Scottish Tourism Emergency Response Group (STERG)

STERG Sector Update Session
Wednesday 5th October 2022

Present:

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<td>Association of Scotland’s Self-Caterers</td>
<td>Victoria Brooks</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>Sail Scotland</td>
<td>Daniel Steel</td>
<td>Scottish Tourist Guides Association</td>
<td>Kenneth Bramham</td>
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<td>Scottish Country Sports Tourism Group</td>
<td>Chloe Forbes</td>
<td>UKHospitality (Scotland)</td>
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<td>Scottish Hostels</td>
<td>Pam Richmond</td>
<td>VisitScotland</td>
<td>Rob Dickson (Chair)</td>
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Apologies:

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<td>Association of Scotland’s Self-Caterers</td>
<td>Fiona Campbell</td>
<td>Night Time Industries Association</td>
<td>Donald Macleod</td>
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<td>British Amusement Catering Trade Association</td>
<td>John White</td>
<td>Scottish Agritourism</td>
<td>Caroline Millar</td>
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<td>British Holiday &amp; Home Parks Association</td>
<td>Jeanette Wilson</td>
<td>Scottish Golf Tourism Development Group</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>
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<td>Doug McAdam</td>
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<td>Hostelling Scotland</td>
<td>Sabine Mackenzie</td>
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Key Notes & Actions

1. Introductions
   - RD welcomed Victoria Brooks who was attending on behalf of Fiona Campbell. VB is now working with the ASSC.

2. Update
   - The landscape has become more challenging in the last two weeks in terms of the cost of doing business and the ability of businesses to forecast how they will operate over the winter and into next season.
     - The short term help provided by the UK Government to ease the pressures of increased energy costs on businesses has been welcomed however it is not clear whether it will be sufficient to give businesses the confidence that they need. Ongoing uncertainty around rising costs, particularly energy costs make it very difficult for businesses to plan and pitch business into next season.
   - Reflecting on the season and looking forward to next month and the winter ahead, it is suggested that there is more of a mixed picture than was in the summer. Whilst visitor numbers may have returned to 2019 levels for some businesses (estimate between 1/4 to 1/3 of businesses) it is more geographically pronounced than it was in the summer. It was noted that 2019 visitor numbers should not be equated to 2019 profitability levels.
   - Looking forward, predictions for October visitor numbers look challenging and given the reality of household budgets etc. there is not a lot of confidence that domestic spend will be anything close to what was anticipated.

3. Sector Feedback and Comments

UKHospitality (Scotland), Leon Thompson
   - Business planning is impossible as the costs which businesses will face over the coming months are unknown.
   - Support on energy has been welcomed however some businesses are still paying 200%-300% more than they were at the start of the year and this is leaving businesses in a very precarious situation.
   - Members such as independent hotels are talking about closing for the winter as it’s too expensive to stay open – this could be a trend that we see more of if October is not positive.
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- Occupancy levels for the remainder of the year is not looking good.
- Bookings for Christmas and New Year (a key trading period for the hospitality sector) are nowhere near where they need to be. Many businesses are choosing not to offer Christmas packages or Christmas parties due to cost.
- The rollback on the NI uplift has been welcomed, the average business will be c. £10k better off.
- Staffing remains a major problem. Based on recent statements from the new Home Secretary it is expected that there will be little or no changes to migration policy.

Scottish Tourist Guides Association, Kenneth Bramham
- STGA bookings for October are holding up.
- There continues to be evidence that spend at visitor attractions is up.
- Bookings are down in November and will continue to decline - this is not unusual given reliance on international visitors.
- Many international visitors are saying that these are deferred holidays. There is concern that when the impact of the increase in cost of living starts to bite whether international visitors will still be keen to visit in 2023.

Sail Scotland, Daniel Steel
- Many members, (particularly those with hospitality operations), are looking to close for at least part, if not the whole winter.
- From a sailing perspective the tail end of the season has been quite good due to good weather.
- The living wage increase has had a big impact on some businesses, it affects the whole workforce and has created additional pressure as in many cases it wasn't budgeted.
- Plans for investment by some businesses have been shelved due to the increase in the cost of borrowing and the living wage increase.
- The weakness of the pound and the cost of living increase may result in quite a lot of people selling their boats as boats in British waters will be relatively cheap for buyers (Scandinavians for example), there is concern therefore that the number of marine leisure vessels will decrease between now and the start of the next season.

