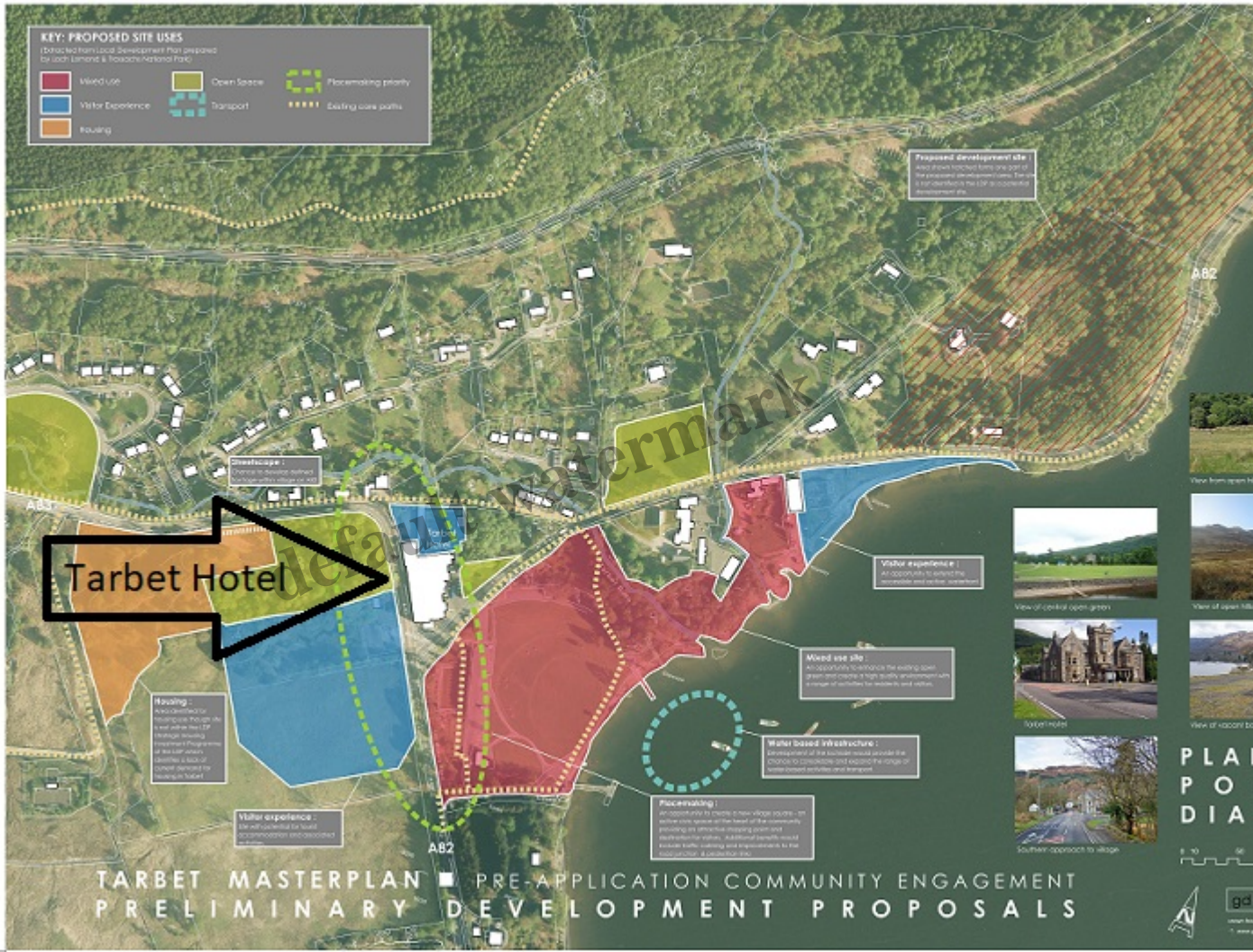


Covid-19, the collapse of Shearings and the economic crisis in our National Parks

Description



The Tarbet Hotel – an island in the middle of Mouldsdale Properties proposed development at Tarbet

The news that the Specialist Leisure Group ([see here](#)) and ([here](#)), the holding company for Shearings, has gone into administration should be a wake up call about the impact the Covid-19 lockdown is having on the economy of our National Parks and rural areas more generally. 2,500 jobs are likely to be lost, of which 50 are at the Tarbet Hotel and Claymore Hotel in Arrochar. The Shearings Hotel subsidiary owns five other hotels in the Highlands. Weeks ago James Fraser, Chair of the Friends of Loch Lomond and Trossachs, (whom I know) warned that 1,200 jobs could go in the Loch Lomond and Trossachs National Park alone as a result of Covid-19 ([see here](#)). That is now starting to happen. A financial tsunami now appears about to engulf rural tourism.

