

Corporate Social Responsibility

Compiled by the Stevens View Partnership – 2 January 2008

BACKGROUND

As part of the Moray Tourism Audit a series of four topic papers have been produced. Their aim is to stimulate and inform discussion around key issues that will influence the future vision and direction of tourism in Moray in the future. The four topics are:

1. Climate Change
2. Whisky
3. Well-being
4. Corporate Social Responsibility

These topics have been selected because of their importance to tourism in the area. Corporate Social Responsibility (CSR) is rapidly becoming a fundamentally important strategy for public and private sector organisations and has a key role to play in providing Moray and its tourism industry with a competitive edge.

MORAY – CSR THE OPPORTUNITY

From a market perspective the modern competitive visitor destination must have a strong CSR dimension for the destination as a whole, as well as individual companies and organizations having strong CSR programmes. The key opportunity for Moray is to develop a collective CSR closely integrated with the individual businesses that focuses upon investing in the environment, community and doing better business, thus providing Moray with a strong competitive edge.

There is a significant opportunity to work with the premium brands in the area to develop Moray as the '*quality corner*' of Scotland. In doing so the CSR activity needs to ensure the sustained protection of the sense of place and its provenance through an appropriate CSR strategy.

The Findhorn Foundation is an internationally recognized centre of excellence in sustainable development. Moray has a real opportunity to use this expertise and brand to develop the CSR programme.

INTRODUCTION

CSR is how an organisation voluntarily manages its economic, social, ethical and environmental impacts on society. CSR applies to an organisation and its people (the public sector, charities and businesses) as they all have interactions with society and the environment.

In a special supplement on CSR published by The Independent newspaper (summer 2007), Dr Paul Toyne of Article 13 outlined the main forces stimulating the growth of interest in CSR. Toyne identifies six factors:

- (1) Demographic and development changes, in the form of a growing, ageing and more culturally diverse population in Europe, is impacting on business as are factors like disease and poverty and the revolution in values.
- (2) The significant increase in affluence, education and choice has given rise to a new consumer power whereby today's consumers can pick and choose which companies they wish to buy from.
- (3) Local factors, such as interaction with communities and how they function, governance, transparency and accountability of corporations have had a similar effect.
- (4) Businesses have also become increasingly aware of global factors such as population trends and local issues; relations with employees, supplier, customers, investors and regulators for example.
- (5) Employees, many of whom are aware of business impacts on society, are shaping company values and actions. Likewise the growth in shareholder activism has driven changes in how companies make decisions (its governance) and report.

- (6) Similar, the potential for future government regulation has driven CSR in some sectors as companies seek to demonstrate that they are already managing CSR issues voluntarily.

The debate about CSR has, in the main, so far, revolved around the definition and limits of the concept. There is now growing interest in devising strategies that simultaneously create economic and social value, thereby improving relationships with all stakeholders. As a result, companies are now rethinking their ways of doing business with CSR at the heart of their new business strategies.

THE CURRENT SITUATION

CSR has now become an essential part of the competitive strategies of many companies. Initially their interest was on CSR for marketing purposes. It is now clear that companies must show more than a mere aesthetic concern in their relations with (i) the environment, (ii) communities, (iii) labour laws, (iv) human rights and (v) fellow businesses.

“Corporate Social Responsibility (CSR) is not just a fad. Society’s demand for CSR is unlikely to diminish. In fact companies are finding that CSR is absolutely necessary for doing business”.

European Academy of Business in Society, Barcelona

CSR generally refers to business decision making linked to ethical values, compliance with legal requirements and respect for people, communities and the environment. CSR is seen by leadership companies as more than a collection of discrete practices or occasional gestures, or initiatives motivated by marketing, public relations or other business benefits. Rather, it is viewed as a comprehensive set of policies, practices and programmes that are integrated throughout business operations and decision-making processes that are supported and rewarded by top management.

In October 2007 Richard Reeves, writing in ‘*Management Today*’, stated that:

“This triple connectivity – of companies, issues and media – is the backdrop against which corporations are now obliged to operate, and to demonstrate that they are doing so responsibly. The combined power of

concerned consumers and scandal hungry global media outlets makes the market a volatile place.

“This is the third chapter of the corporate social responsibility movement”, says Seb Beloe, vice president of research and advocacy at SustainAbility, a UK think-tank specialising in CSR issues. “The pressure is now coming from the market – from retailers, customers and investors. There is now real economic value at stake”.

The current emphasis on market forces is in contrast to the origins of the CSR movement, which were regulatory rather than economic. The first iteration in the 1970s and 80s was concerned with the environment and driven by laws intended to clean up the air and water. Beloe says this first phase was marked by a ‘compliance agenda’, and the regulations were seen by most firms as a pure cost, providing work for lawyers rather than activities of consultants.

In the 1980s – at least in the UK – a philanthropic dimension was added: Business In The Community, celebrating its 25th anniversary can lay a good claim to be the pioneer of this field. Companies were cajoled into competing with each other to be good, with their successes and failures tracked by various indices and memberships of certain groups. BITC’s ‘Per Cent Club’, consisting of firms that give at least 1% of profits to good causes, is a classic example of this approach.

By the 90s, firms also faced growing pressure from non-governmental organisations (NGOs) and the media to improve their record on the environment and social issues. This ‘ranking and reporting’ stage lasted well into the nineties and continues to dominate the mainstream CSR agenda. But CSR departments are usually not the places to which high-flyers beg to be promoted. That may change.

