DISCUSSION SESSION PAPER

Session 4: Achieving sustainable economic growth in the tourism, food and drinks industries

Tavish Scott MSP, Cabinet Secretary for Finance and Sustainable Growth & Maureen Watt MSP, Minister for Schools and Skills

Allan Burns, Chairman, Scotland Food and Drink

BUSINESS IN THE PARLIAMENT CONFERENCE – 22 FEBRUARY 2008

Achieving sustainable economic growth in the tourism, food and drinks industries

Hosted by ***Tavish Scott MSP, Cabinet Secretary for Finance and Sustainable Growth & Maureen Watt MSP, Minister for Schools and Skills***
Chaired by ***Allan Burns, Chairman, Scotland Food and Drink***

Tourism industry strategy: the "Tourism Framework for Change"

Tourism is a vital industry for Scotland. It injects £4.2 bn by way of tourism spend into the Scottish economy each year and supports around 200,000 jobs. It benefits our towns, cities and rural areas, helps support infrastructure such as transport services that benefit the economy as a whole, and has strong economic linkages into other sectors such as retail and food and drink. (A breakdown of the volume and value for 2006 produced by VisitScotland is attached).

The tourism industry strategy, the "Tourism Framework for Change" was launched in March 2006. It aims to grow tourism spend by 50% by 2015. This level of ambition reflects the opportunity presented by continuing growth in world tourism (c.4% p.a.) and the strength of the tourism assets that Scotland has in its natural environment, its built heritage, its distinctive culture, food and drink, and activities such as golf and mountain biking.

However, tourism is highly competitive internationally and the tourism industry in Scotland needs to capitalise on these assets in ways that will meet the expectations of discerning travellers and match the best of what is on offer in other countries around the world.

The key themes in the Tourism Framework for Change represent the key areas where investment is required to deliver growth in line with the 50% target. They are:

- Market Intelligence and Innovation
- The Customer Experience
- Marketing
- Corporate Scotland and Infrastructure
- Sustainability

Each theme has an industry-led Implementation Group which brings together industry representatives and public agencies and which in turn reports to an overall Tourism Framework for Change Monitoring Group.

Key projects and initiatives

Key initiatives that are in place to take the industry strategy forward in each of the theme areas include:

Market Intelligence and Innovation

- An industry Tourism Innovation Group that acts as the "driver of long term strategic change" in Scottish tourism, delivering a range of strategic industry-led projects. These currently include projects on sustainable development, food and tourism, arts and culture, technology and the organisation of an annual Tourism Innovation Day event.

- The SE Tourism Innovation Toolkit and associated workshops which provide support to both industry groups and individual businesses across Scotland with the development and implementation of new business ideas.
- A range of joint projects involving industry, SE, HIE and VisitScotland to promote market and product development around key Scottish tourism assets such as Scottish food produce, whisky, wildlife, ancestral tourism, golf, sailing, mountain biking etc.
- The establishment of Tourism Intelligence Scotland as a joint venture between SE, HIE, VisitScotland and industry to gather and disseminate market intelligence to industry.
- The development by VisitScotland working with partners and industry of a range of scenarios for Scottish tourism.
- Work underway through Scottish Development International to attract inward investment in tourism into Scotland in the form of hotels, golf resorts, timeshare/fractional ownership etc.

<u>The Customer Experience</u>

- The development and implementation of destination development plans for the main tourism destinations in Scotland. The destination development approach is a partnership-based approach that involves industry working with public sector partners to enhance the quality of the visitor experience in key tourism locations such as our main cities and National Parks.
- The operation by VisitScotland of the range of Quality Assurance and Welcome schemes designed to provide customers with information on standards and to encourage investment by tourism businesses in the quality of facilities and standards of services.
- The development of a Training Action Plan for the industry by People 1st, the Sector Skills Council.
- SE and HIE programmes to support the development of business leadership and management skills including the SE Tourism Management Programme of masterclasses, conferences and seminars, support in the HIE area for adoption of the industry Hospitality Assured quality standard and the joint SE/HIE "100k Welcomes" service quality programme.
- The industry "Pride & Passion" project designed to engage a wider community of tourism and related businesses at a local level around efforts to enhance the quality of the customer experience across Scotland.

