



OFFICIAL REPORT
AITHISG OIFIGEIL

Culture, Tourism, Europe and External Affairs Committee

Thursday 14 May 2020

Session 5



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CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE
10th Meeting 2020, Session 5

CONVENER

*Joan McAlpine (South Scotland) (SNP)

DEPUTY CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

COMMITTEE MEMBERS

*Annabelle Ewing (Cowdenbeath) (SNP)

*Kenneth Gibson (Cunninghame North) (SNP)

Ross Greer (West Scotland) (Green)

*Gordon Lindhurst (Lothian) (Con)

*Stuart McMillan (Greenock and Inverclyde) (SNP)

*Oliver Mundell (Dumfriesshire) (Con)

*Beatrice Wishart (Shetland Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Fergus Ewing (Cabinet Secretary for Rural Economy and Tourism)

Duncan Mackay (Scottish Government)

Bettina Sizeland (Scottish Government)

CLERK TO THE COMMITTEE

Stephen Herbert

LOCATION

Virtual Meeting

Scottish Parliament

Culture, Tourism, Europe and External Affairs Committee

Thursday 14 May 2020

[The Convener opened the meeting at 10:00]

Tourism (Impact of Covid-19)

The Convener (Joan McAlpine): Good morning and welcome to the 10th meeting in 2020 of the Culture, Tourism, Europe and External Affairs Committee. We have apologies from Ross Greer MSP.

I thank Scottish Parliamentary Corporate Body staff for facilitating our first remote meeting, and I ask members to be patient should we encounter any technical difficulties.

This is the first formal meeting of the committee since the introduction of the lockdown restrictions that have been put in place to deal with the Covid-19 pandemic. However, the committee has met informally, and we have agreed a number of changes to our work programme as a consequence of the pandemic. I thought that it would be helpful to summarise those changes on the record.

Principally, the committee agreed to issue a call for evidence on the impact of Covid-19 on the culture and tourism sectors. Today, we will take evidence from Fergus Ewing MSP, who is the cabinet secretary with responsibility for tourism, and next week, we will take evidence from Fiona Hyslop MSP, who is the cabinet secretary with responsibility for culture. In subsequent weeks, we will take evidence on the future relationship negotiations between the United Kingdom Government and the European Union. The committee will further consider our work programme in private at the end of today's meeting.

As a consequence of the changes to our work programme, the committee has agreed to postpone our external affairs inquiry for the foreseeable future. The committee's website will be regularly updated with details of its future work programme.

Our main item of business this morning is an evidence session with the Cabinet Secretary for Rural Economy and Tourism on the impact of Covid-19 on Scotland's tourism sector. I welcome the cabinet secretary, Fergus Ewing, and, from the tourism and major events team in the Scottish Government, Bettina Sizeland, deputy director, and Duncan Mackay, sponsorship manager.

In a moment, I will invite the cabinet secretary to make a short opening statement. Because of the challenges of managing a virtual meeting, I will take questions in a pre-arranged order. Once the cabinet secretary has made his opening remarks, I will invite members to ask questions and the cabinet secretary to respond. I will go back to each member for any follow-up questions and back to the cabinet secretary in quite a formal way. Once that is completed for the first questioner, I will invite the next questioner to ask a question and so on, until the evidence session is concluded. I would be grateful if questions and answers were kept as succinct as possible.

Finally, I remind everyone to give broadcasting staff a few seconds to operate the microphones before they ask a question or provide an answer. If the cabinet secretary wishes to bring in his officials to speak, he should state that and allow a couple of seconds for them to be brought in.

I invite the cabinet secretary to make a short opening statement of up to three minutes.

The Cabinet Secretary for Rural Economy and Tourism (Fergus Ewing): Thank you very much, convener, and good morning, committee members. Thank you for inviting me and my officials to give evidence.

Without question, the situation that Scotland and, indeed, most of the world face is without precedent in modern times. Over the past 40 days or so of the lockdown, our overriding priority in the Scottish Government has been the preservation of life and suppressing the impact on our national health service as far as we can. We have seen that the impacts in other European countries have been massive and hugely problematic. Those are our primary objectives, and they have meant that we have been required to introduce measures that restrict liberty, freedom and the movement of people. They are indeed without precedent.

As the cabinet secretary responsible for tourism, it is clear to me that the impact on tourism has been devastating. There is, in essence, no tourism in Scotland currently. Working with the United Kingdom Government and the other devolved Administrations in these islands, we have also had to ensure that we have swiftly and effectively put in place measures to provide financial support to businesses that face a sudden, devastating and unprecedented loss of income.

We are working extremely hard—I emphasise that we have done so, of necessity, at speed—to help businesses to be able to survive and navigate this extraordinarily difficult period. That task is made more challenging because we cannot say with any certainty how long the restrictions will be required for.

I have no doubt that the various support streams that we in Scotland and the UK Government have put in place will be continued for some time. Should they require to be phased out, as eventually they must, that process must be gradual, because the recovery for the tourism sector will not be quick; it will be slow. It will be a long period of recovery, and we have to prepare for that.

We regularly review the physical distancing restrictions, which will be amended only in line with medical advice. At this stage, it is not possible to say what measures will be put in place in the near future, nor how they will affect the tourism sector. The distancing measures are a matter of public safety and their implementation has been based on evidence and expert medical advice. Public health in Scotland will continue to be the priority, and any relaxation of measures will—and must—be informed by the advice of medical experts.

Last month, the Scottish Government published “COVID-19—A Framework for Decision Making”, which is part of our effort to inform and listen to the people of Scotland, and this evidence session is part of that effort. The document outlines our principles and our approach to managing our way through and out of this crisis to—if you like—a new normal.

On 5 May, we published an update that set out further information on the challenges that Scotland faces. The update provides illustrative examples of the steps that might form part of the initial changes to the current lockdown restrictions. It also sets out some options that we are working on, in terms of assessing the impact and the practicalities of implementation. I am working closely on that with our public agencies and the tourism sector as a whole, so that we will be ready to make changes when the evidence tells us that it is safe so to do.