In its latest incarnation as ‘sustainability’, CSR is being mainstreamed in some businesses, according to industry experts, Rather than being a bolt-on, it is now being embedded in the business model of some firms. The UK exemplar of this new, deeper application of the principle of responsibility is Marks & Spencer, which last year implemented a 100-point ‘Plan A’ to make the firm carbon-neutral, reduce the proportion of its waste going into landfill to zero, switch over time to organic cotton and move towards fairly traded products. In its latest campaign, M & S donated 5% of the purchase

price on all sales of school clothes to support a Save the Children campaign to create schools in Uganda whilst Macdonald Hotels and Resorts and Hilton Hotels invite guests to make a contribution to designated charities and the fruit drinks company, INNOCENT, donates 10% of every purchase to charity.

In the rush to be green, companies might overlook other issues, such as health and safety, labour relations or local community impacts. It is hard to prove that consumers are rewarding more responsible firms. But the fear that they will do so has forced other retailers to up their game. Tesco has announced plans to spend £600m on making its operations more sustainable and to introduce 'carbon labelling' on its products.

The third dimension of the next phase of the movement is the readiness of some companies to act on ethical rather than economic grounds. Until now, the case for CSR has always been that responsible, sustainable businesses will be more profitable business.

There are signs that this invisible integrity might break into the public domain. A report by a taskforce established by think-tank Tomorrow's Company to examine the future of global corporations, whose membership included representatives from BP, Ford, Alcan and McKinsey, suggested that a key next step was for tomorrow's global company to 'expand its view of success and redefine it in terms of lasting positive impacts for business, society, communities and the environment'. This means that an explicitly ethical dimension is surely necessary for the deeper potential of the CSR movement to be realised.

POLITICAL SUPPORT

In April 2006 the, then, Westminster Government's Minister for CSR, Malcolm Wicks, stated that "*the Government's vision for CSR is ambitious with the subject being at the heart of the modern company*". It has established the CSR Academy and the Business in the Community CSR Index to provide benchmarking against performance.

CSR is considered to be relevant to all companies large and small. The Government contends that it produces direct positive impacts contributing to the five drivers of productivity identified by Michael Porter in '*UK Competitiveness: Moving to the Next Stage*' (DTI Economics Paper No 3 2004):

- Investment

- Innovation
- Skills
- Enterprise
- Competition.

In the ‘*Corporate Social Responsibility*’ report produced by the UK Government (May 2004) – see www.csr.gov.uk – the business case for CSR is clearly made highlighting that both bottom line profits, as well as enhanced consumer loyalty, are key benefits from an integrated approach to CSR within the company. The report also highlights the importance of community investment as a core feature of a balanced CSR programme. The report states:

“Successful economic regeneration is vital to reversing the deep rooted problems of our most deprived areas. Whether it’s new markets to increase profitability, developing untapped talent, job creation for residents or better local services, investment in deprived areas can bring benefits to both companies and the wider community. Real business involvement is essential to turn around deprived neighbourhoods and build strong and healthy communities. We are encouraging business to get involved in a number of ways. These are:

(a) Corporate Challenge

In the 2002 Pre-Budget Report, the Chancellor announced that we would work with the voluntary and corporate sectors to promote a culture of volunteering and giving. The Corporate Challenge is a joint Treasury and Home Office initiative aimed at increasing corporate community involvement in three main areas:

- corporate support for employee giving
- corporate support for employee volunteering
- corporate giving.

(b) Community Investment Tax Relief (CITR)

This scheme, which arose out of the Social Investment Task Force's report 'Enterprising Communities' (October 2000) came on line in January 2003. The aim is to support lending to enterprises in disadvantaged communities that are excluded from mainstream sources of finance. The scheme awards tax relief to individuals and corporate bodies investing in accredited Community Development Finance Institutions (CDFIs), which in turn provide finance to qualifying profit-distributing enterprises, social enterprises or community projects. The tax relief available to the investor is 5% per annum of the amount invested.

CRITICAL SUCCESS FACTORS

In November 2007, 'Management Today' published a supplement entitled 'Doing Good: Do It Right', a guide to the implementation of CSR¹. The ten key strategic critical success factors for a successful CSR programme are identified as:

(a) Management

1. Ethical integrity and a policy that permeates throughout the organisation are as important financially as a strong brand and good management. It is, therefore, a company-wide issue.
2. CSR requires a serious commitment including an involvement at the highest level.
3. CSR has to deliver locally for community, environmental, employee and other stakeholders.

(b) Organisation

4. CSR has to be relevant to the organisation's values, goals, products and services, as well as the needs of its stakeholders.
5. CSR should be linked to wider corporate innovation. The consultancy Arthur D Little refers to this integration as the *Sustainability Value Formula*: Integrity + Innovation = Sustainable Performance. Their research shows

¹ Prepared by Dr C Mackenzie, Head of Business Ethics, Glasgow Caledonian University.

that successful innovators with CSR “achieve on average a six times higher Ebit (earnings before interest and taxes) margin than the underperformers”.

(c) Communications

6. Promote CSR efforts to the world including stakeholders and investors.
7. Listen to stakeholders especially NGOs and community groups to understand issues and needs.

(d) Reporting

8. Set targets and publish them in order to monitor progress.
9. Use existing benchmarks including the Business in the Community Corporate Responsibility Index (www.bitc.org.uk).

(e) Strategy

10. Reap the regulatory benefits, incorporate CSR into business strategy but “whatever you do, don’t do nothing”.

The conclusion of this advocacy of CSR is that:

“Corporate Social Responsibility is a hard-edged business decision. Not because it is a nice thing to do or because people are forcing us to do it ... because it is good for our business”.

Niall Fitzgerald

Former CEO Unilever at ‘Responsible Business Travel’ Conference, 27

February 2007

BUSINESS REACTION

In June 2007 Grant Thornton and Business Week Research Services conducted a survey to explore executives’ views on Corporate Social Responsibility. Over 500 business leaders across the UK were interviewed. The key findings include:

- (i) Despite a decrease in economic and business optimism, executives expect more resources will be allocated to CSR initiatives.

