



OFFICIAL REPORT
AITHISG OIFIGEIL

Local Government, Housing and Planning Committee

Tuesday 31 October 2023

Session 6



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LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE
25th Meeting 2023, Session 6

CONVENER

*Ariane Burgess (Highlands and Islands) (Green)

DEPUTY CONVENER

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

COMMITTEE MEMBERS

*Miles Briggs (Lothian) (Con)

*Pam Gosal (West Scotland) (Con)

*Mark Griffin (Central Scotland) (Lab)

*Ivan McKee (Glasgow Provan) (SNP)

*Marie McNair (Clydebank and Milngavie) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jamie Baker (East Lothian Council)

Tim Fairhurst (European Tourism Association)

Morag Johnston (Glasgow City Council)

Paul Lawrence (City of Edinburgh Council)

Councillor Bill Lobban (Highland Council)

Kathlene Morrison (Comhairle nan Eilean Siar)

Fergus Murray (Argyll and Bute Council)

Simon Smith (European Tourism Association)

CLERK TO THE COMMITTEE

Euan Donald

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Local Government, Housing and Planning Committee

Tuesday 31 October 2023

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Ariane Burgess): Good morning and welcome to the 25th meeting in 2023 of the Local Government, Housing and Planning Committee. I remind all members and witnesses to ensure that their devices are on silent and that all other notifications are turned off during the meeting. The first item on the agenda is to decide whether to take item 4 in private. Is everyone content to do so?

Members indicated agreement.

The Convener: The committee has previously agreed to take item 3 in private.

Visitor Levy (Scotland) Bill: Stage 1

The Convener: The next item is to take evidence on the Visitor Levy (Scotland) Bill from two panels of witnesses. We are joined on our first panel in the room by Jamie Baker, who is service manager in economic development at East Lothian Council; Morag Johnston, who is director of financial and business services at Glasgow City Council; Paul Lawrence, who is executive director of place at the City of Edinburgh Council; and Councillor Bill Lobban, who is the convener of Highland Council. We are joined online by Fergus Murray, who is head of development and economic growth at Argyll and Bute Council; and Kathlene Morrison, who is economic development officer for innovation at Comhairle nan Eilean Siar. Welcome to the meeting.

We will try to direct our questions to specific witnesses initially but, if you want to come in, please indicate that to the clerks. As Fergus Murray and Kathlene Morrison are appearing virtually, I ask that they do so by typing R in the chat box. There is no need for any of the witnesses to manually turn on microphones as that will be done for you.

I will start by asking broad questions. I give Morag Johnston a heads-up that I will come to her first. What impacts—positive or negative—could a visitor levy have in your local authority area? I am also interested to hear whether your local authority intends to introduce a levy.

Morag Johnston (Glasgow City Council): The council is looking with interest at introducing a visitor levy. It is fair to say that we still need to do a bit of work to understand the implications, but the council has indicated that it is willing to consider a visitor levy.

On the implications, from a finance perspective—I am an accountant—the visitor levy provides an opportunity to generate funds to invest in the city to support tourists and residents alike, given the impact that tourism can have on our services and city infrastructure. That positive impact can be had.

We will need to take any potential negative impacts into consideration, and we will look at that as we further develop a business case for the levy. We are aware that the hospitality and tourism sector has concerns about the potential impact that an additional levy might have. The sector will pass on the costs to their customers, and there are potential implications in relation to tourists making decisions about where they want to visit.

There are definitely positive aspects, but we would need to take into account other considerations as well.

The Convener: Great. Does anyone else want to come in? I will go to Paul Lawrence.

Paul Lawrence (City of Edinburgh Council): Good morning. It is the City of Edinburgh Council's view that we want to move forward with a visitor levy. Elected members have discussed the levy on a number of occasions and voted in favour of moving forward, subject to the legislation being enacted. As the committee will be aware, we have responded to the consultation, and I hope that you have that response in front of you.

Like Highland Council, we have a long history of campaigning for the measure, primarily because we think that it is a way of generating resources to invest in the product, if I can put it that way. People come to the city of Edinburgh for reasons that you see in this building, out that window and on the streets of the city daily, yet the council's ability to yield any revenue from that activity is extremely limited. It is well known that people come to cities—Edinburgh, Glasgow and elsewhere—for major events, generally, and promoters and venues often do pretty well out of them. However, there is a cost to the public purse. There is a financial cost, an environmental cost and often a community cost.

Members of this committee will be aware that there has been significant debate—certainly before the pandemic and probably even now—about the impact of tourism on the city, for both good and ill. We view the levy as a way of trying to rebalance that debate and ensuring that positives can be brought to the industry, the city and local communities. That is the view of the council as it stands at the moment.

The Convener: Thanks for that. I will add another question, which Morag Johnston touched on already and others can respond to. I am interested to hear whether the City of Edinburgh Council has done any analysis of the possible economic impacts of a visitor levy. How do you respond to the statements made in last week's evidence session that a visitor levy will lead to fewer tourists, less spend, reputational damage for Scotland's industry and lost competitiveness?

Paul Lawrence: We have done research on that. I think that our research started in 2017 or 2018. We have done research with the local sector, which, as Morag Johnston said, has concerns about the overall fiscal burden that it is facing, and we have also made international comparisons. We have done demand-based research and looked at the overall impact that we think the measure will have on the demand of people to come to our city.

Our very strong view is that a visitor levy is only one factor that impacts demand. The most important thing is reputation and quality of the experience. If people have a great experience when they come to Edinburgh, our view, which is based on evidence, is that they will come back. If their experience is poor, for whatever reason, that will have a negative implication.

We work very closely with the Edinburgh Tourism Action Group—ETAG—and with the Edinburgh Hotels Association. I do not want to speak for them—they can speak for themselves—but, broadly, we think that there is an acceptance that the visitor levy can be a good thing, if it is done in the right way.

The Convener: Great; thanks very much for that. Bill Lobban has indicated that he wants to come in.

Councillor Bill Lobban (Highland Council): I want to confirm that Highland Council has been talking about a tourist tax, as we originally called it, way back, maybe 15 years ago. The council has been very supportive of a visitor levy and will be fully committed to it, if the Parliament decides to introduce the measure.

Highland is in slightly different circumstances from some parts of Scotland. Tourism is our main industry. We would do nothing that impacts negatively on that industry. In Highland, you have the best scenery in the world, some of the best food in the world and some of the best accommodation in the world, but all that pales into insignificance if a tourist rips a tyre off their car on a pothole or has to go to the toilet behind a bush.

Tourism brings huge benefit to the area, but it brings huge costs. To provide the best possible improvements for visitors, we need to fund that in some way. The visitor levy is the logical way to fund things without the Government or the council putting in massive resources.

The Convener: Jamie Baker wants to come in.

Jamie Baker (East Lothian Council): I will reiterate the points made by Morag Johnston, Paul Lawrence and Bill Lobban. East Lothian Council has not yet decided whether we will introduce the levy. We are yet to start the analysis in a lot of detail.

Our accommodation sector is probably slightly different from, for example, Edinburgh, our near neighbour, with a lot more short-term lets and small operators and fewer hotel rooms. Once we get into the consultation and discussion on the levy, we will be keen to understand what the impact will be. As you indicated, convener, concerns across the board from those representing small businesses came out clearly in the evidence session last week.

Like others, my local authority, as it stands, puts a lot of resources into supporting our tourism industry and our communities. East Lothian markets itself as Edinburgh's coast and countryside, so we have a lot of visitors coming from Edinburgh to enjoy the coast all the way round to Dunbar. We are in a similar situation to Highland with a lot of people moving around the county and, as has been said, we need to have all the things that people rely on, such as toilets, roads and parking.

The Convener: Thanks for that. I will go to those online. Kathlene Morrison, are you considering bringing in the visitor levy? What is your perspective on any of the other questions that I asked?

