STaughtish Tourism Emergency Response Group (STERG)

STERG Sector Update Session
Wednesday 24th August 2022

Present:

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<td>Association of Scotland’s Self-Caterers</td>
<td>Fiona Campbell</td>
<td>Scottish Government</td>
<td>Jonathan Ferrier</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>UKHospitality (Scotland)</td>
<td>Leon Thompson</td>
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<td>Sail Scotland</td>
<td>Daniel Steel</td>
<td>VisitScotland</td>
<td>Rob Dickson (Chair)</td>
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<td>Scottish Agritourism</td>
<td>Caroline Millar</td>
<td>Wild Scotland</td>
<td>Doug McDAdam</td>
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Apologies:

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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 Golf Tourism Development Group</td>
<td>Stuart French</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>
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<td>Historic Houses Scotland</td>
<td>Andrew Hopetoun</td>
<td>Scottish Hostels</td>
<td>Dominique Drewe-Martin</td>
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<td>Night Time Industries Association</td>
<td>Donald Macleod</td>
<td>Scottish Tourist Guides Association</td>
<td>Kenneth Bramham</td>
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Key Notes & Actions

1. Update

- The following points were highlighted on the cost of doing business:
  - The Scottish Government recognise the cost of doing business crisis and are actively engaged in detailed discussions with agencies on how best to respond effectively to the pressures businesses are facing and in particular, how to get the best support to the most in need businesses as quickly as possible.
  - Agencies have concluded that if the available support is taken up by businesses effectively (and with urgency) then it will position them to be as resilient as is possible. It was noted however that this support may not be enough to keep the pressures at bay. It is recognised that many businesses could be doing more to be more efficient and effective, particularly relating to energy.
  - The scale of the impact of the current energy situation will become even more evident over the next 3-6 months. It was noted that work is being done to understand the help which businesses may need with contract renegotiations.
  - It is expected that Scottish Government will deliver a coordinated response and plan to address the situation.
  - It is recognised that there is a limit to what the agencies and the Scottish Government can do given that much is outwith their control - the energy market is UK governed and changes will be largely driven by the UK Government. Scottish Government asks of the UK government will be incredibly important and agencies are feeding into this.
  - Discussions by energy companies over the last 48 hours to consider a different approach to consumer energy challenges have been important and it will be interesting to see how these discussions will feed through to business challenges.

- The sector outlook has not changed. Nervousness about autumn remains. There is no sign yet of September and October bookings strengthening.
- The creation of a new Tourism & Hospitality Leadership Group was announced on Monday (22nd) and will be open to applications until 18th September. The intention is to complete the application process during September and October, with the new ILG in place by the beginning of November. It is hoped that the new ILG will bring new thinking to the table from across the sector. A strong mix of ambitious and knowledgeable experts in business and tourism leadership will be needed to deliver the plans that will realise the ambition of Scotland Outlook 2030.
Scottish Tourism Emergency Response Group (STERG)

STERG will be wound up over the coming weeks as the transition to the ILG takes place. The STERG Sector call will also be wound up. However, if the cost of doing business crisis necessitates the same type of discussions and coordination that was in place during COVID, then there is a strong reason for this group to continue. The fortnightly call has proved an effective platform for discussion and for establishing a common understanding of issues and solutions. If this would be helpful in the context of current challenges, then the group should be sustained.

It was noted that VisitScotland is currently undertaking work to consider how it can work more closely with Sectors and Destinations in the future. It is likely that round table discussions with Sectors will take place to look at VS’s programmes of activity and it was noted that 1-2-1 conversations with Sector leads will take place over the coming weeks to work out what that might look like.

It was noted that the STA have a long established Sector Council and a Destination Forum.

2. Sector Feedback and Comments

Hostelling Scotland, Margo Paterson

- An energy consultant has advised Hostelling Scotland to expect a 356% price increase from their current provider when their contract renews on 1st October. This will result in a significant increase in cost for the business which is operating on a reduced revenue (an additional £1m across 28 sites). Although the contract will go out to tender, the energy consultant has warned that the energy companies have very little appetite to take on new businesses. Any support from the Scottish Government or UK Government would be welcomed.
- It was acknowledged that businesses can do more to be more energy efficient and there is a desire to do so, however the ability to implement changes will often come down to the availability of capital. Grants provided are not sufficient to enable large scale changes such as the replacement of inefficient heating systems.
- August has been a very busy month and overall is looking good.
- September bookings are slow.
- Last minute booking trend continues.
- Key challenges for the winter include:
  - Ensuring that a decent level of bookings continue.
  - Working hard to put in place a strategy to cover additional costs. It was noted that by the end of the financial year the business will have made only one third of the usual surplus compared to pre pandemic levels. (Hostelling Scotland is a not-for-profit charity).