My officials and I look forward to answering members’ questions.

The Convener: Thank you for those remarks, cabinet secretary. They were certainly very sobering and in many ways very depressing, but also very honest. As you said, health is the priority, going forward.

However, as we know from our short inquiry so far, the statistics are pretty devastating. The Scottish Tourism Alliance’s survey found that 88 per cent of respondents’ businesses and income had disappeared entirely. As you alluded to, the situation around the world is equally bleak—I believe that 75 million tourism jobs around the world are threatened, so the problem is not only in Scotland.

You have had regular meetings with the Scottish Tourism Alliance, and the sector appreciates that.

You are well aware that one of the big asks from the sector is help for larger businesses—those that have a rateable value of more than £51,000. So far, those businesses have not been eligible for grants.

I thank you for your letter to the committee, which outlines the help that you have given the sector so far. In that letter, you said that you are continuing to have discussions with Nigel Huddleston, the UK Government’s tourism minister, about help for businesses that have a rateable value of more than £51,000. Can you update the committee on those discussions and say whether the tourism industry is likely to hear any good news in the future? As you said in your opening remarks, the crisis for the tourism industry is not going to go away any time soon.

Fergus Ewing: I have been working closely with the Scottish Tourism Alliance. The leadership of Marc Crothall and Stephen Leckie has been exemplary. I had a conference call with them yesterday.

I have been working with the STA on the medium to larger tourism businesses in Scotland. Hotels in places such as the Borders and Dumfries and Galloway—the area that you represent, convener—and hotels throughout rural Scotland whose rateable value exceeds the £51,000 threshold for grants effectively have access to rates relief and the UK Government’s coronavirus business interruption loan scheme—CBILS—which is a welcome scheme. However, many of those businesses been built up over decades by families and by individuals who might now be getting towards the end of their working lives. Perhaps they are in their late 50s or early 60s and are just not relishing the prospect of taking out a loan of £0.5 million that they would need to pay back to the Government for another 10 years. I think that it is fundamentally unfair that those businesses do not get grant finance automatically, as businesses that have a lower rateable value do.

I do not mean my comments to be at all political. We have been working at speed and we have tried to leave party politics outside the room—frankly, that is what I think is wanted of us. Therefore, in Scotland, through the funds that we have set up, which are administered by South of Scotland Enterprise, Highlands and Islands Enterprise and Scottish Enterprise, we have made sure that those businesses will be able to apply for support.

However, the UK Government should recognise that those businesses have fixed costs. Every month, they have to pay substantial amounts of money without the grant finance that smaller businesses get. There is therefore a disparity between larger and smaller businesses that is based simply on rateable value, and I have urged Nigel Huddleston, the UK tourism minister, with

whom I have a good working relationship, to urge the Treasury to fill that gap. I have been working on that alongside my colleague, Fiona Hyslop, from whom I understand you will hear next week.

You ask what the response is. As yet, we have not had one. However, let us not be too pessimistic. To be fair to the UK Government, it has made changes to its furlough scheme. It has also made two changes to CBILS: one to extend it beyond companies with a turnover of £45 million; and the other to grant bounceback £50,000 loans. The UK Government has therefore been willing to change, and my ask is for it to change again and have a UK-wide scheme. Otherwise, I fear that we will see the unnecessary loss of the most valued hotels in just about every major rural town in Scotland and Britain. I apologise for the length of my answer, convener, but you have rightly raised an important point

Some of the money that has been earmarked by the guarantees in CBILS could instead be earmarked for enhancing the grant scheme. The STA has provided evidence of overheads for hotels and many other companies, such as visitor attractions and coach operators, and I have sent that evidence to the UK Government. We continue to work very hard to secure the objective of helping those businesses to navigate these dreadful times.

10:15

The Convener: Thank you for that extensive answer. I, too, have read the STA's helpful suggestions on how the on-going costs can be met. It is good to know that you have passed that information on to the UK Government—we can only hope that there will be some good news soon.

As you said, the issues are going to last for a long time, but we have to hope that there is light at the end of the tunnel. I was pleased to see that VisitScotland is heading up the Scottish tourism emergency response group—STERG—which is working on a national action plan on how to deal with the current situation and how we look to the future. As you say, at the moment, health is the priority, and a strong message is going out that we do not want people to travel to rural areas such as those that you and I represent. However, the STA has raised the point that, once some kind of normality resumes, the message will have to change.

It has been said that staycations will be the future of tourism, so people will perhaps travel around Scotland. However, people who live in rural areas are concerned about others coming to those areas. At a recent STA council meeting, Emma McQuillan of the Caravan and Motorhome Club said that there is a need for a

“clear and consistent message ... as measures start to be lifted, that recreational travel in a private vehicle is safe.”

Have you given any thought as to how we can get those messages out in future?

Fergus Ewing: Yes, we have given thought to that. Obviously, as tourism minister, I am absolutely keen to have the restrictions lifted, but only once it is safe to do so. We should and must use this time to prepare the way for the lifting of restrictions, and we are doing that. That work involves many people. STERG, which is chaired by VisitScotland, is doing good work, as is the Scottish Tourism Alliance.

Many individual organisations, such as the Scottish Licensed Trade Association, the British Holiday and Home Parks Association, wild tourism organisations and various visitor attractions, are also working hard. They are analysing how their businesses could be run differently and considering how to run tourism attractions in a way that keeps people safe. That is the intellectual challenge. Every organisation is working to have recovery plans that are ready to be put into action when it is safe so to do.

There are a number of objectives in that task, but you have absolutely identified the key one, which is to reassure the public about safety. As you say, at the moment, in many parts of rural Scotland, people are very worried about an influx of visitors. From listening to the evidence from the First Minister, the interim chief medical officer and the Cabinet Secretary for Health and Sport, people feel that now is not the time to lift restrictions and that the “Stay at home” message is correct and should be observed, subject to the recognised permissions that have been agreed for exercise, shopping and other necessary things of that nature.

