

# Convention of the South of Scotland 28 September 2020

(Paper 4)

## Tourism in the South of Scotland

### Purpose

To provide members with a review of tourism in the South of Scotland, how it has been affected by COVID 19 and outline suggestions as to how its recovery can be supported by the Convention.

### The importance of tourism to Scotland <sup>1</sup>

Scotland attracts around 16 million overnight visitors annually, generating £5 billion in visitor expenditure. In addition, 153 million day trips are taken with spend of £5.5 billion. Tourism cuts across every sector and touches every part of the economy, from locally produced food consumed by visitors, the transport they use, the additional retail consumption they drive, and all the services that support the industry.

The sector is a major economic enabler, contributing to the business base and employment levels, across a wide range of geographies and demographics. Using the Scottish Government's definition of tourism, there are 14,970 registered tourism related businesses (8.4% of all Scottish businesses) supporting around 218,000 jobs (8.3% of all Scottish employment) in Scotland. The sector contributes around 5% of Scotland's total GDP. As is often said 'tourism is everyone's business' and the importance of its economic footprint cannot be denied.

The new national tourism strategy "Scotland Outlook 2030", published in March of this year, focusses on 4 key areas - passionate people, thriving places, diverse businesses and memorable experiences.

### The Importance of tourism in the South of Scotland

Within the South of Scotland, tourism has historically been an important element of the economy, generating economic wealth, sustaining a significant number of jobs and providing sustainability for many communities. It is strategically important because of its scale, reach, significant growth in recent years, geographic spread and represents a key opportunity for future economic recovery. Crucially, tourism is often one of the few real opportunities for economic activity and employment in the more rural places and areas in the South of Scotland, central to the economic resilience of many localities.

According to STEAM data, South of Scotland has seen a 35% growth in expenditure since 2009 with the largest growth coming in the last 5 years (2014-2019) following challenging trading

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<sup>1</sup> Data sources used in this section have been drawn from VisitScotland published research and the Scottish Government SPICE report submitted to the Culture, Tourism, Europe and External Affairs Committee on 20th August 2020.

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conditions caused by the financial crash of 2008. For 2019, this data confirmed that 4.6 million visits were taken in the South of Scotland (1.9million from staying visitors and 2.7million from day visitors). This delivered expenditure of £609million. This equates to support for 12,036 FTE jobs.

## **Impact of COVID 19**

With international aviation at a virtual standstill since March, the closure of accommodation and attractions, the cancellation or postponement of major festivals and events, and restrictions on public gatherings (indoor and outdoor), the impact of COVID-19 on tourism has been overwhelming and immediate.

Using 2019 VisitScotland data as a guide it is possible, based on 3 year rolling average figures, to hypothecate a loss of over £2 billion in visitor spend from mid-March to July. This represents around 40% of the total revenue that would normally have been generated by overnighting visitors.

Applying that ballpark figure to the South of Scotland STEAM data suggests an estimated loss of around £188 million to the local economy before taking into account lost expenditure from day visitors.

## **Tourism employment**

Tourism is a leading source of employment and job creation, providing a high volume of jobs for both high and low skilled workers and offering many seasonal, part-time and temporary opportunities. As well as direct employment, it supports a range of indirect employment too.

COVID-19 is having devastating impacts on tourism employment. For the workers affected by tourism related job losses across Scotland, this will be a very difficult time. Aside from the immediate hardship of losing their job, there are likely to be far fewer employment opportunities in the economy for them to seek.

HMRC estimate 736,500 furloughed “employments” in Scotland, as of 30 June. This represents 29.8% of the workforce and 8% of the UK total. Take-up rates across local authorities are generally in line with the Scottish average. In the south of Scotland figures are 28,200 in total made up of 15,400 in Dumfries and Galloway and 12,800 in Scottish Borders.

A concern is that a significant proportion of the unemployment associated with this economic crisis has simply been delayed rather than avoided. The furlough scheme has provided lifeline support for many, but as it is phased out the full impact on employment will be revealed.

