## Scottish Tourism Alliance Submission

## House of Commons Culture, Media and Sport Committee: Inquiry on Tourism


**Summary**

The Scottish Tourism Alliance (STA) is the largest and overarching trade body for the tourism and hospitality industry in Scotland.

This submission recognises the important role that the UK Government's Plan for Change strategy and accompanying funding packages play in growing the tourism sector in Scotland.

However, the STA believes that the level of VAT, visa fees and Electronic Travel Authorisation costs, visitor levy costs, and the decision to not reintroduce tax-free shopping are making Scotland and the UK a less competitive destination on price. In addition, funding to promote Scotland and the UK to attract more international visitors needs to be significantly increased to compete with other international destinations.

The submission raises concern that policy decisions made by the UK Government on immigration and employment rights policy are having a detrimental impact on the tourism and hospitality sector, particularly in island and rural communities.

It also highlights other challenges facing the sector, including a weakened domestic market, rising operating costs that make it difficult to invest in people, product and offer, lack of affordable housing, and the need for improved transport infrastructure and connectivity.

Overall, the submission calls for greater partnership working between the UK and Scottish governments to promote and support the sector, including supporting STA's Scottish Parliament Election Manifesto ask to establish a Scottish Tourism and Hospitality Growth Plan.

The STA also supports a national debate on economic policy in Scotland, bringing together industry, both governments and different political parties.


**1) How effective are government policies in supporting the growth, competitiveness and long-term resilience of the tourism sector?**

1.1 From a UK Government perspective, the Plan for Change strategy delivered through the Local Growth Fund, Pride in Place Impact Fund and Programme, City Region and Growth Deals, and the Growth Mission Fund has the potential to play an important role in supporting and driving growth in the Scottish tourism sector.

1.2 This investment policy helps to drive economic growth based on the needs of individual areas – benefiting the tourism sector through improvements to infrastructure, business support and skills development aligned to the needs of industry, reviving high streets, making communities safer, supporting job creation, and preserving local heritage and investing in cultural attractions that draw visitors.

1.3 The UK Government's ongoing commitment to deliver Scotland's 12 City Region and Growth Deals, in partnership with the Scottish Government and local partners, is particularly integral in delivering long-term improvements that support the tourism sector, attracting greater investment, creating new jobs and supporting economic growth.

1.4 For example, the Argyll and Bute Rural Growth Deal includes restoring Rothesay Pavilion to create jobs and boost tourism, more affordable housing in Mull and Islay to support economic growth and tackle housing shortages, and development of Kintyre Sea Sports to position Campbeltown as a premier water sports destination.

1.5 The STA urges the UK Government to ensure that all parts of Scotland can benefit from at least one of the recently announced funding programmes that have replaced the UK Shared Prosperity Fund.

**i) What are the main barriers to international competitiveness? How effectively does the UK promote itself overseas as a destination and what more could be done to strengthen its international profile?**

Barriers to competitiveness

1.6 The rising cost of Scotland and the wider UK as a visitor destination is having a significant impact on international competitiveness, along with raised expectations of visitors assuming better quality and greater value for their money.

1.7 The UK continues to be ranked as 113 out of 119 countries for its price competitiveness by the World Economic Forum's Travel & Tourism Development Index due to a combination of factors, including one of the highest rates of VAT in Europe at 20%.[1]

1.8 The UK Government's decision to increase visa fees and the Electronic Travel Authorisation (ETA) are making it even more expensive to visit Scotland and the UK.

1.9 The two-year UK visitor visa has increased by 40% over a four-year period and the ETA costs £20 for two years, compared to the equivalent EU European Travel Information and Authorisation System fee is set at £17 (€20) for three years and excludes under-18s and over-70s, and covering the 29 countries in the Schengen area.[2]

1.10 The STA remains concerned that the introduction of the power to introduce a visitor levy will add an even greater cost burden on visitors. With VAT charged on the levy, this will effectively be a double tax and further drive up costs for consumers.

1.11 We are already hearing anecdotally in Scotland from destination management companies, tour operators, travel agents and hotels that they are losing customers to cheaper international competitors because the country is viewed as too expensive, including losing out on business convention bureau activity.

1.12 To remain competitive internationally, we urge the UK Government to reduce the VAT rate and review the cost of ETAs and visitor visas.

[1] https://www.weforum.org/publications/travel-tourism-development-index-2024/
[2] https://etias.com/etias-fees

1.13 In addition, the STA supports Association of International Retailers calls for reintroducing tax-free shopping for all international visitors and making the scheme fully digital to attract the lucrative high-end tourism market who stay longer and spend more, including supporting greater visitor spent in hospitality venues and on cultural experiences.

