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## **THE ECONOMICS OF TOURISM<sup>1</sup>**

This paper will examine the contribution of tourism to the Scottish economy. The 'tourism industry' is often referred to in a similar way to how one might talk of the 'agricultural' or 'manufacturing' industry. However, tourism is not an industry in the conventional sense. For example, traditionally industries have been defined by supply (what they produce) whereas tourism is defined by the source of demand for services (from tourists).

This briefing aims to produce a clearer economic 'map' for Scottish tourism, highlighting the economic characteristics of the industry, economic developments within the industry, economic issues that have arisen in recent times, before placing the Scottish tourism industry within the wider global tourism picture.

### **KEY POINTS SUMMARY**

- Tourism is widely recognised as a key contributor to the Scottish economy accounting for up to 5% of GDP and 7.5% of employment.

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<sup>1</sup> SPICe has produced other tourism related briefings. See, SPICe Briefing 02/50, [Tourism: Scoping Paper \(Revised\)](#); SPICe Research Note 00/77, [The Scottish Tourism Industry](#); and SPICe Research Note 99/22, [Tourism in Scotland](#).

- However, defining the extent of the tourist industry is beset by problems. It has been suggested that some measures of the scale and distribution of tourism in Scotland are inadequate.
- Numerous different agencies and public sector bodies are involved in developing the Scottish tourism industry.
- Tourism employment is characterised by the following:
  - A high proportion of part-time workers;
  - A high proportion of female workers;
  - Low pay and a high turnover of staff.
- Expenditure from tourists to Scotland, particularly from overseas, has declined in recent years, in the context of global increases in tourism.
- The relative importance of tourism varies across Scotland.
- Tourism in Scotland is often seasonal, although business tourism and events held throughout the year reduce the effects of seasonality in Scotland's main cities, especially Edinburgh and Glasgow.
- Key challenges faced by the tourism industry include:
  - Improving transport infrastructure;
  - Utilising new forms of technology;
  - Recovering from the effects of the Foot and Mouth crisis and the events of 11 September;
  - Improving value for money in Scottish tourism.

## INTRODUCTION

Tourism is an important aspect of the Scottish economy. It contributes up to 5% of the Scottish gross domestic product (GDP)<sup>2</sup> and provides employment for approximately 9% of the Scottish workforce<sup>3</sup>. In 2001, over 19 million tourists took overnight trips and spent an estimated £4.1 billion in Scotland.<sup>4</sup> It is therefore important to be able to understand tourism's economic position relative to other sectors of the Scottish economy, as well as evaluate its overall performance over time, to help inform and measure government policy.

## DEFINING AND MEASURING TOURISM

Providing a clear definition of the tourism industry for statistical purposes is not straightforward. Regarded as an economic sector, tourism has been defined as:

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<sup>2</sup> The 5% GDP figure should be used carefully. Tourist expenditure is often taken as a proportion of GDP to give a measure of its size in relation to the economy. However, this approach can overestimate the importance of tourist demand because: 1) it does not allow for the significant proportion of tourist expenditure that leaks out of the economy through imports; and 2) the gross expenditure figure also includes inputs and taxes on products, whereas these are not included in GDP – which is a value added figure. In the Scottish economy, which imports a large proportion of goods, this distinction is important as it significantly affects the impression of any chosen demand category.

<sup>3</sup> VisitScotland, *Tourism in Scotland 2001*. It is important to make clear that many of those employed in tourism are on a part-time basis. The full-time equivalent figure for tourism employment in Scotland is 7.5%, see table 2.

<sup>4</sup> *Ibid.*

*the sum of those industrial and commercial activities producing goods and services wholly and mainly consumed by foreign visitors or domestic tourists.*<sup>5</sup>

In most countries across the world, including Scotland, this embraces a large number of enterprises and on a more general level the activities of non-commercial organisations like government agencies. The commercial activities related to tourism are diverse and range from the manufacture and provision of food and souvenirs, through to the construction and management of accommodation and access routes, to the delivery of personal services, advertising and transport. In addition to the formal and informal markets linked to the tourism product, the industry also involves many activities and issues with economic implications, such as the 'free' use of urban and rural environments, the social experiencing of culture and history, and the various roles of government.<sup>6</sup>

The 1999 Department for Culture, Media and Sport report entitled, [Tomorrow's Tourism](#), emphasised the broad range and complexity of 'tourism':

*For most of us 'tourism' is simply the business of going on holiday. But tourism covers a multitude of leisure-time activities ranging from sight-seeing and shopping to attending sports events or visiting friends and relatives. Now film tourism, farm tourism, specialist activities and interest of every kind are extending tourism in new ways and into new regions. Business conferences, trade fairs, study courses and language learning spread the net wider still.*

Table 1 illustrates the wide variety of businesses that receive revenue directly from tourist expenditure. These businesses range from specialist services that derive **all** of their income from tourism, to local attractions and facilities that derive only a **proportion** of their income from tourism expenditure. Such attractions may not be directly aimed at tourists, but are nevertheless sustained and improved by tourism.

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<sup>5</sup> UNCTAD, A note on the 'tourist sector'. In *Guidelines for Tourism statistics: 30* (New York: United Nations, 1971).

<sup>6</sup> See Snowdon and Thomson, 'Tourism in the Scottish Economy,' in MacLennan and Smith, *Tourism in Scotland* (London: International Thomson Business Press, 1998).

Table 1<sup>7</sup>

<b>Businesses Benefiting from Tourism</b>	
Proportion of income from tourism	All of income from tourism
<b>Eating and Drinking</b>	<b>Accommodation</b>
<i>Restaurants</i>	<i>Hotels</i>
<i>Pubs</i>	<i>Holiday villages</i>
<i>Cafes</i>	<i>Time-shares</i>
<i>Night-clubs</i>	<i>Guest houses</i>
	<i>B&amp;Bs</i>
<b>Miscellaneous</b>	<i>Self-catering</i>
<i>Crafts</i>	<i>Camping/Caravanning</i>
<i>Supermarket</i>	
<i>Garages</i>	<b>Travel Agents</b>
<i>Sports Equipment</i>	
<i>Other retail</i>	<b>Transport</b>
	<i>Airlines</i>
<b>Recreation Facilities</b>	<i>Cruise ships</i>
<i>Cinemas/theatres</i>	<i>Car Rental</i>
<i>Swimming Pools</i>	
<b>Public Transport</b>	<b>Visitor Attractions</b>
<i>Buses, Trains, etc</i>	<i>Theme Parks</i>
<i>Taxis</i>	<i>Museums/Galleries</i>
	<i>Castles/historic sites</i>

Source: Scottish Parliament Information Centre

## SUPPORT STRUCTURES FOR THE TOURISM INDUSTRY

The UK government estimates that there are around 125,000 businesses that benefit from the UK tourism industry, 80% of which have a turnover of less than £250,000 per annum.<sup>8</sup> The tourist economy is therefore dominated by small and medium sized enterprises, which have a potentially positive impact on the local economy by purchasing and employing locally.

The disparate nature of tourism creates potential difficulties for businesses and customers alike. For businesses, a lack of co-ordination could impinge on the industry's ability to respond effectively to changes in market conditions. The large number of small businesses also impacts on promotional activity within the industry. Individually, so many businesses would find it difficult to fund promotional activity within the UK, let alone overseas.

Additionally, a business may benefit from the advertising of another facility in an area, and so might not consider it worthwhile to advertise their own facilities further. For instance, a hotel might benefit from the custom created by publicity for

<sup>7</sup> This table is designed for illustrative purposes and must be qualified slightly. For example, Restaurants have been placed as deriving a proportion of their income from tourism –which is probably the most likely scenario as restaurants are often used by local people. However, some restaurants, located for instance in a hotel, could be placed in the 'All of income from tourism' category. Location and circumstance, therefore, may mean that the placing of some of these categories is open to debate.

<sup>8</sup> From Laura Bardgett, [The Tourism Industry](#), House of Commons library Research Paper 00/66 , 23 June 2000.

a leisure facility in the area, and as a result might not feel it worth the cost of advertising themselves. Consequently, advertising and promotional activity may suffer as a result of the industry's fragmented structure.

From the point of view of potential customers, such effects on advertising levels and promotion may make it difficult to compare facilities and assess value for money. Even if information were available on all the tourism products, it would be very time-consuming for a tourist to collect all the information on prices and attractions in the absence of any co-ordinating body.

The internet (which will be discussed in more detail later) has the potential for individual businesses to provide information to, and take bookings from a wider number of potential customers than they have in the past. However, a strong co-ordinating body can still assist visitors in providing a central point for enquiries and by publishing guides with comprehensive details on facilities, prices, locations and standards.

These industry characteristics, combined with the importance of the tourism industry to the economy, have led to successive governments across the world funding a variety of bodies to promote tourism at home and abroad. The table below provides an institutional map of existing bodies involved in tourism and their role within the Scottish tourism process.

#### **INSTITUTIONAL MAP OF SCOTTISH TOURISM**

A wide range of organisations are involved in the promotion and development of Scottish tourism. Although no definitive research has been done on the matter, a study for the year 1999/2000 estimated that £65.8 million of public money was spent on tourism in Scotland.<sup>9</sup> The following are some of the key players:

##### **The UK Parliament**

The Department for Culture, Media and Sport (DCMS) has responsibility for tourism in the UK and funds the British Tourist Authority as the statutory body responsible for promoting the UK abroad.

##### **British Tourist Authority (BTA)**

The BTA is responsible for the generic marketing of the United Kingdom as a holiday destination, representing Britain in 27 overseas offices. Although having a remit to advertise Britain as a whole, they often carry out campaigns containing a strong Scottish element.

##### **The Scottish Parliament**

The Scottish Parliament's *Enterprise and Lifelong Learning Committee* has responsibility to consider and report on matters relating to Tourism which fall under the remit of the Scottish Minister for Tourism, Culture and Sport.

##### **Scottish Executive**

The Scottish Executive has legislative responsibility for all areas of the economy which have been devolved from Westminster. The Executive, via its *Department of Education* provides direct funding to a number of tourism support agencies. **Mike Watson MSP** is the Minister responsible for Tourism, Culture and Sport and he is deputised by **Elaine Murray MSP**. The public bodies with the main supporting role in promoting and developing tourism in Scotland are:

<sup>9</sup> The figure of £65.8 million is the combined total of public spend on tourism from the Benchmarking Study, Attractions Survey, VisitScotland, 1999/2000.