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### **Support available to tourism businesses**

In response to COVID-19, a range of business support interventions have been announced by the Scottish and UK governments and the various economic development agencies with a tourism focus. Full details of all COVID-19 business support measures are available from [findbusinesssupport.gov.scot](http://findbusinesssupport.gov.scot)

Additionally business advisory support is available to the sector from Team South of Scotland including both councils and SOSE. Dumfries and Galloway Council's Trading Standards team are working closely with the sector to support safe operations. The sector can access guidance and advice via Support DG.

### **Issues linked to COVID-19**

The operating environment for tourism remains volatile and the recovery path is uncertain. Tourism recovery might face a number of obstacles - a global recession, changes in attitudes to travel, further outbreaks, and resumed physical distancing – and it could be some years before pre-crisis levels are recovered. Scenario planning work has been undertaken to identify best and worst case planning assumptions to frame recovery actions. These indicate that at best businesses are likely to be weakened financially, impacting the supply chain, and leading to a contraction of the workforce after the summer season. In the worst-case, equivalent of 3 winters of low season demand, there are likely to be widespread business failures, rapid contraction of established supply chains, permanent reduction of the workforce and loss of vital skills with wider economic impact particularly in more rural and island communities.

Some business types will be more exposed than others depending on their target market. Business types dependent on inward travellers – aviation, coach and tour operators, city centre accommodation providers are likely to be most impacted. Those dependent on the domestic market are likely to bounce back more readily with the right kind of support. In the future, businesses will need to be agile and flexible to adapt to rapidly changing circumstances. Some businesses may no longer be financially viable. Support will need to be tailored to meet different needs and long term requirements. With 15% of all weddings in Scotland taking place in the south this is a market sector that has been significantly impacted by Government guideline restrictions.

As the travel restrictions have lifted over summer and some tourism businesses have had to remain closed, visitors have looked for other experiences. There has been a considerable increase in wild camping putting pressure on local beauty spots. Local communities and landowners have complained about dirty camping and anti-social behaviour. Some campervan owners have acted irresponsibly disposing of chemical waste inappropriately. Improved measures focusing on information, investment and visitor management are being developed to meet the ongoing challenges presented by such activity.

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## **Sector-specific challenges**

Not only will recovery plans need to address the issues caused by the crisis, they will also need to address the sector challenges such as low productivity and low innovation, complex ownership arrangements, and the impact of Brexit and staff shortages that existed pre-Covid. As we reset, we must take the opportunity to build on inclusive growth, green recovery and better business resilience. Longer term recovery will need a new more robust sustainable vision for the sector – taking more care of social and natural capital, encouraging longer term investment and growth of local talent. Recovery plans need to support businesses to recover, encourage visitors to return or discover Scotland, support communities to embrace opportunity and stimulate local employment.

## **Changed consumer behaviour**

The crisis is expected to have a permanent impact on consumer behaviour, accelerating the move to online bookings, with a greater emphasis on hygiene and healthy living, and higher use of cashless and contactless payment methods. The impact on travel behaviour remains to be seen, but there is a strong recognition that much will need to be done to restore travellers' confidence.

## **Future Opportunities for South of Scotland tourism**

### **Inherent strengths**

There are significant opportunities for the South of Scotland to recover well and more quickly from the impacts of COVID-19 due to a range of factors. Historically the area has had a significantly smaller percentage share of the international market than most other parts of Scotland. With a strong focus on the domestic market and staycations in national marketing this could help shorten the time taken for industry to recover.

Accommodation and food quality play a growing role in shaping the total destination experience, acting as a powerful driver of overall satisfaction. However, building visitor satisfaction at destination level now also needs to include noncommercial and intangible factors such as the warmth of the welcome from locals, feeling safe and respect for the environment by operators and residents.