Kathlene Morrison (Comhairle nan Eilean Siar): The decision went to council members and they supported the introduction of a levy, but we still have to go out to the community. We have been liaising with the destination management organisation, Outer Hebrides Tourism. Although it is broadly supportive, we still have to go out to the community. We are not as far ahead as some of the other areas.

We see the benefits of the levy: it could generate income to support infrastructure. Councillor Lobban mentioned what it can be used for a minute ago. We have some of those issues.

We have not done the research, as colleagues in Edinburgh have, but we have the same reservations, because it costs quite a bit to travel to the islands, whether that is by ferry or air, and the levy would add another amount to that. We must be mindful of how the levy would be added, whether it would be a flat rate or a percentage and what the difference between the two would be.

The Convener: Fergus Murray, I will bring you in. Is there a plan for Argyll and Bute Council to bring in the levy? Are you interested in doing that?

Fergus Murray (Argyll and Bute Council): Yes, the council has accepted the principle of it, but we have not gone into the finer details of what it would mean on the ground. Similar to the Highland Council area, tourism is a major industry in Argyll and Bute. We have far more visitors than residents and tourism impacts quite strongly on our communities. We are looking at how can we use a levy to help our communities deal with the impact of tourism, and at how we can make the tourism experience a better one. We do not want to put off tourists coming into our area and we want to improve the experience.

We need to do further work with the local elected members and our communities on what the levy would mean, so we are at quite an early stage. We have been looking at benchmarking in areas across Europe and beyond to understand

what the potential impacts might be, but we have not done as much detailed work as the City of Edinburgh Council has, for example. We are positive and we are also, through the Highlands and Islands Regional Economic Partnership, looking at the issue across councils and highlighting some of the positives and negatives of a levy.

The Convener: I will stick with Fergus Murray for this question. It is fascinating to hear that Argyll and Bute has more visitors than residents. One of the things that have come up in our discussion so far is that this is really an accommodation levy rather than a business levy, as many visitors such as day trippers, wild campers and some motorhome drivers will not be paying anything. I am interested in your views on those provisions.

Do you think that the bill could be amended to capture visitors who do not pay for accommodation but clearly have an impact on the areas that they visit? We heard yesterday that cruise ship passengers will be included in the bill now, if possible, which is an interesting development. Do you have any thoughts about how we could include day trippers, wild campers and motorhome drivers coming to Argyll and Bute?

Fergus Murray: That is a very important issue that needs to be looked at closely. In Argyll and Bute, unlike some areas, we have a lot of day trippers because of our proximity to Glasgow. As it stands now, they could be excluded from this levy. The council is interested in exploring ways in which they could be included, but the practicalities of doing it are quite difficult. We have new trends in tourism that we have to be mindful of, such as motorhomes—how could they be captured in the visitor levy if they do not make use of official facilities? We may have to look at being stricter about where we guide people to stay in our communities. That might be developed over time.

09:45

We are also mindful of the cruise ship passengers coming in, which is another growing trend in tourism and is impacting quite significantly in rural areas, and I am sure in cities as well. I think that members are keen to see how we can capture some revenue to improve facilities and the impacts on communities. That can be easier to deliver if councils have control of the assets, but cruise ships come into other ports that are privately run and it would have to be fair and consistent across the board. We are very interested to see how those visitors can be included.

The Convener: I am interested in hearing from Bill Lobban and the folks online.

Councillor Lobban: We have to find some way of including camper vans in the process. It may require a technological solution that we do not have at the moment, but having it in the bill would allow that to come forward in the future. Between 2021 and 2022, camper van numbers increased by 33 per cent in Highland and those numbers have allegedly increased even further in 2023. It is almost inconceivable that, if you have a camper van and you stay overnight in a registered site and you are paying an overnight accommodation rate, you will be charged a visitor levy, but if you park in one of our laybys by the side of the street, you will not. Camper vans need to be included.

We have 325,000 cruise ship visitors every year. Even a tiny amount of a disembarkation charge would make a fantastic difference in some remote communities.

I think that those two particular things are very important.

The Convener: Yes, and it is great news that the Scottish Government is going to look at bringing cruise ship passengers into the bill if it can get the consultation and all the work done in time. There is a keenness not to hold up the bill and to see it come through. Does anybody else have thoughts about day trippers, wild campers or motorhomes?

Jamie Baker: We are in a similar position to others. We have quite a lot of day trippers from Edinburgh and elsewhere. We are concerned about the shift from chargeable accommodation to other types of accommodation and, as Bill Lobban said, camper vans, which could avoid parking in a registered site and instead park somewhere else and have an impact on communities. Wild camping became quite an issue over the Covid period. We are not talking about wild camping where someone is camping on a hillside for a weekend. We are talking about a large number of wild campers all in one beauty spot, who leave the place looking a bit like a festival by the time they leave. We are keen to understand how those sorts of things could be captured.

The Convener: Thank you for making that distinction, because I think that that is right. There are certainly people who wild camp very respectfully. I have heard what we are talking about being called irresponsible camping. Does anybody else want to come in on this?

Kathlene Morrison: We indicated in our response to the consultation, and our local elected members have mentioned, the need for motorhomes and camper vans to be included. We mentioned in our response that, as we are islands in the unique position of having ports of entry, a landing levy could be charged to capture the motorhomes and the camper vans that do not use

paid-for registered sites. However, we are unique in that we are islands and not on the mainland.

Pam Gosal (West Scotland) (Con): Good morning, panel. My question will probe a little bit more. Jamie Baker spoke about microbusinesses and small businesses. We heard last week from the small accommodation and self-catering sector about the increasingly high costs of doing business in Scotland, with one witness saying:

“we are shrinking the sector and then taxing it on top of that.”—[*Official Report, Local Government, Housing and Planning Committee, 24 October 2023; c 5.*]

Are you concerned that the visitor levy could lead to small businesses and microbusinesses in your local authority closing their doors for good? What impact assessment have you done on the negative impact of the visitor levy on small businesses and microbusinesses?

Jamie Baker: We are about to start consulting and surveying in a little bit of detail. It is not a full consultation, but we will start to have conversations with the industry and do some visitor surveys that will touch on the attitudes and reactions that people might have to a visitor levy. From an East Lothian perspective, we want at all times to guard against those impacts, so it is about making sure that any levy that the council might choose to bring in in the future has the lowest possible impact and the lowest possible administrative burden on small businesses.

With short-term let licensing coming in over the last period, we have seen the complexity of the requirement to have a licence, including the various checks and the potential for planning applications. That has been quite a burden on local businesses and a number have chosen to come out of the sector. It might be that they have come out and gone into long-term lets, which was part of the policy purpose of the legislation, but some are just selling their properties and their businesses and doing something different. We are keen to guard against that ahead of time as much as possible.

Pam Gosal: I will put that question to Argyll and Bute and Edinburgh councils, because they have a lot of small businesses.

Fergus Murray: It is an important issue and we are very mindful of the impact on the microbusinesses. We have a lot of microbusinesses and small businesses. It will depend on the simplicity of the collection methods that are applied to these businesses. We need to make it as simple as possible and not a burden on businesses to collect it. They are not paying the levy; they will be collecting it from their guests. We have to convince businesses that the levy will do positive good in the area for the tourism industry

and help increase their customer base. We have to work on that in a collaborative way.

There was a concern expressed about whether the levy may push some microbusinesses across VAT thresholds. They need clarity on that, because the businesses will not be in receipt of the money. They will simply be passing it through to another party. Any kind of clarity on that aspect would be helpful for businesses. It is up to local authorities to demonstrate what the positive impacts of the levy will be on the wider industry and on communities. We have to look at it very carefully.

Paul Lawrence: I will reiterate what Fergus Murray said. I was going to say the same thing, which is that we are mindful that there is a large small and medium-sized enterprise accommodation provider sector in the city—it is not just the big hotels and the big chains—and those providers have been participating in our various surveys and engagement sessions. We have a further engagement session starting later this week that will be specifically trying to reach out and talk to that sector.

