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The development, rationale, organisation and future management of public sector tourism in Scotland

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Introduction

Scotland is a small country, part of a small island on the edge of Western Europe, yet it has a very large tourist organisation (with about 750 staff) relative to other countries - how can this be? Scotland is different from the rest of the UK; it has its own education system, separate judicial and legal systems, and these, along with the Church, have helped to mould Scotland's identity. Scotland is not an independent state so does not have direct membership of the United Nation nor its affiliated organisations, such as the UN World Tourism Organisation (UNWTO), which has a membership of over 150 countries. In 1999, the UK government devolved limited authority and power to the new Scottish Parliament, including judicial authority, education, health and industrial development – including tourism. Scotland, with a population of just over five million, has always looked outwards and innovation has long been part of Scottish culture. It is often forgotten that Scots have been at the forefront of some of the world's leading inventions, such as logarithms, decimal points, telephone, television, trains, photocopier, video, bicycle, fax machine, radar and

dolly the sheep, the world's first cloned animal and even the ATM. So can Scotland also take a lead in developing a new management structure for delivering tourism in Scotland in the 21st century?

The main public sector body with responsibility for tourism in Scotland is VisitScotland (VS), previously the Scottish Tourist Board, but it is by no means the only organisation trying to manage tourism. In total, there are 286 organisations with an interest in tourism in Scotland in some form or another (Cantlay, 2010). They range from small, local marketing groups such as Scotland's Heartland, regional destination marketing organisations (DMOs) such as the Aviemore & Cairngorms DMO, niche marketing groups such as Scottish Snowsport, through to national organisations such as Scottish Enterprise and Historic Scotland and even UK-wide organisations, such as VisitBritain and the Forestry Commission.

Statistical background data on the growth of tourism

Since the 1950s international tourism trips have grown every year almost without interruption (Table 1) and in the last decade since 2000 growth has averaged 2.9% per year; and the number of trips is expected to grow between 5 and 6% in 2010, and about 4% in 2011 (UNWTO, 2010a, UNWTO 2010b). This growth is linked not only to individuals' greater wealth, but also to other factors such as improving international transport, decreasing travel costs, increasing holiday entitlement, and new and easier methods of booking. Although Europe, with its high population density, open borders and wealth, is by far the largest world region in terms of the volume of international tourism trips, the largest rate of growth has been in the Middle East, albeit with one eighth of the number of trips in Europe. Middle Eastern countries have recently invested heavily in transport infrastructure, including new airlines and aircraft, and in tourism marketing promotions focusing on guaranteed sunshine and activities, such as eco tourism in the UAE and adventure tourism in Kuwait.

Despite much huffing and puffing by VisitScotland and the Scottish Government, about the importance of tourism in Scotland, the rise of low-cost carriers and a new direct ferry

Table 1: World international tourism arrivals (million)

	1990	1995	2000	2005	2006	2007	2008	2009	Average annual growth 00-09
Europe	265	309	392	441	468	485	487	460	1.8%
Asia/Pacific	56	82	110	154	166	182	184	181	5.7%
Americas	93	109	129	134	136	144	148	141	1.0%
Africa	15	19	27	35	42	43	44	46	6.2%
Middle East	10	14	25	38	41	47	56	53	8.8%
World	438	533	683	802	883	901	919	880	2.9%

Source: UNWTO Tourism Highlights 2010

Table 2a: Volume and value of tourism in Scotland

	UK trips (million)	Overseas trips (million)	Total trips (million)	UK Spend (£ million)	Overseas Spend (£ million)	Total spend (£ million)
2006	13.28	2.73	16.01	2,720	1,439	4,159
2007	13.12	2.79	15.91	2,836	1,367	4,203
2008	12.15	2.48	14.63	2,812	1,235	4,047
2009	12.47	2.56	15.03	2,736	1,359	4,095
2010 (Jan-Sept)	-4.6%	-0.7%	n/a	-9.0%	+10.3%	n/a

Source: VisitScotland, Office of National Statistics MQ6. Note: Spend in cash prices

route development, the market can, over recent years, be described as flat, or even in a steady decline, with trips declining by about one million over the past five years, and spending declining by £60m (Table 2a).

Despite the popular stereotype of tourists in Scotland as being Americans touring around the country, tourism is, in fact, dominated by UK visitors (Table 2b) who account for 83% of all trips and 67% of spend. In fact, Scots themselves account for 39% of all tourism trips in Scotland, 47% of all UK residents' trips, 22% of all tourism spend, and 32% of UK tourism spend (Tables 2a and b). That is, the largest segment of tourism spend is not new money brought into either the UK or the Scottish economy, but is displaced from

one part of the UK/Scotland to other parts of Scotland. In a review of Scottish tourism in 2006, the Scottish Government (2006) set a target for the industry of a 50% increase in tourism spend in real terms by 2015. However, as shown in Tables 2a and 2b, in the past five years there has not been much change in either the volume i.e. numbers of tourists or the value of tourism in Scotland, and this 'target', which was changed to an 'ambition', rather than a target, seems increasingly unlikely to be achieved. The Scots are also keen on travelling overseas and even although they take about 2 million fewer overseas trips than trips in Scotland (Table 2c) they spend over 2.5 times as much on overseas trips than on trips in Scotland. Although since the recession started to hit discretionary spend in 2009 there has been

Table 2b: Volume and value of UK tourism in Scotland

	Scots trips (million)	English trips (million)	UK trips (million)	Scots spend (£ million)	English spend (£ million)	UK spend (£ million)
2006	6.35	6.40	13.28	830	1,710	2,720
2007	6.23	6.29	13.12	815	1,807	2,836
2008	5.84	5.74	12.15	927	1,682	2,812
2009	5.85	6.01	12.47	886	1,613	2,736

Source: UKTS Note: Spend in cash prices

Table 2c: Volume and value of Scots' tourism trips to overseas destinations

	Scots tourism trips overseas (million)	Scots tourism spend overseas (£ million)
2005	4.26	2,268
2006	4.76	2,517
2007	4.70	2,758
2008	4.71	2,710
2009	3.85	2,332

Source: Office of National Statistics, MQ6

much talk about the importance of 'staycations', the recent decline in the number of Scots taking overseas trips from 4.71 million to 3.85 million has not been substituted by an increase in the number of trips taken by them in Scotland.

