

Minutes of Meeting of the VisitScotland Board held on Friday 30 May 2008

Present: Peter Lederer (Chairman)
Willie Dunn
Brian Houston
Alex Pagett
Lesley Sawers

In attendance: Philip Riddle (Chief Executive)
Malcolm Roughead (Director Marketing)
Ken Neilson (Director of Corporate Services)
Riddell Graham (Director of Strategy, Partnerships and Communication)
Eddie Byers (Director of Industry Engagement)
David Anderson (Head of Human Resources)

Minutes: Lynne Raeside

Apologies: Pat Buchanan

INTRODUCTION

The Chairman welcomed Seonaid McDonald, Deputy Head of Group Archives and Museum, Museum on the Mound, HBOS. SMc gave a brief presentation of the history of the museum.

1. MINUTES OF BOARD MEETING 17 MARCH 2008

The minutes of the meeting held on 17 March 2008 were approved.

2. CONFLICTS OF INTEREST

No conflicts of interest were recorded.

3. MATTERS ARISING

Corporate Plan

Riddell Graham (RG) reported that comments had been received from Scottish Natural Heritage and Scottish Enterprise and taken on board as appropriate. The Corporate Plan has now been sent to the Tourism Minister for formal approval.

Meeting with Ministers

The Chief Executive reported that a meeting with both the Tourism Minister and the Minister for External Affairs would be sought following the conclusion of the Economy, Energy & Tourism Committee Inquiry into Tourism.

Business Tourism Unit Contracts

The Board formally recorded its approval of the award of contract to Mondotels Inc for the provision of North American Sales Agency; and to MWW for the provision of North American PR Agency.

Pensions

David Anderson (DA) reported that a roadshow had been held by the Trustees of the BTB Pension Scheme. Two issues were raised which need specific attention: (i) employer contributions; and (ii) life assurance levels. DA also noted that trustee membership requires to be reconsidered as VisitScotland is now the largest contributor to the fund. The Chairman offered to raise this issue with the VisitBritain Chairman.

Action: Chairman to speak with VisitBritain Chairman regarding VisitScotland representation on the Pension Trustees.

4. KEY PERFORMANCE INDICATORS 2007-08 OUTPUT REPORT

RG introduced a paper which presented the year end progress report on achievement against targets of the 2007-08 Key Performance Indicators. He explained that reporting of objectives would be re-visited in the light of the Single Outcome Agreement approach. Brian Houston (BH) urged a degree of caution about focusing on the SOA approach which might require the organisation to report against a set of inappropriate indicators. However, RG confirmed that discussions were in progress with the Scottish Government, Scottish Enterprise and Highlands and Islands Enterprise to consider a set of indicators which would be appropriate.

BH expressed concern about the marketing ROI figures which appear unrealistically high. Malcolm Roughead (MR) explained that the figures have risen (i) because of a change in the methodology; and (ii) because of a shift in terms of channels used, with new channels being cheaper and more focused. Consideration is now being given to a more appropriate means of measurement, such as the additional value of VisitScotland's contribution. Reporting on marketing activity will change in the current year.

Lesley Sawers (LS) expressed concern that the KPIs relating to strategic direction showed a decline in industry support for VisitScotland. RG explained that these were new KPIs and the aim had been to establish a baseline. The team will now build on this baseline moving forward.

RG reported that VisitBritain is conducting work into the value of their activity. VisitScotland hopes to look at how this might be applied to VisitScotland to assist with determining how all parts of the organisation add value.

The Board noted the report.

5. VISITSCOTLAND'S CONTRIBUTION TO DELIVERY OF THE TOURISM FRAMEWORK FOR CHANGE (TFFC) AS AT END MARCH 2008

RG introduced a paper presenting the year end progress of VisitScotland's contribution to delivery of the TFFC targets. He reported that he had challenged the Monitoring Group about the need to review the TFFC and make it less bureaucratic because even if every target in the TFFC is delivered, 50% growth will still not be achieved. The Scottish Tourism Forum (STF) is conducting the review and VisitScotland will work with them, providing input from the Tourism Prospectus and the National Investment Plan, the two key initiatives which demonstrate how the TFFC needs to evolve.