I will reiterate the two points that Fergus Murray made. First, the burden of administration needs to be as streamlined and lightweight as possible and, secondly, the impact is important—will the sector see benefit for its businesses? For example, will there be an opportunity for the city to be promoted in new ways to new markets and, therefore, new customers? I think that direct benefit and simplicity of burden are the two key features for the smaller providers, in particular.

Morag Johnston: We have not done any specific engagement with small businesses in Glasgow. That will be part of any future work that we do on this, but I will reiterate the comments of others. The process should be made as simple and as easy as possible and we should make clear the benefits that this will bring. Those are the two key points that we would take up in Glasgow.

Councillor Lobban: It is almost exclusively relatively small businesses in Highland. We do not have many major international hotel chains. The visitor levy would have a much higher direct impact on them, because we could probably provide via the associations and so on the spend that they cannot afford on their own. We could make some massive improvements to what is available to the end user just by using the visitor levy carefully. The VAT issue is clearly quite important and we need to ensure that we are not adding workloads on very small overworked businesses.

Something that we could do to help is to allow councils in rural areas such as Highland to be flexible in how the fee is charged, rather than

having a percentage fee. If you are a small business with three different room sizes and there are differing charges at different times of year and you have to work that out, you will not have a computer that has a button that you press to know what the tourist levy is. I think that it would help many small businesses if we could give them the option to have the levy as a simple fixed fee, albeit tiered.

The Convener: Thanks very much. We will continue on the theme that Bill Lobban introduced about how the levy revenues will be raised.

Ivan McKee (Glasgow Provan) (SNP): Good morning, panel. There has been quite a bit of conversation already about the importance of the tourism sector and businesses and small businesses in your local authority areas. It was great to hear that. Following on from Pam Gosal's question, we heard from the business panel last week that there is a concern that the way in which the bill is written, in that it specifies that the liable person is the accommodation provider, means that the levy is a tax on business rather than a tax on visitors. There are also concerns that accommodation businesses will in effect be asked to be unpaid tax collectors for local authorities. Given that councils are able to recoup their costs for operating the scheme from the revenue raised, do you think that there is a case for businesses being able to recoup their costs from the revenue that is raised by the scheme?

Councillor Lobban: In Highland, with small businesses, I do not see the additional burden being that high, so I do not believe that there is a case for costs to be added on. You could end up in a ridiculous situation where you are taxing tourists for no financial impact, and I think that we need to bear that in mind.

Ivan McKee: When you say “no financial impact”, do you mean no additional revenue to collect?

Councillor Lobban: I mean no additional revenue to councils.

Ivan McKee: I suppose that the businesses would argue that those costs are actually there, so they are having to pay for it, in effect.

Councillor Lobban: They may have that opinion. I just happen to disagree.

Paul Lawrence: I am sympathetic to the costs of any scheme being recoupable. I agree with Councillor Lobban in that I am not convinced that the costs in this case will be that high.

Clearly it is different for the big hotel chains in the centre of Edinburgh, which are used to it. I think that most of us—not all of us, but most of us—have mechanisms in our cities such as business improvement districts, where these

mechanisms are not difficult to put in. I would be sympathetic to the smaller businesses, in particular, if it could be proved that the costs are high. That may relate to future questions about complexity that the committee has—I do not know.

Clearly, the more complex the scheme is, the more challenging it will be and therefore, potentially, the more expensive it will be to administer. If the scheme is relatively simple and there are some one-off costs for small and medium-sized enterprises, the idea of recouping those through the proceeds as a one-off does not seem to me to be impossible, but if the scheme gets very complex, it gets more difficult and starts eating into the revenue.

I think that it depends on the business and depends on the scheme but, broadly, I am with Bill Lobban; I do not particularly see the costs as being that significant.

Ivan McKee: I suppose that that is an incentive for councils to keep the scheme simple.

Paul Lawrence: Indeed so.

Ivan McKee: Does anyone else want to come in on this? No. Thank you.

Pam Gosal: My question is on the issue that my colleague Ivan McKee has just spoken about. We have been talking about simplifying the process and helping microbusinesses and small businesses, and you have spoken about how they calculate. Would you be open to discussions about a flat rate with a nationally set cap?

Councillor Lobban: I do not think that there should be a nationally set cap. That must be for individual local authorities to decide, but certainly a flat-rate fee—it would have to be a tiered flat-rate fee because, if you are in a small guesthouse, you should not pay the same as you would in a five-star hotel—would simplify the matter and might alleviate some of the problems that Mr McKee has detailed. If you keep the costs low, that directly impacts the local operator. Small local operators do not have masses of staff in the background, so the simpler you make it for them, the better.

10:00

For example, if the charge was £1 or £10, they would know automatically, when every guest checks out, that that is what they charge, rather than having to say, “The charge for the weekend is £135, and the percentage rate is this,” and so on. It would be much simpler to allow councils to decide. In some areas, a percentage fee might work, but I think that, in Highland, a variable flat fee would work better.

The Convener: Paul, do you want to come in?

Paul Lawrence: I will disagree with that, from an Edinburgh perspective, which I suppose shows members that there is an issue about local variation in the scheme.

We have looked at the pros and cons of a flat fee versus a percentage. Broadly, our view is that a percentage is fairer all round, from the point of view of the industry and in terms of the ability to administer. For example, in Edinburgh, as you can imagine, hotels will often charge different prices at different times of the year depending on demand. I am sure that members will remember last year’s very large-scale concerts at Murrayfield, when prices responded to market demand accordingly. If you have a percentage fee, clearly, you are in effect taking a percentage of whatever price the hotel chooses. If the fee was set, you might want to change that for certain times of year, which would get a bit messy.

Our view is that a percentage is a more transparent and market-sensitive mechanism. However, to go back to Bill Lobban’s point, there are different circumstances in different parts of the country. I think that local authorities’ autonomy to determine the best approach based on their markets should be a hallmark of the legislation.

Morag Johnston: In our consultation response, we said that our preference is for a flat-rate fee. That was primarily in recognition of simplicity but also potentially the predictability of future revenue streams. However, depending on what is agreed, we would consider a percentage.

It is about the ability to communicate with tourists and thinking ahead to how we predict what the revenue might be. At some point, we will want to make some commitments against the income that we will receive. One area that we need to consider is how we determine whether we are receiving all the income that we should be receiving. Without going into a lot of detail, a flat-rate fee can be equated with the number of visitors and the number of room nights, whereas a percentage fee will be based on spend. We need to consider the ability to monitor the income that is coming in, and maybe a flat rate would be simpler in that respect.

As I said, in our consultation response, we were not saying that it has to be a flat rate—that is just our preference, based on the limited work that we have done so far.

Fergus Murray: There are different opinions on the issue from different local authorities. From our perspective, we probably want to have the choice to introduce a flat rate or a percentage. There are pros and cons with each of them. There is complexity with a percentage fee, because hotels offer discounts and vary their prices enormously

but, with a flat fee, you could start to identify what the money should be.

Another issue was a point of fairness. Whether someone is paying a lot of money or not very much for their accommodation, they are still using the council's infrastructure and using the things that the money from the levy would perhaps be spent on. There is an issue of fairness there, but our response was that the approach should be flexible, because each authority has different views on the matter.

The Convener: Thanks very much—that is interesting.

Before I bring in Mark Griffin, I want to come back to Paul Lawrence. The City of Edinburgh Council has laid down strongly that it is keen to have a percentage fee. You have acknowledged that you have a considerable number of small businesses and microbusinesses. How would that system work for them? One concern that has come up is that the percentage approach makes calculating the fee more onerous. In your analysis, have you looked at systems that could be given to such businesses to support them?

