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To all STA Executive Committee members and observers

7th December 2007

Dear Colleagues,

## The Future of Tourism Services in Shetland

### Summary:

1. Visit Scotland has brought matters to a head by rushing into a re-organisation which looks like being a *fait-accompli* by the time they get round to full consultation with the industry and funding authorities in Shetland.
2. The reorganisation as proposed on the Visit Scotland website seems certain to downgrade, complicate and disrupt the Shetland tourism service.
3. This makes it more urgent than it was for us to discuss and agree on new arrangements for the tourism service in Shetland.
4. There appear to be no insuperable legal or financial obstacles to doing this.

### Discussion:

At Tuesday afternoon's Shetland Tourism and Culture Panel we had confirmed what many had suspected: the proposed reorganisation of Visit Scotland is already very far advanced prior to any detailed consultation with Shetland Islands Council, Shetland Development Trust, HIE Shetland or the Shetland Tourism Association about what the changes may mean for Visit Shetland. The fundamentals of the new structure (and many details, such as job descriptions) are now being agreed internally - too late to make any significant changes after a token 'stakeholder consultation'.

Visit Scotland's 'Director of Communications, Strategy and Partnerships' was scheduled to address our panel on the proposed changes. He called off at 24 hours' notice, apparently without explanation, and did not send a deputy with authority to discuss the proposals. This is 'partnership working' in practice.

There is, however, apparent reassurance on the Visit Scotland website ([http://www.visitscotland.org/visitscotland\\_customer\\_first\\_briefing\\_.pdf](http://www.visitscotland.org/visitscotland_customer_first_briefing_.pdf)) which says:

"Local area offices will remain a fundamental part of the new organisation and will ensure we are close to our customers and can deliver effective local services in partnership with local authorities, tourism businesses and other agencies."

Visit Scotland says it is just "simplifying our regional structure and aligning all our teams to customer-focused directorates". In plain English, what this means is they're planning to cut their salary bill in Shetland by downgrading the local office and making it responsible to regional headquarters in Inverness. Where now the Shetland office reports directly to Visit Scotland HQ in Edinburgh, from April it will be at one remove from where important decisions are made. That will not simplify; it will complicate.

We are now promised a visit from the 'Director of Communications, Strategy and Partnerships' in January, but he and his colleagues have already made it clear on their website that the important part of the reorganisation is not negotiable. The words they use are:

"...we **are** going to introduce a number of changes to improve the customer focus of our organisation" [my emphasis].

Note: they don't say "we propose to..." or "we'd like to talk to you about..." but "**we are going to...**" Perhaps they've forgotten who pays for at least half of their budget in Shetland.

This makes it harder to accept at face value assurances such as this one, on the same website:

"The new organisational structure will be flexible; we understand that 'one size does not fit all'. Geographic and regional circumstances will be fully taken into account in the new organisational structure. The crucial local dimension of Scotland's tourism industry will be given equal status and represented alongside imperatives and initiatives at the national level. Local areas will continue to benefit from being aligned with national marketing campaigns reflecting our "national dish with local flavours" approach to promoting Scotland. For example, we will retain our current island offices within a large Highlands and Islands region to ensure we remain close to our customers and can deliver effective local services in partnership with local authorities and other agencies."

This sounds admirable, until you read it carefully and ask what the fine phrases (about giving the 'local dimension... equal status,' being 'represented alongside imperatives and initiatives' and delivering 'effective local services in partnership') actually mean. I compliment the public relations officer who wrote it, but the implications for Shetland are very alarming.

Shetland's Director of Tourism post will no longer exist after April.

That's what they've already decided: Shetland's Director of Tourism post will no longer exist after April. The Shetland operation will be run instead by three managers, each responsible for a different area of activity (for example, destination marketing, tourist information and office administration) and each in turn reporting to a more senior manager (not necessarily the same one) in Inverness, the regional headquarters. This, it seems, has already been decided.

If you look at the 'activity chart' of the new structure (the chart wouldn't copy into my Word for Windows program so you'll have to look at it on the website [http://www.visitscotland.org/visitscotland\\_customer\\_first\\_briefing\\_.pdf](http://www.visitscotland.org/visitscotland_customer_first_briefing_.pdf)), you will see the central organisation is being divided up according to the various functions required of it. This looks neat, tidy and logical on paper but, alas, is incompatible with having a small, efficient, local organisation in Shetland where a single director can manage and be responsible for all the services offered locally to tourists and to the industry.