- (ii) Executives are supporting CSR initiatives not just for compliance or image reasons but because they believe it improves profitability.
- (iii) Interest in these issues is unlikely to fade over time because activities are becoming part of standard business practices.
- (iv) Executives believe social responsibility programmes may provide the greatest opportunity for companies to break away from the pack and demonstrate leadership.
- (v) Executives welcome increased government regulation regarding CSR because they see it as a way to ensure that everyone plays by the rules.

In Scotland AGENDA has been established to generate awareness of social responsibility by creating an inclusive network of businesses, local authorities and NGOs (www.agenda-scotland.org). AGENDA is the founding partner² in the CSR Vaderegio EU funded programme to examine CSR at the regional level. The Vaderegio network is now an association open to all interested in CSR (www.vaderegio.net) and collaborative working to drive regional economic growth.

The Archbishop of Canterbury has recently stated that “*self betterment through competitive economic activity can work as a shared human good ... where responsible capitalism has become properly human*” (quoted in FIRST magazine autumn 2007). The FIRST Award for Responsible Capitalism was created to recognise outstanding achievements in terms of applying the principles of moral and social responsibility in a way that combines social commitment with business acumen and innovation. The inaugural winner was the Tata Group whose ‘*Council for Community Initiatives*’ has developed the Tata Index for Sustainable Human Development – a new business model to drive social responsibility initiatives and quantify their beneficial impacts on stakeholders.

In the CSR era, some of the super rich are giving away vast fortunes – but with strings. This generous new breed apply the sophisticated financial skills that made their fortune to invest in and control their own charity portfolios. The tenet is clearly that: “*Greed may be good, but generosity is even better*”. According to the Giving Index, published by the

Sunday Times, £1.2 billion has been donated by the top 30 philanthropists this year, three times the amount given in the previous year. In an era when the big money is in the hands of individuals rather than corporations, vast fortunes are being made, and given away.

A couple of years ago, Charles Handy coined the term 'new philanthropist' to distinguish the philanthropists of a bygone age – the Levers, Rowntrees and Cadburys – from the new breed of self-made millionaires, who have no interest in passing on their wealth to heirs but would prefer to invest in CSR.

They give expansively ... but with strings attached. While companies might be happy to discharge their corporate social responsibility with a big cheque then walk away, the successful entrepreneurs '*the new philanthropists*': hedge-fund and private-equity managers who, via their own foundations, choose to '*invest*' their donations in other charities and projects and use the latest money-market strategies, research tools and techniques to manage the performance of their portfolios. As a result, we are seeing that people do in philanthropy what they do in business. The entrepreneurs want to start things. They are shrewd money managers who want to be assured the money they are donating is doing good, so they hold the charities more accountable than they used to be'.

CSR AND TOURISM

Recent research by nVision on '*Societal Aspirations in Europe*' resulted in a review of the state of CSR across Europe and their implications for business development strategies. The key findings were:

1. The residents of Finland, Luxembourg, France, Greece, Sweden and Austria were most determined that environmental enhancement was the priority for society over economic development.
2. Over 80% of the residents of Denmark, Sweden, Norway and Great Britain were influenced by ethical or environmental concerns when purchasing groceries.

² Along with The Basque Region, Flanders and Sicily. The network now includes Catalunya, South Denmark, Nord Pays de Calais and Slovakia.

3. Over 40% of UK residents are very or extremely concerned about the global environment, fair trade and the state of the local environment.
4. The countries whose residents are most likely to boycott products for ethical reasons are: Sweden, France, Finland, Denmark, Norway and Switzerland followed by the UK, Austria and Germany.
5. Over 50% of all residents in the following countries would be willing to pay as much as 10% more for grocery items if they could be sure they would not harm the environment: Italy, Spain, Great Britain, France, Ireland, Germany, Norway and Denmark.

The evidence of consumer loyalty in respect of supporting CSR in the travel industry is becoming increasingly evident as was seen in the World Bank Report '*CSR in the Tourism Industry? The Status of and Potential for Certification, Codes of Conduct and Guidelines*' by Dodds and Joppe (June 2005).

The report concluded that the definition of corporate social responsibility (CSR) has many similar elements to sustainable tourism in that both focus on how stakeholders should be identified and engaged and that initiatives should be measured to determine their impact on others. Whereas CSR relates to a company's obligation to be accountable to all of its stakeholders in all its operations and activities with the aim of achieving sustainable development not only in the economical dimension but also in the social and environmental dimensions, sustainable tourism was first seen mainly from an environmental perspective and has only recently incorporated social and community aspects.

Overall, the percentage of consumers who consciously look for sustainable travel packages or ecotourism has been estimated to be as high as 5% of the overall market for travel, although up to 30% feel that it would be 'nice to have' but without an accompanying willingness to pay (World Tourism Organization - WTO). With increased awareness of general societal issues regarding sustainability, this number is expected to increase somewhat.

According to National Geographic, there are 55 million 'geo-travellers' in the United States who are environmentally and socially responsible and have *ceaseless expectations for unique and culturally authentic travel experiences that protect and preserve the ecological*

and cultural environment. 38% of these travellers would be willing to pay a premium to patronise travel companies that use sustainable environmental practices (although it should be noted that only 1% of US travellers take holidays overseas).

In Europe, 95 % of Swiss tourists consider respect for local culture to be highly important when choosing a holiday and approximately 87% of respondents in a responsibletravel.com survey suggested they were also interested in locally produced food, local culture and using local guides when on holiday. The Association of British Travel Agents (ABTA) survey said that it was very important that their holiday did not damage the environment (45%) and that it benefited the people of the destination they were travelling to (for example, through jobs and business opportunities (30%).