However, even agreement by researchers on basic tourism data is difficult to achieve while the official government definition is expressed in terms of specific Standard Industrial Classification (SIC) codes. A recent report by

Deloitte's (2008), commissioned by VisitBritain, estimated that the total contribution of tourism to the Scottish economy is £11.1b, compared to an estimate of £4.1b by VisitScotland, and Deloitte's estimates that it will grow to £14.8b by 2020. This figure includes both direct and indirect spend. The Deloitte report also suggests that the direct tourism spend, which includes day trips, was £9.2b. Such significant differences in estimates in the value of tourism are not new, but they do make it difficult for policy-makers to formulate decisions on investment.

It is interesting to note that there appears to be a steady increase in the number of tourism businesses in Scotland, in their turnover, their GVA and the number of their employees (Table 3) while the market has remained flat, in terms of value for a number of years. Does this suggest that

businesses are becoming less productive? Not necessarily so, because caution must be exercised when looking at this data, as the definition of tourism used in measuring these variables is very wide. For example, the figures include everyone who works in every pub, library and café in Scotland, irrespective of the level of income generated from tourism. This difficulty in establishing a robust, working and statistically sound definition of the number of tourism businesses, as well as a true estimate of the number of their employees, makes it hard to establish sound comparisons with other industrial sectors, and may either undervalue or overvalue the importance of Scottish tourism.

In most businesses the utilisation of stock is a key indicator of profitability, yet, as Table 4 illustrates, the level of stock

Table 3: Tourism-related businesses, gross value added (GVA) and employment in Scotland

	No of tourism business units	Total turnover (£million)	Gross value added (GVA) (£million)	Total tourism-related employees
2004	17,500	10,800	3,480	194,500
2005	17,900	11,400	3,670	199,700
2006	18,000	12,600	4,020	206,700
2007	18,400	13,300	4,020	208,700
2008	18,500	13,500	4,120	203,700

Source: Scottish Annual Business Statistics

utilisation (i.e. percentage of bed-nights used) across most accommodation sectors has been remarkably constant and any variation is businesses and is not a full census of utilisation, there are four possible explanations for this static picture. Firstly, there has been an increase in the number of businesses and this has resulted in a spreading of the market demand across a larger number of businesses and thereby resulting in lower stock utilisation. Secondly, there has been an increase in pricing which may have driven down demand. Thirdly, it could also mean that the data are not robust or fourthly, it could be argued that the evidence from other surveys suggests that room discounting is widespread, especially out of the main, short season and so with price it is the price/quality offer in Scotland relative to the alternatives. **This raises two questions: the first being what other industry could survive when some**

40% of its capacity is underutilised all year round; and the second being is there just too much accommodation stock to make the sector profitable? In order to answer this second question we need to look at the accommodation stock, but even such a basic question is difficult to answer, because there is no compulsory registration of tourism accommodation. Just as with the data on the value of tourism, the number of tourism businesses and the number of employees we have a 'sort of estimate' derived from membership of the VisitScotland's Quality Assurance (QA) Schemes (Table 5). Although membership of the scheme is voluntary, businesses are required to join in order for them to participate in VisitScotland's marketing activities and this stipulation suggests that it is a fair surrogate measure of the level of accommodation stock.

Table 4: Accommodation occupancy annual averages

	Hotels (% room occupancy)	Self catering (% unit occupancy)	Hostels (% bed occupancy)	B&B/Guest houses (% room occupancy)	Touring caravans (% pitch occupancy)
2004	61	52	42	46	36
2005	63	55	44	47	40
2006	63	55	44	46	45
2007	65	54	44	47	46
2008	64	52	45	46	45
2009	64	52	45	48	45

Source: VisitScotland Occupancy Surveys

Care should be exercised in interpreting the above table, especially when trying to draw conclusions about increases or decreases in the accommodation stock. Businesses will make a judgement on their membership the QA scheme; on the perceived value provided (will it generate extra bed-nights?). The numbers in the scheme will also depend on the date of establishment of the scheme, and changes in property ownership. For example, the growth in hostel membership is linked not only to the growing popularity of hostels, but also because it is a relatively new scheme, and as with most new schemes, there is an initial enthusiasm for

participation, as it may give a business an edge in marketing. The decline in the number of participating B&Bs could be linked to changing family ownership patterns, and the decline in hotels in membership could be linked to the decline in independently owned hotels and the associated growth of budget hotels, which tend to have a group policy on membership of QA schemes. It could also be that hotel groups brand themselves by providing the same facilities and services in all their hotels and see, therefore, no need to take part in QA schemes.

Table 5: Participation in VisitScotland accommodation quality assurance schemes

	Number of hotels	Number of self catering properties	Number of hostels	Number of B&B/ guest houses	Number of touring caravans parks
2004	1,024	3,035	127	2,909	282
2005	1,044	3,383	137	3,053	293
2006	1,063	3,560	165	3,130	289
2007	1,026	3,508	210	3,005	285
2008	972	3,513	199	2,837	276
2009	954	3,258	211	2,604	281
2010	908	3,054	216	2,433	274

Source: VisitScotland QA Scheme

From Table 6 it is clear that hotel and restaurant businesses in Scotland are dominated by small and medium enterprises (SMEs); only four hundred of almost 17,000 such business have fifty or more employees, but these businesses account for almost 50% of the turnover in this sector. Almost two-thirds (67%) of tourism enterprises have between 1 and 49 employees. The table also shows that over 5,000 hotels and restaurants have no paid employees, but that is not to say that such enterprises run themselves; they are family or individually owned business with no paid employees, but may rely on various forms of family support, not classified as wages. This lack of paid employees has been one of the

strengths and the weaknesses of tourism businesses: a strength in that it affords a relatively easy access point for new entrants into tourism, and a weakness in that this makes it difficult to raise standards and to work in co-ordination with others in the sector. **The third question that needs to be raised is the quality of statistical data about the tourism sector in Scotland – it is just not good enough, when we cannot be sure of its volume, the number of businesses or the number of employees. Does this also suggest there needs to be some form of compulsory registration of tourism businesses in Scotland?**

Table 6: Scottish hotels and restaurant: turnover and enterprises by number of employees

Hotels & Restaurants	0 Employees	1-49 Employees	50-249 employees	250+ Employees	Total
Turnover (£ millions)	251	3,116	875	2,046	6,288
Number of Enterprises	5,210	11,220	270	130	16,825

Source: Scottish Economic Statistics 2008

Background to the establishment of the Scottish Tourist Board/VisitScotland

Government intervention in public sector tourism is nothing new and can be traced back to 1929 when the UK Department for Overseas Trade first made a grant to the then Come to Britain tourism organisation. This was soon

followed with the establishment, by the Scottish Office, of a Scottish Tourist Development Association (STDA) – a case of ‘if you have one, we want one’. The Scottish organisation was first grant-aided in 1930 through the old Goschen proportion (eleven ninety-firsts) of the Treasury grant to UK organisations; but there was a condition attached to this

grant – the STDA had to hand back to the British tourism organisation some 25% of the funds it raised from subscriptions and donations within Scotland (Johnson, 1952). This was seen as Scotland's contribution to the general British overseas marketing activity, even though Scotland was already paying taxes to the UK Treasury! By 1939, the grant was only £250. In May 1945, as part the post-war planning activities, the Scottish Council on Industry established a Committee of Enquiry on Tourism (the first of over fifteen such enquiries/committees/reviews over the next sixty years). They recommended the establishment of an autonomous Scottish Tourist Board (STB).