It is absolutely essential that we use the current time to build up a basis for how businesses will react, ensuring that public safety is the priority. After all, what is the tourism sector for? It exists to give people an enjoyable time away from their working life, whatever it is, on a vacation with their family. People want to be happy and safe; they do not want stress or to be worried, but nor do they want the people whom they encounter in the place that they visit to feel uncomfortable.

The recovery plans are absolutely essential, and I am spending quite a lot of time discussing some of the details of them. The overwhelming majority of businesses, from hotels and caravan parks to visitor attractions and coach operators, are taking the issue seriously. They are responsible and reputable, and their work is absolutely essential.

There are some specific issues. We might require to respond to the needs of business more flexibly. For example, caravan and holiday home

parks have restricted licences when it comes to the on-trade. If it is safe—and only then—to resume the operation of licensed premises, local authorities might be keen to flex the restrictions on those licences. In turn, that would require a bit of pre-preparation. I mention that as a specific example of how, working together in Scotland as a team, we can keep the restrictions now but work and prepare for the recovery.

I am sorry for the length of my answer, but these are such crucial issues. Even in the unlikely event of aviation as we knew it resuming soon—or even by next spring—I think that staycations will be extremely popular. Many people who are cooped up in flats will obviously want to enjoy a holiday as soon as they possibly can. We have to consider and manage the foreseeable scenario in which the road beside east Loch Lomond from Drymen to Ben Lomond is jam packed on the first weekend after the restrictions are lifted, given that everybody will go to the most popular areas. We have to think about that and other such practical issues, such as the provision of public toilets and other services. We need to plan in advance for all those things so that, when the restrictions are lifted, we can enjoy a staycation in Scotland.

The Convener: Everybody is looking forward to when the committee is able to focus on the recovery in tourism. We will certainly be scrutinising that in the months ahead.

Claire Baker (Mid Scotland and Fife) (Lab): My first question is on a matter of clarity. Although it is important that we talk about preparedness for the sector reopening, the immediate concerns are about the survival of the sector in getting through what would traditionally be the peak sector, so that there is a tourism sector left at the end of the crisis.

The cabinet secretary talked about support for businesses with a rateable value of more than £51,000. Is he referring to the pivotal enterprise resilience fund? The Government has recently doubled the fund to £90 million, but I understand that the fund had to close to allow for analysis of applications. Is the fund being accessed by the tourism sector? Does he have any information about how much support, or what percentage of support, the tourism sector is able to get from the pivotal enterprise resilience fund?

Fergus Ewing: Businesses with a rateable value in excess of £51,000 can apply for PERF. There are criteria for the fund, but it is available and some tourism businesses have already submitted applications. On Monday this week, I discussed the process at length with my officials in South of Scotland Enterprise and Highlands and Islands Enterprise. Their staff worked over the weekend to start to process the applications, and they are taking the issue very seriously indeed.

My main point is different. I think that there should be a UK fund, so that businesses with a rateable value of more than £51,000 are entitled to some grant finance, as businesses with a rateable value of less than £51,000 are. In Scotland, we have tried to fill that gap by using PERF, but there is nonetheless a gap. It is not too late for the UK Government to make changes, and I have urged Nigel Huddleston to make them. We all recognise that gaps are bound to exist when decisions are taken so swiftly. Let us not be political about it; let us be practical and try to get the support out to business. I do not want any business to fail to survive because it could not pay the fixed overheads at a time when it had no income. That is the fundamental unfairness.

The worry in Scotland, of course, arises from the fact that, no matter how much money we apply to PERF—we have doubled it since the fund was set up initially, because of its importance—it might not be enough to meet demand. I have been quite candid about that. I have had countless meetings with representatives and individual businesses and I know that the impact on businesses is so devastating that, unless the UK recognises that this is a need, no matter how effective PERF might be, it might not be able to be sufficiently well resourced to meet all the legitimate demand.

We are not trying to defray all loss of profits or income—that is not what the fund is set up to do. We cannot have overcompensation, but we need to provide a bridge to enable companies to survive. The task could not be more serious. That is why I am deliberately saying that this is not a matter of party politics; it is a matter of the survival of businesses that have served these islands well for decades. Now, after business has bankrolled Britain for some time, Government needs to bankroll business for a little while longer.

Claire Baker: I do not underestimate the challenge that is facing the Scottish Government and the UK Government in supporting the tourism sector. This will be a really difficult time.

I want to ask about self-catering accommodation, which I asked the cabinet secretary about during a virtual question time. The cabinet secretary will know that there has been some frustration about the grant that is provided through local authorities, and that there has been a call for the guidance to be reissued. The Association of Scotland's Self Caterers said that, initially, only 4 per cent of businesses had access to the grant. I understand that that has now gone up to just over a third, but there is still a concern that there is a postcode lottery, as local authorities are not giving out the grant in the same way across the country. Could the cabinet secretary respond on that point?

Secondly, the cabinet secretary will be aware of some concerns over the criterion that was attached to the grant funding concerning the property being let for 140 days. I would like the cabinet secretary to respond on that point, too.

Fergus Ewing: After I have given a short answer, I will ask Bettina Sizeland to give a little bit more detail about local authority performance.

We are working with our local authority partners, who are administering the grants based on non-domestic rates levels of either £10,000 or £25,000. Initially, we restricted the grants to one per business. However, once we recognised that that might cause hardship, we extended the system to make the grants per property instead. We set the grants for additional properties at 75 per cent of the level of the grants down south, so that, instead of getting £10,000 for a second or third property, the business would get £7,500, and, instead of £25,000, it would get £18,750. That was a decision that we took in Scotland to avoid what we considered might be a situation in which there was overcompensation.

We are working with local authorities. Their performance is published in a publicly available table, so the system is transparent. I think that that is a pretty good incentive for those local authorities that need to perform a little better to do so. I believe that they are doing that, but I will ask Bettina to cover the detail of that, because I do not have the table in front of me.

The other point that I would make is that the 140-day rule is causative of concerns. Yesterday, I spoke to Fiona Campbell of the Association of Scotland's Self Caterers, and we are still engaging with her to see whether there is any possible way of amending the current conditions. However, those conditions were put in place because we felt that they were fair.

