Dear Fergus,

IMPACT OF COVID19 ON THE TOURISM SECTOR

I am writing to you regarding the Culture, Tourism, Europe and External Affairs Committee scrutiny of the impact of Covid-19 upon the tourism sector. The Committee welcomes the constructive approach taken by you and your officials as well as tourism stakeholders in supporting the Committee’s scrutiny of these issues. The Committee’s most recent evidence session on this issue, on 20 August 2020, involved an evidence session with VisitScotland and the Scottish Tourism Alliance (STA). I attach a link to the Official Report of the meeting below—


The evidence the Committee has taken, including from yourself, has emphasised that the industry faces significant challenges over the short to medium term. As I know you have recognised, this will require an unprecedented response from both the UK and Scottish Government and all tourism stakeholders.

The Committee is aware that the Scottish Tourism Recovery Task Force (STRT) has been in the process of developing a set of recommendations which were due to be submitted to you in late August. To support and inform your decision making, the Committee proposes that serious consideration be given to the following key areas:

- Coronavirus Job Retention Scheme;
- Hotel occupancy and support for larger hotels; and
- Long-term sustainability of the sector.
Coronavirus Job Retention Scheme

The tourism sector represents a larger proportion of the Scottish economy, when compared to other parts of the UK, with the sector directly contributing to around 218,000 jobs or 8.3% of all Scottish employment\(^1\). This reliance on the tourism sector and the detrimental impact the pandemic has, and will continue to have, on the tourism industry justifies additional sector specific support.

As you will be aware, the sector is a leading source of employment and job creation, employing many seasonal, part-time and temporary workers. With lockdown conditions continuing throughout the summer season leading to a significantly reduced demand for tourism as a consequence, many of these jobs will be directly affected. The Committee remains concerned that a significant proportion of the unemployment associated with this economic crisis has simply been delayed rather than avoided. The UK Government’s Coronavirus Job Retention scheme has provided lifeline support for many and is welcomed but as it is phased out the full impact on employment will be revealed.

The Coronavirus Job Retention Scheme will remain operational until the end of October 2020. When the scheme ends in October, the tourism sector faces the real possibility of mass redundancies, causing irrevocable to damage to the sector. In this regard, the Committee notes, that measures have been taken by the governments of a number of EU countries, such as the German federal government, which has stated that it intends to extend its ‘Kurzarbeit’ furlough scheme into 2022. The Committee notes that the Scottish Government and a number of sectoral stakeholders have called for the scheme to be extended.

Given the gravity of the current situation, the Committee strongly encourages both the Scottish and UK Government’s to work together, in conjunction with stakeholders, to explore what options might be made available to extend or replace the scheme beyond October. The Committee recognises that tourism is of greater significance to the Scottish economy than is the case for the wider UK economy and has been disproportionately impacted by Covid-19. In particular, the impact of Covid-19 upon the tourism sector is likely to have a particularly disproportionate impact upon employment in some of Scotland’s most remote and fragile communities. Accordingly, we consider it imperative that, at a minimum, targeted additional support is provided post-October to support employment in the tourism sector in Scotland through the current public health crisis.

Hotel occupancy and support for hotels

Since tourism accommodation providers started reopening in mid-July, there have been significantly reduced occupancy rates in Scotland’s cities, notably in the hotel sector where hotels have re-opened. Recent STERG meeting notes highlight that hotel

occupancy is sitting around 35 – 40% for the small / medium hotel category for July and August.

As stated in our letter of 22 May 2020, the position of larger hotel businesses is potentially more severe as many of these businesses continue to have significant fixed costs and will require substantial support until occupancy rates recover. Even where businesses have endeavoured to open, social distancing measures have led to reduced capacity and the need to absorb additional costs associated with the introduction of re-opening guidelines.

The newly announced support mechanism to help safeguard jobs at larger hotels – the Hotel Recovery Programme - is welcomed by the Committee. However, the Committee has heard from witnesses who are concerned that the £14 million pounds allocated to the programme is insufficient. According to STA figures, there are 950 hotels in Scotland that fall into the bracket of having rateable values above £51,000 and, we understand, some larger hotels have monthly operating costs above half a million pounds. These 950 larger businesses represent a substantial proportion of the Scottish hotel market and play key role within the tourism sector.

For the reasons set out above, the Committee encourages the Cabinet Secretary to continue to engage constructively with colleagues in the UK Government to develop a cohesive plan, with adequate funding, address the crisis facing these businesses.

**Long-term sustainability of the sector**

The current crisis is expected to result in long-term changes to the sector and in particular upon consumer behaviour. In particular, the Committee considers that the current crisis is likely to result in a reorientation away from destinations reliant upon aviation. The Committee also considers that the current crisis intensifies the need to shift the tourism sector in Scotland onto a more sustainable business model.

Adapting to changing consumer behaviour will result in profound structural changes to the industry, some of which is addressed in the 2020 Tourism strategy. It is unfortunate that some of this work has understandably been superseded by the pandemic response, but recent events do provide an opportunity to reconfigure the industry in a way which makes it more sustainable and competitive. The Committee considers it imperative that in developing recommendations as part of the STRT, that consideration is given to lasting structural change following on from the impact of the pandemic, which will enable the industry to thrive in the longer term. The Committee requests a written update regarding the STRT's recommendations following discussions at the end of the month.

The Committee recognises the challenges facing the tourism sector and welcomes the measures that the Scottish Government has taken in the immediate response to the crisis. However, we also consider that we are now collectively at a critical juncture
where it is necessary to take stock of the immediate impacts of the crisis and consider how we can manage the transition to a more sustainable tourism sector.

I look forward to hearing from you in due course

Yours sincerely,

Joan McAlpine MSP
Convener, Culture, Tourism, Europe and External Affairs Committee