Scottish Tourism Emergency Response Group (STERG)

STERG Sector Update Session
Wednesday 29th June 2022

Present:

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<tr>
<td>Association of Scotland’s Self-Caterers</td>
<td>Fiona Campbell</td>
<td>Scottish Hostels</td>
<td>Pam Richmond</td>
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<td>Association of Scottish Visitor Attractions</td>
<td>Gordon Morrison</td>
<td>Scottish Tourism Alliance</td>
<td>Karen Christie</td>
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<td>Hostelling Scotland</td>
<td>Margo Paterson</td>
<td>VisitScotland</td>
<td>Rob Dickson</td>
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<td>Scottish Agritourism</td>
<td>Caroline Millar</td>
<td>Wild Scotland</td>
<td>Doug McAdam</td>
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<td>British Amusement Catering Trade Association</td>
<td>John White</td>
<td>Scottish Country Sports Tourism Group</td>
<td>Chloe Forbes</td>
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<td>British Holiday &amp; Home Parks Association</td>
<td>Jeanette Wilson</td>
<td>Scottish Government</td>
<td>Jonathan Ferrier</td>
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<td>Discover Scotland’s Gardens</td>
<td>Dougal Philip</td>
<td>Scottish Guest House and B&amp;B Alliance</td>
<td>Sinclair Williamson</td>
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<td>Historic Houses Scotland</td>
<td>Andrew Hopetoun</td>
<td>Scottish Tourist Guides Association</td>
<td>Kenneth Bramham</td>
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<td>Night Time Industries Association</td>
<td>Donald MacLeod</td>
<td>UKHospitality (Scotland)</td>
<td>Leon Thompson</td>
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<td>Sail Scotland</td>
<td>Daniel Steel</td>
<td>Scottish Golf Tourism Development Group</td>
<td>Stuart French</td>
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Key Notes & Actions

1. Update

- The Omicron Business Support Fund is now complete. VisitScotland issued the final grant payments last week. Work is continuing to collate the necessary data and prepare the relevant paperwork in advance of a potential 2022/23 audit next year.
- It is expected that the VisitScotland grants, (£100m over the course of the pandemic), may be the subject of some of the public enquiry. Work is therefore underway to ensure all processes and decision making, relating to the grants administered, are rigorously documented.
- VisitScotland is focused on ensuring resources are redirected back to where they are needed most. This includes supporting the delivery of Scotland Outlook 2030 and the National Strategy for Economic Transformation and, implementing the priorities associated with responsible tourism.
- STERG continues work to establish an Industry Leadership Group. It is expected that this will be in place by autumn. Current arrangements will continue until that time. A review will then be carried out to decide what is needed moving forward.

2. Sector Feedback and Comments

Association of Scotland’s Self-Caterers, Fiona Campbell

- There remains significant concern regarding short-term let licensing and planning control areas, but the Industry Advisory Group is progressing well with FAQ support for the sector and communications, which have been discussed with housing officials. Conversations are still underway with local authorities in terms of the implementation of the licensing. The ASSC’s Regulations Roadshow is progressing well in terms of communications and awareness raising:
  - We have so far presented to 394 delegates in person and virtually (Scottish Land & Estates, Moray Speyside, Argyll, Outer Hebrides, Orkney & Shetland, Scottish Agritourism, Edinburgh): [https://www.assc.co.uk/assc-events/regulations-roadshows/](https://www.assc.co.uk/assc-events/regulations-roadshows/)
  - 184 people have viewed the virtual Orkney / Shetland / Outer Hebrides videos published
- The Moffat Centre has been commissioned to undertake a review of the short-term let sector to provide baseline data in advance of the Scottish Government’s 2023 review.
Scottish Agritourism, Caroline Millar

- Members providing budget and mid-range accommodation are finding that bookings are slower.
- Many new agritourism businesses who started during COVID, for example April 2021, are struggling with lower than expected occupancy levels in 2022. CM providing support to these businesses to help them with marketing their business, building customer databases, engaging with their customers etc.
- There is significant demand for farm experiences – the days out market is particularly good.
- There is significant demand for farm cafes, but staffing continues to be a serious challenge.
- CM provided an update on current Scottish Agritourism activity:
  - Scottish Agritourism has been running a series of regional events around Scotland which has engaged members, non-members, supply chain and local DMOs.
  - Scottish Agritourism hosted a stand at the Royal Highland Show last week (23rd-26th June).
  - The Scottish Agritourism Board and Destination Leaders met for an away day on 16th June to discuss the growth opportunity for Agritourism in Scotland.
  - CM continues to work with Riddell Graham and the Scottish Agritourism Board on the delivery of the Scottish Agritourism strategy which launched in November 2021.
  - CM noted that there was scope to improve the understanding of the Agritourism sector and it’s potential with SGov Ministers.
  - The growth tracker is proving challenging as there are many businesses who do not want to share their financial data. The data is essential to being able to demonstrate the value of the sector. CM will continue to work with VS on this.

