more people with the disposable income to visit other countries. We would want to ensure that Scotland is one country that they consider when choosing where to go. I would be happy to discuss that with VisitScotland if it thought that that would be helpful but, generally speaking, where a Scottish voice can be communicated directly, that would be beneficial.

The Convener: For the minister's information, we also heard evidence from the head of the Greater Glasgow and Clyde Valley Tourist Board, who was previously head of the Northern Ireland Tourist Board in the USA. He shared an office with the BTA, and his experience was that it was invaluable in promoting Northern Ireland.

Miss Goldie: I do not want to dwell on this point, but there is an important issue about the disclosure, to which the convener referred, concerning the United Kingdom minister. I want to ask you two simple questions. First, if the minister at Westminster were minded to make such an announcement in future, are you confident that you would know about it with the new arrangements in force?

Mike Watson: I was asked that question at the Culture, Media and Sport Committee and, yes, I am confident. Some surprise has been registered in Whitehall at the response of those of us at ministerial, official and VisitScotland level about our involvement in the decision. That point has been made. I do not want to be seen to be too unkind, but the relations with the devolved Parliament and Assemblies need to be clarified and developed.

As the convener will know, another point that I made at that committee was that there is a flow of ministers willing to give evidence to Whitehall committees, but so far, no Whitehall minister has given evidence to a committee of the Scottish Parliament. I recall that, when I was on the Finance Committee, that committee was unsuccessful in obtaining the presence of a UK minister. The more that the lines of communication are clear, the better it will be. Although no Scottish Parliament committee may demand the appearance of a Whitehall minister, it is also the case that no Westminster committee may demand the presence of a Scottish Executive minister. If those lines of communication are more two-way, the chances of avoiding difficulties in the future will be better.

Miss Goldie: My second question is equally simple. If that knowledge is assumed, will you still feel gagged by protocol from sharing it with the committee?

Mike Watson: I do not really understand the question.

Miss Goldie: If an issue arose on which a UK minister was to make an announcement or a statement, you would hope to know of that intention, according to your recent answer. Would you still feel gagged by protocol from sharing that information with the devolved Parliament and this committee?

Mike Watson: Any gag was self-imposed.

Miss Goldie: I do not normally associate you with that characteristic.

Mike Watson: I am glad to hear that. The announcement was to be made the next day and I did not want to pre-empt it. As I said in my introduction, I would have been happy to comment on questions that had been circulating in the media about the BTA restructuring. I would have said that the Secretary of State for Culture, Media and Sport was to make an announcement the next day. It might not have been appropriate for me to talk about the detail of the announcement, as that would have pre-empted the announcement.

I was not prevented from talking about that matter, but as it was not raised, I thought it inappropriate to talk about it the day before the statement was to be made. Nothing more was involved. I was under no stricture about what I could and could not say when I gave evidence.

Miss Goldie: Without inviting you to be garrulous, might I ask you to be a little more forthcoming in the future?

Mike Watson: I might not be so stringent in the self-imposition of restrictions.

Andrew Wilson: I remind the minister that we are only talking about four months.

Mike Watson: Four months forwards or backwards?

Andrew Wilson: Notwithstanding this week's decision on the Euro 2008 bid.

I will focus on the serious issue of funding for the tourism industry and implications for that of the BTA questions that we have considered this morning. I am sure that the minister is aware that the DCMS's sub-classification of its tourism programme in the Treasury statement of funding policy is 100 per cent reserved, so there are no Barnett consequential for us, although that is not the case for Northern Ireland. That implies that the budget should have a UK or at least a GB impact. Recently and in this morning's conversation, we have heard that a significant chunk of that programme will focus on promoting England alone. Will you bid to have that portion of the budget brought into the Barnett calculation?