Association of Scotland’s Self-Caterers, Fiona Campbell

- It was noted that it was good to hear that the Scottish Government have recognised the pressures being faced by businesses and that they are looking to respond effectively, however this would seem to contradict what they are doing to small businesses. The costs associated with the introduction of the licensing scheme (fees, not compliance costs) will add unnecessary pressure and be debilitating for many small businesses. This needs to be addressed.
- It is within the Scottish Government’s gift to pause unnecessary regulatory burdens on businesses at this challenging time.

RD reassured the group that senior Scottish Government officials do recognise and understand the issues which are being highlighted.
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Wild Scotland, Doug McAdam
- Summer has been fairly good across the sector.
- There is a nervousness about the autumn and winter season and whether the sector will see a similar uplift to last year.
- Reassuring to hear that the cost of operation pressures is being heard.
- Staff recruitment is an ongoing problem, if this continues into 2023 it will limit the sector’s ability to operate at full capacity. There is a need for a concerted promotion of careers in the sector.

RD noted that this was a long term issue impacting all sectors of the economy and will not be resolved in the short term. The working age population has diminished and currently there are not enough people to fill the number of vacancies. A significant amount of work will need to be done to ensure that employable people are in the right place with the right skills to meet the needs of businesses.

Sail Scotland, Daniel Steel
- It has been highlighted within the last few days that dues for the transient use of Highland Council harbours have increased significantly without consultation. Sail Scotland members have received bills of c. £5k plus when bills previously would have been a few hundred. DS advised that he would be investigating further.

RD advised that all Council fees and charges are set by Councillors in the annual budget and suggested that the Highland Council budget papers are reviewed (c. February / March 2022).

- Businesses who have invested in biomass or ground / air source heat pumps have highlighted that it is proving very challenging to maintain these systems as it is very difficult to get engineers. Many businesses as result are having to revert to dual systems and some believe they are now worse off. If investments are being made in renewable energy systems, we need to ensure that we can keep them working.

UKHospitality (Scotland), Leon Thompson
- Energy prices are a critical issue. Businesses are experiencing increases between 300%-400%.
- Staffing remains a major challenge. Recent ONS figures indicate that hospitality is now paying 15% more on wages than it was a year ago. Everything is being done to improve the financial package however there are just not enough people in the country to do the jobs.
- An update on ‘Scotland is Now’ and the Scottish Government’s Population strategy would be helpful. Consideration should be given as to how we can encourage a broader number of people to Scotland.
- Conversations on the TVL are restarting. It is understood that this may feature in the Programme for Government. It was highlighted that it would be helpful to know if anything else would be appearing in the Programme for Government so that businesses can prepare.
- Scottish Government could help businesses by looking at the regulatory environment, for example, DRS, TVL, STL licensing and the impact that these initiatives will have on businesses. It was suggested that conversations need to take place across Ministers. A ministerial summit was suggested to address all of these issues.

RD noted that SGoRR (chaired by the FM) is meeting weekly to address both the cost of living and the cost of doing business. The importance of differentiating these two statements was highlighted.

Scottish Agritourism, Caroline Millar
- Many agritourism / rural tourism businesses are expressing concern about the additional regulations associated with STL licensing. Some Councils are positioning these regulations as optional or
discretionary, however other councils are not, (e.g., use of hot tubs or BBQs, arrival times at accommodation). It was highlighted that these types of regulations are irrelevant within a rural setting.

- In general businesses are finding it very tough right now. It was proposed that if SG do not have the money available to help with escalating costs such as energy, then it should find solutions which would make it easier for people to run their own businesses, for example resolving the challenges with the planning process in local authorities.

Association of Scottish Visitor Attractions, Gordon Morrison

- Visitor numbers to ASVA attractions for June 2022 have recently been published.
  - Visitor numbers in June 2022 were -24% vs 2019 and -30% YTD vs 2019 YTD. It was highlighted that significant differences in visitor numbers are being experienced by attractions on the same street as well as across different regions. Differences can partly be explained by the type of visitor attraction, for example family attractions are still outperforming non family attractions and some attractions are experiencing greater staffing challenges due to both recruitment issues and absenteeism.
  - Donations at free attractions are on average -20% vs last year. It is assumed that the cost of living crisis is impacting this.
  - The price of building materials has increased by +150% vs last year. It was noted that this impacts both current and future capex projects. There are concerns about the quality of the sector next year.

Scottish Tourist Guides Association, Kenneth Bramham – Update Submitted in Advance of the Meeting.

- Bookings remain healthy but are starting to slow down from late September onwards.
- As with all sectors within our industry, the cost of living crisis is impacting on our members however the steady fall in fuel prices at the pumps is certainly benefiting our driver guide members.

3. Meeting Close

- RD thanked everyone for their time and contributions.

Next Meeting

The next meeting is scheduled for Wednesday 7th September, 9.00am-9.30am.