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Economic Perspective 3

1986: A SIGNIFICANT YEAR OF CHANGE FOR TOURISM ORGANISATION IN SCOTLAND?

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Developing from the impetus provided by the last Government review of tourism, the results of which were announced by Norman Lamont in November 1983, last year witnessed a flurry of official reports and initiatives. For the first time since the 1969 Development of Tourism Act became law, the issue of governmental tourist organisation was clearly on the decision-making agenda. The New Year has now opened with the publication of a Select Committee enquiry into the organisation of Government involvement in tourism. The events of 1985 and the far reaching reforms proposed in the Select Committee Report suggest that a possible centralisation of official UK/GB tourism responsibilities is in the offing. This would strip the Scottish Office of its Ministerial oversight of Scottish tourism and lead to the scrapping of the Scottish Tourist Board (STB). This Perspective outlines the main events of 1985 and the principal proposals contained in the recently published Select Committee report before discussing some of the more important implications for Scotland and its tourist industry.

now in common service departments covering publishing and information, corporate public relations, research, finance, training, administration and personnel. The two organisations have a joint chairman, Duncan Bluck, and are now clearly more closely linked than at any time in their history.

Commencing in January 1985, a Parliamentary Select Committee undertook a major investigation into the conduct of tourism affairs at Government level. A similar initiative was later set up for Wales. In March 1985, a report of the Scottish Affairs Committee* called for a realignment of official Scottish tourism responsibilities whereby STB would take over the tourism marketing role of the Highlands and Islands Development Board (HIDB). STB chairman Alan Devereux had claimed that the existing arrangements resulted in duplication and were "nonsensical". The Scottish Office has yet to pronounce on this matter.

The main events of 1985

In January 1985, most of the staff of the British Tourist Authority (BTA) and the English Tourist Board (ETB) vacated six separate offices and moved into the same premises in Hammersmith. Around 60% of the staff of these two organisations are

In July 1985, the Confederation of British Industry published Professor Medlik's study "Paying Guests",** analysing the main issues in British tourism and signalling the CBI's support for tourism as an important activity in the economy. In the same month Lord Young's inter-departmental review of tourism resulted in a report*** entitled "Pleasure, Leisure

*Second Report from the Scottish Affairs Committee, Highlands and Islands Development Board, HMSO, 1985.

**CBI, *Paying Guests: A report on the challenge and opportunity for travel and tourism* by Professor S Medlik, CBI, 1985.

***Cabinet Office Enterprise Unit, *Pleasure, Leisure - and jobs: the business of tourism*, HMSO, 1985.

and Jobs". This constituted the most positive statement about tourism ever produced by senior Ministers, and it expressed current Government attitudes. Emphasis was placed on removing obstacles to growth in tourism from **within** the public sector (eg Wages Councils, licensing laws, town and country planning controls) and on improved training arrangements, rather than on increasing direct Government spending on tourism promotion and development. With this in mind, the Young report suggested "...as it prospers the industry should have less need of special schemes of assistance."

September 1985 saw Government Cabinet changes shift the responsibility for tourism to the Department of Employment and away from the Department of Trade and Industry where it had been since the first ever Government initiative in tourism in 1929. Although the Secretaries of State for Scotland and Wales retained their territorial Ministerial responsibilities for tourism, it can now be expected that policy on tourism will henceforth emerge from Whitehall under the aegis of Lord Young. At the Department of Employment tourism has been linked with small firms in an administrative division comprising a high-powered and experienced team of officials presided over by a junior minister, David Trippier MP. The Government's intention is to give the work of the division an extremely high profile in the run-up to the next election.

In summary, the events of 1985 indicate the extent to which tourism was enjoying an increasing tide of political goodwill. For Scotland a worrying aspect amidst this generally positive political climate was that all the running was being made by Whitehall, Lord Young and the BTA: ETB. Scotland to all intents and purposes appeared to be left out in the cold.