Mike Watson: The question relates to the extent to which the BTA's work for Scotland can be evaluated. The BTA spends about £5 million on

Scotland's behalf and I do not think that a change has to be made. The Barnett formula applies only to year-on-year increases in the departmental expenditure limits that we receive—they used to be known as the Scottish block. The honest answer is that I have not considered the matter in those terms. If a benefit were likely from applying the Barnett formula, I would be willing to examine that, but that has not been considered so far.

Andrew Wilson: In the circumstances, that is the fairest answer. It would be useful if you looked at the matter quickly, because that is an anomaly, particularly as it is clear that the focus of the DCMS's 2000 strategy is based on consultations south, rather than north, of the border. In the strategy's foreword, Mr Blair says:

"I believe that the Government's new strategy for tourism - a strategy for England, but one which has clear implications for Scotland, Wales and Northern Ireland - will help towards"

the Government's overall goal. It is clear that the tourism strategy of the DCMS, which has a UK-wide remit, focuses entirely on consultations further of Scotland.

Beyond that, as was raised in earlier evidence, the monitoring and further development of that strategy focuses on annual tourism summits at which ministers from the UK departments that deal with reserved issues and from the devolved Administrations meet. Welsh and Northern Ireland ministers attended development meetings, but in 2001-02, it appears that no Scottish minister attended. That might be before Mike Watson's time, but why was that?

Mike Watson: The second of the two meetings that were held did not come before my time. Indeed, I was criticised at the time for not attending the meeting, which was—I think—in February this year.

Andrew Wilson: It was in March.

Mike Watson: I think that there are two meetings a year. The reason why I did not attend the meeting was that, having looked at the agenda, I felt that there was little on it of direct relevance that would justify a day in London. On the other hand, Elaine Murray attended the meeting that took place two weeks ago, because issues of specific interest to Scotland were addressed.

12:00

Members will be aware that similar meetings occur in other spheres. There is something called the UK sports cabinet, which relates to another part of my portfolio. The same thing happens in health and education.

As far as making the best use of time is concerned, it is a matter of looking at the agendas of meetings and seeing whether there is a good enough reason to attend. That was the basis on which I made my decision about the meeting in March. An official attended the meeting on my behalf, but I did not think that my attendance was justified.

Andrew Wilson: I think that we understand your reasoning, if not the outcome.

Adam Ingram talked about your relationship with the Secretary of State for Scotland who, as we know, is the guardian of Scotland's interests in all reserved matters. Are you aware of any contact by the Scotland Office with the Department for Culture, Media and Sport on the expenditure of reserved funds on tourism? Does the Scotland Office take an active interest in that, or does it have a watching brief?

Mike Watson: I am not aware of any such direct contact, but that does not mean that there was none. I met the Secretary of State for Scotland last Wednesday immediately prior to the reception that she organised to highlight tourism in Scotland and at which VisitScotland was well represented. We discussed a number of issues relating to tourism in Scotland, not least an initiative called the promotion of Scotland, in which the Secretary of State for Scotland and I are both involved. We are trying in that initiative to pull together various—sometimes varying—strands, which includes the involvement of a raft of bodies such as Scottish Development International, Scotland the Brand, the Scotland Office, the Scottish Executive, the British Council Scotland and so on. We have tried to pull those strands together to ensure that, as far as possible, we are all putting forward some core messages—although that does not necessarily mean that we are saying the same thing all the time. Co-operation with the Scotland Office has been forthcoming. There was also a meeting yesterday of a body called the Scottish international forum, which pulls together some of the strands and aims to ensure that we speak with one voice; I think that we are making significant progress.

Andrew Wilson: I have a general question on the overall performance of the industry, which has as we know been suffering a recession for some time. When do you think the tourism sector will come out of recession?

Mike Watson: I do not accept that the tourism sector is in recession. There has certainly been a downward trend since about 1995 or 1996, which can be related to a number of factors including the strength of the pound. The emergence of a number of previously unknown tourist destinations in various parts of the world means that people have more options. Also, the two major events of

last year certainly had an effect, although the tourism sector in Scotland reacted well to those hefty dunts and had, by the end of last year, begun to win back ground in other areas to make up for the loss of visitors from the US in particular, and for the loss of visitors from Europe.

