



SCOTTISH  
TOURISM  
ALLIANCE

Your voice in tourism matters

# CROSSROADS: SCOTLAND'S PATH TO BECOMING THE WORLD LEADER IN 21ST CENTURY TOURISM

## TOURISM INDUSTRY RECOMMENDATIONS FOR THE 2023-24 SCOTTISH BUDGET



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## STA SURVEY: RECOVERY OF SCOTLAND'S TOURISM SECTOR 17 MAY - 8 JUNE 2022



744 survey responses



Over 50% of businesses still  
not in recovery



23% of businesses still in  
survival mode &  
financially fragile



52% decrease in customer  
discretionary spending  
compared to 2019



SG recovery support  
needed: extension of  
business rates relief &  
greater investment in  
tourism promotion



UK Gov recovery support  
needed: lower VAT, energy  
price cap & changing  
Immigration rules/visa  
requirements

To view the full survey visit: <https://scottishtourismalliance.co.uk/scottish-tourism-bookings-down-as-cost-of-living-crisis-bites/>

## INTRODUCTION

Autumn 2022

Dear Deputy First Minister,

Scotland's tourism industry is at a crossroads. Before the COVID-19 pandemic, the tourism sector contributed £4.5 billion in gross value added to Scotland's economy, employing 229,000 people, around 9% of employment in Scotland<sup>1</sup>. However, its future – and many of the small businesses it supports – are at risk.

When the First Minister launched the country's new tourism strategy, Scotland Outlook 2030, in March 2020, little did we know that the sector would experience extraordinary challenges in the face of multiple lockdowns and restrictions due to the COVID-19 pandemic.

As businesses continue to recover, we now face a new set of challenges as tourism, hospitality and retail contend with unprecedented rising costs in doing business, which include escalating energy prices, increasing costs of goods and materials, and a 40-year high in inflation. This is coupled with a cost-of-living crisis with significant impact on consumer spend, particularly within the tourism and hospitality sector.

As the overarching lead representative body for Scotland's tourism and hospitality industry, we welcome the support that the Scottish Government continues to give the sector and your recognition that an innovative, resilient, and welcoming industry is not only of vital importance to Scotland's economy, but also its place in the world.

To achieve our shared vision of Scotland becoming the world leader in 21<sup>st</sup> century tourism, now is a critical time to ensure that the industry can survive and recover to make this ambition a reality.

Policy, investment, and positioning are three of the six conditions for success agreed in Scotland Outlook 2030. Tourism also has a central role to play in delivering the priorities set out in Scotland's National Strategy for Economic Transformation (NSET) and the Net Zero agenda.

Our survey at the beginning of the summer period (17<sup>th</sup> May 2022 to 8<sup>th</sup> June 2022) found that more than half of tourism businesses were still not in recovery following the COVID-19 pandemic and that this could take at least another year or more, with 23% describing their business as in survival mode and financially fragile.

At the same time, we reported that a considerable number of tourism businesses had already begun to experience a decrease in customer discretionary spending compared to the same period in 2019 (52% of respondents) and 2021 (38% of respondents).

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<sup>1</sup> <https://www.parliament.scot/chamber-and-committees/official-report/what-was-said-in-parliament/meeting-of-parliament-22-03-2022?meeting=13658&iob=123961>

As households look to further reduce their spending in the face of rising costs, the tourism sector is predicted to once again be one of the main casualties. We are already hearing from our members that businesses are actively considering reducing their trading hours or feel financially forced to close for the winter season.

We are gravely concerned that some businesses might never reopen again, impacting on employees and wider communities, and loss of tax revenues for government. Losing businesses now could permanently reduce Scotland's tourism capacity, resulting in wider economic and social knock-on impacts, particularly in rural areas. The uncertainty facing these businesses is also having an uncountable toll on the mental health of their owners and staff.