The Trade and Industry Select Committee Enquiry

The report of the Parliamentary Select Committee previously referred to was published in January 1986.* It contains, inter alia, the following recommendations:

1. That the Secretary of State for Employment should take over the Ministerial responsibilities for tourism currently exercised for Scotland and Wales by the respective Secretaries of State.
2. That the four statutory national tourist boards (British Tourist Authority, English Tourist Board, Scottish Tourist Board, and the Wales Tourist Board), should be abolished and their functions re-allocated.
3. That a newly-formed British Tourist Board (BTB) should exercise responsibility for all overseas tourism marketing.
4. The BTB should have a general oversight of domestic tourism affairs in England, Wales and Scotland, but, wherever possible, should devolve direct executive tasks (for advertising, promotion, financial assistance schemes, research etc) to regional tourist organisations.

The changes discussed in the above Report relate mainly to central government and the national tourist boards, but there are clearly significant implications for the regional level where, ultimately, tourist policies have to appear on the ground. In Scotland, the situation is complicated by the fact that there do not exist regional groupings of comparable size to the English Regional Tourist Boards and Welsh Regional Tourism Councils. Scotland has a national network of local rather than regional bodies, viz the Area Tourist Boards (ATBs). However, some of the ATBs do already form themselves into ad hoc regional marketing forums (eg the North East of Scotland Co-ordinating Committee for Tourism). Indeed, precisely because many of the ATBs are small, parochial and poorly resourced, there are powerful arguments in favour of them being rationalised to form a more cohesive and effective regional structure.

What does it all mean for Scotland?

In Scotland, the Select Committee's recommendation that the middle-tier of country tourist boards (viz ETB, STB and WTB) created by the 1969 Development of Tourist Act should be wound up and

*House of Commons, First Report from the Trade and Industry Committee, **Tourism in the UK**, HMSO, 1985.

replaced by a revamped British Tourist Authority (viz BTB), has so far met with considerable opposition. Several local authorities, MPs, the press, a number of commercial tourism operators and the STB itself have called for the continuation of a statutory Scottish Tourist Board reporting to the Scottish Office. This groundswell of pro-STB sentiment is a somewhat predictable response. There is a suspicion that the rationalisation proposed in the Select Committee report will lead ultimately to less Exchequer funding going directly into Scottish tourism. There is also a fear that there would be an overwhelmingly English emphasis to the promotional work of the proposed BTB. Notwithstanding these misgivings, there is a sense in which nowadays Scotland no longer needs to have a national tourism agency such as STB.

First, the larger commercial concerns active in Scottish tourism do not really need the Scottish Tourist Board. They by-and-large do their own marketing and benefit only marginally from the financial assistance programme administered by STB under Section 4 of the 1969 Act. Section 4 grants are given mainly to small, private sector tourism enterprises in the accommodation and attraction fields. For the financial year 1984/5 a total of £4.3m was spread over 91 different enterprises, an average award of £47,000. Such amounts are relatively insignificant to the big commercial operators. It happens that £4.3m is the estimated total capital cost of just one new 104 bedroom hotel to be built by the Reo Stakis Organisation this year in Dundee.

Secondly, small tourism businesses - the backbone of the Scottish tourism industry - have become increasingly vocal in their criticisms of the Board, culminating last year in the decision by the National Federation of Self-Employed and Small Businesses to form a small action group (Scottish Tourism Action for Business) which has the job of trying to make STB more responsive to the needs of the small business operator.

Thirdly, the STB's takeover bid for the HIBB's tourism marketing function embarrassed and annoyed the Highland Board

and virtually all the Area Tourist Boards covering the Highlands and Islands region.

Fourthly, the STB does not have particularly strong working relationships with the local authorities. Following the official Stodart Report (1982), the Government directed regional councils to disengage themselves from active involvement in tourism promotion suggesting also that district councils should channel their tourism marketing activities through ATB's. Except in a handful of cases where local authorities have opted to continue to directly administer tourism marketing functions (eg Edinburgh District Council), local authorities are now removed from district involvement in the tourism promotional field. Neither does STB have strong links with those local authorities who are pursuing policies aimed at the development of tourist facilities (eg leisure and cultural attractions, wet weather features, conference and exhibition centres, accommodation projects). Unlike the situation in the mid 1970s, when the STB adopted a high profile in relation to the strategic planning of tourism and the initiation and/or participation in tourism development schemes, the Board during the 1980s has progressively turned its back on involvement in these matters. To all intents and purposes, the vital national tourism role of identifying and designing financial packages to encourage private and public sector investment in tourism plant is discharged in Scotland by the local planning authorities and the Scottish Development Agency (SDA).