Association of Scotland’s Self-Caterers, Victoria Brooks
- VB provided a report from the ASSC in advance of the meeting which included an update on Short-Term Let Licensing and a summary of the recent findings from an ASSC survey, ‘The impact of the cost of living crisis to Self-Catering & Short-Term Lets in Scotland’, (survey closed on 2nd October).
- Summary of the report findings:
  - 937 operators in Scotland completed the survey.
  - 41% of those surveyed are in the pre-retirement age bracket of 55-64 yrs and 76% within this age bracket are female.
  - The majority of short-term let operators tend to be located in rural areas which very often means higher living costs and additional challenges such as ferry issues.
  - Bookings for winter, spring 23 and summer 23 are looking much worse than pre-covid. However, trends are showing that last minute bookings are more popular. 54 % of those surveyed say that Spring 2022 bookings are looking worse to much worse in comparison to 2019 (pre-covid).
  - The survey highlights a significant change in booking behaviour. Generally, this tends to be more last-minute bookings and less bookings overall. There are concerns that the emerging cost of living crisis will accelerate the cancellations.
  - The survey highlights that many operators are thinking of closing their business over the winter for the first time due to the cost-of-living crisis. This will impact considerably on the rural
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Tourism economy including employment, retail, hospitality etc. (45% answered that they are thinking of closing their business over the winter).
- Additional cost of living costs will impact on businesses in a number of ways. A staggering 60% say that they will now have less to spend on fixtures, fittings and maintenance. This will impact on the overall quality of the tourism product offering in Scotland and the reputation of Scotland as a sustainable, quality destination.
- Short-term let licencing continues to be a significant concern for the majority of businesses with over 70% concerned about the licence not being granted. 87% consider the scheme to be ‘burdensome’. 49% have considered stopping letting their property. A staggering 94% of those that might sell up say that their property would not be available for affordable housing.
- Following Covid these businesses are having to navigate through STL licencing, associated costs and now the cost-of-living crisis, we asked in the survey how this is affecting their mental health. 39% of those surveyed are experiencing new mental health problems.
- 82% of businesses surveyed are asking the Scottish Government to pause new and impending short-term let regulations and 64% are asking for clear and timely communications from the Scottish Government and local councils.

Association of Scottish Visitor Attractions, Gordon Morrison
- The Association of independent Museums shared survey findings which showed that whilst 50% of their members felt they could absorb the increase in costs in the short term, 40% said that to do that they would need to reduce their offering or delaying / cancelling capex projects and maintenance works.
- ASVA will be conducting a survey at the end of the month. Findings will be brought back to this group.
- ASVA are continuing to push the Days Out campaign, some members have however fed back that they wanted to take part in the scheme however they are now considering closing over the winter.

Scottish Country Sports Tourism Group, Chloe Forbes
- The sector is experiencing the same issues as others.
- Finding accommodation for bookings is in some cases challenging – this is a concern moving forward.
- Many more last minute bookings and last minute cancellations this year vs last year, this type of booking behaviour does not lend itself to this sector due to logistical challenges and creates uncertainty for businesses making it difficult to plan.

Scottish Hostels, Pam Richmond
- Recent feedback from members has indicated the following:
  - Most businesses who would have been open for the winter season are now closing – mainly due to fuel costs.
  - Some are closing earlier than they would usually (beginning of October rather than the end of October).
  - Those who are staying open will only take group bookings and only when the booking is for a few nights – not worthwhile opening for one night.
  - Winter is going to be very hard.

4. Additional Comments Noted from The Group:
- There is a real concern about the erosion of quality.
- Businesses who are going to stay open though the winter are considering raising their room rates and all other prices to try and help with the cost of keeping their businesses heated, maintenance etc.
- The worry is that Scotland becomes more seasonal, more expensive and lower quality – everything the sector has been fighting against.
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- Value For Money should also be a consideration. Visitors may be ok paying a little more than they would expect just now however moving forward the sector needs to be mindful of this.

5. Meeting Close
- RD thanked everyone or their time.

Next Meeting
The next meeting is scheduled for Wednesday 19\textsuperscript{th} October, 9.00am-9.30am.