1.14 Reintroducing tax-free shopping could contribute an additional £457 million to the Scottish economy, along with an additional 9,140 jobs created, and act as an important incentive to visit Scotland and the UK.[3]

Promotion as an overseas destination

1.15 Please refer to VisitScotland submission on targeted investment in market development. For every £1 spent on VisitScotland marketing it generates £18 in added value for Scotland's visitor economy[4], building Scotland's profile as a must-visit destination and place to host major events.

1.16 However, both VisitScotland and VisitBritain's budgets to promote the country overseas are much lower in comparison to international competitors[5]. To keep pace with other countries and retain the country's competitive advantage, greater investment is needed to successfully compete to attract international visitors to the country.

1.17 Through greater investment on marketing Scotland and the UK as a must-visit destination, this sends an important message that we are looking to increase the number of inbound visitors rather than disincentivise visitor activity. The focus must be on doing more, not less to attract this lucrative visitor market.

**ii) How does the UK's recent tourism performance (including visitor numbers, length of stay and visitor spend) compare with other major European tourism destinations?**

1.18 Please refer to VisitScotland's submission that provides data on Scotland's recent tourism performance compared to other major European destinations.

**iii) What factors explain any divergence in growth trends between the UK and European countries?**

1.19 Please refer to VisitScotland's submission setting out growth trends between the UK and European destinations.

**iv) What are the specific drivers of international tourism to the UK, what is the economic value of each of those drivers and how can their value be increased?**

[3] https://scottishtourismalliance.co.uk/wp-content/uploads/2025/10/INDUSTRY-CALL-TO-ACTION-FOR-UK-CHANCELLOR-TO-RE-INSTATE-DUTY-FREE-SHOPPING.pdf
[4] https://www.visitscotland.org/news/2025/press-release-major-drive-to-boost-uk-and-overseas-tourism
[5] https://live.worldtourismforum.net/news/Catch-up-the-latest-news-in-tourism-industry/The-Billion-Dollar-Race-Nations-Spend-Big-to-Lure-Tourists

1.16 Please refer to VisitScotland's submission that sets out drivers of tourism to Scotland, along with the potential to drive visitor activity and added value through attracting more business events, growing agritourism and investing in screen tourism activity.

1.17 Improved travel connectivity is crucial in making it possible to grow these drivers of international tourism, such as more direct international flight routes to Scotland and the UK, increasing the availability and volume of flights between Scottish and UK airports, including the Highlands and Islands, and improved, faster and more affordable rail services between England and Scotland to support visitors to travel across the UK.

**v) What are the arguments for and against the proposal to give mayoral strategic authorities the power to introduce an overnight visitor levy? If a levy is introduced, how should it best be spent to attract tourism and investment?**

1.18 The STA knows firsthand the challenges of introducing a visitor levy scheme following the passing of the Visitor Levy (Scotland) Act 2024 and the recent Visitor Levy (Amendment) (Scotland) Bill.

1.19 The introduction of a successful visitor levy scheme is about the right application, right place and right time, if it is to act as a force for good that enhances our visitor offer and appeal. However, the STA believes none of these conditions of success are currently in place across the UK. Instead, adopting this policy now could cause more harm than good in many areas.

<u>Right Application</u>

1.20 The implementation of a percentage-based visitor levy charging model continues to be operationally challenging for accommodation businesses, online booking platforms, and local authorities in Scotland. If English local authorities and mayors are to introduce a visitor levy, we would recommend that a fixed amount per night charging model be stipulated in the legislation.

1.21 From the very beginning, The STA has advocated for a simple and transparent fixed rate model, which provides a better safeguard for our vital tourism and hospitality sector, while at the same time ensuring a sustainable revenue stream to strategically invest in enhancing visitor destinations.

<u>Right Place</u>

1.22 Unlike international cities looking to manage down visitor numbers by charging a levy, the UK actively wants to attract more visitors, across all parts of the UK and at different times of the year.

1.23 Given the financial pressures on local authorities in Scotland, The STA has found that most are considering a visitor levy scheme for their areas, even when it is not in the best interests of attracting visitors to their areas, along with encouraging longer stays and greater visitor spend.

1.24 The UK's unique geography makes it possible to stay across multiple locations during a visit – with tourists regularly travelling from London to Edinburgh to the Highlands during their stay. Introducing multiple visitor levy charges across the UK risks making these kinds of stays more expensive and confusing for visitors in the future.

1.25 The STA encourages the UK Government to legislate that a detailed, independent economic impact and competitiveness assessment be required before deciding to introduce a local visitor levy scheme in any given area, with statutory guidance setting out detailed criteria for the impact assessment.