In effect STB exists on the periphery of Scotland's tourism industry. It is not centre stage, partly because its powers and limited financial resources do not permit this (its total expenditure for 1984/85 was £11.5m) and also because events in recent years have led it to become ever more isolated. In calling for the Select Committee proposals to be "swiftly dropped", STB chairman Alan Devereux has cited three main reasons why his Board should continue to exist*:

1. Because abolition of the STB implies a "cult of centralisation" which is "commercially damaging and unsound".

*Caterer and Hotelkeeper, 23 January 1986, p21.

2. Because the Select Committee proposals run counter to the spirit and purpose of legislation in 1984 which gave STB overseas promotional powers.
3. Because Scotland's tourist industry is disadvantaged vis-a-vis that in other parts of Britain due to its lack of proximity to principal markets and to the relatively low level of tourism support services offered by local government. In this light, the STB is seen as helping to equalise these disadvantages.

However, these three arguments are of questionable logic validity.

Use of the emotive phrase "cult of centralisation" must have rung hollow with HIBD. The Scottish Tourist Board had justified their bid for HIBD's tourism marketing powers on the very grounds that centralisation made good sense - commercially and administratively! It is apparent that a new twotier BTB/Regional Tourist Organisations structure replacing the existing threetier system of BTS/STB/Regional Tourist Organisation does hold out the promise of less bureaucracy and better coordination. It is a fact that the financial pump-priming and marketing activities of the STB, the former administered on a regional basis and the latter substantially delegated to ATBs, could conceivably be relocated with other agencies (ie ATB's, SDA and HIBD). The partial amalgamation of BTA and ETB is considered by Government to have been a success in that it has cut out unnecessary waste and duplication. The success of this example of centralisation prompts an obvious question: if England, why not Scotland and Wales?

Furthermore, the specific powers of overseas promotion gained by STB in 1984 (currently restricted to £200,000 a year) could easily be absorbed into the proposed structure by way of a special grant earmarked specifically for Scottish promotions and voted to BTB and/or the ATBs.

Finally, the fact that Scotland's tourist industry is disadvantaged relative to that in most other parts of the UK should **not** necessarily be seen as an argument to justify the continued existence of STB. The special needs of Scotland's tourist industry are expressed institutionally in the extensive tourism support services offered by the SDA and by HIBD. As far as tourism is concerned, the SDA's operations are centred precisely on those urban areas most visibly in need of the economic input and environmental improvements which tourism can bring in its wake, while HIBD acts to ensure that the mainly rural Highlands and Islands derives a fair share of tourism prosperity. The special needs of Scotland's tourism industry are therefore reflected in the work of SDA and HIBD.

The House of Commons and the Scottish tourist industry will have to wait until next month to hear the Government's official response to the Select Committee's recommendations and, in particular, the proposal to abolish STB. Shorn of official Bureau jargon, the blunt charge of the Committee is that STB now provides an ineffective middle-tier between Great Britain's external promotional agency (BTA) and the regional level of tourist organisation. Such a charge is not refuted by reference to "cults of centralisation" or to the STB's newly acquired powers of overseas promotion, or for that matter to the special tourism needs of Scotland.

The fundamental issue is whether or not the tourism support services currently provided by STB in the marketing and investment fields really justify a separate middle-tier agency to discharge them. There is an all too obvious sense in which the Board's Section 4 investment could be administered by SDA in the Lowlands and by HIBD in the Highlands and Islands. These two bodies already operate their own tourism assistance schemes. Similarly, a combination of British Tourist Authority and regional ATB groupings could usefully absorb STB activities in respect of promotion, advertising and information services. There is a strong case that Scotland's tourist trade no longer needs a middle-tier STB.