Consumer surveys indicate that there is a willingness to pay for more sustainable types of tourism. In the STI survey (2004) 75.4% of self-declared environmentally oriented consumers declared they were willing to pay \$1-20 extra per ticket to mitigate the green house gas effects of their travel. Seventy-seven declared they would switch online travel sites to one that made contributions on their behalf to offset the portion of their emissions.

The National Geographic geotourism survey suggested that 61% of those interested in environmentally and socially sensitive travel would pay 5-10% more to use such companies. The Mori (2002) study suggests that package holiday makers would pay more if money went towards preservation of the local environment and reversing some negative environmental effects of tourism (47%), workers in the destination are guaranteed good wages and working conditions (49%), hotels serve food produced locally (36%) or money went to support a local charity (22%). These consumers said they would be willing to pay up to 10% more for a holiday (1-2% more = 36% of holiday makers, 5% more – 39%, 10% more = 18%).

VOLUNTARY PAYBACK INITIATIVES

In the previous section the research analysis highlights the increasing evidence to suggest that visitors are willing to pay for a direct contribution to assist with community and environmental projects in the host destination.

This has led to the development of '*Voluntary Payback Initiatives*' (VPIs) as a type of CSR that involves the consumer. VPIs can take many different forms. A description of these different types of schemes is included as Appendix 4.

THE KEY ISSUES FOR MORAY

1. Creating an agreed integrated strategy for a destination-wide CSR programme.
2. Integrating the destination CSR with the CSR activities of the major brands.
3. Creating the most appropriate and efficient vehicle for implementing the CSR programme.

APPENDIX 1: GLOSSARY OF TERMS

ACCA	Association of Chartered Certified Accountants
Balanced Scorecard	A set of financial and non-financial indicators of a business's performance.
BITC	Business in the Community
Competitiveness	Ability to generate economic rents or Economic Value Added in a particular market.
CSR	Corporate Social Responsibility.
EBRD	European Bank for Reconstruction and Development
Economic Rent	The excess of revenues at factor cost over the opportunity cost of employing all factors of production.
EVA	Economic Value Added, the spread between the return on capital and the cost of capital within a single period.
FTSE4Good	Index of stocks which meet certain ethical criteria.
ILO	International Labour Organisation
IMF	International Monetary Fund
Intangible	A source of future benefit which does not have a physical or financial (stock or bond) embodiment.
NGO	Non Governmental Organisation.
OFR	Operating and Financial Review
Shareholder Value	The present value of future cash flows of a business, discounted at its weighted average cost of capital, less the value of debt.
SMEs	Small and medium size enterprises
SRI	Socially Responsible Investment
Stakeholders	Individuals or groups with a legitimate interest in a company.
Sustainability	Capacity for continuance over the long term.
VCI	Value Creation Index.
WSSD	World Summit on Sustainable Development

APPENDIX 2: WEBSITES

ACCA UK Awards for Sustainability Reporting	www.accaglobal.com/sustainability/awards
AccountAbility	www.accountability.org.uk
Agenda	www.agenda.scotland.org
Business in the Community	www.bitc.org.uk
Ethical Trading Initiative	www.ethicaltrade.org
Forum for the Future	www.forumforthefuture.org.uk
Government CSR	www.csr.gov.uk
Government Sustainable Development	www.sustainabledevelopment.gov.uk/skid/
Just Pensions	www.uksif.org
OECD Guidelines – UK National Contact Point	www.dti.gov.uk/ewt/ukncp
OECD Guidelines for Multinational Enterprises	www.oecd.org.uk
Royal Institute of International Affairs	www.riia.org
Scottish Business in the Community	www.sbcscot.com
UN Global Compact	www.globalcompact.org
World Travel and Tourism Council	www.wttc.org/publications/CSLReport

APPENDIX 3: EXEMPLARS OF GOOD PRACTICE

1. **Portman Travel** was quick to acknowledge the damaging link between travel and the environment. Business travel – while for the most part unavoidable – is often one of the main contributors to a company's carbon footprint, something all responsible businesses, including Portman, are trying hard to address. It was for this reason that Portman introduced Portman Forest (www.portmanforest.com).

Going strong since 2006, this groundbreaking initiative demonstrates Portman's own commitment to fighting climate change and provides its clients with a way to minimise the impact of their domestic and international travel.

Through Portman Forest, clients can offset their CO₂ emissions by supporting projects in renewable energy, energy efficiency and sustainability around the world, in association with the CarbonNeutral Company, the UK's leading climate change organisation.

2. **Air France Foundation** – Fifteen years ago, the Chairman of Air France asked a small team to create a foundation, within the airline, with the goal of helping children in difficulty. Today, a large support network in France, Europe and throughout the world supports nearly 450 projects working to improve the daily lives of children suffering the consequences of natural disasters, political conflicts, illness and poverty. Education and training for children are the guiding principles.

The Foundation is committed to long-term projects and does not intervene in emergency situations. It does not run projects itself, but supports NGOs and non-profit organisations that have submitted their projects and been selected by the Foundation.

In 15 years the Foundation has devoted a budget of nearly €10 million in support of 450 projects working with approximately 400,000 children. Its geographic scope is immense, as it corresponds to the Air France network.

APPENDIX 4: VOLUNTARY PAYBACK INITIATIVES – AN INFORMATION PAPER

Prepared by Stevens & Associates and View Marketing

January 2008

Introduction

1. The issue of raising income from visitors can now involve voluntary payback schemes. Such schemes, commonly referred to as VPIs, are not uncommon in tourism destinations.
2. Obtaining money from tourists on a voluntary basis to help maintain services and facilities used by them during their visit is not a new idea. For many years donation boxes and honesty boxes have been used at rural car parks, in churches and at historic sites. These have relied upon the visitor making a conscious decision to contribute either a suggested sum or an unspecified amount.