Paul Lawrence: We have not done that yet but, as I said, we are starting a further round of engagement later this week, and we will do that. The concept has only just been floated in the bill, but it is relatively straightforward and common overseas and in Europe. Actually, both mechanisms—a flat fee and a percentage—are common. I do not really see the complexity. However, I think that the tiered system that Bill Lobban referred to has potential for complexity because, if someone stays in one hotel, they would pay a certain amount and, if they stay in another hotel, they would pay another amount.

To go back to the point about simplicity, with a simple percentage, I do not think that the calculation is that hard or that the software is hard. That approach also responds to the fact that there is different pricing at different times of the year. However, we will talk to the industry about that in detail in the coming weeks.

The Convener: That is good to hear.

Mark Griffin (Central Scotland) (Lab): Thanks, convener. I am interested in the debate about a flat fee versus a percentage. Are there any concerns about what would essentially be tax avoidance with a percentage fee? For example, a large hotel chain, in the breakdown of its pricing, could charge a huge proportion for access to a spa or gym and a bigger proportion for breakfast or other facilities. Is there potential for a percentage fee to be used as a mechanism for tax avoidance?

Councillor Lobban: We have considered that, and there is no doubt that there is potential for it, whereas, with a flat fee, that is probably not the case. A flat fee would also get rid of the issue of the fee changing all the time—for example, if you book late on a Friday night, the cost might be £150 a night and if you book at noon on a Saturday, it could be £250 a night. For small operators, normally, the room rate is the room rate and that is it, so that is probably more of a problem for major international groups than it will be in the Highlands.

Paul Lawrence: We have not looked at tax avoidance. We might need to take that away and have a look at it. I do not think we have thought much beyond the fact that, if I go to a hotel in Aviemore and I want access to the gym and so on and I am quoted a fee for that, the percentage will apply to that fee. If there was evidence that providers were saying, "I'll charge you that fee and therefore that rate, and I will chuck these other things on," we would have to have that debate with the industry.

As I said, we think that the percentage approach works in terms of market sensitivity and simplicity, because you would not be changing the fee at different times of the year. Otherwise, when prices go up, the mechanism effectively does not keep pace. There is also the issue of inflation, if you change the fee once a year. Therefore, we think that a percentage is significantly fairer and more transparent.

Councillor Lobban: To give an example, I checked in to a hotel in the middle of the summer in another country, and there were different fees. If I paid by credit card, the fee had a tourist tax added to it; if I paid cash, there was no tourist tax.

The Convener: That is interesting. We are certainly unearthing a lot of variability.

Miles Briggs (Lothian) (Con): Good morning to the panel, and thanks for joining us. We heard earlier about motorhomes potentially being included, but are there any accommodation providers that are currently covered by the bill that you believe should not be? For example, the boating sector argues for the removal of recreational vessels and moorings from the scope of the bill. Is there anyone included in the bill that you think should not be?

Councillor Lobban: I do not think that we have considered the boating sector but, now that you mention it, it is an important sector to us, so that would need really careful consideration. Certainly, we have mentioned wild campers—and there is a difference between wild campers and dirty campers. As we go through the consultation process, we will need to find out about that, and some people that we have not thought about will

come out of the woodwork. We have gone into this in a big way, but we have not thought about that—I am a sailor, and I never thought about it—so it is good that you mention it.

Miles Briggs: Does anyone else want to add anything?

Paul Lawrence: This is not exactly answering your question, but it is adjacent to it, if you see what I mean. In our response, you will see that we are concerned that some of the wording in the bill is about leisure tourism, which we believe excludes people coming for business tourism purposes. As you will see, we have suggested that such people should be included in the legislation. That is not quite the same as boats, but it goes back to the point about a more all-encompassing approach.

Miles Briggs: That is helpful.

I want to ask a few questions about exemptions and how they could work in practice. Last week, I raised the fact that many people come to Edinburgh to visit family members in the sick kids hospital, as we have national services there, or to visit family members in prison. Edinburgh's festivals have put out a call to exempt artists and technicians, and generally there is the issue of people who are undertaking work.

Does the panel believe that we should have such exemptions and, if so, how could they be delivered? For example, someone in the capital who is receiving care from a family member who cannot stay with them and who is in a hotel during that period could use their council tax number to book the accommodation.

Councillor Lobban: We most certainly should have exemptions, and it will be a difficult process to work out exactly what the exemptions should be. Purely looking at my council, we have one major hospital covering the entire area of the Highlands. I will give my personal opinion, because we have not debated this in this council, but I think that people who are visiting the hospital should be exempt, because they are not transient visitors. They are there for a specific purpose for a few days. There might be many more exemptions, but it is important that it is left to councils to decide which exemptions would be best.

Paul Lawrence: I will pick up on the question in general and specifically on festivals—we are aware of the position that the festivals in the city have adopted. As you are probably aware, our proposal at the moment, subject to what happens with the bill and to further consultation, is that we would look at a cap of seven nights. We did that specifically with the festivals in mind, so that a performer or whoever who comes to Edinburgh to stay from the last week of July to the first week of September would pay for only seven nights. We

think that that is in keeping with the spirit of the proposed legislation and would not penalise someone who comes to the city for long-term work.

Clearly, we see—maybe we will come on to this—the festivals and the cultural infrastructure of the city as key beneficiaries of any scheme in the city and therefore, as it were, funding would come from the other end. That is the balance that we are trying to strike there.

We think that exemptions are justified but complicated and, as we said, simplicity in delivering the levy is important. We would like a more detailed conversation, for example, with our colleagues in the national health service about how something like that could work, because Councillor Lobban is right that there are issues there. However, that goes back to the complexity point.

That issue is for further dialogue, and we would like to look into it in detail. However, limiting the duration of a charge would help to meet the concern to a degree.

Kathlene Morrison: To go back to the moorings question, we have discussed that issue, including with Stornoway port. We need a bit more clarity, because there is an issue about people stopping at different ports. Some visiting leisure boats and yachts that come into Stornoway port come from other areas throughout the islands, whether it is upwards from Argyll, or the other way. There is an issue about whether they will be charged at different ports, so clarity is required on that.

I agree with what has been said about exemptions. Obviously, a lot of islanders go to the mainland to go to Raigmore hospital in Inverness or to Glasgow and Edinburgh hospitals—the same applies in Orkney and Shetland. There is a cost of going there, and not just for the patient but for their carer and anybody who has to travel with them, so we need exemptions for that. There is also the issue of bereavements. We have family members coming over for bereavements and funerals, and people go the other way as well.

We have discussed how that would work, such as whether something would happen when people book their flights, and whether people could use the postcodes of where they are staying. There is still a lot to be discussed, but we definitely want exemptions to be included.

10:15

Jamie Baker: On exemptions, I reiterate the need for transparency from a business point of view and for people visiting an area, so that the levy is straightforward for them to understand.

Picking up on a point that was made last week, the levy should not be something that businesses have to police; it should be within the systems. As someone said, it should not be for the person on reception to decide whether someone is exempt. We will consult on the issue as we work towards making a decision on the levy but, as Paul Lawrence said, a cap is a reasonable local mitigation for transient workers or people who are in East Lothian for events, festivals or large sporting events.

In East Lothian, we have quite a bit of pressure on short-term accommodation for transient workers associated with large infrastructure projects. Looking to the future and the decommissioning of Torness power station, that will require a large number of workers to be in the area, and we would not necessarily expect them to be captured by the levy.

The Convener: Thanks very much for that. If no one else has anything that really must be put on record, I am going to move on. We still have quite a lot to get through, although we are beginning to touch on some of the other topics.

Marie McNair (Clydebank and Milngavie) (SNP): Good morning, panel. Some businesses believe that local flexibility will make the regulatory landscape more complex. Last week, one witness said that there is

“so much localism for localism’s sake”—[*Official Report, Local Government, Housing and Planning Committee*, 24 October; c 13.]