This post takes a critical look at the issues and argues that the answer is not to re-start *all* work, as called for by the radical right in the USA and elsewhere, but that some elements of rural tourism, that take place outdoors and involve people staying in self-contained accommodation, could re-open now and there is now a need for a far more strategic intervention by the Scottish Government if a large part of the rural economy is not to collapse.

Shearings, Tarbet and global financialisation

Anyone who has driven up the west shore of Loch Lomond will know the Tarbet Hotel, the fine building located at the junction of the A82 and A83. I have fond memories. On a first climbing expedition to Arrochar, over 30 years ago, I spent an evening with my mates, in the back bar. We had spent a few days climbing on the Cobbler where we camped near the Narnain boulder, ticking off classic, and not so classic, rock routes. I can't recall exactly where we camped after a joyous evening, but it would be a criminal offence now under the camping byelaws.

I was unaware at the time but the Tarbet Hotel was the registered office of Shearings Hotels Ltd, a company set up in 1946, and has been so ever since. The date tells you this wasn't some fly by night company, although the accounts ([see here](#)) also show that the company subsequently became caught up in global financialisation. The company developed into a specialist coach tour market provider. In 2014 Shearings Hotels Ltd, and associated companies, were placed under a holding company, Aghoco1217 Ltd. In 2017 that changed its name to the Specialist Leisure Group and at the time it went into administration owned a number of other coach tour travel companies including Caledonian Travel, National Holidays and Wallace Arnold. While also involved in European tours, a significant proportion of its business appears to have been in the Highlands.

Like many tourist businesses, profit margins varied significantly from year to year and were seriously affected by external circumstances such as the weather, though nothing like Covid. For example, in 2018 (a poor weather year) Shearings Hotels Ltd lost £3,019,000 compared to a profit of £1,643,000 in 2017. Its profit levels were generally insufficient to finance investment in upgrading its hotels and it seems to have been this that led it to seek external investors. In 2016 it was taken over by one of those investors, Lone Star. The trail of holding companies takes you through Jersey to Ireland and appears to have been designed to avoid tax.

While significant investment appears to have taken place in the hotels – the 2018 accounts show £9.8m was invested which helps explain the losses that year – this was at the expense of ever-increasing debt:

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Bank overdrafts
Trade creditors
Amounts owed to parent
Amounts owed to group undertakings
Group relief
Other taxes and social security
Other creditors and accruals

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The bank overdraft is secured by a legal charge over the assets of the company.

Amounts owed to fellow subsidiaries carry an interest rate of 5% per annum on demand.

That is £50,469,000 owed by a company with a turnover of £65,306,000 in the same year. Whatever the intricacies of how these intra-company loans were financed – and that deserves further investigation – this was a company approaching a financial cliff edge even before Covid-19.

The general point, however, is that whatever the specific financial background at Shearings, globally debt levels of small and medium sized businesses – the type that dominate the tourist sector – have never been higher. If income dries up, as it has under Covid-19, unless governments intervene and suspend debt payments, many will inevitably go bust. Any rural business that doesn't fully own its assets is at risk.

UK and Scottish government support for rural tourism

At the start of the lockdown the rural tourism sector was given a financial shot in the arm which has helped to conceal the underlying financial crisis. Business Rates were suspended for a whole year, the government paid firms to furlough staff and businesses with a Rateable Value between £18,001 and £50,999 got an automatic £25k grant. For some smaller that was probably worth almost a year's income. Smaller businesses were eligible for a one-off grant of £10,000. While there was some variation between England and Scotland ([for background see here](#)), the fundamentals of the support are very similar and neither government did anything to suspend debt/rent payments. While the power to do this is a UK matter, it's worth noting here that last week the Scottish Government rejected attempts by the Greens to suspend rent payments for tenants ([see here](#)) and has given no reason to believe they would do so for small businesses even if they had the powers.

