

# Tourism destination baseline study

Final report

January 2008

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# 1: Introduction

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- 1.1 This study was commissioned by Scottish Enterprise to address two aspects of measuring tourism activity. The first requires development of an approach to produce simple and robust estimates of tourism gross value added (GVA) within each of the key destinations. The second is to assess the potential growth in each destination to 2015 and the contribution that is being made by Scottish Enterprise and its partners.
- 1.2 Tackling these two tasks requires recognition of the unique nature of each of the destinations and the challenges they face, but also the need for a consistent framework. There is inevitably a balance to be struck between these demands, although the emphasis in this work must be on the consistency of approach. Without this it will be impossible to measure progress and as a result, refine policy decisions. More detailed work that reflects local conditions better can be developed by the destinations separately.
- 1.3 This report sets out baseline values for each of the destinations and makes recommendations on ways in which the data collected can be improved. The second part of the report considers projections for future growth in each destination and their achievability. It explains the challenges of bridging the gap between the levels of growth that need to be achieved and the likely effects of the interventions that are being proposed.
- 1.4 The report then provides some broad conclusions on attributing growth in GVA to SE's contribution and makes a number of recommendations on how these assessments of impact can be improved. Our overall conclusion is that more work needs to be done to develop and implement a framework that will allow destinations and SE to link their activities to growth in tourism GVA.

## Context

- 1.5 There are three specific contexts that must also be addressed and the main points are set out in this introduction:
  - Scottish Tourism: The Next Decade, a Tourism Framework for Change
  - Locum's work on the initial identification of the six destinations
  - SE's own Smart Successful Scotland strategy
- 1.6 **The Tourism Framework for Change** was produced by the Scottish Executive in 2006 and sets out an ambitious target for growth in tourism expenditure. Based on research into the significant changes likely to take place in the tourism market, it suggests that gross tourism revenues could increase by 50% in real terms by 2015. This excludes day trips and expenditure is to be measured in real terms i.e. after allowing for inflation. The growth of 50% is to be measured against the baseline of 2005 tourism statistics on value and volume collected through the UKTS and IPS surveys.

- 1.7 These figures are important because they have helped shape the destinations' aspirations in setting their own targets. The logic is that if Scotland as whole aims to achieve this level of growth, the key destinations must be seen to at least match, and ideally exceed, growth of 50%. The projections that are included in this report tend to be influenced by this "top down target" rather than built up from the destinations' own assessment of what can be achieved by 2015. Bringing together the aspirational targets that area based on the Framework for Change and assessing what is achievable by 2015 within each destination is a major challenge.
- 1.8 **Smart Successful Scotland** is the national strategy for economic development. As Scotland's largest economic development agency, this provides the underpinning for Scottish Enterprise's operating plan. At a high level, progress towards Smart Successful Scotland is measured by GDP per head, entrepreneurial activity, business R&D, graduates in the workforce, net migration and exports. Ultimately, SE measures the difference that it makes in terms of the additional GVA created. This is therefore the focus of the baseline and projections made in this report.
- 1.9 SE's core function is as a catalyst, sharing risk so as to enable others to stimulate greater, better and faster investment. This is increasingly done through partnerships. Tourism is one of SE's priority industries and the "destination approach" in the six key destinations reflects these principles. A further aspect is the emphasis placed on metropolitan regions. This stresses the role of Scotland's main cities in leading growth. It implies joining up activities within these areas to "unlock opportunities to support growth of the priority industries". Glasgow and Edinburgh are the two most obvious metro regions and both are key tourism destinations. SE's role and that of the partners in developing the destination will contribute to a much wider range of opportunities.
- 1.10 These activities are not simply about increasing tourist expenditure but are part of a much wider contribution to "place competitiveness". Equally, investments in, for example transport, training and inward investment will have important impacts on the development of tourism markets. The remit for this work is restricted to tourist expenditure and the GVA it supports, but even so, it is important to bear in mind that this only reflects part of picture.
- 1.11 The **identification of the six destinations** was made by SE following research by Locum to develop a tourism intervention framework for locations, product development and infrastructure projects<sup>1</sup>. This started with the premise that there was a danger in spreading investment too widely and that this could lead to a loss of focus on the national themes which and existing destinations becoming tired and outmoded. The report argued that "if Scotland is to be a globally competitive tourism force, this balance must be redressed so that the strategically important investments are the priority."
- 1.12 The report's view was that the focus should be on the engines of growth not on its distribution and that only when this is achieved would there be more scope for dispersing development to a wider range of destinations. The identification of appropriate destinations and projects was carried out using a scoring matrix. This suggested focusing investment on six destinations:

- Edinburgh

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<sup>1</sup> Locum, Tourism Intervention, Framework for Key, Locations, Product, Development and Infrastructure Projects, (2003) Scottish Enterprise,

- Loch Lomond and the Trossachs (based on the National Park, but also including surrounding area)
  - Cairngorms/Deeside (including the destinations of Balmoral, Ballater and Braemar)
  - Perthshire (including Perth, Pitlochry and Gleneagles)
  - St Andrews
  - Glasgow.
- 1.13 These six are described as *key* destinations by SE and represent the geographic areas that form the basis for the rest of this study.

## Process

- 1.14 Both the first task (baseline) and second (forward look) require a common set of measures. These must meet a number of criteria:
- Relevant – representing aspects of performance that SE and its partners hope to achieve
  - Specific – specific, measurable and clearly defined values
  - Repeatable – the data must be from sources that will continue to be collected on a suitably regular basis over the next ten years.
- 1.15 Together with representatives from the Scottish Enterprise Network, the first stage of the work was to set out the main indicators and sources that met these criteria. These indicators and values are expected to represent a *core* set. This means that there may well be other indicators that destinations can use, particularly where there are investments that will require more refined assessment, for example in measuring growth in specific markets or use of specific products.
- 1.16 The work started with several inception meetings to discuss the scope of the project and our approach. Following this, all the relevant reports and data for each of the six destinations were collected and reviewed. A meeting with representatives from the six destinations was held in Edinburgh to explain the process and set out some of the main challenges.
- 1.17 Interviews were held with each of the six destinations. These were structured around the main sources of data to provide a baseline and discussion of the future prospects for the destination. One of the main issues early on was the geographical definition of each destination using postcodes. Prior to the research there was no agreed definition of the destinations.
- 1.18 Following these discussions, a second group meeting was held in which figures for the baselines and forward look were presented and discussed. On the basis of feedback from this meeting a series of baseline reports were developed and sent out, individually, to the Network representatives from each destination.

- 1.19 Feedback interviews and meetings were held with each destination to review comments and make appropriate amendments. These papers are attached in the Annex.

## Structure of the report

- 1.20 The report follows the two elements of the study, the first section sets out the methodology and results for the baselines for each of the destinations. This is a summary of the more detailed baselines figures presented in the Annex for each destination. The second part of the report focuses on the forward look and its challenges. It sets out aspirational targets for each destination, comments on their achievability and makes a number of recommendations on how the work can be refined.

## 2: Measuring the baseline

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### Introduction

- 2.1 This section of the report sets out a baseline for each of the six destinations. It uses a number of sources, each of which is described in detail, to allow monitoring and comparisons to be made in the future. The starting point has been the identification and agreement to use a set of appropriate indicators.
- 2.2 In setting tourism targets it is imperative that the contribution that these indicators reflect the policy objectives and that they can also be measured easily over time. Ultimately the aim is to increase GVA, either by generating more tourism expenditure and/or helping businesses to perform better, delivering goods and services more efficiently. The interventions supported by SE help to do this by attracting more visitors and their expenditure to Scotland, helping businesses to innovate, improve quality and add value to what they do. Attracting more visitors creates new opportunities for businesses to operate profitably, support entrepreneurship and create employment and better employment for residents.
- 2.3 The rationale for SE intervention is the same as for most types of public sector investment in tourism and is based on market failures. Co-ordinating activity and helping share information allows the market to function more effectively. Tourism also generates significant “spill-over” benefits or positive externalities which are spread across the economy but cannot easily be taken into account by the market, which as a result under invests.
- 2.4 Given the rationale for tourism investment generally, the identification of the six key destinations recognises that public funds are best focussed explicitly on a smaller number of places. In SE parlance this means focussing resources on high impact projects. The logic for the six that have been chosen is set out in Locum’s report<sup>2</sup>. This used a number of criteria to identify the destinations, but most importantly they were considered to be the areas which have greatest potential, with investment, to contribute to Scottish tourism and the economy.

### What to measure

- 2.5 First and foremost the aim is to increase the amount of money that tourists spend in each destination. This is measured as total visitor expenditure. Visitor expenditure on its own does not take into account the contribution that is retained as profits, salaries and wages (or value added) that is created within the destination. This is represented by Gross Value Added (GVA). The relationship between GVA and visitor expenditure varies across sectors depending on how visitors spend their money. For example goods or services that require fewer inputs or raw materials have a higher GVA, while those that involve little added value (such as wholesale businesses) tend to have a lower GVA, per £1 of expenditure.

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<sup>2</sup> Locum Destination Consulting, 2003, Scottish Enterprise, Tourism Intervention Framework for Key Locations, Product Development and Infrastructure Projects

2.6 Another core measure of economic impact is the number of jobs supported. Employment can be estimated using ratios of employment to GVA for tourism businesses. Other indicators used for the baseline are the number of visitor nights (both in commercial accommodation and staying with friends and relatives), the number of businesses registered with VisitScotland and held in the Experian business database, average expenditure per visitor per night and number of bed spaces.

2.7 These indicators have been chosen for two main reasons:

- they can be collected on a consistent basis for all the six areas
- they reflect the main objectives of SE's investment

2.8 All of the indicators require a geographical basis and a clear definition of the area covered by the destination. Detailed definitions of the six areas, using postcodes, are set out in the individual reports in the Annex. For Glasgow and Edinburgh the destinations are defined as the local authority areas. St Andrews uses two postcodes around the town in order to capture some of the work with resorts beyond the immediate town boundary. Cairngorms/South Deeside includes the SE side of the National Park and extends further out along Deeside. Perthshire covers most of the Local Authority area. Loch Lomond and the Trossachs covers the National Park and stretches out to Helensburgh and Dunoon. Because of the different interests among the partners for this destination, the figures are shown in the Annex with and without these two towns and for the SE area only. In this summary we have used the SE part of the Park, excluding Helensburgh.

2.9 The indicators used in the baseline and their sources are set out in Table 2-1.

Table 2-1 List of core indicators and sources

Indicator	Source
Number of bed spaces	Based on accommodation audit studies by TRC using postcode defined areas (the timings ranges range from 2005 – 2007) During the period of this study accommodation audits for Perthshire and St Andrews have now been completed providing a much better baseline <sup>3</sup>
Number of staying visitor days (Ex VFR)	The Scottish Occupancy Survey data for 2006 has been analysed by postcode and by type of accommodation to provide the number of bed nights spent in each destination. <sup>4</sup> A similar analysis of future surveys can be carried out, although we recommend that work is done to strengthen the sample size in the destinations to boost the sample. These results are applied to the accommodation audit results to estimate the number of bed nights each year
Number of VFR days	This has been calculated by estimating the number of VFR nights per head of the population (using VisitScotland area data) and applying it to the population within the destination postcodes (uses 2005 VisitScotland data and 2005 mid year population estimates). In Cairngorms/South Deeside, the results have been adjusted to account for the high number of VFR visits in Aberdeen <sup>5</sup>

<sup>3</sup> Various Accommodation Audits carried out between 2005 and 2006, provided by SE Network

<sup>4</sup> Sourced directly from TNS data with agreement from VisitScotland

<sup>5</sup> UKTS data from 2005 on proportion of all trips that stay with friends and relatives. Mid Year Population estimates from 2005



