Scottish Tourism
Current Position Summary 2006

This document summarises the key volume and value results from the 2006 monitors and provides an interpretation of what has influenced the results over the past few years and what it means for Scottish tourism.

Summary of Results

The growth in overall tourism volume and value to Scotland shows strong recovery since 2001, with a flattening out over the past year. International volume and value (provisional for 2006) continues to show considerable growth, but in common with other nations of the UK maintaining volume and value from domestic tourism is proving more challenging. Against this background industry confidence remains high with the latest Tourism Barometer indicating a good year to date and anticipation of a good summer season.

The table below shows Scotland's 14.2% increase in international visits and 19.1% increase in expenditure compared to 2005 against the performance for the UK Domestic market (-10.7% and -9.5% respectively). This has resulted in an overall decline in visits of -7.2% and a decline in spend of -1.3%.

Scotland's Volume and Value – IPS / UKTS

	Trips (m)			**Spend (£m)**		
Jan-Dec	**2005**	**2006**	**%Change**	**2005**	**2006**	**%Change**
International	2.39	2.73	+14.2%	£1,208	£1,439	+19.1%
Domestic	14.87	13.28	-10.7%	£3,006	£2,720	-9.5%
Total	17.26	16.01	-7.2%	£4,214	£4,159	-1.3%

Source: International Passenger Survey 2005 and 2006, UKTS 2005 and 2006
Note: Spend in nominal prices

The 50% growth ambition outlined in the Tourism Framework for Change is still achievable as our scenario work has highlighted that spend is a more important focus than trip volume. However, achieving our ambition will require significant intervention by both the private and public sectors, sustained over several years. This investment should be built around the five main levers identified for growth, namely investment, increased marketing, quality, improved selling and a 24/7 year round industry.

VisitScotland's role in achieving the shared growth ambition is to focus on marketing, providing information and inspiration for visitors and potential visitors, providing quality assurance to visitors and quality advice to the industry, giving strategic direction to the tourism industry and promoting partnerships with the wider industry.

International

Our international data show excellent, sustained high value growth since 2001 where trips were 1.59m (+72%) and spend was £823m (in 2006 prices, a +75% increase in real terms). Scotland has undoubtedly benefitted from the general expansion of the global tourism market and the increase in direct access opportunities, particularly from Europe. In addition, VisitScotland's focussed marketing and work on enhancing local product delivery have ensured Scotland has capitalised on these opportunities. This is demonstrated by Scotland's continuation to achieve higher than average increases in both international visits and spend, when compared to other parts of the UK.

The table below shows figures for Scotland's 72% increase in international visits and 75% increase in expenditure in real terms compared to 2001 against the performance for the UK as a whole (+43% and +29% respectively).

International Volume and Value – IPS

Scotland	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2006vs2001**
Trips (m)	1.59	1.58	1.57	1.88	2.39	2.73	+72%
Expenditure (£m)							
nominal prices	757.00	806.00	837.31	993.83	1207.72	1439.00	+90%
2006 prices (CPI)	822.72	864.74	885.93	1038.03	1235.49	1439.00	+75%
UK	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2006vs2001**
Trips (m)	22.84	24.18	24.72	27.76	29.97	32.71	+43%
Expenditure (£m)							
nominal prices	11,306.00	11,737.00	11,855.00	13,047.00	14,121.96	15,889.54	+41%
2006 prices (CPI)	12,287.60	12,592.32	12,543.32	13,627.37	14,446.77	15,889.54	+29%
Source: ONS International Passenger Survey							

Domestic

Given the changes in methodolgy for the United Kingdom Tourism Survey (UKTS) in January 2000 and May 2005 we do not have any long term time series data to accurately gauge the trends for volume and value. Indeed, we will not have two full years actual data to compare until the completion of 2007 analysis. However, there has clearly been a significant decline in the UK domestic market over the last year, which has in effect cancelled out the significant growth we have seen from international markets.

Domestic Volume and Value - UKTS

	Trips (m)			**Spend (£m)**		
Jan-Dec	**2005**	**2006**	**%Change**	**2005**	**2006**	**%Change**
Scotland	14.87	13.28	-10.7%	£3,006	£2,720	-9.5%
UK	138.65	126.29	-8.9%	£22,667	£20,965	-7.5%

Source: United Kingdom Tourism Survey 2005 and 2006
Note: Spend in nominal prices

Key factors that have resulted in this decline in the UK market are:

Strong Sterling currency
More UK residents opting to go abroad where their pound can go further. In 2001 £100 would have bought US$144, whereas in 2006 £100 would have bought US$184. Although there has been some strengthening in value against the Euro, in terms of comparative prices UK residents are able to capitalise on cheaper goods in many of the emerging markets of Europe. Add to this the expansion of budget airline services into Eastern Europe and a very attractive package is available.

Increased choice of destinations
The same factor that has provided more opportunities for international visitors to come to Scotland has provided more choice of destinations and ease of accessing them to residents across the UK. To illustrate in a key market, the North of England, local airports (Durham Tees Valley, Liverpool, Newcastle and Manchester) have added 184 scheduled services to new destinations since 2003, 149 of these being international.