In terms of national tourism policy issues, government intervention in tourism and the establishment of an independent tourism organisation have dominated the management focus of public sector tourism for the last sixty years. The management of the STB/VS has always been difficult; on its foundation there were clear calls for its board members to be representative of the various sectors (hotels, transport, catering, etc.), i.e. making it a trade association. Given the wide nature of tourism, it would not have been possible for one body to represent fully all the different sectors. It is interesting that, rather than representing the various sectors, the STB management board first saw itself predominantly as a consumer association, not a trade association. **So the fourth question that needs to be asked: is VisitScotland a trade representative body or a consumer association?** The early activities of the STB were very wide-ranging, and focussed on much more than marketing. For example, it lobbied for direct shipping between New York and Scotland, established direct contacts with overseas tour operators, and undertook the training of guides. In terms of marketing, the STB regarded Scotland as 'a place for the proletariat, the bourgeois and the plutocrats!' (Johnston, 1952) – i.e. the working, middle and upper classes.

Following strong public support for the collectivisation of public services during the Second World War, in the

1950s/60s a number of industry sectors were brought into government control through a process of nationalisation. These included car manufacturing, shipbuilding, steelmaking, coal mining and, in one of the last acts of partial nationalisation by the Labour Government in the late 1960s, tourism. The principal UK legislation that governs state involvement in tourism stems from the 1969 Development of Tourism Act (DTA). The DTA also created the British Tourism Authority (BTA), which had sole responsibility for overseas marketing, and the three Home Country Tourist Boards, for Scotland, England and Wales. Northern Ireland was covered by separate legislation.

In the 1960s there were real concerns about the balance of payments deficits, as we 'were not earning our way', so one of the original purposes of the DTA was to increase earnings from overseas tourism. It also recognised there were real concerns about the quality of the tourism infrastructure in the UK, and so the DTA provided for a three-year injection of capital through the Hotel Development Incentive Scheme (HDIS), which was designed to raise the standards of tourist accommodation across the UK. The Act also provided for public investment in both public and privately owned tourism facilities, through Section 4 funding, to develop and improve the tourism infrastructure in the UK. Over the years, the balance of STB/VS activity has shifted between tourism marketing and development, and this raises the sixth question, is VisitScotland a tourism marketing or a tourism development agency?

The functions of the STB as defined in the 1969 Act were:

- to encourage people to visit Scotland and people living in Scotland to take holidays there;
- to encourage the provision and improvement of tourism facilities in Scotland; and
- to give advice to Ministers and public bodies on tourism matters.

Table 7: VisitScotland staffing and budget

	Grant in aid to VisitScotland (cash prices)	VisitScotland net expenditure	VisitScotland staff numbers (FTE)	Staff costs (staff costs as % of grant in aid)
2005/06	£49.8m	£51.6m	810	£21.8m (44%)
2006/07	£45.2m	£46.1m	798	£20.7m (46%)
2007/08	£48.4m	£52.0m	767	£24.4m (50%)
2008/09	£47.8m	£49.5m	758	£20.8m (44%)
2009/10	£47.8m	£49.2m	753	£21.9m (46%)
2010/11	£40.6m	n/a	n/a	n/a
2011/12* (Draft budget)	£41.0m	n/a	n/a	n/a

Sources: VisitScotland Annual Reports/Corporate Plans, *Scottish Government Tourism Budget, which includes VisitScotland spend and other tourism spend. Note staff includes permanent, temporary, contract and agency staff, along with staff from subsidiary companies. Staff costs include salaries, pensions, social security and severance. Grant in aid also includes ring-fenced funds such as Homecoming.

In today's terminology, these can be summed-up as: tourism marketing, tourism development and policy advice.

The Act also conferred a number of general powers, such as:

- to promote or undertake publicity in any form;
- to provide advisory and information services;
- to promote or undertake research; and
- to establish committees to advise them on the performance of their functions.

These functions were expanded by the Tourism (Overseas Promotion) (Scotland) Act in 1984, which enabled the STB to conduct marketing activities outside the UK, with the approval of the BTA. Although such approval was not always easy to obtain, and sometimes initially required direct intervention from the then Scottish Office.

Following a review of the role of the Scottish Tourist Board in 1993, there was another reorganisation of tourism structures through a reallocation of responsibilities among the various public sector organisations involved with Scottish tourism. This review removed from the STB its grant-aiding powers to assist in the development of tourism facilities (Section 4 funding) and transferred this responsibility to the various national and local enterprises agencies, whilst they conceded their marketing functions to STB. Up to this point, the STB did not have responsibility for marketing all of Scotland, because Highlands & Islands Enterprise (HIE) had sole responsibility for tourism marketing of their area. The STB were also given responsibility for co-ordinating the 30+ local Area Tourist Boards (ATBs) which were funded by a tripartite formula of local authorities, subscription membership and the STB. In 1994, the number of ATBs was reduced to fourteen under the Local Government (Scotland) Act 1994, and after another review and following the establishment of the Scottish Parliament in 1999, it was decided to merge the fourteen ATBs with the STB to form a new organisation, VisitScotland; this established a fully integrated VisitScotland network of local offices and tourist information centres. In April 2005, the new network came into being, although it was not legally set up until the passing of the Tourist Boards (Scotland) Act in October 2006, which formally established the new organisation in April 2007. VisitScotland was reorganised again in September 2008 to focus their activities on six regions aligned with the national Enterprise agencies' regions and the three island authorities. By November 2008, VisitScotland.com (the consumer website which until then, had been operated by a stand-alone company, although VisitScotland held a major share) was transferred to become the sole responsibility of VisitScotland (Adams & Hay, 1995, Middleton, 2007).