<u>Marketing</u>

- A marketing strategy led by VisitScotland built around a strong brand and a product portfolio that reflects what visitors want to buy. The brand is built around attributes people associate with Scotland - the brand essence: *enduring, dramatic and human* – and is captured in UK marketing in a proposition that a visit to Scotland is such a unique and powerful personal experience that it can touch all the senses – *hear it, touch it, see it, taste it, smell it, Live it Visit Scotland.*
- In overseas markets the same brand essence is translated into the proposition Welcome to our Life, based on the findings that people come to Scotland from overseas to experience the authentic Scottish way of life and to interact with local people.
- A range of marketing and promotional opportunities for businesses offered by VisitScotland including UK and overseas consumer promotions, travel trade opportunities and participation on the visitscotland.com Scottish tourism consumer website.

- The development of business tourism in Scotland, especially through the targeting of international associations' meetings through VisitScotland the cities Marketing and Convention Bureaux.
- A series of e-business workshops and seminars run by SE and HIE to encourage more effective use of the Internet by Scottish tourism businesses.
- The "Win WorldWide" programme of seminars run by Scottish Development International to encourage Scottish tourism businesses to develop international markets.

Corporate Scotland and Infrastructure

- Closer engagement of the industry around wider Government policies, legislation and regulation e.g. licensing and fire safety regulations, transport policies and priorities, development planning etc.
- Ongoing public sector investment in key components of tourism infrastructure through Councils, SE and HIE, SNH, Historic Scotland etc.

Sustainability

- The establishment of a Sustainable Tourism partnership to coordinate efforts to promote sustainable development of Scottish tourism.
- The Green Tourism Business Scheme which sets standards for environmentally sensitive business practices on the part of Scottish tourism businesses.
- The development of Climate Change Scotland as an initiative from the Tourism Innovation Group to enable visitors to Scotland to offset their carbon usage against sustainable tourism projects in Scotland.
- A range of local sustainable tourism projects across Scotland such as the SE Green Tourism Advisory Service in the Loch Lomond & the Trossachs National Park.

Key industry organisations and support agencies:

- Tourism Framework for Change Monitoring and Implementation groups (as above). Supported by Scottish Government Tourism Team.
- Scottish Tourism Forum. Lead trade body for the sector funded through membership subscriptions.
- Tourism Innovation Group. Industry-led group develops and delivers strategic industry initiatives. Funded by SE, HIE and VisitScotland.
- Pride & Passion. Industry-led group supports local; community-based tourism groups and wider commitment to understanding and meeting the needs of the visitor. Funded by SE and HIE.
- People 1st. Sector Skills Council for the Hospitality Industry.
- Local destination development groups/partnerships eg Edinburgh Tourism Action Group, St Andrews World Class, Glasgow Tourism Partnership.
- SE and HIE: provide support in areas of innovation, product and destination development, and business and skills development.
- Scottish Development International: provides support on internationalisation including inward investment and overseas trade development.
- VisitScotland undertakes marketing, quality assurance and runs visitor information services including Tourist Information Centres.
- Councils provide a range of support services for tourism including funding for local visitor services via VisitScotland, funding for city Marketing and Convention bureaux, operation of attractions, museums, recreational facilities, transport services, planning etc

Scottish Enterprise
February 2008

Background paper on the Food and Drink Industry

Importance of the industry

The Scottish Food & Drink processing industry is a major contributor to the economy, generating significant levels of sales and value add:

Sales	£7.57 bn
Value-add	£2.7 bn (3% of overall Scottish GVA)

It is the largest manufacturing employer in Scotland, with 21% of the manufacturing workforce, employing 49,000 people directly. Food and beverages are also the top exporting industry for Scotland, accounting for 27% of Scotland's manufacturing exports, worth £3.57 bn to the economy.

When the agriculture, aquaculture and fishing sectors are taken into consideration, the overall impact is significantly increased:

Sector	Sales (£bn)	GVA (£bn)	% of Scottish GVA	Jobs (total numbers employed)
Agriculture	1.79	1.0	1.3	67,000
Fishing (catching and aquaculture)	0.67	0.2	0.3	6,000

The agriculture industry provides 36% of the total inputs to the Scottish food and drink industry. Together with the fishing sector, it is a major supplier of raw materials for the UK food and drink industry, providing:-

- 26% of the beef herd
- 61% of the fish catch
- 40% of the strawberry crop
- 10% of liquid milk

The food and drink production and processing supply chain employs a total of 122,000 people, which is 5% of the total Scottish workforce.

The industry therefore has a significant impact on the economy, in terms of sales, value-add and employment with the potential to contribute even more in the future.

