



TOURISM RECOVERY RECOMMENDATIONS

A REPORT BY

THE SCOTTISH TOURISM RECOVERY TASK FORCE

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PURPOSE

To provide recommendations for Scottish Ministers and the UK Government on the essential actions to support tourism and hospitality recovery in Scotland.



FOREWORD

The COVID-19 pandemic is presenting an unprecedented challenge for Scotland's health and wellbeing and its economy, the scale of which most of us have not seen in our lifetime. At the forefront of this is our tourism and hospitality industry.

Back in March, when we launched the new national tourism strategy, Scotland Outlook 2030, with its fresh and collaborative approach to responsible and sustainable tourism which benefited communities and visitors alike, our tourism sector was looking forward to another very successful season. It was not without its challenges, particularly as regards the impact of Brexit, but the sector had been performing very well and making a significant contribution to the economy of Scotland and to supporting jobs in communities, towns and cities across the country.

Almost overnight though, business stopped. The national lockdown, to which there was no alternative, meant that hotels, caravan parks, bars, cafes, visitor attractions and all of the huge variety of tourism and hospitality businesses that span the length and breadth of our country, lost all of their custom and all their anticipated income.

The Scottish Government has worked hard to provide unprecedented support throughout this crisis, and the detail of that is set out in this report. However, we recognised that the recovery of the tourism sector was not going to be easy. It would be long and slow and the sector would need continued support if businesses were to survive through to the point where we began welcoming tourists again.

For that reason, we set up the Scottish Tourism Recovery Task Force in June. The Task Force's remit was to advise on recovery plans, and to deliver a set of recommendations for Government, both in Scotland and Westminster, to consider – recommendations which not only look at the immediate effects of Covid on the industry but which also deliver on the key themes of the new tourism strategy around sustainable businesses, the importance of people and communities, and green tourism. This report delivers a very robust set of recommendations to which we commit the Scottish Government giving its fullest consideration.

We would like to thank the members of the Task Force for their invaluable input and contributions over the summer to this report which reflects their expertise, understanding of the sector, and commitment to supporting tourism in Scotland.



FERGUS EWING
Cabinet Secretary for Rural
Economy and Tourism



JAMIE HEPBURN
Minister for Business, Fair
Work and Skills



THE SCOTTISH TOURISM RECOVERY TASK FORCE

The Scottish Tourism Recovery Task Force (STRT) was formed as a short life working group, to provide independent recommendations for Scottish Ministers and the UK Government on the essential actions to support tourism and hospitality recovery in Scotland. The Task Force was established by the Cabinet Secretary for Rural Economy and Tourism, Fergus Ewing and Minister for Business, Fair Work and Skills, Jamie Hepburn and comprised members from the tourism sector, transport and aviation, the Chambers of Commerce, Banking, the unions and academia.

Over the course of three months the industry representatives of the Task Force have met collectively and in sectoral sub groups to consider a broad range of information and evidence from industry and the public sector to identify the key actions that will be needed to stimulate demand, support business recovery and employee retention and unlock investment.

A summary of the recommendations which were submitted to Scottish Ministers and UK Government for consideration are outlined in this report.

These recommendations are drawn from the views of the industry representatives of the Scottish Tourism Task Force collected over a number of plenary and sub-group discussions led by Malcolm Roughead, CEO, VisitScotland, Marc Crothall, CEO, Scottish Tourism Alliance and Malcolm Buchanan, Chair, Scotland Board, Royal Bank of Scotland and should not be attributed as the views of any one individual or organisation.



MARC CROTHALL

Chief Executive Officer,
Scottish Tourism Alliance

“Scotland’s tourism industry is known for its resilience, spirit of determination, ambition and determination, however the effects of the pandemic on Scotland’s tourism industry have been felt acutely, far and wide and impact on businesses beyond the sector including the many thousands of businesses who supply to our industry.

We have always said that ‘Tourism is Everyone’s Business’; there has never been a more critical time for governments to connect with the economic reality of that statement and support Scotland’s tourism industry through the recommendations of the Tourism Task Force to protect and recover what is one of Scotland’s and indeed the UK’s most important economic, cultural and social assets.”

“The impact of COVID has hit tourism businesses hard, even with the support provided by Scottish and UK Governments. Rapidly changing circumstances are a further challenge to businesses in the sector. Collectively, the Investment Sub Group considered a wide range of options to support cash flow in the short to medium term, and to support investment in the medium to long term.”



MALCOLM BUCHANAN

Chair, Scotland Board,
Royal Bank of Scotland



MALCOLM ROUGHEAD

Chief Executive Officer,
VisitScotland

“Scottish tourism has strong foundations, with sentiment towards Scotland still positive, but we must invest in building back our international markets and events industry. We need to focus on the future to ensure that we come out of this crisis with a viable, thriving industry which has potential to lead the recovery – not just economically but also with the well-being of a nation at its heart. These recommendations have been pulled together in collaboration to ensure that policy and demand stimulation go hand in hand. Short term interventions and business support from government and agencies need to be allied to longer term investment and delivered against Outlook 2030.”



STRT MEMBERSHIP

Fergus Ewing, Cabinet Secretary for Rural Economy and Tourism

Jamie Hepburn, Minister for Business, Fair Work and Skills

Malcolm Roughead, CEO, VisitScotland

Marc Crothall, CEO, Scottish Tourism Alliance

Malcolm Buchanan, Chair, Scotland Board, Royal Bank of Scotland. Scottish Financial Enterprise Board

Willie Macleod, Executive Director, UKHospitality Scotland

Stephen Leckie, Chair & CEO, Crieff Hydro Family of Hotels. Chair, Scottish Tourism Alliance

Angela Vickers, CEO, Apex Hotels. Chair, HIT Scotland

Gordon Dewar, CEO, Edinburgh Airport

Robbie Drummond, CEO, Calmac

Duncan McConchie, Proprietor Laggan Outdoors. SoSE Board

Peter Duthie, MD, Scottish Event Campus

Jeanette Wilson, Policy Director, British Holiday and Home Parks Association

Rebecca Brooks, CEO, Abbey Tours. VisitScotland Board

Alastair Dobson, MD, Taste of Arran

Mark Tate, CEO, Cairngorms Business Partnership. Scottish Chambers of Commerce Representative