Instead, we are told that each region (in our case, the Inverness office) "will have at least three senior managers, each representing one of the three external customer groups," described as "Visitor Engagement", "Business Engagement" and "Strategic Partners". In plain English, I think these grand labels mean:

- persuading visitors to come to Shetland;
- making sure they enjoy their time here and get value for money;
- helping the local tourism industry to improve its standards;
- and finding the cash to run the tourist office.

But we already have one person in overall charge of all these tasks in Shetland, so why would we want to have three senior people in Inverness (with none of the local knowledge essential to the task) supervising the work of three junior people in Lerwick while trying to concentrate simultaneously on other areas, hundreds of miles away?

What is proposed is a sure recipe for confusion and disruption in the Shetland tourist information service. It will also mean a further loss of local control by our members (or rather influence, which is all we have left now). There will be no point in inviting the local tourism director to STA meetings because:

- the position will no longer exist;
- the three newly demoted local underlings won't have authority to speak for the whole organisation;
- the three managers in Inverness can't possibly attend all the tourism association meetings in all their areas;
- even if they had a budget for the flights, hotels and hire cars to do this, their almost total lack of local knowledge would make their contributions to our discussions worthless.

Now, I've certainly had my differences with our tourism director over the past three years. But we're still talking to each other, and working together on projects to improve the information we give to visitors, and he's still taking part in our STA meetings and the Shetland Tourism & Culture Panel. Visit Scotland does not explain what's wrong with this but, make no mistake, they don't want it to continue.

When I described Visit Scotland as 'McInturist' on a previous occasion I was jokingly referring to the former Soviet Union's grossly over-centralised, bossy and capricious tourism directorate. Now the joke doesn't seem so funny.

All Visit Shetland's employees now have good reason to be worried about their future. This must be having a negative impact on morale at a time when the main marketing effort of the year is under way. Our Visit Shetland staff work very hard, they have between them created one of the best local tourist information services in Britain and it's are improving all the time (although I have my detailed criticisms, as do many of us). What's needed now is stability so they can build on these successes, not massive organisational change, just three years into the new set-up and apparently just to satisfy the special bureaucratic needs of Visit Scotland's fashionable but expensive headquarters.

There is a serious danger that Shetland will now be marketed as an 'add-on' to the Highlands and Islands rather than as a separate and distinctive destination. Visit Scotland talks blithely of a "national dish with local flavours" but, to put it crudely, we could be lumbered with an image of kilts, castles, ceilidhs, whisky, stags, grouse, golden eagles and bagpipes when what we're selling from Shetland is an entirely different product.

I'm glad to say the tourism panel unanimously agreed we should insist on full and early consultation with Visit Scotland and that we should not accept any attempt to impose changes without the agreement of the tourism industry's funders and practitioners in Shetland. We also agreed to ask Tavish Scott MSP to meet us before Christmas to discuss this as a matter of urgency.

I had imagined that we'd have to put up with the present unaccountable, unsatisfactory arrangements for the Shetland tourism service until it eventually dawned on our mainland masters that this was a silly way to do the job and it would be better to bring back independent, membership-based local tourist boards to work with a national tourist board where necessary and do their own thing where sensible. However, the people in charge at Visit Scotland are about to make the situation much worse. With this reorganisation they've brought matters to a head and this is an additional reason, I suggest, for a serious debate on the draft resolution I've submitted for our meeting on the 12th, which at present reads as follows:

"This executive committee resolves to seek a mandate from the next general meeting of the Shetland Tourism Association to open negotiations with Shetland Islands Council and Visit Scotland with a view to reconstituting a democratic, membership-based organisation providing the tourism services currently provided in Shetland by Visit Scotland and employing staff who report to and take instructions from an elected board of management".

I'd be happy to discuss any proposed amendments. In view of the urgency we might consider calling an emergency general meeting to sanction the negotiations. Time is so short, however, that we might even have to go into negotiations immediately, use the media to tell members what we're doing, and present the options to them at AGM in March.

