Introduction

The following response has been prepared by the Islands’ Partnership (IP) – the Destination Management Organisation for the Isles of Scilly. Formed in 2012, the IP is tasked with leading the recovery of Scilly’s visitor economy after more than a decade of decline. It has the backing of local industry with a membership of over 300 together with each of the major local stakeholders including the Cornwall and Isles of Scilly LEP.

Located 28 miles off the coast of Cornwall and out into the Atlantic Ocean the archipelago of islands that are the Isles of Scilly make for a truly distinctive destination, quite unlike anywhere else in England. It is by definition, one of, if not the most extreme examples of a remote, rural tourism destination in the country.

As with so many rural destinations, the very core of what makes Scilly so special conversely present the islands and its community with its biggest challenge. Isolated from the marketplace and limited in their options to diversify, the islands are sustained almost entirely by an economy based on tourism. Yet, since 2003 visitor numbers have declined by over 30%, threatening the sustainability of the entire economy and the community it supports. A lack of investment in the product and visitor experience to meet the changing needs of today’s more demanding visitor has contributed to this decline. At the same time, Scilly’s remote and small island population means that even the most basic of infrastructure and services that are ordinarily taken for granted elsewhere (such as delivering affordable and reliable electricity, drinking water, sewage treatment and waste disposal) present considerable economic and practical challenges.

Key Questions

The following submission provides a local Isles of Scilly perspective on the questions posed by the Select Committee. There will inevitably be recurring themes here with other submissions to this inquiry. However, our intention has been to highlight issues and potential solutions that are specifically pertinent to Scilly, yet in many cases, will have applicability to other rural areas.

Marketing

There are some excellent examples of rural destination marketing in England. However, in many cases a fragmented approach and lack of leadership combined with limited budgets and the absence of a strong and cohesive destination brand mean that rural destinations often struggle to impact the market place.

With the exception of a handful of honeypot destinations, England’s rural destinations continue to underperform by comparison to their city peers. The growth in visitor numbers in recent years to cities such as Manchester, Liverpool, Leeds, Newcastle and Bristol are in no small part (although each having a regional airport is clearly no coincidence) a result of a coordinated and sustained multi-agency commitment to investment in the ‘place’ and a
recognition of the importance of a cohesive city brand and positioning in their wider economic strategies. Unfortunately, such is the nature of most rural destinations, similar investment and coordination is far harder to achieve – or perhaps even justify in some cases.

Equally, the absence (in most cases) of significant national hotel chains or professionally coordinated accommodation bodies, mean that the cumulative impact of other marketing is limited.

Ultimately, by comparison to rural destinations, cities enjoy many competitive advantages. They simply translate more easily in peoples’ minds and enjoy greater awareness amongst both domestic and international markets. They are more of a known quantity and are perceived as a lower risk (less weather dependent) – particularly outside of the main summer season. Many of today’s modern city hotels and apartment’s core business comes from corporate events and business travel during the week. At weekends, they are able to offer significantly discounted rates to the leisure market which, in the current economic climate and deal-hungry consumer age, is often difficult to compete with for smaller country hotels, cottages or B&Bs.

Linked to this is the fact that many, smaller lifestyle-run rural businesses are comparatively under-skilled in modern marketing techniques and are far less digitally savvy. This can often also mean they are slower to respond to market trends and shifts in consumer demands and expectations.

There is also a growing awareness and general knowledge gap within younger market segments and new migrant communities. Compared with the traditional baby boomer generation that has perhaps been the traditional core audience, today’s generation Y and millennials market is growing in size and importance – yet their knowledge and awareness of rural destinations – or what they perceive it has to offer - is comparatively low.

What can be done to support the marketing of rural destinations?

- Stronger recognition and ideally funding streams for Destination Management Organisations in order to provide the local leadership, management and marketing expertise that is necessary to truly effect change.
- Increased investment in quality research and market intelligence – providing rural destinations with the tools and insight to compete and ensure their marketing is as targeted and effective as possible. This would also help to inform product development and investment decisions at a local level. There is considerable scope for collaboration and shared learning here too, drawing on the knowledge and expertise within both DMOs as well as national bodies such as the National Trust, English Heritage, cottage agencies etc.
- An added domestic focus to the VisitEngland team within VisitBritain, providing essential national leadership in both domestic marketing but also on policy, intelligence and partnerships.

Each of the above points should be set in the context of and enabled by a new Government Rural Tourism Policy – see later.
Access - Transport

Lying 28 miles off the coast of Cornwall, the Isles of Scilly is entirely dependent on its connectivity to the mainland. Whilst this is of course a major part of the islands’ appeal, it is nevertheless this accessibility and associated cost – whether for people or supplies – that impacts on the competitiveness and performance of Scilly’s visitor economy. As a consequence, the economy on Scilly – so dependent on tourism – is comparatively fragile and rests almost entirely on the performance of the tourism industry and the current sole transport operator.