### **VisitScotland (formerly the Scottish Tourist Board)**

The key function of VisitScotland is the promotion of Scotland as a tourism destination. It also exists to advise the industry on market trends, operate quality assurance trends, advise government on tourism development, and support the Area Tourist Board (ATB) network. This involves an international market research remit to promote Scotland in key overseas markets –this has so far led to marketing campaigns in North America and Northern Europe. At the moment, it is only BTA staff that represent Scotland abroad, but it is important to state that there is no existing statute preventing VisitScotland opening an office abroad.

### **ENTERPRISE NETWORKS**

**Scottish Enterprise Tourism Network (SETN)** undertakes a range of strategically focussed activities that are delivered via the Local Enterprise Company (LEC) network. The key function of the SETN is to work with all relevant bodies (in both the public and private sector) to help the development of Scottish tourism.

**Highlands and Islands Enterprise (HIE)** aims to develop the 'quality tourism experience' to realise the full economic and social potential of the area. Developing tourism in the Highlands and Islands is pursued by HIE through three strategic objectives: growing businesses, developing skills and strengthening communities.

**Local Enterprise Companies** are responsible for business development, skills development, product development and environmental improvement. There are 22 LECs in Scotland and the extent to which each area's economy depends on tourism will vary. Nevertheless, each LEC has a tourism development brief to fulfil.

### **OTHER BODIES INVOLVED IN TOURISM**

**Local Authorities** make a contribution to tourism through the part funding of ATBs and specific tourism projects often as part of local tourism partnerships. They are responsible for roads, planning, tourism signposting, health & safety and licensing all of which have implications for an area's potential success as a tourist destination. Additionally local authorities are direct providers of public amenities like museums and galleries, theatres, parks, sporting and conference facilities.

**Historic Scotland** is an agency within the Scottish Executive's Education Department. It has direct responsibility to Scottish Ministers for operating various historic sites in Scotland.

**The Forestry Commission** is the government department responsible for Forest policy throughout Britain. It has a statutory appointed board of commissioners with prescribed duties and powers defined in the Forestry Acts and legislation. In the Scottish context, all national forests are managed by *Forest Enterprise* (for the Forestry Commission), with the Forestry Commission paying for facilities and providing information about Forest land.

**Scottish Natural Heritage** is responsible for the development of natural heritage as a visitor resource.

**The Scottish Arts Council (SAC)** is responsible for the development of cultural tourism. The SAC is responsible for the funding of galleries, festivals, theatres and arts centre, as well as Scottish Ballet, Scottish Opera and the Scottish National Orchestra. SAC also distributes lottery funds to the arts in Scotland.

**Sportscotland** is the national agency dedicated to promoting sporting opportunities for all Scots. This has implications for tourism in that many tourists use the same sporting facilities as local people.

**Area Tourist Boards (ATB)** were formed in 1996 as part of the then Scottish Secretary of State's review of Scottish Tourism. There are 14 ATBs in Scotland, each constituted as a statutory body, and each with the responsibility to promote the local area, provide visitor services and develop and



implement area tourism strategies. On 27 May 2002, the Tourism Minister launched a review of the ATB network<sup>10</sup> aimed at looking at the future role and structure of the ATBs.

**The Scottish Tourism Forum** brings together the many trade associations and bodies, including corporate players, in the tourism and hospitality industry in Scotland. Its key objectives are to represent the industry and tourism operator views to government and public agencies, and to add value to investment and policy decisions that will contribute to Scotland's international competitiveness. Members of the forum include: *Scotland's Best B & Bs*, and the *Scottish Countryside Alliance*. A full list of members of the Forum can be found on the [scotexchange website](#).

**European Funding**, particularly through the European Regional Development Fund, has contributed millions of pounds to tourism projects implemented in recent years. These range from major capital projects to marketing initiatives.

**The Scottish Museums Council** is responsible for the development of member museums. There are over 200 members, managing over 320 museums.

**The Scottish Sports Council** is responsible for the development of sports facilities for use by visitors.

**The Tourism and Environment Forum**, as well as carrying out market research on tourism and the environment, is involved in promoting environmental best practise in tourism facilities; encouraging an integrated approach to tourism and environment opportunities.

**The Heritage Lottery Fund** have funded (as of July 2002) a total of 595 projects with £243,852,467.<sup>11</sup> The projects are targeted at preserving and promoting Scottish heritage. One example of a Lottery Heritage grant is the £3.5 million provided for the conversion of the *Lighthouse* in Glasgow in preparation for the city's year as *City of Architecture and Design, 1999*. A full list of the Heritage Lottery grants can be found on the [Heritage Lottery Fund website](#).

**Public-Private Partnerships (PPP)** may start to develop as method of tourist attraction organisation in the future. The recent failed attempt to create *Viking Island Holidays* has sparked debate on this method of tourism product delivery. Some claim that tourism PPPs are doomed to failure, while others argue that this is a path worth pursuing. Talking about the *Viking Holiday* venture, Barbara Foulkes, Chief Executive of Orkney Tourist Board, claimed that "it was certainly a concept well worth exploring". A spokesman for VisitScotland was quoted as saying: "It is disappointing this company fell by the wayside, but we have to commend the tourist boards for trying."<sup>12</sup>

**National Park Authorities** are another recent development in Scottish Tourism provision. The *Loch Lomond and the Trossachs National Park* was established in July 2002. This project will be overseen by a 25-member board who are drawn from local councils, interested bodies and those with relevant expertise. Ross Finnie, Minister for the Environment and Rural Development, claimed that "the establishment of the board of Scotland's first National Park is an important and historic event." Among other things, the park aims to promote sustainable use of the natural resource and promote sustainable economic and social development of the area's communities.<sup>13</sup>

Figure 1, which lays out the ownership of Visitor Attractions in Scotland, emphasises the potential leverage of the public sector in influencing the Scottish tourism industry.

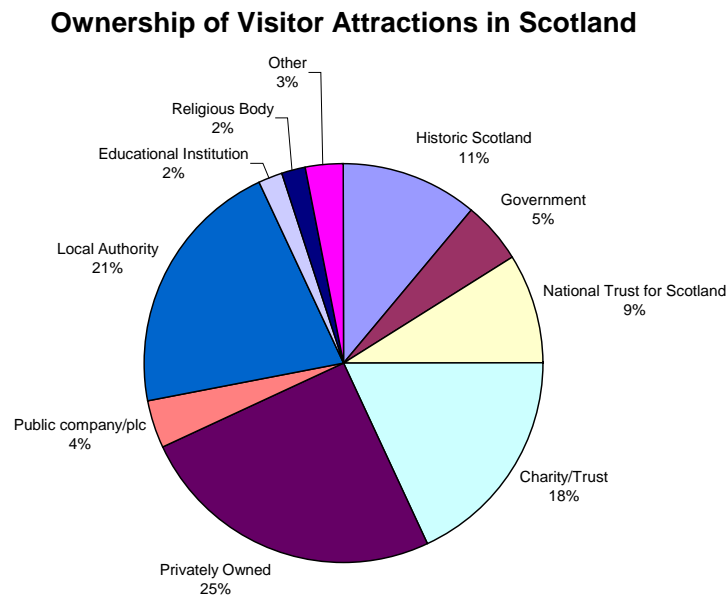
<sup>10</sup> See Scottish Executive News, [Tourism Review of visitor satisfaction](#), 27 May 2002.

<sup>11</sup> From: <http://www.hlf.org.uk/cgi-bin/hlfframemast.pl?K=43&S=ET>

<sup>12</sup> Both quotes taken from *Business AM*, 'Pioneering tourism venture collapses,' Friday 23 August 2002.

<sup>13</sup> From *BBC News*, Monday 8 July 2002: <http://news.bbc.co.uk/1/hi/uk/scotland/2110640.stm>

Figure 1



Source: Moffat Centre for Travel & Tourism Business Development & VisitScotland, *Attraction Monitor 2001*.

## ECONOMIC SCALE OF TOURISM

### EMPLOYMENT IN TOURISM

Although tourism is not a clearly identifiable industry in its own right, tourism activities are generally believed to create and maintain employment in a variety of relatively disparate areas of the economy, from hotels and restaurants to stately homes and museums to leisure facilities and farms. British Tourist Authority (BTA) research claims that in the UK 'tourism creates one full-time job for every £34,000 spent by visitors'.<sup>14</sup> Figure 2 shows the number of employees in tourism related industries in 2000.

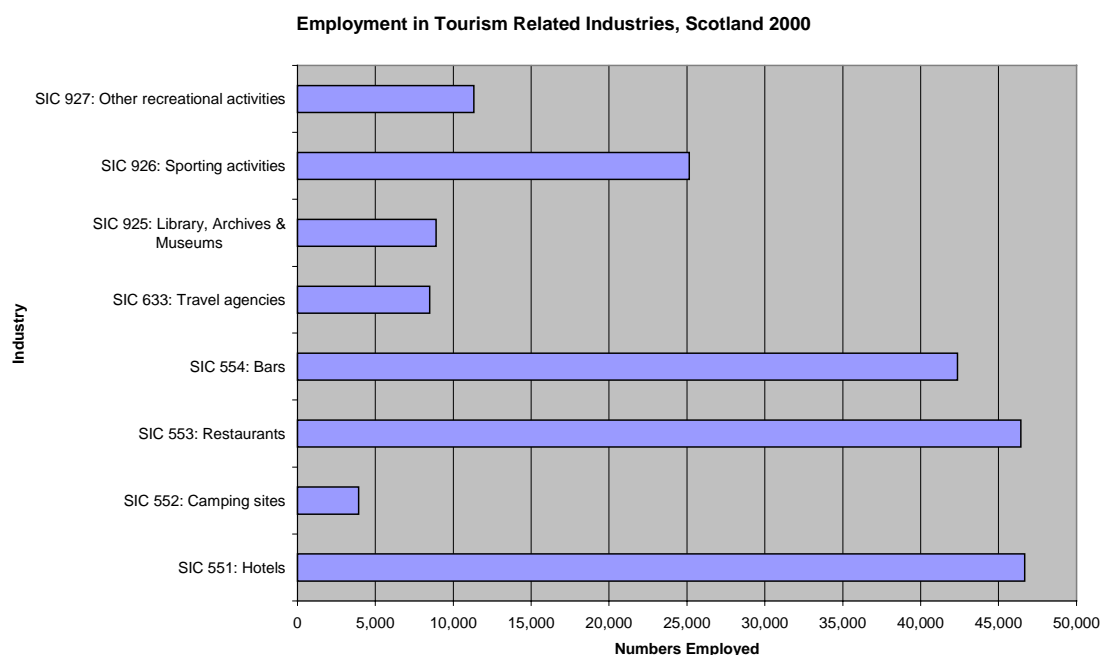
Tourism employment figures are currently estimated from a supply-based definition of tourism (see appendix 1). All employees in certain tourism related Standard Industrial Classification (SIC) categories are included in the figures as well as an estimate for the numbers of self-employed workers. It is important to make clear that SIC categories do not include self-employment figures, which are calculated separately.