Out of the 744 survey responses we received, the **extension of business rates relief** and **greater investment in tourism promotion** were listed as the two most immediate and effective policies that the Scottish Government could implement to support recovery.

We would also reiterate the need to **pause new and impending regulations** to take some of the burden off businesses during this turbulent and uncertain time.

We urge the Scottish Government to adopt these three policies as an immediate priority to support our tourism industry.

Thank you for your ongoing support and partnership, as we continue on the path to achieving the ambitions of Scotland Outlook 2030 and delivering economic prosperity for all Scotland's people and places.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Marc Crothall', enclosed within a large, loopy oval shape.

Marc Crothall MBE  
Chief Executive of the Scottish Tourism Alliance

## KEY RECOMMENDATIONS

### Urgent recommendations:

1. A **business rates holiday for at least 12 months**, as was afforded during the COVID-19 pandemic.
2. Deliver now on the commitment to **restore the level playing field with England on the higher property business rate**, which is having a disproportionate impact on the costs facing tourism, hospitality, and retail businesses.
3. A **pause on new and impending regulation** that will result in a direct cost and burden to businesses, unless deemed essential to immediately protect public health and safety.

### Additional recommendations:

4. It is our preference that the proposed Transient Visitor Levy be taken off the table altogether, but if it does go ahead there must be full consultation with the tourism industry to **ensure that the revenue generated from the levy is targeted at achieving the ambitions of Scotland Outlook 2030** and not diverted or retained by local authorities to address activities not related to tourism.
5. The **upweighting of existing VisitScotland marketing activity** focused on driving and developing both primary and new international visitor markets to Scotland, optimising the current weakness of the pound.
6. **Upweighted financial support for the agencies delivering the Destination Net Zero programme** to support and enable tourism and hospitality businesses to reduce their energy costs through investment in renewable energy sources, insulation and enable them to reduce their energy usage, alongside other offset initiatives.
7. **Continued investment in the upskilling, reskilling and cross-skilling of the tourism sector**, which is crucial to making the tourism sector a more attractive career option and helping to address critical skills gaps and staffing shortages. This should include introducing employer match-funding options for training programmes.
8. **Ongoing investment to ensure the right transport infrastructure is in place** to guarantee that visitors from across Scotland, the UK and from abroad experience quality, reliable, sustainable, and accessible travel during their visit.

## RECOMMENDATIONS IN DETAIL

### **Our diverse businesses**

#### **We will build business resilience, sustainability and profitability**

In Scotland Outlook 2030, having the right policy and regulatory landscape in place is one of the six conditions identified as vital for success.

Having weathered the storm of lockdowns and restrictions during the COVID-19 pandemic, the tourism industry is still in recovery mode and now faces a new set of challenges on a similar scale.

With record levels of inflation, surging energy prices and the threat of a recession, the cost of doing business and the pressures on household finances are already at crisis point for many in our sector. The burden on household finances means discretionary consumer spend is markedly reduced and our businesses cannot pass on the costs of hugely increased overheads to their customers. Many businesses are at risk of permanent closure.

To ensure that the tourism industry in Scotland can remain resilient, sustainable, and profitable, we recommend to the Scottish Government:

- A business rates holiday for at least 12 months for the tourism and hospitality sector, as was afforded during the COVID-19 pandemic. This should be introduced with immediate effect from 1 October 2022 and applied across two fiscal years, reducing the impact on the Scottish Government. This would provide welcome relief to businesses during the off-season and give them the opportunity to benefit from another full trading season as the economy recovers.
- Revisit business tax thresholds. This should include that the VAT threshold of £85,000 is increased to protect the quality and productivity of rural tourism businesses that will be affected by the Transient Visitor Levy, and that rates relief is available in full for all businesses and not restricted due to state aid thresholds.
- Deliver now on the Scottish Government's commitment to restore the level playing field with England on the higher property business rate, which is having a disproportionate impact on the costs facing tourism, hospitality, and retail businesses. The estimated number of properties subject to the higher property rate in 2022-23 includes 570 hotels, 200 public houses, and 520 leisure, entertainment, and caravan properties<sup>2</sup>. This parity must be delivered to ensure that Scottish businesses do not face higher bills than their English counterparts.