Indicator	Source
Total number of visitor nights	This is the sum of commercial bed nights and VFR estimates
Average length of stay	Average length of stay has been weighted to allow for the balance between domestic and overseas visitors for the relevant VisitScotland area (UKTS and IPS) (2005)
Average expenditure per person per night	A weighted average expenditure is used to allow for different expenditure patterns between domestic and overseas visitors. This is done at a VisitScotland area level from the UKTS and IPS data for 2005 – the only exception is St Andrews which has been adjusted to take account of higher golf expenditure <sup>6</sup>
Total expenditure made by staying visitors	This is the product of nights and weighted expenditure
Associated GVA (staying visitors)	This uses the Scottish Executive analysis of Annual Business Inquiry data for tourism-related businesses. Tourism-related businesses are defined using SIC codes. <sup>7</sup> The ratios have been calculated specifically for each of the destinations using the appropriate postcodes. The average turnover/GVA ratio for each destination is applied to the expenditure to give destination GVA
Associated direct employment supported	As above, ratios for GVA to employment have been estimated using the appropriate postcodes and SIC categories. These are applied to the GVA estimates to give the number of jobs supported.
Day trips	This cannot be assessed in a comparable way across the six destinations. Where local visitor survey has been carried out these figures are used. Where there is no survey the 1998 day visit numbers for visitors from outside the area and trips of more than 3 hours, are used. The 2002/03 Day Visitor survey is not considered sufficiently robust to provide area level estimates
Day trip expenditure	On average, Scottish tourism day trip expenditure was £23.12 in 2002/03. This figure has been adjusted to allow for inflation (to a mid-2005 value of £25.22. This is the average for trips of more than 3 hours.
Number of VisitScotland registered businesses	Data from VisitScotland on the number of businesses registered within the postcodes defined for the destination <sup>8</sup>
Number of tourism-related businesses reported in Experian database by area	Sourced from Experian for 2007 <sup>9</sup>

Source: Various

## Boundaries

- 2.10 The benefits of destinations frequently spill over into other geographical areas. The issue is highlighted in St Andrews where visiting golfers may also travel to other parts of Scotland and Loch Lomond where many of their visitors will stay in Glasgow. This makes it difficult to calculate the full benefits and is also a problem in other destinations where their success is not wholly captured within their boundaries. This means that simply measuring changes in

<sup>6</sup> MW Associates, 2006

<sup>7</sup> GVA and employment ratios calculated for the destinations for this study by the Scottish Executive using 2004 data

<sup>8</sup> VisitScotland database (2007)

<sup>9</sup> Business numbers by SIC code are available on the web for 2007

activity in each of these destinations will not fully reflect the wider impact that they might have.

- 2.11 Even so, the majority of any changes in performance would still be expected to happen within the destination area. In time, with better survey work, it may be possible to assess the importance of these destinations in supporting tourism in the rest of Scotland. This is complex and requires a better understanding of the way in which destinations motivate visitors to make trips. Until these trips and their value can be attributed more accurately, we can only measure the level of activity within the destination itself.
- 2.12 Visitor surveys would be able to explore trip motivations across the key destinations and allow a fairer reflection of the contribution of each of the destinations to Scottish tourism. This proposal is discussed more fully at the end of the report.
- 2.13 An alternative view would be to consider how SE supported interventions impact on business performances in *and beyond* their geographical boundaries. This would depend on the extent to which businesses outside the key destination can identify the benefits. This may be possible for St Andrews in relation to golf tours, Loch Lomond and the Trossachs or Cairngorms/South Deeside in relation to coach tours, but would be more difficult for other types of tourism and would be impossible to do in a comprehensive way.
- 2.14 Our conclusion is that while there are spill over effects beyond the boundaries of the destinations, to varying degrees, the available data and methods of measurement means that it is not yet possible to include them. It should not limit further research and where there are examples of impacts that fall outside these areas, future monitoring should include comment and possibly quantification.

## Tourism-related businesses

- 2.15 The other limitation is the definition of tourism-related businesses and in particular the lack of a source that provides a comprehensive overview of the number of businesses that would be considered as operating in the tourism sector.
- 2.16 In preparing the baselines, this was the single biggest problem. Using standard definitions (SIC codes) does not reflect the way the same types of business can be dependent on tourism in one part of the country and not in another. Because tourism-related businesses are defined by whether or not they provide goods or services to visitors and not by what they do, a pub may be a tourist business in one part of a town but not in another.
- 2.17 This is further compounded where businesses, particularly in rural areas, are categorised by their “main” activity, although they may also deliver tourism goods or services. Baxters in Perthshire is a major tourist attraction but is not a tourism business as are the many distilleries that attract visitors. The biggest exclusion is retailers many of which rely heavily on tourist income. Without a major survey of businesses and their locations in each destination it is impossible to provide a comprehensive picture of this.
- 2.18 Instead the baseline shows two indicators:
  - the number of businesses registered by VisitScotland

- the number of tourism-related businesses recorded in the Experian database using the Scottish Executive's SIC code definition of tourism.

2.19 **Because of the issues described, the figures used in the baseline cannot be compared across destinations.** They do not reflect the total number of businesses engaged in tourism. The SIC codes used are shown in Table 2-2. These have been used for consistency with the Scottish Executive's data.

Table 2-2: SIC codes used to define the tourism sector by the Scottish Executive and as a basis for estimating the number of tourism businesses held by Experian

55.1: Hotels & Guest Houses

55.2: Campsites

55.3: Restaurants

55.4: Bars

63.3: Travel agencies

92.5: Libraries & museums

92.6: Sporting activities

92.7: Other recreational activities

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Source: Scottish Executive

## Private sector investment

- 2.20 Private sector investment is perhaps one indicator that could be developed more consistently across the six destinations, but there are problems with definitions. In all the destinations there are major projects led by significant amounts of private investment. In Perthshire, there is the prospect of major new resort developments, as there are in Cairngorms and Loch Lomond and the Trossachs. In St Andrews and the two cities there are many high value projects involving private investment.
- 2.21 The challenge is to form a workable definition that would allow this to be captured in a consistent form. At a gross level, this should include all private investment, whether or not SE knows about it and investments would have to be of a minimum size. There would then be difficulties in determining whether the investment is purely or partially tourism-related. A simple rule might be for the SE Network to record all private sector tourism investments of more than, say £500,000.

## Day Visits

- 2.22 Each of the destinations has specific characteristics and requirements from the framework. Although day visits are not relevant for the national Framework for Change target, they are important for individual areas. Frequently day trips will not represent additional expenditure at a Scottish level, as many of these trips are made by local residents, but by creating income for tourism businesses, they help provide an underpinning infrastructure that attracts and serves staying tourists.

- 2.23 For St Andrews, Loch Lomond and the Trossachs, Cairngorms/Deeside and Perthshire, day trips represent important markets. They help maintain a sufficient level of demand to allow businesses to operate profitably. Without day trips, many of the tourism related services that ensure that staying visitors are catered for, could be lost. Even accepting that there may be high displacement, there is a legitimate argument for encouraging day visits.
- 2.24 Unfortunately there is no reliable, single source of day visitor numbers or their expenditure. The only sources are a variety of local surveys that provide information on the proportion of day visits. STEAM data, where it is available, also provides estimates for a number of areas. Given the importance of day trips in underpinning the provision of services, this is an area that we strongly recommend is taken forward through a cross-destination visitor survey.

## Expenditure

- 2.25 In St Andrews in particular, the characteristics of visitors are likely to be quite different from those to other areas of Fife, primarily because of its status within golf. This means that tourist expenditure is likely to diverge significantly from the Fife average. Although it might be argued in other destinations that the average expenditure figures are unrepresentative, St Andrews is the most severe example. To deal with this we have used a local golf visitor and expenditure study to adjust average spending figures<sup>10</sup>.
- 2.26 In Cairngorms/Deeside, the argument is reversed. The data used from VisitScotland is for Grampian as a whole. Because this includes Aberdeen, which has a high proportion of business visits and a higher average expenditure, it may overestimate average spending in Cairngorms/Deeside.
- 2.27 A related issue is ensuring the extent to which the existing sources of expenditure are adequate for capturing visitors in some of the new higher-end resort developments. This would require careful thought in designing a cross-destination survey.
- 2.28 At this stage we recommend that the UKTS and IPS expenditure figures continue to be used despite these flaws. These are the expenditure figures that will be used to measure progress towards the Framework for Change target of 50% growth by 2015. With the exception of St Andrews our view is that the downside and complexities of trying to adjust these would outweighs the benefits.
- 2.29 **GVA is calculated from the expenditure results.** The Scottish Executive has produced a series of ratios of turnover to GVA for tourism-related businesses *within each of the key destination areas*. The most recent figures are for 2004. GVA ranges from 25% to 48% of turnover depending on the destination. The full figures and the number of cases used is shown in Table 2-3.

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<sup>10</sup> MW Associates, 2006

Table 2-3: Derivation of GVA by destination using ABI data

	Total turnover (£ millions)	Total GVA (£ millions)	Number of cases	GVA as a % of turnover
Edinburgh	1620	590	2100	36%
Glasgow	2200	550	2090	25%
St Andrews	60	25.2	79	42%
Loch Lomond & Trossachs	124	47.7	251	38%
Perthshire	170	77.7	404	46%
Cairngorms/Deeside	31	15	79	48%

Source: Scottish executive analysis of ABI data 2004

## Timing

- 2.30 There are two important timing issues. The first is the point in time at which the baseline relates. Most of the data used is based on 2005 UKTS and IPS data, the Accommodation Audits range from 2005 to 2007, the Occupancy Survey data is from 2006 and the ratios for deriving GVA are based on data that was collected in 2004. Although there are possibly some slight differences, we propose that the baselines and the data assembled represents the position at the end of 2005.
- 2.31 The second issue relates to the different rates of progress made by the destinations themselves. This becomes more relevant when the analysis looks forward. The period 2005 – 2015 does not necessarily fit with the period over which the SE destination interventions should be measured. It is possible to use these dates but this is a different timescale from the one that the destinations may be using. In some cases, planning for destination interventions is only just starting and will take years before it is implemented. It may not be appropriate to take 2005 as a baseline for their activities. The opposite case is apparent in St Andrews where the St Andrews World Class initiative was launched in 2002/03 and is credited with achieving the majority of its targets by 2005. For this destination investment it is clearly misleading to set a baseline in 2005, ignoring what has been achieved. In this case we have shown values for both 2001, when the original baseline was set and 2005.

## Robustness of the sources

- 2.32 The reliability and robustness of the data used varies depending on the sources and within each destination. The points below assess the relative reliability of the data used.
- **Number of bed spaces** - Based on independent audit and for hotels, B&B's and guesthouses this is considered to be robust. For self catering and camping and caravanning, we have made some general assumptions about the proportion of beds that these provide.
  - **Bed occupancy rates** – Although this is perhaps the weakest element, the results are sufficiently consistent to give confidence. To strengthen this we have recommended that efforts are made to increase the number of participating businesses to 100 in each area. The number of cases in each area are:

- Edinburgh – 85
- Glasgow – 30
- Perthshire – 116
- Cairngorms – 42
- St Andrews – based on full Fife area occupancy
- Loch Lomond and Trossachs – 50

These include all types of accommodation. Although the numbers are small for Glasgow and the Cairngorms in particular, the results are very consistent.

- Hotel bed occupancy ranges from 49% to 59%
  - B&Bs bed occupancy from 42% to 50%
  - Self catering unit occupancy from 45% - 64%
- **Number of VFR days** - These figures are based on UKTS and IPS data combined with population statistics. While they are likely to be robust for the VisitScotland areas, they may vary for the destinations, consequently they have been adjusted in the National Park areas to reflect a lower number of VFR trips. A visitor survey would be the only way to improve these figures.
  - **Average expenditure per person per night** - These are based on VisitScotland's data for their areas. While the data for these areas is robust, adapting it to the destinations is more difficult. Edinburgh, Glasgow and Perthshire are the most robust.
  - **Associated GVA (staying visitors)** - The ratio of turnover to GVA is based on the Annual Business Inquiry Survey. The data has been produced by the Scottish Executive for the postcodes within the destinations and for tourism-related businesses. These ratios are subject to the definition of "tourism-related" businesses. It doesn't include retail for example, where we know that tourism spending is made. Without redefining this, the results can be considered to be a good reflection for the destinations.
  - **Associated direct employment supported** - Employment is based on the same approach as above and the same caveats apply.
  - **Day trips & expenditure** - The day trips figures are included but are not considered very robust. For the National Parks the results are based on local visitor surveys which were not carried out for this purpose. The other results are based on STEAM data and UKDVS results from 1998. The figures are the best available, but are not considered very reliable. This is one reason for carrying out a cross destination visitor survey.