BH and LS expressed concern about the type and levels of reporting being required of VisitScotland. RG noted that the TFFC is not owned by VisitScotland and the organisation is required to report in a particular way. One of the disconnects is that the private sector cannot report on its achievements. VisitScotland will be working with the STF to develop the TFFC into a more focused document similar to the Tourism Prospectus which will enable more sophisticated reporting.

Alex Pagett (AP) expressed concern that VisitScotland is led too greatly by the Government and its reporting requirements. However, the Chief Executive noted that the Government is the organisation's largest funder and it is important to develop strong relationships with them. VisitScotland has been successful in doing so and will continue to work in partnership with them. The Chairman did acknowledge, however, that concerns about over-complex reporting could be raised with the Economy, Energy & Tourism Committee and with Ministers.

6. COMPETITIVE ENVIRONMENT

RG introduced the competitive environment paper which covers current market trends, competitor information and a review of key trends and drivers affecting tourism. He reported that a further update on the impact of the fuel crisis is available for circulation. He also noted that John Lennon's contribution to the paper was of particular relevance to the national investment plan.

RG reported that results from VisitScotland's most recent Tourism Barometer showed that optimism among tourism businesses had declined. Many businesses had reported that spring / Easter had been challenging and they expect further reductions in visitor numbers, particularly from international visitors.

MR gave an update on marketing activity in response to the current financial situation. He noted that the long term strategy will not change but rather action will be taken to change tactics in the short term. From a business tourism perspective, he reported that the UK has seen a decline in the number of enquiries, alongside an increase of 60% in the use of video conferencing. Research shows that 44% of business travel agents have seen no impact yet; only 24 % envisage no impact in the future; and 20% have been hit by the situation already. At a European level the situation is different. The French and German economies are strong and the strength of the Euro makes Scotland an attractive proposition. Incoming tour operators believe there may be growth. In the US there has already been a decline in visitors. In the MICE market fears of recession are the top concern. There is more optimism in the Canadian Market due to the stronger dollar; 94% of business meeting planners in Canada forecast an increase in business. While it would be unwise to withdraw from less favourable

markets, VisitScotland is downweighting activity in the States and increasing activity in Europe. The appointment of the two new BTU agencies in North America will also extend our reach into Canada and into secondary markets in the UK.

From a leisure tourism perspective, Travel Mole surveys indicate that people will continue to take holidays but closer to home. The marketing teams have considered how vulnerable each of the segments is. The Young Domestic Explorer market is most at risk in terms of the credit crunch and fuel costs because it is a young market with high levels of debt. VisitScotland will therefore consider value add and good deals with partners when marketing to this segment. The W4 market is also vulnerable, primarily due to fuel costs. Although the London segments might provide opportunities, there are so many places closer to London for people to visit. UK marketing is therefore re-directing marketing spend to the North of England and to Scotland. MR confirmed that VisitScotland has flexibility to move funds from one segment to another; or from one campaign to another.

The Board agreed that VisitScotland needs to show leadership to the industry, encouraging businesses to demonstrate value for money rather than lowering prices. It is also important to strike a balance between reassuring businesses and avoiding fuelling panic.

AP welcomed the marketing update but remained concerned about the impact on tourism. He stressed that there are major economic problems right now, with all economic indicators indicating price rises everywhere. Redundancies are increasing and fuel prices will mean that people may be less willing to travel. BH reported that some indicators suggest that people may travel less by car but will move to rail or bus.

LS suggested that VisitScotland should raise concerns with the Scottish Government and request additional funding to counter the pressures which have arisen because of the problems in the money and energy markets. The Chairman agreed, noting that the situation is unprecedented. In addition to the credit crunch and rising fuel costs, the Superfast Ferry route has been lost and it is possible that flight routes might be lost due to fuel costs and fewer people travelling.

Action: Position to be communicated to Scottish Government

7. VISITSCOTLAND.COM

MR updated the Board on the performance of VisitScotland.com. He reported that January – April performance is in line with the business plan. The number of calls to the contact centre has fallen in recent months, leading to a restructuring. Web traffic has also fallen but this is a direct result of the changes to the site which have now been addressed and traffic levels have returned to normal. He noted that discussions about the future of VisitScotland.com are underway within the TourCo Board.