Today VisitScotland is now the key public sector tourism marketing agency in Scotland, with a remit to promote Scotland as a leisure and a business tourism destination,

both domestically and overseas. VisitScotland has three core activities (VisitScotland, 2010c):

- market Scotland to all parts of the world to attract visitors;
- provide information and inspiration to visitors and potential visitors so they get the best out of a visit to Scotland;
- provide quality assurance (QA) to visitors and quality advice to industry partners to help the industry meet - and strive to exceed - visitors' expectations.

There is now no mention of tourism development or policy advice; although through the operation of the QA scheme, it could be argued that VisitScotland has reverted to one of its original functions – as a consumer-focused organisation. Its key function is now 'to maximise the economic benefit of tourism to Scotland'.

VisitScotland has one of the largest national tourism organisations (NTO) in the world, with some 750 staff and a net spend of about £50 million (Table 7). Technically, VisitScotland is an executive non-departmental public body (NDPB), which means that it has a national remit to carry out administrative, commercial, executive and regulatory functions. About two-thirds of its funding comes from the Scottish Government and one-third from a mixture of local authorities, the European Union, and its own retail and commercial activities. A net spend of about £50m may sound large, but with so many staff, about half its budget is spent on staffing costs. In 2010, VisitScotland indicated that they were planning for efficiency savings of about £10m over the following few years (VisitScotland, 2010b).

In support of these high staffing costs, (as illustrated in the table above) it could be argued that VisitScotland is a knowledge organisation and that their staff share their expertise and knowledge with the tourism industry and so provide a benefit to all tourism businesses. However, the dead hand of the public sector may be at work here, and VisitScotland staff may end up working for their colleagues within the organisation, by developing a corporate protection strategy to show how well it is performing. This has been a lesson learnt by universities, which, after much transformation, have re-engineered themselves, are now more customer-driven, and are now seen as knowledge-exchange institutions. **So the fifth question that must be raised, is what organisation could thrive with such high staffing costs, because this leaves so little for their core activity, which is tourism marketing?**

Rationale for government intervention in tourism

At the broadest level, there are four main roles for government intervention namely; allocative, distributive, regulatory and stabilisation of activities – with stabilisation and income distribution, as Bailey (1995) suggests, best left

to national governments and its agencies. The normal government justification for intervention in economic affairs is dominated by the concept of market failure i.e., even when working in conditions of perfect competition, there may be a divergence between optimal private returns and optimal social returns. This happens when the competitive price system is said to be optimal, if businesses, whilst promoting their own interests, also promote the interests of the wider social community.

A key theorem of welfare economics is that allocation of resources will be optimal if (1) there are enough exchanges of goods and services to produce fair prices for all such goods and services, (2) all consumers and producers behave competitively, and (3) an equilibrium exists so that monopolistic activity is neither possible nor feasible. However, there are some industries where free competition by itself does not lead to an increase in general welfare and tourism may be one of those industries, with market failure in tourism closely related to the concept of externalities. This is when the benefits of a tourism activity, for example overseas marketing, accrue to more businesses than those making the original investment, such as an NTO using public funds to market the destination, but others such as hotels, attractions, etc., also benefit as a result of this marketing. Public sector intervention in tourism in Scotland is usually justified in terms of a number of issues, which are intertwined with each other, and include:

- a low level of knowledge by the purchasers of services, in this case tourists, of the range of available products, particularly those which lie outside the main tourism destinations in the country;
- because tourism is a fragmented industry with many players, there is a need for somebody or organisation to take an overview of the marketing and development opportunities, of which few individual businesses could be fully aware;
- there is a real need to counteract the seasonality peaks and troughs of capacity under-utilisation of the tourism stock, if businesses are to not only survive, but to thrive;
- there is a poor geographical spread of the benefits of tourism, resulting in some regions not obtaining their fair share of the tourism cake;
- quality is now seen as a 'hygiene issue' i.e. it is a given factor, but there is a real need for tourism businesses in Scotland to drive up their quality, because standards in other countries continue to improve. It could be argued that public sector intervention is needed when the private sector fails to drive up quality across all the different components of the tourism experience. Otherwise this results in 'nice holiday, but the public toilets were dirty' experience?
- as access to and within Scotland improves, sometimes through public funding such as the Route Development Fund (Christodoulou, et al.

2009), but this might have an unintended consequence of increasing competition from newer destinations, as Scots look outside Scotland for their holidays as a result of these improved transport links?

The normal guiding principle for government intervention in economic activities is that the economic costs of market failure are high and that there can be a good chance of correcting any failures at reasonable costs to the public purse. This argument was used as justification for the recent support for the renewable energy and the banking sectors. In terms of rationale for government funding of tourism in Scotland, impacts need to be assessed at both the UK and Scottish levels.

At the UK level, the arguments for state intervention focus on:

- In the long run, interventions which do no more than induce extra demand in a economy like Scotland's will likely lead to higher inflation, rather than result in a net increase in real output at the UK level. In principle, markets should be allowed to allocate resources (land, labour and capital) from their perspectives to their most efficient use but sometimes they fail to act for the overall benefit of the sector.
- However, under certain circumstances, markets may fail, and public sector intervention may be able to improve the situation. Interventions which increase efficiency, may increase the productive potential of the UK economy, and could therefore lead to a net increase in output and employment in the UK, which could be seen as helpful and therefore provide the justification of public funding.
- However, interventions which do not necessarily increase efficiency may still be justified in terms of other criteria, such as when they are part of programmes with a clear social objective – the idea behind the recent proposal of the 'Big Society' by the UK Coalition Government.
- At the Scottish level, the main arguments for state intervention focus on:
- The concept that redistributing aggregate demand to areas where inflationary pressures are weak may help to improve the output/inflation trade-off. In some geographical areas, i.e. those requiring special assistance, this may be true, but clearly not all areas in Scotland could be described as requiring special assistance to develop their tourism. In addition, despite VisitScotland's best intentions, it has to be recognised that not all parts of Scotland are equally attractive to tourists; there are some areas that simply do not appeal to them, while others could, with some support, attract more visitors. However, direct state support to develop tourism in areas such as Edinburgh must be questionable because these areas are already

tourism honey-pots, with a well-developed tourism infrastructure, high accommodation occupancy levels and a substantial number of visitors.

Therefore any marginal benefit to the tourism sector in such areas through additional public spend, may be better spent in other regions with more growth potential, which could also support the argument to spread tourism to other areas to support the costs of sustaining local infrastructure..

- Boosting tourism demand through public sector support in areas which already have a large number of tourists will only increase the price of local labour through higher wage demands, compared to labour costs in non-assisted areas.
- This may in turn induce local firms to move or, at least, not to expand. However, unlike other industries, many tourism businesses and assets are not moveable – there is only one Burrell Collection and one Edinburgh Castle. However, tourism-dependent companies such as those making tourism products for sale, or which provide services, such as laundry, could move, but relocation could add to their costs, as they move further from their client base. One solution may be to encourage 'new tourism activities' in other parts of Scotland e.g. activity holidays.