We did not want to compensate people who, basically, have a second holiday home that they let out for 10, 20, 30 or 50 days a year. In England, where there is no such restriction, it has been estimated that £550 million has been paid out to people who have vacant second homes in coastal towns. There are risks about overcompensation, and we have to be mindful of them.

Bettina Sizeland can answer the first part of the question in more detail.

10:30

Bettina Sizeland (Scottish Government): Good morning. I can give a bit more detail on the variation between local authorities' approach to the grants. As Mr Ewing said, we publish those results, so the process is completely transparent.

We can submit that information in writing after the committee. It is fair to say that there were initial variations, but the local authorities have been working closely together in a steering group to ensure that any anomalies are ironed out and that they take a more consistent approach. Hopefully, that means that we will see an improvement in the way in which grants are being accessed.

With regard to overall figures, as of close of play on 25 May 2020, local authorities reported 71,000 applications. Of those, 53,765 had been processed, and £621 million had been awarded, so the system is working and is improving all the time. We can provide a written response on the detail.

The Convener: Thank you. Gordon Lindhurst will ask the next question.

Gordon Lindhurst (Lothian) (Con): Cabinet secretary, you have rightly focused on the crisis that is currently facing Scottish tourism and the businesses that are involved. Of course, prior to the current situation, some people were talking about what they saw as the opposite problem, by which I mean overtourism in city centres such as Edinburgh and various other issues across Scotland to do with Airbnbs, hotel capacity and local residents. Everyone accepts that there is a certain balancing exercise to be carried out with regard to those issues. What consideration have you and the Scottish Government given to getting that balance right in terms of supporting businesses and addressing those issues as we move forward—hopefully soon—out of the current crisis?

Fergus Ewing: Our thoughts are turning towards planning for recovery, as I mentioned earlier. However, to be candid, my primary focus at the moment is on helping businesses to survive. It is right that that should be the case. There are people watching this broadcast whose livelihoods have been utterly destroyed and who are uncertain about whether to restart their business, and our primary task is to focus on that. As politicians, we have to distinguish between what is important and what is essential.

I have to be quite candid: the question of the balance between what some people describe as overtourism and what we have at the moment is not something that is occupying my thoughts at the moment. I do not mean to be critical of the question in any way; it is a perfectly fair and valid one. However, at the current time, my efforts are focused every day on the survival of businesses. I have countless necessary discussions with business leaders, with people in the third sector and the charitable sector and with businesses that are part of the panoply of Scottish tourism visitor attractions, such as the Scotch Whisky Experience, the Highland Wildlife Park, Edinburgh

zoo, the Royal Yacht Britannia and numerous forest leisure facilities. Those businesses are facing the question of survival. It is anticipated that, for many of those businesses, particularly those that rely on international visitors, there really will not be a 2020 season to speak of. That is a worry. If that comes to pass, the financial gap is not a few months; it goes into next spring, sadly.

I do not want to be overpessimistic—I am an optimist by nature—but at the current time my focus should be on getting the package of support as right as we can to fill the gaps and on persuading the UK Government, which I hope is listening, that there is a need to do a bit more for family and medium-sized businesses in Scotland, which have, in every case, paid hundreds of thousands of pounds to the exchequer in local authority rates and through all sorts of taxation and levies.

That is where my focus lies, Mr Lindhurst. In due course, we will turn to the issues that you raised and work with the industry on those important questions.

Gordon Lindhurst: You rightly talked about the current focus being on saving and assisting businesses. I have been contacted by coach operators in my region and across Scotland. Will you update us on what the Scottish Government is doing to assist them? They are the backbone of parts of the tourism industry. What measures have you put in place to help those companies, which are, as you have said, facing difficult times and, potentially, could collapse?

Fergus Ewing: I am pleased that you have raised that important issue. On Monday, I had a fairly lengthy conference call with coach operators and its representative body, the Confederation of Passenger Transport Scotland. There could be between 200 and 300 coach companies in Scotland, and a great many of them have lost all or most of their income.

Operating coaches is a low-margin business. There tend to be significant overheads for each coach, which might cost between £250,000 and £300,000. There are loan charges in respect of that, and the daily costs are substantial.

As Gordon Lindhurst said, the provision of coaches is essential for large parts of the tourism sector. The sector greases the wheels of tourism: it allows people to get to and from airports; it allows visitors from cruise liners to tour Scotland; and it provides visitors from America, Germany, Japan and China with a luxury experience. We are talking about high-quality vehicles that are operated professionally, often in conjunction with tour guides and operators, cruise liner companies and others.

If we do not have a coach sector, we do not have a complete tourism jigsaw—we do not have the whole provision that is required to successfully provide enjoyable vacations for visitors. Moreover, if social distancing is to be the norm, which seems likely to be the case for the foreseeable future, fewer people will be able to travel on coaches. That raises questions about the viability of a business operating on low margins. In addition, we do not know whether coach operators' vehicles will be required for public transportation, if each vehicle can take only one quarter of the passengers that were formerly accommodated.

It is important that we understand the importance of the coach sector. What should be done about the issue? I am seeking a meeting with the responsible UK Government minister—I believe that that is a minister in the Department for Transport; it is not Nigel Huddleston. I will be putting it to the UK Government that serious consideration should be given to providing a bespoke package for coach operators because, without coaches, tourism will be affected in many ways. That is a serious piece of work.

In the meantime—I will finish on this point, convener, and I apologise for the length of my answers, but every issue tends to have lots of complexities—I think that coach operators will likely qualify for PERF. The next question is whether there are sufficient funds in the scheme to meet all the demand. I fear that that will probably not be the case.

If the UK Government wants to respond in that way, I think that, working in partnership, we could come up with a scheme that would assist the serious challenges facing coach operators throughout Scotland and the UK.

Beatrice Wishart (Shetland Islands) (LD): I very much appreciate and welcome your comments about businesses with a rateable value of £51,000 falling through the gaps. The word "survival" has certainly been used in representations to me by hotels in Shetland.