Calum Ross, Proprietor, Loch Melfort Hotel. Chair UKHospitality Scotland. HIE Board

Lucy Husband, UK Market Development Director, Scotland Food and Drink

Gordon Morrison, CEO, Association of Scottish Visitor Attractions

Susan Morrison, Chair, Association of Scottish Visitor Attractions

Susan Russell, Chair, Women in Tourism

Lord Thurso, Chair, VisitScotland

Alan Rankin, CEO, Sail Scotland

Caroline Millar, Agritourism Lead, Scottish Agritourism

Jane Martin, MD, Business Services and Advice, Scottish Enterprise

Paul Togneri, Senior Advisor, Scottish Beer and Pub Association

Professor Anna Leask, Tourism & Languages Subject Group, Edinburgh Napier University

Colin Smith, CEO, Scottish Wholesale Association

Lucy Byatt, Director, The Hospitalfield Trust

Suzanne Cumiskey, Chair, SLAED, Perth and Kinross Council

David Sutherland, Director, North Highland Escapes

Stephen Montgomery, Spokesperson, Scottish Hospitality Group

Colin Wilkinson, President, Scottish Licensed Trade Association

Freda Newton, MD, Jacobite Cruises. HIE Board

Richard Hardy, National Secretary Scotland & Ireland, Prospect

Stephen Deans, Trade Union Official, Unite the Union



OVERVIEW

In March 2020, just prior to lockdown, the tourism sector launched a new strategy - Scotland Outlook 2030 – Responsible tourism for a sustainable future, and a bold new vision to be the world leader in 21st century tourism. Building on previous success, this shared ambition and forward looking strategy sees tourism act positively in the common interest of Scotland's communities, businesses and everyone who visits and stays with us.

Tourism is acknowledged as having a significant role in delivering Scotland's wider economic strategy as it cuts across every sector and touches every part of Scotland's economy. However, the ambition within Outlook 2030 goes beyond that; it looks to enrich the lives of those who live here and visit us; to protect and preserve our places and for Scotland's tourism industry to act as pioneers for delivering responsible tourism.

The COVID-19 pandemic has had a devastating impact on tourism and hospitality. There are over 14,000 tourism businesses in the country, all facing extraordinarily difficult challenges. The threat of significant business closures, mass redundancy and a severely reduced product offering is growing rapidly. However, with the right support in place, the sector will recover and can return more strongly than before with a more sustainable greener offer building on the vision and strategy for inspiration and guidance.

To ensure tourism in Scotland can continue to perform as an effective driver for both the Scottish and UK economies urgent action is required to mitigate business failure and protect the workforce in the immediate term.

The Task Force recommends the following priority rescue measures to the Scottish Government and the UK Government:

IMMEDIATE ACTIONS FOR SCOTTISH GOVERNMENT

- Work with the sector on planning appropriate evidence based restrictions and proportionate, fair financial compensation arrangements if further lock downs are required.
- Provide additional targeted grant support and advice to tourism and hospitality business who have either not been able to trade at all or sufficiently well enough to generate enough revenue to see them through the coming 6-9 months of off season.
- Provide support to improve workplace safety and a skills development package to retain talent and develop leadership skills.
- Extend Business Rates Holiday for another year targeted at sectors and regions most impacted.
- Fund marketing support to boost visitor demand and increase visitor confidence at the right time.
- Progress alternative options for robust Testing Regimes - to facilitate and drive international travel.
- Support a request to UK Government for temporary removal of Air Passenger Duty to boost route competitiveness if this can be aligned with longer term Scottish Government Climate Change ambitions.

IMMEDIATE ACTIONS FOR UK GOVERNMENT

- Provide enhanced tailored support for the tourism/hospitality sectors (beyond what is offered via the Job Support Scheme).
- Commit to a permanent VAT reduction for hospitality and an extension to help the broader supply chain beyond March 2021.
- Review of other taxation measures to support the sector through recovery.
- Enable investment for growth by reducing the cost of loans through the introduction of a government backed soft equity loan scheme.
- Reconsider the policy to abolish Duty Free taxation in the UK.

TOURISM IN SCOTLAND

Tourism has had a key role to play in sustaining many of Scotland's local economies; creating jobs, adding vibrancy and enhancing our places, helping to improve our health and wellbeing.

In 2019, Scotland received 13.8 million overnight domestic visitors from Scotland and elsewhere in Great Britain, around 3.5 million international overnight visitors, and 133 million day visitors, spending a combined £11.5 billion¹. Visitor expenditure provides an important contribution to Scotland's economy: the Scottish Government estimates that expenditure in 2018 by overnight and day visitors supported around 5 per cent of Scotland's GDP. Prior to the crisis, the sector employed 218,000 people² – around 1 in 12 jobs across Scotland – and was a major employer in many of our rural areas.

The visitors we received from overseas were a vital route through which Scotland reaches and engages with the international community, their experiences forming and influencing perceptions of Scotland as a place to visit, work and do business in.

Before Covid-19, the sector had been performing well but was facing increasing pressure from the continuing EU Exit uncertainty; public concerns about sustainability and impact; business costs; and climate change action.

These challenges are being addressed in the new collaborative vision and strategy, Scotland Outlook 2030 – responsible tourism for a sustainable future. Addressing the need to change, the vision, to be a world leader in 21st century tourism, was set for long-term, sustainable, inclusive growth and a new deal brokered with industry to support responsible practice, protect local communities and move to

a low carbon economy. Outcomes were more broadly focussed on workforce development, destinations management, experiences and sustainable business.

THE COVID-19 IMPACT

The COVID-19 pandemic is presenting an unprecedented challenge for the population's health and wellbeing and the economy. In Q2 2020, Scottish GDP fell 19.7% – the sharpest quarterly contraction on record³. Despite picking up in recent months, reflecting progress in reopening different sectors of the economy, Scottish GDP in July remained 10.7% below its level in February⁴.

The pandemic has had a devastating impact on tourism and hospitality. As much of tourism activity involves personal services, demand for tourism within Scotland has fallen dramatically – initially due to the lockdown measures taken to control the spread of the virus, but with recovery trajectories influenced by ongoing social distancing measures, restrictions on travel and health concerns among visitors.