As far as our targets are concerned, we are looking to get back to the 2000 level by 2004 and we are on course to do that. I accept that it is difficult to get back to 1995 levels but, as I said in my opening remarks, I want to get the Scottish tourism sector of the economy back into growth. We are on course to achieve that but, although the period beyond 2001 has been difficult, we are addressing the issues and are certainly on an upward curve.

Allan Wilson: You should set the same ambitious target for the Minister for Enterprise, Transport and Lifelong Learning.

David Mundell: You spoke about relationships with the BTA, for example, and about the relationship between VisitScotland and Scottish Enterprise. Some of the evidence that the committee has taken indicated that when Scottish Enterprise considered tourism and support for tourist businesses, it did so solely against its own targets and criteria and not in conjunction with VisitScotland or tourism strategies. That is demonstrated at local level in that Scottish Enterprise identifies gold, silver and bronze businesses in each local enterprise company area, but those tourist businesses are selected without reference to the local tourist board. How can we ensure that Scottish Enterprise's activities dovetail with the Executive's and VisitScotland's strategy?

Mike Watson: That issue has not previously been raised with me. Certainly, there are many different strands to public sector support for tourism in Scotland and Scottish Enterprise is an important part of that effort. The local enterprise companies are also important, but if there are specific difficulties with Scottish Enterprise, I will be more than happy to discuss them with my colleague, Iain Gray, who has ministerial responsibility for that body. Our departments try to operate in a cross-cutting manner wherever that is sensible. I will arrange to discuss the issues with VisitScotland and, if necessary, take up the matter with Iain Gray.

I want to ensure that we avoid duplication and a sense of competition, particularly in relation to grading tourism product. The ability to assess at a glance the quality of Scottish tourism through grading is important.

David Mundell: The issue is significant because Scottish Enterprise's tourism budget is greater than VisitScotland's. It is essential that Scottish Enterprise's activities are fully consistent and

linked with VisitScotland's activities. One issue that the committee should consider is whether the structure of the present relationship is correct.

Mike Watson: As you will be aware, an area tourist board review is under way, which will include a review of the way in which area tourist boards are funded. A considerable amount of funding for tourist boards comes from Scottish Enterprise through the local enterprise companies. I want to ensure that the lines of communication are clear. I can only repeat my earlier point that your suggestion that Scottish Enterprise is out of step with other players has not been raised with me before, although I will certainly consider the matter.

David Mundell: Right. The quality issue has been raised in evidence and in the committee's case studies. How do you foresee quality in the Scottish product being developed and improved?

Mike Watson: I do not quite see it as the *Daily Mail* characterised it last week when it said that I intend to set up a guest house Gestapo to close down places that are unsuitable for visitors. That went a bit beyond what I intended. In every way in which Scottish tourism presents itself to visitors—whether through accommodation, transport, visitor attractions or restaurants—it is important that visitors know what they are getting when they walk through the door. There should be ratings so that people know the standard of establishments and can judge for themselves whether they will get value for money.

It has become a cliché that we must score on quality because Scotland will never be a low-cost holiday destination. I am absolutely committed to good quality because there is no other way forward for Scottish tourism. People who come to Scotland must feel that they get good value for whatever they purchase and an important way in which to achieve that is through the various quality measurement schemes that are in place, some of which are very good. I am concerned about those who, for whatever reason, choose not to be part of the schemes, which are voluntary at present. It is not surprising that a pretty high percentage of registered complaints are about people who are not part of a quality scheme. We must ask why they are not part of such schemes.