Characteristics of the Scottish tourism industry

Although tourism is one of the main drivers of the Scottish economy, it is not easy to define it, because it is not classified as an industry in terms of the Standard Industrial Classifications (SICs). The SIC attempts to define industries based upon their economic activity, by considering the principal activity of the business, but the tourism industry is comprised of firms with varying principal activities, and the relationship between such activities may change over the year, as the number of tourists fluctuates. Tourism businesses therefore fall into a large number of SIC classes.

Tourists are people (including Scots themselves) who spend nights away from their home, either on holiday or on business and spend money in a wide variety of sectors. Traditionally, the accommodation sector has been seen as the core product of the tourism industry (and this has resulted in this sector being overly influential in the formulation of tourism policy), but it accounts for only some 32% of UK tourism spend in Scotland (VisitScotland, 2010a). In fact, the tourism industry consists of all the sectors in which tourists spend money either directly or indirectly, such as transport, attractions, shopping, entertainment, eating and drinking, banking, etc. So the careers of a banker in Dundee, a green-keeper in St Andrews, a laundry worker in Edinburgh and a piper on the streets of Inverness are tied to the fortunes of the tourism industry, just as much as a chef in Glasgow, a guesthouse owner in Orkney and a cycle tour operator in Galloway. **This is the sixth issue that needs to be addressed – the**

development of a statistically robust, working definition of the tourism industry.

Tourism in Scotland has two distinctive characteristics, namely:

1. Domination by small businesses

In Scotland the accommodation, attraction, entertainment and cafe/restaurant sectors are dominated by small businesses (Table 6) and there are very few entry requirements to establishing a tourism business such as a cafe or a bed and breakfast, as the existing legislation tends to be regulatory, rather than skills/knowledge-based. This is not to belittle the sector, because a key benefit of small businesses is that economic leakages from their expenditure can be very low, i.e. the income generated by small businesses tends to stay in the local economy. However, a disadvantage of these businesses is the difficulty of ensuring consistency in standards across the full spectrum of facilities and services. Therefore, collaboration between the many small companies in Scottish tourism is hard to achieve. Scottish hotels tend to be small (the average size is 20 bedrooms), but for international companies the smallest size of their new-builds (150-200 bedrooms) are at the top of the range of hotel stock in Scotland.

2. Vertical integration in the industry

Tourists do not come to Scotland just to sample the accommodation; they come because of the environment, heritage, activities, etc (VisitScotland, 2008). But they need good-quality accommodation if they are to enjoy their holiday. Tourists now regard the quality of facilities such as accommodation as a hygiene factor, i.e. high standards are now demanded as the norm. Scotland now has five-star backpacker hostels and with the expansion of the QA scheme, will soon have quality assured bars. However, the basic attractions of Scotland are not managed solely for the benefit of the tourist, because mountains and wilderness areas, castles and historic houses, museums and art galleries are preserved and managed for non-tourism reasons, such as for the common good of the nation. Organisations such as Historic Scotland, Scottish Natural Heritage and the National Trust for Scotland also benefit from tourism and are, to some extent, dependent on income from tourism, but their business goals are not simply to maximise profit; they undertake activities which the private sector could not justify on commercial grounds. However, the owners and managers of Scotland's natural environment, in both the public and private sectors on the whole, get little financial return from their tourism assets, such as scenery, because the benefits accrue to others more directly involved in tourism.

Tourism in Scotland has not benefited from the expansion of the wider UK tourism industry, which has seen an increasing number of Scottish residents taking trips outside the UK (Table 2c). The reasons for this are not always clear, but probably relate to the British people's demand for sunshine

holidays, the growth of budget airlines and hotels, and the ease of booking through the internet. In addition, in Scotland, there has not been the same degree of vertical integration of the tourism product (transport, accommodation, eating out, visitor attractions, etc), as has occurred, for example, in the skiing and Mediterranean holiday sectors. What we may be seeing instead is horizontal integration – with expansion, for example, in the growth of the budget hotel chains through the acquisition of existing stock, or in the number of historic buildings open to the public through ownership by the National Trust for Scotland; this is sector consolidation/horizontal integration, rather than sector/vertical integration. This makes it more difficult for tourists or, at least, restricts their choices in what they are seeking, namely a seamless experience and a one-stop shop to buy their holiday.

Functions of national tourism organisations (NTOs)

It is difficult to discuss the functions of NTOs in isolation from their organisational context and relationships with national governments, regional tourist organisations and tourism lobbying and representative groups. In international terms, marketing and promotion tend to be the dominant functions of NTOs. This usually reflects their objectives, which are based on a recognised need to promote destinations and regions/places. The diversity and interdependence that characterises the tourism industry, suggests that there is a need for co-ordination of the different sectors and promotion of the country as a whole. As well as destination promotion, NTOs marketing activities usually include:

- Dissemination of research/marketing intelligence/insights;
- Placement of representatives in originating markets – usually through a network of overseas tourist offices;
- Organisation of trade workshops and trade shows;
- Familiarisation/information trips for tour operators and travel writers;
- Support with the dissemination of tourist information ;
- Provision of information to the consumer and availability of booking systems;
- Development of new products;
- Consumer assistance and protection (including quality-grading schemes and the handling and resolution of complaints);
- Provision of local visitor information services and centres;
- General advisory services for the industry

Other functions undertaken to various degrees by NTOs include:

- Research and compilation of statistics;
- Tourism planning ;
- Human resource development;

- Staff training;
- Regulation of tourism enterprises;
- International co-operation.

As a general assumption, marketing is the primary function and *raison d'être* for most NTOs, with few undertaking domestic marketing activities; instead, they tend to be solely involved with marketing overseas. The impact of the NTOs to influence the private sector varies across the NTOs; as many of their functions are indirect, contributing to a facilitating rather than a controlling role. Increasingly, economic development and the creation and preservation of jobs are taking on a much more important function in the tourism industry than in the past. There is an implicit assumption that if an NTO is functionally successful in its marketing, then indirect economic and employment benefits will accrue as a result.

Key questions on the future development of public sector tourism in Scotland

Of all the questions that could be asked, perhaps the most important is do we need VisitScotland at all? Would the Scottish tourism industry be better without VS, and is it not time – after over sixty years of support from public funds – for the industry to take charge of its own future? Almost every country has a national tourism agency, but why? The establishment of an NTO seems to go with the trappings of nationhood, along with a national airline and a national army; these functions are often associated with newly formed countries, as recently seen with the break-up of the USSR. In looking at the current issues and main functions of VisitScotland, the question that must be asked is; could the private sector and/or a not-for-profit organisation do a better job?