The contraction in GDP has been greater in activities related to tourism than in the economy overall, with GDP in Accommodation and Food Services and in Arts, Culture and Recreation being 52.2% and 32.2% lower respectively in July compared with February's position. In the period 24 August to 20 September 2020, there were markedly higher rates of the workforce on furlough leave for Arts, Entertainment & Recreation (estimated at 56.7%) and Accommodation & Food Services (estimated at 40.9%) than for the workforce overall (13.8%)⁵.

The challenges facing Scotland's tourism sector are not unique. The OECD and UNWTO have forecast reductions in international tourism arrivals globally of between 60% and 80% in 2020, depending on timings of recovery⁶. VisitBritain's internal forecasts have suggested international visits to Scotland may decline by 78% compared to 2019, to 775,000, with spend declining by 85% to £388 million. VisitBritain also forecast that spending from domestic overnight and day visitors in Scotland may both reduce by over 50% from 2019 levels, to £1.6 billion and £2.8 billion respectively⁷. Reductions in demand of this scale will pose significant challenges to employment and activity within the tourism sector.

Lockdown restrictions on the tourism industry began to ease in July. Industry feedback and data indicates a mixed recovery picture since. Ease of access and initial transport restrictions have contributed to regional variations. As these have eased, impacts on rural and island economies have depended as much on visitor demand and availability of accommodation. Ongoing island impacts have varied – with concerns expressed over the multiple effects of restrictions as illustrated by the most recent Fraser of Allander Institute report⁸ for Arran.



¹ Source: ONS (2020), Travel Trends 2019; VisitBritain and VisitScotland: Great Britain Tourism Survey, Great Britain Day Visitor Survey.

² Scottish Government: Growth Sector Statistics Database. <https://www.gov.scot/publications/growth-sector-statistics/>

³ Scottish Government (2020), Gross domestic product - first estimate: 2020 quarter 2: <https://www.gov.scot/publications/first-estimate-of-gdp-2020-q2/>

⁴ Scottish Government (2020), Monthly Gross Domestic Product, July 2020: <https://www.gov.scot/publications/monthly-gdp-july-2020/>

⁵ Scottish Government (2020), BICS weighted Scotland estimates: data to wave 13: <https://www.gov.scot/publications/bics-weighted-scotland-estimates-data-to-wave-13/>

⁶ UNWTO (2020). <https://www.unwto.org/news/covid-19-international-tourist-numbers-could-fall-60-80-in-2020>; OECD (2020), Tourism Policy Responses to coronavirus (COVID-19), https://read.oecd-ilibrary.org/view/?ref=124_124984-Zuf8nm95se&title=Covid-19_Tourism_Policy_Responses

⁷ VisitBritain, 2020

⁸ The impact of Covid-19 on the Arran Economy September 2020.



SECTOR IMPACT

Self-catering accommodation was in most demand in rural and coastal areas and appeared to experience a more rapid recovery in occupancy until the most recent more onerous household restrictions. The Agritourism sector considered itself well placed to welcome visitors back to the countryside. However, hotel occupancy across Scotland overall is around half the level seen in the same period in 2019 with Edinburgh, Glasgow and Aberdeen particularly badly affected. This is of wider concern because Edinburgh and Glasgow in particular, are traditionally the drivers of Scottish tourism performance and if either underperforms there is a significant ripple effect in terms of overall jobs and spend.

Research from the Moffat Centre indicated that, prior to lockdown restrictions being eased, 65% of visitor attractions intended to reopen fully or partially in 2020⁹; recent evidence suggests that footfall at attractions is substantially below levels seen in 2019¹⁰. Visitor attractions and outdoor businesses continue to be constrained by the 2 m physical distancing restrictions and restrictions on school trips. 70% of attractions and 74% of marine businesses¹¹ are unable to operate viably at this level and there are significant concerns over whether these can survive into 2021 given the loss of income.

Bars, restaurants and cafes opened indoors on 15 July with a 1 metre physical distancing exemption. These have been subject to stricter restrictions on opening, as part of broader measures announced on the 22nd September to curb rising cases across the UK, which will have further financial impact, and temporary lockdown measures were announced on the 7th October.

⁹ Moffat Centre (2020) Reopening of Scottish Visitor Attractions.

¹⁰ Moffat Centre (2020) Scottish Visitor Attraction Barometer Report: August 2020 <https://www.gov.scot/publications/growth-sector-statistics/>

¹¹ Industry Survey of businesses across Charter, Cruise, Marina and Mooring Operators (4th – 14th September 2020) <https://www.gov.scot/publications/first-estimate-of-gdp-2020-q2/>

¹² Scottish Wholesale Association Wholesale Market Survey, May 31st 2020: <https://www.scottishwholesale.co.uk/media/2328/scottish-wholesale-market-survey-part-2-june20.pdf>

The tourism supply chains have been equally impacted by restrictions which have reduced demand. The Scottish Wholesale Association advise that, 40% of the £2.9bn Scottish wholesale industry is food service based¹², supplying into hotels, pubs, restaurants etc. Those wholesalers are currently trading at between 45% and 70% of pre-covid levels and have already lost 10% of the 6.5k employees, with a further 5% under threat come the end of furlough. Whilst businesses overall were initially positive about being back open, deep concern is growing over the viability and long-term sustainability of the sector without additional support.

Some sub-sectors are still to reopen due to public health concerns. The reopening of gyms and swimming pools at the end of August benefited larger hotels with leisure facilities. Indicative re-opening dates for some cultural and event activity has been put back beyond the next review point, in response to very serious concerns regarding rising covid cases. Small wedding receptions are now allowed benefiting some hotel businesses. Non-essential offices, (which impact on footfall in city centres and hospitality) await further review. The business events and conference industry, which industry intelligence indicates directly supports around 3,500 jobs and thousands indirectly within Scotland, remains shut. There are concerns that continuing uncertainty may result in premature cancellations and that events will 'flow' from Scotland to other parts of the UK. Pilot events are paused at present and the Scottish Government is considering when it will be possible for these to resume.