- **Business numbers** - These are included for completeness although they reflect only “tourism-related” businesses as defined by the Scottish Executive SIC codes. Because of this they are not intended to reflect all the businesses that are engaged with tourists or that SE would be working with. There is no other source of business data and it would require survey work to improve the reliability of the statistics

## Summary of baseline data from each of the destinations

- 2.33 Table 2-4 summarises the baseline values for each of the six destinations using the methodology discussed above. In total it shows total tourist expenditure (staying visitors) of £1.8 billion in the six destinations, generated by 26 million visitor nights. The average expenditure is £66.93 per visitor night, well above the Scottish average (see Chapter four). The figures here include only the SE part of Loch Lomond and the Trossachs and exclude Helensburgh. Details of the figures in the Annex include the HIE area, Helensburgh and Dunoon.
- 2.34 The combination of UKTS and IPS data for 2005 estimates that tourism expenditure in Scotland was £4.2 billion. This total is calculated from visitor surveys rather than accommodation audits and occupancy as has been done in this report. The estimates of visitor numbers and expenditure in this report tend to be lower than produced by UKTS and IPS. Even so, the six destinations represent around half of all tourism expenditure in Scotland, in value terms.

Table 2-4: Summary baseline table

	Cairngorms	Loch Lomond & Trossachs (SE area ex Helensburgh)	Glasgow	Edinburgh	Perthshire	St Andrews 2001 baseline <sup>11</sup>	St Andrews	Total
Number of bed spaces	4,438	16,085	18,931	37,284	19,990	-	7,044	103,772
Number of staying visitor nights (Ex VFR)	600,000	2,360,000	3,340,000	6,630,000	2,930,000	-	975,000	16,835,000
Number of VFR nights	100,000	99,600	4,310,000	4,200,000	480,000	-	63,000	9,252,600
Total number of visitor nights	700,000	2,459,600	7,650,000	10,840,000	3,410,000	-	1,037,000	26,096,600
Average length of stay	3.8	4.3	3.8	3.6	4.7	-	3.7	4.0
Average expenditure per person per day	£52.83	£51.19	£67.40	£80.98	£58.00	-	£80.43	£70.40
Total expenditure made by staying visitors (£ millions)	£37.0	£125.9	£515.5	£878.0	£197.64	£41.0 <sup>12</sup>	£83.4	£1,837.1
Associated GVA (staying visitors) (£ millions)	£17.8	£48.3	£128.9	£325.0	£90.9	£21.3	£35.0	£645.6
Associated direct employment	1,011	2,700	6,443	16,237	4,546	1,074	2,367	33,304
Day trips (million)	0.6	2.1	2.5	5.1	0.6–3.4	-	0.5	12.4–15.2
Day trip expenditure (£ millions)	£13.9	£53.2	£70.0	£128.6	£19–£58	-	£15.3	£344–386
VisitScotland registered businesses	101	389	431	823	448	-	132	2,716
Experian "tourism-related" businesses	122	392	2,501	2,401	495	-	172	6,083

<sup>11</sup> Based on Hall Aitken analysis 2001 and 2006

<sup>12</sup> Includes day trip expenditure



## Gaps in the baseline and how they can be filled

- 2.35 There are two types of gaps:
- variables that ought to be included but are not because there is no data
  - improvements in the robustness of the data that have been included.
- 2.36 In the first category there were few additional variables suggested in the consultations. We suggest that a measure of private sector investment would be useful, but that this would be assembled by the LEC team and would cover only investments of more than a certain value within the destination.

### ***Three areas for improving the data:***

- 2.37 The **Scottish Occupancy Survey** was used to provide bed occupancy rates within each of the destination areas. However, the robustness of the data is affected by the number of establishments participating. The number responding in some of the destinations is small and there is a danger that a further decline would impact on the methodology. Where the numbers were very low it was necessary to broaden the area covered. To deal with this, effort should be made to generate higher levels of participation specifically within the key destinations. It continues to be the main national survey, but to retain credibility the sample should be strengthened.
- 2.38 A second area where measurement could be strengthened would be to use a **cross destination visitor survey** to cover three variables:
- the number of day visitors
  - the flow of visitors and attributing expenditure to destinations even when visitor stays are limited
  - more robust levels of expenditure.
- 2.39 All three of these require a new survey and methodology. The survey should be carried out at the same times of year, ask the same questions and be undertaken at comparable points within the destination. As far as possible it should take into account niche markets.
- 2.40 The survey would be able to use the type of accommodation used with the accommodation audit to weight the results, particularly the average expenditure. The survey would take place at core points or hubs within the destination and while quotas can be used to restrict the number of interviews with local people, a count should be undertaken to allow the overall results to be re-weighted to give estimates of day and staying visitors. Ideally this would take place at specific times of the year.
- 2.41 A core set of expenditure questions would be used to provide results that are comparable across the six destinations. Questions about motivations for making the trip and itineraries would help estimates of the importance of the destination beyond its own geographic boundaries.

- 2.42 If these surveys could be carried out soon, they would add to the baseline, before further major investment is made.
- 2.43 **Estimating the number of tourism-related businesses** within each of the destinations is complicated by the difficulties of defining “tourism-related”. It is impossible to use business categories to capture all those that serve tourists. One solution would be to carry out a business survey to identify the number of businesses where, for example more than 50% of turnover is received from visitors. This would help understand how business activity is changing and could be coupled with some form of key destination “investment” index.

## Conclusions on the baseline

- 2.44 The data in Table 2-4 provides a good baseline for monitoring future development of tourism activity in each of the key destinations. The main principles have been to derive visitor numbers through the use of accommodation, but to use the UKTS and IPS survey data to determine the *profile* of visitors. This a good use of the sources because while the UKTS and IPS data on characteristics will be strong, estimates of visitor numbers are much harder to derive from visitor surveys.
- 2.45 Each of the areas has been defined geographically. Accommodation data for each has been analysed and using occupancy statistics to give estimates of the number of visitor nights in commercial accommodation. This is supplemented with an estimate of the number of VFR nights based on the population and the UKTS and IPS survey results for 2005.
- 2.46 Using the principles above expenditure has been estimated using UKTS and IPS data. This can only be done at VisitScotland area level and is therefore not ideal. We have therefore proposed that a future cross-destination visitor survey would capture expenditure related specifically to each destination.
- 2.47 The different methodologies mean that the baseline estimates of tourism numbers and expenditure are lower than would be derived from UKTS and IPS sources. In most destinations the data on the number and value of day trips is not sufficiently robust to draw any conclusions although it is extremely important in supporting tourism businesses and services. In total, £1.8 billion of tourist expenditure is made in these six destinations, using just over 100,000 bed spaces and spending 26 million nights.
- 2.48 Key actions to strengthen baseline and monitoring:
- Develop cross-destination visitor survey
  - Boost response rate to the occupancy survey (annually)
  - Future accommodation audits (every 2-3 years)

## 3: Forward look

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- 3.1 The second element of the brief is to consider the level of tourism expenditure and GVA that is expected in 2015, how realistic these projections are and the contribution of SE and partners to their achievement.
- 3.2 There are three major challenges to addressing this:
- The first is that with the exception of St Andrews, **the destination plans are still at a very early stage** and therefore any assessment of impact is likely to be only a broad indication.
  - The second is that the **projections of growth in each of the destinations are being driven by the national aspiration for tourism expenditure growth of 50% by 2015**. This means that each of the destinations, again with the exception of St Andrews, starts from the position that projections of growth in their own destination must exceed this level if the national figure is to be credible.
  - The third challenge is **the limited amount of appraisal work that has been carried out for the planned interventions either at a project level or for the destination as whole**. There is therefore little evidence on which to determine how the proposed approaches will impact on tourism activity. It is essential that the partners in each destination have a clear idea of the impact that its work will have, in which markets and on what scale. Without this, it becomes more difficult to justify the use of public resources relative to claims by other sectors.
- 3.3 The familiar structure of inputs, outputs and outcomes is appropriate in thinking about how and why the interventions, individually and collectively, make good economic sense. Within destinations this is complicated by significant uncertainties, partnership arrangements and the interdependencies of different activities. These are inherent features of the destination approach and cannot be avoided. They make the task of anticipating the nature and scale of economic impact far more complicated. This means that, in the initial stages, the analysis of potential impact is fairly broad-brush, but as plans take shape, the impacts can also be refined as more is learned and evaluated.

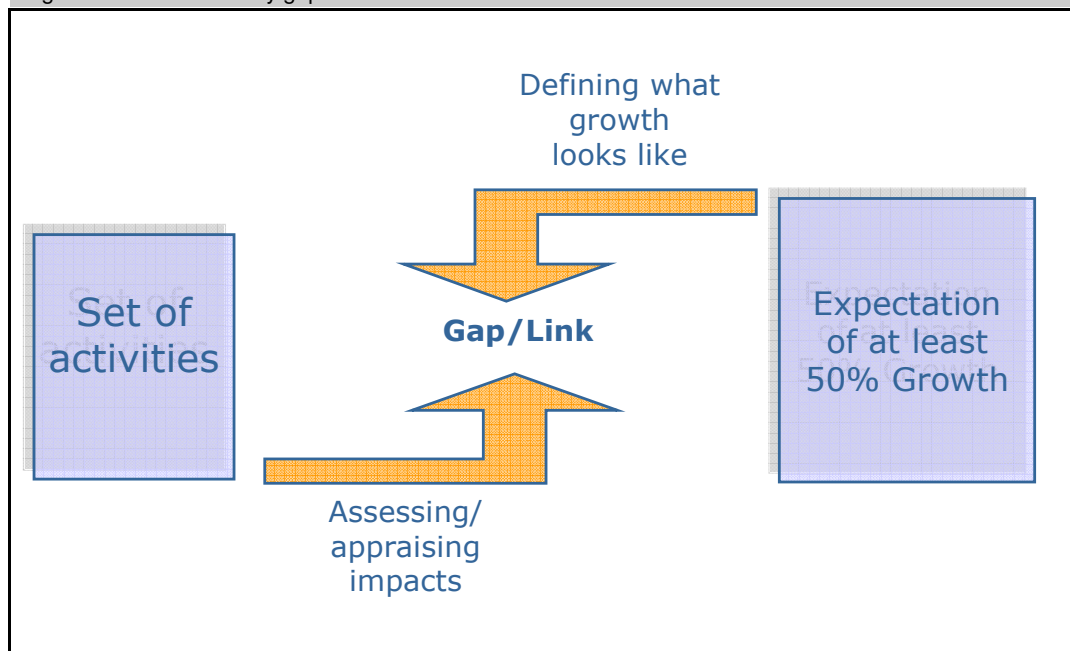
### Narrowing the gap

- 3.4 In theory, projections should be based on an assessment of likely changes in the demand for and supply of tourism services in Scotland. This would include the anticipated changes in the behaviour of visitors and the changes in the way businesses in Scotland operate. One of the factors shaping this will be the contributions that SE and partners make which should directly influence the way businesses invest and attract visitors.
- 3.5 In practice, the main influence on assessing potential growth is the national target to grow expenditure by 50% growth by 2015. This has been adopted as a benchmark in judging where they are expected to be. In Edinburgh, Glasgow and Cairngorms/Deeside the

projections are significantly greater, particularly in Glasgow which has a stretch target of 80%.

- 3.6 These two influences (the destination plans and the national targets) lead to two approaches; top down and bottom up. On the one hand there are targets which have been adopted by destinations for overall tourism expenditure growth, and on the other there are the set of activities that are planned to achieve it.
- 3.7 What is less clear is the relationship between the destination's plans and the overall growth target. This gap is illustrated in Figure 3-1. On the left is the set of interventions being proposed and on the right is the overall anticipated growth in visitor expenditure. The gap is in explaining how these interventions will contribute to the achievement of this overall growth. This can be tackled in two ways:
- From the bottom up – assessing the impact of the individual projects and their contributions as far as possible and including the contribution of these being delivered through a destination approach.
  - From the top down – can we say more about the details of these aspirational levels of growth and where this growth is expected to come from?
- 3.8 If the two can be brought together it would provide comfort that there is a logical story behind the estimates. If not there should be an explanation of the difference. A gap would indicate that either the aspirational targets are too high and that the proposed interventions are unlikely to be sufficient to deliver the levels of growth expected. This requires a great deal of judgement, but ultimately narrowing this gap and setting out more transparently the link between SE support and growth aspirations will have major benefits.