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<sup>14</sup> British Tourism Development Committee, *Enabling Success: Policies for inbound tourism* (London: British Tourist Authority, 2001).



**Figure 2**



Source: VisitScotland

Other characteristics of tourism related employment are that it can often be seasonal and turnover is high, especially at junior levels. For this reason, full-time *equivalent* (FTE) figures (see table 2) may provide a more accurate insight into the real tourism employment picture.

**Table 2**  
"Tourism related" employment in Scotland, 2000

SIC CODE	Industry	Total (thousands)			FTE
		Full time	Part time	Total	
<b>Tourism related industries</b>		<b>90.0</b>	<b>103.3</b>	<b>193.2</b>	<b>141.7</b>
551	Hotels	21.9	24.7	46.7	34.3
552	Camping sites etc	1.9	2.1	3.9	3.0
553	Restaurants	18.1	28.3	46.4	32.3
554	Bars	16.0	26.4	42.4	29.2
633	Activities of travel agencies etc nec	6.9	1.6	8.5	7.7
925	Library, archives, museums etc	5.5	3.4	8.9	7.2
926	Sporting activities	13.0	12.1	25.1	19.1
927	Other recreational activities	6.7	4.7	11.3	9.1
<b>All Industries and Services</b>		<b>1,555</b>	<b>675</b>	<b>2,229</b>	<b>1891.9</b>
<i>Tourism related as % of all Scottish employment</i>		<i>5.8%</i>	<i>15.3%</i>	<i>8.7%</i>	<i>7.5%</i>

Source: Annual Business Inquiry

While tourism is most easily understood as defined by demand, the supply side approach used to calculate employment figures is straightforward and useful because it allows for comparisons to be made between different SICs and different regions within the UK. However, as illustrated in the above table, most of

the categories used to calculate overall tourism employment figures are likely to include a large number of local, non-tourist activity (for example, local people use bars, restaurants and recreation facilities) which could obscure the figures somewhat. Another area notable by its absence in the Tourism related employment SICs is Transport –an economic activity undoubtedly affected by tourism. For example, figure 4, reveals that UK tourists spend 22% of their total expenditure on travel.

For these reasons, existing methodologies for calculating tourism related employment are not perfect<sup>15</sup>, and should be qualified. Nevertheless, they do provide a useful comparative tool in terms of benchmarking Scotland with regions throughout the UK.

## **EARNINGS IN TOURISM**

Comparative labour costs per hour for selected industries have confirmed low wages within the industry. A study of wages in hotels and restaurants revealed an average of £5.35 per hour compared with the insurance & pension sector and the computing sector where the average was £14.12 and £16.55 respectively.<sup>16</sup>

## **EFFECT OF NATIONAL MINIMUM WAGE**

The profile of employment within the tourism industry (tourism employment profiles reveal a high proportion of female, young and part-time staff) means that, after the retail sector, the hospitality sector is the one with the most workers affected by the national minimum wage (NMW) which was introduced on 1 April 1999.

The [Low Pay Commission](#) carried out research into the immediate affects of introducing the minimum wage.<sup>17</sup> Overall the Commission found that the introduction of the NMW was positively accepted in the tourism sector. One member of the Tourism industry was quoted as saying: *the introduction of the NMW has ensured that we can lay the low wage ghost which has haunted the careers in tourism and hospitality for so long.*<sup>18</sup>

However, research published since the Low Pay Commission Report would go against the claim that the NMW has laid ghosts of poor pay to rest. Indeed research carried out by the BTA emphasises that turnover of staff within the industry remains high, and that to compete effectively the UK needed to do more to create a 'motivated and skilled workforce':

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<sup>15</sup> See Erwin Losekoot and Roy Wood, 'Prospects for Tourism Employment in Scotland,' in *Scottish Affairs*, no.34, Winter 2001. This article questions the methodology used to compile employment statistics for tourism in Scotland. See also: Neil Leiper, 'A conceptual analysis of tourism-supported employment which reduces the incidence of exaggerated, misleading statistics about jobs,' in *Tourism Management* 20 (1999) pp605-613.

<sup>16</sup> Quoted in Fred Coalter, 'Realising the Potential of Cultural Services: the case for tourism,' Centre for Leisure and Research at the University of Edinburgh, 2001.

<sup>17</sup> The Second Report of the Low Pay Commission, *The National Minimum Wage: The Story So Far*, February 2000, Cm5471.

<sup>18</sup> *Ibid.*

*Staff turnover within the industry is high, especially at junior levels and, with a shortage of skilled and qualified staff, recruitment can be difficult. This issue is not unique to Britain; but the standard of service here frequently falls below that of competitor destinations.*

*To help alleviate this situation, the industry needs to give more recognition to the importance of staff and to adopting good management practices.*

### **Policy Statement**

***'To deliver a motivated workforce skilled in providing high quality service to overseas visitors, further initiatives are required to raise the profile of tourism careers and to achieve greater recognition for the needs of tourism in pre-career education, in-service training and lifelong learning.'***

### **Action Points:**

- *Ensure greater employer involvement in devising the content of tourism related training schemes and courses.*
- *Increase training in foreign language skills.*
- *Encourage employers to facilitate training opportunities for employees.*
- *Incorporate the needs of the tourism industry in the delivery of the new Learning and Skills Council's post-16 education and training.*
- *Develop and promote a qualifications and careers structure for the tourism industry that will help to attract, retain and develop people and promote professionalism in the industry.*
- *Ensure that an effective and efficient national structure is in place for the delivery of tourism-related training.<sup>19</sup>*

## **EXPENDITURE BY TOURISTS**

Expenditure by tourists makes a major contribution to the Scottish economy and is spread over a wide range of businesses. In 2001, total spend by overseas and UK based tourists was £4.122 billion.<sup>20</sup> Due to the role of exchange rates, and the different spending patterns, it is common to consider separately the contributions of British and overseas tourists in Scotland.

Spending in real terms (adjusted for inflation) by overseas visitors to Scotland makes a significant contribution to foreign exchange earnings. Between 1991 and 1996, spend by overseas visitors to Scotland more than doubled from £501 million to £1008 million.<sup>21</sup> Since 1996, however, spend by overseas visitors has decreased to £710 million, a drop of nearly 30% (see figure 3). The largest

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<sup>19</sup> British Tourism Development Committee, *Enabling Success: Policies for Inbound Tourism* (London: British Tourist Authority, 2001), p8.

<sup>20</sup> VisitScotland, *Tourism in Scotland 2001*.

<sup>21</sup> From *International Passenger Survey*, 2001.

sources of foreign exchange are visitors from the USA – in 2001 visitors from the USA accounted for 27% of the overseas trips to Scotland.<sup>22</sup>

Spend by British tourists in Scotland has fluctuated in recent times (see figure 3). However, British tourists do still account for most trips and expenditure (see annex 1). In 2001, the UK accounted for 92% of tourism trips to Scotland, while overseas tourism accounted for 8% of total tourism trips.<sup>23</sup>

**Figure 3**



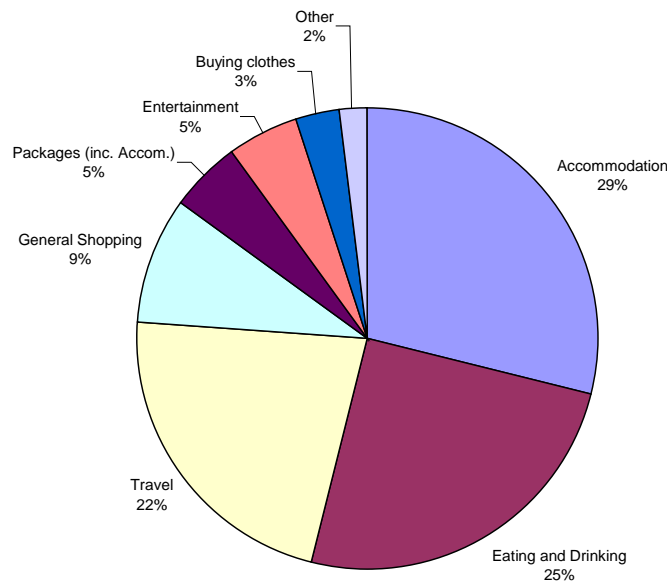
Source: *International Passenger Survey* –overseas spend  
*United Kingdom Tourism Survey* –UK spend  
Note: Spend data is in cash prices. 2001 data is estimated.

A breakdown of UK tourist spending in Scotland reveals that a variety of economic sectors benefit from their presence. ‘Accommodation’, ‘eating and drinking’ and ‘travel’ are the main destinations of UK tourist money, however, the impacts of tourism spending are felt over many types of businesses contained within the categories shown in the figure below.

<sup>22</sup> From: [http://www.scotexchange.net/news/uploads/261\\_76.pdf](http://www.scotexchange.net/news/uploads/261_76.pdf)

<sup>23</sup> From [http://www.scotexchange.net/KnowYourMarket/tourisminscotland\\_1.htm](http://www.scotexchange.net/KnowYourMarket/tourisminscotland_1.htm)

**Figure 4**  
**UK TOURISTS: CATEGORIES OF EXPENDITURE (2000)**



## **ECONOMIC CHARACTERISTICS OF SCOTTISH TOURISM**

### **REGIONAL DISTRIBUTION**

Tourist expenditure in Scotland is spatially concentrated, contributing to different levels of economic impact in different areas of the country. Over one third of total tourist expenditure in Scotland is concentrated in Glasgow and Edinburgh, and around one quarter in the Highlands and Islands. Over 60% of total tourist expenditure is made in Glasgow and Edinburgh and the Highlands and Islands alone. Given that the cities of Glasgow and Edinburgh contain approximately a quarter and the Highlands and Islands under a sixth of Scotland's population<sup>24</sup>, tourism expenditure per capita of population is much greater in the Highlands and Islands.

