

## TOURISM ECONOMIC UPDATE

MARCH 2004

### Overview

Tourism is vitally important to the Highlands and Islands, generating income in a range of inter-dependent activities and sectors including; accommodation, visitor attractions, transport, retail, food & drink, and leisure. Visitors are drawn to the Highlands and Islands for the quality of scenery and the cultural heritage. Current drivers include the growth in the short break market and availability of low-cost access to the Highlands and Islands. The current importance of the sector to the Highlands and Islands economy is summarised below:-

#### *Employment & Business Size*

- Tourism supports 18,877 jobs (13,894 FTE's) throughout the Highlands and Islands, excluding the self-employed. This accounts for 13% of total employment in the area<sup>1</sup>.
- Tourism supports almost 20% of employment in Skye & Lochalsh and Lochaber<sup>1</sup>.
- Tourism supports a higher proportion of part-time workers (53%) and female workers (57%) than any other sector in the Highlands and Islands<sup>1</sup>.
- The sector is dominated by small firms, with 95% of tourism companies in the Highlands and Islands employing less than 25 people<sup>1</sup>.
- Average full-time weekly earnings in accommodation and catering industries in Scotland are £251, lower than the all industry average of £427<sup>2</sup>.

#### *Output*

- Total output at basic prices for hotels and restaurants is approximately £410 million<sup>3</sup>.
- GVA at basic prices for hotels and restaurants is approximately £228 million<sup>3</sup>.
- This represents c. £12,000 GVA per employee in the hotel & restaurant sector (two thirds of the service sector average)<sup>3</sup>.

#### *Visitor Spend & Profile*

- UK residents took approximately 4 million trips to the Highlands and Islands during 2001, spending an estimated £792 million. English visitors accounted for 51% of UK tourism spend followed by Scottish visitors with 46% of spend<sup>4</sup>.
- Overseas visitors took approximately 0.5 million trips, spending an estimated £110 million. Visitors from the USA accounted for 41% of spend followed by German visitors with 16%<sup>4</sup>.
- The average length of stay by UK tourists in the Highlands and Islands is 4.4 nights, marginally greater than the overseas visitor (4.2 nights)<sup>4</sup>.

#### *Attractions & Activities*

- Five of the top twenty paid Scottish visitor attractions are located in the Highlands and Islands<sup>5</sup>.
- The five most visited paid and unpaid tourist attractions are Eilean Donan Castle and Visitor Centre, Aros Experience, Baxters Highland Village, Official Loch Ness 2000 Exhibition Centre and Urquhart Castle (each attracting in excess of 200,000 visitors)<sup>5</sup>.
- The most popular activities other than general sightseeing are; walking, visiting attractions such as castles, monuments, museums and art galleries; shopping; and nature-based activities<sup>4</sup>.

#### *Workforce/Skills*

- The number of vacancies as a proportion of employees is higher in the tourism sector than the rest of the economy and the labour turnover rates are nearly double those in other industries<sup>6</sup>.
- More than one in three workplaces in the tourism sector are affected by skill gaps. There is a need for increased investment in training<sup>6</sup>.

<sup>1</sup> Source: ABI 2002 pending revision (NOMIS)

<sup>2</sup> Source: Futureskills Scotland Industry Profile: Land-based Industries in the Highlands and Islands 2003

Note 1 - Earnings data taken from New Earnings Survey 2002 (ONS)

<sup>3</sup> Source: Scottish Annual Business Statistics: Scottish Services Database 2001 (Scottish Executive & ONS)

Note 1 - Compiled from Local Authority areas; Highland, Orkney, Shetland, Western Isles, Argyll & Bute and Moray

Note 2 - Based on ABI employment data which excludes self-employed

<sup>4</sup> Source: Tourism in the Highlands and Islands Enterprise Area 2001 ([www.scotexchange.net/VisitScotland](http://www.scotexchange.net/VisitScotland))

<sup>5</sup> Source: Visitor Attraction Monitor 2002 (HOST)

<sup>6</sup> Source: Futureskills Scotland Industry Profile: Tourism Sector in Scotland 2002

## SWOT Analysis

The following analysis illustrates the main issues facing the development of the tourism sector in the Highlands and Islands.