Growth Opportunity

There are enormous growth opportunities for the industry. The UK retail and foodservice markets have a combined value of £157 billion (£124 bn retail, £33 bn foodservice), with strong growth in foodservice continuing There is also huge potential in international markets, particularly Europe, but also USA and Canada, China, Japan, South Korea and Taiwan. The Health-enhancing foods market has grown by 50% over last 5 years and is now worth £30 bn worldwide.

These opportunities have a good fit with Scotland's strengths - premium positioning of meat, salmon, seafood and whisky and niche sectors generated from its excellent raw materials, some strong international brands, a world-class research base and a strong fit with global food trends (health and well-being, environmental sustainability, indulgent and foods with a strong 'provenance'). There is therefore a significant prize to be won.

However the industry operates in a highly competitive world, with countries such as Ireland, Denmark and New Zealand leading the way in many aspects of food production and processing. For example, all three are well ahead of Scotland on exports per capita. The industry also faces increasing demands from consumers and retail/foodservice customers and needs to respond to sustainable development and climate change issues.

There are continuing pressures on the farming and fishing industries, with the challenges of CAP reform and ongoing changes to the quota system. Urgent action is needed to ensure farmers and fishermen can operate on a profitable basis to supply the quality raw materials needed for much of the Food & Drink processing industry.

Scotland Food & Drink

Scotland Food & Drink was established in 2007 by the industry, with support from the Government. It aims to bring everyone involved in food and drink together to work to a common agenda that will deliver greater success in global markets.

The key foundations of Scotland Food & Drink are:

- to build our global reputation and be internationally known as 'The Land of Food & Drink';
- to become renowned as a leader in collaborative supply chains
- that innovation is key to the growth of our industry
- we need to focus on building the necessary skills required by our industry.

Scotland Food & Drink is implementing a proactive strategy that will ensure the rewards are enjoyed and shared by all involved in the supply chain.

For more information visit www.scotlandfoodanddrink.org

National Food Policy

In Autumn 2007, the Scottish Parliament agreed with the Scottish Government that a national food policy is needed for Scotland.

There is an emerging consensus that a national policy would help ensure a more joined-up approach to food in Scotland, covering every part of the food chain from farm gate to plate. It would provide a long-term direction and vision for the industry, realising the full potential of Scotland's food for the benefit of everyone.

A national discussion has been set up as the first step towards making that proposal a reality. This will take into account all aspects of food from health and education to the economy and tourism, sourcing more Scottish food through public procurement, and making healthier food more accessible to all in Scotland.

The discussion paper 'Choosing the Right Ingredients' sets out the Scottish Government's vision for food in Scotland. The Scottish Government's vision for food in Scotland is that it should make the nation healthier, wealthier and smarter with production making communities stronger and consumption respecting the local and global environment.
For more information go to: www.scotland.gov.uk\food

Scottish Enterprise
February 2008

Key discussion questions to be discussed during the tourism, food & drink breakout session

1. Both industries have challenging growth targets as part of their strategies. What are the barriers to achieving this growth and where are the opportunities. How might government and the industry itself work together to help achieve these goals. How do we encourage more of the industry players to take the premiumisation route to achieve growth?

2. Where are the food, drink and tourism ambitions mutually supportive and where are they not? Are there any opportunities for the food, drink and tourism industry to work together to achieve mutually supportive goals?

3. Scotland has the ambition to be internationally known as the land of food and drink. What role has tourism, if any, in helping us achieve this? Does a positive visitor experience re food and drink consumed in Scotland help Scottish companies sell more food and drink in key markets in the UK and overseas? Will building an international reputation for food and drink help attract tourists to Scotland?

4. The Tourism and Food and Drink industries comprise very large numbers of businesses, many of which are very small. Could the industry itself and the public sector be organised better to drive the respective industry strategies forward in a more cohesive way? What should the main roles and responsibilities be of industry on the one hand, and government on the other, in developing and delivering growth strategies for industries such as Tourism and Food and Drink?

5. What does "sustainable growth" look like in industries such as Tourism and Food and Drink? In what ways do they need to be different to be sustainable?

6. Why do more Scottish businesses not scale up on the back of innovation?

7. How can the Tourism and Food and Drink Industries attract and retain the talent they need to be internationally competitive for the future? What impact will changes in the labour market have on the ability of the Tourism and Food and Drink Industries to meet their labour and skills needs and how can they best respond to these changes?

8. International markets are going to be critical to both Food and Drink and Tourism in meeting their growth targets. What are the main barriers the two industries face to developing export markets? What can businesses themselves do to develop their export potential and what can Government do to assist?