The Board noted the report.

8. EVENTSCOTLAND

The Chief Executive introduced the report from EventScotland on its activities since the last Board meeting. He also reported on the sub-committee meeting which had been held the previous day. He noted that Homecoming 2009 was proving a challenging initiative. It will be launched on 16 June and all Board members will be invited to attend the launch. He also reported back on a very positive meeting Paul Bush had attended with the First Minister. Despite the challenges of Homecoming, EventScotland continues to lead on securing a significant number of events, e.g. commitment to the Ladies Open being held in Scotland over the next 10 years.

9. CHIEF EXECUTIVE OVERVIEW OF KEY DEVELOPMENTS

The Chief Executive introduced a paper outlining key developments since the last Board meeting, covering: the National Investment Plan; Scotland Week; VisitScotland Expo; the Economy, Energy & Tourism Committee Inquiry; the Inquiry into Ferry Services; the Grangemouth Fuel Dispute; GTBS Best Performers; the new US flight from New York; Scotland Means Business; and Sage Line 500. The Chief Executive drew particular attention to the following:

National Investment Plan

The Chief Executive reported that John Lennon's paper on investment patterns in Ireland and the industry feedback paper which had been circulated by email represented interim reports on the National Investment Plan. A more detailed report will be circulated in due course.

Ferry Services

The Chief Executive reported that VisitScotland had been invited, following its appearance at the Transport, Infrastructure & Climate Change Committee as part of the Inquiry into Ferry Services, to provide additional information on the choice between Government investment in air or sea for the islands. The Board agreed that any decisions on transport should be based on consumer research and that investment should be made based on visitor requirements.

10. SUSTAINABILITY AND VISITSCOTLAND

RG introduced a paper seeking the Board's approval for the development of a VisitScotland sustainable tourism action plan. He noted that while there is a sustainable strategy for Scotland and VisitScotland is working to develop a sustainable strategy for the organisation, there is no strategy for tourism as a sector. A meeting is planned with the Minister to address this gap. RG reported that VisitScotland has secured £1.8m of European funding to develop sustainable activity which will assist with the delivery of the proposed strategy.

LS suggested that there should be reference to investment in people throughout the strategy. She also noted the importance of emphasising the need for industry to invest in product and research and development. The Chairman asked that the strategy should reflect VisitScotland's leadership role, particularly in relation to the section on "Next Steps".

Subject to these changes, the Board approved the paper.

11. INTERNATIONAL FRAMEWORK

The Chief Executive introduced a paper summarising the Government's newly published International Framework. The Framework sets out the context and rationale for the Government's international activities and shows how international work contributes to the Government's purpose of increasing sustainable economic growth. Given the links between the Government's activity and VisitScotland's international marketing activity, it was noted that the Framework could have implications for VisitScotland. The Board agreed that this was an area which could be discussed with the Minister should she be agreeable to a joint meeting with the Tourism Minister.

The Board noted the report.

12. SEGMENTATION

The Chairman welcomed Gwen Raez (GR), Group Brand Manager, UK & Ireland Marketing. GR presented on the new consumer segmentation model and outlined how it translated into consumer marketing activity. She explained that VisitScotland is focusing its attention on four warm segments and two cold segments. In addition to the segment specific campaigns, GR provided information on the new Relationship Marketing programme, outlining the degree of sophistication which allows VisitScotland to target people on its database in a very focused manner. She also outlined the new campaigns VisitScotland is undertaking with partners such as EasyJet and National Express.

The Board thanked GR for her presentation. WD asked whether VisitScotland would consider online forums as a way of communicating with the segments. GR agreed it is a worthwhile idea but there are issues around moderating. However, VisitScotland is currently considering it.

The Chairman welcomed Yvonne Cook, Head of Business Products and Services. YC presented on the link between the consumer segmentation model, and associated consumer marketing campaigns, and business customer products and services. She noted that for local authorities, who are now being considered as business customers, the Relationship Marketing programme had a specific local authority upweight.

The Board thanked YC for her presentation. The Board asked that its thanks be recorded for both presentations which they had found extremely interesting and useful.