At last week's "Scotland United" tourism conference, I said that the emphasis is on helping people to improve and to provide a better face, whether that means improving training, the standard of hotels, the standard of food or the availability of food at certain times. It is about encouraging people to improve. Only as a last resort, if we had a compulsory scheme—which would in itself be pretty much a last resort—would we contemplate closing anyone down. It is not helpful to close down establishments; the idea is

that they should improve. We will encourage quality as far as we can, but some sanction must exist. If an individual or an establishment lets us all down, there must be some way in which that can be dealt with, otherwise the damage might be felt much more widely.

The Convener: The Highlands and Islands is a major tourist destination and we heard some evidence this morning from HIE and Scottish Enterprise. First, which minister is in charge of the interim route development fund and what are your expectations for its impact on tourism?

Secondly, we have heard evidence from Highlands and Islands Airports Ltd about the need for a bit of deregulation of smaller airports—Barra was mentioned this morning, for example—as a way in which to facilitate greater use of air transport in the Highlands.

My third point is on destinations such as the northern isles. When do you think that we will get a lower-cost link by air or sea to Shetland and Orkney?

Mike Watson: The minister responsible for the interim route development fund is Lewis Macdonald. However, much of the impact of that fund—we hope that it will be considerable—will be felt in tourism. The fund is £6 million to develop or to support new routes into and out of Scotland. I must stress “into and out of Scotland”; the fund is not for routes within the country. We hope to attract airlines—perhaps low-cost airlines, but certainly any airlines that are willing—that will add to the routes that we have at the moment and make Scotland more easily accessible. I am clear on that.

The point on HIAL and deregulation is not within my remit. I want to ensure that travel within Scotland—which also has implications for tourism in Scotland, not only for Scots, but for visitors who come here and want to visit the islands—is made as accessible as possible, whether that is literally accessible in terms of the landing of aircraft, or accessible in that people are able to afford it. There are some constraints on what can be done in subsidising fares. For lifeline services, particularly for people living on the islands, such subsidy is a feature and will remain so.

You mentioned Orkney and Shetland; I was in Shetland earlier this year at about the time that NorthLink Orkney and Shetland Ferries took over from P&O Ferries. The issue was contentious in Orkney and Shetland because the prices were considered to be more attractive than had previously been the case. However, a bigger issue was the cost of flights. During the week when I was in Orkney and Shetland, British Airways announced that a number of low-cost flights were to be provided. Because I was on the ground at

the time, I arranged to phone British Airways and it turned out that about 12 per cent of seats on each flight were available at the low fares, which probably accounts for about eight seats per flight. My basic point is that the announcement was not quite what it appeared to be.

We need to work harder with the airline operators to get them to make greater efforts to fill the flights and there is scope for them to do that in Orkney and Shetland. However, that is more of a transport issue with which I have no more than an associated interest in as much as it affects tourism.

John Farquhar Munro: We have heard about several issues related to the Barra airstrip and Inverness airport. One anomaly that is doubtless an impediment to increasing tourist traffic through Inverness airport is the fact that the airport was, unfortunately, built using a PFI scheme. Built into the arrangements for that funding package is a condition that a tariff must be paid to the financing company for each passenger who passes through the terminal, which is a retrograde step that does not encourage HIAL or others who try to make a profit from the airport to increase traffic; the more they increase traffic, the more they will be penalised.

I wonder whether the minister has any views on that situation. PFI is not the panacea that people thought. The impediment to tourism at Inverness airport that results from the extra tariffs that are required for traffic that passes through it can be compared to the PFI that was used in building the Skye bridge, which caused an impediment to tourism through tariffs for using the bridge. A recent study on behalf of the local authority indicates that there is a substantial disadvantage to businesses and tourism in the area because of those two PFIs. Does the minister have any views on that?