9. How best do we engage the tourism industry in the discussions on a national food policy?

TOURISM IN SCOTLAND 2006

Introduction

Please note that, due to changes in the ONS International Passenger Survey (IPS) and the United Kingdom Tourism Survey (UKTS), statistics from 2005 onwards are not comparable with previous years.

	Trips 2006 (m)	Nights 2006 (m)	Spend 2006 (£m)
Scotland	6.35	18.82	830
England	6.40	26.44	1,710
Northern Ireland	0.38	1.25	136
Wales	0.15	0.65	44
Total UK Tourism	13.28	47.16	2,720
Total Overseas Tourism	2.73	26.38	1,439
Total	16.01	73.54	4,159

In 2006, over 16 million tourists took overnight trips to Scotland. The annual expenditure was over £4.1 billion. Tourism supports around 9% of all employment.

- The UK accounts for 83% of tourism trips to Scotland.
- Overseas tourism accounts for 17% of tourism trips to Scotland.
- 69% of overseas trips are taken in April-September.
- The USA is our biggest overseas market, accounting for 25% of the overseas spend.
- 87% of overseas visitors who come to Scotland arrive in the UK by air and 62% of UK visitors come by car.
- Overseas tourists stay an average of 9.7 nights, Scottish tourists an average of 3 nights and English tourists an average of 4.1 nights.
- Average spend per night is £55 for overseas tourists and £65 for English tourists.
- A total of almost 45m visits were made to Scottish visitor attractions in 2006.
- An estimated 210,000 people were employed in tourism-related industries in Scotland.

1 Volume and Value of Tourism in Scotland

	Trips (m)	Trips (%)	Nights (m)	Nights (%)	Spend (£m)	Spend (%)
UK Tourists 2006						
Holidays	8.51	64	33.05	70	1,780	65
Business	2.45	19	6.46	14	705	26
Visits to Friends & Relatives	1.87	14	5.94	12	181	7
Other	0.45	3	1.71	4	54	2
Total	13.28	100	47.16	100	2,720	100
Overseas Tourists 2006						
Holidays	1.24	45	9.38	35	662	46
Business	0.41	15	2.27	9	217	15
Visits To Friends & Relatives	0.88	32	8.71	33	338	24
Study	0.07	3	3.98	15	134	9
Other	0.13	5	2.04	8	88	6
Total	2.73	100	26.38	100	1,439	100

2 Top Origins of Overseas Tourists 2006

	Trips ('000)	Trips (%)	Nights (m)	Nights (%)	Expenditure (£m)	Expenditure (%)
USA	475	17	4.47	17	361	25
Germany	278	10	2.29	9	123	9
France	229	8	1.80	7	76	5
Ireland	224	8	0.85	3	75	5
Canada	161	6	1.75	7	93	6
Spain	142	5	1.58	6	66	5
Australia	133	5	1.54	6	70	5
Italy	131	5	1.15	4	71	5
Netherlands	114	4	0.67	2	48	3
Sweden	79	3	0.64	2	46	3
Rest of World	766	29	9.66	37	411	29
Total	2,732	100	26.38	100	1,439	100

28/08/07

3 Average Length of Stay and Spend

	Length of Stay (nights)	Spend per trip (£)	Spend per night (£)
Scottish	3.0	131	44
English	4.1	267	65
Rest of the UK	3.6	340	95
All UK	3.6	205	58
All Overseas	9.7	527	55
ALL	4.6	260	57

4 Time of Visit

(%)	Jan – Mar	Apr – Jun	July – Sept	Oct – Dec
UK Holiday Trips	16	27	35	22
UK Business Trips	23	24	24	29
Total UK Trips	18	27	31	24
Overseas Holiday Trips	7	30	53	10
Overseas Business Trips	20	27	27	26
Total Overseas Trips	15	28	41	16

5 Transport Used to Travel to Scotland

UK Tourists	Total Trips (%)	Holiday Trips (%)
Car	62	67
Train	12	11
Coach tour	3	5
Regular bus/coach	6	5
Air	11	8
Other	6	4
Overseas Tourists†*		
Air	87	76
Sea And Tunnel	13	24

† Transport used to reach UK
** 2005 data*

6 Accommodation Used

	UK Trips (%)	Overseas Trips (%)*
Hotel/Motel and Guest Houses	37	39
Friend's/Relative's House	36	30
Self Catering/Rented Accommodation	11	6
Bed and Breakfast	6	14
Touring Caravan & Camping	6	3
Youth Hostel/School/ University	3	6
Other	1	2