“Visitor payback is a term which means the process of visitors choosing to give money to assist the conservation or management of places they visit. The term refers to voluntary giving rather than a compulsory payment such as a local tourist tax. As such, visitors are able to gain a sense of well-being from their actions”.

3. In recent years there has been a growing body of evidence that tourists are willing to pay ‘extra’ for good causes and projects that have a direct, positive impact upon the environment or community where they are staying or visiting. A number of hotel groups now apply a voluntary opt out charge added to a guests accommodation bill for a particular charity. Both Macdonald Hotels and Hilton Hotels currently apply this approach.
4. One of the most successful voluntary tourism levies in the UK is managed by the Tourism and Conservation Partnership in Cumbria but focusing primarily on the Lake District National Park. In the order of £170,000 will be raised in this way from 180 participating businesses (and other sources) in this current financial year, the majority of which is invested in a wide range of local conservation and access improvement schemes.
5. If revenue is the sole motivation in starting a scheme this should not be the case. Visitor payback is not a get rich quick scheme, nor is it just a fund raising mechanism. Rather it embodies a symbiotic relationship between place and the visitor. The non financial benefits are significant.

Background

6. Over the past 12 months it has become apparent that successful tourism destinations have direct access to significant sources of funding locally derived from tourists within their communities. This funding is generally gathered through applying a local bed tax and/or a sales tax on top of a national or regional tax. These taxes tend to be in addition to central government-collected VAT.

7. There has never been a political appetite in Britain to impose such taxes within the tourism and hospitality industry. Successive UK governments have consistently rejected calls to generate additional revenues that could be fed back into the industry. The Scottish Parliament has similarly dismissed such ideas. VisitScotland has also shown little enthusiasm for any formal schemes of this nature fearing that it could contribute to perceived higher pricing and poorer value for money.
8. The Lyons Inquiry into local government spending established by the Office of the Deputy Prime Minister has presented its Interim Report. The Inquiry has had its remit extended to look at a review of council funding. There have been several submissions to the Inquiry advocating the introduction of a discretionary tourism tax on serviced accommodation.
9. In the absence of any formal precept applied on tourists for the benefit of tourism, a number of destinations have introduced a voluntary payback initiative of some description. These different schemes have all, to varying degrees, proved successful. Their experiences in managing these schemes provide evidence of good practice, as well as key lessons to be applied when developing a new scheme for a destination. This proposal has been informed by this international good practice.

Learning from Others: VTI Good Practice

10. This proposal has been informed by reviews of good practice and published guidance from a number of destinations and sources:
 - (i) The work of the Tourism & Conservation Partnership based in the Lake District;
 - (ii) A review (August 2005 by Stevens & Associates) of visitor payback/voluntary levies in 20 areas, including:
 - Peak District National Park
 - Exmoor National Park
 - Isle of Wight
 - South Hams District, Devon
 - Suffolk Coast
 - Yosemite Association, USA
 - Balearic Islands Eco Tax
 - (iii) '*Visitor Payback Schemes: How to Make Them Work – A guide for tourism officers*' published by the English Tourism Council (June 2001);
 - (iv) Ashcroft, P and Denman, R '*Visitor Payback*', The Tourism Company 1997;
 - (v) Tarka Project '*Visitor Payback Project 1997* (www.tarka-country.co.uk);
 - (vi) Sustainable Travel & Tourism, '*Spain's Balearics Approve Tourist Eco Tax*' (www.sustravel.co);

- (vii) The Tourism Business Council of South Africa's one percent voluntary tourism levy (www.tbcsa.org.za) on all accommodation charges;
- (viii) The hugely successful voluntary Environmental Management Charge in the Great Barrier Reef National Park (Australia) which raises AUS \$7m per annum (www.gbrnapa.gov.au);
- (ix) By far the most important source of information on Voluntary Payback Initiatives has been the work of Scott and Christie on behalf of the Countryside Council for Wales. It is entitled 'Charging for Conservation: Visitor Payback', March 2002 and has identified the following key issues for a VPI:
 1. The importance / necessity of a 'feel good' factor for visitors participating in visitor payback schemes;
 2. The need to directly involve the tourist, environmental and visitor organisations in a partnership with active dialogue;
 3. The current reluctance of business interests to embrace the visitor payback concept due to its perception as a hidden 'tax';
 4. Significant differences between the preferences of visitor payback techniques from the visitor (opt in / opt out and donations) and business focus groups (merchandising and membership);
 5. The need for clear aims and objectives in a visitor payback project pertaining to conservation and visitor involvement (not income based);
 6. The need to present clear, unambiguous information about a conservation visitor payback project to the visitor;
 7. The need to have a flexible and complementary approach to the use of visitor payback techniques suiting a chosen technique to the needs of the tourism industry and visitor preferences with a valid project;
 8. The need to channel visitor donations into conservation projects and not lose them in administrative costs;
 9. The need for administration and professionally managed visitor payback schemes;
 10. To develop payback projects that are sustainable in terms of the project and the agency administering the scheme;
 11. To have a lead organisation that can command legitimacy and public support.

This report also sets out a template for designing a visitor payback scheme. This is reproduced in full as Appendix 1 to this Discussion Paper

Raising Money through Visitor Payback Initiatives

11. There are six main categories or methods of raising money through payback schemes:

- (1) **Supplements** – Involving adding a small optional supplement to the cost of accommodation or services usually implemented via a voluntary opt-out scheme where the visitor is asked if they want the supplement removed from their bill. This is regarded as the most effective way of raising money.
- (2) **Percentage of Fees** – Although similar to supplements, this does not involve asking the visitor; it relies on businesses donating an agreed percentage of fees received for a service or merchandise. This works well for non-accommodation tourism businesses and other businesses which benefit either directly or indirectly from visitor spending.
- (3) **Collection Methods** – This involves simple fundraising events or systems using collection boxes or envelopes in hotels, etc; honesty boxes at car parks or trails; or similar. These schemes are notoriously poor for raising money.
- (4) **Corporate Sponsorship** – There is significant potential and opportunities to develop specific schemes for particular sponsors.
- (5) **Participation** – A growing number of tourists want to participate in conservation activities whilst on holiday and will pay for the privilege. There is scope to introduce such packages.
- (6) **Membership** – Many visitors and, indeed, residents are willing to pay an annual membership fee to support the types of environmental and community improvements that could take place. In return they will expect to receive regular newsletters and destination information. Although costly and time consuming to service, this would be a good customer relations exercise.
- (7) **Merchandising** – This can be specifically produced goods or a percentage of sales.