Figure 3-1: The credibility gap



Source: SQW

- 3.9 In the following sections we set out the projections for each of the destinations and review the planned interventions and approaches to assess how achievable they are. In doing this there are several other general concepts relevant to the analysis.
- 3.10 The net change in tourism activity will be reflected through the shifts in the indicators used for the baseline and in the projections (tourist nights, expenditure, GVA, employment, bed spaces). In considering how the various interventions planned in the destinations, and the destination approach itself contribute, it is important to consider both what would happen without the interventions (the reference case) and whether the impacts that are claimed as a result of new activity are, in fact, displacing business from elsewhere within the destination.

### Reference case

- 3.11 The reference case was discussed with SE Network representatives for each of the destinations. The most common view was that without public sector intervention, conditions would deteriorate and that visitor numbers would fall. With greater competition, places which did not work together as destinations would be at a disadvantage in attracting investment. Without the improvements to quality, skills, infrastructure and many other elements that comprise the tourist offer and which SE and partners support, the destination would become less attractive.
- 3.12 The other argument is that without intervention, there would continue to be some growth and that particularly in the key destinations, there would still be some private investment. At the same time VisitScotland marketing is expected to make a major contribution to achieving growth targets.
- 3.13 It is impossible to anticipate how the destinations would develop without SE and partner investment. In practice the destination approaches have brought together private businesses which are now working together to achieve greater growth. St Andrews is the most obvious example of this approach and the mid-term evaluation shows very positive results.
- 3.14 On balance we have assumed that without the destinations programme of interventions, the number of visitors and the value of expenditure, in real terms, would remain as it was in 2005. The growth in these destinations is therefore defined as being a result of the partners' interventions. This is not just SE but all those contributing to the destination.

### Allowing for displacement

- 3.15 In narrowing the gap between what is done as part of the destination approach and the overall projections, it is important to consider displacement. Is the growth that is being attributed to specific projects displacing activity that previously would have happened elsewhere? For example, when a new path network is developed, the impact is not the total number of people that use the path, but the number of additional visitors that come to the area because of the improvements. Equally, many of the new resort developments proposed will impact on the older ones both within the destination and outside it.
- 3.16 One of the problems of assessing the impacts bottom up, is that it is tempting to add up the benefits of all the separate projects without considering how they affect each other and the

effect they have on activity elsewhere. In theory the projected targets should allow for displacement in trying to narrow the gap between the target and the effects of the interventions. **The consideration of displacement should be made explicit in any assessment of potential growth at a destination level. Without this there is likely to be a considerable upward bias in the projections. This should be both within the destination and between them.**

- 3.17 In reviewing and refining projections for growth, the likely displacement effects should be clarified. At present they are theoretically taken account of in the projections. The projections must represent the *net* change in tourism activity. This is hard to estimate accurately but each destination should be able to comment on how their visitor profile will change by 2015.

### In practice

- 3.18 There needs to be more guidance and work with each of the destinations to understand the economic impact of their work. The approach so far is fairly ad-hoc. Work has been done in Cairngorms/Deeside (looking forwards to 2015) and in St Andrews (in 2002, the start of St Andrews World Class and 2006). The research carried out by Hall Aitken, in both cases, starts to examine the role of intervention on tourism markets and to quantify the results. Although the results would be best described as indicative, they give some shape to the programmes and a way of examining how achievable targets are. This type of approach should be possible for each of the areas and could be developed using formal framework to report on inputs and outcomes.
- 3.19 There are a small number of impact studies (as opposed to appraisals) for a number of the specific proposals made for the destinations. These studies report on the economic benefits of several physical development projects and include assessments of displacement at a destination and national level.
- 3.20 In Loch Lomond, there has been some work done to assess the potential economic impact of the proposed programmes. This is presented as additional GVA. In Edinburgh and Glasgow there have been a number of impact assessments of specific investments that have required funding. There are also individual evaluations of other SE activities, such as account management and training programmes, but these are not linked to the overall impacts of the destination.
- 3.21 This approach is at a very early stage, but there could be a more common approach to how destinations are expected to appraise their plans. At the very least this should act as a sanity check on the potential levels of growth being claimed.

### Destination projections

- 3.22 For each of the destinations we have reviewed the available evidence on growth aspirations and where this is likely to come from, the programme of interventions that have taken place or are envisaged and where material is available any economic impact work.

- 3.23 The details are presented in more detail in the Annex, along with the baseline work. With agreement from each destination we have provided an expenditure growth figure derived from the discussions of potential impact. The strength of the linkages between investment and growth are weaker in some places than others. These should be treated as broad brush aspirations.
- 3.24 The results are shown in Table 3-1. These figures are for a single year, 2015 rather than cumulative. They represent the values for each of the destinations (as defined by the postcodes) in 2015, if the growth projections are realised. The assumptions behind these estimates are shown at the top of the table and are presented as a % increase in commercial bed nights, VFR nights, average expenditures, day trips and the overall percentage of *staying visitor* growth.
- 3.25 The results reflect the characteristics of each of the destinations and consider the balance in emphasis between growth in volume and value. Typically the emphasis is on the latter, increasing expenditure per person per day. The increases in day trips and VFR nights have been limited to 10% in all cases. There are no assumptions about changes in the ratio of expenditure (output) and GVA or employment, although these may change over time.
- 3.26 GVA is calculated using the ratio of turnover to GVA in tourism-related businesses within each of the destinations as defined by postcode. These figures were produced by the Scottish Executive specifically for this study.
- 3.27 Both the GVA and employment estimates assume that these ratios remain constant to 2015. In practice, if the projected levels of demand are achieved they would be likely to impact on these relationships. For example, if the increase in demand allows greater economies of scale the proportion of GVA per £1 spent would increase. The demand for more jobs in the sector could increase wages which would also add to GVA. Economies of scale might also mean that employment does not rise as fast as expenditure. This would mean improved productivity. For example, a busier pub that generates twice as much revenue would not need to employ twice as many staff. However an increase in more tailored services and products might increase employment more quickly. How these relationships pan out would depend on where the expenditure is made and on what.
- 3.28 The results exclude any multiplier effects. While the net increase in tourism expenditure would have knock-on effects throughout the economy, the study focuses on the direct tourist expenditure. Multipliers within each of the destinations would typically range from 1.2 – 1.5 and if included in the analysis would add around 20% to 50% to output and GVA values.
- 3.29 The estimate of the increase in new bed spaces makes a number of assumptions about future bed occupancy rates depending on current levels. The assumptions are that by 2015 bed occupancy rates in:
- Edinburgh increase by 5%
  - Glasgow increase by 5%
  - Loch Lomond & Trossachs by 10%
  - Cairngorms/Deeside by 10%

- Perthshire by 5%
  - St Andrews by 5%
- 3.30 This effectively reduces the number of new rooms (and beds) that would be needed if occupancy rates were assumed to remain at 2005 levels. In practice it will prove difficult to both increase capacity and occupancy simultaneously, but this is what is needed to meet the targets. Edinburgh has the highest 2005 bed occupancy rate (59%) compared with around 50% - 55% in the other destinations.
- 3.31 It is also worth stressing that the overall expenditure figures (both per visitor per day and overall) are in real terms. This means excluding the effects of inflation.



Table 3-1: Forward look values for each destination

Forward look - % change 2005 – 2015	Cairngorms	LL&T (SE area ex Helensb.)	Glasgow	Edinburgh	Perthshire	St Andrews	Total
% increase in commercial bed space	45%	20%	35%	25%	25%	10%	
% increase in VFR nights	10%	10%	10%	10%	10%	10%	
% increase in day trips	10%	10%	10%	10%	10%	10%	
% increase in daily expenditure	21%	30%	30%	30%	25%	15%	
Staying visitor expenditure growth	66%	55%	57%	55%	53%	27% (120% since 2001)	
Number of bed spaces <sup>13</sup>	6,270	17,522	22,717	46,605	22,845	7,380	122,295
Number of staying visitor days (Ex VFR)	830,000	2,832,286	4,510,000	8,290,000	3,510,000	1,072,000	21,062,000
Number of VFR days	140,000	109,519	4,740,000	4,620,000	530,000	69,000	10,178,500
Total staying visitor days	970,000	2,941,806	9,250,000	12,920,000	4,040,000	1,141,000	31,250,500
Average length of stay	3.8	4.3	3.8	3.6	4.7	3.7	
Average expenditure per person per day	£63.92	£66.55	£87.62	£105.27	73.1	£143.28	£92.36
Total expenditure made by staying visitors (£ millions)	£62.1	£195.8	£810.3	£1,359.9	295.3	163.5	£2,886.2
Associated GVA (staying visitors) (£ millions)	£29.8	£74.4	£202.6	£503.2	109.3	68.7	£987.6
Associated direct employment	1,686	4,211	10,129	25,157	5,463	4,639	51,257
Number of day visits (millions)	0.6	2.3	2.8	5.6	0.7 - 3.7	0.5	12
Total expenditure of day visitors (£ millions)	£20.7	£82.6	£77.0	£154.5	£28 - £86	17.6	£350.2

<sup>13</sup> Note that this assumes occupancy rates in all commercial accommodation increases by 5% - 10%, as described earlier

## What does this mean for the destinations?

- 3.32 The figures in Table 3-1 can be compared with the baseline to give an idea of the changes that need to take place to achieve the growth projected. The number of additional bed spaces shown is lower than would be the case if occupancy rates were assumed to remain at 2005 levels.

Table 3-2: Difference for destinations 2005 - 2015

	Additional bed spaces	Change in number of staying visitor nights	Change in Average expenditure per person per day	Change in GVA (staying visitors) (£ million)
Cairngorms	1,291	260,000	£11.09	£11.8
Loch Lomond (SE area, excl Helensburgh)	1,437	479,900	£15.36	£26.1
Glasgow	5,409	1,600,000	£20.22	£73.7
Edinburgh	7,195	2,080,000	£24.29	£178.4
Perthshire	2,856	630,000	£15.08	£18.4
St Andrews	704	104,000	£12.06	£9.3
<b>Total</b>	<b>18,892</b>	<b>5,153,900</b>	<b>£20.11</b>	<b>£317.6</b>

Source: SQW

- 3.33 In total the changes between 2005 and 2015 would generate an additional £320 million of GVA and 5.2 million more bed nights in the destinations. This excludes multiplier effects which would typically add between 20% and 50% to the expenditure and GVA values.

## 4: Destination projections summary

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### St Andrews

- 4.1 Between 2001 and 2005, visitor expenditure in St Andrews is estimated to have risen from £41 million to £71 million (73%) according to the mid-term evaluation of St Andrews World Class<sup>14</sup>.
- 4.2 St Andrews World Class has been operating for four years and having achieved substantial growth anticipates that future expansion, to 2015, is likely to be slower. Much of the growth to date has been achieved through significant increases in average expenditure, particularly among golfers over the past four years, and this is unlikely to continue to rise as rapidly. Equally, the capacity of the town to increase bed spaces is more restricted than other destinations and having already achieved a marked shift towards serviced accommodation, there is considered to be limited scope for generating substantial increases in the number of bed nights.
- 4.3 Consequently, we have suggested that the number of bed spaces in the town will grow by around 300 and expenditure by 15% in real terms. Together this would increase visitor expenditure by 27% overall, excluding day visits, to over £100 million. Taken from 2001, this represents growth of well over 100%.
- 4.4 The biggest impact of the SE investment has been through SAWC and specifically creating an environment that is reported to have bred co-operation and confidence. SE Fife's investment of £4.3 million has been as follows:
- £350,000 in labour/skills development – raising quality of service and products
  - £310,000 in business development – new innovation
  - £540,000 in visitor services
  - £2.6 million in public realm infrastructure
  - £500,000 brand development (and events).
- 4.5 The mid-term evaluation (2006) suggests that SAWC is having an impact. It reports that the private sector investment is “in part at least” attributable to the confidence in the destination created by SAWC, and by extension the role of SE Fife. The investment made contributes to the quality of the destination, but perhaps more importantly the “destination approach” has led to greater co-ordination of action and understanding of the opportunities. The results provide positive evidence of how this approach can work.

