

Public sector support for Scottish Tourism – a joint communication

Setting the scene

Many of Scotland's publicly funded bodies* provide vital support to grow Scotland's tourism industry, working closely with a wide range of sector specific and locally based destination organisation groups and individual businesses.

Despite recent concerns over certain types of public sector activity, support to tourism groups and compliance with European Union State Aid regulations, it is important to stress that this support for tourism will continue and is embodied in the industry led strategy, Tourism Scotland 2020, and through close working with the Scottish Tourism Alliance.

Following the EU Referendum and the UK's position, the Scottish Government firmly believes that EU membership delivers many social, economic and cultural benefits for individuals, businesses and communities across Scotland. As the First Minister has made clear, the Scottish Government will now explore all options to secure Scotland's place in the European Union so that these benefits can be preserved.

Meanwhile because of this, all of the UK's rights and obligations remain in place. In relation to State Aid this means both that the State Aid rules should continue to be considered when funding measures are being contemplated and implemented but also that any approved aid that has already been given continues to be subject to on-going monitoring by the Commission.

Commitments into action

At the heart of State Aid complaints relating to tourism is the issue of governments across Europe intervening in a functioning market for tourism goods and services by providing public funding support towards tourism activities which have the potential to distort competition and that could create an unfair advantage to some firms over others.

Significant public funding and support will continue to be available to support Scottish Tourism, but in response to the recent State Aid challenges, we all need to be more careful when defining and agreeing where this is used and in particular whether activity can be described as "commercial". The European Commission has defined economic or "commercial activity" as the provision of goods and services on a market that competes with activities carried out by the private sector.

Going forward therefore, a significant change is that public bodies have agreed to no longer support certain activities of tourism groups, such as operating on line booking services, buying and selling holidays and holiday accommodation and on line advertising as this is in direct competition with the private sector and was the main concern of complainants.

Other tourism activities such as running training courses, workshops, developing new tourism products, if being carried out by a publicly funded organisation, must comply with the relevant State aid rules, funding limits and guidelines. If aid is present compatible State Aid cover will be required

e.g. General Block Exemption Regulation (GBER) or De Minimis regulation (which has a limit over a 3 year rolling fiscal period of €200,000 funding per funded organisation from all public bodies).

Tourism groups are also able to undertake commercial tourism activity that competes on a private market if they fund this on a wholly commercial basis using no public monies. This requires a separation of accounts to ensure there is no leakage of public funds into the commercial operations. Commercial activities or services cannot be advertised or offered on a publicly funded tourism website.

Of course, if the activity which is seeking public funding support is not commercial/economic in that there is no commercial market e.g. improvements to footpaths, signposting, the provision of information for visitors, carrying out of research which will be publicly available, listings of facilities or events then aid may not be present.

New approaches to funding

In response to these challenges a number of destination organisations and sector groups have come up with innovative solutions to secure more sustainable long term funding for their activity. For example the **Loch Ness** group have ceased to operate trading as a DMO and have established a new tourism BID organisation, **Marketing Edinburgh** is setting up a separate commercial trading arm and associated governance to separate public and private funding, **VisitAberdeen** have created a new company, VisitAberdeen Trading Ltd to ensure all their trading income is kept quite separate from publicly funded activity, tourism activity in the **Fort William and Lochaber** area is now all channelled through the accounting systems and governance of the local Chamber of Commerce, the **Outer Hebrides** Tourism Industry Group are setting up a Community Interest Company, **Cairngorms Business Partnership** are looking , for budgeting and accountancy purposes, to split their structure into 2 separate companies covering trading and operational activities.

All of these initiatives are focused on providing transparency and improving the tracking of the activity that is being funded.

Scottish Enterprise, Highlands and Islands Enterprise and VisitScotland will adopt a joint approach to considering all applications for funding from tourism groups to ensure they comply with State Aid rules and will not fund activity which is likely to be in breach of the regulations or the complaint solution.

A wide range of potential support will continue to be available to projects which can contribute significantly to the growth ambitions and priorities of Tourism Scotland 2020, including advice and guidance, market information, support for private sector led product development, innovation, leadership and skills development.

Turning theory into practice

Here are some suggestions of what this means in practice:

1. Destination and sector organisations should have clear and concise business plans that articulate exactly what they intend to do and if they plan to access public funding what this

will be specifically used for and how it will make a difference e.g. generate extra visitors to an area, where these visitors will come from, increase visitor spend, improve the quality of the visitor experience. This will enable public bodies, who should be the first port of call for any queries, to make quicker and more considered decisions and assess more effectively if the activity for which funding is being sought is State Aid compliant;

2. Destination and tourism groups should share their plans with potential funders on a collective basis to enable the best overall package of support to be developed in line with State Aid guidelines;
3. Given that public funds are limited, tourism groups should prioritise and focus on activity that is going to provide the biggest impact on growing visitor spend, without duplicating or overlapping with activity that is already available on the market or that can be done more effectively by the private sector;
4. Private sector contributions and collaborations are even more important than ever and groups should be actively considering how best to maximise this through working with others, sharing functions and creating combined membership packages;
5. In an attempt to provide some clarity in relation to specific concerns – if a destination/tourism group has a web site that receives public money to create or develop it, this site should not contain paid for commercial advertising, however, it is feasible for a DMO/local/sectoral group to charge for a basic line entry listing on the site as long as the charge for creating the listing is not greater than the cost of providing the listing. Local groups can charge businesses to be “members” or “associates” of their organisation. State Aid only potentially applies when **public money** is used to fund activities being carried out by the group which are deemed to be “commercial”. Destination organisations and local tourism groups are not in themselves Tourism Authorities but many, if not most, are funded by one or several e.g. VisitScotland, Local Authority etc.
6. Public bodies are here to help and it makes sense that they are engaged as early as possible when plans are being drafted to help ensure that they match the aspirations of the national tourism strategy, reflect what visitors are really looking for and fill gaps in provision. As a result, it is likely that a more rounded and effective support package can be created.
7. Some concerns have been raised that the application of this new approach is interpreted and applied differently by different public bodies throughout Scotland. If there is any concern on this front and supporting evidence can be provided this should be drawn to the attention of the Tourism Team within Scottish Government at Victoria Quay, Edinburgh, EH6 6QQ, or by email to tourism@scotland.gsi.gov.uk. All bodies signed up to this guidance note (list below) will meet on a regular basis to review its practical application.

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**List of public bodies – this is not an exhaustive list*

Scottish Enterprise, Highlands and Islands Enterprise, VisitScotland, Scotland's 32 local authorities, Historic Scotland, Scottish Natural Heritage, Forestry Commission Scotland, Cairngorms National Park, Loch Lomond and the Trossachs National Park, The Lottery Funds, Caledonian McBrayne Ferries, Creative Scotland.