Right time

1.26 As previously detailed, a visitor levy presents a new threat to the tourism and hospitality sector's price competitiveness and risks creating a tipping point that many visitors will be unwilling to pay, impacting further on the declining domestic market.

Use of net proceeds

1.27 To ensure that the levy is best spent on attracting tourism and investment, we would urge the UK Government to adopt the same definition in the Visitor Levy (Scotland) Act that the proceeds raised from a levy must be used by local authorities to develop, support, and sustain facilities and services that are substantially used by tourists or business visitors.

1.28 The STA fought hard for the legislation to include that an independent visitor levy forum must be established to advise on the use of the funds in each area, including representation from the tourism sector. We would urge the UK Government to go one step closer and give legal teeth to this forum to ensure that its advice must be acted on, as in reality this advice has ended up being largely ignored by some Scottish local authorities.

VAT

1.29 The STA urges HM Revenue and Customs to urgently revisit its position on treating visitor levy income as part of an accommodation business's turnover. For Scotland's small businesses, many of which are based in rural and island communities, the application of VAT to the levy risks pushing them over the VAT threshold. The complexities of applying VAT to a visitor levy may also increase the risk of VAT errors.

1.30 Along with higher costs for businesses and consumers, this will encourage many Scottish businesses to close for longer periods during the low-season and in some cases decide to shut their doors permanently if operating costs become too high.

1.31 The STA supports a VAT exemption on all local taxes, as effectively charging VAT on the visitor levy is a tax on a tax and negatively impacts overall on economic growth and investment in product, place and offer.

**2. How effectively do government structures and working arrangements support the tourism sector?**

2.1 Concerning government structures and working arrangements unique to Scotland, the Tourism and Hospitality Industry Leadership Group (THILG) plays an important role in bringing together the Scottish Government, industry partners, public agencies, along with the private and third sector to work collaboratively to champion the national tourism strategy, Scotland Outlook 2030, and help drive Scotland's ambition to be a world leader in 21st century tourism.

2.2 STA's CEO currently co-chairs the THILG alongside the Scottish Minister responsible for the tourism portfolio, and eight organisations are represented on the group. The THILG also fits with the wider Scottish Government National Strategy for Economic Transformation (NSET), bringing together ILGs from across different industries.

2.3 The THILG has been built on the partnership approach taken by the Scottish Tourism Emergency Response Group (STERG) that led the industry's response to the COVID-19 crisis.

2.4 The group's activities are based on four key priorities of Scotland Outlook 2030:

- passionate people
- thriving places
- diverse businesses
- memorable experiences

2.5 This has led to the identification of five cross-cutting missions that are viewed as game-changing actions:

2.6 Proud and valued people: To build an outstanding, resilient, flexible workforce that is proud of the sector. With Fair Work at its core, clear career pathways and a diverse, inclusive talent pipeline.

2.7 Community-led tourism: To recalibrate the visitor economy in Scotland. To enrich and invigorate Scotland's communities, the wellbeing of Scotland's people and the health of Scotland's natural environment, with every community seeing tangible benefits by 2030.

2.8 Pathway toward net zero: To develop a sector-wide net zero pathway, grounded in a credible baseline of tourism & hospitality emissions, a practical decarbonisation framework and standardised measurement/reporting to evidence progress to 2030 and contribution to 2045 targets.

2.9 Sustainable transport: To develop the opportunities related to rail as core to Scotland's tourism connectivity. Supporting inclusive growth, emissions reduction and memorable journeys, with seamless integration to active travel and other modes.

2.10 Data and technology empowerment: Work collaboratively to grow universal access to actionable data, cutting-edge technologies and ethical AI so every tourism and hospitality organisation benefits from real-time insights and productivity-enhancing tools by 2027, with a robust innovation framework by 2030.

**i) How well do VisitBritain/VisitEngland and Destination Management Organisations support the sector? How well do they compare to equivalent bodies in other countries?**

2.11 To ensure the country delivers on the ambitions of Scotland's national tourism strategy, Scotland Outlook 2030, and can better compete internationally, we need dedicated, long-term funding from the Scottish and UK governments. This will help to grow the sector's value, encouraging greater regional and seasonal spread and supporting existing and new international markets to visit Scotland and the UK.

2.12 Along with our calls for the Scottish Government to commit to increasing funding in the long-term for VisitScotland and EventScotland, we support wider sector calls to restore VisitBritain funding to at least pre-inflation levels to support international destination marketing and encourage more inbound visitors to come to Scotland. The STA would welcome a greater emphasis in future VisitBritain campaigns on delivering added value to Scotland, particularly driving visitor activity in rural and island areas.