Less disposable income
Within the UK market, many visitors take a trip to Scotland as their "second holiday" or as a "short break". A decrease in UK consumer's disposable income as a result of increasing costs including fuel, utilities and interest rates over the year may have made consumers less likely to take this second break and therefore contributed to the decline in 2006.

The World Cup
The final stages of the World Cup in July resulted in a significant decline in trips in July 2006 compared to 2005 (for Scotland trips -27%, spend -28%). This major sporting event resulted in less UK, particularly English, visitors taking trips within the UK, preferring to stay at home to watch the matches or travelling to Germany.

Occupancy

The Scottish Accommodation Occupancy Survey provides the best continuous time series data for the period since 2001. Occupancy levels re-enforce the overall recovery since 2001 with a flattening out of results over recent years. The only exceptions being sustained growth in the camping and caravanning sector and some decline in 2006 for Hostels.

Hotels	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Bed Occupancy %	43	45	46	46	47	47
Room Occupancy %	58	60	61	61	63	63
Guest House & Bed & Breakfast						
Bed Occupancy %	32	35	37	39	39	38
Room Occupancy %	40	44	45	46	47	46
Self Catering						
Unit Occupancy %	48	51	53	52	55	55
Camping & Caravan						
Unit Occupancy %	30	32	34	36	40	45
Hostels						
Bed Occupancy %	47	47	47	46	47	44

Source : Scottish Accommodation Occupancy Survey, 2001 - 2006

The aspect that the survey does not cover is how the bed stock levels have changed over the time. It is fair to say that this flattening out in occupancy may be concealing a genuine increase as we are aware of significant growth in bed stock in some areas over recent years. This is primarily in the hotel sector, particularly in medium to budget price range, which could have had a direct influence on the decline in occupancy for hostels as many of the new hotels are of the larger city based budget variety. There is also some evidence of a minor decline in B&B and smaller Guesthouse operations.

Despite the considerable expansion of hotel capacity for Scotland, occupancy rates for this sector continue to hold at record levels. This suggests actual increased usage as any new capacity added has not resulted in diminished occupancy levels. Self-catering also continues to maintain record occupancy levels, despite more properties coming onto the market especially second homes. Caravan and camping occupancy levels are continuing to climb, suggesting a renaissance in the market as more people take advantage of the opportunities to get closer to nature and escape their everyday lives. At the same time improvements in the standards of sites and facilities on offer have enabled operators to tap into markets that may have traditionally not considered this sector as an option.

Industry monitors of revPAR suggest good growth for Scottish cities in recent years. This is a key indicator used by industry players when considering investment opportunities.

Visitor Attractions

In order to track the trends in visits to visitor attractions over recent years it is necessary to reduce the base to a consistent sample (i.e. those able to provide data for all years of interest). The visitor attractions figures used in the table below are the common sample of 432 sites (433 including Kelvingrove) where a return has been submitted each year and therefore a true year-on-year comparison of trends for visits to attractions for the period 2002-2006 can be made.

Consistent Sample	**2002**	**2003**	**2004**	**2005**	**2006**	**06 v 02**
Excluding Kelvingrove (n = 432)	30,470,149	30,769,295	31,247,577	32,412,589	32,546,242	+7%
Including kelvingrove (n = 433)	31,425,820	30,769,295	31,247,577	32,412,589	34,427,198	+10%

Source : Visitor Attractions Monitor, 2002 - 2006

Undoubtedly we can see significant growth in this sector, even when excluding Kelvingrove from the analysis (re-opened July 2006). Although a good measure of how the sector is performing it is fair to say that attraction traffic is as much influenced by day visits as by overnight trips. Regardless there is underlying growth in visits (up 7% since 2002 excluding Kelvingrove and up 10% including Kelvingrove).

Business Confidence

Independent research carried out by George Street Research for national tourism organisation VisitScotland shows optimism among Scottish tourism businesses is high with a net positive shift in the industry's general level of optimism compared with 2006. In May 2007 over 40 per cent of businesses were found to be more optimistic in terms of the general business situation for both their sector and own business, compared to last year. Furthermore the season to April 2007 was viewed favourably by the majority of businesses, with 44 per cent describing it as either 'very good' or 'quite good', compared to 30 per cent saying 'average'.

Employment

Official figures from the Office of National Statistics suggest an 8% increase in employment in "tourism related" sectors between 2001 and 2005 (latest data available).

Employees	2001	2002	2003	2004	2005	2005v2001
Tourism-related employment	194,564	200,823	199,249	205,370	209,662	+8%

Source : NOMIS, 2001 - 2005

With the expansion of the European Union in recent years we have seen an influx of Eastern European workers, many of whom are taking up positions in the tourism and other service sectors. This provides an opportunity for businesses as immigrants seek to use their often high skills in the higher paid UK market.

Conclusion

From all the above we can conclude that there has been a significant recovery in Scottish tourism since 2001. Measurement of volume and value in our main market – the United Kingdom – can only be done with confidence looking forward but international growth has been significant and other indicators point to general strength across the industry.

The challenge now is to build upon our current position. The key to success is going to be not only informing consumers what we have on offer, but also ensuring the delivery at least meets if not exceeds their expectations. In an increasingly competive market we need to ensure our "share of voice" is strong enough to face off the competition and that our web technology is up there with the best in terms of ease of access, content and ease of booking.

August 2007