We agreed at our last STA meeting that I should list some of the pros and cons of a new arrangement. What follows is an attempt to do that.

1. It's absolutely essential that we continue to promote Shetland as a special destination, not just an add-on to the Highlands and Islands. We're all agreed on this. It's part of the Shetland Brand strategy and the Shetland Tourism Plan. What Visit Scotland is proposing could wreck all the efforts we've made and which are now bearing fruit (see that National Geographic star rating, for example, and the massive BBC wildlife television exposure we've been getting lately). Yes, we have just had a disappointing season but the trend is upward and this is absolutely the last time to be agreeing to a takeover and downgrading of the local office.
2. An elected local board, being more responsive to members and better-informed than a remote HQ in Inverness, could resolve problems more quickly and efficiently by speaking directly to the tourism director and the funding authorities, all of whom will have the local knowledge to understand our questions. Someone at the tourism panel meeting (since you ask, it was Gordon Williamson of HOSA) asked if I wanted to bring back the old Shetland Tourist Organisation board. No, I don't. That body had several problems, including overworked and under-supported office-bearers, a lack of clarity in its marketing, tourist information and member services, not to mention some regrettable personality clashes and perennial funding crises. The board of a new Shetland Tourism (or whatever you call it) need not be like that at all because:
  - a. We now have a clear, strategy through the Shetland Tourism Plan and the procedures agreed to amend it as needed;
  - b. There is a good working relationship between the STA and Visit Shetland (despite the occasional - sometimes quite fierce - disagreements which are normal in any organisation);
  - c. There is an established commitment from public funding agencies like Shetland Development Trust to invest in tourism.
3. Most of the tasks of the tourism service in Shetland can be carried out in Shetland, if properly funded and staffed. It is surely a sound operating principle to do work locally wherever possible and beneficial. We already know it's possible. The benefit is in the savings - for example in central overheads, staff travel and accommodation, unnecessary duplication of effort caused by nationally centralised accounting systems, etc.
4. A further benefit would be to enable the tourism service staff to concentrate on their main jobs (sorry, 'core activity') of attracting visitors, looking after visitors and helping the industry. I refer to the state-subsidised gift shop which currently has to take up a lot of space and staff time in the tourist information centre. The reason for the expansion into retailing is to replace the subscriptions formerly paid by members of the Shetland Tourism Organisation (see below). Don't get me wrong - it's a nice gift shop and it sells a lot of quality local crafts compared with the imported plastic tat you can still find in some other outlets, but it's not the main purpose of the organisation.

5. There are obviously two jobs where our local staff do need help from a national tourist board such as Visit Scotland:
  - a. International marketing (and some UK marketing);
  - b. Quality assurance (which, for obvious reasons, cannot be done locally).
6. I see no reason why such services cannot be purchased from the STB/VS. We can decide to buy into their advertising campaigns, website promotions, booking service (if it ever works!) and we can continue to use their quality inspectors and star ratings system.
7. A major problem could be public and media perception. A move to take back local ownership and control might be interpreted by the media as an attack by Shetland on the whole idea of a Scottish national tourist board. Of course, it isn't, but the answer to the perception problem is to get our story across first and make sure local and national journalists understand our reasons. If we do 'secede' we need to avoid making boastful claims about being a precedent. Other places will work out their own solutions to the problems created by the proposed Visit Scotland reorganisation. Let's just talk about what we know - our own situation. There need be no 'breakaway' and no antagonism between Visit Shetland and Visit Scotland. Their tasks are different and there can and should be co-operation where their interests and functions coincide. This is just a clarification of the division of labour between national and local boards.

This brings me to the funding. This is important because what's really behind the Visit Scotland proposals is a desire to cut the budget. They used to pay about £80,000 a year to Shetland Tourism Ltd, the old tourist board; now Visit Shetland is costing them about £200,000. That's the simple arithmetic you won't find mentioned in the suave website prose.