As the travel restrictions have lifted over summer and some hostels and campsites have had to remain closed, visitors have looked for other experiences. There has been a considerable increase in wild camping/ inappropriate motorhome parking putting pressure on local beauty spots. Local communities and landowners have complained about dirty camping and anti-social behaviour. Some motorhome owners have acted irresponsibly disposing of chemical waste inappropriately. Forest and Land Scotland pilot schemes to open up some carparks to campervans overnight was well received by the campervan community but raised some concerns locally and is under review to ensure that it is aligned with local business interests. Social media campaigns have targeted younger groups to raise awareness about responsible enjoyment of their environment. A visitor management summit hosted recently by VisitScotland and Ministers highlighted the need to work together to resolve these issues.

International travel remains severely constrained and the situation fluid. Air bridges, conceived to bring back safe travel, have not operated as originally anticipated. Governments have been forced to take rapid action to prevent the international spread of covid, re-imposing quarantine arrangements with just a few hours' notice to keep their populations safe. Airlines and airports have been most directly impacted by the change but other businesses including international tour operators and city centre locations are also severely impacted. The economic impact, as highlighted earlier, is substantial given the anticipated £2.5 billion international visitor spent (based on 2019).

IMMEDIATE BUSINESS OUTLOOK

Illustrative modelling by Scottish Government Economists indicates that while measures like CJRS and relief on non-domestic rates have provided some support to the sector, these may be insufficient to allow most part of the sector to trade at a 'breakeven' financial position. PERF, the tourism and creative industries hardship fund, the hotel support programme, and the Events recovery fund are providing some additional short term support but most businesses remain vulnerable.

Tourism businesses have already lost a substantial part of their trade for this year on top of the income lost through the lockdown period. This has been exacerbated further where additional urgent restrictions have been needed to respond to local case rises – as happened in Aberdeen city in August or to suppress the virus on a far wider scale such as the extra measures announced on 7th October which are severely impacting hospitality, particularly in the central belt of Scotland.

As business confidence reduces and reserves dry up, some larger businesses and organisations, are starting redundancies with thousands of jobs potentially at risk. This position is likely to worsen as furlough arrangements finish and businesses struggle to repay government loans unless recapitalisation and corporate debt restructuring options can be made available.

CHALLENGES AFFECTING TOURISM RECOVERY

The operating environment for tourism remains volatile and the recovery path is uncertain. Tourism recovery might face a number of obstacles - a global recession, changes in attitudes to travel, further outbreaks, and resumed physical distancing – and it could be some years before pre-crisis levels are recovered.

Scenario planning work has been undertaken to identify best and worst case planning assumptions to frame recovery actions. These indicate that at best businesses are likely to be weakened financially, impacting the supply chain, and leading to a contraction of the workforce after the summer season. In the worst case equivalent of 3 winters of low season demand, there are likely to be widespread business failures, rapid contraction of established supply chains, permanent reduction of the workforce and loss of vital skills with wider economic impact particularly in more rural and island communities.

Some business types will be more exposed than others depending on their target market. Business types dependent on inward travellers – aviation, coach and tour operators, city centre accommodation providers, some international attractions are likely to be most impacted. Those dependent on the domestic market are likely to bounce back more readily with the right kind of support. In the future, businesses will need to be agile and flexible to adapt to rapidly changing circumstances. Some businesses may no longer be financially viable. Support will need to be tailored to reflect longer term prospects for the sector, to meet different needs and long term requirements.

PLANS FOR RECOVERY

Not only will recovery plans need to address the issues caused by the crisis, they will also need to address the longer term challenges for the sector recognised and highlighted in Scotland Outlook 2030 such as productivity and staff shortages that existed pre-Covid. As we reset, we must take the opportunity to build on inclusive growth, green recovery and better business resilience. Longer term recovery will need a new more robust

sustainable vision for the sector – taking more care of social and natural capital, encouraging longer term investment and growth of local green jobs. National and local recovery plans need to support businesses to recover, encourage visitors to return or discover Scotland, support communities to embrace opportunity, stimulate local employment.

A COMMON PURPOSE AND FRAMEWORK FOR ACTION

Collectively, the proposals generated by the sub-groups indicate the breadth of interests and the scale of demand for support. Together they demonstrate that a significant level of investment is needed in the sector – one that is beyond the public sector alone – but that could generate very significant returns to the economy and local communities if it is provided now at this critical time.

In framing the actions, the overall vision for the sector remains that set out in Scotland Outlook 2030. The sector still has the ambition and capability to be a world leader in 21st Century tourism. The outcomes are still appropriate but the starting point for the strategy is different due to the pandemic, with different parts of the sector recovering at different speeds and other countries creating greater competitive pressures.

Although there are wide ranging interests around recovery, the common purpose is to:

To take all action necessary to secure the asset¹³ base to maintain and increase the domestic market share in the next 6 months, to bring back international visitors to pre-covid levels within two years and create the conditions for longer term resilience and agility.

To achieve this will require strong accountable partnerships and a clear set of measurable actions that address the sector's key role in supporting employment and the economy across the country, and are strongly supported by the enabling environment, particularly transport and digital connectivity.

The guiding principles used to prioritise action and investment are:

- i) Is critical to sector survival over next 6 months to 1 year.**
- ii) Is critical to business survival and guarantees employment over next 6 months, then 6 months to 2 years.**
- iii) Supporting future investment helps business to be more agile, more flexible, and more resilient over next 2 to 5 years.**
- iv) Establishes the operating environment to address external challenges and drive high inclusive growth and transition to a low carbon economy over the next 5 years.**

¹³ Asset base - people, businesses, digital capabilities, attractions, supply chains necessary to deliver tourism.



PRIORITISED ACTIONS

Applying the criteria, outline priorities for action and investment from the sub-group work under each of the 2030 Strategy outcomes are:

OUTCOME 1: WE WILL ATTRACT, DEVELOP AND RETAIN A SKILLED, COMMITTED, DIVERSE AND VALUED WORKFORCE.

To build a sustainable workforce

Tourism and hospitality is a people focused industry, with customer service at the heart of a quality tourism experience. The covid crisis has put a huge strain on the ability of businesses to retain critical skills and will have a longer term impact on the sector without support. In the short term demand and affordability are key issues.

Ongoing restrictions and consumer confidence mean that most larger businesses are struggling to break even and with furlough coming to an end, some have, or will need to take difficult decisions regarding staff retention leaving potentially thousands of staff unemployed across Scotland.