Councillor Lobban, you have touched on this but can you expand on why you feel that it is important that local authorities have freedom to decide on exemption rates and remittance issues, rather than having those imposed on them?

Councillor Lobban: It is important to note that there are different circumstances throughout Scotland. What might be suitable in the Highlands might not be suitable in East Lothian, North Lanarkshire or even in the major cities like Edinburgh. It is very important to allow the people who are on the ground to decide what is suitable and that includes deciding the rates that are charged, exemptions and so on. To me, it is almost inconceivable that we would not do it in that way.

Marie McNair: Thank you. Does anyone else want to share their views?

Paul Lawrence: I agree with that very strongly. However, it is incumbent on local authorities to see—and in my experience, local authorities are pretty good at this and I would hope that our industry colleagues would agree—that local flexibility has to be predicated on strong partnership working. If the sector is saying, “Well, the council does what it wants and never speaks

to us”, that is potentially problematic. The bill talks about the importance of a local tourism strategy that is consulted on by all stakeholders and about partnership working arrangements. Having that flexibility—if it is founded on strong public-private partnership working—is the right way to go, and I think that it should be a precondition.

Marie McNair: Thank you.

Do you agree with the requirement to consult, report and review schemes, including the need for the 18-month lead-in time? The tourism sector would like the lead-in time to commence only if and when the bill is enacted. Can we start with Kathlene Morrison, who is online?

Kathlene Morrison: We agree that 18 months represents a long lead-in time and we have been discussing it through the Highlands and Islands regional economic partnership as well. We agree that it has to be consulted on with the communities and the businesses. We cannot go forward without including them. We must also ensure that, if the levy is to go ahead, it is done with their co-operation. That is a major point locally, especially because a lot of our businesses are small to medium-sized businesses. The consultation period needs to come with the requirement to regularly report. It is always good to see what has worked and what has not worked, and the requirement for feedback should also be included in the bill. Sometimes the bill does not provide for enough time to have a proper review after the levy has been introduced and we have queries on that, too.

Fergus Murray: I agree that we need to do this with full consultation with the industry. We are working with the local tourism industry in Argyll through our strategic tourism partnership and Highlands and Islands Enterprise, Visit Scotland and others to understand the key priorities of our strategy going forward and their vision for tourism in our area. We would extend that to the levy and to making sure that businesses were very well aware of what we were doing and had completely bought into the process.

In contrast to the comments of my colleague, we have concerns about the delay in the introduction of the levy. We are keen to see the levy introduced as quickly as possible, following all due diligence and everything else in consultation. We see it as a vital tool for us to develop our industry and also to safeguard our communities from the negative aspects of tourism. That is what I wanted to say about that.

The Convener: I have a clarifying question. Fergus Murray, when you say that you want to see the levy introduced as quickly as possible, do you believe that there is no need for an 18-month lead time or do you still think that it is necessary?

Fergus Murray: My council has a concern about the 18-month delay. We have issues with destination management, organisations' funding support, and coming through a recovery situation to a growth situation. We would like to look at the possibility of a levy if that could help with those issues, and building in an 18-month delay means that that will take quite a long time. That is probably the view expressed by our local members and others: why that delay? However, I am also conscious that the industry has requested that delay, too, so there is a balance to be struck. I have to say that the 18-month delay seems quite excessive.

Marie McNair: In the submissions, a number of local authorities shared that view. Councillor Lobban, do you want to come in on that?

Councillor Lobban: Yes. Consultation is really important, and we have been discussing this or consulting with tourism bodies and so on since 2019. However, the 18-month delay is far too long and should be significantly shortened. If Parliament decides to go ahead with the levy, we should be allowed to bring it in as quickly as we possibly can.

Marie McNair: Does anyone else want to comment on that?

Paul Lawrence: I will just say that I agree with that.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): My opening question is for Jamie Baker, from East Lothian Council. In your submission to the committee, you talk about the relative benefits of having a national or a regional scheme. Has East Lothian reached a position on whether it prefers national or local?

Jamie Baker: No. As I said, that question has not been put to our members, at this point. Our consultation response on the national and regional perspective is based on our thoughts around transparency, ease of administration and guidance being clear across Scotland, as well as thinking about the whole-of-Scotland approach for visitors coming from outside and understanding the offer that they are coming to receive. I think there have been some discussions through our regional partnerships about how we would co-operate in collecting the levy.

There is also regional co-operation on potential infrastructure projects around tourism infrastructure which, again, would potentially draw on revenue from a levy and, again, would benefit visitors from a wider area. From our point of view, acknowledging the large number of day trippers that come from Edinburgh and elsewhere, if we were able to act regionally on larger projects that benefit the whole of the area, that would be a quite positive outcome.

Willie Coffey: Are there other views on national guidance on local implementation and decision making? Does the panel feel that that is the best approach?

Councillor Lobban: The ultimate decision making should be local but there has to be collaboration. There are many cases where we will be collaborating with other local authorities. We can draw a line on the map, but tourists do not understand that line—they would like significantly the same facilities on one side of the line as on the other side of it. In many cases, a lot of co-operation will have to go on and it is the sensible way to do it.

Willie Coffey: Any other views?

Paul Lawrence: I back up what Jamie Baker said. Members will be aware of the city and growth deals around the country. Certainly for us in Edinburgh and south-east Scotland, that has been a real boon to partnership working across the region. As Jamie indicated, we have talked about co-operation between ourselves, East Lothian and others. Different councils will move at different paces so collaboration needs to be flexible rather than fixed. In our region, there has to be some flexibility because, for example, we have councils, such as Fife Council, that are part of other regions as well, and Scottish Borders is in a similar position. Nevertheless, as Jamie says, where there are programmes of regional scale that benefit businesses and visitors, we have been having early conversations about what that collaboration could look like.

Willie Coffey: We have not touched on the cross-local-authority national parks and so on. Have any of your authorities had a chance to think about that issue and how we make sure that we manage that situation?

Councillor Lobban: We have a national park and I should declare that I am a board member of our local national park. We have discussed it to some extent and the national park is quite supportive of the idea of a tourist tax. However, we have five local authorities and the difficulty would be in getting those five local authorities to agree to some form of similarity. I do not think that we have quite got that far yet but discussions are certainly taking place. The national park is a major tourist destination in my particular area.

Willie Coffey: Will you just divvy up the funds by five?

Councillor Lobban: No. I think it would be half on one side—[*Laughter.*]

Fergus Murray: I was going to come in on the first part of your question on national guidance. Our plea is to have very strong national guidance, which is unambiguous in terms that we can easily

interpret so that we have a robust framework to work within. Argyll and Bute Council and the Highlands and Islands regional economic partnership are exploring whether there can be some kind of agreement on approaches but ultimately, it is about local decision making within that. It is quite a mixed bag but if we have a good framework to work with, that will help us to deliver the best outcomes from the levy.

We are in very early stages with the national park. The Loch Lomond national park stretches into Argyll and Bute and, at this stage, we are just recognising the difficulties and challenges in working across a number of authorities once, or if, the levy is introduced.

Willie Coffey: Thanks very much for that. I turn to penalties and enforcement. That issue came up in discussion last week and some of our contributors felt that they are perhaps a wee bit on the draconian side and too severe in some cases. Have you any views on the enforcement possibilities and whether they are far too strong?

Councillor Lobban: We need to be careful that the penalty suits the crime. We could get to a stage where it is cheaper to pay the penalty than it is to pay the tax and that is something that we need to consider. Certainly, penalties need to be consistent right across the board. While I am a great advocate of doing things locally, I think that the penalties probably should be decided upon nationally. There needs to be something that is set and hard. It needs to be seen to be fair but it also needs to be not avoidable.

Paul Lawrence: I agree with that. We are working closely with the industry to support a voluntary compliance approach and, thus far, we have not had any great difficulties with that. The penalty should be proportionate to the levy being set and maybe that is slightly out of kilter at the minute. However, I agree with what Bill Lobban said about having a national approach that is then locally applied.