1. Let's first of all deal with the argument that autonomy wouldn't work because it's illegal for a local authority to pay for advertisements urging tourists to visit their council's area - what's called 'destination marketing'. It might be or it might not be illegal, but the question's irrelevant because Shetland Development Trust, Shetland Amenity Trust and Shetland Arts Trust are **not** local authorities under the meaning of the Local Government (Scotland) Acts. They are trusts. There is no law to stop them funding 'destination marketing'. The constitution of the main trust enables it to do anything reasonable and lawful 'for the benefit of the inhabitants of the Shetland Islands'. The law governing the uses of the SIC Reserve Fund (i.e. the Sullom Voe Harbour profits) uses identical wording. There are plenty of precedents to prove that encouraging tourism in Shetland is a valid and effective use of these funds. So the contribution to the tourism budget from local public funds, whether directly from the council or from the trusts for clearly understood and specific purposes, need not be affected by reverting to an independent, membership-based tourism board.
2. Then there's the fear that the Scottish Government and/or Visit Scotland might withhold its share of the funding if we're not part of the Visit Scotland

organisation and its regional 'directorates'. Quite apart from the political outcry this would cause, the notion doesn't make sense. A properly administered local tourist board will be inherently more efficient and less costly (if only because of fewer flights, hotel overnights and hire cars south for staff, lower central administration overheads, etc.). It will therefore make better use of the public funds from both local and national sources. It can do the same work with less money, or more work with the same money so, whether as an agency, a franchise or as an independent body contracted to carry out the work that Visit Scotland is obliged to do in and for Shetland, it would save the government money. If there's a problem with this over legal technicalities, then the regulations can easily be amended by an Order in Council. It doesn't require a new Act of Parliament.

3. The third element of funding is the subscription income from members. This used to amount to about £35,000 a year, and its loss is currently made up for by retailing. I never completely understood the scale of membership fees for the former Shetland Islands Tourism but I do know they were too low. If we ask for public funds to assist our industry then we have to be willing to make a realistic contribution ourselves. In any new Shetland tourism organisation I would guess we have to look at membership subscriptions considerably higher than they used to be. The target figure from subscriptions would need to be around £55,000, depending on how much revenue continues to come in from a scaled-down gift shop. That would mean a 55-60% increase in subscriptions from their 2002 level.
4. Members also need to understand that if their locally owned and controlled tourist board is to thrive they have to support it by advertising in its guide and website pages. This revenue is an important source of finance but it isn't cheap and we do need to know we're getting value for money. For example, my own small business contributes about £2,000 a year to Visit Shetland in advertising.
5. Another source of local funds is the commission charged on sales. In the past I've heard people complaining because the tourist office charged them 10% on a ticket sold or a holiday cottage let. The correct response is: "Thank you very much and please sell some more so I can pay you another commission," because this is a fairly low mark-up compared with most retailing.

My belief is that members will be more willing to pay subscriptions and support the new organisation with advertising and commissions, if they feel it's owned and controlled locally and listening to their questions and suggestions.

So, that summary again:

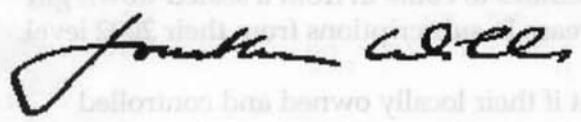
1. Visit Scotland has brought matters to a head by rushing into a re-organisation which looks like being a *fait-accompli* by the time they get round to full consultation with the industry and funding authorities in Shetland.
2. The reorganisation as proposed on the Visit Scotland website seems certain to downgrade, complicate and disrupt the Shetland tourism service.

3. This makes it more urgent than it was for us to discuss and agree on new arrangements for the tourism service in Shetland.
4. There appear to be no insuperable legal or financial obstacles to doing this.
5. And another thing - a membership-based organisation wouldn't be able to dream up drastic reorganisations like this behind the backs of its members.

Please bear in mind that, unlike Visit Scotland, I'm not trying to railroad you into an ill-thought-out reorganisation. I'm merely suggesting that we open negotiations with Shetland Islands Council, the Shetland Development Trust, Visit Scotland and other interested parties, to see if there's a solution we can all agree on.

My personal conviction is that we do need to run our own show again. I may be wrong; it might be easier and wiser to keep our heads down and let them bumble along for another decade - and two more reorganisations - before they work out the sensible solution on their own and in plain English. We'll see how the negotiations go. But this really is a debate, unlike the charade currently on offer from Ocean Point One.