In 2019 a Qualitative and Quantative social listening study was carried out to assess "Visitor Satisfaction" for Scotland and a regional assessment was made for South of Scotland. Results from the 12-month study found that the South of Scotland recorded very positive results for its hospitality sectors with accommodation and food experiences rated above national averages. The large and geographically diverse range of activities including culture and nature experiences also scored well.

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As lockdown eases there are signs of recovery across the South of Scotland. The region has significant strengths, outlined below, which can address the changes identified in consumer behaviour which in turn will help drive demand for specific kinds of experiences.

- Wide open, relatively visitor- free spaces to play in and explore
- 4 hours' drive time from a massive market of up to 12million UK & Ireland residents.
- The opportunity to promote and enable dispersed visitor demand through hidden gems and core paths networks
- A good value for money proposition
- Mild climate making it a genuine year-round destination.
- Hugely attractive destination for touring
- High scoring visitor satisfaction levels.
- Strong range of unique HERO products
- Strong outdoor/adventure offering
- Strong creative industry offering
- Community strength and innovation
- Nature based tourism and immersive rural experiences linked to wildland and wildlife
- Strong heritage offering including dramatic and exciting gardens
- Luxury grade investments across a range of products
- Eco/Green/Ethical operators who demonstrate an innovative approach to sustainable and responsible tourism practices.

### **South of Scotland Destination Alliance**

In recognition of these strengths and the opportunities to develop and grow tourism in the area, a new industry led, pan South of Scotland, Tourism Destination Organisation - the South of Scotland Destination Alliance (SSDA) - was constituted in early June and received a significant funding boost, representing £2.7 million over the next 5 years, from Team South of Scotland partners - SOSE, SBC, D&GC, VisitScotland. In time this budget could be enhanced further and represents a key driver for transformational change in tourism in the South of Scotland.

Their 5-year business plan identifies the following key areas of focus for the new organisation:

- Development of 5-year destination strategy
- Business Support & Industry Development – skills, digital discoverability, travel trade readiness
- Product Development and Distribution
- Destination Marketing

The creation of SSDA now gives all of the partners round the table an industry body to connect to in order to enable the step-change we need to facilitate recovery and long term growth within

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the sector linked to the Cabinet Secretary's **Tourism Recovery Task Force** 3 priority areas – stimulating consumer demand, business support and sector investment.

A **Team South of Scotland** approach, so successful throughout the past 6 months, will be crucial to providing targeted support to tourism businesses across the region for a significant period of time into the future. The new landscape has acted to formalise and build upon the excellent track record within the region of strong and effective public sector partnership working, with national, regional and local players adopting a coordinated and single team mentality. The COSS affords a real opportunity to bolster these efforts by developing new and strengthened relationships with Scottish Government, around a collective focus of helping to unlock the region's full economic potential by breaking down barriers to investment, ensuring that the South contributes to the national ambition for a fairer, greener and stronger Scotland.

The South of Scotland can provide a range of both shovel ready and future pipeline projects to aid recovery. The key projects and initiatives are listed below.

## **Stimulating Demand**

**Destination Marketing 2020/21** - (the exact timing of these campaigns will depend on Scottish Government health guidance)

- VisitScotland national recovery campaign activity – upweighted for the South of Scotland
- #SeeSouthScotland – reboot of Channel 4 activity scheduled in for early 2021
- South West Coast 300 – Joint Visit South West Scotland & VisitScotland Growth Fund campaign activity scheduled to relaunch early 2021
- Scotland Starts Here recovery campaign activity scheduled to start late Spring 2021

From 2021 promotion of the new South of Scotland place brand – “Scotland Starts Here”, will significantly increase led by the South of Scotland Destination Alliance. A major focus of this activity will centre on the significant opportunities the area offers for adventure tourism.