12. The key lessons from all the examples of good practice are as follows:

- Keep the scheme as simple as possible;
- Introduce one method of raising money at first then allow it to evolve, grow and broaden;
- It has to be appealing and straightforward for the visit;
- It has to be easy to administer by participating businesses;
- Information about beneficiary projects has to be available;
- Beneficiary projects need to be identified and agreed at an early stage;
- Beneficiary projects have to be real, visible, accessible, achievable and relevant to:
 - Visitors
 - Participating businesses
 - Residents
 - The destination as a whole

- Experience suggests that 98% of visitors are prepared to pay in a voluntary capacity.

Market Research Indicates Consumer Willingness to Pay

13. There is an increasing interest amongst consumers to invest in the communities in which they are visiting. Research published in February by the Stockholm Institute identified that some of the core markets are actually frustrated at not being able to make a contribution to enhancing the environment. This is supported by a number of recent research studies. For example, in 2004 the Cairngorms National Park Authority undertook a survey of visitors. One of the key questions was designed to test their attitudes to the environment and its management. The specific question on VPI revealed that:

“61% of tourists are willing to donate money to help local conservation causes”.

14. This response is entirely consistent with the findings of a number of other attitudinal studies, together with the outcomes of projects which have been implemented around the world. Examples of findings of other studies include:

“63% of all consumers stated that a well-managed environment was important when choosing a UK destination and 76% thought their stay should benefit local people”.

English Tourism Council, 2004

“80% of British travellers are prepared to pay £30 - £70 extra per fortnight to book a hotel with a responsible environmental attitude”.

Futures Foundation, 2006

“80% of UK holidaymakers say it is important that their holiday does not damage their destination’s environment. 75% say it is important that their holiday benefits the destination”.

MORI, 2000

Aims of Introducing a VPI

15. The overall purpose is to establish an efficient method of operating a voluntary payback initiative on a long term, sustainable basis following an initial one year pilot project. The aims of the project will be to:
 - Raise funds from visitors via tourism and other businesses to maintain and enhance the appeal of a destination;
 - Undertake improvements to the environment as well as its community facilities and services, thus benefiting residents and visitors alike;
 - Promoting awareness of sustainable tourism by demonstrating that a responsible approach can benefit conservation, culture and secure a strong base for prosperous, local businesses;

- Provide a coordinated and collective approach that brings together a wide range of interests in a way that maximises the local benefits from tourism.

The Benefits of a VPI

- This is a win-win situation; visitor payback is softer and more appealing than taxes;
 - These schemes give tourists and participating businesses a 'feel good' factor;
 - They result in real, visible and practical improvements on the ground;
 - Payback has the potential to tap previously 'untapped' sources of funding;
 - There are significant, interesting and different PR benefits for participating businesses and the destinations;
 - Visitors are able to feel involved and can become involved in projects helping to generate loyalty, repeat businesses and higher levels of satisfaction;
 - Traditional suspicion and ambivalence between conservation and community interests and tourism can be dismantled as all parties work together on projects with shared goals and benefits;
 - Creates a strong public statement about sustainable tourism in action.
16. In order to take full advantage of maximising this income in terms of tax efficiency and leveraging additional funding (grants, gift aid, sponsorship, etc) this scheme should:
- (i) be regarded as social enterprise with charitable intent;
 - (ii) be delivered by an independent trust.
17. Under these circumstances it would be helpful if a specifically established Trust were to establish a separate panel to assess and decide what schemes would qualify for fund support. There will also be a specific fund collection, collation and distribution accounting system for absolute transparency.
18. There will be five types of projects capable of receiving support from VPI funds:
- Conservation and access; that
 - Community cultural and heritage;
 - Community leisure and recreation;
 - Sustainable transport;
 - Public art and enhancement of the public realm.

Leveraging Other Funds

19. A wide range of sources of funding are available to match the contribution of the VPI in supporting local projects. These include:
 - Heritage Lottery Fund
 - The Big Lottery Fund
 - Sports Lottery
 - Arts Lottery
 - Various trusts and grant-aiding bodies:
 - Esmée Fairbairn Foundation
 - Gulbenkian Foundation
 - Sponsorship and relationship marketing that.

Annex 1: Designing a Visitor Investment Scheme

(Source: *'Charging for Conservation'* by Institute of Rural Studies, University of Wales, Aberystwyth, March 2002)

Rationale

This research has demonstrated that there are several techniques available as part of a visitor investment scheme. Their success lies ultimately in the way they are implemented and managed rather than in the use of any one dedicated technique. From detailed analyses of the case studies and focus groups, a clear picture has emerged of the process and associated structures that are required for a successful scheme.

The differences highlighted in the focus groups between the various techniques, in terms of their desirability do not allow us, with any conviction, to state that one technique is necessarily better than the next. Therefore, what follows is a recommended plan for a visitor investment scheme (visitor payback). Whilst this might appear prescriptive it provides best value in terms of resources and outputs (Figure 2).