13. IMPACT OF THE GLOBAL FINANCIAL SITUATION

RG introduced a paper which provided an analysis of the global financial situation and its impact on tourism. The Board agreed that its discussions under agenda item 6 had covered the subject in detail.

The Board noted the report.

14. VISITSCOTLAND/SNH APPROACH TO THE TOURISM PROSPECTUS

RG introduced a paper outlining Scottish Natural Heritage's (SNH) approach to addressing the five levers for growth in the Tourism Prospectus. He reported that the SNH management team and Board are fully supportive of the Prospectus and have agreed to reflect delivery of the five levers within their operational activity.

The Chairman suggested that this example of alignment between public bodies should be highlighted with the Scottish Government Tourism Team to demonstrate how well VisitScotland and SNH are working together as agencies.

Action: RG to share this paper with the Scottish Government.

The Board noted the report.

15. NDPB BOARD MEMBER TRAINING & DEVELOPMENT SURVEY REPORT

It was agreed, due to time constraints, that the presentation to be given by RG would be circulated to Board members by email and discussed at the next Board meeting.

16. PROPERTY MATTERS

Ken Neilson (KN) introduced a paper seeking:

(i) the Board's approval for the renewal of leases for:

- (a) offices C, E and F at Old Town Jail, Stirling up to 30 April 2010; and
- (b) Warehouse, Tillybrake, Banchory to 31 March 2009

(ii) the Board's approval in retrospect for one year lease of serviced offices in London to 13 May 2009.

The Board approved the paper.

17. FINANCE REPORT

KN introduced the finance report which updated the Board on grant in aid for 2008-09; year end accounts and audits; 2000/06 European Programme; financial performance to February 2008; and the 2008/09 budget. He drew particular attention to the European programme. He reported that final submissions are being prepared. A paper will be presented to the Board seeking their approval to provide match funding for all European funded projects.

BH reported on the previous day's meeting of the Audit Committee. He reported that the internal reviews had been passed with no problems. He recorded the Committee's thanks to the Director of Corporate Services and his team. BH reported that the Audit Committee had agreed that there will be more scrutiny of Tourist Information Centres (TICs) in future. There will be a full TIC report at each Audit Committee Meeting. He also noted that work will begin shortly on the asset register. The Audit Committee had

expressed concern about the information on the asset register and is keen to ensure that it includes non-physical assets.

The Board noted the report.

18. CHAIRMAN'S REPORT

The Chairman introduced a report on his activities since the previous Board meeting. He reported that the VisitBritain review would conclude shortly. A meeting had been held with the Minister the previous week. The main issue of concern for VisitScotland remains the distribution of the VisitBritain budget. There is a danger that budget will be transferred from VisitBritain to VisitEngland. The other nations may therefore have to fund overseas capacity themselves. No decisions have yet been taken and the Chairman agreed to keep the Board up to date.

The Chairman reported that he had attended a dinner hosted by the Cabinet Secretary for Finance and Sustainable Growth, John Swinney, and Cabinet Secretary for Rural Affairs and the Environment, Richard Lohead, for the chairs of 14 NDPBs. It was the first time that the chairs had met together and it was a very positive meeting. It was agreed that the group should continue to meet to address issues of common concern.

The Board noted the report.

19. CHIEF EXECUTIVE'S REPORT

The Chief Executive introduced a report on his activities since the last Board meeting. The Board noted the report.

20. PROGRESS AGAINST OBJECTIVES

The Chief Executive introduced a report on the organisation's progress against key corporate objectives.

The Board noted the report.

21. ANY OTHER BUSINESS

- MR reported that the Internal Communications Team had won Class Winner in the CiB National Awards for the Staff Business Briefing and that the Marketing Teams had fought off stiff competition for the coveted "Champions of marketing excellence" award picking up "Brand Company of the Year".
- The Chairman reported that the pay submission has been sent to the Scottish Government. It should be ruled non-contentious but it is possible that it may not be, given the outstanding issues around the claw-back. The Chairman noted that he has a meeting with David Fisher, Chairman of the Scottish Government Remuneration Committee, to address the issue.