| <b>Strengths</b>   | <b>Weaknesses</b>   |
|--|---|
| <p><b>Quality of environment, heritage and culture</b></p> <ul style="list-style-type: none"> <li>- A strong national and international appeal</li> </ul> <p><b>Diversity of activities</b></p> <ul style="list-style-type: none"> <li>- Range of activities (eg, golf, ancestral tourism, whisky)</li> </ul> <p><b>Diversity of locations</b></p> <ul style="list-style-type: none"> <li>- Range of experience (Inverness city – remote islands)</li> <li>- The area is host to a wide range of accommodation provision, ranging from bunk houses to world class/famous luxury hotels</li> </ul> <p><b>Current workforce strengths</b></p> <ul style="list-style-type: none"> <li>- Building on perceived Highland hospitality</li> <li>- Good uptake of introductory tourism courses, eg, Welcome Host</li> </ul> <p><b>Growing transport infrastructure</b></p> <ul style="list-style-type: none"> <li>- Recent reinstatement of Inverness – Heathrow flight</li> <li>- Increasing number of low cost routes secured through the Route Development Fund</li> </ul>  | <p><b>Geographical elements</b></p> <ul style="list-style-type: none"> <li>- The area is perceived remote to access</li> <li>- Variable weather</li> </ul> <p><b>Variation in standards</b></p> <ul style="list-style-type: none"> <li>- Low participation in Quality Assurance Schemes</li> <li>- Failure to consistently showcase local produce, eg, food, drink and crafts</li> <li>- Good examples of quality service, but inconsistency throughout the area</li> </ul> <p><b>Need for further workforce development</b></p> <ul style="list-style-type: none"> <li>- Poor Modern Apprenticeship completion rates</li> <li>- Need to invest in staff development not fully recognised by businesses</li> <li>- Lack of management and leadership skills</li> <li>- Lack of customer handling skills</li> </ul> <p><b>Transport issues</b></p> <ul style="list-style-type: none"> <li>- Limited direct access flights</li> <li>- Poor frequency for certain transport provision</li> <li>- Relatively high cost of transport, eg, fuel, internal air flights and ferry services</li> </ul> |
| <b>Opportunities</b>   | <b>Threats</b>  |
| <p><b>Increase industry collaboration</b></p> <ul style="list-style-type: none"> <li>- Improve the assembly of products to facilitate visitor purchase and increase visitor spend</li> <li>- Provide integrated transport hubs</li> <li>- Employers and support agencies to work together to address image challenges</li> </ul> <p><b>Adopt a more sustainable approach</b></p> <ul style="list-style-type: none"> <li>- Develop more economically, socially and environmentally sustainable practice</li> </ul> <p><b>Adopt a more innovative approach</b></p> <ul style="list-style-type: none"> <li>- Develop innovative offerings, particularly in key products, such as distilleries and castles</li> </ul> <p><b>Embrace ICT</b></p> <ul style="list-style-type: none"> <li>- Embrace all aspects of e-business, eg, CRM and e-transactions</li> </ul> <p><b>Create strong branding of area</b></p> <ul style="list-style-type: none"> <li>- Promote richness of culture through the Scottish Year of Highland Culture 2007 and other events</li> <li>- Develop branded niche markets, such as “Lochaber – the Outdoor Capital of the UK”</li> </ul> <p><b>Develop tourism as a career</b></p> <ul style="list-style-type: none"> <li>- Improve the introduction to tourism workplaces</li> <li>- Clearly defined career path for new entrants</li> </ul> | <p><b>International competition</b></p> <ul style="list-style-type: none"> <li>- Development of low cost routes to competitor destinations</li> <li>- Increasing number of destinations offering similar experiences and more established “activity” from a lower cost base, eg, Eastern Europe</li> </ul> <p><b>Rural population decline</b></p> <ul style="list-style-type: none"> <li>- Recruitment difficulties in more rural areas, coupled with implications for sustaining services.</li> </ul> <p><b>Availability of labour</b></p> <ul style="list-style-type: none"> <li>- The increasing mobility of labour means the tourism sector is facing international competition in recruiting staff</li> <li>- Authenticity of product may be affected by the use of non-local labour</li> </ul>  |

## Priorities for Action

Factors identified for positive development of the tourism sector in the Highlands and Islands include the following:-

- Industry leadership to set the standard for future development
- A more sustainable approach to tourism, economically, socially and environmentally
- Innovation and development of new product offerings
- Business engagement in key markets – golf, whisky, wildlife and ancestral tourism
- Development of a business case for investment in human capital, producing a highly skilled and motivated workforce
- Marketing of sector as offering real career opportunities
- Securing of direct low cost air services to Europe