Annexes 2-4, which outline the ATB figures for expenditure and occupancy rates, translate themselves to the regional tourism employment figures. Table 3 shows that tourism employs more people in some parts of Scotland than it does in others.

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<sup>24</sup> General Registrar figures available at: <http://www.gro-scotland.gov.uk/>  
*providing research and information services to the Scottish Parliament*

Table 3

Tourism-related Employment by Area Tourist Board, 2000			
	Tourism Employment	All Employment	Tourism as % All Employment
Aberdeen & Grampian	19,354	281,253	6.9
Angus & the City of Dundee	8,586	108,308	7.9
AILLST	22,214	197,468	11.2
Ayrshire & Arran	13,192	123,913	10.6
Dumfries & Galloway	5,689	57,008	10
Edinburgh & the Lothians	32,732	409,373	8
Greater Glasgow & Clyde Valley	54,703	717,832	7.6
Highlands of Scotland	13,679	78,687	17.4
Kingdom of Fife	9,811	127,480	7.7
Perthshire	7,744	57,019	13.6
Scottish Borders	2,453	41,913	5.9
Island Area Tourist Boards	3,084	28,925	10.7
<b>All Scotland</b>	<b>193,240</b>	<b>2,229,179</b>	<b>8.7</b>

NB: The above employment figures exclude the self-employed. It is estimated that around 15,100 people were self-employed in tourism-related activities in Scotland in 2000.

## SEASONALITY OF TOURISM

In most tourism destinations throughout the world, the capacity of tourism expenditure to generate all-year steady income and employment in tourism related businesses is limited by strong seasonal patterns in demand. In Scotland in 2001, 76% of overseas trips were taken in April-September.<sup>25</sup> The factors that contribute to the seasonality of tourism in Scotland include climate, school holidays, and cultural events, like the Edinburgh Festival. Seasonality is more pronounced with overseas visitors than with UK tourists. As table 4 shows, 52% of total overseas trips take place in the July-September period.

Table 4

	Time of Visit (2001)			
	Jan-Mar (%)	Apr-Jun (%)	July-Sept (%)	Oct-Dec (%)
UK Holiday Trips	16	23	34	26
UK Business Trips	24	21	21	34
<b>Total UK Trips</b>	<b>19</b>	<b>23</b>	<b>30</b>	<b>28</b>
Overseas Holiday Trips	7	26	60	7
Overseas Business Trips	20	24	34	21
<b>Total Overseas Trips</b>	<b>12</b>	<b>24</b>	<b>52</b>	<b>12</b>

Source: VisitScotland, *Tourism in Scotland 2001*

Seasonality is particularly acute in Scotland where tourism in many areas is largely confined to a three-month period in summer. Many businesses in the industry make much of their turnover in the July-September period, and approximately 40% of all tourist expenditure takes place during this period. In parts of the Highlands, a smaller secondary peak occurs during the winter skiing season.<sup>26</sup>

<sup>25</sup> From Scotexchange website, *Know Your Market*. Available at: [http://www.scotexchange.net/KnowYourMarket/tourisminscotland\\_1.htm](http://www.scotexchange.net/KnowYourMarket/tourisminscotland_1.htm)

<sup>26</sup> Snowdon and Thomson, 'Tourism in the Scottish Economy.'  
*providing research and information services to the Scottish Parliament*

The effects of seasonality are less severe in urban and accessible areas like the Edinburgh & Lothians, Glasgow & Clyde Valley and the Aberdeen & Grampian areas. This can be part explained by the greater direct access to cities and the important role that business tourism<sup>27</sup> plays in the cities within these ATBs.

Business tourism<sup>28</sup> is a distinctive sector of the tourism market, with UK tourism accounting for 12% of bednights in 2001. Average daily spend per person by British business tourists in 2001 was £99.35, approximately twice the average for all types of British tourist. High spending levels by conference delegates, for example, result in a disproportionate contribution to local income and employment, and have the effect of bolstering tourism spending during off-season periods thereby reducing the impact of seasonality.

**Table 5**

<b>Destination of Business Trips</b>		
	<b>UK Business Trips 2000 (%)</b>	<b>Overseas Business Trips 2000 (%)</b>
Aberdeen & Grampian	21	8
AILLST	9	5
Angus & Dundee	13	1
Ayrshire & Arran	5	5
Dumfries & Galloway	7	3
Edinburgh & Lothian	20	44
Highlands of Scotland	12	38
Glasgow & Clyde Valley	20	5
Kingdom of Fife	8	3
Perthshire	16	4
Scottish Borders	7	less than 1,000
<b>Base (m)</b>	<b>2.9</b>	<b>0.3</b>

Source: VisitScotland, *Business Tourism in Scotland 2000*.

The type of *accommodation used* by a person is often utilised to classify tourists in terms of their economic impact, as this is a key determinant of the scale and pattern of tourism spend. Tourists staying in serviced accommodation (for example, hotels and guesthouses) tend to have a higher total expenditure per day than those staying in less serviced accommodation (for example, B&Bs, self-catering, camping and caravanning). For example, a study by *Highland and Islands Enterprise* on [Profiles of Holidaymakers staying in Hotels in the Highlands and Islands](#) revealed that spending per person per day in hotels is considerably more than that for accommodation in general. For the Western Isles, average total spend by people staying in hotels (excluding transport/travel costs) is £50, compared to an average of £29 for holidaymakers in general. In Orkney the ratio is £57:£26; for Argyll and Bute, £56:£43 and for the Highlands, £60:£41.

<sup>27</sup> Business Tourism is defined as including: anyone travelling in a business or official capacity for purposes related to their work/profession or in some cases other official capacity. 'Business' implies a continuation of the respondent's normal/main occupation during the visit. The respondent will not become part of the labour force of the region visited. Taken from VisitScotland, *Business Tourism in Scotland 2000*.

<sup>28</sup> For more on Business Tourism, see SPICe Briefing 02/94, *Niche Tourism in Scotland: Golf and Business Tourism*, 21 August 2002.



**Table 6**

<b>Accommodation Used (2000)</b>		
	<b>UK Trips (%)</b>	<b>Overseas Trips (%)</b>
Friend's Relatives House	42	30
Hotel/Motel and Guest Houses	33	48
Self-Catering/Rented accommodation	8	3
Bed & Breakfast	9	16
Touring Caravan & Camp	4	3
Static Caravans	4	N/A
Youth Hostel/School/University	2	7
Other	4	5

## **KEY ISSUES FOR SCOTTISH TOURISM**

### **CURRENT TRENDS IN WORLD TOURISM**

Scottish tourism has been affected by recent trends in tourism occurring throughout the world. World tourism grew inexorably in the 1990s, with a 52% increase in international trips, and an 80% increase in spending.<sup>29</sup> Growth has been driven by the following factors:

- Increased disposable income enabling more people to take holidays and travel more frequently
- An increased emphasis on the importance of leisure, health and well-being
- The growth of the 'grey market' –people staying active for longer, and being comfortably off in retirement allowing for them to take holidays
- A desire to have new experiences and visit new destinations
- Constantly improving communication and transport making the world a 'smaller place'
- The opening up of previously restricted countries since the fall of communism in Eastern Europe, enabling both outbound and inbound tourism for millions of people

In 2000, world international tourism grew by approximately 7% in volume to an estimated 698 million international arrivals, it also grew by around 5% in value, to an estimated US\$278 billion in international tourism receipts.<sup>30</sup> This growth was the highest in a decade, partly fuelled by the millennium events, the strong world economy and a generally peaceful world.

Key global tourism trends include increased product diversification, a high level of wealth development and increasing competition. New destinations are successfully emerging as popular tourism venues and gaining market share, resulting in a greater spread of tourists, in terms of destination, season and motivation.<sup>31</sup>

<sup>29</sup> World Tourism Organisation, *Tourism Highlights 2000* (Madrid: World Tourism Organisation, 2000).

<sup>30</sup> VisitScotland, *A Review of World Tourism Trends* (Edinburgh, 10 September 2001).

<sup>31</sup> *Ibid.*

Europe and the Americas are the dominant world tourism regions, but Europe's share of tourism in the 1990s declined from 54% to 51%<sup>32</sup>, while that of East Asia and the Pacific began increasing.

An additional recent trend has been the growth of short break trips, reflected in the reduction of the average length of stay in most destinations. Scottish tourism has been particularly affected by this trend, with figures for 2000 showing 91% of trips to Scotland being 7 nights or less.<sup>33</sup> This pattern can be part explained by changes in lifestyle over recent years. The issue of **time** has become one of the main issues in today's tourism. Nowadays, people are faced with increasing time constraints –people are working longer hours, and taking shorter periods of time off. People are moving more in the direction of either taking short breaks to supplement a long holiday, or taking several short trips instead of a longer holiday.<sup>34</sup> This has benefited short haul, accessible destinations and has contributed to the growth of **city tourism**. This market has been extremely attractive for tourists as it allows for trips to be spread throughout the year.

An additional development in world tourism that will become more prominent in future years is the **changing customer profile** of tourists. The BTA claim that in 2010 there will be:

- 4.5 million fewer under 25 year olds
- 9.8 million fewer 25-34 year olds
- 13.9 million more 45-54 year olds
- 21.2 million more 55-64 year olds
- 22.3 million more 65+<sup>35</sup>

BTA research shows that the UK is reasonably successful in marketing itself to affluent couples with no accompanying children. However, BTA research also reveals that the UK has seen a drop in visitor numbers from youth tourists in recent years.<sup>36</sup> This has been explained by a combination of demographic changes, relatively high UK prices and intense competition –especially from up and coming destinations in central and eastern Europe which are seen as cheaper, exciting and exotic in the eyes of many in the youth market. This development is an issue for the UK as a whole (and Scotland) because a good visit somewhere as a youngster heightens that propensity that a person will make further repeat visits to that destination later in life.

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<sup>32</sup> Given Europe's open land boundaries, ease of travel within it, wealth and highly paid holiday entitlement, it is not surprising that Europeans account for over half of world tourism expenditure.

<sup>33</sup> From <http://www.scotsexchange.net/KnowYourMarket/kym-essentials.htm>

<sup>34</sup> See W. H. Martin and S. Mason, *Transforming the Future Quality of Life. Rethinking free time and work* (Sudbury: Leisure Consultants, 1998); and World Tourism Organisation (WTO), *The Economic Impact of Tourism: Using Tourism Satellite Accounts to Reach the Bottom Line* (Madrid: World Tourism Organisation, 1999).