Hostelling Scotland, Margo Paterson

- Current business performance:
  - At end of May -5% vs budget.
  - Prepaid bookings on a par with 2019.
  - Walk-ins and last minute bookings are a continuing trend.
  - 2023 bookings looking good.
- Costs continue to be a huge concern. Hostelling Scotland have a number of contract renewals in October this will have a significant impact on budgets for next year.
- Overall, summer is feeling positive however there remains concern about the off season (October to start of 2023 season). The worry for September / October is that consumers who have stayed at home for the summer may decide to go overseas during the October school holidays.

Wild Scotland, Doug McAdam

- Outlook remains relatively optimistic for the summer.
- Nervousness about autumn and winter remains. It was noted that bookings last year were quite good as there was a marketing campaign to support businesses at that time of year – it is not clear whether those bookings will come through again this year.
- Marketing support for members is top of mind for most – this is a focus area for Wild Scotland. It was noted that the extended VisitScotland grant has really helped Wild Scotland to deliver marketing support through the summer.
- Operating costs are hugely challenging, particularly fuel costs for those operating vehicles / boats.
- A key factor for recent new members joining Wild Scotland is the revamped best practice standards. This remains a focus for Wild Scotland.
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- Members are reiterating their willingness to help educate customers on sustainability and best practice. It was noted that this is really important given the visitor management issues which continue to persist. Wild Scotland are considering how this opportunity could be implemented practically and effectively.
- Work is continuing on the Outdoor Scotland strategy. DM will provide an update at the next meeting.

Scottish Hostels, Pam Richmond
- Walk-ins and last minute bookings are continuing.
- Cost increases, insurance (+29%), fuel etc are challenging as overnight rates are not going up to compensate – it was noted that this may need to be considered.
- Rail strikes are helping the current picture.
- There are many more customers who are booking hostels for the first time and are not aware of what the hostel product is – there is a need to educate customers on the hostel experience.

Association of Scottish Visitor Attractions, Gordon Morrison
- Visitor numbers are healthy but not spectacular. As previously noted, performance is patchy across the country and across different types of attractions.
- Overall, outdoor attractions continue to outperform indoor attractions.
- Weather is once again playing a part in performance.
- Feedback from the sector highlights that rising costs are overwhelmingly the biggest issue and is hitting businesses hard. For example, some attractions operating in large buildings are experiencing an increase in utility costs of 200%-300%. It was noted that the sector is not seeing any steps being taken by the UK or Scottish Governments to address this.
- In the short term most attractions are not at risk of going out of business. The concern remains the off season.
- The worry remains that there is no new significant investment in the sector. There is a lot of great innovation happening, but there is a lack of quality investment, and this is likely to impact the sector in the medium to longer term.

The following updates were provided in advance of the call.

Scottish Guest House and B&B Alliance, Sinclair Williamson
- The summer season across our sector has improved for most with many businesses experiencing a lot of last-minute bookings. However, cash-flow and profit margins are being hit hard even at this peak time, because of the huge increase in commercial fuel costs, and for the smaller businesses in our sector, the increases in domestic fuel costs.
- For the larger businesses (non-domestic rated Guest Houses) on commercial gas and electricity contracts, are experiencing monthly costs rising from what was around £350 per month to between £1000 and £2000 per month. This means many are not building up the profit reserves now in the summer months necessary to sustain them through the leaner winter months.
- Many Guest Houses are also struggling to recruit and retain employees meaning they are barely keeping their heads above water now we are into the really busy season, as is the case with other sectors in the hospitality industry - and I include B&Bs and Guest Houses in the 'Hospitality sector' despite the Government’s definition of hospitality which only seems to include the food and beverage sector nowadays, which clearly demonstrates their total lack of understanding of tourism in Scotland.

Scottish Tourist Guides Association, Kenneth Bramham
- Bookings remain healthy and certainly signs that the European market (namely French, German and Spanish) is on the rise.
Scottish Tourism Emergency Response Group (STERG)

- The North American market continues to remain strong.

3. Meeting Close
- RD noted the following points:
  - Within current market conditions, the ability of businesses to make a profit and to recover what has been lost during the pandemic, reserves, ability to invest etc, is even more challenging than during COVID. It was noted that the concern in the medium term is that this will lead to businesses standing still rather than progressing.
  - It is recognised that some businesses are doing very well however they are in the minority. The majority of businesses are balancing staffing pressures and the cost of doing business with sustaining turnover and profitability over what could be a shorter season.
  - Recovery, as defined 6-9 months ago, would seem to be relatively strong, however the current economic situation has presented a different set of challenges which are likely to continue to impact the sector over a longer period. Moving forward this will continue to be challenging.
  - International visitor numbers continue to be positive and exceptionally strong spend from international visitors is being reported.

- Fortnightly calls will continue throughout the summer – collating sector intelligence remains incredibly important.
- RD thanked everyone for joining the call.

Next Meeting
The next meeting is scheduled for Wednesday 13th July, 9.00am-9.30am.