

**WRITTEN EVIDENCE TO SCOTTISH PARLIAMENT
ECONOMY, ENERGY AND TOURISM COMMITTEE**
Enquiry into tourism, 2007/08

FROM THE EDINBURGH CHAMBER OF COMMERCE

This evidence is from the Edinburgh Chamber of Commerce, a business membership organisation representing over 1820 companies in and around Scotland's capital city. We are the largest Chamber of Commerce in Scotland, and have promoted the interests of business and commerce in the city since 1786.

This written evidence is presented by the Edinburgh Chamber's Tourism Policy Group, representing a cross-section of tourism industry interests, including visitor attractions, hotels, tour operators and leisure businesses. It is intended to inform the Committee's investigation, specifically from a city perspective. We would be prepared to back our written evidence up with oral evidence, should the Committee request this.

Douglas Logan, Chair and Graham Birse, Deputy Chief Executive
December 12, 2007.

Evidence from the Edinburgh Chamber of Commerce

- 1) *How realistic is the proposed ambition for a 50% increase in revenues in the tourism sector by 2015? How was this ambition set and on what basis can it be reached?*

The high level growth ambition is looking increasingly difficult to achieve. Macro economic factors, specifically the strength of the £ versus the \$, the rising cost of oil and the slowdown in the world economy is placing pressure on consumers' discretionary spending. Clearly, tourism expenditure will slow as these trends impact in global and regional economies; thus Scotland's tourism sector can expect a slowdown in historical growth, particularly from overseas.

In any event, the 50% growth target was established largely a result of political ambition, with insufficient analysis by sector and geographical area, of the relative contributions to the growth target, set against historical and trend growth. Some of this work has now been undertaken, providing a stronger basis upon which to assume that growth can be achieved. However, in our view, more detailed research of individual sectors, and, specifically, the greater contribution that the cities can and do make to national growth, should be factored in. Glasgow has already declared its revenue growth objective of 60% to £1 billion. Edinburgh's Tourism Action Plan for the same period has set a similarly stretching target of 63% to £2.77 billion growth in revenues. For these targets to be achieved, collective effort across the industry needs to be supported by a national tourism strategy and national economic development strategy that understands how metro regions can contribute more to the growth of the industry as a whole.

- 2) *How widely known and accepted is the 50% growth ambition amongst all sections of the tourist industry- public and private sector- and how engaged are all with their role in meeting the ambition?*

There is widespread awareness of the 50% growth ambition across the industry. However, commitment to, and engagement with, delivery is distinctly split. On the one hand, the larger organisations and consortia have been fully engaged with achieving growth. On the other, SMEs have been detached from the process, lacking the direction and encouragement fully to participate

in the process. In Edinburgh, for example, the members of ETAG (Edinburgh Tourism Action Group) have played a participative role in developing their own action plan in support of the wider growth ambition. However, small businesses report a lack of understanding of the ambition and how they fit in context of its delivery. SME's report a lack of engagement with the VisitScotland network, keenly felt since the demise of the Area Tourist Board (ATB) network. VisitScotland's industry engagement strategy is widely interpreted by SMEs as a commercial revenue strategy and while there is nothing, inherently, wrong with this, it has had led to many SME's 'checking out' of the public sector engagement process. In our view, the industry engagement strategy should be a communications strategy first and a commercial revenue strategy second.

- 3) *What are the challenges of meeting the growth ambition, such as investment levels, the provision of infrastructure, labour force issues, skills and leadership management, tackling seasonality, increasing quality standards and service levels, the regulatory environment and the planning regime, better destination management and organisation of the tourism industry etc and what can be done by both the public and private sectors to overcome these?*

That's quite a question! It would be naïve to assume that all sectors of the industry will grow by 50% by 2015 in all areas. Markets and economies do not behave in regimented ways and therefore our approach to meeting the objective should not be regimented. If we accept, as the industry does, that the 50% ambition is a revenue target, then we need to break it down into its component parts. We should be asking ourselves, for example, what are the current trends and forecasts for growth at the UK, European and world level of leisure, business and event tourism, and their component markets? Given the historic trends, what growth can Scotland reasonably assume to achieve within the next seven years? How can Scotland position its 'attack brands' to drive revenue growth? What level of investment in product development, training and marketing will be required to deliver expected growth? And how does this growth break down, by sector and region, into meaningful and achievable targets that, taken together, represent achievement equal to or, preferably, greater than 50% by 2015?

There are some specific opportunities here that the Committee needs to consider. Firstly, the cities represent the gateways to Scotland. Glasgow and Edinburgh between them deliver over 50% of Scottish leisure tourism turnover and 80% of business tourism turnover. In 2005, the two cities generated £1.85 billion worth of revenue from UK and overseas tourism trips- £1,069 billion in Edinburgh and £785 million in Glasgow. The two cities' airports are the drivers of incremental inbound growth through route development and the attraction on new carriers. Successful bids for events of the magnitude of the Commonwealth Games 2014 would not be possible without the two cities collaborating to a significant degree. The Glasgow Edinburgh Collaboration Project has been significant in facilitating a shared agenda and developing new ideas to leverage further growth. There is logic in this approach. The received wisdom amongst economists from the OECD to the World Bank says that metro regions are the key drivers of economic growth and that "there is no example, anywhere in the world, of a national economy that is not driven by one or more metro regions", according to Dr Greg Clark, Chairman of the OECD's Metro Regions Committee. It is our view that current economic development strategy and tourism strategy is denying the cities, notably Edinburgh and Glasgow, the level of investment in infrastructure, product development and marketing commensurate with achieving the high level growth ambition. There is a disjoint, for example, between the Edinburgh Tourism Action Plan's growth ambition for accommodation, which requires some 4,000 new hotel rooms by 2015 in order to achieve the high level ambition, and the lack of flexibility and understanding in the planning process to permit this to happen.. Since our growth objective is revenue driven, it should lead us towards a planning system and product development strategy geared towards high-value brands and consumers. The recent refusal in Edinburgh of the high-quality 'Hotel du Vin' development at the Licensing Board indicates that this is not currently the case.