In the medium term, as business starts to recover, restrictions over EU nationals and the changing demographics could mean that businesses particularly in more remote areas find it difficult to recruit staff. Commitment to the fair work agenda is essential and will help to attract staff but will also bring in an additional cost burden at a time when most businesses are struggling to survive. New technologies and innovation could help to reduce staff costs in the future but will need further analysis.

FOR SCOTTISH GOVERNMENT

Support investment in improving workplace safety and protecting workers so that businesses can continue to re-open and stay open safely.

Provide support to improve employee retention and improve productivity. Early consideration should be given to a potential skills development package working with Colleges and Universities to develop and sustain emerging talent and develop leadership. This would be most helpful if it was combined with a wage subsidy to meet immediate retention issues as furlough comes to an end.

Maintain existing apprenticeships and work based learning placements to protect the younger workforce. The Kickstart placement scheme could be used to encourage more young people into the sector on a short term basis helping to mitigate against future potential staff shortages as the sector recovers.

Work with industry to implement fair work over a realistic timescale.

FOR UK GOVERNMENT

The Job Support Scheme does not meet sector needs. The priority is to extend CJRS support for the tourism sector and supply chain (including food and drink) beyond October 2020. The sector requires the support to retain the key staff and skills it will need to survive.

Future migration policy post EU Exit must maintain access to EU nationals below the proposed thresholds to address potential labour and specialist skills shortages.

FOR INDUSTRY

Businesses to work together locally to share HR capacity to recruit and develop local skills.

Commitment to a workforce strategy to maximise local employment opportunities built on fair work principles.

OUTCOME 2: WE WILL CREATE AND DEVELOP A SUSTAINABLE DESTINATION TOGETHER.

Boosts demand for tourism sectors

The safe return of international inbound visitors to the market is critical to sector recovery over coming months. Re-opening of markets will require lifting or improved management of restrictions on inward bound travel and a concerted focus on international marketing.

It will be imperative to continue to build Scotland's profile, keeping it top of mind through brand building activities during this time so that targeted conversion activity when the time is right will deliver immediate returns. If profile with future visitor audiences is not maintained in key markets then we will lose out to other destinations prolonging the industries' recovery.

Due to the ongoing uncertainty around covid and quarantine arrangements- marketing will need to be agile to respond quickly. Destinations will need marketing support and it will be necessary to think how best to support the destination management organisations (DMOs). The majority (76%) of local authority managed attractions are still closed and there is real concern that pressures on council budgets will mean that the funds will not be available to support the successful reopening of many sites.

Scottish Government's commitment to introduce a transient visitor levy or tourism tax was paused at the beginning of the pandemic at the request of businesses. The case for a future tourism tax has long been a cause for division – industry representatives arguing that it adds

to the cost of doing business and reduces price competitiveness, some local authorities more in favour to support local investment in the sector. As the sector starts to recover, further discussion will be needed on local funding mechanisms, including a possible future transient visitor levy, and how this might be offset against the overall tax burden on business.

A reduction in the overall taxation burden especially VAT is required. Recently applied VAT reductions have benefited customers in some cases, and in others have been used to offset rising business costs as demand has dropped. The most cost effective measures for stimulating demand in the longer term, may well be a mix of direct support and reduced taxation - this will need further analysis.

FOR SCOTTISH GOVERNMENT

Provide sufficient support to re-open and maintain civic attractions.

Shore up key travel infrastructure eg airports, ports, ferries, that facilitate travel for both domestic and international travellers around Scotland.

Support the inbound tour operator community that play a significant role in both brokering and facilitating the accommodation and leisure programmes plus the co-ordination of travel for both domestic and international travellers around Scotland.

Provide a road-map for moving out of quarantine – consider enhanced testing regimes – would provide much needed clarity to airports and airlines.

Support VisitScotland to continue work to boost destination and sector marketing aimed at domestic and international markets to rebuild consumer confidence, open up new markets, encourage the safe return of existing markets, extend the season into the shoulder months, and respond to increased competition from other countries keen to recoup their market share.

Target specific international routes and markets in the short term to build resilience.

Extend marketing reach domestically and internationally through closer alignment with the VisitBritain offer.

FOR UK GOVERNMENT

Implement a permanent VAT reduction for hospitality and an extension to help the broader supply chain beyond March 2021.

Reconsider the decision to abolish tax free shopping for international visitors which comes at the worst possible time for retail and airport businesses.

Relaunch the successful Eat Out to Help Out Scheme to stimulate demand when it becomes safe to do so.

Air passenger duty (APD) is cut, at least temporarily, to boost route competitiveness with the caveat that this is currently incompatible with Scottish Government's climate change ambitions.

In the longer term a more fundamental review of the taxation regime is requested to improve competitiveness.

FOR INDUSTRY

Commitment to work with VisitScotland, DMOs and trade associations on marketing plans.

Sign up to the good to go scheme to build consumer confidence.

Any agreement on reducing APD temporarily would need to support the transition to a low carbon economy for example by incentivising the use of low emission aircraft on sponsored routes.



Boosts investment in the tourism sectors for growth and environmental sustainability

Digital capability will need to be protected and enhanced to rebuild capacity and improve productivity. The sector will need to think about whether a more consolidated operating and distribution platform and portal offers greater competitive advantage. Tourism and hospitality businesses will need to take steps to ensure that as a minimum online booking is available.

The sector will need to address the problems that have arisen since re-opening over the past few months which have led to high profile complaints in the media regarding irresponsible behaviour and 'dirty camping'. Building on the good work that is already going on to promote improved behaviours in the countryside, more robust visitor management will be needed to address continuing concerns and increased demands.

Longer term environmental sustainability requires sector wide commitment to move to a low carbon economy. Public transport is taking action to reduce emissions – opportunities for private operators will be considered. Incentivised funding will help businesses make the costly infrastructure changes to reduce emissions.

FOR SCOTTISH GOVERNMENT

Protect the essential online bookings distribution capability that has been developed by international wholesale in-bound and OTA operators.

Enhance the digital capabilities of businesses to ensure that as a minimum businesses have access to online booking facilities, and in time the digital capability to respond quickly to customer and business needs.

Support a tourism digital data hub which will provide the essential data analytics the industry needs to understand how to respond in an agile way to uncertain market conditions.