1. Marketing

Many of the recent VisitScotland marketing campaigns have relied on either public and/or private sector partners, with VS acting as a catalyst, co-ordinator and provider of public funds thus enable the private sector to benefit from its activities; but would it not be better for the private sector to take the lead? The main argument against such a role is that tourism businesses are in competition with each other and that competition does not encourage co-operation, but there is little evidence that they need to co-operate to be successful businesses. We often read about rates of return on investment of 1 to 7 or 10 or 20 or even 40 as a result of VS marketing activities, but what does this mean? That for every one pound spent by the public sector, a greater number of pounds accrue to the private sector? But trying to trace this additional expenditure by visitors is very difficult. Is, therefore, VS just providing a subsidy for the private sector, rather than a public benefit? Of course, the counterfactual argument is strong; could a better rate of return be achieved by spending the money in a different way, or even by not spending it at all? Would not these campaigns still take place (albeit, perhaps, in a different form) even if public funds were withdrawn; and would not the withdrawal of funds encourage the private sector to work

together, as mutual survival is a strong driver for growth? However, the tourism industry is composed of so many small businesses and is increasingly fragmented because of the proliferation of DMOs, so the degree of co-operation necessary would be difficult to achieve. Withdrawal of public funding might lead to better vertical integration of the industry, which is one of the major criticisms of tourism in Scotland. It might encourage all sectors to work better together to offer the seamless experiences that today's tourists are seeking, but integrated campaigns may be difficult to achieve because different sectors have differing objectives and priorities. This trend of vertical integration can be seen in an increasing number of airline and hotel websites, because they offer add-ons to basic flight or accommodation bookings: book a flight and you are offered hotels, transfers and passes to visitor attractions.

This perhaps raises a bigger question, that about the effectiveness of national marketing in a world in which the formulation and sources of information are rapidly changing, and might it be the case that the private sector is best placed to respond more quickly to these changes? There is also the issue of the freeloader problem, those who do not participate in joint marketing campaigns could also benefit from their outputs? Perhaps the main criticism of the use of public funds for what is essentially a private sector activity, is that VS, through the use of public funds, is competing with the private sector (for example, retail activities in Visitor Information Centres (VICs), or booking products and services through the VisitScotland website). VS is also in competition with other parts of the public sector by its use of increasingly scarce public funds (taxation). This is not only unfair to other industries, but is also difficult to justify when, as a result of the cutback on expenditure by both the UK and Scottish Governments, there is so much pressure on public funds for more essential services.

2. Business tourism

Although important to Scotland, business tourism is not as easily influenced through marketing as the holiday market, because most of this kind of travel is non-discretionary. The section of the business tourism market that is most likely to be influenced by marketing is the meetings, incentives conventions, exhibitions markets (so-called MICE markets). However, there are only a few serious players in Scotland, e.g. major internationally known hotels such as Gleneagles and Turnberry, and exhibition and conference centres, such as the Scottish Exhibition and Conference Centre in Glasgow. It has been suggested that the operators of these facilities really understand their markets and their competition, both in Scotland and in the rest of world, much better than VS staff, so subsidising their activities by public funds is wasteful. Let them work by themselves and for themselves and they will co-operate when required.

3. Tourist Information Centres (TICs)

Because the methods that tourists use to obtain information are changing, so the number of TICs has been declining for much of the last decade, from a peak of about 160 in 2000,

to about 100 today. They were originally developed and managed in Scotland by the local authorities and local voluntary organisations, then by the Area Tourist Boards and now, most are by default, managed by VS, although a few are run by local groups, with some support from VisitScotland. In 2009/10 they were rebranded as VisitScotland Information Centres (VICs), but are they needed at all and, if so, are so many required? In reality, they are a legacy left over from the old ATB network, when their locations were determined by a local rather than a national perspective. They provide local and sometimes national information (but only about Scotland, not about other parts of the UK); book accommodation in the area or elsewhere for visitors and sell tourism-related goods and souvenirs. Tourists, however (or are they now visitors?) seek information in many new ways, such as via the internet and social media, and most accommodation can now be booked direct through the providers' own website or third-party sites. As for selling goods and services, are TICs not putting themselves into direct competition with local retailers? In fact, sales of goods and gifts in TICs have been declining and even VS is now questioning if this is a proper use of public funds, (VisitScotland, 2010b). Apart from a few key city, road and airports access points, it would be difficult to justify more than twenty TICs in Scotland. In addition, there is no reason why their services should be free and, therefore, fully subsidised by the taxpayer; after all, the tourist is already in Scotland – a £1 Tourist User Fee for their services could be charged. This would have the effect of ensuring that users are serious about seeking information and so make better use of trained staff. It would also act as a disincentive for TICs to compete with other local and commercial retail outlets. As for the rest of the TICs, if there is a perceived need for them, do they need professional trained staff and do they need to be in prime locations in the high street. Why not let them be managed by 'Big Society' volunteers and why not locate them in central facilities like supermarkets, just like other services such as postal or banking services.

4. Quality assurance

This has been one of the main successes of STB/VS. Over the years, the scheme has been expanded from hotel accommodation, into other serviced and self-catering accommodation, as well as other aspects of the tourism experience, such as Green Tourism, visitor attractions, bus tours, chip shops and even bars! VisitScotland also introduced the Green Tourism Business Scheme so that businesses can assess how environmentally friendly they are. The degree of public investment in the quality assurance schemes has been substantial, but over the last few years the degree of public subsidy has been decreasing. Although a privatisation/management buy-out has been considered before, given the constraints on public funds perhaps now is the right time for this to be re-considered. It is difficult to understand why the public purse should support the scheme financially; although it could be argued that public sector input was necessary at the start of the scheme, but it has now reached the stage where further

growth is difficult; indeed accommodation membership of the scheme has recently declined (Table 5). Perhaps for the quality assurance schemes to reach their next stage of development, such as a not for profit public company, the strings of the public purse need to be cut and for it to go alone. As with many public bodies, expansion is the name of the game, but they often fail to develop an exit strategy, i.e. identifying a point when it is best to leave the future development of a project to the private sector. It is interesting to note that the QA scheme is marketed and branded as the Scottish Tourist Board grading scheme – not the VisitScotland grading scheme. There may be an argument, that it should continue to brand itself with the STB name, but it is now time for the scheme to be set up as a stand-alone organisation and to develop without public funding.