According to VisitScotland, businesses might survive an average of three months without support. Leaving lockdown and going into the long winter might be the final nail in the coffin for tourism businesses that rely heavily on the summer months. In your discussions with the UK Government, has any thought been given to introducing a 12-month support package for the tourism and hospitality industries, to tide them over to the next season?

Fergus Ewing: You are right that the problems facing our tourism sector will in most cases not be over in three months—and the worry is that they might not be over in 12 months.

I welcome the UK Government's extension, this week, of the coronavirus job retention scheme until October. That decision was necessary. Moreover, I welcome the ability to use the furlough scheme flexibly from July. Many tourism businesses might need people to do a little bit of work on maintaining a property's security, checking property, ground maintenance or helping out with refunds and other work. Many employees would like to have the flexibility to work—people who have worked for a business for 20, 30 or 40 years miss their working life and want to make that contribution again.

We have not yet considered the idea of a 12-month support package. We need first to focus on successfully tackling the virus—assuming that we can. We are observant of what is happening in other European countries: Spain, for example, is seeking to lift restrictions, so we will be watching closely how effective its measures are. We all hope that they will be effective, because that would provide an evidence base. I think that we need a little bit more time for the measures that the First Minister is driving forwards in Scotland to be effective. I hope that, in a period of weeks, not months, we will see progress that might allow lifting of restrictions, provided that it is safe to do so.

As someone who has for, I think, five out of the past six years had a holiday in either Orkney or the Hebrides—I will have to get to Shetland for a holiday sometime, Beatrice—I am acutely aware that the holiday season on our islands is short, and that the ferry restrictions, although the ferry journey is a lovely part of a holiday, will add another level of cost.

Paul Wheelhouse and I have had a couple of conference calls with Beatrice Wishart and other colleagues, including Kenny Gibson, who represent islands in their constituencies, because we recognise that there are particular challenges in the islands, and that there is real worry that there might not be much of a 2020 season. We must continue to work carefully with island council and Parliament representatives.

Beatrice Wishart: Thank you, cabinet secretary. I look forward to welcoming you to Shetland in the future—I hope that will not be too far off.

You touched on the ripple effect on other industries, which is being felt in the islands and across Scotland. Many wholesalers have lost more than 80 per cent of their trade, as the pubs, restaurants, cafes and hotels that they are used to servicing have closed. Many wholesale businesses are still without support and are experiencing severe cash-flow issues. Are you considering any specific support for wholesale

businesses? Might business rates relief be extended to cover them?

10:45

Fergus Ewing: I should not give the impression that I have not visited Shetland. I have had the pleasure of visiting Shetland on many occasions—always in connection with work, sadly—and I can tell you that I have had many better meals in the Shetland Hotel than I have had in the fine restaurants of Brussels, Paris and London.

Beatrice Wishart is absolutely correct that wholesalers face particular challenges. We have discussed some of the challenges in respect of supply of food and provisions to the islands, and in ensuring equity of supply so that our retailers—the larger ones and the independents—can provide constituents who live in the most remote parts of Scotland with the same access as everyone else to the range of food and supplies.

The wholesalers that fulfil that purpose are facing particular pressures. I understand from working very closely with the Scottish Wholesale Association that several of its member companies have received support from the funds that are available, but I am conscious that some have not and that they face significant challenges, particularly with the loss of the on-licence trade, which Beatrice Wishart mentioned.

That, too, is work in progress. The aim is to help those companies, which are a hidden part of Scottish life. Without wholesalers, who would supply the schools, the hospitals, the clubs and the pubs? Where would it all come from? Wholesalers are the suppliers of food, provisions and refreshments to a wide range of bodies; without them we would have serious gap in provision for tourism and for public services.

I am very pleased that committee members are raising important points, and I am sorry that the answers have had, inevitably, to be of some duration.

The Convener: Thank you, cabinet secretary.

Annabelle Ewing (Cowdenbeath) (SNP): The briefing that the Scottish Tourism Alliance helpfully provided for our deliberations this morning claims that about 2,500 businesses have been unable to access any form of grant support. Some will be businesses with rateable values over £51,000 and some will be self-catering businesses, both of which we have already discussed. Are you aware of any other gaps that need to be filled? Is there a role for VisitScotland and other tourism membership organisations in ensuring that their members are aware of the many funding heads that can be claimed, so that eligible people apply for what they are entitled to receive?

Fergus Ewing: I think that there are still gaps. We have covered some of them pretty well, thanks to the questions that members have asked. I point out that this is not the first time Ms Ewing has asked me questions, although it is the first time she has asked me questions in a Scottish Parliament committee.

I will mention another gap. Quite rightly, the UK Government set up the self-employment income support scheme, but with various restrictions. That scheme is now open, so self-employed people should look to the UK Government website for details. However, it is restricted, depending on the length of time for which people have been self-employed. The Scottish Government, in order to fill that gap, set up a separate scheme for self-employed people who had not been employed for that length of time.

Another particular gap that exists is that many people who are, in effect, self-employed trade using the limited company format. My understanding is that such businesses have not, thus far, been accepted as qualifying for the self-employment income support scheme because a legal purist's view of "self-employed" has been taken, whereby a person should not be taxed under schedule E as a company director, or should be taxed as deriving their main income from self-employment rather than from being an employee.

The overall desire of the UK Government and the Scottish Government is to fill those gaps. It is simply not the case that we want to be precious, to stand on ceremony, or to say that we get everything absolutely right all the time. None of that is important. What is important is that we fill the gaps as well as we can, avoid overcompensation and ensure that we provide sufficient compensation.

That is why I have regular meetings with Marc Crothall and members of the Scottish Tourism Alliance. I will continue to do that with Fiona Hyslop and Kate Forbes; we work pretty closely as a team. We have Cabinet meetings on the economy every Friday, as well as conventional Cabinet meetings on Tuesdays, because of the need to focus on particular problems right now, and to give a vast amount of our time, effort and minds to trying to fill the gaps.

In 40 days, we have, collectively, enabled many businesses to survive. That is good, but it is not at all good that other people have been left behind. They will, increasingly, be the focus over the next couple of weeks. I say to anybody who is watching that I recognise that some businesses are under enormous financial pressure, which is why other issues relating to future policy, such as those that Mr Lindhurst mentioned, are simply not at the top of the in-tray, at the moment.