<sup>35</sup> Source: US Census Bureau, adapted by the BTA.

<sup>36</sup> International Passenger Survey/BTA, 2002.

It is important that the Scottish tourism industry is proactive in marketing its product to suit changing customer demographics. Future customers are generally going to be older, travel in couples or small groups, be more independent, reasonably affluent but with a focus on value for money. There will be a competitive race to capture this market.

## TRANSPORT & THE DISPERSAL OF TOURISTS

To be competitive in the current tourism climate, it has been frequently argued that transportation should be of a good standard. When tourists have a limited time scale, they want to feel that they can get to their intended destination as quickly as possible. Overseas visitors are heavily dependent on the transport system, which has a critical role in spreading the economic benefits of tourism to all parts of the country by making it easy for tourists to travel more widely.

Tourist needs for good information services, integrated ticketing, reliable services and good interchange between networks are no different from those of the resident population. However, they are far more acute because tourists are usually unfamiliar with the system and may speak a foreign language, are pressed for time and handling heavy luggage. Many visitors to Scotland are from countries with a modern, integrated transport system, and studies of Scottish and British transport facilities<sup>37</sup> reveal that too often Scotland and Britain as a whole falls short of tourist transportation expectations.

The 2001 British Tourism Development Committee's<sup>38</sup> policy report on *Enabling Success* argues that "an intuitive, reliable, safe, affordable, and well-marketed transport system is required that takes account of the needs of overseas visitors. It recommends the following action points:

- *Ensure that transport planning strategies meet the needs of overseas visitors, thereby meeting the needs of everyone else and providing an excellent litmus test for integration policies.*
- *Improve the services, facilities and quality of welcome provided to overseas visitors on arrival at Britain's ports-of-entry as recommended in **First Impressions**.*
- *Make airports into true transport hubs by integrating surface transport links into the terminal structure rather than relying on transfer services.*
- *Upgrade transport infrastructure to accommodate the needs of visitors: adequate space for luggage; escalators or lifts between levels; and assistance for the elderly, those with disabilities, those with small children and all those with heavy luggage.*
- *Encourage greater integration of timetable and availability of tickets/travelcards that are interchangeable across different transport modes.*

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<sup>37</sup> See British Tourist Authority, *First Impressions: A Survey of the Facilities at Britain's main ports-of-entry* (London: British Tourist Authority, 2000).

<sup>38</sup> The British Tourism Development Committee is an industry forum established by the BTA using powers in the Development of Tourism Act 1969. The purpose of the Committee is to advise Government, the BTA,

- *Expand public transport infrastructure, services and information in National Parks to alleviate car congestion and spread visitors more widely.*
- *Encourage co-ordination of transport timetables with tourism activity/events and provision of more packages combining travel and admissions to events/attractions.*
- *Support the use of **traveline** as a source of up-to-date travel information.*

## LOOKING TO THE FUTURE

Tourism will continue to be affected by a wide range of social, economic, technological, political and environmental trends.

With higher spend/yield visitors in particular, who are accustomed to the latest and best, expectations are high in terms of the provision of e-commerce and top tourist facilities. High spend tourists expect latest in-room entertainment, and conference venues that provide multi-media presentation capability and on-line event organisation. Some argue that these kind of services are becoming less of a competitive advantage and more of a necessity.

### E-TOURISM<sup>39</sup>

It is estimated that 9.3% of the world's population are currently online<sup>40</sup>, a figure estimated to rise further in coming years. It is predicted that there will be 1.8 billion internet users and 1.4 billion PCs by 2010.<sup>41</sup> 20% of the world's workforce will use PCs at home and work.

Online travel is one of the fastest growing areas of the travel industry. According to a Report from [Continental Research](#), nearly 30% of UK internet users have gone online to access travel routes over the last 12 months.<sup>42</sup> For instance, *Ryanair* currently make 94% of their ticket sales on the internet, *Easyjet* estimate that approximately half of its bookings are made via the internet. It has been predicted that online travel sales will reach a total of \$29 billion in 2003.<sup>43</sup>

Despite the massive increase in people using the internet, some remain sceptical about its influence. For example, speaking before the dot com bubble burst,

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other statutory tourist boards, and other public and private sector organisations on all matters affecting the British tourism industry.

<sup>39</sup> SPICe have produced a more detailed research briefing on E-Tourism. See SPICe Briefing 02/93, *Tourism E-Business*, 21 August 2002.

<sup>40</sup> See Nua Internet Surveys, [http://www.nua.ie/surveys/how\\_many\\_online/index.html](http://www.nua.ie/surveys/how_many_online/index.html). Nua estimate that 589.78 million people are currently online. This is 9.3% of the total world population, estimated on 26 August 2002 to be 6,246,082,975. For population figures, see: <http://www.census.gov/cgi-bin/ipc/popclockw>

<sup>41</sup> From <http://www.scotexchange.net/BusinessDevelopment/ebusiness-strategies.htm>

<sup>42</sup> This statistic is taken from <http://www.etcnewmedia.com/review/default.asp?SectionID=11&CountryID=53#online>

<sup>43</sup> From <http://www.scotexchange.net/BusinessDevelopment/ebusiness-strategies.htm>

economist Paul Kedrosky<sup>44</sup> suggested controversially that e-strategists “should go slow” and gave the following advice:

- “The old rules of business still apply”
- “Venture capitalists are not all-knowing”
- “Executives need to resist pressure to move too fast”
- “Beware false priests; you may know enough already”

Despite these comments, the majority opinion remains that the internet is an inexorable force too powerful to ignore, a fact that is now being recognised by the Executive and other institutions with a stake in Scottish tourism. The Executive in their *New Strategy for Tourism (2000)* set the target of 30% on-line bookings by 2002. VisitScotland provide support to small tourist businesses, assisting in selecting ‘domain names, designing web-sites, advertising online or simply buying a computer’.

The following support is available:

[Scottish Enterprise e-business site](#)

An array of information and advice designed to help Scottish businesses make the best use of new technology and e-business.

[HIEonline.org](#)

E-commerce resource for the Highlands and Islands of Scotland.

[UK online for business \(Scotland\)](#)

Government’s specialist advisory service.

[Learndirect Scotland for Business](#)

E-business learning opportunities

[Smart Guides](#)

Simple guides to help you log-on

[USE-IT](#)

USE-IT is specifically designed by Local Enterprise Companies to assist tourism businesses.

Additional VisitScotland eTourism web support and strategies can be found via the following link:

<http://www.scotexchange.net/BusinessDevelopment/ebusinessstrategies.htm>

## PRICES AND EXCHANGE RATES

Although the UK ranks 5<sup>th</sup> in terms of world tourism earnings, the UK’s share of world tourism receipts has decreased by more than 30% over the past 15 years, from 6% in 1985 to 4.1% in 2000. While world tourism receipts continue to increase at a rate of 4% per annum, the UK has shown no growth in real terms since 1996.

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<sup>44</sup> Paul Kedrosky is assistant professor of commerce and information technology at the University of British Columbia, as well as a part-time consultant to venture capitalists and companies launching e-ventures. Quote from Economist Intelligence Unit E-business forum website: <http://www.ebusinessforum.com/>  
*providing research and information services to the Scottish Parliament*

The real cost of international travel has fallen in recent years, and as a result, the price of tourism products and services has become more important in influencing the comparative cost of different destinations and, hence, the pattern of international travel. Research suggests that there are two major factors influencing changes in tourism earnings in mature tourism markets like the UK:

- The perceived cost of the visit
- The price of tourism products and services
- The exchange rate faced by visitors
- Visitor's real income<sup>45</sup>

In the case of the UK, price perceptions have not been significantly influenced by price inflation in tourism services over the last 10 years, as the UK inflation rate has been low. However, large fluctuations in the value of the pound against most other countries have greatly influenced the perceived cost of holidaying in the UK during this period.

When the pound becomes stronger, there are major negative effects on inbound tourism earnings. Not only do visitors have to face higher prices, contributing to reductions in visitor numbers and spending, but their resulting expenditure is further diminished in value when it is converted into sterling –due to the cost of conversion.

#### **FACTORS EFFECTING INTERNATIONAL TOURISM EARNINGS**

Research commissioned by the BTA and carried out by Caledonian Economics (2001)<sup>46</sup> found that for every 1.0% change in the exchange rate<sup>47</sup>, the UK's international tourism earnings will change by 1.3% in the opposite direction. For example, every 1% *decrease* in the exchange rate will *increase* the UK's tourism earnings by £160 million per annum, and create over 4,700 full-time jobs.<sup>48</sup>

For every 1.0% increase in visitor's incomes, the UK's international tourism earnings will change by 0.6% in the same direction. For example, for every 1% increase in visitors' incomes will *increase* the UK's tourism earnings by £70 million per annum and create over 2,000 full-time jobs.

Although both cost and income levels affect overseas visitors' decisions on whether to visit the UK, changes in exchange rate cost have the greatest impact. The implication of this study's findings is that, for example, a 10% increase in perceived prices through higher exchange rates will *more than proportionately* reduce the UK's total tourism earnings. This happens because not only does the

<sup>45</sup> British Tourist Authority & Caledonian Economics Ltd, *Sensitive Tourists: The Effect of changes in the exchange rates and income levels on the UK's international tourism earnings* (London: British Tourist Authority, 2001).

<sup>46</sup> *Ibid.*

<sup>47</sup> Trade weighted Exchange Rate.

<sup>48</sup> The BTA estimate that for every £34,000 increase in Britain's tourism revenue, it is estimated that an additional full-time equivalent job is created.



10% perceived price increase depress visitor expenditure by 3%, but when the expenditure is then converted into sterling, the higher exchange rate reduces the UK's tourism earnings by an additional 10%.<sup>49</sup>

## THE EURO<sup>50</sup>

Although the exchange rate between sterling and the EURO fluctuates from day to day, it would be wrong to think of it as 'just another foreign currency'. The EURO is the currency of 12 nation states, and 300 million people. Of the 15 EU countries, only the UK, Sweden and Denmark are not participating in the single currency.

EURO bank notes and coins were first introduced in 1 January 2002, so an analysis of the impact on Scotland and the UK must be tentative.

