

## NATIONAL ECONOMIC FORUM – TWENTIETH MEETING: 16 MAY 2018

### DISCUSSION REPORT: SUSTAINABLE TOURISM

**Host:** Fiona Hyslop MSP, Cabinet Secretary for Culture, Tourism and External Affairs

**Facilitators:** Alain Dupeyras, Head of Regional Development and Tourism Division, OECD; and, John Henderson, Born in the Borders

#### Summary

With Tourism being so vital to the economic success of towns, cities and regions across the length and breadth of Scotland, the discussion focussed on exploring ways to secure sustainable growth in Scotland's visitor economy by looking at how to help secure opportunities and address challenges in the future. As it is a key aim to further strengthen the collaborative approach between the tourism industry, the Scottish Government and partners, the Cabinet Secretary stressed that the messages and constructive feedback received from the Forum are really valuable to the Scottish Government in taking forward work with its agencies.

#### Introduction and Background

The Cabinet Secretary welcomed delegates to the discussion group, introducing the two facilitators for the session who brought their many years of experience in the tourism industry to the discussion.

On 24th April, the Scottish Government and partners published the report, *Tourism in Scotland: the Economic Contribution of the Sector*. This was co-produced between SG, the Scottish Tourism Alliance and public sector partners, providing a shared understanding of where we are. This baseline study is really helpful as we look to build on and develop the Tourism 2020 strategy. It delivers a strong message about importance of tourism to Scotland's communities.

Delegates and facilitators made the following observations by way of background to the discussion:

- Tourism is global and is affected by global influences. Overnight visitor numbers in Scotland are not yet back to 2007 levels, but are moving back into that territory, overseas visitors have increased 23% from 2012-16.
- Industry and public bodies are working together and increasingly aligned. Sector strategy needs to be industry informed and led. Micro business are critical in sector, so industry, SG and partners need to work together to bring sustainable solutions.
- The next Themed Year - Coast and Waters in 2020 – is a huge opportunity for tourism in Scotland.
- Sustainability means staying alive, profit and continuing to exist. Seasonality is a huge issue, with the main season effectively just 3 months out of 12. Achieving a balance of tourist vs local is difficult. Need more footfall as remote area. Lots of ongoing partnership work to create joined up strategies.
- Need to put new areas on the map to draw tourists in. Enhance experiences, provide more excitement, and keep tourists around longer – all critical to increasing income.
- Tourism is a key driver for communities. The sector is not necessarily high paying employers but it does employ a lot of people.
- Scotland is to be congratulated for the Tourism in Scotland report, and the work it is doing on the tourism economy. Benefits of tourism economy is a big topic of discussion in OECD countries. Scotland already doing better than OECD average, with 5% of GDP and 8% employment.

Key challenges for tourism globally include:

- Productivity: tourism is often seen as a low productivity sector so some countries are reluctant to invest in it.
- Tourism development is becoming more complex as it's very cross cutting – covers areas like transport and digital connectivity, business growth, rural economic development, skills development.
- Governance in tourism is difficult – sector is usually dispersed across the country, with multiple agencies and partners.
- External factors are important, such as exchange rates, safety and security, geopolitical issues like Brexit which affect workforce esp in Scotland,
- Economic and environmental sustainability, resource efficiency becoming more important.
- Significant impact of emerging technologies and digitalisation
- Growth in itself is a challenge, bringing investment needs to support the sector and local communities especially very highly pressured destinations like Venice

Need to consider all of the above, the role of Government and how Government should define its strategic intervention.