Annabelle Ewing: It is encouraging that the Scottish Government is determined and willing to work closely to see what can be done to ensure that those who receive nothing can be provided with some help. I suppose that members of the Scottish Parliament also have a role in bringing any anomalies to the Government's attention as expeditiously as possible, in order to see what can be done.

I have two questions on recovery, which was touched on earlier in our deliberations.

First, it is early doors, and I appreciate that the focus has to be on getting through the first phase of the pandemic, but would it be appropriate, if not yet, to look at what other countries whose markets are not dissimilar to those of Scotland—in respect of tourism, climate, activity, beauty and wildlife, for example—are doing? What cognisance will be taken of how similar international tourism markets are proceeding, or intend to proceed?

Secondly, to what extent would it help if the VAT rate, or the successor to VAT, were to be reduced for the tourism sector?

Fergus Ewing: Obviously, we should look at what other countries are doing. VisitScotland, which is ably led by Malcolm Roughead, is doing work on international comparisons. We need to see what steps countries take on restrictions, how they do it, and how they fare. That is absolutely essential.

You are also right to say that MSPs and MPs have a very important role in pressing my colleagues and I to fill the gaps. Therefore, I welcome engagement with every parliamentarian. We do our best to respond to cases that members rightly raise as part of their hard work for constituents, whatever party or part of the country they represent, and whatever Parliament they sit in.

It is also right that we need to focus on recovery, which is the only other real issue in tourism that we are looking at, at the moment. Once it is safe to lift restrictions, we must be able to reassure the public that it is safe, but that practices that were not in place before the pandemic will be adopted to ensure public safety. There is preparatory work to be done prior to lifting restrictions; we need to get effective messages out in order to prepare people's mindset, but only—I stress "only"—when it is safe to do so.

I hope that I have answered all Annabelle Ewing's questions. If I have not, I might hear about it later.

Kenneth Gibson (Cunninghame North) (SNP): Good morning, cabinet secretary. It has been a very interesting meeting, so far.

It is obvious that, as we move forward, the likelihood of people being able to take the foreign holidays that they once took will be much diminished, so “staycations” will be increasingly important. However, we need to have attractions for people to go to.

As you might recall, at First Minister’s question time yesterday I asked about the National Trust for Scotland, which has attractions ranging from Culloden; which is in the cabinet secretary’s constituency, to J M Barrie’s birthplace, to Robert Burns’s birthplace, to Brodick castle, which is in my constituency. The NTS is threatening 429 redundancies because its income is down by £28 million and has lost £46 million in stock value. It is, basically, struggling to survive. What can we do to ensure that we retain the attractions, as well as the jobs and the important contribution to Scotland’s heritage that the NTS provides?

Fergus Ewing: That is another extremely important question. Mr Gibson is correct that the NTS is the steward of some of the finest heritage in Scotland—indeed, in the world. That heritage is one of the reasons why people come to Scotland. Some more modern countries in this world do not have a heritage such as we have, which goes back centuries.

Our castles, our centres—Bannockburn or Culloden—and our magnificent gardens are national treasures, so I was sad to hear of the decision that the NTS took on the eve of the well-trailed extension of the furlough arrangements. That matter is being dealt with by my colleague Fiona Hyslop, the Cabinet Secretary for Economy, Fair Work and Culture. I understand that a meeting is to take place—fairly soon, possibly tomorrow—between her and the NTS, at which I am sure the matter will be discussed.

The front-line staff of the NTS are the public face of Scotland, and their courtesy and professional approach are parts of the pleasurable experience at the Culloden visitor centre in my constituency, and at its other attractions. I very much hope that we see progress on the situation with the NTS.

One of the really big challenges on the wider issue of visitor attractions is working with them to ensure that they are able to navigate the crisis. I have, therefore, met Gordon and Susan Morrison, who represent the Association of Scottish Visitor Attractions, on a couple of occasions, and am continuing to engage with them, specifically to home in on issues that affect visitor attractions, which are slightly different to other parts of the tourism panoply.

Kenneth Gibson: I appreciate that that is in Fiona Hyslop’s remit. However, you have an

overarching remit with regard to rural Scotland, because tourism touches so much of it.

We got figures from the Scottish Parliament information centre that showed something interesting about tourism: although, at 15 per cent, the Highlands has the highest proportion of jobs in tourism, even West Lothian has 5 per cent, which is the lowest. Therefore, the issue touches every area.

We have not managed to get out to all sectors the message that, in this crisis, the support that is available is about ensuring that businesses survive and can re-establish themselves once we get through the crisis. The belief that the taxpayer should somehow be involved in income substitution is a significant issue. We need to clarify that, if a bed and breakfast has lost £2,000 a week, as one in my constituency claims to have done, it is not up to the taxpayer to replace that amount of money. The message needs to be that we are here to ensure that businesses survive and ultimately thrive without being burdened by debt, but that it is not our role to replace every penny of lost income. Do you agree that we need to emphasise that a wee bit more?

11:00

You touched on infrastructure. As we mentioned in our islands discussion a couple of weeks ago, last month the Caledonian Isles broke down for the umpteenth time this year. In a normal tourist season, that would have caused chaos on the island of Arran and I would justifiably have been inundated with dozens of emails from irate islanders in the tourism industry who would have been losing income. What do we do to ensure that, when we are up and running, the infrastructure is ready for that? At the moment, I have real concerns about whether that will be the case.

Fergus Ewing: I agree—the financial packages should bridge the gap and allow people to navigate these difficult times. They should give businesses sufficient financial support to meet outlays that they have no income to meet. I used to run a business so I know that, in one sense, it is a straightforward situation. However, it is difficult to make sure that the schemes that are devised fit everybody.

You mentioned bed and breakfasts, which were missed out initially, because, by and large, they were not registered in the rating roll. We have filled that gap and legitimate bed and breakfasts can now access assistance. It is useful to make that clear for any bed and breakfast owners who might be listening. There is a distinction between people who run a proper B and B business as their main business and those who have Airbnb

properties and derive their main income from other sources.