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<sup>2</sup> Scottish Assessors' Valuation Roll as at 1 October 2021. Figures may not sum due to rounding. The number of properties is rounded to the nearest 10.

- A pause on new and impending regulation that will result in a direct cost and burden to businesses, unless deemed essential to immediately protect public health and safety. We welcome the Scottish Government's commitment to reviewing the regulatory burden facing businesses during this challenging time and recognise the importance of these regulations being introduced at an appropriate time in supporting Scotland's ambition of reaching net zero by 2045.
- Plans that should be either taken off the table or paused until sustainable economic recovery has been achieved include:
  - The Transient Visitor Levy, which risks the competitiveness of Scotland as it competes to attract international visitors.
  - The introduction of a 20p charge for single-use disposable cups, placing an additional time and cost burden on businesses to prepare for its implementation.
  - The introduction of a workforce parking levy that creates a potential barrier to recruiting employees and supporting city centre recovery.
  - Changes to promotions and placement of food high in fat, salt, and sugar.
  - Proposals for mandatory calorie labelling at point of choice for food and drink, which places a significant additional burden on businesses. This has also been criticised in England during its implementation for affecting businesses and having a negative impact on people with eating disorders.
- Consideration should be given about whether the Deposit Return Scheme and Short-Term Lets Licensing Scheme can be delayed, as there are significant concerns that smaller businesses are particularly being disproportionately impacted<sup>3</sup>. Further clarity and awareness activities are needed concerning their planned implementation, as we are hearing from members that many businesses are still to begin preparations or are struggling with the upfront outlays needed to comply with the schemes. As a result, we would suggest a grace period for businesses unable to meet compliance requirements during implementation – a moratorium of a year on enforcement procedures.
- If the proposed Transient Visitor Levy is not withdrawn, there must be full consultation with the tourism industry to ensure that the revenue generated from the levy is targeted to achieve the ambitions of Scotland Outlook 2030. Careful consideration is needed about how the funds raised would be ringfenced to guarantee they are used appropriately to reinvest in tourism rather than being used to meet a shortfall in local authority funds. We would support the levy being used to support the tourism-specific net zero policy agenda.

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<sup>3</sup> <https://www.ft.com/content/c4b72c85-ed8d-4c2d-9e07-fced133a0ad2>

## **Our thriving places**

### **We will create and develop a sustainable destination together**

As Scotland looks to maximise the opportunities over the next decade to achieve the country's vision of a wellbeing economy, tourism is recognised in NSET as one of Scotland's "long-standing cultural assets" and a key area of opportunity.

Every destination across the world is currently competing to attract visitors as they aim towards recovery of tourism and their wider economy following the COVID-19 pandemic.

Now is a crucial time to invest in attracting international visitors to Scotland, or risk falling behind in the global tourism market. In addition to making a major contribution to Scotland's economy, tourism plays a pivotal role in promoting Scotland's international profile, including its communities, natural landscape, and culture.

This year, Ireland has invested more than €80 million alone in supporting Tourism Ireland to step up its campaigns in key international markets, as part of an extensive programme of promotional activity aimed at recovery of the sector<sup>4</sup>.

Positioning Scotland's tourism industry and attracting visitors is one of the six conditions of success set out in Scotland Outlook 2030, alongside access to public and private investment to support the tourism industry to grow through innovation and development, improving the attractiveness of the country's tourism product globally. The sector has been playing a central role in supporting Scotland's green agenda and is committed to adopting net zero transitions and being more environmentally sustainable.