Willie Coffey: Thank you for that. Are there any other views on penalties and enforcement?

Morag Johnston: I reiterate those views. It is important to ensure that when people do not voluntarily comply, we have the ability to obtain the information or follow them up so that there is a fair collection. The penalties need to be proportionate and I think, again, that national guidance would be useful rather than leaving it all up to local discretion.

10:30

Ivan McKee: I want to touch on the costs to local authorities, to get your perspective on whether the costs set out in the financial

memorandum are accurate and realistic. There will also be set-up costs before you have raised any revenue. Have you given any thought to how the council would manage those set-up costs? Morag Johnston, do you want to go first?

Morag Johnston: We have not done any specific work on set-up costs. We have reviewed the financial memorandum. What was contained within that seemed reasonable. Obviously, it is very important to us that we are able to build in the costs and recover them from the levy that is raised. I think that for us the biggest uncertainty is probably around what kind of system will be required in order to collect the levy. It is important that, as local authorities, we collaborate on that and make sure that we get something that can be used by local authorities that decide that they want to implement it, to try to reduce those costs as far as possible.

From Glasgow's perspective and the work that we have done, another area that is a bit of an unknown relates to on-going administration costs, which, to a certain extent, will be influenced by what information we are able to access about what providers should be paying, and the monitoring and level of follow-up that we would need to have with individual accommodation providers if funds are not being paid in the way that we are expecting. To touch on the point that I made earlier, penalties and enforcement tend to be areas that will increase costs, so how much we feel that we have to use penalties and enforcement will add to that. In our response we did not make any specific comments to contradict the figures that were in the financial memorandum. They were obviously provided in broad bands and we thought that they seemed reasonable.

Ivan McKee: Okay, thanks. Would anyone else like to come in on that?

Paul Lawrence: Mr McKee, the analysis that we have done so far, which we are reviewing at the moment, shows that the cost per year of running an administrative scheme would be in the region of £500,000 for the City of Edinburgh. That calculation takes into account the set-up costs, maintenance and so on. We would like to challenge those numbers a bit because it is obviously a pretty chunky number, but we think that it will be in that region. As long as that money can be recouped from the levy itself, we do not anticipate any great difficulty with it, but obviously the less that is spent on the administration, the more is the benefit in economic and social outcomes. The cost is of that order but, as I say, we are looking at that again at the moment to see whether we can drive that number down further.

Ivan McKee: Does that include set-up costs in the first year and then lower costs in subsequent years?

Paul Lawrence: It does.

Ivan McKee: Okay, thanks.

Councillor Lobban: Our view is basically quite similar. We need to focus on the outcome and on delivering for the tourism sector rather than filling council coffers full of the proceeds of additional costs that we need to minimise wherever possible. By working across local authorities we can probably help to minimise that as much as we possibly can, because it really is about keeping the cost down and spending the money where it is wanted.

Jamie Baker: I reiterate those points: the purpose of the levy or of any tax that is collected should be reinvestment, so we should be looking to make things as simple as possible to operate. Again, that collaboration across Scotland in the software or the systems that might be used would be key.

Like others, we are reasonably happy with the figures in the memorandum, but also acknowledge that the bands are a bit broad, so it will probably be quite catch-all. We will certainly look at that carefully when considering a business case to bring in a levy locally, to ask what the balance is between the revenue that can be potentially raised and reinvested and the cost of running a scheme.

Ivan McKee: Does anyone online want to comment?

Fergus Murray: I repeat what my colleagues have said. I think that we would try to make every effort to minimise that cost burden so that we can reinvest the money back into the community for action. We will try to make use of our existing systems. A lot of it is down to the software and everything that we can apply to make it the most efficient process that we can.

The Convener: Thanks for that. Morag Johnston and Jamie Baker both talked about the idea of having software that may be collaborated on across Scotland. Is that being discussed? Is that something that is likely to happen?

Morag Johnston: My understanding is that it is, but that would need to be clarified. As with a lot of these things, we would work closely with the Convention of Scottish Local Authorities to see whether we could collaborate. We have the local government digital office as well, and those are routes that we would want to consider.

The Convener: Thanks very much. I will bring in Pam Gosal.

Pam Gosal: Thank you, convener. I want to touch on spending the money. Accommodation providers will become, as one witness described, unpaid tax collectors for local authorities as well as facing additional administrative burdens. Do you

agree with many people in the sector that levy revenue should be ring fenced for tourism-related spend? How do you foresee that working in practice? I aim that at Paul Lawrence, first.

Paul Lawrence: Thank you. We took a report to the council's policy and sustainability committee not long ago with our first attempt to set out areas of benefit—spending programmes, for want of a better term. Those ideas will now be the subject of the next phase of dialogue with the industry, which I mentioned earlier, and will be subject to change.

Broadly, the areas fell into five categories. The first is the infrastructure of the city, for which we may convert some revenue into capital—in particular, for major capital spend in the city. Secondly, in relation to the point about promotion and marketing, we will make sure that the city's national and international profile is effective and is what it needs to be. Thirdly, as I said before, there is the culture and heritage festival, as part of the city's international DNA.

Fourthly, which Bill Lobban touched on, are what you might call basic city services. We have, for example, had a lot of debates about public conveniences in the city of Edinburgh over the past couple of years. It seems that that is a national debate. Such basics will be something that we will seek to enhance for local people and visitors.

The last theme is a fund for the visitor economy relating to industry growth and resilience, especially as the sector faces up to the net zero challenge and to changing international patterns.

We have defined five potential programmes. They might not end up exactly like that. As you can see, they are founded on supporting the sector but are also of broader application to the city.

To answer the question specifically, I say that we do not believe ring fencing of specifically tourism-related spending should be tight, but we understand that the money will have been raised by visitors and that therefore visitors need to see the benefit from that spending. We strongly believe, as do our local authority colleagues, that local authorities should have flexibility in spending the money, but that spending should be reflective of where the revenue was generated. We believe that programmes such as I have articulated would try to achieve just that.

Morag Johnston: Again, in our response we acknowledge, as Paul Lawrence said, that the income that will be raised is from visitors and is to support Glasgow and the services that it delivers for visitors and tourism. Again, I suppose it is about flexibility in the definition. We have talked about the ability to use the funds to support work that we already do on festivals and events, or in

supporting the major museums that we have in the city, because they are among the big attractions for tourism in the city. It is important that we are able to use the funding to support such work.

We also indicated in our response that the money should be used for wider city infrastructure. Bill Lobban mentioned that things such as roads infrastructure are important because our visitors use the roads. We should also ensure particularly that our city centre is attractive for tourists.

We have not done work such as Paul Lawrence outlined; we have not had engagement within Glasgow City Council about what our priorities would be, but the expectation is certainly that the wording in the bill will be broad enough to allow spending to be for citizens as well—I think that the bill says that it is mainly to support work on tourism. Some of the things that I have outlined would also support the citizens of Glasgow because they, too, make use of a lot of our events, museums, facilities and so on.

Councillor Lobban: I feel similarly about the matter. Flexibility is needed, and we need to work with our industry partners to ensure that spending is appropriate, but there are many things that we provide that tourists use; therefore, there should be no restriction on our funding them. Also, we will need to work closely with partners to ensure that specific things, such as you have just heard mentioned and that we probably do not have a funding source for at the moment, could be funded directly from the tourist levy.

Fergus Murray: I just reiterate what my colleagues have said. There is a need for flexibility. Argyll and Bute Council has not yet discussed in great detail with our members or the wider community what the funding would be used for. We support the money being spent on the visitor experience in Argyll and Bute, and it benefiting our communities and our infrastructure, in terms of key aspects of how we get around the place, and how we look after the place. The money should demonstrate a positive impact on the visitor experience. That is something that we have to go into in much more detail with our members and people in the wider community.