As far as ferry services are concerned, Mr Gibson is absolutely right. As well as being lifelines for island residents, they are the gateway for most visitors to islands. The use of air travel is limited to a relatively small proportion of visitors. We are mindful of the need to work with Caledonian MacBrayne and its partners prior to the recovery to make sure, as far as we can, that staycations can be had in Scotland's many beautiful and magnificent islands.

Oliver Mundell (Dumfriesshire) (Con): Will the Scottish Government make it known that there is a strong feeling that the National Trust for Scotland should not start the process of making employees redundant until October, given the support from the UK Government that was outlined this week? The NTS has outdoor rural assets such as the Grey Mare's Tail, which is on the edge of my constituency. Do you recognise that the NTS's land management role is extremely important, particularly at this time, when outdoor tourism is likely to be one of the key selling points for Scotland as we look to recover?

Fergus Ewing: I thank Mr Mundell for raising that issue. He has made clear his view about the decision that the NTS took. I said that I was saddened to learn of that decision, and I alluded to the fact that, as far as I recall, the decision was taken on the eve of the announcement by the UK Government regarding the extension of the furlough scheme until October. Moreover, my recollection is that the extension of the furlough scheme, although made the day after the NTS's announcement, was well trailed; it was not unexpected.

The matter is for my colleague Fiona Hyslop to pursue, but it is helpful that members have expressed concern at this meeting, and I hope and expect that the chief executive of the National Trust for Scotland is listening to this exchange or will consider it very carefully indeed. It is obviously pressing business.

In my discussions with Nigel Huddleston, prior to the furlough extension announcement, I argued the point that many businesses were pondering whether to go ahead with redundancies. Some businesses in Scotland have payrolls of up to 2,000 people and they were worried about what to do if there was no furlough extension.

I do not know any big business that is not absolutely solicitous about the welfare of its employees and extremely concerned to do the best possible thing. The argument that I put to Nigel was that we needed a furlough announcement very soon because businesses have to take decisions before the money runs out;

they cannot wait, for various practical reasons to do with employee welfare and the redundancy process. I made that point to the UK Government and it appears to have had some effect because, fortunately, the announcement came through.

However, in the months ahead, we will—sadly—probably see more redundancy announcements. That is why the task that we are all working on is so very important and why we urge every employer to behave as responsibly as they can. That obviously applies to the National Trust for Scotland.

Oliver Mundell: I thank the cabinet secretary for that helpful answer. As he does, I hope that the National Trust for Scotland is listening. I agree that we are very lucky to have the UK Government furlough scheme, and to have it extended until October to give people time to plan.

Where did the letting period of 140 days come from? From my experience in Dumfries and Galloway, where the tourism industry may be more fragile than in other parts of Scotland, 140 days can be hard for people to achieve. I have examples of local businesses where letting a property is their primary income—in some cases, their sole income—but they fall just short of the 140-day requirement. Is there likely to be any additional flexibility on that?

I understand that there is not a bottomless pot of money, but the fact that those businesses, which bring people into our region, are not covered just seems so wrong. People are very worried and frustrated. I know that there are reasons for the difference with the system in the rest of the UK, but people in Dumfries and Galloway are particularly frustrated because they can see people on the other side of the border running comparable businesses and getting money that they think they should also be entitled to.

Fergus Ewing: I thank Mr Mundell for that question. The issue was raised by Claire Baker; I gave her an answer and I will try to answer the question that Mr Mundell has now asked.

First, I should make it clear that self-catering properties that are subject to business rates qualify for grants of £10,000 or £25,000; they are also eligible for business rates relief if they are rated, as most of them are.

Mr Mundell makes a fair point. As I understand it, the reason for the 140-day rule is to ensure that the financial support goes to legitimate self-catering businesses with a track record, such as two people for whom it is their main livelihood, which is the point that Mr Mundell made in the examples that he referred to.

We were also mindful of the fact that we had to give support to those who are self-employed, to

those in the creative sector and to bed-and-breakfast operators who were not getting any rates relief or grants at all. We chose the criterion of 140 out of 365 days because that allowed us to extend financial support to fill the gap relating to businesses that would not otherwise have got a penny piece—no rates relief and no grants.

That said, as I said earlier, we are considering whether there is any room to allow us to be more generous. That, in turn, will ultimately depend on the overall financial situation. To be quite candid, will Britain have enough money to achieve what I think we all agree is the purpose? As Mr Gibson said, that purpose is not to pay people the profits that they have lost and restore things to the status quo ante; rather, it is to allow businesses to bridge the gap. As I understand it, there is complete unanimity between the Governments that that is the objective and that there should not be overcompensation. How that is done, of course, is a matter of balance. I very much hope that if, for example, the UK Government were to accede to the request that I have made for support for businesses with a rateable value of above £51,000 and for the self-employed people who happen to be trading as a limited company for valid reasons, that might allow us to extend support to others who have a deserving case. Of course, if Mr Mundell wishes to send me any individual examples, I will look into them.

Stuart McMillan (Greenock and Inverclyde) (SNP): Good morning, cabinet secretary. You touched on the issue of social distancing. Whether in bars, restaurants and cafes or coaches, which you mentioned, social distancing will be hugely challenging to deal with. What consideration has been given to the issue of social distancing measures restricting the optimum level of income for many businesses?

Fergus Ewing: Stuart McMillan is right to raise the issue, because one of the major challenges that face the tourism sector, particularly the hospitality sector, is the question of how pubs, restaurants, cruise liners and other places where people congregate quite closely together for social intercourse operate in conjunction with compliance with the Covid rules. A lot of work is going on in that respect. The British Hospitality Association has advised us that it has eight different streams of work looking at eight different types of property. I have also observed that, in Spain, the Costa del Sol bars were reopened the other day, and I saw in the newspapers people taking advantage of that, with the 2m-distance rule applying. However, of course, those were outdoor licensed premises, and such premises are not always a compelling attraction in Scotland, although perhaps more can be done in the future to explore opportunities thereanent.