A recent survey carried out by Edinburgh and Lothians Tourist Board<sup>51</sup> indicated that 57% of respondents –including retailers, visitor attractions and hotels– were able to accept the EURO. A tourist Board spokesman said:

*Although some companies have been put off by the financial costs of updating IT systems for the EURO, a number of smaller businesses have found ways around the problem. **Rosslyn Chapel**, which accepts EUROS and makes each calculation on a manual basis, is a great example of how a flexible working approach can be achieved.*

Additionally, *Historic Scotland* have announced that they will accept EURO currency notes in all their locations.<sup>52</sup> In a joint statement, Karen Blair of Historic Scotland and Deputy Tourism Minister Elaine Murray said:

*I am pleased to announce that after monitoring the demand from visitors to pay in EUROS and assessing the business case for accepting them, Historic Scotland has decided to go ahead and provide this service to visitors from Europe.*

*Accepting EURO notes is one more important element in making as many people as possible feel welcome when they visit Scotland from Europe. At the height of the summer 26% of visitors at Edinburgh Castle come from Europe; the percentage is 22% at the rest of the properties.*

On the other hand Edinburgh retail store, *Jenners*, have stated that they have no plans to change their IT systems to accept the EURO. Marketing Director, Debbie West, Made the following statement on the matter:

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<sup>49</sup> BTA & Caledonian Economics Ltd, *op.cit.*

<sup>50</sup> SPICe have produced a Background briefing on the Euro, See SPICe Briefing 02/35, [The Euro - Background](#), 28 March 2002.

<sup>51</sup> Information in eNews from *Britain in Europe and the European Movement*, 19 August 2002.

<sup>52</sup> See Scottish Executive press release, 28 June 2002.  
<http://www.scotland.gov.uk/pages/news/2002/06/SENW051.aspx>



*We have not noticed a significant demand from tourists wishing to spend EUROS in our store, and we have no plans to upgrade our computer systems.*<sup>53</sup>

The extent to which a tourism business will need to prepare for the EURO will depend on the potential impact a business sees the EURO as having for their tourism operation. The BTA and HM Treasury have cited the following main factors as being the key to determining how a business will be affected:

- The proportion of your visitors/customers that come from EURO area countries
- The relationship you have with businesses that operate in the EURO area (even if they are not based there)
- The marketing you do in the EURO area (including indirect marketing, like website or brochures at ports-of-entry from the EURO area).<sup>54</sup>

The *price transparency*<sup>55</sup> of Euro-zone countries has been cited as an issue that could adversely effect UK tourism.<sup>56</sup> If people can see product prices in two countries in EUROS it allows people to compare like with like. One long-term trend that some see developing within the Euro-zone is a convergence towards Euro-wide prices, particularly for major brand items.<sup>57</sup> Research by investment bank DKW suggests that Britons pay an average of 15% more than the European average for every day goods and services.<sup>58</sup>

Regarding the issue of price transparency, *Britain in Europe and the European Movement* have argued that:

*Opportunistic British retailers hide behind the fact that Britain has a separate currency to overcharge us. Because it's harder to compare prices in different countries most people don't spot that we are being ripped off.*

*The euro makes it harder for firms to charge more in one country than in another. When prices are all in the same currency, there is greater transparency between countries - which means more competition. Competition means that the prices in dearer nations will be squeezed closer to prices in cheaper nations. As one of the most expensive countries in Europe, our prices would be held down if we joined. In the long-run, the euro means that prices will be lower than they otherwise would have been.*<sup>59</sup>

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<sup>53</sup> Quoted in eNews from *Britain in Europe and the European Movement*, 19 August 2002.

<sup>54</sup> British Tourist Authority & HM Treasury, *The Euro: A Guide for Small Businesses* (London: British Tourist Authority, 2001).

<sup>55</sup> The issue of price transparency in relation to the EURO is covered in: SPICe Briefing 02/35, 28 March 2002, [The Euro - Background](#).

<sup>56</sup> This was highlighted as an issue in eNews from *Britain in Europe and the European Movement*, 19 August 2002.

<sup>57</sup> *Ibid.*

<sup>58</sup> The research was quoted in eNews from *Britain in Europe and the European Movement*, 19 August 2002.

<sup>59</sup> Quote in eNews from *Britain in Europe and the European Movement*, 19 August 2002.

It may be argued that by being outside of the Euro-zone the UK becomes less competitive as a tourist destination. For example, a tourist travelling around Europe may choose to stay within the Euro-zone, not only because there is no need to change currency, but also because the Euro-zone creates price transparency.

The other side of the argument, however, may be that the tourist is not a simplistic creature and will be able to make a calculation comparing the cost of a product in Sterling and EUROS. With time, and as evidence starts to build-up, this debate will move from the realm of conjecture to something more concrete.

## VALUE FOR MONEY

With tourism so sensitive to fluctuations in exchange rates and perceived prices, it is imperative that tourists feel they are at least getting good service, otherwise the poor value for money issue is only exacerbated further. Paul Hutcheon in his anecdotal account of the Scottish tourism product was critical of what he saw as clear lack of value for money:

*'If entering Scotland is a lottery, finding suitable accommodation can often be as hazardous. The Scottish Affairs Select Committee report into tourism – a document that fed into the Executive's Strategy – was particularly critical. Listing "a number of bad experiences", it cited sticky linoleum, over-priced bed and breakfasts and erratic closing times for hotel pubs as examples that added to the perception of Scottish hospitality being slightly less than professional. While it may be too much to expect hoteliers in Wick to say 'have a nice day' (why would they, it's only be a lie) a slicker service ethic is to be encouraged. Where in America the customer is always right, in Scotland the customer is always a right pain; a moaning upstart who should be grateful for what he gets.'*<sup>60</sup>

Although there is a lack of specific research looking at the effects of high costs of the Scottish tourism product, there is some information available. The Scottish Tourism Forum<sup>61</sup> notes that:

*Industry associations and individual owners/managers are consistently suggesting that visitors, from overseas as well as from within Scotland and the rest of the UK, find costs high and value for money harder to achieve. This impacts upon the domestic market, where the attraction of holidaying abroad is in part about value for money and the relative low cost compared to holidaying at home. The pound must have a role to play in this equation. Overseas visitors consistently complain of costs, where exchange rates make costs in the UK appear high. Added to this is the cost of petrol and ferry costs that has the impact of discouraging visitors to visit more rural and remote areas.*

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<sup>60</sup> From Paul Hutcheon, 'A New Model for Scottish Tourism,' in *Holyrood* issue 56, 29 October 2001, pp16-17.

<sup>61</sup> Letter to House of Commons Library  
*providing research and information services to the Scottish Parliament*

An indication of the strength of industry feeling about the value of the pound lies in the number of submissions to the Scottish Minister for Enterprise and Lifelong Learning, in his consultation exercise resulting in the publication of the new tourism strategy for Scotland, mid February 2000. In the consultation, 586 written submissions were made, of which

- 137 commented on the need to reduce fuel prices
- 112 commented that Scotland was an expensive destination for visitors
- 99 commented on the importance of fiscal issues on tourism performance.

Additionally, a recent article in the Sunday Mail, revealed that with British Airways, it is 'cheaper flying to Sydney than to Shetland.'<sup>62</sup>

BTA research on holiday price comparisons shows holidays in the UK are not a cheap option. The BTA argues that Britain has one of the highest VAT rates for tourism services in the world, and that the government should reduce VAT on accommodation to bring Britain closer to the European average of 8.5%.<sup>63</sup> This, they claim, would make Britain a far more competitive tourism market.

### LIST OF VAT RATES (%) IN EU COUNTRIES

	STANDARD VAT RATE	REDUCED VAT RATE	VAT RATE ON RESTAURANT MEALS	VAT RATE ON HOTELS SERVICES	VAT RATE ON DOMESTIC PASSENGER TRANSPORT		
					Air	Rail	Road
UK	17.5	5	17.5	17.5	0	0	0
IRELAND	20	12.5	12.5	12.5	Ex	ex	ex
BELGIUM	21	6	21	Ex	6	6	6
DENMARK	25	-	25	25	Ex	ex	ex
GERMANY	16	7	16	16	16	16	16
GREECE	18	8	8	8	8	8	8
SPAIN	16	7	7	7	7	7	7
FRANCE	19.6	5.5	19.6	5.5	5.5	5.5	5.5
ITALY	20	10	10	10	10	ex	ex
LUXEMBURG	15	6	3	3	3	3	3
NETHERLANDS	19	6	6	6	6	6	6
AUSTRIA	20	10 or 12	10	10	10	10	10
PORTUGAL	17	5 or 12	12	5	5	5	5
FINLAND	22	8 or 17	22	8	8	8	8
SWEDEN	25	6 or 12	25	12	6	6	6

'ex' means the service maybe subject to VAT, although it is currently except from the VAT

#### NOTES:

- The UK has the fifth lowest standard VAT rate in the EU, and one of lowest reduced VAT rates in the EU
- The UK has the second highest VAT rate for hotel accommodation in the EU

<sup>62</sup> See Sunday Mail, 'You're cheaper flying to Sidney than to Shetland,' 21 April 2002.

<sup>63</sup> See British Tourism Development Committee, *Enabling Success: Policies for inbound tourism* (London: British Tourist Authority, 2001).

- The UK and Denmark are the only two countries that do not apply the reduced rate of VAT to hotel accommodation
- The UK has the second highest VAT rate (after Denmark) for hotel accommodation in the EU
- Like the UK, half the countries in the EU apply the standard VAT rate to restaurant meals, but those countries with a large tourism industry (Ireland, Greece, Spain, Italy, Portugal) apply the reduced VAT rate to restaurant meals
- All countries (with the exception of Germany) apply the reduced VAT rate to domestic passenger transport services, but the UK is the only EU country which does not apply VAT at all to any domestic air, rail and road passenger transport services (but other taxes are applied), although Ireland and Italy exempt passenger transport services from VAT

Source: British Tourist Authority

A study carried out by *Deloitte and Touche* looked at the impact of differing rates of VAT applied to tourism throughout the European Union. The report made the conclusion that in a highly price sensitive industry like tourism, there is a clear correlation between VAT levels and consumer demand.<sup>64</sup> As the table above makes clear, apart from Denmark, the UK has the highest rate of VAT in Europe on tourism services.