Improve connectivity in more rural and remote areas.

Extend the rural tourism infrastructure fund in order to improve and enhance visitor facilities supported by increase ranger service provision. Further social media work with younger audiences will be beneficial and could be extended to encourage and incentivise more active participation through existing reward schemes.

Provide Scottish tourism grants/loans as a means to support investment in 'greening' businesses in the medium term. This would initially focus on accelerating progress towards reducing emissions and improving energy efficiency, and in the longer term on larger scale innovation to transition to low carbon.

FOR UK GOVERNMENT

Encourage investment for growth by reducing the cost of loans through the introduction of a government backed soft equity loan scheme.

FOR INDUSTRY

Commitment to move to online booking, and to look at digital capability sharing that could promote advantage.

Agreement on actions to reduce emissions.

OUTCOME 3: WE WILL PROVIDE THE VERY BEST, AUTHENTIC AND MEMORABLE EXPERIENCES.

Boosts product innovation to help adapt sector to new normal

Further work will be required to identify the support destinations and businesses will need to recover and adapt their offer to reflect continuing restrictions and changing consumer taste. New opportunities to provide local employment and wealth creation should be supported.

The events sector has been one of the most impacted and will need support to adapt to a new normal to survive. The sector helps drive tourism growth – extending the opportunities for business activity and the cultural offer. Due to the broad networks, that it enjoys it is well placed with support to deliver new blended experiences adapted to the new normal. With support the sector should be able to create new products from world class brands.

The food and drink sector are a critical part of the supply chain. The sector's opportunities and challenges are highlighted in the Food Tourism Scotland 2030 Strategy. Suppliers have been equally impacted by the crisis and it is important that they are supported through rural support schemes. Food and drink businesses have a unique opportunity to work with destinations to create new products that extend the tourism offer into the shoulder months and to develop further as a global destination for high quality food and drink.

FOR SCOTTISH GOVERNMENT

Provide further support for the Rural and Destination Leadership Programmes to equip leaders with the skills to boost product innovation.

FOR UK GOVERNMENT

Commitment to destination support through an updated UK sector deal.

FOR INDUSTRY/ COLLEGES AND UNIVERSITIES

Commitment to work together to develop new ideas and products, and build the leadership skills that will be required to innovate and lead in the new environment.

OUTCOME 4: WE WILL BUILD BUSINESS RESILIENCE, SUSTAINABILITY AND PROFITABILITY.

Eases cash flow challenges affecting tourism sector

As highlighted earlier, continuing restrictions mean that many businesses are struggling to break even. Well established businesses are seeing their life work—their passions and savings drain away. Businesses are growing ever more desperate as further restrictions reduce the residual opportunity to recoup even part of lost earnings in the remainder of the season.

It is not just businesses and people's livelihoods that are at risk – it is peoples' lives. The mental and psychological impacts of living with the day to day uncertainty and responsibility are immense and will leave deep scarring. Rebuilding mental resilience will be just as important as rebuilding financial to long term sector recovery.

Many of these businesses could be financially viable with well designed short term support. UK Hospitality highlights that accommodation businesses need to generate at least 70% of their regular income to cover their costs. The nature of the businesses mean that most operate on a 6 to 8 week cash-flow basis, and that reserves are locked up in fixed assets. Therefore, short term support to free up working capital is required to sustain viable businesses.

Outdoor businesses highlight the need for support in the early part of the new year – to invest in the commissioning and certification of craft, safety equipment, transport and other outdoor recreational equipment. This will need further work to explore the requirements and is likely to need a tailored package of measures and advice.

In the medium term, a more appropriate solution is needed to solve the burden of short term debt that larger businesses have been forced to pick up to survive.

FOR SCOTTISH GOVERNMENT

Provide businesses with the means to access the working capital needed to manage day to day expenses, purchase stock, and manage short term debt.

Non domestic rate holiday for at least another year. Further work is required to target those sub sectors or regions most severely impacted.

Free debt management advice to support all businesses.

Business and Scottish Government to work together to provide COVID financial support to the tourism sector, whether directly or via the enterprise agencies. Consideration to be given to the decision to defer the revaluation rates in 2022 and a fundamental review of NDR.

FOR UK GOVERNMENT

Increase the availability of low cost loans, in extending the repayment period for CBILS and BBLs to allow sufficient flexibility to reflect seasonal trading patterns, and over coming months to consider the transfer of CBILS and BBLs to a profit contingent model.

Provide a more tailored solution for the not for profit charities that run some of the visitor attractions. These charities face the same challenges as other businesses in the sector but the Charities Act restricts borrowing powers. These are likely to require some grant provision.

Improve business viability and prevent closure and mass redundancy

Business viability will continue to be at significant risk from further lockdowns or increased restrictions. There is already a strong commitment to work together on guidance and communications, and this has allowed many businesses to operate safely. Continued and improved collaboration and communication will be essential to allow future further safe lifting of restrictions.

Piloting of events activity should help provide the evidence to inform a roadmap towards longer term lifting of restrictions.

Reducing the burden of taxation temporarily as highlighted above will give businesses the opportunity to recover and improve viability.

FOR SCOTTISH GOVERNMENT

Share public health data on rising covid risks within the sector.

Allow sufficient time for planning if temporary shutdown likely to be required.

Allow sufficient time for wider stakeholder engagement to ensure full understanding of implications of restrictions.

Continue to lift restrictions on facilities and attractions for visitors when it becomes safe to do so for staff and visitors – measures to be reviewed include re-opening of live venues, the safe lifting of 2 m physical distancing restrictions on visitor attractions, boats, outdoor activities and tours based on an improved understanding of the highly controlled and regulated environments within which these businesses operate, increasing numbers for wedding receptions, lifting of music bans in hospitality, increased numbers in self contained accommodation.

FOR UK GOVERNMENT

Consider interventions in the tax system which would support the sector – eg enhanced capital allowances, increasing the expenditure available for tax deductions, or to help visitor attractions in particular, increasing gift aid claimed on donations. In general the only relevant fiscal measures which are within the existing powers of the Scottish Government are in relation to non-domestic rates.

FOR INDUSTRY

Work with police and local environmental officers to promote and enforce guidance.