Kathlene Morrison: I agree with everyone: we, too, believe that the funds should be used for the visitor economy. Yesterday's announcement about cruise ships was welcome because cruise visitors will represent a large proportion of our market from next year, when our deep water terminal opens.

I agree that there should be flexibility for local authorities to use the money where it is needed, but there should also be no stipulation about areas that should not be included. For example, in some islands plans main towns or outlying areas have not been included, but it is important that

anywhere that the local authority and community deem support is needed should be included.

Pam Gosal: I have a quick follow-up question. With local authorities going through so many cuts, how will a balance be struck so that—you have talked about roads and infrastructure—the money is used for tourism and not for the day-to-day things? Is anybody worried about that, especially given that there are so many cuts? Bill Lobban—do you want to start?

Councillor Lobban: Everybody is worried about the level of council funding at the moment. That is the case right across the board and irrespective of where the income comes from. In my authority, we are not considering using the levy as general funding; we are not thinking about using it to fund the building of schools and stuff like that. We are thinking about tourism as our main economy and so we need to improve our tourism economy. We would like tourists to come here then come back again. If we provide a better experience for them, they will come back again. We are not thinking about just sticking the money in a big pot, even with the really big hole that we have in our council finances in the forthcoming year.

Paul Lawrence: Just to be very transparent, I note that I think that there is some possible interplay between council general funding and the visitor levy. Let me give an example. We struggle with graffiti removal in Edinburgh. It is something that visitors comment on; they do not like to see graffiti on some of the most historic parts of the city and the country. We want to spend more on that but we do not have the money to do so. Let us say that, at the moment, we spend £200,000 a year on graffiti removal. Maybe we could double that, and it could all be funded by the visitor levy. Therefore, the council could make a modest saving while there was an increase in the amount of money being spent on graffiti removal in the city. I am with Bill Lobban—I think that there are not many such examples, but there is potential for easing in some areas, as long as value is added for the tourism industry and the visitor.

10:45

Morag Johnston: As all councils do, we always have difficult decisions to make and there are balances to be struck. I would expect that what has been suggested is the approach that our council would take, although council members have not discussed it. We have a tourism strategy, as many local authorities have, as Bill Lobban has indicated. Tourism is an important part of lots of local authority economies. This is an opportunity to allow us to make a bit more investment at a time when, because of the financial challenges that we are all facing, some areas of our budgets are

under more pressure because we have to protect vital front-line services, such as education and social care. It might be that the additional funding would allow us to maintain services at the level that they are at, rather than our putting it all into our roads budget, for example. That is obviously a decision for the council. As I said, there is always a balancing act.

The Convener: Thanks. I am checking to see whether anyone else online wants to come in. It has been helpful that a number of witnesses have said that you are working on local tourism strategies, so the levy will not just arrive in a vacuum because you already have relationships and partnership working, and you have strategies on which discussions have been on-going. That is a really useful insight.

I will bring in Mark Griffin.

Mark Griffin: Thanks, convener. I will continue on the theme of how the money will be spent. Perhaps this is for Councillor Lobban, because it is on a matter that officials might avoid—that is, the interaction of the objectives of the bill with the Verity house agreement. There is an ambition in the Verity house agreement to reduce or remove ring fenced or directed spend, but here we have a bill that, in effect, will introduce directed spend. Do you have views on competing Government and local government objectives?

Councillor Lobban: Basically, the Verity house agreement is a good thing for councils. It allows councils what COSLA has been asking for for a long time. I do not think the bill will do what you suggest. Allowing local authorities the discretion to raise and spend the money locally and to decide how to spend it locally is the big thing. The bill cannot be so prescriptive that it tells us that if we raise £X, £Y or £Z, this is how we must spend £X, £Y or £Z. We must be allowed discretion to spend it where we think it is appropriate to spend it and where it will make the best and biggest impact for our tourism economy. Overdirection is not a good thing.

Mark Griffin: My second question is probably directed at Councillor Lobban again, since he represents such a large area. On the money that is raised in a particular locality, could councils decide to retain the money in that locality or spread it across the whole local authority area?

Councillor Lobban: We have considered a rather more blended approach, whereby a percentage of the money would be spent directly locally for the benefit of the businesses that raise the fee, but a proportion of it would be spent strategically. For example, if you go to a hotel in Skye, you have to drive there; you have to drive on some other area's roads to get there. That is probably a rather simple example. We would

consider more strategic spend as well as locally based spend.

Mark Griffin: Thanks for that.

The Convener: That was helpful. Willie Coffey wants to come in with a supplementary.

Willie Coffey: Thanks very much, convener. It is related to the question that Mark Griffin asked. There are about 6.5 million visitors to Glasgow airport and about 11 million visitors into Edinburgh airport. Those visitors do not necessarily stay in Glasgow and Edinburgh, despite the obvious attractions of doing so. People come in there, then go elsewhere. Glasgow and Edinburgh residents, for example, get all the pollution, noise and congestion, but potentially no benefit from visitors who land in those two cities. Do Glasgow and Edinburgh councils have a view on whether we should try to do something to capture that issue within the bill?

Morag Johnston: Glasgow does not.

Paul Lawrence: I hesitate to say this, convener, but if I was the managing director of Edinburgh airport in front of you today, I am sure that I would talk about the existing fiscal burden on the cost of air travel and so on, and how that money comes back into the Scottish economy. This comes back to the point about simplicity: we see the levy as a very simple way of trying to capture spend.

It is an extremely good question to ask what percentage of arrivals at Edinburgh airport spend at least one night in the city. I suspect that it is a reasonably high proportion, but it is a really good question that I will take away, because I think that the matter is worth looking at. My answer would be that it is captured elsewhere in the fiscal burden on the industry.

Councillor Lobban: Obviously, Highland Council does not see a major impact from that because there is not a huge number of tourists flying in and out of Wick airport, for example. Many American and Canadian states charge a departure tax: maybe that is something that the cities need to consider. I do not know.

Paul Lawrence: I am thinking about what Bill Lobban has just said. I am sure that many members will have seen this. If you go to the High Street or Waterloo Place in Edinburgh at 7 o'clock in the morning, you will see a lot of people who have stayed overnight in Edinburgh getting on a bus to go elsewhere for the day. As it is designed at the moment, the financial benefit under the bill would fall to Edinburgh because we would collect it. However—I am thinking about points that Bill Lobban and other colleagues have raised—some of the cost would potentially land on other local authorities because those day trippers need the facilities that we have talked about. Again, that

would need intercouncil co-operation. That is something that we need to think about as the process moves forward.

Willie Coffey: Thanks very much for that.

The Convener: Thanks, Willie, for that question, which was interesting and brought up more thinking. Both sides have food for thought on this.

This has been a very useful conversation. I thank the witnesses for joining us today, online and in person. I briefly suspend the meeting to allow a changeover of witnesses.

10:52

Meeting suspended.

11:00

On resuming—

The Convener: For our second panel, we are joined in the room by Tim Fairhurst, director general, and Simon Smith, policy manager, of the European Tourism Association—ETOA. I welcome you both to our meeting. I will start the questions. There is no need for you to operate the microphones; we do that for you.

It is great that you are here to share your perspectives. I would be interested to hear from you what is going on with tourist taxes across Europe. What are examples of tourist taxes across Europe and which ones have been less successful? What are the factors that lead to some being successful and others less so?

Tim Fairhurst (European Tourism Association): I will kick off. First, I will explain our respective contributions. I will probably offer the bigger picture, if you like—that is, the political characterisation of the topic as regards our experience of dealing with regional, national and local authorities. Simon Smith is much more expert than I am on the detail. He maintains ETOA's website, which has a database of more than 100 destinations, so he is monitoring developments day to day. He would be best placed to provide concrete illustrations of how a process works in a particular place.