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<sup>14</sup> Report for St Andrews World Class Mid-term evaluation, Hall Aitken, 2006

## Loch Lomond & the Trossachs

- 4.6 The results for Loch Lomond show tourist expenditure rising by around 55% between 2005 and 2015. Within this, the number of bed nights in commercial accommodation would grow by 20% of which we have assumed that half is absorbed through existing accommodation stock and half accommodated in new capacity. Average expenditure is assumed to rise by 30% in real terms over this period.
- 4.7 Partners from Loch Lomond & the Trossachs have set out a long and detailed set of actions for the destination. The programme is substantial but still in development. It covers:
- **Business growth** e.g. ICT projects, National Park Learning Journeys, National Park Green Tourism development
  - **Skills and learning** e.g. Enhanced Chef Apprentice Initiative, WITH projects, Food Tourism and Hospitality Programmes
  - **Place making and attractors** e.g. Development of West Riverside site, Events Strategy and Action Plan, Loch Lomond Shores development, Callander development, Loch Katrine, cycling and walking network improvements
  - **Brand development and marketing** e.g. Creating the Destination Loch Lomond identity to fit with the Scotland brand and local area brands – family of National Parks
  - **Exploiting linkages** e.g. Integrated Transport Strategy A82/A83, Balloch Interchange
- 4.8 These interventions are planned to take place over the next five years. The biggest impacts are expected to come from the proposals for major investments at West Riverside and the J&B development site. These would directly add to capacity and facilities around Loch Lomond, generating new bed nights and would be expected to lever further private investment.
- 4.9 The business growth interventions, National Park Green Tourism, Food Tourism and Hospitality Programmes, the WITH and chef apprentice training, account management activity and new product development are also likely to contribute to increases in expenditure and business performance.
- 4.10 Callander Gateway is expected to impact visitor numbers as a result of the proposed resort development while other infrastructure improvements may lever further private investment, associated marketing and more visits. The Breadalbane corridor includes mainly infrastructure work such as paths/cycle routes and public realm improvements. Rather than attract new visitors it aims to lengthen existing trips by offering new activities and an improving quality of experience. In the Trossachs, a programme including accommodation investment, events, mountain bike routes and improvements in infrastructure is expected to stimulate more demand and increase private investment in accommodation.
- 4.11 The remaining projects are considered to have medium or low impact on visitor numbers and expenditure, although taken together they will contribute to the overall performance of the destination.

- 4.12 Work has been carried out by Ekos to estimate the potential economic impact of the developments in the Loch Lomond area (not the full destination). The estimates were calculated on the basis of the new employment anticipated through the major projects and estimated additional GVA of around £40 million a year (excluding multiplier effects) once completed. Not all of the outputs from the projects are tourism related. The J&B site and West Riverside may include business and retail as well as tourism activities and would not be entirely related to tourism spending, if half of this was (£20 million of GVA) it would still represent at least half of the increase required to meet the 2015 aim.
- 4.13 If the values calculated by Ekos were achieved, an increase of 55% becomes a realistic target, particularly given that this does not include either what might be achieved through the investment in the rest of the destination area or the contribution of the joined up approach. However, the destination still requires a substantial increase in bed space to accommodate new visitors. There are currently plans for 1,600 new bed spaces, which after allowing for displacement within the destination would represent a net increase of around 1,200. If occupancy rates increased across all accommodation by 10%, this would be sufficient to achieve almost two thirds of the capacity needed.
- 4.14 Our view is that this is still likely to prove a stretching target given that the National Park will have to ensure that the physical developments and visitor numbers do not have negative environmental impacts.

## Cairngorms/Deeside

- 4.15 The programme of interventions is still at a very early stage, but work has been done by Hall Aitken to produce some broad estimates of the potential economic impact. The themes and actions have been developed from an action plan produced in 2005. This identified four themes; marketing promotion and destination management, product development, interpretation, information and signage and training, skills and labour. The core projects remain as identified within the action plan and are:
- Small Scale resort development research
  - Small Scale resort development & supporting key settlement /location infrastructure.
  - Destination Development including DMO and business support
  - Path network
  - Cultural learning centre
  - Interpretation and signage
  - Skills.
- 4.16 The results of the assessment were aggregated by Hall Aitken to give an overall estimate of additional expenditure of £34.7 million. This is an increase of 66% on the 2005 baseline. Given the already high level of VFR, most of this would have to come through visitors using commercial accommodation. The Hall Aitken estimates show impact generated through improvements in information and interpretation, a small scale resort and business support.

We would require more information to consider how displacement has been treated and the aggregation of the different interventions.

- 4.17 Our own view is that these estimates may prove to be on the high side, particularly in terms of the number of visitor nights that can be achieved. They include an allowance for lengthening visitor trips, but in practice there is little evidence that this will happen in Scotland as domestic length of stay has fallen over the last ten years. Based on existing occupancy levels, the destination would need another 2,000 beds, effectively ten times the capacity of the proposed new resort. This is reduced to 1,300 if it is assumed that occupancy rates increase by 10% by 2015.
- 4.18 If it were achieved, the total GVA impact of these interventions on this basis is £11.8 million in 2015. Given SE's contribution of £2.15m (25% of the total investment) a proportional return would be 25% of the total impact or £2.95 million in 2015. Assuming a linear change in performance over 10 years, the total GVA generated would be around £15 million for an investment of £2.15 million.

## Edinburgh

- 4.19 Scottish Enterprise Edinburgh and Lothian supports tourism development in Edinburgh in various ways. In some projects, such as the proposed redevelopment of the Ross Bandstand in Princes Street Gardens and the Castle Esplanade, there is direct capital investment but in others involvement is through leadership, co-ordination and facilitation (strategic added value). The main vehicle for bringing together the sector is the Edinburgh Tourism Action Group (ETAG), which recently (March 2007) launched a framework aiming to achieve 63 per cent revenue growth in Edinburgh's tourism industry by 2015.<sup>15</sup> ETAG quote figures of £1.66 billion as the current value of tourism in the city (from UKTS and IPS data for 2005) and the aim for 2015 is to increase this figure to over £2.7 billion. The baseline in this report for staying visitors is £878 million and £129 million from day trips.
- 4.20 The various proposed interventions which SEEL and partners are involved can be categorised under the strategic priorities and themes highlighted in ETAG's Framework for Growth.
- **The City Centre** e.g. Ross Bandstand redevelopment, Castle Esplanade redevelopment, Usher Hall redevelopment, Edinburgh Zoo
  - **Festivals and Events** e.g. Enhanced festival and events infrastructure, Festivals online ticketing portal
  - **The Waterfront** e.g. Cruise liner masterplan, development of Waterfront events programme, Waterfront iconic structure
  - **Business Tourism and Conferences** e.g. Business tourism infrastructure audit, Edinburgh-Glasgow collaboration
- 4.21 In addition to the projects listed above, SEE&L and ETAG are also developing initiatives to support skills and business development through Skills Passport and Luxury Edinburgh which

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<sup>15</sup> Edinburgh Tourism Action Group (2007), *A Framework for Growth 2007-2015*

aim to ensure the industry workforce has the skills to provide a higher quality of customer service to tourists. According to SEE&L's tourism team, over the next four to five years there is around £230 million worth of investment in tourism-related projects. SEE&L's contribution is estimated to be just less than 10%, at £19 million. There are also other factors will be just as important to the city's ability to develop its tourism industry. For example, transport infrastructure to and within the city is likely to be a big influence on tourists ability and willingness to travel to Edinburgh and to access the Waterfront, as well as the quality of services and experience once they arrive.

- 4.22 Some specific and recent examples of growth are the development of the Usher Hall and Edinburgh Zoo. The former is expected to generate around 8,000 net additional staying trips a year in 2015 and the major investment in the Zoo will add a further 15,000 staying visits in 2015. Together they are expected to add around £3 million in additional expenditure in 2015. Projects at the Castle and the re-development of the Ross Bandstand have not yet been assessed but would add significantly to this figure. Together these projects might be expected to generate around 100,000 staying visitor nights.
- 4.23 To match the national target of a 50% increase will require around two million additional staying visitor nights a year coupled with major increases in expenditure. To put this in context, the total increase in expenditure of £560 million by staying visitors is equivalent to the value of hosting a further five Edinburgh Festivals in the city.
- 4.24 Put in these terms the targets are very stretching, however, the range of developments over the next ten years will also be substantial. Edinburgh Waterfront is still at an early stage and there are opportunities for this to provide greater capacity, activities and attractions. The growth of the airport and new accommodation capacity are also likely to drive demand.
- 4.25 Because growth will come through visitors staying in commercial accommodation, this will contribute to higher levels of average expenditure as opposed to growth in VFR or self catering which would bring down the average spend. New business tourism will increase visitor nights and expenditure simultaneously.
- 4.26 The model shown assumes growth in the number of staying visitors and average daily expenditure of 25% and 30% respectively. If occupancy rates remained the same, there would need to be an additional 9,000 commercial bed spaces in the city, however, assuming that bed occupancy increases by 5% to 2015, this number comes down to 7,200. It also requires an expenditure increase of £24.29 per person, to £105.27, to give revenue growth of 55% by 2015.
- 4.27 Expenditure per night would be driven by an increase in the number of business tourists, increasing quality and introducing new services. However, expenditure in Edinburgh is already well above the Scottish average and this may be optimistic as it includes VFR visitors, backpackers and festival visitors who are increasingly looking for budget accommodation. Including these groups those using serviced accommodation would have to spend an average of around £140 per person per night.

## Glasgow

- 4.28 The recent tourism strategy for Glasgow sets out the ambition of Scottish Enterprise Glasgow (SEG) and other partners' ambition to increase the value of tourism by 60% by 2015 (with a stretch target of 80%).<sup>16</sup> SEG's planned involvement in tourism interventions over the coming years will vary from capital investment in Scotland's largest urban regeneration initiative on the Clyde Waterfront to developing the Glasgow brand through the UNESCO World Heritage Status application process.
- 4.29 SEG's tourism team estimates that over the next seven to eight years there is likely to be over £600 million of investment in tourism-related projects within the city. SEG's contribution is estimated to be between £30-35 million or 5%. The cost of the new national arena is likely to be £118 million alone, £25 million of which will be funded by SE Glasgow.
- 4.30 Activities such as supporting attractions, will increase visitor nights, but may have a more limited effect on average expenditure. Support for the conference, meeting and exhibition markets will have strong effects on volume and the expenditure of visitors. These are generalisations, but give the overall ambition of high growth in both staying visitors and in average expenditure.
- 4.31 An economic impact assessment of the National Arena estimates that in 2015, the tourism-related activity would generate a net increase in GVA of just over £3.5 million. This includes multipliers and allows for displacement. Without a multiplier this would be around £2 million GVA. Using the ratio of GVA to turnover, this would require direct expenditure of £8 million.
- 4.32 Hosting the Commonwealth Games in Glasgow would also have a significant impact on visitor numbers and the attraction of conference delegates. Whether or not this would be attributed to the destination is not yet clear, but the Games would have additional funds for marketing and other developments.
- 4.33 Assuming a relatively high growth in the number of staying visitors and the average daily expenditure (35% and 30% respectively) would mean an additional 3,800 commercial bed spaces required in the city and an increase in expenditure of £20.22 per person (up to £87.62). VFR nights are assumed to also increase by 10% and overall resulting in revenue growth of 57% by 2015.
- 4.34 The accommodation audit undertaken by TRC identified planned or potential new hotels, serviced apartments and campus accommodation with over 1,600 rooms. Assuming an average of at least two beds per room this would equate to over 3,000 beds being introduced. Between 2001 and 2005, bed spaces in the city were estimated to have increased by 2,000 (an increase of 2,300 in hotel beds offset by a reduction of around 300 guesthouse beds or lodges that were renamed as hotels). This rate of growth over four years suggests that by 2015, the targets of around 5,400 new bed spaces is achievable.
- 4.35 We would also suggest that because the growth is in serviced accommodation, specifically hotels, expenditure will also grow. This will be coupled with increases in the number of

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<sup>16</sup> Glasgow's Tourism Strategy, Public Consultation Document (2007)



business tourists, particularly once the new Arena is operating. Taken together, this should mean that the estimate of 57% growth is achievable.

- 4.36 The relatively low base that Glasgow starts from, the potential capacity and the major new investments planned alongside the possibility of hosting the Commonwealth Games all suggest that, of all the destinations, Glasgow has the greatest potential to meet and exceed the targets of a 50% growth in tourist expenditure.

## Perthshire

- 4.37 Scottish Enterprise Tayside (SET) is involved in a number of tourism interventions to promote Destination Perthshire with other local agencies in the Perthshire Tourism Partnership. The high priority markets for tourism promotion in Perthshire are highlighted in the tourism strategy for Perthshire:<sup>17</sup>

- the over 45s/‘baby-boomers’ - with high disposable income interested in walking, culture and heritage, visiting gardens and attractions
- 25-45 year olds/‘wild-timers’ - groups or couples who like activity breaks
- cyclists, walkers, golfers and anglers
- business tourists.