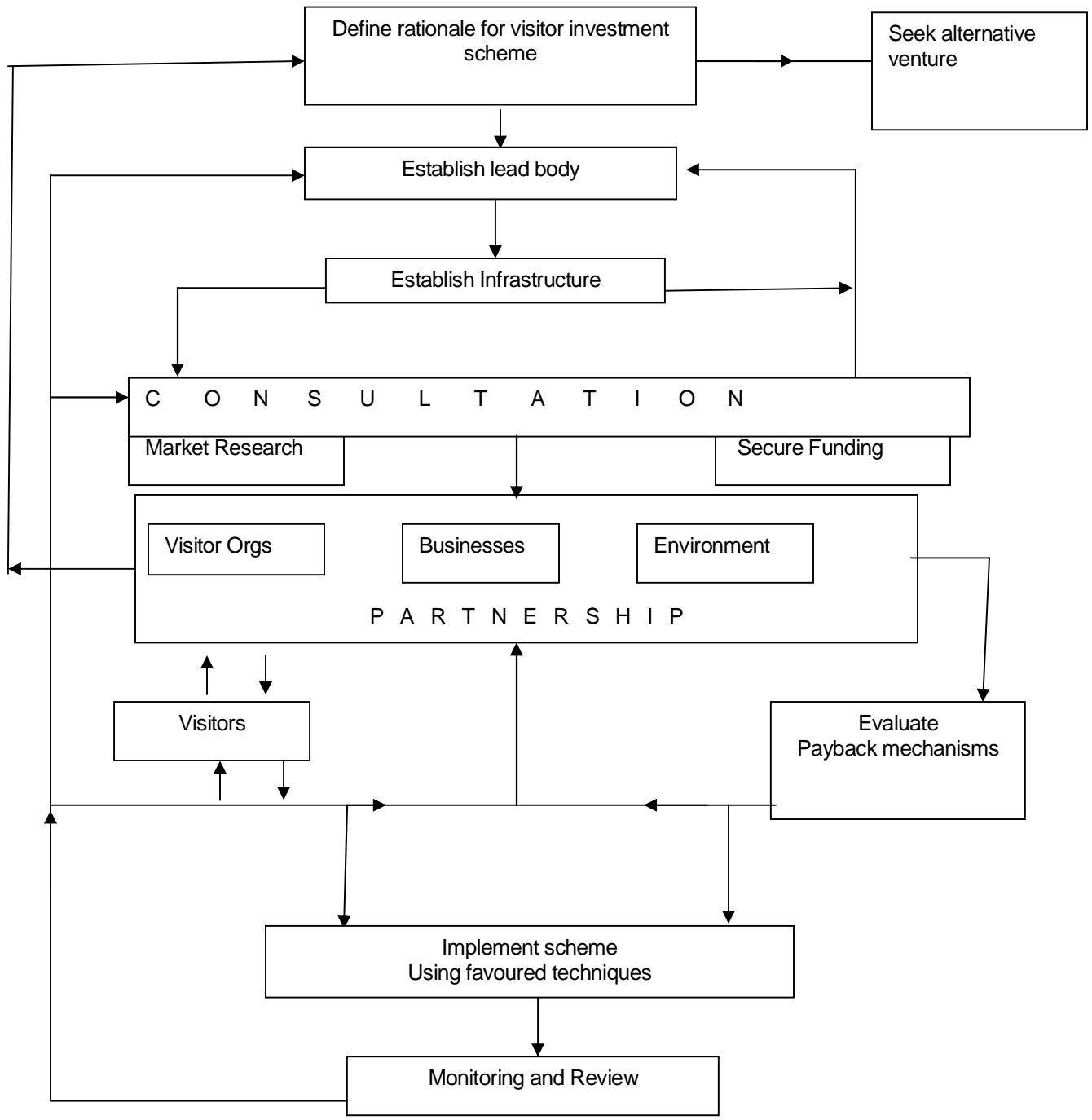


Figure 1 : Recommended Sequence in establishing a visitor investment scheme

Is Visitor investment suitable?

The process illustrated in Figure 2 is applicable at a range of scales; national-regional-local. However, the most important issue that needs to be addressed is whether a scheme should be developed in the first place. This research has demonstrated significant concerns about the utility and wisdom of visitor investment and it is clear that the rationale for visitor investment must be based more on the concepts of partnerships, visitor satisfaction, environmental awareness and business participation than with any motive towards fund raising or carrying out of conservation projects. In this vein it is important for any individuals/agencies to clarify motives and aspirations before commencing a scheme. If non-financial and process-led outcomes are desired then a visitor investment scheme is a viable undertaking. If not, other tools and techniques should be utilised.

Establish Lead body

Once the key decision has been taken it is recommended that there should be a lead organisation co-ordinating the scheme. Given the importance of a managed process it is important to have a dedicated project officer to facilitate this. This brings with it a requirement for core funding. This must be separated from the payback component and it is recommended that a partnership approach be established to help submit bids to European, Lottery or Government based initiatives.

Establishing the visitor investment infrastructure

A successful scheme depends critically on effective and extensive research beforehand. It is clear from both focus groups that eliciting views of tourist businesses, conservation organisations and visitor organisations is an essential prerequisite. Understanding the needs, motivations and concerns of these groups will help unravel the potential of visitor investment and the most suitable techniques to employ in a given area³. This consultation process should, ideally, be formalised within a strategic partnership linking business, environment and visitor organisations together. As Figure 2 demonstrates, this partnership underpins the whole process.

Secure funding

Effective market research costs time and money. It is important that any partnership uses funding to contribute towards such research, tapping into grants and other sources of finance. It is also important that conservation organisations have a range of sustainable

³ Different areas within Wales have different tourist infrastructure. This will critically affect the suitability and acceptability of particular visitor payback techniques.

projects that could qualify for visitor payback; projects with a distinct identity and focus that do not duplicate existing funding packages.