This has left any tourism business with a Rateable Value of over £51k that does not fully own its assets particularly vulnerable. Besides hotels, examples of such businesses include providers of self-catering accommodation, chalet parks and visitor "attractions" For the larger of these businesses, like Shearings, even had they been eligible for a £25k grant, this would never have been sufficient to finance their interest payments. Such businesses are most likely to fall over the financial cliff edge first. But, as smaller businesses use up their £25k grants on interest and rent payments, many more are likely to follow. The longer the lockdown continues, the more acute the impact of both debt and rent repayments will be on the sector.

It's as though much of Scotland's tourist industry has been forced into a Scotland wide version of RBS' notorious Global Restructuring Group. That forced small businesses into bankruptcy and then grabbed their assets. There are plenty of predators, the financiers unaffected by the crisis, waiting.

Covid-19 and the viability of rural tourism

Aside from the debt issue, Covid-19 is likely to fundamentally alter the rural economy

The coach tour industry has for some time provided one of the pillars of rural tourism and, with that, jobs in areas like the Highlands. Many rural hotels depend on it. The whole business model has now been brought into question because it's very hard to see large groups of Older People, by far the largest customer group, piling into coaches again any time soon.

The industry could perhaps have been mothballed until such time as a safe vaccine was invented, but that would have required governments to intervene and suspend all debt and rent payments. As it has become clear that that wasn't going to happen, Directors of those companies have had no choice but to place them in administration. Shearings' was preceded by another Scottish coach tour company, Urquhart's ([see here](#)), and it appears inevitable that more will follow.

The knock-on impacts of the collapse of the coach tour sector will be considerable. Many visitor attractions in our National Parks and the Highlands, from the wool and tweed outlets to castles, depended on coach tours for a large part of their income. The whole business model of the funicular

railway at Cairn Gorm also depended on coach tours and, even if wasn't clear to Highlands and Islands Enterprise before, it should be obvious now that repairing the funicular is not financially viable.

At the other end of the spectrum from coach tours are businesses which should have been Covid-19 proof. These are those that take place outdoors and where Physical Distancing is possible and those where visitors can remain self-contained. In mid-March I was due to go ski touring in the Dolomites and once it became clear that was not going to happen my immediate reaction was to book a week's holiday in self-catering accommodation in Scotland. I had had a great week with friends at New Year in one such property near Roy Bridge,. The only people we came across all week were people who had rented a neighbouring house, a handful of walkers and more friends whom we met at Nevisport in Fort William on the one wet day. We didn't even meet the owners of the business though they lived 100m away. I'd have been very happy to go back with just my household and we could have had a completely self-contained walking holiday in April. This would have posed no risk to ourselves or to people living in Lochaber and would have helped support the local economy.

Unfortunately the first tsunami, fear, overwhelmed Scotland and the rest of Europe. It closed not just self-catering accommodation but forced people out of second homes and holiday caravan parks. Perfectly sound plans for physical distancing in the outdoors, such as those developed by the Glen Coe Ski Centre, were simply swept away. I was contacted by someone who owned a static caravan on a site in the Caingorms National Park who told me his accommodation was 6m from the next caravan but he was forced to return to the town where he lived where people are crammed far closer together.

There is no reason why the UK and Scottish Governments couldn't allow all such self-contained accommodation to be re-opened now. The risks can easily be managed. In December we deliberately bought all our supplies in Fort William but, if people in the area don't want visitors entering local shops just now, we could just as well have brought a week's worth of food with us from Glasgow. Worried about cleaning? Well the science says the virus lasts on hard surfaces for three days maximum, so if people were really concerned, such accommodation could be left vacant for a week between bookings. The first three days to make it 100% safe for the cleaners to go in, the second three days to provide re-assurance to visitors that the cleaners couldn't accidentally have left the virus lurking somewhere. I am sure better ways could be found to do this, given the will, but even with such limitations, this would bring a sizeable chunk of income into businesses that are going under due to their debt burden. It would make a real difference to how many survive.