## **Business Recovery and Employee Retention**

A series of priorities have been identified by the national Tourism Recovery Task Force in relation to the ongoing needs of businesses. All of these have resonance for the South of Scotland and most of them require support from either the UK or Scottish Government. Those aimed at UK Government include furlough extension, VAT reduction extension, reduction in apprenticeship levy, and longer-term access to low cost loans. Those for both Scottish Ministers and UK Government engagement include: financial support packages, digital upgrading and skills development, new tourism specific bond for investment. Those for Scottish Ministers include: reduced physical distancing restrictions, skills investment notably in digital technology, business rates holiday extension and deferral of revaluations, deferral of new levies including transient

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visitor levy, low cost green loans, fast track planning, support for new product development and a fair work framework.

### Future Investment

There are a number of future investment opportunities that offer opportunities for tourism in the South of Scotland.

The **Borderlands Growth Deal** - the Heads of Terms agreement was signed in July 2019 and local authority leads are working to develop the robust business cases needed for full deal agreement. Scottish and UK Governments are working with the Borderlands partners to support progress.

The Deal has identified strategic investments, a number with relevance to the tourism sector:

- Digital Borderlands (Approx. £44.2 million of which £16.2 million is for projects in the South of Scotland) – Aims to ensure that the Borderlands area accelerates the reach of its digital connectivity and lays future-proof foundations for economic growth and digital inclusion.
- Destination Borderlands (approx. £57.45 million with £33.45 million for South of Scotland projects) comprises 6 projects: 4 for South of Scotland
  - Stranraer Harbour (leisure and marine tourism)
  - Star of Caledonia
  - Destination Tweed which is a proposed trail along the R. Tweed from Source to Sea
  - 7 Stanes – enhancement of mountain bike infrastructure and facilities at centres across the south
- Borderlands Place Programme – A devolved fund to provide the stimulus for the repurposing and reinvention of priority town centres across the Borderlands
- A mountain bike project comprising an innovation centre and bike park and trail lab to be based in Innerleithen

**Responsible tourism** – several projects have been identified for the area that meet the strategic priorities identified within the national tourism strategy **Scotland Outlook 2030** and have been further highlighted in several strands of the Tourism Task Force discussions. These include:

- South West Scotland – A sustainable destination pilot project.

Using the already strong starting point of the successful touring route SWC300 combined with the Dark Skies initiative and the Biosphere project, the South of Scotland could be supported to become Scotland's first carbon neutral destination
- South of Scotland Sea to Sea – a long distance road cycle route running from Stranraer to Eyemouth.

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- Tweed Valley – Scotland’s First Biking Resort Designation
- South of Scotland – Agritourism Diversification Programme
- Place-Making Destination Visitor Experience Development Plans (community based)
- Southern Upland Way - refresh with a potential alternative D&G coastal route option and the creation of circular trails
- Opportunities to promote genuine wild camping and Scottish Outdoor Access Code activity

**Rural Tourism Infrastructure Fund** – develop strong and compelling projects that match the needs of the area with the criteria of the new fund to stimulate investment that responds to visitor pressure points.

Working together as Team South Scotland through the structure of the newly created Regional Economic Partnership will be vital to deliver the recovery in the short term and growth ambition in the long term for the South of Scotland.

### Action

Members are asked to:

1. **Recognise the importance of Tourism to the economy in the South of Scotland.**
2. **Note** the contents of this paper and reflect on whether it adequately addresses the challenges outlined above.
3. **Acknowledge** how tourism has increased in importance in recent years and now represents a major opportunity in the future economic recovery of the area and its regional economic strategy.
4. **Recognise and support** the work of the new South of Scotland Destination Alliance and South of Scotland Enterprise in relation to marketing the area, supporting business recovery and employee retention and skills and infrastructure investment.
5. **Consider** how their organisations can support the various projects outlined in the section on “future opportunities” and by so doing enable them to happen more quickly or to a higher level of quality
6. **Commit** to work together to overcome potential barriers to enable investment, diversification and growth opportunities to be unlocked
7. **Provide** commitment from Scottish Government, all national agencies and the Convention members over the long term to maximise the future opportunities outlined in the paper.