- 4.38 The broad areas of interventions (with SE involvement) are:

- Big Tree Country - branding initiative to promote extensive woodland areas in Perthshire for walking, cycling, wildlife watching and other outdoor pursuits
- Perth & Kinross Countryside Trust - supporting the PKCT to maintain the physical environment in rural Perthshire in order to strengthen the tourism product and encourage additional visitors
- Product Development Initiative - assisting local tourism businesses in outdoor activities and food tourism. Also building on the substantial marketing of local companies such as Famous Grouse, Baxters and Highland Spring
- Events - Development of an events strategy with Perth and Kinross Council building on the success of T in the Park and aiming to further promote the area
- Transport and Access - development of visitor information provision e.g. pod casts, GPS and GIS linkages. Ensuring there are clear linkages with other Scottish tourism destinations
- Inward investment - working with SDI to target key operators in resorts, timeshare and private residence clubs. Emerging developments at Taymouth Castle, Glenmore, Duchally and Gleneagles West.

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<sup>17</sup> Perthshire Tourism Partnership (2006) *Experience Perthshire Tourism Strategy & Action Plan 2006-2011*

- Plans to create a new major attraction in Perth, the Calyx, which will incorporate magnificent gardens and visitor facilities.
- Skills - using the Tourism Development and Management Development Programmes to ensure skills development within the local tourism industry

- 4.39 In Perthshire there is a particular focus on developing the destination brand, increasing the profile of the area and increasing interest from potential investors. The scale of future private sector investment will be an effective measure of the work of the Perthshire Tourism Partnership in creating the conditions for investment and growth. There is already significant resort development planned for Perthshire to attract greater numbers of staying (and high spending) visitors. The profile of Perthshire as a visitor destination is also likely to benefit significantly from the recent major events (G8 and T in the Park) and the upcoming Ryder Cup in 2014.
- 4.40 The portfolio of interventions shows a balance between increasing volume and expenditure, with additional visitors likely to be in higher spending markets, particularly for some of the high end resort developments. It seems clear that growth will stem from both increased demand as a result of the area's branding and marketing and increased supply of high value accommodation which is also likely to increase average expenditure.
- 4.41 We have assumed a balance between increased expenditure and visitor nights (25% in both cases). This scenario would deliver growth of 53% in tourist expenditure, assuming a 10% increase in VFR. This requires an additional 620,000 staying nights and 2,900 if bed occupancy is assumed to grow by 5%.
- 4.42 To meet this, there is already significant recent or planned investment at a number of resorts, an indication of increases in bed space capacity (20 lodges at Crieff Hydro, £18m refurbishment at Gleneagles, potential for 50 new lodges at Atholl Palace, 100 rooms and 100 lodges planned at Taymouth, 100 rooms and 150 lodges at Gleneagles West, 97 timeshare units at Braco and 30 units at Tullybannocher, Comrie). In total, these proposals alone would give perhaps 320,000 bed nights (assuming 50% occupancy). There is likely to be some displacement, reducing occupancy in other accommodation, but it is still likely to contribute significantly to expenditure growth.

## 5: Achievability

### Context

- 5.1 One of best ways to assess the achievability of growth targets is by examining past performance. Tourism statistics have gone through a number of changes over the past five years which mean that the longer term trends are unreliable. Even so they provide some guidance on past activity and particularly on the relationship between trips, nights and expenditure.
- 5.2 The overall picture shows strong growth in international tourism over the past three years. The number of trips and nights have risen, but in real terms, expenditure per night has fallen slightly, to below £50.00. In looking forward, this pattern of increasing volume but little movement in expenditure per day is useful context against which to see the expenditure changes that are suggested in the target figures in the previous section.

Table 5-1: Overseas tourist nights and expenditure

Overseas Visitors to Scotland	Trips (m)	Nights (m)	Expenditure in real prices (2005)	Expenditure per night (real prices)
2001	1.59	15	839	£ 55.93
2002	1.59	15.04	878	£ 58.38
2003	1.57	14.95	887	£ 59.33
2004	1.88	19.01	1,022	£ 53.76
2005	2.39	24.33	1,208	£ 49.65
2006	2.69		1,415	

Source: VisitScotland 2006

- 5.3 The domestic tourism figures are subject to more severe changes in methodology and the trends are less reliable after 2000. In fact 2004 is not included at all. Visitor numbers and expenditure have fallen over the past few years after steady growth through the late nineties. At the same time expenditure per night, after initially rising to 2000, appears to have slipped back again in 2005. Although reading the trends in visitor trips may be problematic, the expenditure per night should be more robust. The 2005 figure goes against the previous ten year trend which suggests that since 1995, expenditure per night may have grown by around 20%.
- 5.4 Because UK tourism is significantly more important to Scotland than international visitors, the combined effect of growth in international visitors and decline in domestic means that the strong recovery since 2001 has levelled off in 2006. The total value of tourism to Scotland decreased by around 2 per cent in 2006 to £4.1 billion. This is marginally less than the 2001 value.
- 5.5 One of the possible explanations for the drop in domestic tourism is the increasing choice and affordability of overseas short break destinations. For the UK market, Scotland was

frequently a good second or short break destination. The growth of low cost airlines means that while there is an increase in international visitors, there is even greater competition from abroad.

Table 5-2: domestic tourism nights and expenditure (2005) prices

	Expenditure (£ millions nominal)	Nights (millions)	Expenditure per day (adjusted 2005 prices)
1995	2,793	67.26	£ 53.28
1996	3,276	72.48	£ 56.78
1997	3,724	77.87	£ 58.36
1998	3,490	70.36	£ 58.34
1999	3,600	69.36	£ 60.24
2000	3,699	70.42	£ 59.01
2001	3,412	63.2	£ 59.50
2002	3,682	64.48	£ 62.29
2003	3,596	62	£ 61.49
2005	3,006	53.9	£ 55.77
2006	2,720		

Source: Staruk.org and VisitScotland

- 5.6 In considering the pattern in the next ten years, there will be a major challenge in maintaining the domestic market numbers. The long term trends also illustrate the stubbornness of average daily expenditure. New, high quality developments help increase expenditure, but the rise in budget operators and competition also help drive expenditure down. It is worth stressing that the projected expenditure figures are in real terms (after allowing for inflation).
- 5.7 These patterns may not hold within each of the destinations. Growing international visits are likely to benefit the key destinations, while the decline in UK markets may reduce trips to less well known areas. Consequently, if these trends continue, the key destinations should see faster than average growth.

### Are these projections achievable?

- 5.8 The projected increases in tourism expenditure for each destination are certainly ambitious. Nearly all seek to exceed the national target of growth of 50%. The implications in terms of new accommodation space are significant as are the current trends of falling UK visitor numbers and rising international visits.
- 5.9 Because the targets are based on the expenditure of staying visitors, most of this will be generated by those using commercial accommodation. Although there is some scope for increasing occupancy, the estimates from the occupancy survey were fairly consistent and any significant increase in occupancy would trigger new investment in rooms, until occupancy drops below the trigger level again. In Edinburgh occupancy rates are already high, initiating

new investment. There may be scope for occupancy to increase by around 10% in other destinations. This would reduce the need for additional rooms (or beds).

- 5.10 Glasgow appears to have the best prospect of meeting these projections, alongside the lower figures for St Andrews. With the redevelopment along the Clyde, the new National Arena and the prospect of substantially more high spending business tourism, along with the benefits of hosting the Commonwealth Games, tourism in the city could grow rapidly to 2015. St Andrews has already achieved close to the targets that were set in 2002/03. As a result projections for growth from 2005 to 2015 reflect the desire to consolidate and sustain achievements. The number of additional bed spaces required is reasonable and given the opening of another new golf course in the next few years, the town should benefit from further increases in expenditure.
- 5.11 In Perthshire, if the large number of proposed resort developments goes ahead this will help achieve a significant part of the projected impact, assuming no displacement. The Ryder Cup in 2014 will also provide strong profile for the destination. Even so, there remains a significant gap and the destination would require as many beds again to be developed by 2015 to achieve the growth target.
- 5.12 Cairngorms/Deeside also has a lot of potential through new resort development but requires the equivalent of one of these each year to achieve the necessary growth in visitor nights. Although there may be more scope to increase occupancy rates. Despite the projections by Hall Aitken, this is still one of the more ambitious targets.
- 5.13 Edinburgh is a strong and mature destination that continues to attract private sector investment. The growth target is ambitious and depends on a number of major infrastructure projects, including the development of the Waterfront, in order to meet the expansion required of around 7,200 beds. The additional expenditure required in the city is equivalent to the impact of five new Edinburgh Festivals. The Tourism Group is working on attracting another 4,000 rooms to the city, equivalent to another 20, 200 room hotels. To achieve these targets, the growth in numbers would need to be accompanied by major growth in expenditure in what is already an expensive city.
- 5.14 Even if 4,000 new rooms are attracted, there will be some displacement as less attractive accommodation stock drops out of the market. At the same time, projected growth of visitors to Glasgow may have an impact on Edinburgh's markets, perhaps by encouraging visitors to visit both cities.
- 5.15 Loch Lomond and the Trossachs also has a number of major new developments. There are approximately 1,600 new bed spaces planned, after allowing for displacement this would leave a net figure of around 1,200, just over a third of the 3,200 needed (if occupancy rates remained the same) or two thirds if occupancy is simultaneously increased by 10% in the rest of the destination. Growth may also be restricted by environmental and geographical factors which could dictate where developments happen. Consequently, the projection for growth for Loch Lomond and the Trossachs will be extremely stretching.
- 5.16 In addition to the challenges of meeting these targets within the destinations, at an SE level there is also the potential of displacement from areas that are not key destinations. The key

destinations have in part been chosen because they are Scotland's most recognisable assets internationally. This will limit displacement. For example, the high quality resort developments in Perthshire are likely to attract new visitors rather than people who would have gone elsewhere in Scotland. The National Arena in Glasgow will attract business tourism events that could not have been hosted in Scotland otherwise.

- 5.17 Because the key destinations cover a large proportion of tourism activity within the SE area displacement is likely to be fairly low and there may be some positive effects, where stronger destinations generate more trips elsewhere.
- 5.18 Overall, the Scottish tourism sector will face considerable challenges in meeting the target to increase expenditure by 50% in real terms by 2015. The analysis of the key destinations, areas that would be expected to lead this growth, suggests that while there are good reasons why growth in Glasgow should exceed 50%, it will be a considerable stretch for the others.

### ***Market versus supply focus***

- 5.19 It is difficult to assess the likely demand that can be generated by the destination interventions and from the national efforts of VisitScotland. It is easier to consider whether the infrastructure is likely to be sufficient to cope. In considering achievability, the report has tended to focus on the accommodation supply necessary to meet the demand targets. This gives a practical sense of the scale of growth which otherwise can be overlooked.
- 5.20 However, it is important to emphasise that, in general, supply should respond to increasing demand. It is not the case that building new rooms will in itself attract more visitors (although in some cases private sector developments will through their own marketing and profile generate new visits). From SE's perspective, the interventions will be expected to both attract new visitors and ensure that there is high quality infrastructure.
- 5.21 The achievement of the targets will hinge on Scotland and the key destinations being desirable places to visit rather than simply having the capacity. It is important that this broader market focus is not lost in the analysis even though it is more difficult to assess.

### ***Synergies***

- 5.22 Finally, the concept of developing destinations is expected to generate additional impact because in each case they bind together the various tourism services, products and experiences. The destination approach therefore aims to support tourism development more effectively than if there was no form of co-ordination. The consequences of the support are implicitly included in the projections of growth. At a Scottish level a similar argument can be made: that the portfolio of destinations working together will also generate further impacts, over and above those that could be achieved by the destinations working on their own.
- 5.23 Our view is that any national, critical mass, effect would be reflected in the additional tourism projections within each destinations. Even in considering the impact of specific interventions, such as business support programmes or new attractions, the positive benefits of the destination approach will be reflected in more ambitious expectations of demand.

