



Fergus Ewing MSP  
Cabinet Secretary for the Rural Economy and Tourism  
The Scottish Parliament  
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28 May 2020

Dear Fergus,

### **COVID-19 - ISLAND PROOFING SCOTTISH TOURISM'S RECOVERY PLAN**

As a regular visitor who knows the islands well, you will understand the importance of tourism to the economy of all Scotland's islands and the Outer Hebrides in particular. Just as you say tourism is more important for Scotland than the UK as a whole, it is also more important for the islands than Scotland as a whole. It is a crucial growth engine for islands' economies with an essential role in reversing population decline, addressing demographic imbalances, celebrating Gaelic culture and language, and underpinning key elements of island life such as its shops, restaurants and museums.

We participate through the Scottish Tourism Alliance at a national level, where Marc and the team have been doing a first-rate job. However, there are a number of specific challenges that COVID is causing tourism in the Outer Hebrides and, as we move from 'Respond' through 'Reset' and hopefully, towards 'Restart', it is timely to write to you personally to:

- Underline the huge scale of the impact of COVID on our islands and our industry
- Highlight those things that are disproportionately affecting island businesses
- Propose steps the Scottish Government can take to help the tourism industry in the Outer Hebrides survive, recover and thrive again.

#### **1. Tourism in the Outer Hebrides**

**Tourism accounts for 10-15% of the islands' economic activity.** It is probably double that in the rural areas out-with Stornoway and possibly as high as 40% in Harris or Barra.

**Tourism is a success story on the islands.** The lack of space on the ferries and complaints about how busy it usually is at the height of summer are testament to that. Over the past decade or more, a true public-private partnership has transformed a tourism backwater into a vibrant destination with an excellent national (and increasingly international) reputation. As I am sure you find as a visitor, we embody Scottish tourism at its best – long-stay, value-added, respect for natural resources and centred on our heritage and culture. This growth has created its own issues of course as infrastructure struggles to keep up; and the need to extend the season, but we are working on these issues and visitor satisfaction is excellent. People love their stay in the Outer Hebrides. Over half our visitors are Scots, and many come back, year after year.

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Developing, Promoting and Sustaining **OUR** Industry

**While our overall impact on the islands is large, we are made up of many individual, very small businesses.** We are an industry of entrepreneurs, self-employed operators and the like, providing a key source of additional income for many people who operate agricultural businesses and attracting people back to the islands. With optimism as a necessary ingredient, our operators take on the challenge of distance, the Minch and the short season in their stride to create wonderful and welcoming experiences for visitors against the odds.

**Participation in tourism is the norm, not the exception.** Social enterprise is the norm in island tourism from Comainn Eachdraidh (Historical Societies) to community cafes and Harris Tweed weavers. Tourism underpins many of the island facilities, providing up to half the revenue for our restaurants, art-centres, museums and shops. We are the corner of Scotland where land-reform has had the biggest impact with around half the land now under the ownership of community trusts, many with extensive involvement in tourism.

## **2. The Impact of COVID-19**

At this time of year, the tourism season should be in full swing, but like everywhere across our country, tourism businesses are closed. Initial optimism that we would simply delay the start of the 2020 season, but be up and running for 1<sup>st</sup> July now seems unrealistic. The window of opportunity in the Scottish Government's COVID route-map for 2020 looks worryingly narrow and we face the prospect of no season at all. By the time we are allowed to open, there may be no point in doing so. This means that for many, there will be no visitor income at all for 18 months – from October '19 to March '21.

Even when lockdown is lifted, there needs to be a great deal of work to re-assure communities that, by welcoming tourists back, they are not also opening up to the very grave health risks which have been underlined in daily briefings for the past two months.

The timing of the pandemic has been particularly cruel and crippling. Businesses had invested over winter ahead of a season that has not materialised, using up valuable reserves. March is usually the bottom of the annual cash-cycle before the visitor economy kicks in. This means we will see business closures and loss of capacity, preventing us from being in a position to take advantage of any upturn.

More importantly, a wave of emigration from the islands risks wiping out any progress on demographics in the past decade. Many young people have some involvement in the industry; those returning often start entrepreneurial businesses in the tourism sector which is going to be almost impossible in the immediate future.

## **3. Protecting Our Industry's Future**

Tourism accounts for around £80m of our islands' economy in turnover, almost entirely occurring in the 8 months between March and October. Not all of this stays on the islands, some costs will be forgone, and businesses can make some savings. But this remains a large hole to fill, and the income gap for the islands is probably £40-£50m. From our surveys of the industry, we estimate that the current support packages will deliver just around one third of that figure, so we still have a way to go.