### Discussion

#### **Any elements we are missing that we should be pushing in our visitor offer?**

- UNESCO biosphere destinations aren't pushed enough. Galloway / S Ayrshire was first in Scotland and now Wester Ross. Germany and Switzerland make huge play of these, Scotland doesn't.
- International marketing tends to be about Edinburgh, Glasgow and Highlands, but we have many more gems: challenge of how to make tourists aware of them. VisitScotland marketing is effective, but a clearer picture of Scotland's gems is needed.
- Infrastructure and connectivity, including transport links, can hinder tourists' ability to explore beyond cities.
- Wider tourism spread needs robust tourism offers from areas themselves. Examples internationally, including rural France. Small strategic public investments can facilitate development of a bigger offer.
- Scotland could market itself as a low carbon destination, given commitment to renewable energy, stretching emissions targets.
- Communities need to be ready for success: examples of where areas experiencing sudden increases in visitors lacked supporting infrastructure to maintain and improve tourism offer. Sustainable tourism needs community involvement and buy in. Role for tourism businesses to connect with the wider business community and local population.
- Tourism is often the only growing business in small communities and can drive wider regeneration. Examples of small scale investments (e.g. reintroduction of local fuel facilities) driving larger footfall and value.
- Heritage routes offer opportunities – culturally rich, can be quite slow so tourists will spend more time locally.
- Lack of jobs and training in local areas can mean locals don't have money to spend supporting local tourist businesses.
- Cultural output is an asset. Importance of capitalising on successful tv and film productions – examples of sharp increases in visitors following Shetland and Outlander productions.
- Growing importance of authenticity in tourist offer: gives people memorable experiences that feel real. Growing consumer expectation: what interventions can encourage this.

- Who makes this all happen – who facilitates development.

### **How do we boost productivity within the industry?**

- Lapland in Finland grew tourism income hugely in last 10 years. They are great at collaboration across public agencies to drive sector forward, and wrap around support. Investment has been mostly private sector but strategy public. Close links between industry, government and universities to support innovation.
- Tourism clusters in other countries – bring people together, with government funding pump-priming. But organisations and projects aim to become autonomous. Its about business working together to draw people to the area, not competing with each other for those who do come to the area
- Productivity has been challenging in the past, due to sector structure (number of SMEs), seasonality, business practice. But more recently productivity growth in the sector is slightly ahead of economy as a whole. Employers using their workforce better. Threat to labour market from Brexit is a big threat, both to labour supply and access to markets.
- Need to work across industries in rural economy, rather than view tourism as a separate, silo-ed activity .
- Scotland has a really good and liberal access regime. Open mentality in terms of physical access and joined-up-ness of things. This is a big USP.
- Importance of authenticity and provenance: these are often the ‘draw’ to an area. Funding constraints can hamper local initiatives promoting and developing local experiences.
- Tourism and culture are inter-linked. Experience internationally shows investment in cultural economy supports benefits from the visitor economy, but also well-being of local residents.
- Issue of funding for tourism support, and alignment between funding and tax revenue generated by the sector, to facilitate year-round opening of tourism business, creating greater sustainability. Current debate on UK bed tax would be on top of high VAT rate: need to look at taxation question in a holistic way.
- Importance of public sector facilitating bottom-up private sector initiatives r (e.g. Business Improvement Districts).
- Importance of sector improving its offer to staff, particularly given tightening labour market. On the job training, embracing of digital improvements and training to support this, as well as addressing working conditions and salary. Highly pertinent for rural areas, where multiple employers seeking to draw from smaller labour forces.
- Issue of supporting infrastructure, particularly housing, which can impact on attractiveness of working and living in rural areas.
- Importance of drawing on local assets to build a tourism offer. Example of Dark Sky status in Dumfries and Galloway: sustainable, year-long resource.
- Labour market will be a central challenge in coming years, particularly given Brexit. Importance of sector responding to this, and improving offer to attract and retain staff.

### **Closing Comments**

Bring the discussion to a close, the Cabinet Secretary for Culture, Tourism and External Affairs thanked delegates for their valuable contributions and insights before summarising the discussion:

- Importance of greater promotion of tourism in Scotland, and clarity around what we’re promoting. Scotland Is Now is a big part of this.
- Importance of demographics in supporting industry growth. Migration is central to this, for Scotland overall, and across Scotland. Importance of sustainable rural areas for supporting tourism activities, and vice versa. Tourism is a vital part of rural areas’ economic sustainability.

- SG strongly believes in cultural tourism. SG has managed to invest a lot of capital to invest in our tourism product – e.g. National Museum now attracting over 2m visitors per annum.
- Books and film key – SG just about to double our spend in film in Scotland getting folk to film here – biggest film of the year - Avengers Infinity War - filmed partly in Edinburgh.
- Importance of building a compelling, shared vision for tourism.
- It's not just about tourism funding – it's about housing, ferries, roads, digital connectivity and everything else.

The discussion highlighted that Scotland is already a success in tourism but has scope to do even better: building on our authenticity, and adding value to existing product.

**Scottish Government**  
**May 2018**