5. Business advice

VisitScotland staff do have extensive knowledge of overseas markets and their recent in-depth studies of the UK market has led to excellent and extensive information on segments of interest to the industry. But given the lack of experience of VS staff in running businesses, it is understandable why some in the private sector do not take their advice seriously. There are other much more credible sources of tourism advice, such as local authorities, the Scottish Enterprise network and indeed their own sector professional organisations, which are much more knowledgeable than VS. It is a sad fact that, with the centralisation of functions in VS resulting in just six mainland area offices, often with a national remit, this has resulted in a decline in the quality of business advice because their staff now lack local product knowledge. This was one of the great strengths of the old ATB network, along with being a local membership organisation. The recent growth in the number of Destination Management Organisations (DMOs), which some in the industry see as a replacement for the ATBs, has only strengthened the feeling that tourism product can best be delivered at this level by local organisations with local knowledge, and not by national organisations, and this has sapped the quality of VS advisory services. The question that must be asked is why there has been a growth in DMOs and other local tourism organisations; is it because VS has failed to deliver effective marketing and develop product knowledge at the local level?

6. Policy and research advice

It is very difficult to find a policy statement from VS that contradicts the policy of the Scottish Government, so what policy advice does it provide to the Government? It could be argued that VS policy advice is much more influential at the drafting stages of Scottish Government policy, but evidence for this is weak. Indeed, there is evidence that VS is already moving away from a policy function (VisitScotland, 2010d). The refocusing of VS research towards internal VS measurements and marketing-effectiveness studies must raise questions about its external policy and wider industry research role. The recent lack of industry-focussed

research, raises questions about their understanding of the wider tourism impacts in Scotland. However, to be fair they are trying to disseminate information in a much more user-friendly format.

7. Minister of Tourism

There have been repeated calls for a Tourism Minister, but why, and what difference would this make? Since the re-establishment of the Scottish Parliament in 1999, we have had six ministers from four departments given responsibility for tourism. Tourism is at present just part of a portfolio of responsibilities along with enterprise and energy, so would a Tourism Minister with sole responsibility make a difference? The argument often put forward, is what other sectors need a Minister to look after their interests – a Minister of Shopping, of Ship-building, of Electronics, of Manufacturing? Also the Ministers to date, have not been especially dynamic, so the argument for a separate Tourism Minister is just not sustained

8. Tourism representative organisations

Probably more than any other sector, tourism seems to generate a proliferation of sectoral and regional organisations, almost 300 in total; to name a few: the Scottish Association of Visitor Attractions, Edinburgh Principal Hotels Association, Scottish Tourism Forum, Tourism Intelligence Scotland, with Destination Marketing Organisations being the newest set of organisations, at the last count fourteen in all. In addition, there are also a number of agencies, which rely on tourism for at least part of their markets, such as Historic Scotland, National Trust for Scotland, Scottish Natural Heritage. What do they all do and why do they exist? Indeed, in the last review of Scottish tourism some lobbied for their sector (Cruise Scotland), some lobbied for their area (Aberdeen DMO), some attempted to co-ordinate the industry (Scottish Tourism Forum), some see tourism as generating useful income (Historic Scotland), some see it as providing local information (Scotland's Heartland). The problem is that all of them have different priorities and perhaps it is best to leave them to develop their own priorities and not pretend that they can all agree on one overall tourism policy for Scotland.

9. Tourism representative membership organisation

If VisitScotland has had its day, is there a need for a replacement organisation, and if so, what would it look like? Is there a need for someone to represent and speak on behalf of all the tourism industry in Scotland and is this possible? Looking at other industry organisations, some call themselves organisations (Federation of Small Businesses), some represent major industry sectors (British Beer & Pub Association), some are lobbying organisations (British Bankers Association), while some are policy think tanks (Adam Smith Institute). If there were no VisitScotland, some kind of tourism organisation would develop, but the crucial question is what credibility would it have? What form could a private sector tourism organisation have? It really depends

on whether it is set up as a lobbying and policy-forming organisation that may also facilitate co-operation within the industry, or would it be a fully fledged marketing consortium? Funds could come from membership fees for the basic lobbying and policy work, whilst marketing activity could be funded by tourism businesses participating in marketing campaigns or tendering to manage marketing campaigns using funds provided from other sources.

10. *Public Sector Tourism Organisational Options*

There are four possible options for funding public sector tourism in Scotland:

- Option 1 A 100% public sector managed model (this is what we have at present);
- Option 2 A public-private sector model, with the majority control being in the public sector;
- Option 3 A private-public sector model, with the majority control in the private sector, with the public sector playing no more than a regulatory or policing function, such as issuing fire and hygiene certificates; and
- Option 4 A wholly managed 100% private model.

Options 2 and 3 could be seen as a halfway house from weaning the sector from direct government control and funding.

Option 1, which is the current model of funding public sector tourism, is just not sustainable. With over sixty-five years of increasing support from public funds, an exit strategy from the current funding model is not only required, but is long overdue. This, along with an increasing number of calls on public funds and the demand from the public for protection of core services, suggests that for the tourism sector to grow, an alternative funding model is required.

Options 3 and 4 would only work if you accept that the private sector, from the smallest to largest operator can see the benefits of working together for the greater good of the sector. The development of an industry-wide acceptable and agreed delivery framework and organisational structure will be essential for either option to work. Given the highly competitive nature of tourism in Scotland, its highly seasonal operations, its financial fragility and its silo mentality with a strong sector focus, neither of these options may be feasible.

Option 4, a wholly managed private sector, privately funded and privately managed tourism organisation, whilst perhaps a desirable goal, is unlikely to be acceptable in Scotland, because the industry has so many small businesses, which would find it difficult to compete and develop reasonably priced marketing opportunities. There may be a fear, whether perceived or not, that the major businesses will seek to control this organisation for their individual benefit and not for the overall benefit of the sector. Also, these businesses may look for short-term business benefits to

assist their organisation, rather than long-term sustainable growth of the sector as a whole.

Option 2, a public-private tourism partnership body operating as a not-for-profit organisation, is probably the best long-term, feasible and viable option, with public funds generated perhaps through a tourism tax, rather than from general taxation. In this option, the various component parts of the private sector (accommodation, transport, attractions, retail, etc.) are more likely to work together and outside their inward looking silos, and reverse the fragmentation of management of the tourism industry, as this type of organisation will have real control over the allocation of the organisation's resources, and will be using their skills to help develop tourism marketing and development. The public sector element of this model would focus on their strengths, by developing tourism policy and strategy. This model is popular in the USA, where it is recognised as a 'third way' between government and private sector ownership. The legislation is already in place, because the 2006 Companies Act allows for the formulation of non-profit, community interest companies/organisations, and is intended to ensure that a company's profits and assets are used for the public good, even when run for a limited profit. Thus option 2, that of creating a public-private sector partnership organisation for the delivery of tourism in Scotland, should be given serious consideration. The concept of private-public partnership model has been discussed within VisitScotland (VisitScotland, 2010d).