The nature of our industry can be challenging in getting formal support schemes to work. The proportion of people in standard private-sector employment on the islands is less than on the mainland. As you know, 'portfolio workers' are the norm – often self-employed with two or three part time roles. The 'furlough' scheme is invaluable for those with employees, but many 'one-man bands' are facing a cliff-edge of support, with the initial grants already consumed by costs and additional schemes ruling out those who have received some funding.

We appreciate acknowledge the efforts made by everyone in the Scottish Government and its agencies (VS, HIE and others) to mobilise the short-term support that has been put in place. You listened when it was clear that the immediate funding was leaving many businesses out in the cold. We do however need more than one dose of medicine. Unlike other parts of the country, our local authority, Comhairle nan Eilean Siar has also played its part fully in making sure the money flows quickly. However, without a medium-term support and recovery package, this just delays the date of many business closures.

#### 4. What help does the Outer Hebrides need from the Government?

##### a) Respond - Further Tailoring of Financial Support Package

The current package of financial support is very welcome and making a real difference. Changes made have helped extend coverage significantly, but aspects of the scheme are still working against island businesses:

- Small B&Bs are still struggling with meeting the streamlined requirements of the schemes e.g. One business seems to have been rejected because her separate bank account for the B&B was not an official business bank account.
- Genuine Self-catering operators are still being caught up in the rules to exclude second-home owners. We were told the local authorities would have discretion, but this does not seem to have happened.
- Rate Limits seem quite arbitrary e.g. A business with a rateable value of £18 000 is quite important for us, but is missing out on the larger grant by £1. Equally, businesses just over the £51 000 rate limits are still struggling to get finance in place.
- Businesses jumped at the chance of the small business grant, but for some of our more important businesses, this is now preventing them accessing more funding.
- We have a layer of businesses between the small business grants and the Pivotal Enterprises Resilience Fund, excluded from the Hardship Fund but are pivotal to our industry.

##### b) Reset - Ensuring It is Feasible for the Industry to Open

- i. Ferries and Transport - Once lockdown is lifted, there is no value in businesses opening unless the destination is conspicuously and clearly open for normal business. For our tourism industry to survive, people must be able to physically get reach us. We are crucially dependent on Calmac providing the necessary ferry capacity available for visitors and are extremely concerned that their service planning is treating tourist traffic as an optional extra that doesn't need to be accommodated. The economic consequences of such a policy is catastrophic. This is an essential consideration for post-lockdown capacity planning.

Relief on landing charges on regional flights will also have a significant impact on the perception of fares to the islands.

- ii. Community Reassurance - Given the Outer Hebrides has so far been spared a major COVID outbreak, anxiety levels that are beginning to abate across the country remain high in the islands. There is a fear in local communities that re-starting tourism will bring the virus to the islands. The Government has a key role in creating a policy framework that addresses this, given tourism had very little mention to date in the government route-map. Clarity of messaging is essential. The government has the main role in updating messaging as the R number is lowered as a result of public adherence to the road map protocols and the resulting lowered R numbers,
- iii. **Growth Fund Campaign.** Alongside this funding, we imagine some kind of growth-fund activity led by VisitScotland and delivered through local DMOs to help maintain our position in the mind of visitors and promote 'staycations'. Given cash-flow is desperate at the moment, it is going to be hard for businesses to find their own funds for promotion.

c) **Restart - Extending the Funding Package through Winter 2020/21.**

The short-term schemes were largely conceived with a 3-month timescale in mind. It is now clear that the impact of COVID will go way beyond this. Restaurants and attractions are particularly exposed, given how short the season is for them. Getting businesses through this is going to require repeated doses of the help already provided – people welcome the extension of furlough, but need to continue support through to March 2021.

d) **Recover – Fully Commit to the Tourism Strand of the Islands Deal as a long-term Recovery Package.**

Whatever support is put in place, COVID will have damaged our industry. Investment will have been hindered and capacity and confidence lost. In March, we presented to the Scottish Government, an exciting and original Development plan for the Outer Hebrides as a tourism destination as part of the Islands Deal. This was well received, but any announcement has been, yet again, delayed. It is ironic that the island groups are one of the few parts of country not benefiting currently from this kind of economic stimulus. It would be a major boost to the industry for the Westminster and Holyrood administrations to co-operate to announce this deal, with tourism playing a major role, and a funding package that demonstrates commitment to the future of the destination.

Perhaps a bit of Gàidhlig wisdom to finish - *Bheir an èiginn air rudeigin a dheanamh*, (Necessity causes things to get done). A sort of Gaelic equivalent of necessity is the mother of invention.

Stay Safe. Yours sincerely,

Rob Mckinnon

Ian Fordham



**Chief Executive**

**Chairman**

**Outer Hebrides Tourism Community Interest Company**

cc. Angus Brendan McNeil MP, Dr Alastair Allan MSP, Riddell Graham (Chair STERG), Marc Crothall (STA)