Another key constraint is in labour supply and management development. The arrival of significant numbers of migrant workers from eastern Europe has been enormously helpful to the industry; but the underlying supply and demand imbalance in labour is likely to continue into the future and merits further research to identify factors which might ameliorate the current position in order to match supply and demand and, crucially, leverage upwards the quality of service and hospitality consistent with a high 'value added' experience. The industry must improve its

standards of recruitment, training, career development, remuneration and management in order to re-position its service offering and attract high calibre entrants at all levels.

- 4) *What are the implications of the Scottish government's plans for VisitScotland, how will its role change, particularly in relation to its relationship with the formed enterprise network and Scottish Development International, and its increased responsibilities for attracting international investors.*

There are significant concerns in the industry in Edinburgh about the re-alignment of the VisitScotland network around the wider boundaries consistent with the new enterprise network. Inevitably, this would involve the Area Network Office of VisitScotland serving a much larger geographical area and, in our view, this would only make sense if the cities were to strengthen their commitment to marketing and promotion. If a destination is somewhere people want to be, then Scotland's capital city features high on the 'to do' list of leisure and business visitors alike. And yet, its marketing and promotion has lacked cohesion locally and is significantly poorer, in both resource and co-ordination, than its rivals in the UK and Europe. Edinburgh Chamber of Commerce has recently participated in a 'Destination Development Review' with Scottish Enterprise, the City of Edinburgh Council, Scottish Development International and VisitScotland in which we have looked at new options for Edinburgh. The outcome of this work is likely to be a radical re-structuring of the various departments and agencies currently promoting Edinburgh, not just for tourism, but for investment and education. We see the outcome of this work as critical to the tourism industry's ability to grow revenues in Edinburgh by 63% by 2015. Without it, Edinburgh will fail to fulfil its considerable potential as a capital city and a tourism city, and the industry across Scotland would similarly under-perform. The established model of the Glasgow Visitor and Convention Bureau, and the partnership which supports it, is widely regarded by the private sector in Edinburgh as attractive in terms of efficiency, effectiveness and delivery.

Insofar as VisitScotland's broader remit is concerned, the agency is recognised for its professional approach to marketing and its understanding of the cities' role as attack brands for Scotland. As specified at (2) above, however, the SME sector in the industry does feel 'detached' from the VisitScotland network and, thus, we believe, VisitScotland's industry engagement strategy needs to be de-drafted with the focus on communication, information and partnership.

- 5) *What can be learned from best practice in other parts of the UK and internationally in terms of meeting the challenges, particularly to encourage people to view the tourism industry as a viable career option?*

Edinburgh's achievements in tourism in recent years have been significant and the result of the concerted effort by public and private sectors through ETAG to improve quality, exceed customer expectations and grow in excess of the national growth ambition. Thus, in 2006, for example, the last year for which audited numbers are available, overseas visitor numbers to Edinburgh grew by 19% to 1.3 million. However, there are significant challenges ahead at the macro economic level, in matching supply and demand, developing infrastructure, developing the workforce and investing in marketing.

We feel that a solution is required fully to exploit Edinburgh's potential as a capital city on behalf of Scottish tourism. In business tourism, where visitor revenues are on average 80% higher per night than leisure visitors, we have an established track record and considerable potential. Meetings, incentives, conferences and exhibitions offer a year-round high-yield revenue stream, currently worth £300m a year to Edinburgh and Lothians and therefore the contribution of business tourism to the high level ambition should be adjusted upwards. However, Edinburgh's business tourism growth has been inhibited over recent years by the lack of investment in the city's status as a Capital city, in its Convention Bureau and delays to the necessary expansion of the Edinburgh International Conference Centre to accommodate larger conferences. Accordingly, Edinburgh has slipped down the ICCA (International Conference and Convention Association) international league table of conference destinations, from 9th in 2002 to 27th in 2007 (Glasgow 44th), in the face of competition that is well organised and well resourced. The removal of banqueting space during the refurbishment of the National Museum of Scotland (NMS) and the relative shortage of four and five star hotel rooms in Edinburgh are all indicators that Edinburgh will slip further down these rankings, relative to its international competition, before it climbs them again. A serious

look at the potential of business tourism to contribute more to the national growth ambition must be matched by a serious look at the provision of infrastructure, facilities and marketing support in Edinburgh. The Edinburgh Convention Bureau (ECB) should be strengthened to reflect its key role in developing this high-yield industry sector.

In summary, Edinburgh's pre-eminent role as the most popular gateway to the UK for overseas visitors can, and should, be leveraged more effectively to drive further growth and revenue through the city in business and leisure tourism. On the basis that 'all boats rise with the tide' Scottish tourism would be significantly better off.

Douglas Logan
Graham Birse
December 2007