11. *Web 2.0*

There is no doubt that the way tourists obtain information is not only changing, but changing at an increasing pace, and that the adoption phase of new technology is being dramatically reduced – think how long the telephone, television, fax machine and pagers took before they became commonplace in daily life, compared to the internet, mobile phones and plasma televisions. The future of tourism marketing does not lie in the continued production of generic glossy, expensively produced brochures, physical buildings, trade and consumer shows and exhibitions, nor even, it could be argued, through television, radio and cinema advertisements from NTOs. The future lies in targeted promotions, geared towards 'me' as an individual, promotions that meet my aspirations, my requirements, my desires and maybe even my fantasies! The solution to 21st century tourism marketing lies in IT-focussed marketing. The way in which the wider society obtains its information and knowledge is changing and it could be argued that the future NTO will be developed around a flexible IT-driven organisation, rather than one with a physical presence. This raises the interesting question, as to whether any future adaptation of VisitScotland, needs to be based in Scotland at all?

12. *Tourism knowledge and expertise centre*

There is a real need for the industry to focus on the important issues surrounding the development of the sector, and to move away from futile discussions about its size, importance and policy. Whatever form any new independent

organisation takes, the imperative is to focus on long-term issues and options for future growth, and to separate itself from the short-term tactical marketing issues. Strategic thinking is very difficult within an organisation that focuses on tactical marketing; it needs to work outside, but in parallel with the national marketing organisation. One option would be to develop a tourism knowledge centre within a university that would not only act as an advocate, collector, provider and manager of robust statistical information about tourism in Scotland, but also as a source of independent policy advice for the NTO, the Scottish Government and the private sector. Over the past few years universities have changed from being institutions of learning, into knowledge-exchange centres, and for a Tourism Knowledge & Expertise Centre to exist and to be accepted as the source of independent knowledge, its location within a university seems logical.

13. *Tourism tax*

Irrespective of the demise, or not of VS and the creation of public-private sector replacement organisation, there is need for such a body to be funded. It could be argued that such an organisation should be funded by membership fees to support marketing campaigns, but, as discussed above, tourism benefits many more businesses than those who fund any marketing promotion. If the industry is unable or unwilling to fund tourism marketing campaigns, and the benefits are wide-ranging, this raises the question of the elephant in the room i.e. the need for a tourism/bed tax. The Calman Commission (2009) suggested that the Scottish Parliament should be given additional tax-raising powers, and the legislation for Parliament to introduce such new taxes (subject to the approval of Westminster) has been incorporated into the proposed Scotland Act (2011). As with any tax, a tourism/bed tax needs to be easily collected, difficult to avoid and be readily set up, which is why many destinations have opted for a bed tax, usually paid each night, based on either a fixed fee or as a percentage of the accommodation price. Sometimes these taxes vary by grade and/or type of establishment, by location (with city locations paying a higher tax than rural locations) or even by season. This tax works best when called by some other name such as a Tourism Development/Marketing/Green tax, which tends to make it more acceptable, as its purpose is clear. Also if such a tax were to be hypothecated so that it could be used only for tourism purposes, it is likely to be more acceptable, especially if it were to be paid only by non-Scottish residents, and thus may also encourage Scots to holiday more at home. As to the argument that it would have a detrimental impact on tourism, given how common such a tax is in other parts of the world, the evidence of any detrimental impact is very limited.

Conclusions

VisitScotland spends almost half of its grant-in-aid on staffing costs and this goes to support activities, which are internally focussed such as facilities management, IT, HR, finance, all of which have little to do with the delivery of tourism. One of the conclusions from this review is to

question the need for a publicly funded and publicly managed VisitScotland, and suggests that there is real and pressing need to explore other options to deliver public sector tourism in Scotland, such as a public-private partnership.

Once the current economic difficulties facing the UK and Scotland have been overcome and the May 2011 Scottish election, how can the Scottish Parliament ensure that tourism remains a viable industry? The key to the future of any industry lies in strong competition amongst its providers. Competition is driven by minimising barriers, opening markets to trade freely, reducing subsidies, minimising regulations and breaking up monopolies (Manyika, et al. 2010). This, along with an educated workforce and the fostering of individual talent that wants to generate success, will make a positive difference in the development of a stronger and stable tourism industry in Scotland.

However, perhaps the best indicator of success is that tourism no longer needs a public sector leader, that it, the tourism industry, is strong enough and confident enough in its own abilities, and that VisitScotland as a publicly funded marketing organisation, no longer needs to exist. When the industry reaches such a degree of maturity, this means it can manage itself without direct public funding. Surely, the success of tourism in Scotland will be when, during the period of the next Scottish Parliament, VisitScotland develops an exit strategy that results in the closure of the existing organisation. The organisation would then be replaced by a vibrant, consumer-focussed, membership-managed and membership-funded/tourism tax funded private/not-for-profit sector organisation, which will deliver a service to the tourist that they are willing to purchase.

Both authors hope that this paper will stimulate, both in the private and public sectors, debate and a discussion about the future of tourism in Scotland. It does not matter if you agree or disagree with the seven issues and the thirteen questions raised, or, having considered these, reach the same conclusions as the authors. Our views about the future of tourism are not fixed and we do not pretend to have definitive answers, but if you are passionate about the future of tourism in Scotland and have a viewpoint, we would like to hear from you. We would also be happy to present our thoughts to any group or organisation

Appendix 1:**Scottish Tourism Ministerial Departments, Titles & Ministers**

Date	Political Party	Ministerial Title	Minister
1999/00	Scottish Labour Party	Minister for Enterprise and Lifelong Learning	Henry McLeish
2000/01	Scottish Labour Party	Minister for Enterprise and Lifelong Learning	Wendy Alexander
2001/03	Scottish Labour Party	Minister for Tourism, Culture and Sport	Mike Watson
2003/04	Scottish Labour Party	Minister for Tourism, Culture and Sport	Frank McAveety
2004/07	Scottish Labour Party	Minister for Tourism, Culture and Sport	Patricia Fergusson
2007-	Scottish National Party	Minister for Enterprise, Energy and Tourism	Jim Mather

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