In Ireland, the reduction of VAT on tourism in the late 1980s coincided with other initiatives aimed at doubling the income derived from tourism between 1987 and 1992. Since 1987 tourism expenditure has increased by 400%. By contrast, in Denmark, where VAT on hotel services has increased to 25%, tourism receipts and employment have declined. The *Deloitte and Touche* study demonstrated that lowering VAT rates on tourist accommodation would produce a net gain in government revenues of £200 million per annum.

A study by *Stevens and Associates* for the Enterprise and Lifelong Learning Committee, however, downplays the link between VAT rates and tourism industry success. In the 16 case studies<sup>65</sup> that they utilise in their study, the average levels of VAT on tourism services are above the EU average. They claim that in their examples, where there are considerable tourism success stories, *there appears to be little evidence....to confirm that the level of VAT is an issue.*<sup>66</sup>

## **IMPACT OF FOOT AND MOUTH DISEASE (FMD) ON SCOTTISH TOURISM<sup>67</sup>**

FMD has had a negative effect on the tourism industry. By the middle of 2001, regional tourist boards throughout the UK were experiencing drops in revenue. In Scotland, Dumfries and Galloway was particularly badly hit, with bookings falling

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<sup>64</sup> This report is quoted in Stevens and Associates with The Scottish Tourism Research Group, *Support for Tourism: An International Comparison*, August 2002. This research was produced for the *Scottish Parliament Enterprise and Lifelong Learning Committee Tourism Inquiry*.

<sup>65</sup> The sixteen case studies used by Stevens and Associates are as follows: Catalonia (Spain), Denmark, Ireland, Ontario (Canada), Slovenia, Switzerland, Veneto (Italy), West Country (UK), Austria, Belgium, British Columbia (Canada), Cumbria (UK), Estonia, Netherlands, Tasmania, Trentino (Italy).

<sup>66</sup> Stevens and Associates with The Scottish Tourism Research Group, *Support for Tourism: An International Comparison*, August 2002, p31.

<sup>67</sup> SPICe have produced another more detailed briefing on the impact of Foot and Mouth on Scottish Tourism. See SPICe Briefing 02/92, *Rural Tourism*, 21 August 2002.

by 60%.<sup>68</sup> Another effect of the disease was an Order made in the Scottish Parliament allowing local authorities and animal health inspectors to prevent access to footpaths and other land. On 23<sup>rd</sup> March 2001 a model risk assessment was adopted to replace the blanket closure of rights of way and the [Comeback Code](#) was distributed. The Code was produced by Scottish National Heritage for the Scottish Executive. Despite these measures, concern over the spread of the disease led to footpaths only being reopened gradually. By the end of June 2001, however, most local authorities had reopened footpaths.

Questions have been raised over the government's handling of the outbreak. It has been argued that success in limiting the loss of revenue from the meat and livestock trade was achieved only at the expense of greater costs to tourism. Large numbers of UK residents were unable to visit rural areas and potential tourists from abroad who were considering the UK as a potential tourist destination may have been discouraged from coming. Linkages between sectors within the economy mean that decreases in UK tourism and day visits have also had indirect implications for other areas of the economy.

The report *Foot and Mouth Disease 2001: Lessons to be Learned* was published on 22<sup>nd</sup> July 2002. This is the final report of an inquiry chaired by Iain Anderson into the Government's handling of Foot and Mouth Disease (FMD) last year. In this report the direct and indirect economic impact of FMD is estimated. Though the cost to UK GDP was less than 0.2%, the true cost of the disease is likely to be far higher.

*Although, losses to sectors directly affected by the disease were, from a macroeconomic perspective, largely off set by increased spending elsewhere, the impact on tourism on affected areas was devastating. Some of that activity was diverted to other UK locations and to consumer spending on unrelated items. This reduced the effect on total output. It did not, however, reduce the severe costs that were imposed on or within particular sectors.*<sup>69</sup>

The impact on domestic tourism of FMD is difficult to calculate because of limited data. As a result cost estimates for businesses directly affected by tourist expenditure are presented in broad ranges. In total the UK tourist sector, both urban and rural was estimated to have lost between **£2.7** and **£3.2 billion** of value added in 2001 as a result of FMD. These figures obscure the very different ways in which businesses were affected by the FMD outbreak. Some were hardly affected, other experienced an increase in business and others still were forced to close.

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<sup>68</sup> A. Blake, Sinclair, M. T. and Sugiyarto, G. [Quantifying the Impact of Foot and Mouth Disease on Tourism and the UK Economy](#) (2002)

<sup>69</sup> Foot and Mouth Disease 2001: Lessons to be Learned Inquiry Report, (London: The Stationery Office 2002) p.131

The costs for agriculture, food and tourism were disaggregated to estimate the differential impact on rural and urban areas. The loss in rural areas was calculated as being in the range of **£2.2 to £2.5 billion**. The loss in urban areas was in the range of **£0.8 to £1 billion**. The vast majority of these costs related to domestic tourism spending.

In addition to the national report on Foot and Mouth (the findings of which are outlined above), since April 2001, the Foot and Mouth Disease Economic Impact Assessment Group (IAG)<sup>70</sup> have commissioned three surveys to assess the effect of foot and mouth disease across Scotland on non-agricultural business. The most recent of these surveys published in September 2001 reported the following major findings related to tourism:

- *The impact of FMD has varied by sector and tourism businesses have been the most widely affected*<sup>71</sup>
- *Tourism businesses experienced greater average proportional sales losses since 1 March 2001 (attributable to FMD) than businesses in any other sector (average loss 31%)*
- *Variations between sectors showed that the Tourism industry recorded the highest year on year changes attributable to FMD in April, June and September 2001 (13%, 16% and 7% respectively)*

## **IMPACT OF SEPTEMBER 11 ON SCOTTISH TOURISM**

The events of 11 September 2001 were widely predicted to have a detrimental impact on Scottish tourism. Provisional, anecdotal research was carried out on this<sup>72</sup>, in October 2001. Tourism, it was argued, would be hit harder than most industries. Chief Economic Advisor to the Executive, Andrew Goudie, claimed that the attacks would have a multi-faceted impact on tourism due to: *the impact of increasing fear amongst travellers, the increased cost of travel, the uncertainty and general intensification of the global slow down, and the on-going political and military situation.*<sup>73</sup>

Have the consequences of the 11 September attacks been as bad as first feared?

According to a report by the Association of British Travel Agents (ABTA)<sup>74</sup>, the number of overseas visitors to the UK will not return to originally predicted trend levels until the world economy recovers and confidence in the safety of air travel is restored. The report claims that although confidence in air travel will return in early 2002, the relative cost of travel will remain high due to the continued global

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<sup>70</sup> Established by Ross Finnie, the Minister for Environment and Rural Development, to assess the impact of foot and mouth across sectors and areas

<sup>71</sup> Agricultural businesses were excluded from this sample

<sup>72</sup> See, for example Andrew Goudie, *Building for the Long Term: Understanding the Impact of the Terrorist Attacks on the Scottish Economy*, Report commissioned by the then First Minister, Henry McLeish, October 2001.

<sup>73</sup> Andrew Goudie, *op.cit.*, p5.

<sup>74</sup> Taken from *BBC News*, 9 November 2001, <http://news.bbc.co.uk/1/hi/business/1646862.stm>  
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economic downturn. This, the report predicts, will keep tourism numbers down until 2005.

Author of the report, Kevin McCauley, said that the *hits the industry has taken this year will be enough to affect the whole 2001-2005 period*. The report claimed that tourist figures are now expected to grow by just 18.3%, down from the 25.9% originally predicted.

It is important to note that the ABTA report was written in the immediate aftermath of the terrorist attacks, when pessimism was rife. Looking at research produced since, however, the continued economic downturn in the US combined with the uncertainty surrounding the global stock markets, there is little doubt that the attacks have fundamentally affected tourism and that recovery will take some time.

The ABTA findings, which link the speed of recovery to the global economic picture were mirrored by the findings of *Tourism Recovery Committee of the World Tourism Organization*, who claimed in March 2002, that although *fear of travel is fading away...full recovery from the crisis depends a great deal on the evolution of the world economic climate*.<sup>75</sup> These kind of findings only highlight the interconnected nature of the tourism industry, and the fact that tourism in Scotland is at the mercy of global events.

Overseas visitors to Scotland in 2001 were down from the 2000 figures. VisitScotland figures show that there had been an overall 6% decrease in overseas trips to Scotland (from 1.689 million to 1.593 million) and a 14% decrease in spend.<sup>76</sup>

Following 11 September, airlines were quick to cut the less popular routes. Although domestic UK flights remained buoyant, *Air Canada* suspended their daily flights to Scotland. This resulted in a large drop in visitor numbers from the very important Canadian market<sup>77</sup> –Canadian visitor numbers were down for 2001 by 36% on the 2000 figure from 145,000 to 93,000. The picture from the Canadian market, parallels the story surrounding overseas visitors to Scotland as a whole: they are in decline. Indeed, annex 1 illustrates that overseas visitors have been in decline since 1998, in the context of a global increase in tourism revenues.

## **SCOTLAND IN THE GLOBAL PICTURE**

Tourism is the world's largest industry and is of vital importance to the world economy. In 1950 an estimated £25.3 million international trips were made world-

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<sup>75</sup> See 'Key Conclusions' of the *Second meeting of the Tourism Recovery Committee of the World Tourism Organization*, Friday 15 March 2002. Also see World Tourism Organization, *Tourism after 11 September 2001: Analysis, remedial actions and prospects*, November 2001.

<sup>76</sup> Quoted in *Scottish Tourism Forum News*, 7 June 2002.

<sup>77</sup> Due to the very large ex-pat community in Canada, Canadian visitors to Scotland have been a major source of incoming tourism trips. Along with US, German and French visitors, Canadians have always been key players in incoming tourism to Scotland.



wide,<sup>78</sup> by 1999 the estimated figure was some 26 times higher at over 660 million trips.<sup>79</sup> Since 1985, the number of trips has more than doubled.<sup>80</sup>

Estimations by the World Travel and Tourism Council (WTTC) showed that in 1999 travel and tourism were directly and indirectly involved in generating world-wide:

- 11% of GDP
- 200 million jobs
- 8% of total employment
- 5.5 million new jobs per year until 2010.

When measuring the tourism performance of the UK (and Scotland's place within that) against other states, a degree of caution is required in that states throughout the world collect their tourism related data in different ways. For instance, some states gather their inbound visitor data through arrivals at all forms of tourist accommodation, whereas other states only utilise the figures from hotel arrivals. Some states collate their tourism information from simple head counts, whereas others use sample surveys. The increasingly crucial role of tourism in many nation state economies, its growth and potential for job creation mean that measuring tourism performance is may assist policy development. However, it is also important that the above mentioned caveats are kept in mind.