Yours sincerely,



Jonathan Wills, elected member, STA Executive Committee

## Briefing **Putting the Customer First – VisitScotland Restructure**

### **1. Introduction**

In September, the new Scottish Government announced a review of the economic development agencies – Scottish Enterprise, Highlands & Islands Enterprise and VisitScotland. The aim of this review was to ensure that the activity of all the agencies is coordinated and that all agencies are making the best possible contribution to sustainable economic growth.

VisitScotland's core purpose remains to maximise the economic impact of tourism to Scotland through our core areas of activity, *marketing, information & inspiration* and *quality assurance*). However, to ensure that VisitScotland is making the best possible contribution to the 50% growth ambition and to meeting the needs of our different customers e.g. industry, visitor and local authority etc. we are going to introduce a number of changes to improve the customer focus of our organisation.

The changes outlined below are based on the feedback of our customers and staff and are centred on how we do things at VisitScotland, rather than what we do – our core purpose and objectives will remain the same. The aim of the changes is to make VisitScotland more efficient and effective and improve our contribution to tourism growth.

### **2. Putting the Customer First**

The underlying principle behind the changes we are making is to **put the customer first in everything we do**. We are simplifying our regional structure and aligning all our teams to customer-focused directorates. The changes will make it easier for businesses to engage with us and access advice that will help grow their revenues.

The new structure will have four directorates (see chart below) to reflect VisitScotland's customer groups. The four directorates are:

**1. Visitor Engagement** – will be built around our visitors and their “customer journey” : from deciding on Scotland as a destination through booking and travelling to getting the best out of their experience whilst here and keeping in touch after they have gone. This directorate will include UK and international marketing, business tourism and local marketing - including the transformation of our current Tourist Information Centres and information and sales network;

**2. Business Engagement** – will be built around helping businesses join up with customers through providing routes to market via marketing opportunities and events, through giving quality advice and assessments and through giving advice and consultancy;

**3. Strategic Partners** - will be focused on communications and strategic engagement with industry bodies, government, media, the public, staff, and other agencies; and

**4. Corporate Services** - will be designed to support internal customers and will incorporate IT, Facilities, Procurement and Finance.

## **2.2 Activity Chart**

[CHART WILL NOT COPY FROM PDF TO WORD – ATTACHED AS A SEPARATE FILE. JWGJW]

As set out in the Government's announcement, VisitScotland's network activities will be built round six regions (aligned to Highlands & Islands Enterprise and Scottish Enterprise regions). Each region will include several area offices. Each region will have at least three senior managers, each representing one of the three external customer groups. Local area offices will remain a fundamental part of the new organisation and will ensure we are close to our customers and can deliver effective local services in partnership with local authorities, tourism businesses and other agencies.

## **2.3 Recognising Regional & Island Diversity**

The new organisational structure will be flexible; we understand that 'one size does not fit all'. Geographic and regional circumstances will be fully taken into account in the new organisational structure. The crucial local dimension of Scotland's tourism industry will be given equal status and represented alongside imperatives and initiatives at the national level. Local areas will continue to benefit from being aligned with national marketing campaigns reflecting our "national dish with local flavours" approach to promoting Scotland. For example, we will retain our current island offices within a large Highlands and Islands region to ensure we remain close to our customers and can deliver effective local services in partnership with local authorities and other agencies.

## **3. Next Steps**

The next steps are to agree the detailed structure of the new organisation. This will be done after discussions with Scottish Government, staff, industry and our other partners such as local authorities. The key phases in the organisation are set out below; the intention is to agree the final detailed structure by the end of the year, this will include the management structure that sits below the levels outlined in this briefing.

Phase 1 : Direction, design and resource allocation – by 31 March 2008

Phase 2 : Implementation – from 1 April 2008

## **4. Summary**

There is much to think about and still lots of work to do and we will continue to keep everyone informed of the progress as we develop the overall structure for the organisation. The main principle underlying the changes is to ensure a complete focus on our different customers. We are confident that the changes we are making will make VisitScotland more customer focused, efficient and better able to support the growth of tourism and the Scottish economy.