

Cross Party Group on Tourism
Monday 14 November 2022, 1300 - 1400
On Teams

Present

MSPs

Paul McLennan MSP
Jenni Minto MSP
Murdo Fraser MSP
Rachael Hamilton MSP
Colin Smyth MSP

Non-MSP members

Alasdair Smart, ScotRail
Anna Leask, Edinburgh Napier University
Beth Thoms, VisitScotland
Carl Thomson, Air BnB
Carole Paterson, Edinburgh College
Charandeep Singh, Scottish Chambers of Commerce
Colin Wilkinson, Scottish Licenced Trade Association
Fiona Campbell, ASSC
Gary Atkinson, Scottish Rugby
Gavin Mowat, VisitScotland
Gordon Morrison, ASVA
Ian Smith, Diageo
Jane McGeary, Loch Lomond Trossachs National Park
Joss Croft, UKInbound
Karen Christie, STA
Kelly Johnstone, Springboard
Kenneth Bramham, Scottish Tourist Guides Association
Laura Paterson, Scottish Agritourism
Leon Thompson, UK Hospitality
Marc Crothall, STA
Mark Pearce, Heritage Railway Association
Orchid Liu, UK Chinese Times
Scott McMurray, Scottish Parliament
Simon Ovenden, Scottish Land & Estates
Sinclair Williamson, Scottish Guest House and B&B Association
Susanne Cameron-Nielsen, Scotch Whisky Association

Apologies

Evelyn Tweed MSP
Alexander Burnett MSP
Siobhian Brown MSP
Foyso Choudhury MSP
Paul Sweeney MSP
Ross Pollock, Loch Lomond Trossachs National Park

David Lonsdale, Scottish Retail Consortium
Chloe Forbes, Country Sport Scotland
Carol Matthews, Loch Lomond Trossachs National Park
Sheila Gilmore, VisitArran

Agenda

Welcome

Co-convenor Paul McLennan MSP offered a welcome to all members of the group and mentioned he would like to raise Short Term Lets as an issue at the end of the session.

Approval of previous CPG minutes

Two points of correction for the previous minutes were noted:

To include Scottish Tourist Guides Association beside Kenneth Bramham's name, as this is the organisation he represents.

To include Scottish Licensed Trade Association beside Colin Wilkinson's name, as this is the organisation he represents.

No other amendments were raised, and minutes were approved from previous meeting.

CPG AGM business

The necessary business around election of office bearers was carried out as follows:

Paul McLennan MSP noted he would like to remain in his role as co-convenor. Evelyn Tweed MSP sent her apologies for the meeting but an update was provided that she would like to remain in her role as co-convenor.

There were no other nominations for the role.

Paul McLennan MSP and Evelyn Tweed MSP were proposed by Murdo Fraser MSP as co-convenors, seconded by Jenni Minto MSP.

Paul McLennan MSP noted Colin Smyth MSP would like to remain in his role as Deputy Co-convenor. He also noted Rachael Hamilton MSP would step down from her Co-Convenor role and thanked her for her contribution in the role.

Colin Smyth MSP and Murdo Fraser MSP were proposed by Paul McLennan MSP as co-deputy convenors of the Group, seconded by Jenni Minto MSP.

Scott McMurray was proposed by Paul McLennan MSP as Treasurer, seconded by Murdo Fraser MSP.

Gavin Mowat was proposed by Paul McLennan MSP as Secretary, seconded by Jenni Minto MSP.

Presentations focusing on cost of doing business

Charandeep Singh (CS), Scottish Chambers of Commerce

CS noted the Chambers interact very closely with the tourism sector in Scotland – with a good, unified voice on how we can support the industry in Scotland

He presented results from the latest Chambers of Commerce survey – Scotland's longest running sectoral survey.

As the group is aware, the economy has been in decline over some time with recession hitting.

By and large the economy has led to decline across all sectors (services, production, construction). The 'chain sectors' have been particularly hard hit, including tourism and there has been effectively zero growth.

CS outlined the tourism sector insights from quarterly tracking (q3). High inflation was a concern for 96% of all firms. High energy bills, labour and fuel costs as well as a lack of confidence were also key concerns.

An important survey finding was that businesses are now questioning if they're still profitable. Planned investments have fallen and are reported to fall in next quarter.

For tourism, one of the issues is maintaining quality of visitor and customer experience whilst also facing these challenges. The economic picture affects profitability with an unheard-of cost burden impacting on the ability of business viability.

The survey found the labour market to be another major challenge particularly post-EU exit, with staff retention difficult and high number of vacancies.

As a collective voice for Scottish businesses, CS outlined what their key asks were in relation to policy. These include looking at areas such as the deposit return scheme, transient visitor levy, non-domestic rates and energy costs. Not necessarily looking to reverse these but potentially pause them until businesses have got through this very difficult period. Labour market issue is also urgent and is a top priority.

Gordon Morrison (GM), Association of Scottish Visitor Attractions

GM outlined who ASVA is - the representative body the attractions sector in Scotland with 284 organisations in membership, representing 510 individual attractions and over 60 businesses in the supply chain to the sector.

For context, over 65 million people visited attractions in Scotland in 2019 with attractions being a key driver to bringing visitors to the various regions in Scotland. Insights show that attractions provide a reason for people to come to Scotland which then encourages them to spend and visit other areas.

A sector wide survey by ASVA and the Moffat Centre for Travel & Tourism Business Development was recently undertaken (27 October – 6 November). Responses were received by 88 organisations representing 106 individual attractions.