In the past couple of years however, the islands have benefited from some major infrastructural projects that have sought to address some of these challenges. The surfacing of the runways at Land’s End airport together with the resurfacing at St. Mary’s, plus the works to extend and widen the quay and even the resurfacing of the roads on St. Mary’s have all contributed to a more resilient islands infrastructure and are foundations on which to build. Just as significant to the wider economy is the introduction of superfast broadband and more recently 4G to the islands, giving businesses across Scilly the opportunity to be as competitive as any on the mainland.

Whilst there are naturally a number of local issues and challenges that are specific to Scilly, there are some common areas that would benefit the islands, just as with other rural destinations:

- Improved integration of transport services – choice, timetabling, ticketing etc (The multi-modal yet largely unconnected nature of accessing Scilly is a known barrier to growth)
- Improved transport services for outlying and rural areas - reflecting and adapting to the changes in seasonality and peaks of demand from tourism
- Higher prioritisation of upgrades and maintenance of essential, yet not ‘inter-city’, trunk routes which provide vital connectivity to rural areas (e.g. dualling of the A30 in Cornwall)

Funding and fiscal policies

In recent years the Isles of Scilly has benefited from significant levels of government and European funding – some directly supporting tourism, some the core infrastructure and services that ensure we maintain a viable island community.

The LEADER programme in particular provided a valuable injection of funding and helped a number of tourism businesses on the islands (and elsewhere) to improve, add value and become more productive. More recently the islands have benefited from Coastal Communities Funding, although this has not been directly targeted at individual businesses themselves.

The current EU programme in Cornwall and the Isles of Scilly, whilst having significant funds to support business growth, does not recognise tourism as a priority economic growth
sector. Hence, aside from the generic business support and small business grants schemes that are available, there are fewer opportunities for tourism businesses to access funds or tourism specific business advice. Since the abolition of the RDAs and reduction in Local Authority spending, the industry has lost a huge amount of resource and expertise in this tourism business support and industry development field. The reduction in VisitEngland’s industry services department means a further loss of valuable knowledge and experience.

At a local level, the EAFRD Rural Tourism call for Cornwall and the Isles of Scilly has been delayed for over a year now. Whilst not significant sums of money (for Scilly at least), removing this blockage on the EAFRD funding should be a priority.

The wider impact and consequence of BREXIT is still unclear and ambiguous as to how much of the current EU Programme can still be committed – and more worryingly for the Isles of Scilly (and Cornwall), what if anything will replace this going forward.

It is not just about funding and grants per se of course. Tax or other forms of incentives could be a very effective way of stimulating investment and growth. One of the biggest barriers to growth on Scilly is the dis-incentive caused by the VAT threshold. Like many rural destinations, Scilly’s business base is typified by small and micro-businesses. For many of these, the VAT threshold is the difference between them trading year-round, or at least for a longer season versus closing down in late September. As a consequence, in recent years Scilly’s tourist season has reduced in length significantly – one of the major causes of its severe drop in visitor numbers. The result is a vicious circle, which inhibits businesses from scaling up or employing more staff to trade longer. Equally, this short season limits full time employment opportunities leading to underemployment over the winter and an often under-skilled seasonal workforce in the summer.

A further barrier to growth which is perhaps more acute on Scilly than anywhere else is simply the cost of doing business as a result of the cost of bringing goods and supplies to the islands. It is estimated that the uplift in operating costs on Scilly can be 40% higher than on the mainland due to our freight costs, reduced economies of scale and cost of energy and utilities.

We have previously discussed with our MP, Derek Thomas the potential of freight subsidies or even a pilot scheme on Scilly to test the effect of an increased VAT threshold. We remain open to exploring any such opportunities that would enable our businesses to compete on a level playing field with those on the mainland.

Planning

Given the small scale of Scilly, there is generally a good level of cross-agency collaboration on planning and regulatory matters effecting the islands. Its AONB status and many other designations contribute to a local commitment to encouraging sustainable tourism, whilst conserving the islands special environment and character.

The Isles of Scilly Wildlife Trust looks after more than 60% of the islands land, and delivers the AONB function on behalf of the Council. With the help of volunteers, grants, donations and legacies the small, professional staff team restores and maintains habitats for the
benefit of people and wildlife on Scilly. Like all Wildlife Trusts it is an independent charity without core support from government or landowner (Duchy of Cornwall in Scilly’s case). Nevertheless, a means of supporting or at least safeguarding this essential work – to protect and enhance our Natural Capital – would be welcomed.

The Isles of Scilly Local Plan is currently being re-written and will be published in 2017. Whilst this is and should be locally-led, it would be valuable to have improved guidance on sustainable tourism in the National Planning Policy Framework.

**Infrastructure**

Scilly’s emerging Smart Islands programme will begin to play an increasingly important role in addressing many of the islands infrastructure and utility challenges and has the potential to act as a catalyst in bringing about a more sustainable future for the islands economy and community as a whole. We hope that this project will provide significant opportunities for shared learning – including its ability to positively influence sustainable tourism.

We are grateful for the support provided by DEFRA and other government departments and agencies to this point.

**Defra role**

It will be important for DEFRA to continue to champion the rural economy and the important role that tourism plays within it.

We would strongly advocate the need for a **Rural Tourism Policy** to provide a clear framework to work across all government departments in addressing the many issues and challenges cited above and, no doubt in other Inquiry responses.

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