Maintain sufficient flexibility to respond to changing public health needs.

Support employee and union engagement as is currently undertaken when any lifting of restrictions is being considered.



A NEW SECTOR INVESTMENT PARTNERSHIP

Alongside these prioritised actions, the sector will also need significant investment urgently and over the medium term to recover and to continue to contribute to Scotland's economy at pre-covid levels.

The investment sub group identified a range of options - supporting businesses to survive, and to deliver longer term investment in the sector. In the short to medium term, the focus is on measures which have a positive impact on cash flow. Longer term, the focus is on measures which make investment more attractive than would otherwise be the case (this applies both to individual business investment and shared infrastructure). Most of the measures proposed could be implemented independently – in effect they represent a menu of options from which a package could be formulated dependent on the resources available to both Scottish and UK Governments. Not all proposals would have a direct cost to Government, although most do.

Many of the short to medium term investment requirements have been set out in the prioritised actions above. Those requiring public sector subsidy and underwriting include short term top up, marketing and skills development. Longer term investment models are being explored to identify the type of investment that will drive future inclusive low carbon growth if the scale of resources that could only be provided by UK Government were made available. Without investment, as highlighted earlier, it is very likely that many businesses will shut down – losing jobs and skills, hollowing out communities.

Sector recovery is likely to require a new innovative public private partnership to deliver the investment that is required – there are a variety of ways in which these might be structured. Due to the complexity of designing suitable schemes, the UK and Scottish Governments, together with the enterprise agencies and Scottish National Investment Bank should consider whether a viable new investment model with public sector involvement can be implemented which would support the sector. Areas identified for longer term investment include greening business, tourism business recovery and transformation, and global advantage.

Future commitment to invest in the sector would need to be underpinned by a commitment from partners to support Scottish Government's broader economic priorities. Many of these commitments are already set out in the 2030 Strategy and were brokered pre-covid. These could form the basis of a new investment partnership based on fair work, low carbon, and high quality job principles.

Priority actions will be:**FOR SCOTTISH GOVERNMENT**

To develop a package of short term measures (including advice service) with VisitScotland and the Enterprise agencies to put sector on path to recovery.

To include:

- Additional funding for VisitScotland to carry out marketing, and skills development to support employee retention.
- Further funding for the rural tourism infrastructure fund.
- Broader investment in transport and digital infrastructure to continue to support sector recovery; transport services continue to deliver sufficient capacity to meet demand, investment in infrastructure protects key assets, digital connectivity continues to improve in more remote locations.
- Use of culture investment to protect heritage and cultural visitor attractions, festivals and events.

In the medium term to use the low carbon fund to support some of the green tourism grant/loan work.

To develop an investment prospectus for public and private sector consideration.

Continue to press strongly for UK Government dedicated sector support.

FOR UK GOVERNMENT

To fund CJRS extension for up to a year and extend loan repayment guarantees.

To fund substantial sector support package that will provide the level of funding required for long term investment.

FOR INDUSTRY

To deliver the fair work agenda.

Transition to a low carbon economy.

Retention of high quality jobs and skills commitments.

NEXT STEPS

Work is already in hand to address the recommendations.

VisitScotland is working on the marketing activity discussed by the stimulating demand sub group and this will be kept under review with industry.

The Scottish Tourism Emergency Recovery Group (STERG) is reviewing the recommendations from the business recovery and employee retention sub group to form a working menu over coming weeks and months.

Exploratory discussions are underway to consider the investment needs highlighted by the investment sub group.

There is regular engagement between Industry and Ministers to ensure that the needs of the sector are understood.

THE TASK FORCE REQUEST CABINET MINISTERS TO RESPOND URGENTLY TAKING ACTION TO:

- i) Engage with stakeholders at an earlier stage to allow sufficient planning time if further restrictions or local shut down needed to respond to public health concerns.
- ii) Arrange an industry summit with UK Ministers to press for real and substantial UKG spending review commitments as per recommendations.
- iii) Commission further work by the Enterprise agencies and VisitScotland to develop the priorities as a five year recovery programme for Scottish Government spending review consideration dependent on availability of additional funding from UKG.
- iv) Commission additional work by the Enterprise Agencies and SNIB to structure and develop an investment prospectus with industry to attract longer term sustainable funding and finance.
- v) Consider immediate hardship support to businesses that can demonstrate longer term financial viability but are unable to breakeven due to ongoing restrictions.
- vi) Consider additional funding for ongoing activity including RTIF, VisitScotland marketing and skills development.



APPENDIX

PRIORITISED ACTIONS ALIGNED TO TARGET OUTCOMES (PRIORITIES IN BOLD)

All actions from the three Task Force sub groups, i) Stimulating Demand, ii) Business and Workforce Recovery and iii) Investment, have been consolidated in the tables that follow.

OUTCOME 1: WE WILL ATTRACT, DEVELOP AND RETAIN A SKILLED, COMMITTED, DIVERSE AND VALUED WORKFORCE.

Build a sustainable workforce	UK or SG level intervention	Build a sustainable workforce	UK or SG level intervention
Support investment in improving work place safety and protecting workers.	SG	Introduce Business Management with tourism Graduate Apprenticeship.	SG
Transition fund for workers made redundant.	SG	Online & F2F mentoring programme to help retain staff.	SG
Education and training to improve recruitment and retention of staff.	SG	Government support to pay for currently volunteered jobs that sustain sector.	SG
Extend CJRS for tourism sector and extend to the food and drink supply chain beyond October 2020.	UK	Upskill staff in the industry to boost productivity.	SG
Reduce employment costs (e.g., apprenticeship levy, NI contributions, relax requirements for living wage).	SG/UK	Building HR capability of SMEs.	SG
Support sector to adopt fair work principles to help attract local work force.	SG	Closer engagement between learning providers and industry to achieve better alignment in training and industry skills requirement.	SG
Review migration policy to allow people from overseas to come and work in Scotland.	UK	Continued support for work placement schemes to encourage entry into the sector and sector specific employability services.	SG
Incentivise businesses to retain existing apprentices .	SG	Integrating tourism related learning into school curriculum.	SG
Make older workers eligible for modern apprenticeships.	SG		
Increase hospitality apprenticeship funding.	SG	Increase diversity in workforce.	