** 2005 data*

7 UK Tourism by Country of Origin

	Trips (%)	Nights (%)	Spend (%)
England	48	56	63
Scotland	48	40	30
Northern Ireland	3	3	5
Wales	1	1	2

8 Activities undertaken (at all)

	UK Holiday Trips (%)
Hiking/Hillwalking/Rambling/ Other walking	50
Visiting museums, galleries, heritage centres, etc.	23
Shopping	16
Touring/Sightseeing	14
Wildlife watching & Zoo Park Visits	9
Watching performing arts (including cinema)	8
Adventure Sports	5
Golf	3
Fishing	4
Cycling	3

9 UK Tourists Categories of Expenditure

	UK Tourist Spend (%)
Accommodation	30
Travel in UK	23
Eating & Drinking	19
General Shopping	10
Packages (inc. Accom.)	6
Buying Clothes	6
Entertainment	5
Other	1

10 Monthly Accommodation Occupancy 2006

2006	Hotel (% Room Occupancy)	Self Catering (% Unit Occupancy)	Touring Caravan & Camping Park (% Pitch Occupancy)*	Guest House & Bed/ Breakfast (% Room Occupancy)	Hostels (% Bed Occupancy)
Jan	44	27	-	21	17
Feb	54	35	-	29	31
Mar	54	31	-	29	34
Apr	63	61	32	44	51
May	70	62	36	55	55
Jun	73	66	49	64	55
Jul	72	81	65	68	69
Aug	80	88	64	76	74
Sep	75	69	37	63	51
Oct	66	59	23	44	41
Nov	58	31	-	28	22
Dec	47	33	-	24	25
Ann avg	63	55	45	46	44

**Survey of Touring Caravan and Camping Park occupancy is only conducted from April to October*

11 Visitor Attractions 2006

Major Attractions with free admission	Visits
Kelvingrove Art Gallery & Museum, Glasgow†	*1,880,956
National Gallery of Scotland Complex, Edinburgh	942,788
National Museum of Scotland, Edinburgh	830,670
World Famous Old Blacksmith's Shop Centre, Gretna Green+	717,442
Royal Botanic Garden, Edinburgh	622,452
Gallery of Modern Art, Glasgow	*554,152
Museum of Transport, Glasgow	*506,339
Falkirk Wheel, Flakirk	437,388
National War Museum, Edinburgh	421,568
St Giles' Cathedral, Edinburgh	401,405
Major Attractions with paid admission	
Edinburgh Castle, Edinburgh	1,211,036
Edinburgh Zoo, Edinburgh	655,203
Edinburgh Bus Tours, Edinburgh	501,445
Glasgow Science Centre, Glasgow	410,513
Blair Drummond Safari & Adventure Park, nr Stirling	402,701
Stirling Castle, Stirling	385,755
Scottish Parliament Visitor Centre, Edinburgh	327,445
Burns National Heritage Park, Maybole	*302,894
Our Dynamic Earth, Edinburgh	300,420
Royal Yacht Britannia, Edinburgh	280,729

** Estimated figure*
+ The World Famous Old Blacksmith's Shop Centre is a free attraction but has an important paid element.
† Figures for 7 months only - Kelvingrove Art Gallery & Museum re-opened July 2006

12 Tourism-related Employment 2005

	Tourism Employment '000	All Employment '000	Tourism as a % of All Employment
All Scotland	210	2,391	8.8

NB: The above employment figures exclude self-employed.

MAIN SOURCES OF STATISTICS

International Passenger Survey 2006

United Kingdom Tourism Survey 2006

Scottish Accommodation Occupancy Survey 2006

Visitor Attraction Monitor 2006

Annual Business Inquiry 2005 NOMIS

DEFINITIONS

'A tourist trip' is defined as a stay of one or more nights away from home for holidays, visits to friends or relatives, business/conference trips or any other purposes except such activities as boarding education or semi-permanent employment.

'Tourist nights' are those spent away from home using any type of accommodation, or in transit, on a trip (as above).

'Tourist expenditure' is spending incurred while away from home on a tourist trip and on advance payments for such items as fares and accommodation. In this fact sheet expenditure is in 2006 prices.

In this publication percentage figures may not add up to 100% due to rounding and, as with all surveys, the data are subject to sampling errors which particularly affect the smaller regions of Scotland.

For more information please contact:

Corporate Research Department
VisitScotland
Ocean Point One
94 Ocean Drive
Edinburgh EH6 6JH

Tel: 0131 472 2384
Fax: 0131 472 2223
email: research@visitscotland.com