12:15

Mike Watson: You are dragging me into areas for which I do not have ministerial responsibility. The interim route development fund should assist Inverness airport in relation to landing charges. I do not know what the PFI arrangements are, but they will be part of a contract that was negotiated when the undertaking was agreed. If there are areas in which there are impediments to people coming to or moving within Scotland, I would be perfectly happy to discuss those with colleagues to try to find ways round them. I give that commitment. There are obviously legacies of agreements on Inverness airport and the Skye bridge that make it difficult to achieve some of the changes that might otherwise be negotiated. However, I will certainly discuss that point with colleagues.

The Convener: That could be part of the new draft partnership arrangement.

Mike Watson: Mr Wilson would not agree with you on that.

The Convener: I have a final question. When do you hope to announce the review of the area tourist board structure?

Mike Watson: That question is asked frequently. The honest answer is that I will announce it as soon as possible.

The Convener: Will it be before or after the election?

Mike Watson: It will be as soon as possible. We received more than 350 submissions, which will take a lot of drawing together. That work continues and I discussed it with the board of VisitScotland last week. The tourism sector as a whole is anxious to know the outcome and I want to be able to announce an outcome that is—I choose my words carefully—as non-divisive as possible. Clear divergences of views have emerged. For example, some submissions have advocated getting rid of all area tourist boards, but others have advocated keeping them all—it is a difficult balancing act. There will be no deliberate delay on my part, because I want to be able to announce the way forward for the area tourist board network and the broader tourism sector in Scotland. I cannot be more specific, however, because it is quite a big job to go through all the submissions that have been made, which are being considered carefully.

The Convener: Thank you very much. You will be glad to know that we will not be asking you back before we publish our inquiry report. We now move into private session to consider a draft report on our tourism inquiry.

12:18

Meeting continued in private.

12:56

Meeting continued in public.

Work Programme

The Convener: We move back into public session to discuss item 3, which is our work programme. Brian Fitzpatrick has made recommendations for issues to consider in relation to our legacy paper. It is suggested that Scotland's social economy be included as a topic for possible future investigation. We would need to do that after the election and build it into the legacy paper priorities because, to be frank, we do not have time between now and then to do the subject justice without taking another topic out.

Wendy Alexander approached Brian Fitzpatrick, Annabel Goldie and me about a major leadership project programme in Skye called Columba 1400, which is a very interesting project for young people. Wendy Alexander suggested that the committee visit the project and I agreed, but the chances of getting the committee to visit in January, February or March are almost zilch. I suggest that we ask for a 45-minute briefing on the project in one of our planned sessions, after which we could recommend a later visit.

Miss Goldie: I support that suggestion. I have some knowledge—not detailed—of the project. Norman Drummond, who is a most interesting man, is the motivating force behind the project, which is designed to nurture leadership skills in young people. It seeks in particular to do that with young people who are from environments in which it might be difficult for them ever to gain such experience. The heading of 'The Right Choices for Young People' might be an appropriate section under which to consider taking evidence from the project along the lines that were suggested by the convener.

The Convener: Can we leave the arrangements flexible enough to allow us fit in the briefing when representatives of the project can visit the committee and when we can see them? Can we agree to invite them?

Miss Goldie: Yes, absolutely. I support that idea.

The Convener: Are we all agreed? If it is a programme on training people and leadership skills, there are perhaps 129 people in the Parliament who might want to join it.

Mr Macintosh: There is little detail on the meeting on the new economy. Will that take up an entire meeting?

The Convener: That is the follow-up to our report.

Mr Macintosh: Is there no way of squeezing in something else?

Miss Goldie: The new economy is fairly important.

The Convener: There have been many recent announcements on that.

David Mundell: I felt that today's meeting went so much better because we had plenty of time with Peter Lederer and Philip Riddle compared to previous meetings.

The Convener: I think that we are all agreed that Brian Fitzpatrick's recommendations should be accepted, but the timing means that what he suggested must happen after the elections. There are too many other priorities in January, February and March. Are we all agreed?

Members *indicated agreement.*

The Convener: Thank you. Merry Christmas, everyone.

Meeting closed at 13:00.

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