2.13 VisitBritain's international marketing delivers a strong return, generating around £20 in visitor spending for every £1 of public investment.[6]

2.14 Current marketing funding in UK to attract international visitors pales in comparison to our nearest competitor, Ireland. Ireland's Overseas Tourism Marketing Fund for 2026 is €71.43 million[7], compared to VisitBritain's GREAT funding of £10.57 million in 2025/2026.

2.15 Despite the valuable role played by Destination Management Organisations (DMOs) in promoting and managing tourism in local destinations in Scotland, we have experienced a noticeable drop in their numbers over the recent years due to financial challenges, forcing several to cease operating.

2.16 DMOs are integral to the overall success of a destination – whether people visit in the first place, their expectations during their visit are met or exceeded, and if they decide to return and encourage others to visit. At the same time, the tourism potential of many parts of Scotland also remains untapped.

2.17 The STA continues to call for the Scottish Government to protect and enable DMOs to evolve by working with industry to identify and secure long-term funding to manage growth in tourism sustainably and in partnership with communities, support businesses in an ever-changing market, and deliver policy priorities on the ground, such as supporting businesses to become net zero. The same principle applies across the UK.

**ii) How effectively do the UK and devolved Governments work together to promote tourism and support the sector?**

2.1 Tourism is devolved to the Scottish Government, although there remain several areas of reserved policy to the UK Government such as VAT, immigration and employment matters that have a direct impact on the tourism and hospitality sector in Scotland.

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[6] https://www.visitbritain.org/starring-great-britain-campaign

[7] https://www.tourismireland.com/news-and-press-releases/press-releases/article/tourism-ireland-launches-2026-marketing-plans

2.2 The UK Government, often in partnership with the Scottish Government, also importantly contributes to the sector through the regional growth funding set out in our answer to Q1 and funding to support major cultural projects.

2.3 Both the Scottish Government's Tourism and Events Division and equivalent colleagues in the UK Department for Culture, Media and Sport meet, while the Scottish Minister with responsibility for the tourism portfolio takes part in Interministerial Group meetings to discuss tourism.

2.4 The STA also has a good relationship with the Parliamentary Under Secretary of State for Scotland, Kirsty McNeill MP, and welcomes her ongoing engagement with the sector.

2.5 The STA supports greater partnership working between the UK and Scotland to promote and support the sector – avoiding political point scoring. This includes coming together to support STA's Holyrood Election Manifesto ask to establish a Scottish Tourism and Hospitality Growth Plan, building on its strengths and positioning the sector as a key export and future industry for Scotland and the UK.

2.6 One of the other asks in STA's Manifesto is the adoption of The Hunter Foundation's recommendation to host a national debate on economic policy in Scotland, bringing industry together with both the UK and Scottish governments and political parties to help shape policy for transformational growth.

2.7 The different approaches being taken in Scotland, Wales and England concerning the visitor levy demonstrate the need to develop a much more joined up approach on key policy areas impacting on the tourism and hospitality sector to avoid creating in unfair disadvantage or potential legal challenges. This was also the case with the development of separate Deposit Return Schemes in England and Scotland.

2.8 VisitScotland and VisitBritain continue to work in close collaboration as part of international promotion and are part of a strategic partner framework alongside VisitEngland, Visit Wales, Tourism Northern Ireland and London & Partners to drive ongoing recovery and growth of the UK visitor economy. Please see VisitScotland submission for more detail on this work.

**3. What opportunities exist to increase inward investment into tourism infrastructure and what changes may be needed to encourage it?**

3.1 As one of the country's most crucial export industries, The STA regularly describes the tourism and hospitality sector acts as Scotland's shop window to the world, encouraging people to spend and invest, live, work, and study here.

3.2 To increase inward investment, it is crucial that the sector is positioned and invested in as a key local and national driver of economic activity by the Scotland and UK governments.

3.3 There is a real opportunity around supporting rail tourism across Scotland and the UK to attract inward investment across all parts of the country. One of the key workstreams from the THILG has led to the development of a rail tourism strategy for Scotland to promote sustainable transport growth.

3.4 There is the need for a joined up approach between Scotland and England on the availability, reliability, speed and affordability of rail travel between the two nations. It still remains quicker and cheaper to fly from Edinburgh/ Glasgow to London, than travel by train.

3.5 The STA supports the development of more express train routes between both nations and investment in high-speed tracks and train fleets to make it quicker to travel by rail.

3.6 The development of regional flight activity further has an important role to play in supporting more visitor activity and investment opportunities, including better public and active travel links to and from airports.

**i) Which areas have seen the biggest growth in inbound tourism and why?**

3.7 Please refer to VisitScotland's submission on areas that have experienced the biggest growth in inbound tourism.

**ii) How can investment be unlocked in all parts of the country?**

3.8 Focusing on ensuring that the sector has the right skills base, a commitment to international marketing, improved inbound and domestic flight connectivity, and better public transports links will also help to unlock further investment across different parts of Scotland.