## 6: Assessing SE's contribution

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- 6.1 This chapter is based on further discussions with representatives from each of the destinations and looks more specifically at the interventions that SE is likely to support and the potential impacts that these are expected to have. **Clearly these estimates can only be very indicative given the stage of planning and the information available, but they provide a starting point for developing more robust estimates as the destination plans advance.**
- 6.2 SE and its contribution to the projected growth figures was discussed in each of the destination descriptions, but not quantified. Where estimates of economic impact have been made, these tend to relate to all the activity in the destination and not just SE's contribution. For example, in Cairngorms/Deeside the assessment of potential impact related to the total investment in the destination by all partners, while the mid-term evaluation of SAWC concluded generally that "the project was having an impact".
- 6.3 SE's contribution goes beyond the funding provided and this was emphasised in all the discussions. There has been, and continues to be, a great deal of time and effort invested in co-ordinating the development of the destinations, encouraging partners in both the public and private sectors to work together and creating an environment which is attractive for investment. SAWC is the most advanced example, where we understand that private investors have credited the initiative as contributing to their decisions. It is too early in other destinations to draw conclusions on SE's influence, but action could be taken to start monitoring the "added value" of SE's engagement with partners and the private sector.
- 6.4 This strategic added value (SAV) is a concept used to describe the way in which an organisation can influence outcomes beyond the activities that they directly fund. This includes strategic leadership, influence, leverage, synergies, capacity building and engagement. This concept would be useful in relation to SE's work in each of the destinations where much of its engagement is not in terms of funding but working with partners to create an environment that attracts private investment. In practice it is hard to attribute values to this type of activity and there is currently little basis on which to include any valuation within this exercise.

### ***Impact estimates***

- 6.5 The figures presented in Table 6-1 are based on aggregating estimates of economic impact from across supported projects in the destinations:
- where there are available impact studies these have been used (for example the SECC Arena, Edinburgh Zoo expansion and the Usher Hall and Conference Centre extensions)
  - where there is no research, broad estimates have been made based on experience, other studies or ratios.

- where the original economic impact study results have been available, the data has been adjusted to reflect the contribution of staying visitors only in 2015 and within the destination area. This frequently means that the results used here are less than the longer term impact calculated by the individual studies.
- 6.6 Table 6-1 sets out the estimates of the financial value of SE's investment in each destination alongside the additional GVA in the projections for 2015. It is important recognise that these values are not agreed and represent the estimates of SE representatives. The GVA figures are for a single year whereas the investments would be expected to generate benefits up to and beyond this point. Assuming a "straightline" build up of benefits from 2005 to 2015, the cumulative effects are shown in the third column.
- 6.7 There may be overlap between the project estimates that are not taken into account in aggregation. This would have a negative effect on the estimates. There are also arguments that by contributing to a larger mass of things to do there could be a more positive effect. Taking these two effects into account it is unlikely that they would substantially change the overall aggregate.
- 6.8 Displacement at a Scottish level is perhaps more significant; attracting visitors to one destination at the expense of another. Again, there are counter arguments - that the combination of stronger destinations makes Scotland a more attractive destination overall and therefore could deliver a greater positive effect than shown by the sum of the destinations. In addition, the stronger destinations would be expected to have spillover effects into other parts of Scotland.
- 6.9 Overall, without evidence of these flows and the reasons for visiting, estimating these effects accurately is impossible. At this stage our conclusion is that the aggregate effects represent the simplest method of estimating levels of activity, but the potential negative (displacement) and positive (synergy) effects should be described when interpreting them at a Scottish level.

### ***Treatment of resort developments***

- 6.10 Most of the destinations are working to create conditions which will attract private investment in new accommodation developments of some kind. Some of these are already in development, others are still at a concept stage. Destinations were keen that the work that they are doing to facilitate these developments should be recognised within the assessment of SE's contribution. Clearly it is difficult to value SE's role in facilitating these developments and even more so where there is uncertainty over whether or not the projects will go ahead.
- 6.11 In both Perthshire and Loch Lomond there are significant numbers of new rooms within new developments planned over the next five years. In these cases we have presented two scenarios, one with all the potential rooms constructed and one with 25% of the total reported. Although some developments are more likely to happen than others, SE's activities were felt to have contributed to encouraging and facilitating these investments. The results are shown in two ways:
- including the potential additional accommodation reported



- excluding potential accommodation (except for 25% of the projects in Perthshire and Loch Lomond and the Trossachs)
- 6.12 We have attributed SE with 10% of the additional activity generated by these resorts on the basis that the destinations will play some role in attracting the investment.

### Results

- 6.13 SE investment of £78 million relates to cumulative tourism benefits of around £210 million, a ratio of 1:3 approximately. This excludes multiplier effects which would increase this figure to around £300 or close to 4:1.
- 6.14 The cumulative benefit attributed to SE *from staying visitor expenditure* is estimated to be around £150 million by 2015. This only includes a couple of years' impact for some of the bigger infrastructure projects such as the SECC arena. Longer term, the impacts would be much greater. It also excludes all the non-tourism benefits associated with several of the major developments and use by local residents.
- 6.15 These are the aggregates for the destinations. At a national level there would be displacement (for example the impact of the SECC arena is £54 million in 2015 at a Glasgow level but only £18 million for Scotland). However, we have assumed that this is balanced out by the benefits of a stronger collective Scottish product and that there are some positive spillover effects as additional visitors also visit other parts of the country.

Table 6-1: Summary of revenue and GVA impacts and SE contributions

Summary Table (£ millions)	Staying visitors/excluding potential resorts/hotels	Staying visitors/including potential resorts/hotels	All tourism/excluding potential resorts/hotels	All tourism/including potential resorts/hotels
Additional revenue in 2015	£337	£424	£541	£628
GVA 2015	£112	£143	£170	£202
Cumulative rev to 2015	£1,437	£1,698	£2,145	£2,406
Cumulative GVA to 2015	£485	£580	£697	£791
SE contribution to revenue in 2015	£98	£107	£155	£163
SE contribution to GVA in 2015	£33	£36	£49	£52
SE contribution to cumulative GVA to 2015	£143	£152	£207	£216

Source: SQW estimates

- 6.16 The remaining section provides the key points for each destination.

## Glasgow

- Impact in 2015 and beyond is dominated by investment in SECC Arena. SE is investing around £25 million. Economic impact estimates of the tourism element carried out by Ekos indicates that at full operation it will generate £54 million of GVA a year in Glasgow (£18 million for Scotland) – not discounted. Figures

adjusted for staying visitors only to reflect tourism targets based on anticipated profile of conferences and events.

- By 2015, only two years of impact are included, longer term the impact will be much greater. Development of a major riverside attraction is another significant project, but level of investment is not known. Impact has been based on another major attraction in Scotland.
- Impact of a new hotel development, currently being discussed by SE and partners is included. Mackintosh and Merchant City projects are being assessed separately, but at this stage estimates have been used. Impact of information, signage and interpretation are not valued.
- Event support – impacts of current investment in events is not included in 2015 figures, although it is in cumulative results. Impact based on performance of other Glasgow events. For animation events at the waterfront less impact would be expected as these are more likely to be targeted at local people.
- No inclusion of Commonwealth Games in 2014 which may have impact in following year and will help boost cumulative effects up to 2015. SE's funding role relative to others is not clear yet.
- Development of visual arts exhibition and production space at Trongate 103 and the Briggait is included with relatively conservative estimate in terms of staying visitor impacts

### **Overall**

- Building on a baseline of tourism expenditure of £516 million in 2005, these projects are estimated to contribute an additional £134 million in 2015. Of this SE's contribution to revenue is £36 million in 2015.
- The SECC makes up half of all the impact in 2015, although benefits will continue well after this date.
- Involvement in the waterfront and support for business tourism to support SECC is crucial in achieving targets. The Commonwealth Games award will also increasingly require investment in order to maximise tourism potential.
- Glasgow is the most likely of the destinations to achieve growth targets, but still requires a favourable economic climate, general growth in tourism and underpinning marketing.

### **Edinburgh**

- Edinburgh also has a large number of major projects:
  - Major development of the Zoo (economic impact indicates £3.5 million in 2015)

- Development of Usher Hall (economic impact study)
  - Potential cruise liner terminal
  - Redevelopment of the Ross Bandstand
  - Work on the Castle Esplanade
  - Redevelopment of Princes Street
  - Investment in Festival infrastructure
  - Investment in Waterfront animation and events
  - EICC extension
- Although smaller individually than the SECC impacts, these are collectively significant. The largest impact is expected from the EICC. Both conference centres generate big impacts because of assumptions about the proportion of visitors (relative to local people) and high expenditure
  - Impact estimates are based on a number of research studies and adjusted to reflect staying visitor expenditure.

### **Overall**

- Building on a baseline of tourism expenditure of £878 million in 2005, these projects are estimated to contribute an additional £103 million in 2015. Of this SE's contribution to revenue is £34 million in 2015. As in Glasgow benefits of these infrastructure projects will stretch well beyond 2015 to improve return on investment.
- Even with this range of activity, the impacts would represent around 12% of the growth needed. To achieve this will require a significant increase in visitor numbers and expenditure. A large proportion requires growth in the business tourism market (critical to achieving targets given high expenditure) and development of the waterfront to refresh the Edinburgh offer and provide new attractions and additional capacity. Work on events and the cruise market is intended to do this.
- Because Edinburgh starts from a higher base than other destinations, a target of 50% will be harder to achieve. It requires demand for and supply of a *net* increase of 4,000 new rooms. This will be a challenging target and will require investment, marketing and very favourable economic conditions. The weaknesses of the dollar, for example will be expected to impact on US visits this year.
- There are concerns over Festival funding to preserve current visitor numbers and with greater competition, investment will be needed to maintain its position. This is an important part of Edinburgh's brand. To grow at anywhere near the target levels, it will have to broaden its appeal year round.

## Cairngorms

- The key project in the Cairngorms is the work being undertaken to attract resort investment. Feasibility studies have been carried out to identify potential sites and potential investors. This would generate a significant amount of additional expenditure.
- The formation of a DMO is expected to have an impact on tourism mainly through investment in marketing and the development of a supporting brand.
- Business and skills development work with existing businesses is included, using estimates from other programmes.
- Other projects include path and mountain bothy development and the possibility of creating some form of cultural centre. Impacts have been estimated for these.
- Other investment is being made to look at opportunities to develop accommodation options and higher quality tourism retail.
- Under potential resort impacts we have included the possibility of a further hotel/resort.

### **Overall**

- Building on a baseline of tourism expenditure of £37 million in 2005, these projects are estimated to contribute an additional £13 million in 2015. Of this SE's contribution to revenue is £4 million in 2015.
- Although the impacts are relatively small, they are proportional to the SE investment.
- The key project is attracting a flagship resort to the destination. This is critical to allow the other infrastructure and business support to deliver growth.
- The DMO is important in bringing the private sector into tourism planning and should have benefits in joining up the way the destination is promoted
- Not included in the tourism budget, but important for achieving visitor growth is investment in environmental improvements in a number of small towns and villages in the surrounding areas. This type of work will help attract accommodation investment
- Although a study carried out previously suggested growth of 66%, the set of activities and investment may find it difficult to have that level of impact. It would require major investment by the private sector and strong tourism and economic conditions.

## Perthshire

- Activities are set out as:
  - Contribution to other projects

- Countryside Trust and Big Tree Country
  - Small scale environmental projects
  - Arts and Culture
  - Events
  - Product development
- Of these, the resort development is the critical generator of economic impact. There are currently around six or seven investments being planned which will greatly increase the potential economic impact of the destination.
  - SE's work is around putting in place the conditions which will attract these investors. It is difficult to quantify the impacts here as much of the work is relatively small scale and environmental.
  - Bigger projects such as the redevelopment of the Perth theatre and concert hall, will not necessarily attract many more staying visitors unless it is part of a wider reason for visiting.
  - There are many important projects through the Countryside Trust, a vehicle set up by SET to work with partners. We have not included the impact of these environmental projects.

### **Overall**

- Building on a baseline of tourism expenditure of £199 million in 2005, these projects are estimated to contribute an additional £19 million in 2015. Of this SE's contribution to revenue is £4 million in 2015.
- Because these figures do not include the major resort investments that are already planned, it underestimates the overall impact. Including these investments the impact on visitor revenue in 2015 rises to £45 million (after allowing for displacement).
- Expenditure by visitors to these high end resorts could well be higher than the £140 per person per night included here. Even so, the destination would need to generate an additional 2,700 bed spaces and increase occupancy in existing stock to achieve 50% growth.
- The Ryder Cup in 2014 at Gleneagles will help provide profile in the lead up to the event and potentially attract a range of different accommodation investments including destination clubs and fractional ownership.

