Cabinet Secretary for Rural Economy and Tourism
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Ms Joan McAlpine MSP
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Culture, Tourism, Europe and External Relations Committee
Scottish Parliament
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24 April 2020

Dear Joan

Thank you for your letter of 6 April 2020 regarding the unprecedented impact of the Covid-19 pandemic on Scotland’s tourism sector, and seeking an update on the actions the Scottish Government is taking to help the sector through this.

The Scottish Government’s priority continues to be to protect people’s lives, to protect our NHS, and prevent the spread of the virus. That has resulted in difficult decisions being taken that we know have created acute challenges for businesses, particularly in the tourism sector. We understand what this might mean for the future of tourism and we have worked hard, and continue to do so, to identify measures that will support the sector through this difficult time, to ensure that the tourism sector in Scotland can recover quickly once the immediate impacts of the viral outbreak pass.

As you will be well aware, the Scottish Government has announced a number of support measures, principally those set out in the Parliamentary statements of 1st and 15th April, and on each occasion we have provided refinement and clarity in response to queries and concerns from parts of the tourism sector as we look to ensure all parts of the sector and supported to survive this pandemic.

During this time it is important that we all work together to preserve businesses, families and communities. We are therefore working closely with our partners, including the Scottish Tourism Alliance, VisitScotland and our economic development agencies to identify how we might best support the sector, communicate the most up to date information and begin to think about the measures needed as and when we move towards the recovery period.

I am participating regularly in the STA’s Council calls to hear first hand of the issues faced by businesses which our published support measures have not picked up and I have had a great many calls with Chambers of Commerce and tourism businesses for the same purpose. These have been invaluable in highlighting where action still needs to be taken.

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We are also working with our colleagues in the UK Government and other devolved nations to achieve the best possible outcome. I am having regular fortnightly calls with my counterpart in the UK Government, Tourism Minister Nigel Huddleston MP, and he has been proactive in raising the issues I have brought to his attention, most of which are not unique to Scotland and also present a threat to the wider tourism industry of the UK. I wrote to him on 22nd April setting out ongoing issues which I have asked for his support on, and have attached a copy of that letter.

The newly reconstituted Scottish Tourism Emergency Response Group (STERG), led by VisitScotland, has now established a cycle of regular meetings. This model is based on the industry’s previous experience of dealing with the impacts of Foot and Mouth disease, Avian Flu and SARS to provide a coordinated approach to managing the problems which result from the COVID-19 Pandemic. This group includes key public agencies and industry sector groups, including the Scottish Tourism Alliance.

The Scottish and UK Governments have been swift to act in delivering wide ranging and effective support measures for businesses, including those in the tourism sector. However, I am aware that that job is not complete and I will continue to work with the industry to ensure we maximise the survival of our businesses and engage them fully in our plans for recovery as these begin to develop.

FERGUS EWING
22 April 2020

Dear Nigel,

Firstly, I want to say how much I appreciate the constructive and frank discussions we are having on tourism matters, with our counterparts in Wales and Northern Ireland, related to the COVID-19 crisis. I am writing to follow up on a number of issues which have come up in those discussions, most recently our call of 21st April.

There is no doubt that the measures announced by our respective governments are helping to support the tourism and hospitality sector at this unprecedented and tremendously difficult time. Most recently, the announcement by HMRC amending the qualifying date when an employee has to have been on the employer's payroll, from 28 February to 19 March 2020, is a helpful and positive development which will capture many workers who had been taken on in early March, prior to lockdown, to prepare for the Easter season. I believe, however, that there may still be an issue over eligibility if the Real Time Information return is not submitted to HMRC at the time the employee is engaged; in practice, many businesses delay this until they process the payroll in the final week of the calendar month and this may have a negative impact on the ability of businesses to obtain support.

There remain significant issues of real concern to the tourism sector here in Scotland which can only be resolved by the UK Government.