To ensure that the tourism industry in Scotland can thrive among intense international competition and continue to have an active role in supporting the country to achieve its net zero ambitions, we recommend to the Scottish Government:

- The upweighting of existing VisitScotland marketing activity to focus on driving and developing new and existing international visitor markets to Scotland, optimising the current weakness of the pound. Successful positioning of Scotland and its tourism industry is one of the key conditions of success in delivering Scotland Outlook 2030.
- This marketing investment is needed to reach developing markets (e.g. China, India, Australia, Canada, Nordic countries) and deeper penetration of growing US markets to ensure Scotland is viewed as a leading tourist destination.
- VisitScotland should continue to work closely with the tourism industry to develop and adapt their Scotland trade programmes for future sale, ensuring they closely complement the vision and conditions of success in Scotland Outlook 2030.

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<sup>4</sup> <https://www.gov.ie/en/speech/e6163-speech-by-minister-catherine-martin-on-tourism-in-seanad-eireann/>

- The successful Destination & Sector Marketing Fund should be developed further to support destination and sector groups to collaborate and develop strong visitor propositions to attract international visitors and contribute to longer-term economic recovery.
- Upweighted financial support is given to the agencies delivering the Destination Net Zero programme so they can continue to support and enable tourism and hospitality businesses to reduce their energy costs through investment in renewable energy sources, insulation, and enable them to reduce their energy usage, alongside other offset initiatives. Funded through the Scottish Government's Tourism Recovery Programme and developed by the Scottish Tourism Emergency Response Group (STERG), continuation of the programme would contribute to business recovery and resilience, ensuring that they can be protected from future energy cost fluctuations and help Scotland meet its net zero target.
- Building on the work of Business Energy Scotland, a public campaign should be launched that provides funding and support to help SMEs to improve their energy efficiency and reduce their bills through insulation and renewable energy initiatives, similar to the Warmer Homes Scotland initiative for households. There is also the need to ensure that there is easier access to planning permission for renewable energy, particularly in rural areas.

### **Our passionate people**

#### **We will attract, develop, and retain a skilled, committed, diverse and valued workforce**

To realise the ambitions of Scotland Outlook 2030, the industry remains committed to working proactively to deliver the broader principles of Fair Work for our employees, against the constraints of an increasingly challenging fiscal and trading environment.

There is a recognition and acceptance that we must continue to reward the workforce where possible, recognise talent, and create quality jobs – with clear paths for career development and training opportunities for people from all backgrounds. NSET's vision includes Scotland becoming "a nation where people can continually upgrade their skills and help shape their workplaces to navigate a changing economy, and where employers have the supply of skills they need, and fully utilise these to grow and take advantage of opportunities."

The tourism industry continues to face critical staffing shortages, exacerbated by the COVID-19 pandemic and Brexit. The Sector Skills Assessment 2022 (Skills Development Scotland) reports that 183,400 people were working in tourism in Scotland in 2021<sup>5</sup>. Between 1 January 2021 and 31 December 2021, the number of job postings in tourism was 22,820, and there are forecasts that in 2021-2024 there

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<sup>5</sup> <https://www.skillsdevelopmentscotland.co.uk/media/48817/tourism-ssa.pdf>

will be 44,200 job openings in the sector (32,700 replacement demand and 11,500 expansion demand), accounting for over 12% of Scotland's job openings<sup>6</sup>.

At a UK Government level, immigration rules, visa requirements and the shortage occupation list (SOL) remain the most urgent priorities in addressing labour workforce shortages for the tourism sector. This includes ensuring that there are no barriers in place that prevent refugees from Ukraine from working in the UK, such as access to a driving licence.

The sector is also faced by the challenge of rural staffing shortages, impacted by the affordability of accommodation in these areas, while there remains ongoing disruption due to the continued impact of staff absences and long COVID due to the current pandemic. During the lockdown periods, many people left the tourism sector for more secure employment, and now there is a real risk that some tourism businesses will need to close for the winter period and staff will move on. As a result, there is a danger that essential capacity within our sector is permanently lost.