### **Loch Lomond and Trossachs**

- Projects are divided between SED and SEFV. The main drivers of economic impact are the major resort complex planned at West Riverside and several other proposals.
- Destination team has a large number of smaller projects across the destination.

- The largest is under Place Making and Attractors in Loch Lomond which includes the main physical developments. Impacts have been calculated to include just staying visitors although Loch Lomond is a major day visit destination.
- The team has taken the estimates of required bedspaces and are building a strategy to identify where this market will come from and the facilities that will be needed to attract and service these markets.
- In Loch Lomond, investment in events, business growth, skills, branding and resort development are all proposed. Estimates of economic impact have been provided for some of these although we have recalculated the West Riverside impact to include only staying visitors.
- In the Trossachs there is a large number of projects linked to environmental improvements and to business and skills development. Main themes are Callander Gateway, Breadalbane Corridor and Destination Trossachs. Estimates of the economic impact of these have been used.
- One of the critical roles of SE has been in its engagement with the National Park. Using the growth targets they have worked with the park to identify projects and areas that will be suitable for development.
- Around half the anticipated impact is expected to come from West Riverside
- Much of the potential impact will come from the expected development of new resort/hotel accommodation. There are plans for much of the capacity that would be needed to achieve growth of 50%. These estimates are included as potential.

### **Overall**

- Building on a baseline of tourism expenditure of £159 million in 2005, these projects are estimated to contribute an additional £47 million in 2015. Of this SE's contribution to revenue is £14 million in 2015.
- With the potential resorts included this rises to visitor revenue of £84 million, around 50% of the target. This depends on there being sufficient demand to attract all the necessary investment in accommodation.
- The impact of West Riverside is critical to the potential tourism growth, but so will all the other investments that are at various stages of planning. There are clearly risks around how much of this potential is realised. Much of SE's work is to ensure that the tourism infrastructure is attractive to these investors.
- It is important to note the role of the National Park which will have to balance tourism growth with its environmental stewardship.
- The kind of substantial growth that is needed to approach the national target will require significant private sector investment in accommodation, as well as strong economic conditions and tourism demand.

## St Andrews

- Having started earlier than other destinations St Andrews is already well advanced and has achieved much of its growth target already. Consequently, it is unlikely that it will have the capacity to grow by a further 50% by 2015.
- Investment by the network has already been made (figures used are 2003- 2008 and the impacts have been recorded in the Hall Aitken evaluation which reported that the destination had almost reached its long term target.
- One of the keys to this growth has been bringing together the private sector and enabling further investment, more joined up marketing and cross selling.
- A new 7<sup>th</sup> golf course has been built by the St Andrews Links Trust and will open next year. This is likely to be a further draw for visitors to go with the cluster of world-class courses that are already there.
- Tourism growth of staying visitors in town will be restricted by capacity. There is potential for perhaps 400 new rooms. This would limit growth of staying visitors to around 25%. Expenditure has increased hugely in last three years on the basis of the destinations work. It may be too much to look for further significant increase in spent. The last evaluation already uses very high daily expenditure estimates.
- We have used an estimate of 27% growth on the basis of the available capacity being developed and have assumed that 25% of this can be attributed to SE's role in St Andrews World Class
- Building on a baseline of tourism expenditure of £83 million in 2005, these projects are estimated to contribute an additional £21 million in 2015. Of this SE's contribution to revenue is £5 million in 2015.

## Conclusions

- Total tourist revenue anticipated from projects supported in 2015 ranges from £338 million to £425million depending on whether potential new resort development goes ahead. This represents GVA of between £112 million to £144 million
- 50% growth in these destinations would require around £900 million additional expenditure (using our baseline)
- SE's contribution to the total is around £100 million tourist expenditure – around £35 million of GVA (in 2015)
- The cumulative GVA, including day trip expenditure from all projects is estimated to be between £700 million and £800 million – SE's contribution to this is around £210 million to 2015.
- On investment of around £78 million, this would give a return of just less than 3:1 rising to 4:1 if multipliers are included.

Staying visitors only	Excluding potential resorts (£ millions)								
	Baseline tourism revenue 2005	Additional tourism revenue	Total GVA	Cumulative rev	Cumulative GVA	SE contribution to tourism revenue	SE contribution to GVA in 2015	SE contribution to cumulative GVA	
Glasgow	£516	£134	£34	£501	£125.3	£36	£9	£38	
Edinburgh	£878	£103	£38	£465	£172.0	£34	£13	£54	
Cairngorms	£37	£13	£6	£50	£24.0	£4	£2	£7	
Perthshire	£199	£19	£7	£85	£31.5	£4	£1	£7	
Loch Lomond	£159	£47	£18	£239	£90.8	£14	£5	£28	
St Andrews	£83	£21	£9	£107	£45.0	£5	£2	£11	
<b>Totals</b>	<b>£1,872</b>	<b>£337</b>	<b>£112</b>	<b>£1,447</b>	<b>£488</b>	<b>£98</b>	<b>£33</b>	<b>£144</b>	

Staying visitors only	Including potential resorts (£ millions)								
	Baseline tourism revenue 2005	Additional tourism revenue	Total GVA	Cumulative rev	Cumulative GVA	SE contribution to tourism revenue	SE contribution to GVA	SE contribution to cumulative GVA	
Glasgow	£516	£146	£37	£537	£134	£38	£9	£38	
Edinburgh	£878	£111	£41	£489	£181	£35	£13	£55	
Cairngorms	£37	£18	£8	£64	£31	£4	£2	£8	
Perthshire	£199	£45	£17	£160	£59	£6	£2	£10	
Loch Lomond	£159	£84	£32	£349	£133	£18	£7	£32	
St Andrews	£83	£21	£9	£107	£45	£5	£2	£11	
<b>Totals</b>	<b>£1,872</b>	<b>£424</b>	<b>£143</b>	<b>£1,708</b>	<b>£583</b>	<b>£107</b>	<b>£36</b>	<b>£154</b>	



<b>All tourism</b>	<b>Excluding potential resorts (£ millions)</b>						
	Additional tourism revenue	Additional tourism GVA	Cumulative tourism revenue to 2015	Cumulative tourism GVA to 2015	SE contribution to revenue	SE contribution to GVA	SE contribution to cumulative GVA
Glasgow	£280	£70	£937	£234	£74	£18	£67
Edinburgh	£135	£50	£600	£222	£45	£17	£69
Cairngorms	£13	£6	£58	£28	£4	£2	£9
Perthshire	£23	£9	£107	£40	£5	£2	£11
Loch Lomond	£68	£26	£349	£133	£21	£8	£41
St Andrews	£21	£9	£107	£45	£5	£2	£11
Totals	£541	£170	£2,158	£701	£155	£49	£209

<b>All tourism</b>	<b>Including potential resorts (£ millions)</b>						
	Additional tourism revenue	Additional tourism GVA	Cumulative tourism revenue to 2015	Cumulative tourism GVA to 2015	SE contribution to revenue	SE contribution to GVA	SE contribution to cumulative GVA
Glasgow	£292	£73	£973	£243	£75	£19	£68
Edinburgh	£143	£53	£624	£231	£46	£17	£70
Cairngorms	£18	£9	£73	£35	£4	£2	£10
Perthshire	£49	£18	£182	£68	£8	£3	£14
Loch Lomond	£105	£40	£459	£175	£25	£9	£46
St Andrews	£21	£9	£107	£45	£5	£2	£11
Totals	£628	£202	£2,418	£796	£163	£52	£218

## Annex A: Recommendations for developing a measurement structure

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### Recommendations

1. The priority recommendation is that **accommodation audits** should be carried out for Perthshire and St Andrews to provide data in a comparable form to the other four destinations
2. Efforts should be made to generate higher levels of participation in the **Scottish Occupancy Survey** within the key destinations as this is an important variable in measuring the level of activity.
3. A second area where measurement could be strengthened using a **cross destination visitor survey** to refine three variables, the number of day visitors, the flow of visitors and attributing expenditure to destinations even when visitor stays are limited and more robust expenditure data
4. **Estimating the number of tourism-related businesses** satisfactorily would require a business survey to identify the number of businesses where, for example more than 50% of turnover is received from visitors. This would help understand how business activity is changing and could be coupled with a key destination “investment” index
5. Recommend more work with representatives from each destination to produce an **economic impact paper**. At this stage it will be impossible to quantify all these elements, but a short, impact report setting out the logic, the inputs and the outcomes would be valuable. This should cover:
  - the reference case (what would happen without the destination interventions)
  - the main interventions or groups proposed
  - the “theory of change” (how will the actions that are proposed make a difference)
  - estimate the scale of impact using
    - change in visitor nights
    - change in visitor types
    - change in expenditure
  - consider the wider impact of the destination approach – what aspects are expected to add value over and above the benefits of the projects
  - provide an assessment of where visitors will come from and where they would go otherwise
  - impact on or caused by other destinations (potential displacement or positive effects)

6. We recommend that the **projections of future activity should be refined to take into account possible capacity limits, displacement and to avoid double counting**. Each destination should identify whether there is a gap between future projections and the outcomes expected from interventions.
7. We also recommend that **a framework for monitoring and evaluating investment in the destinations is set up**. The framework would be a set of indicators that is based on the destinations activities and outcomes. It is more detailed than the baselines set here but would provide the basis for assessing impacts over time. An example is attached in Annex A.
8. **A monitoring and evaluation schedule should be developed to set out when and how data can be gathered over the next few years**. The baseline has been designed for fairly regular monitoring. The key elements are based on the accommodation audit and VisitScotland data. An accommodation audit should be commissioned (collectively) every three years. The other data sources are published annually.
9. We recommend, as part of the measurement framework that **SE monitor activities that add “strategic value” and evidence of influence**. The level of private sector investment being made in relation to tourism would also be a valuable measure. This will require an agreed definition and method of collection.

## Example measurement framework

Supported activities	Gross outputs	Gross Outcomes from projects to 2015		Net Outcomes to 2015	Net impacts
<b>Physical development</b>	<ul style="list-style-type: none"> <li>Increased capacity/facilities</li> <li>Description of change in capacity and facilities</li> </ul>	<b>Visitor perceptions</b> <ul style="list-style-type: none"> <li>Perceptions of the destination</li> <li>Visitor satisfaction</li> </ul>	Additionality commentary		
<b>Communication</b>	<ul style="list-style-type: none"> <li>Description and quantification of...</li> <li>Marketing undertaken</li> <li>Web-site traffic</li> <li>Media coverage</li> </ul>	<b>Gross effect on visitor market</b> <ul style="list-style-type: none"> <li>Staying visitors</li> <li>VFR</li> <li>Day trips</li> <li>Length of stay</li> <li>Visitor expenditure per person</li> </ul>		<b>Experience</b> <ul style="list-style-type: none"> <li>Perceptions of the destination</li> <li>Visitor satisfaction</li> </ul>	
<b>Business productivity and skills</b>	<ul style="list-style-type: none"> <li>Number of businesses supported</li> <li>e.g in ICT/leadership/</li> <li>Number of people trained</li> </ul>	<b>Change in business performance</b> <ul style="list-style-type: none"> <li>Sales, costs and employment</li> <li>Number of people trained</li> </ul>		<b>Net additional visitors</b> <ul style="list-style-type: none"> <li>Staying visitors</li> <li>VFR</li> <li>Day trips</li> <li>Length of stay</li> <li>Visitor expenditure per person</li> </ul>	<b>Impacts</b> <ul style="list-style-type: none"> <li>Net visitor numbers by 2015</li> <li>Total additional visitor expenditure by 2015</li> <li>Net contribution to employment</li> </ul>
<b>Strategic added value</b>	Groups supported <ul style="list-style-type: none"> <li>Co-ordination</li> <li>Leadership</li> <li>Leverage</li> <li>Research</li> </ul>	<b>Strategic Added Value</b> Feedback from partners on effectiveness of: <ul style="list-style-type: none"> <li>Co-ordination</li> <li>Leadership</li> <li>Gross value of public and private levered investment</li> </ul>		<b>Net change in business performance</b> <ul style="list-style-type: none"> <li>Sales, costs and employment</li> <li>Number of people trained</li> <li>Innovation</li> <li>New business starts</li> </ul>	<ul style="list-style-type: none"> <li>Net new GVA annually by 2015</li> </ul>