Gaps in support

We discussed on our calls of 8th and 21st April the £51k rateable value cut-off for businesses for the £25k grant. There is a continuing issue with the lack of support for hospitality, licensed and leisure businesses with a rateable value over £51,000. Although not necessarily large businesses, these continue to carry substantial overheads even when closed; these costs are not mitigated by the holiday on business rates or the offset of payroll costs attributable to furloughing of staff. Indeed these overheads will threaten viability until Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

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lock-down ends and 'normal' trading can begin - even assuming that the business survives to that stage. We are in dialogue with industry representative bodies to explore how best we can support these businesses either through grants (perhaps linked in some way to rateable values) or CBILS which has hitherto proven not to be of real benefit to the hospitality sector, and I have suggested these options to you as measures for consideration in our discussions.

We also discussed the fact that some bed and breakfast operators were not currently eligible for business support as they pay council tax rather than business rates. I note you have been pressing HM Treasury on this and I welcome your willingness to pursue this. This is something we are currently exploring here in Scotland, given the importance of such operators to our sector in Scotland.

The marine tourism industry has emerged in recent years as increasingly important, particularly to remote rural and island communities in Scotland. Marine tourism is largely seasonal and so cannot look forward to any form of autumn/winter recovery as boats are decommissioned by November and not taken to sea again until Spring 2021. During this time there is no revenue, only storage and maintenance costs. Only a handful of these businesses will benefit from the grant scheme linked to payment of non-domestic rates. The vast majority are operated from home, a jetty or pontoon rather than business premises. Are there any plans to extend support to these types of business at a UK level?

Job Retention Scheme

Although a very valuable scheme for much of the workforce, and I appreciate the further advice published that workers with visas are able to be furloughed, it has been suggested to us that greater flexibility within the scheme, for example to allow volunteering for the existing employer to a limited extent, or a part-time furlough arrangement which would greatly facilitate the care, maintenance and security of business premises as well as managing basic IT functions and customer enquiries. This is particularly relevant for our hotels, visitor attractions and historic properties and will impact on their ability to be on the front foot in the preparation for recovery.

Furthermore the restriction on smaller business owners / directors who have gone on to furlough and are then not able to being proactive in protecting and planning their businesses recovery during this period makes little sense and is counter-productive.

Businesses would also welcome an indication that, given the ongoing nature of the current crisis, that the scheme may be extended. I know that this is something that has already been raised through the Tourism Industry Council and I am sure the one month extension to the end of June, which was announced on 17th April, will be warmly welcomed.

I have received many letters from tourism operators across Scotland both through the Scottish Tourism Alliance and directly. An example is attached which clearly sets out the difficulties being faced by tourism businesses here in Scotland. The requirement for longer term support is clear and there are worthwhile suggestions about how we might review our approach. I would hope we could begin discussions on such longer term support requirements in our regular calls.

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Self-employed people

There remains a great concern that people who have been self-employed and trading for less than two years will remain excluded from the support. Given the entrepreneurial nature, and very small business size, of much of Scotland’s adventure and outdoor sector in particular, this will mean that many of those businesses on which we will be relying for an early recovery will be excluded.

A large number of such micro businesses have also registered themselves as limited companies, rather than sole traders and are also concerned that this will exclude them from the support available for self-employed people. It would be very helpful to know if the UK Government is looking at how we can achieve a resolution in those cases where individuals are not paid through PAYE.

Similarly, we continue to receive a lot of correspondence from businesses which declare income on the property section of their tax return and so are excluded from the self-employment support for what they consider a technical rather than substantive reason.

While we continue to explore how we might address these businesses and individuals through the additional support funding announced by Finance Secretary, Kate Forbes, on Wednesday 15th April, it would be reassuring to know that such gaps and omissions are also being considered at UK Government level too.

Many of these will be issues faced by tourism businesses and individuals working in the sector in England as well as Scotland and I am sure you will continue to make the case with your colleagues to protect the tourism industry and see it through this crisis.

I look forward to our continued and positive engagement.

Yours sincerely,

FERGUS EWING