At a Scottish Government level, we would welcome continued support to ensure that a career in tourism and hospitality becomes a more attractive occupation, supported by training and development opportunities for people already working in the sector and those new to it. We recommend to the Scottish Government:

- Continued investment in the upskilling, reskilling, and cross-skilling of the tourism sector, which is crucial to making the tourism sector a more attractive career option and helping to address critical skills gaps and staffing shortages. At a time where cuts have been made to employability initiatives to balance public finances, it is critical that there are still initiatives available to help tourism businesses to develop new and current staff to help to tackle the staffing shortages that threaten the sector.
- Consideration should be given to introducing employer match-funding options for training programmes, such as the Tourism and Hospitality Talent Development Programme and the Chef Management & Leadership Training Programme.

### **Our memorable experiences**

#### **We will provide the very best, authentic and memorable experiences**

Connectivity, including investment in the right transport, is another of the key conditions of success set out in Scotland Outlook 2030. The NSET evidence paper highlights that the transport system in Scotland is an “important enabler of economic activity” – with efficiency, reliability and quality of transport system being important drivers for business productivity, including tourism<sup>7</sup>.

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<sup>6</sup> <https://www.skillsdevelopmentscotland.co.uk/media/48817/tourism-ssa.pdf>

<sup>7</sup> <https://www.gov.scot/publications/scotlands-national-strategy-economic-transformation/documents/>

Local communities and visitors have experienced numerous problems this summer due to the unreliable transport infrastructure in place. Ongoing breakdowns and cancellations of CalMac ferries, which are vital to island communities and tourists have had a significant impact on island businesses and their local economies, and there remain concerns that some harbour facilities are currently unable to receive the new ferry vessels when they're available.

The unreliability of the ferry service is having a catastrophic impact on island businesses and tourism, resulting in delayed deliveries, cancelled sales and bookings, and a significant loss in income. Action is needed urgently, as people are losing confidence in their ability to travel to and from Scotland's islands, resulting in people and businesses relocating to the mainland, and visitors choosing more accessible holiday destinations.

Visitors travelling by air have faced long waits, delayed luggage, flight cancellations and many of the direct flight routes have not been reinstated after the pandemic. At the same time, visitors have faced disruption from regular rail strikes, including major tourism draws such as The Open and the Edinburgh Festivals.

For Scotland to deliver a quality visitor experience for people travelling to and around Scotland, we recommend to the Scottish Government:

- Ongoing investment to ensure the right transport infrastructure is in place to guarantee that visitors from across Scotland, the UK and from abroad experience quality, reliable, sustainable, and accessible travel during their visit. Journeys should be as seamless as possible and create barrier-free stays that are accessible to all.
- Enhanced planning and coordination are needed between the tourism sector and transport operators to avoid disruption and that adequate capacity is in place to meet demand.

## ABOUT THE SCOTTISH TOURISM ALLIANCE

The Scottish Tourism Alliance (STA) is the leadership and representative body for Scotland's tourism industry.

Our organisation comprises over 250 trade associations, businesses, destination groups and other organisations with an interest in tourism.

We are able to offer the best possible representation of the issues and challenges we face as an industry through continuous engagement with more than 70% of tourism businesses in Scotland.

Our membership is spread across all regions and destinations in Scotland. We are governed by a Board with representation from across Scotland's tourism industry and supply sectors.

We are committed to representing issues of national importance which affect Scotland's tourism industry; we are focused on removing barriers to growth and working with governments and the public and private sectors to improve the global competitiveness of Scotland's tourism industry.

Tourism matters. It is the lifeblood of many of Scotland's communities. It is one of the largest employers in the country; one of our greatest exports and our industry has the capability and potential to enrich the lives of Scotland's people, our visitors and those who work within our industry.

The STA led and co-ordinated the development and launch of Scotland's tourism strategy, Scotland Outlook 2030, in collaboration with the Scottish Government and its agencies.