3.9 As previously mentioned under Q2(i), investment in VisitScotland and VisitBritain marketing has an important role to play in attracting visitors across multiple parts of the country, at different times of the year, and delivering better managed destinations that attract investment by supporting the work of DMOs. Helping business tourism to grow is also a particularly effective way to unlock further investment.

## 4 How well is the visitor economy recovering from the COVID-19 pandemic and what challenges continue to affect business and destinations?

4.1 The Scottish visitor economy has demonstrated a strong recovery from the COVID-19 pandemic, with Scotland the first UK region to experience growth compared to pre-pandemic levels. The 2023 International Passenger Survey (IPS) by the Office of National Statistics (ONS) reported almost 4 million international visitors came to Scotland in 2023 – an increase of 15% on 2019 levels and spend up 41%.[8]

4.2 This recovery was supported by the Scottish Government's decision to introduce a £25 million tourism recovery programme in March 2021.

[8] https://www.visitscotland.org/research-insights/about-our-visitors/international/annual-performance-report#2023

4.3 The Scottish Tourism Emergency Response Group (STERG) coordinated the delivery of 10 recovery proposals as part of the programme aimed at supporting recovery of the Scottish sector in the medium- to long-term, ensuring the country remained on track to achieve the ambitions of the then recently launched national tourism strategy, Scotland Outlook 2030. STERG has since evolved into the THILG.

4.4 The UK Government's decision to reduce VAT on tourism and hospitality services to 5% from July 2020 to January 2021, followed by a rate of 12.5% until March 2023, also had a demonstrable impact on stimulating demand and generating revenue.

4.5 At 20%, the UK has one of the highest levels of VAT for tourism and hospitality compared to the rest of Europe – with the European average nearer 12.8%.

4.6 At a time that the cost of doing businesses continues to rise – reaching a price point that cannot be passed on to customers – reducing the rate of VAT now on services supplied to tourists would support accommodation providers, restaurants, pubs and visitor attractions to cut prices, boost sales and employment in this sector, which in turn would generate growth in the wider economy.

4.7 It would also support tourism and hospitality businesses struggling to make a profit to invest in the quality of their product, people and offer.

4.8 The results of STA's latest Business Barometer Survey reported in March that over half of sector businesses have no cash reserves or fewer than three months' reserves, a marked deterioration on previous years. Accommodation operators were particularly exposed, with serviced and self-catering businesses reporting especially limited financial buffers.

4.9 The dominant theme underlying this weaker performance was cost inflation. Most businesses reported higher costs for suppliers (86%), energy (82%), and staffing (54%) compared to 2024. These increases were particularly substantial for self-catering providers, serviced accommodation, and hospitality businesses.

4.10 Scotland continues to outperform the rest of the UK when it comes to inbound visits and value – bringing 4.4 million international visitors to Scotland and a record £4 billion of spending in 2024.[9]

4.11 However, following the COVID-19 pandemic there has been a knock-on impact on the domestic visitor market. Domestic tourism remains one of Scotland's most important markets, particularly for stays outside the peak visitor season. Unfortunately, decline in domestic visits has impacted on Scotland's overall tourism performance, despite the strong recovery of the international market.

4.12 In recent years, Scotland has experienced a steep decline in domestic tourism during the cost of living crisis, as households look to save money and prioritise booking breaks in less expensive, all-inclusive breaks in destinations such as Spain. Although, there are early signs that the domestic tourism market is starting to improve.

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[9] https://www.visitscotland.org/research-insights/about-our-visitors/international/annual-performance-report#2024

## 5 How effectively is the domestic tourism sector functioning across the UK and what factors are shaping current levels of demand and recovery?

5.1 In 2024, residents of Great Britain took fewer trips and stayed less nights in Scotland compared to the previous year, although the value of spend slightly increased, The Great Britain Tourism Survey reports. There were 10.6 million overnight trips in Scotland, 29.5 million nights and £3.3 billion total overnight spend in 2024.[10]

5.2 There have recently been some signs of optimism. During the third quarter of 2025, residents of Great Britain took 3.3 million overnight trips in Scotland, with 10.4 million nights and £1,286 million spend.[11] Compared to the same quarter in 2024, this represents an increase of 13% concerning trips, 15% in overnight stays and 21% in spend.

5.3 However, the rising cost of living continues to have an impact on people's holiday decisions and spending. The most recent Scottish Tourism Index (January 2026), conducted by leading research company 56 Degree Insight, predicts that people taking domestic breaks will continue to book later, stay for shorter periods, and plan to keep costs down during their holiday, cutting back on eating out and leisure activities[12]

5.4 We are also hearing anecdotal evidence that there has been an increase in consumers paying higher rates to book holiday accommodation with a late cancellation option, indicating that some people are booking back-up holidays in Scotland because of rising concern that flights abroad may be cancelled because of the possibility of fuel shortages resulting from the Iran conflict.