Some key statistics around visitor numbers and turnover from the survey include:

- 55% reporting visitor numbers are down on 2019
- 34% reporting turnover is down on 2019
- 27% of sector closing fully for the winter
- Winter openings on a par with 2019 but more attractions reducing hours versus 2019
- One positive has been the return of high spending north American market and business events (particularly those looking for conference / events in unique setting)
- 70% of attractions will at least be partially open over winter period.

On the cost of doing business, energy costs are the key issue with average energy bills currently £35,283pa, rising to £50,675pa in 2023. 36% have their fixed price contracts due for renewal within the next year with 600% the increase that one business will face once out of contract. Beyond this, other cost pressures include spending on goods and services for core activity and spending on goods and services for capital projects.

GM outlined the actions being taken by the sector to mitigate costs. 71% are seeking new ways to increase income, e.g. offering new product – not necessarily increasing costs as there is a worry that increasing prices will mean less people will visit. 52% reducing energy consumption. 41% looking at a recruitment freeze. 27% looking at reducing opening hours and/or days open. 26% looking at reducing other outgoings, primarily training and staff development.

Passing on costs to consumers – 1 in 3 are intending to pass on costs. Only 3% will do this above the rate of inflation. 38% unable or unwilling to increase prices. Variable and dynamic pricing are other options being considered by some. 'Pay what you can' policy being introduced by one or two.

GM highlighted, as in the previous presentation, recruitment remains a challenge for the sector. 83% say facing challenges in recruitment. Most challenges are in Front Of House roles. To address this, 1 in 3 businesses are planning to further increase wages. 7% planning to increase wages above inflationary rate. 34% are paying the national living wage or the real living wage. 17% are providing further flexibility with work patterns and rotas. 13% introducing benefits beyond pay.

27% cited lack of EU migrant labour as being detrimental to business operations. 0% went the other way on this question.

The key barriers to business in the short term are: the cost of living crisis on consumer; cost of doing business; recruitment and retention of staff; stretched resources; and insufficient funding. ASVA is calling for measures to address these – including increased Government intervention and increased marketing activity (UK and International)

Government intervention required to reduce impact on cost crisis on the consumer. Then intervention required to reduce cost of doing business. Followed by increasing/improving access to funding support. Increase marketing activity both national and international.

GM updated on the Days Out campaign and asked for support for the sector. The previous Days Out campaign was funded through the Government's Tourism Recovery Fund and viewed favourably by sector, even in spite of challenges around omicron.

This year, the Days out campaign features attractions offering discounted ticketing off their own back. More than 50 attractions participating in scheme, but this would be higher if funding were being provided.

The main takeaway GM highlighted is the unsustainable energy prices, the factor which is (and will continue) to hit businesses the hardest.

Questions/discussion following presentations

Marc Crothall updated on the Scottish Tourism Index published last week and posted these in the meeting chat: www.56DegreeInsight.com/scottish-tourism-index. The Index showed what Scottish residents are doing less of including leisure days and eating out. Concerns around domestic visitors especially due to cost of living.

The index also investigated what residents thought about the plans for a transient visitor levy.

Murdo Fraser MSP asked the speakers about the international market and whether the weak pound could see a boost in high-spending international visitors?

CS highlighted route connectivity is important to expand and protect growth; this covers both inter-UK connectivity and direct air routes. In isolation – the weak pound is good however other large cost burdens mean it is not translating for business profitability.

GM referred to the premium product being developed by visitor attraction sector, which is important offering for international high spending visitors. E.g. the Scottish golf museum has developed an exclusive tour.

Overall, visitor numbers are around 70/30 domestic/ international split which means there is a need for domestic visitor numbers to be strong. Overall, ever-increasing costs are negating the positive impacts of international visitors.

Paul McLennan MSP mentioned route development opportunities and a possible joint CPG between aviation & tourism. He asked if any objections to the proposal and there was not.

Action: VisitScotland to progress a joint meeting with Aviation CPG.

Rachael Hamilton MSP raised that she was keen for the CPG to produce a stakeholder note for MSPs/group members to use around asks. She raised that in her constituency, quite a few businesses have now failed and there is a retention issue with staff.

Paul McLennan MSP asked if the group would be interested in producing report on recruitment and retention issues, without duplicating anything the STA or others are doing. There was agreement that this might be useful role for the group.

Action: VisitScotland to progress plans for this with convenors.

Paul McLennan MSP raised the topic of short term lets and asked Fiona Campbell (FC) to give a summary of the current issues.

FC highlighted that there seem to be additional steps being added by some local authorities, which go beyond the scope of the legislation. This additional burden is going to have real effect on businesses.

FC also referenced the very different parameters and costs of the scheme in different LAs.

Simon Ovenden outlined that the short term lets issues FC highlighted were the same as Scottish Land and Estates members. The legislation and rising costs are creating a “perfect storm”.

Paul McLennan MSP asked if the secretariat could write out to CPG members to feed back to the Housing Committee with the key issues.

Action: VisitScotland to arrange writing out to CPG for feedback.

Sinclair Williamson (SW) highlighted class 7 guesthouses are included and this has been one of the biggest issues with the legislation. He mentioned that a few things are within the Government’s gift to help the sector

AOB

Early next year for next meeting

Paul McLennan brought the discussion to a close and thanked the contributors. He confirmed the convenors and secretariat would follow up on the action discussed around where could CPG add value particularly relating to recruitment and retention.