The main challenge, which Stuart McMillan has identified, is how those businesses can be operated in a viable way, economically, if there are fewer customers. How can that work? I share responsibility for the hospitality sector with Jamie Hepburn, and he and I are liaising with the sector as a whole about the issue. We have already had many discussions with the Scottish Licensed Trade Association, as a member of the Scottish Tourism Alliance, and we will specifically engage with the hospitality sector.

It is recognised that, when restrictions are lifted, the businesses that Stuart McMillan mentions will not be in the first order—we are looking at some outdoor activities first. However, it is right that we prepare the way and work with the sector to see how restaurants and pubs, in particular, can be operated safely. That piece of work is on-going with industry.

I am pleased that I have had the opportunity to say that we welcome the professional approach that is being taken by the SLTA, the Scottish Tourism Alliance and all the other bodies that recognise that the primary thing is to protect their customers, whose safety must be paramount. That message is absolutely accepted, which is a good thing, and it is necessary for me, as tourism minister, to welcome and recognise that in Parliament.

11:15

Stuart McMillan: From talking to some of the facilities and businesses in my constituency, I know that huge challenges exist in this area. Certainly, this summer and autumn, there will be missed opportunities, particularly with regard to weddings and functions, which can be huge economic drivers for businesses and can help to tide them over the winter period.

My second question concerns information that I have received from the Scottish Tourism Alliance. This issue is probably not an issue for you or the Scottish Government to deal with directly, but I would be grateful if you would consider it and perhaps take it up with relevant people, including those in the insurance industry.

One of the statistics that stood out for me in a survey that was produced by the insurance industry was that 92 per cent of businesses have inadequate or no relevant insurance. In 2008, we had the financial crash and, this year, we have Covid-19. Who knows what will happen in the future? I encourage the Scottish Government, the UK Government and all relevant bodies and partners to have a dialogue with the insurance industry so that there can be better protection against future events, in order that they might have less of an effect on the public purse.

Fergus Ewing: Obviously, it is important for any business to ensure that it has adequate insurance in place—that is trite advice, and Mr McMillan's point is well made. I know that insurance for events is a complex area and that there is a question about whether the premium is a justifiable expense if it is very expensive in relation to the risk.

The only other point that I would make is that there are many businesses that might be watching this broadcast that have paid their premia for business interruption insurance—they have paid very handsomely for business insurance for precisely the event that they are facing, which concerns a loss of business because of an epidemic—and are now finding that, in many cases, the insurance companies are not paying out, because they say that there is a loophole.

These are private matters of contract, and we must respect that that is the case, but I think that some insurance companies are taking a test case—I think that the Financial Conduct Authority is involved, so it is a reserved matter. However, it would be helpful if the Prime Minister were to say to insurance companies, “Look, this is a private contract matter, but all of us have an obligation to respond to Covid-19 as part of our social contract with the country to show that we care.”

I have spoken to owners of businesses who were on the verge of tears because they have paid handsomely for years—thousands of pounds—to insurance companies and now, when they make a claim, they are told that it is the wrong sort of pandemic. You can imagine, convener, that they are not very impressed with that answer. Neither am I.

The Convener: I am not very impressed with it either. A number of businesses in my constituency have been similarly affected. Thank you for that very clear message to the insurance companies.

We have a little time in hand because members have been very disciplined in asking their questions. I also thank the cabinet secretary for his succinct answers—on occasion.

Claire Baker would like to ask another question.

Claire Baker: Thank you, convener. I want to go back to how the sector can restart. In Spain, the minister of industry, trade and tourism published a list of good practices for the reopening of the tourism sector. Is the sector expected to introduce guidance and proposals for reopening, or will the Government do that? If it is the sector's responsibility, will the Government look at some way of endorsing what the model should look like? I am sorry that that is quite a long question, but has any thought been given to how that could be monitored?

Fergus Ewing: That is a good question. I am not sure that we have an absolutely defined prescriptive policy on this. For almost 10 years, I have had an economic responsibility in the portfolios that I have held, and my view is, therefore, that we should work closely with the industry at all times. The best policies and the best outcomes are where we work in partnership—*[Temporary loss of sound.]*

Kenneth Gibson: Help!

The Convener: We appear to have lost the cabinet secretary. We will take a brief pause while we try to get him back.

I am afraid that we have lost our connection to the cabinet secretary, so I shall suspend the meeting for the moment.

11:22

Meeting suspended.

11:28

On resuming—

The Convener: Welcome back to the Culture, Tourism, Europe and External Affairs Committee. I am sorry that we lost the cabinet secretary temporarily.

Cabinet secretary, you were in mid-flow in your answer to Claire Baker. Would you like to conclude your answer?

Fergus Ewing: I would like to, but I cannot precisely remember the question. Could Ms Baker kindly repeat it?

Claire Baker: The question was about whether the Government or the sector would be expected to provide guidance, and how it would then be introduced and monitored.

Fergus Ewing: The guidance should be produced jointly with the benefit of the industry's knowledge of its precise circumstances, while being informed by the Scottish Government's analysis of the evidence on protecting public health and safety. These things are best done as a joint effort. That is how it is done in the areas for which I have responsibility, such as farming, forestry and tourism. The objective is to reassure the public and to set out a safe system of work irrespective of whether it is in tourism or other areas of economic activity.

As far as enforcement goes, we all have a duty to respect the law and guidance, and there are obviously certain criminal offences such as the provision of hospitality, which is covered by the emergency legislation.

We can also just do the right thing as individual citizens. When there are clear abuses, we can bring those to the attention of the Scottish Government or even the police in certain circumstances. As members of the Scottish Parliament or members of the UK Parliament, we are asked to do such things occasionally, and we should weigh up our responsibilities to ensure that we, as a country, can respect and provide public safety.

The Convener: Thank you, cabinet secretary. That concludes this evidence session. I thank the cabinet secretary and his officials for taking part in the meeting, and I thank members for participating in the committee's first virtual meeting, which went fairly smoothly apart from the technical hitch at the end.

11:31

Meeting continued in private until 12:04.

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