5.5 It remains unclear whether Scotland will experience a domestic tourism boost because of current global uncertainty, or there will be a series of late cancellations if the situation improves. Please see VisitScotland's submission for more details about their domestic sentiment tracker and reduced consumer confidence, including concerns about the cost of accommodation and fuel.

### i) To what extent have rising operational and workforce costs affected the affordability and viability of domestic trips for both operators and consumers?

5.6 The sector has faced years of persistently high inflation and rising operating costs, eroding business profitability and discretionary spending. This puts tourism operators at greater risk of laying off staff and reducing investment, threatening a reduction in the quality of their offering which can in turn reduce visitor satisfaction, damage reputations and further drive down earnings.

5.7 Consumers also face pressures on their own spending, which impacts on their ability to spend in businesses while traveling around the UK. They may continue to travel, but at the expense of reducing the number of nights on a trip or switching from eating out in

[10] https://www.visitscotland.org/research-insights/about-our-visitors/uk/overnight-tourism-survey#2024
[11] https://www.visitscotland.org/research-insights/about-our-visitors/uk/overnight-tourism-survey
[12] https://static1.squarespace.com/static/5c90193534c4e2471aa9a6db/t/699c65aec93edb171e60ec69/1771857326563/STI+Jan+26.pdf

restaurants to self-catering, further impacting the tourism and hospitality ecosystem, especially in remote and island communities.

5.8 The employer National Insurance Contributions (NICs) increases have also damaged businesses’ margins and caused many in the sector to reduce their staffing, which – as detailed above – risks further damaging their appeal and sustainability.

**ii) What targeted interventions could support domestic tourism businesses to stimulate demand and strengthen year-round visitor numbers?**

5.9 DMOs are one key tool in stimulating demand and smoothing out the seasonal fluctuations in visitor numbers. Their funding is often precarious, and we have seen the closure of several DMOs in recent years. Once they are lost, they are very hard to reinstate, particularly given the exceptionally difficult finances in local authorities.

5.10 Prioritising funding to those areas at greatest risk, including where seasonal variations are the highest, would be a positive step, as would funding to support DMOs that are at risk of closure.

5.11 Attractions and experiences are also central to stimulating demand. Promotional campaigns and marketing support, including through VisitScotland and VisitBritain, can help support the many micro-businesses that together make more remote areas appealing to visitors. For larger city destinations, collaborative working on international marketing would be highly beneficial.

5.12 VisitScotland campaign partnerships with commercial partners have played a valuable role in promoting domestic trips, marketing destinations and helping households struggling with the cost of living to afford to travel through discounted rail travel deals, such as its collaboration with ScotRail and Beano Studios to promote family holidays and day trips across the country.

## 6 How can tourism better support regional growth, community prosperity and wider Government objectives?

6.1 The tourism and hospitality sector acts as the heartbeat of the country’s communities, encouraging new economic growth opportunities that helping deliver wider government objectives, particularly in island and rural areas.

6.2 This includes:

- Community Cohesion: Supporting community-led tourism, more diverse communities and tolerance, safer streets at night.
- Community Pride: Preservation of heritage and natural environment, greater upkeep of civic areas and neighbourhoods, encouraging sustainability and protecting the environment for future generations.
- Health and Wellbeing: More and better public services and facilities for local communities, greater access to outdoor activities, more events and cultural experiences
- Job Creation and Skills Development: Encouraging inward migration, tackling economic inactivity, reducing brain drain in communities.

- Greater Investment and Opportunities: Making communities a more attractive place to do business, encouraging new businesses, fostering entrepreneurship.
- Regeneration and Better Infrastructure: Better transport and digital connectivity that benefits everyone, bringing high streets and post-industrial areas back to life

**i) What barriers prevent regions from capitalising fully on tourism demand and what opportunities remain overlooked?**

6.3 Rising operating costs facing tourism and hospitality sector businesses and issues in recruiting and retaining staff is making it challenging for businesses to be able to meet tourism demand, with many closing during the off-visitor season, reducing their open times, and limiting their offer.

6.4 In many rural and island parts of Scotland, it is challenging to find available accommodation to stay in areas or attend local events, which has been exacerbated by the Short-Term Let Licensing Scheme situation in Scotland that has led to many self-caterers and bed & breakfasts closing permanently.

6.5 For those who have managed to arrange accommodation, it can be a struggle to eat out in these communities because hotels have either stopped offering a food option due to staffing and cost issues, or restaurants have already closed for the evening.