It is for these reasons that the OECD's *Tourism Committee* have created a new economic instrument for measuring tourism in an attempt to create a more standardised measurement tool –namely, the *Tourism Satellite Account*<sup>81</sup>. The aim of this OECD Committee is to increase awareness of the need to develop improved statistical tools to define and measure the economic impact of tourism. TSAs aim to create a more scientific measurement of tourism's economic benefits and allow for more rigorous research and policy development. The UK has so far not adopted *Tourism Satellite Accounts*. The following countries are currently using TSAs:

<i>Australia</i>	<i>Denmark</i>	<i>Korea</i>	<i>Spain</i>	<i>USA</i>
<i>Austria</i>	<i>France</i>	<i>New Zealand</i>	<i>Sweden</i>	
<i>Canada</i>	<i>Iceland</i>	<i>Poland</i>	<i>Switzerland</i>	

## CONCLUSION

Scotland in the 1990s was not immune from world events. The demise of communism in Eastern Europe, the Gulf War in 1991, the steep rise in oil prices in 1992, the world economic recession of 1993/94, the opening of the channel tunnel

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<sup>78</sup> BTA, *Tourism Quarterly Intelligence*, Vol. 19, No.1

<sup>79</sup> World Tourism Organisation Press Release, *World Tourism Results Revised Upwards*, 11 May 2000.

<sup>80</sup> BTA, *Tourism Quarterly Intelligence*, Vol. 21, No. 3.

<sup>81</sup> For more on TSAs, see <http://www.oecd.org/EN/document/0,,EN-document-0-nodirectorate-no-1-10070-0,00.html>

in 1997, the Asian financial crisis of 1998, and the terrorist attacks in the USA, all affected the growth of tourism in the last decade.

Given that, in the main, tourist activity does not meet a vital need, tourist behaviour is especially volatile and subject to psychological and social influences, personal sensitivities and short-term reactions. If the image of just one link in the chain is affected, then the whole tourism industry suffers the consequences. The impact of the foot-and-mouth epidemic and the terrorist attacks in the US on tourism in the UK shows the potential negative effect of domestic and world events on the image of a tourist destination, to the immediate detriment of the industry.

## APPENDIX 1

### Definitions: Tourism Related industries

**Tourism related employment** refers to employment in industries which depend on tourism to a greater or lesser extent. Industries defined by the Office for National Statistics (ONS) as being tourism related are:

**Hotels** (SIC code 551), incorporating:

- Hotels and motels, without restaurant
- Hotels and motels, with restaurant which incorporates:  
Licensed hotels and motels  
Unlicensed hotels and motels

**Camping sites and other provision of short-stay accommodation** (SIC code 552), incorporating:

- Youth hostels and mountain refuges
- Camping sites, including caravan sites
- Other provision of lodgings not elsewhere classified which incorporates:  
Holiday centres and holiday villages  
Other self-catering holiday accommodation  
Other tourist or short-stay accommodation

**Restaurants** (SIC code 553), incorporating:

- Licensed restaurants
- Unlicensed restaurants and cafes
- Take-away food shops

**Bars** (SIC code 554) incorporating:

- Licensed clubs with entertainment
- Public houses and bars

**Activities of Travel agencies and tour operators, tourist assistance activities not elsewhere classified** (SIC code 633) incorporating:

- Activities of travel agencies
- Activities of travel organisers
- Activities of tour guides
- Other tourist assistance activities not elsewhere classified

**Libraries, archives, museums, etc** (SIC code 925) incorporating:

- Library and museum activities
- Museum activities and preservation of historical sites and buildings
- Botanical and zoological gardens and nature reserves activities

**Sporting activities** (SIC code 926) incorporating:

- Operation of sports arenas and stadia
- Other sporting activities

**Other recreational activities** (SIC code 927) incorporating:

- Gambling and betting activities
- Other recreational activities not elsewhere classified

**While the above sectors will depend on tourism for some of their business, they are not entirely dependent on it, and will often be used by non-tourists. However, the classifications used by the ONS are sometimes justified on the grounds that while it includes a certain**

amount of non-tourist related employment, it also excludes some which ought to be included such as employees in transport services.

## ANNEX 1

### VOLUME AND VALUE OF OVERSEAS TOURISM IN SCOTLAND (MILLS)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Trips	1.62	1.80	1.67	1.77	1.92	2.02	2.10	2.14	1.86	1.69	1.55
Nights	16.5	18.4	17.8	17.7	19.1	20.5	19.4	19.9	15.9	14.4	13.0
Spend	501	618	660	768	837	1008	931	986	833	789	710

Source: International Passenger Survey

Note: Spend data in cash prices, and 2001 data are estimated.

### VOLUME AND VALUE OF UK TOURISM IN SCOTLAND (MILLS)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Trips	N/a	N/a	N/a	N/a	17.5	19.6	21.2	18.9	18.5	19.0	17.5
Nights	N/a	N/a	N/a	N/a	67.3	72.5	77.9	70.4	69.4	70.4	63.2
Spend	N/a	N/a	N/a	N/a	2,793	3,276	3,724	3,490	3,600	3,699	3,412

Source: United Kingdom Tourism Survey

Notes: Because of change in survey methodology, 1991-1994 data is not comparable with survey data from 1995 onwards, spend data in cash prices.

## ANNEX 2

UK Tourism by Area Tourist Board (2000)			
	Trips (m)	Nights (m)	Expenditure (£)
Aberdeen and Grampian	1.9	6.7	280
Angus & the City of Dundee	0.8	2.2	108
Argyll, The Isles, Loch Lomond, Stirling and the Trossachs	2.5	9.3	446
Ayrshire & Arran	0.9	3.3	133
Dumfries and Galloway	1.2	4	159
Edinburgh & Lothians	3.4	10.3	679
Greater Glasgow and Clyde Valley	3.4	9.5	669
Highlands of Scotland	2.8	12	597
Kingdom of Fife	0.8	4.5	156
Perthshire	1.2	4	222
Scottish Borders	0.5	1.2	64
<i>Edinburgh</i>	2.8	8.2	622
<i>Glasgow</i>	2.8	7.9	611
<b>Total</b>	<b>19</b>	<b>70.4</b>	<b>3,699</b>

Source: VisitScotland

## ANNEX 3

### Overseas Tourism by Area Tourist Board (2000)

	Trips (m)	Nights (m)	Expenditure (£)
Aberdeen and Grampian	0.17	1.1	45
Angus & the City of Dundee	0.05	0.3	15
Argyll, The Isles, Loch Lomond, Stirling and the Trossachs	0.19	0.9	50
Ayrshire & Arran	0.09	0.7	38
Dumfries and Galloway	0.05	0.3	15
Edinburgh & Lothians	0.94	4.4	265
Greater Glasgow and Clyde Valley	0.5	3.3	170
Highlands of Scotland	0.41	1.6	96
Kingdom of Fife	0.09	0.5	49
Perthshire	0.1	0.5	21
Scottish Borders	0.03	0.1	3
<i>Edinburgh</i>	0.91	4.2	255
<i>Glasgow</i>	0.43	2.6	137
<b>Total</b>	<b>1.69</b>	<b>14.4</b>	<b>789</b>

Source: VisitScotland

## ANNEX 4

### Annual Hotel Room Occupancy by Area Tourist Board

Area Tourist Board	1997 (%)	1998 (%)	1999 (%)	2000 (%)	2001 (%)
Aberdeen & Grampian	60	64	61	59	62
Angus & City of Dundee	51	60	53	43	49
Pethshire	61	57	55	55	54
Fife	58	52	50	54	52
AILLST	60	56	52	53	56
Edinburgh & Lothians	72	69	67	69	66
Glasgow & Clyde Valley	70	69	68	61	61
Ayrshire & Arran	56	59	54	56	57
Scottish Borders	59	56	50	54	53
Dumfries & Galloway	53	50	48	49	52
Highlands of Scotland	52	56	56	54	54
Shetland	47	42	41	38	63
Orkney	51	49	47	48	48
Western Isles	46	47	45	49	51
<b>Annual Average</b>	<b>61</b>	<b>61</b>	<b>59</b>	<b>58</b>	<b>56</b>

### Annual Guest House & B&B Room Occupancy by Area Tourist Board

Area Tourist Board	1997 (%)	1998 (%)	1999 (%)	2000 (%)	2001 (%)
Aberdeen & Grampian	47	47	45	44	41
Angus & City of Dundee	36	37	41	39	42
Pethshire	41	38	38	36	38
Fife	41	39	39	43	45
AILLST	45	40	42	43	45
Edinburgh & Lothians	57	57	59	56	56
Glasgow & Clyde Valley	53	54	52	54	52
Ayrshire & Arran	37	38	41	37	39
Scottish Borders	36	34	32	32	28
Dumfries & Galloway	36	34	35	33	30
Highlands of Scotland	36	37	37	36	34
Shetland	48	56	36	36	41
Orkney	36	35	35	37	31
Western Isles	24	26	22	21	21
<b>Annual Average</b>	<b>43</b>	<b>42</b>	<b>42</b>	<b>41</b>	<b>39</b>

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<b>Annual Self-Catering Unit Occupancy by Area Tourist Board</b>					
<b>Area Tourist Board</b>	<b>1997 (%)</b>	<b>1998 (%)</b>	<b>1999 (%)</b>	<b>2000 (%)</b>	<b>2001 (%)</b>
Aberdeen & Grampian	50	50	47	48	46
Angus & City of Dundee	42	43	38	38	37
Pethshire	62	58	57	57	58
Fife	60	56	50	57	61
ALLST	51	49	48	47	46
Edinburgh & Lothians	58	56	61	60	57
Glasgow & Clyde Valley	77	61	52	46	47
Ayrshire & Arran	41	46	44	46	37
Scottish Borders	54	49	44	50	45
Dumfries & Galloway	46	45	52	41	45
Highlands of Scotland	51	53	51	52	56
Shetland	55	62	54	33	45
Orkney	55	43	53	46	39
Western Isles	43	36	34	35	41
<b>Annual Average</b>	<b>53</b>	<b>51</b>	<b>50</b>	<b>49</b>	<b>50</b>

Source: *Tourism in Scotland, 2001*, VisitScotland

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