Other businesses sit between the two extremes of Covid-dangerous, like coach tours, and Covid-safe, like self-catering accommodation. With a bit of imagination and will, and I believe there is plenty of that among rural businesses, many could adapt how they operate and move to becoming Covid-safe. The problem they face is that while there are many things they could do – like cafes and restaurants moving business outside – until safe activities like walks in the countryside re-start, nothing else will. Meantime many of these businesses are hemorrhaging financially due to their debt and rent commitments.

A key date here is the start of the school holidays which is now only a month away. Unless a significant chunk of rural businesses can open by then, the most important time of year for income, many will have no chance of meeting their debt and rent commitments. The only option from our government is to take out more loans, which for most businesses would be foolhardy in the extreme.

A phased approach, that could just save a large part of the tourist economy, would need to allow day visits to anywhere in the countryside from tomorrow, then in the next phase, just before the school holidays, allow self-catering and other such accommodation to re-open. That in turn might allow some other businesses, covid-proofed, to re-open two weeks into the holidays.

Without such a plan, the lockdown threatens to become the 21st Century version of the Highland Clearances.

The financial predators waiting in the wings – Tarbet and Mouldsdale Properties

Once companies go bust, their remaining assets will be sold, often at a knockdown price. That offers opportunities to anyone with access to finance. It's not difficult to envisage how the financial collapse of rural tourism is likely to have many consequences. Some businesses will disappear completely – hotels abandoned – others will be consolidated and re-shaped in the hands of the predators.

To take the Tarbet Hotel as an example. It lies right in the middle of the proposed Mouldsdale Properties development along the west shore of Loch Lomond (top map). It formed an island in the middle of that development, an obstruction to Mouldsdale Properties control of the village. I would be very surprised if Mouldsdale Properties has not already been in touch with the Administrator to express an interest in it and possibly the hotel at Arrochar. Whether successful or not, will depend on how much interest there is in the Shearings group as a whole and whether anyone wants to gamble on a vaccine being available soon enough to make the coach tour industry possible again. The Tarbet Hotel looks very vulnerable.

If threatened with closure, that then allows Mouldsdale Properties to ride in on a white charger, presenting themselves as the saviour of the village and their plan as the only way to save jobs. Then, in this scenario, having won support from local community leaders and having pre-empted any bid by the local community to take over the hotel – which is unlikely to happen anyway as ordinary people don't have access to credit like developers – suddenly it's revealed the old hotel is too expensive to renovate. This is what happened after Flamingo Land bought Woodbank House at Balloch ([see here](#)). Instead, proposals are then floated to knock the fine old hotel down and build something else in its place, a retail emporium possibly on the House of Bruar model, with plenty of fresh air blowing through in case of another Covid outbreak. And if that doesn't get past planning, well the hotel can be left to rot like the old boatyard opposite, until the National Park agrees to whatever is proposed.



Once they control the land developers can afford to wait. The former boatyard at Tarmet.

The consequences of the collapse of the rural economy could be profound and affect not just jobs but the very landscape of our National Parks.

What needs to happen?

Yesterday, John Finnie, the Green MSP for the Highlands posed this question in the Scottish Parliament:

“To ask the Scottish Government, in light of the Specialist Leisure Group entering administration, resulting in seven hotels across Scotland ceasing to trade, what further steps it is considering to support the tourism industry. (S5T-02197)”.

The answer to that, I believe, should come in two parts. The first and easiest is to relax the lockdown where it is safe to do so by allowing businesses which can manage people by keeping them apart to re-open. That could start from this week.

The second, and much more complicated part, is that unless the Scottish Government can find a way of suspending rent and debt repayments – which means making the case to the UK Government – a whole section of the rural economy is going to disappear in its present form. Nicola Sturgeon talks about wanting a new type of society AFTER the crisis is over. That will be far too late. If the Scottish Government really wants that, they need to act now.

Category

1. Cairngorms
2. Loch Lomond and Trossachs

Tags

1. LLTNPA
2. Local communities
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