6.6 Lack of public transport links and the ongoing ferry situation in Scotland are also acting as a barrier to capitalising fully on tourism demand, making it challenging to reach destinations and travel around areas during stays.

**ii) Are transport links, digital connectivity and cultural infrastructure adequate to support regional tourism growth?**

6.7 The STA's Holyrood Election Manifesto sets out the need for greater alignment of new transport and digital infrastructure projects and funding with national and regional growth priorities, including encouraging visitors to visit more parts of the country and at different times of the year.

6.8 This includes the need for investment in improving the reliability, frequency and value for money of the UK public transport network, along with improving key road links between Scotland and England.

6.9 Investing in and enhancing Scotland's transport and digital connectivity is one of the key pillars of the national tourism strategy. It sets the tone of a visitor's experience from the very beginning of their journey and influences their decision-making about where and how much time and money they spend in our destinations.

6.10 For local residents, businesses and their workforce, connectivity has an impact on their day-to-day lives, especially in our rural and island communities. For many tourism and hospitality businesses, lack of local affordable housing means access to reliable, regular and affordable public transport is integral to recruiting and retaining staff.

6.11 To keep pace with other international destinations, investing in modernising and enhancing connectivity can unlock opportunities to increase both the international and domestic visitor markets sustainably, support greater visitor dispersal, and embrace new developments in AI and other technologies to deliver a cutting-edge digital visitor experience.

**iii) What are the particular opportunities and challenges for tourism in: a) coastal areas, and b) rural areas**

6.6 For rural and island areas, the tourism and hospitality sector is often the main source of employment, acting as the heartbeat of Scotland's communities.

6.7 However, rising living and operating costs have pushed many of these sector businesses over the edge in recent year, while workforce shortages due to immigration changes and lack of affordable housing, and ferry disruptions have all added pressure in rural and island areas.

6.8 The STA asks that the UK Government review in detail the unintended consequences that recent policies on immigration and employments rights have had on Scotland's rural and island communities, which faces unique geographic challenges compared to other parts of the UK. Please see our answer to Q8 (i) for more details.

6.9 We also support more activity and investment to encourage people to visit coastal, rural and island parts of the country and at different points of the year

**7 How can the Government and tourism sector maximise the potential of cultural heritage and creative assets to attract visitors?**

7.6 Scotland's cultural heritage and creative assets are key tourism drivers for Scotland. Government levelling-up funding for Scotland's cultural institutions has helped to play a key part in driving more visitor activity. For example, the recent £2.6 million UK Government investment towards remodelling and extending V&A Dundee's Scottish Design Galleries aimed at improving the visitor experience and attract even more visitors to come to Dundee.

7.7 The UK Government's support for cultural heritage and creative assets, along with Scottish Government support and contributions from local partners, has made it possible for several major cultural infrastructure projects to be realised. The STA encourages the UK Government to continue to invest in this crucial driver of regeneration and visitor activity, such as Eden Project Scotland.

**8 What are the key issues facing the tourism workforce?**

8.6 One of the key issues facing the tourism and hospitality workforce is the availability of affordable housing (including accommodation suitable for workers with families), access to reliable transport, and opportunities for upskilling and reskilling for jobs in the sector, including apprenticeships for people of all ages.

8.7 The STA Holyrood Manifesto also stresses the need to prioritise the tourism and hospitality sector as one of the key growth industries under the UK Growth and Skills Levy scheme to help the sector grow and develop the next generation of workers, including more apprenticeship opportunities for people of all ages to reskill and upskill.

**i) How have immigration and employment policies and legislation affected the tourism sector?**

8.3 The ongoing problems caused by Brexit and recent policy and decisions made by the current UK Government on immigration and employment are continuing to cause significant issues for tourism and hospitality businesses, making it harder than ever to recruit and retain staff at all levels.

8.4 This is making it challenging to meet visitor demand in many parts of Scotland and deliver a quality experience – failing to meet raised expectations from visitors who are having to pay higher prices.

8.5 The situation is exacerbated by Scotland's unique geography, with the country's island and rural particularly impacted by the policy decisions being made on immigration and employment and adding even further to their costs. Given the seasonal nature of the tourism sector, there is also a reliance on being able to employ temporary staff.

8.6 The recent changes to the Skilled Worker Visa do not support meeting sector shortages in recruiting skilled roles like chefs, managers, spa therapists, along with workers with bilingual skills. Changing the minimum salary from £26,200 to at least £41,700 per annum makes it challenging to recruit skilled staff in more junior and mid-level roles.

8.7 There are also challenges faced by existing tourism and hospitality workers in renewing their visas, causing uncertainty for businesses, workers and often their families too.