OUTCOME 2: WE WILL CREATE AND DEVELOP A SUSTAINABLE DESTINATION TOGETHER.

Boosting demand for tourism sectors	UK or SG level intervention	Boost investment in the tourism sectors for growth and environmental sustainability	UK or SG level intervention
<p>Permanent VAT reduction for hospitality and the broader sector including the supply chain beyond March 2021.</p> <p>The temporary reduction in VAT for the hospitality and holiday accommodation sector is due to expire on 31 March 2021, with the VAT rate reverting to 20% from the current 5%. This measure is UK wide.</p>	UK	<p>Invest in ICT technology for businesses not having online booking facilities.</p>	SG
<p>Reverse decision to abolish tax free shopping for international visitors.</p>	UK	<p>Enhance capital allowance to encourage investment.</p>	SG
<p>Extend Eat Out to Help Out Scheme & consider extension to activities and accommodation in shoulder months.</p>	UK	<p>Introduce government backed soft equity loan scheme.</p> <p>A number of proposals have been suggested ranging from conversion of existing government scheme lending to equity to the introduction of new schemes. These could be sector specific or more general and would need careful design to take account of issues such as state aid constraints. Scheme design would determine whether these could be delivered by the Scottish Government within existing powers or need to be delivered by UK Government.</p>	UK/SG
<p>Remove air passenger duty.</p>	SG		
<p>Remove transient visitor levy.</p>	SG	<p>Support investment in greening tourism businesses and industry.</p>	SG
<p>£500 voucher for Instagram/Google advertising.</p>	SG	<p>Invest in rural infrastructure to boost rural tourism and improve sustainability.</p>	SG
<p>Destination marketing via visitScotland and at DMO level.</p>	SG	<p>Access to Scottish Government maintenance budget to aid conversion to green businesses.</p>	SG
<p>Review restrictions on transport and use of leisure facilities (as ancillaries to tourism sectors).</p>	SG	<p>Amend planning regulation and relax planning constraints to industry growth.</p>	SG

Boost investment in the tourism sectors for growth and environmental sustainability	UK or SG level intervention
Reduce tax on capital works The Scottish Government Business Growth Accelerator rewards capital investment by deferring rates liabilities.	UK
Introduce Scottish tourism bonds to support investment in 'greening' businesses. Recognising the financial constraints on pure grant funding to support investment in green measures, a number of methods to provide loan support were considered. As well as bespoke new arrangements, there may an opportunity to steer tourism related green projects towards existing or planned low carbon initiatives.	UK/SG
Improve wider connectivity infrastructure rural / remote areas.	SG
Improve information and data on industry – set up Tourism Data Hub.	SG

OUTCOME 3: WE WILL PROVIDE THE VERY BEST, AUTHENTIC AND MEMORABLE EXPERIENCES.

Boost product innovation to help adapt sector to new normal.	UK or SG level intervention
Support innovation to adapt offer to changing consumer taste.	SG
Continue to support the Destination and Rural leadership programmes.	SG

OUTCOME 4: WE WILL BUILD BUSINESS RESILIENCE, SUSTAINABILITY AND PROFITABILITY.

Ease cash flow challenges affecting tourism sector	UK or SG level intervention
Working capital support for businesses that are restarting.	SG
Defer payments for NDRs liabilities for at least another year. If the 100% relief for non domestic rates for the sector does not continue in 2021/22, Scottish Government could defer payments to support cash flow to the sector.	SG
Maintain 100% relief on business rates throughout 2021/22 for industry and supply chain including food and drink wholesalers. Will need to be financially viable, 'tourism' is too broad brush an ask – should consider relative impact.	SG
Delay deferred payments for VAT, PAYE and corporation beyond March 2021 VAT payments which were deferred between March and June 2020 will be due for payment by 31 March 2021. "Time to pay" arrangements for PAYE or Corporation Tax where in place were arranged on a case by case basis.	UK

Ease cash flow challenges affecting tourism sector	UK or SG level intervention	Improve business viability and prevent closure and mass redundancy.	UK or SG level intervention
Defer initial payments of CBILS and BBLS beyond scheduled start dates Under BBLS (Bounce Back Loan Scheme) the borrower does not make any repayments for the first 12 months. As such, some businesses will start making repayments in May 2021. CBILS launched earlier and some businesses will start to pay interest in March 2021.	UK	Extend the reduction in 2 metre social distancing requirement to 1 metre to all parts of the tourism and hospitality industry to raise capacity utilisation in the sectors.	SG
Increase availability of low cost loans.	UK/SG	Expedite opening of sectors that remain closed.	SG
Extend repayment period for CBILS and BBLS Currently 6 years (though 3 years for CBILS covering invoice finance or overdrafts). Recent announcement to extend repayment over 10 years for bounce back loans up to £50,000.	UK	Make loan repayment tax deductible for 3 years.	UK
Allow transfer of CBILS and BBLS to profit contingent vehicle Proposals have been put forward to allow CBILS or BBLS debt to be repaid on a profit contingent basis (similar in theory to the collection of student loan via the tax system as income crosses a certain threshold).	UK/SG	Increase gift aid claimed on donations.	UK
Loan and grants to pivotal local tourism businesses.	UK	Defer new regulations and policies that impose costs on businesses (tourism levy, deposit returns, out of home eating changes, etc).	SG
Free debt management advice.	SG	Reduce beer duty.	UK
Enterprise Agencies and SNIB to play a role in providing financial support to tourism sector. Any support via SNIB would need to be longer term, aligned to existing missions and within appetite. More immediate sector support might be delivered by the enterprise agencies but is dependent on resourcing.	SG	Extend VAT reduction to all tourism providers and those in supply chains.	UK
		Taper VAT with business size – lower VAT rate for smaller business and increase with business size	UK
		Equality in treatment of Airbnb and rest of accommodation services sector.	UK/SG
		Review of business rates.	SG
		Create ‘free trade zones’ for hospitality supply chains.	UK/SG
		Provide grants to suppliers for small tourism businesses.	SG
		Address rental concerns of businesses.	SG

PUBLISHED OCTOBER 2020

TOURISM RECOVERY RECOMMENDATIONS

— A REPORT BY —

THE SCOTTISH TOURISM RECOVERY TASK FORCE