Maintain consultation and dialogue

The consultation and dialogue with industry, business and conservation organisations is ongoing and should not be seen as a discrete stage in the process. This requires investment in terms of time and money. It is critical, therefore, that the partnership can support and sustain the costs of this. The case studies have shown that the administrative and management burden can be significant, but ultimately good management fosters success. Consequently, visitor payback, in the short term, is not going to be self-financing, nor should it be seen as a means of raising money. Rather, the results show that the multiple outcomes from visitor investment are visitor appreciation of their impacts, new conservation projects completed, promotion of the feel-good factor and wider awareness of conservation matters. The participating businesses are also exposed to conservation messages and can benefit from being directly linked to valuable conservation projects.

Market and promote partnership/organisation

The local partnership that administers a potential scheme needs to have both credibility and legitimacy in the minds of the public and the tourist businesses that participate within it. Therefore, it is essential before starting projects that the partnership devotes time and resources to self-promotion and marketing. In part, this can be done during the research and consultation phases previously described, and as part of the payback project.

Indeed, marketing principles are critical to both the organisation and the payback techniques used. For example, the use of complementary techniques involving people, media, infrastructure and innovation to promote visitor investment and the organisation.

Visitor investment Techniques Consultation

As stated, consultation shapes the whole process. However, there is a need to have a more formal consultation phase to evaluate the particular payback methods that can be used for a given area/project. Whilst we can hypothesize from the findings in this research that 'donations' and 'opt out' approaches offer the most potential for payback schemes, it is important to have consultation with visitors and businesses to assess the most suitable techniques to use as part of a specific project. The focus group approach is a particularly useful technique to distil this information. This was perceived to be a key factor in the success of the Lake District Partnership.

Implementation

Visitor investment works most effectively where an integrated approach has been used in the establishment and development of the project. The Isle of Wight (Gift to Nature) and Lake District Partnership have demonstrated the value of this approach, building on the partnership aspect and linking potential projects with businesses of differing scales. It is essential that the process of consultation is ongoing and projects are tailored to the specific needs of the organisation, environment and visitor. This gives a scheme flexibility to respond to small and large businesses/projects differently. For example, the money raised by Bed and Breakfasts is significantly smaller than a large hotel and timeshare business. Consequently, the projects supported and the means of collecting funds need to be different. Significantly, members of the local partnership are going to be most influential in who else eventually comes on board. This process requires considerable administration and officer time.

Payback projects

Any project must be developed with clear aims and objectives. The conservation message needs to be clear and explicit. Crucially, any scheme should start small. The Gift to Nature project (IOW) showed how important it was to have tangible results from visitor donations as quickly as possible. Problems occur if a project is grandiose, requiring significant funds, as it will take considerable time to achieve. This may cause dissatisfaction with sponsoring businesses, environmental groups and the public. Matching suitable types of environmental projects, whilst recognising the fund raising potentials of the businesses involved, is critical for the overall sustainability of the project.

Maximise the feel good factor

The visitor focus group graphically illustrated the importance of stimulating and fostering a 'feel good' factor regardless of the technique(s) of visitor investment used. The focus group stated that this was dependent on effective information and interpretation about a project and organisations involved. It is recommended that the conservation message and credibility of any organisation is promoted to the front of any scheme particularly when any form of merchandising or discount card is involved (Friends of Ionia or Kite Country). Ultimately, it is the conservation that the visitor wants to feel good about and, all too often, the commercialisation interest can override such interests. There is also scope for confusion as illustrated in Gift for Nature where money is being raised for a red squirrel observation hide. This, in itself, does not help conserve the red squirrel and may send out mixed messages to potential donors. Conservation should be the principal output.

Make it easy

Any payback scheme should make it easy for the visitor to participate. Any real thought or effort, on the part of the visitor, was likely to be counterproductive. It was also pointed out that the visitor had no preference for specific types of projects or projects linked to specific places. Therefore, scale does not seem to be a critical variable. For example, visitors were happy to give to footpath maintenance in Snowdonia knowing that their money was helping Snowdonia more generally rather than any focus on a particular path in Snowdonia. Clearly, the need was for worthwhile conservation projects in the area rather than the locality. This is useful in ensuring that monies received can go to a variety of outcomes. It is also much easier to donate if you receive several messages about a project. For example, via a leaflet and staff recommendation and attention grabbing donation box/envelope.

Reduce bureaucracy

There is considerable concern amongst tourism businesses and visitors about the way possible funds could be swallowed up in administrative and running costs. Our research has shown that successful projects demand a labour intensive approach which can cause a significant drain on resources. Such issues need to be thought about very carefully when deciding on possible techniques.

There is a key dilemma here in that the successful case studies had substantial administrative costs. Without the necessary resources and manpower any scheme is likely to fall at the first hurdle and is unlikely to be sustainable; something that was seen as important by both focus groups and all the case study analyses. Reconciling these tensions lies at the heart of a scheme's success. Critically, it is recommended that any scheme should separate the funding to support administration from the donations received from the project. Long term funding, if obtained, offers the best solution.

Avoid cumulative impact

The local partnership should ensure that a visitor investment scheme can be co-ordinated and targeted to particular areas. It is important, however, to ensure that no particular area is overwhelmed with different projects that could lead to visitor saturation. Whilst this could allow any potential visitor to eventually contribute, there is also the chance that one visitor might get frustrated at continually being subjected to opt out scenarios, donation boxes, merchandising and loyalty cards. This could result in significant visitor dissatisfaction.

Monitor and Evaluate

It is important to ensure that within any visitor investment scheme each project is monitored and evaluated. Regular meetings with businesses and environment organisations are required to achieve this. Also some attempts could be made to contact visitors to ascertain whether they made a contribution, the form it took and their satisfaction with the progress or otherwise of the project. Visitors who did not contribute could also be asked why and these responses could be fed into the development and extension of possible schemes.