8.8 The STA continues to support Scottish Government calls to introduce a Scotland specific visa, which takes into consideration the unique challenges faced in Scotland's rural and island communities in being able to recruit and retain staff.

8.9 Introducing a Scottish specific visa scheme would not only match immigration to the demand for certain skills but would also encourage more people to live and work in Scotland, particularly in rural and island communities that are experiencing a drain in people of working age and families.

8.10 The STA welcomes the UK Government's openness to developing a new UK–EU Youth "Experience" Scheme that includes countries such as Australia and Canada, which would support young people to work in the sector to help address staffing shortages and gain valuable experience.

**<u>Employment Rights Act 2025 (ERA)</u>**

8.11 Although The STA supports the overarching aim of the ERA 2025 to protect workers' rights and support fair work practices, the inflexibility of the legislation is having a negative impact on tourism and hospitality businesses and their workforce.

8.12 The sector is dependent on being operationally agile, offering different work patterns to meet fluctuations in demand, and having in place a diverse and transient workforce.

8.13 There is a risk that the introduction of the right to guaranteed hours will have unintended consequences for the tourism and hospitality sector – including employing fewer staff, limiting overall hours and moving away from offering permanent flexible positions – instead relying on temporary fixed-term contracts.

8.14 The increase in employer National Insurance Contributions has already led to increased workforce costs of sector businesses, leading to difficult decisions being made about staff hours and reducing workforce size.

8.15 The provisions in the ERA on guaranteed hours reflecting the hours worked during a set reference, shift notice and payment for shifts cancelled, moved or curtailed at short notice are particularly challenging for island sector businesses that are reliant on seasonal staff and flexible work patterns, including to react to real-time changes outside their control due to ferry disruptions.

8.16 This impact is being acutely felt in our rural and island communities, particularly those served by CalMac ferries and routinely facing booking cancellations due to ferry disruptions.

8.17 Along with losing income due to unpredictable ferry cancellations, these communities are facing elevated business costs due to higher operating costs and limited availability of affordable accommodation, placing a burden on employers to offer in-house accommodation for workers.

8.18 As part of STA's submission, we have included a briefing from our member Auchrannie Resort on the Isle of Arran, which brings to life the challenges being faced by island tourism and hospitality businesses.

8.19 Auchrannie Resort highlights that ferry disruptions have tripled over the last seven years, with room occupancy reducing from 90% in 2017/18 to 79% in 2025, and turnover reducing around 11.5% annually and equating to losses exceeding over £1 million. The business has subsequently had to close one of its restaurants and its "Adventure" operation to remain financially sustainable, along with other cost-cutting measures.

8.20 Auchrannie Resort has raised concern with us that the ERA will add even more to staffing costs due to their reliance on a flexible shift approach to cope with sudden changes in demand due to the frequency of ferry disruptions, with business potentially rising or falling by as much as 50% in a single day.

8.21 A copy of a briefing on the challenges facing the Isle of Arran by Linda Johnston, the Co-Founder of Auchrannie Resort and also former Co-chair of the Scottish Fair Work Conventions Inquiry into Fair Work in the Hospitality Industry, can be accessed here: https://www.dropbox.com/scl/fi/2i0vijpxs42nznlp1gddb/ERA-ISLAND-BUSINESS-SUSTAINABILITY-Briefing-May-26.pdf?rlkey=4h0dc4namvkd54u5u7df41r9b&st=0si98kxx&dl=0

8.22 The STA supports a longer reference period of up to six months for tourism sector workers to gauge guaranteed hours, reflecting seasonal variations, while businesses in island communities should be supported to recover employee compensation costs for changes to shifts short notice due to ferry disruption and flexibility should be applied to shift notice periods given the unpredictability around ferry changes.

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**About The Scottish Tourism Alliance**

The Scottish Tourism Alliance (STA) is the largest and overarching trade body for the tourism and hospitality industry in Scotland. The organisation has the greatest number of tourism and hospitality members under its umbrella, more than any other national association or trade body in Scotland.

Its strong core membership comprises of over 250+ trade associations, tourism and hospitality facing businesses, destination groups, subsector groups, academic institution, tour operators, outdoor activity providers, visitor attractions, and other business organisations with an interest in tourism, including many from the critical supply chains that support the sector.

In full collaboration with the Scottish Government and its agencies, the STA played an integral role in co-ordinating the development and launch of Scotland's national tourism strategy, Scotland Outlook 2030.

The STA's Chief Executive, Marc Crothall MBE, co-chairs the Tourism and Hospitality Industry Leadership Group (THILG). The group's core purpose is to provide the recommended strategic direction that will help to drive recovery and sustainable growth across both tourism and hospitality in the long-term.