On the characterisation of benefit and perception, I will take a step back. Scotland is already in a good place because you are doing a thorough job of consultation. Bad practice is when people do not feel that they have an opportunity to offer input to the process and understand what is going on. In relation to broad regional tourism policy in Europe, there is a lot of evidence to suggest that the population is more likely to be supportive of tourism as an industry if they have an opportunity to feed into the strategy that

governs it, and tax would be part of that strategy. Running a good consultation and involving industry and the community is the first thing to do. You are clearly doing an extremely thorough job in that regard.

I was just checking the dates of my involvement. I was first involved in this topic in 2018, when Kate Forbes chaired a round table in Aberdeen, if I am not mistaken. No one could accuse Scotland of rushing into the scheme. The pandemic clearly got in the way, but the process is exemplary, so you are to be commended on that front.

Perception matters. The amount and the mechanics of the visitor levy are very important, and we will get into that, but so, too, is how the instrument is presented and how it is seen. Sometimes, that aspect can be a bit unfair, because you can be very well intentioned and clear to a fault—by repeating what the scheme is for, what the thinking is and how it will work—but be misunderstood or misrepresented. Other narratives can take shape. In our world of social media, we see a lot of people mischaracterising all kinds of policies, and people might say, "Oh, this is being used to control tourism." That is not the case, as far as I can see.

It is very important that you own the narrative and can support it, because there are lots of agendas on this topic. Some of those are persistent and the accuracy around them varies. One of those is that a tourism tax is a control mechanism for demand. I have not seen any evidence of that. If you were trying to control tourism or move demand from one place to another, there would be other ways of doing it. That would be an example of counternarratives that can muddy the water when it comes to explaining what a particular instrument is for and how it will work.

I am sorry for that slightly waffly first answer. I think that perception matters. The industry is a bit traumatised, as others will no doubt tell you, and it is trying to get back on its feet. It is very easy to say, "Tax is another burden. It's terrible." It is the case that you cannot, for example, hypothecate more VAT to regions in Scotland because that is not how VAT works in the United Kingdom at the moment. You have an instrument that you can introduce, so, within the powers that are available to you, what is a sensible way of going about it? That feels like the question that you are very sensibly engaged on.

Perhaps I could bring in Simon here. In relation to good practice, is it process or numbers that you are most interested in?

The Convener: Thanks for defining your roles here today. I have a follow-up question that might draw that out. Documents accompanying the bill

suggest that the introduction of tourist taxes in a number of cities across Europe has not led to reductions in tourist numbers. I would be interested to hear if you agree with that analysis. Are you aware of any research or examples showing that the introduction of tourist taxes has had a negative economic impact?

Simon Smith (European Tourism Association): My understanding is that knowledge on that is quite limited. The Organisation for Economic Co-operation and Development has carried out research, but that is a few years old.

We are a trade association for businesses across the world bringing business into Europe. That could be continental Europe, but we focus particularly on the European Union, European Economic Area states, Switzerland and the United Kingdom. Most of the evidence today will focus on the EU, Switzerland and the EEA states. I can provide some knowledge regarding Ukraine, Turkey and so on.

We used to monitor this, but the implementation of tourist taxes is quite widespread across Europe. In the EU, 21 member states have a tourist tax. Within those member states, not all areas have a tourist tax. There is on-going debate in Spain. Madrid does not have a visitor levy. It has been talked about recently in connection with upcoming elections. You might have heard that the Valencian region was going to introduce it, but that decision was overturned by a new Government earlier this year. In Spain, only the regions of Catalonia and the Balearics have a tourist tax, but it is an on-going topic.

With regard to Germany, you might have seen that Munich would like to introduce a tax. However, the state Government has blocked that and the matter is going to court.

Therefore, although the use of a tourist tax is widespread across Europe, key cities do not have such a measure. If I were to give a number, I would say that thousands have the visitor levy.

Tim Fairhurst: If I understood your question correctly, you were asking whether there has been a negative economic impact following the introduction of a tax. If I come in where Simon started, I am not aware that there has been. It is very hard to do a control trial because you cannot have Barcelona trialling the tax for six months then stop to see what happens. You would have to do another trial over the same six months of the year and with the same external circumstances to see whether there is a difference.

Someone who visits Scotland will know this well because VisitScotland is a member of the Network of European Regions for Sustainable and Competitive Tourism, which is a network of

regions interested in competitive and sustainable tourism in Europe. I have had the benefit of reading VisitScotland's submission to the committee and I am sure that it will speak to that next week.

Manuel Alejandro Cardenete used to be the vice-minister for tourism in Andalusia. That region is very interested in tourism and in not deterring it. He is an academic economist and he has returned to academe following elections. Were he here, he would be very strident in saying that tourism tax does not work as a control mechanism at the levels that we see in Europe. If it is a couple of hundred dollars a day, because there are only so many people you want to allow into a protected environment, it is a different story, but at the amounts that we are talking about, it is very hard to see evidence of that being the case.

Simon Smith was referring to—I was just double-checking the year—an OECD report in 2014 about the cumulative impact of local and regional taxes on national competitiveness. OECD's members are nation states. At that time, Italy was introducing a lot of new taxes. For example, if you needed to get a coach into a city, you had to pay. The enabling legislation to allow such local taxation was introduced. In its report, the OECD was really just telling nation states to look at the cumulative effect of measures. So, if something previously cost someone a certain amount, their visiting five places would cost them much more because of the cumulative effect.

From a travel industry perspective, particularly in relation to long-haul tourism—previous witnesses have mentioned American and Canadian visitors—lots of those programmes are planned 18 months to two years in advance, so the reason for friction and opposition was as a result of their saying, "You've just sprung this on us and we can't price it in". However, has demand for visiting Italy fallen off a cliff as a result of the imposition of those taxes? No.

At around the time of the first Gulf war—this is before I was active in this field—Venice was thinking of bringing in an access tax but abandoned it after transatlantic travel fell off a cliff. Now, the idea of a day tax has been returned to but has not yet been introduced. There are hotel taxes in Italy. The enabling legislation is in place to pay if you are visiting but not staying the night, but how to do that has not yet been established. Therefore, we do not know whether a tax on visiting for the day will have an impact on the number of people who visit. All eyes will be on Venice.

I think that that is the only example of a day visit tax. There are others places, such as Cinque Terre in Italy, where, if you want a permit to go on a particular itinerary, that is a way of managing

capacity to some extent. However, on the convener's question about whether we know of any negative impact on volume, I think that the answer is no.

Simon Smith: No. We know that some strategies, particularly that of Amsterdam, would like to discourage tourism. We can address that shortly if you would like. We know that the Venice day tax of €5 a day will be trialled next year. The fee was originally going to vary between €3 and €10, so the visitor would not necessarily be restricted entry, but they would get the cheap rate by booking early. On certain days, the fee might be €10, to disperse demand. There are examples of the rate being lower in the low season; some destinations already do that.

We have destinations where I can talk about good practice. We know that there is a debate about people staying overnight generally contributing more than day visitors. Switzerland gives a guest card to visitors staying overnight. That gives them free public transport and discounts for visitor attractions. That recognises that the overnight visitor is spending money. It is a unique example.

Elsewhere, some destinations say how they will spend the levy. It is important to be open and transparent in that way. Some areas, such as the Balearics, have a website setting out what projects they use the money for. So, rather than your just saying that you have X amount of money, you could have a website so that visitors can see how their money is being used.

I am happy to go into a bit more detail about why most of the schemes apply to overnight visitors and about how the money is used.

The Convener: Okay. Other members might well draw that out in their questions. I call Pam Gosal, who has a supplementary.

Pam Gosal: Good morning. My question is on VAT. Last week, witnesses told us that although many European markets have levies in place, they do not have our levels of VAT. A new levy in Scotland would be in addition to VAT, whereas in 25 EU countries, a discounted VAT is applied. Do you have any thoughts on that? How might it impact on the competitiveness of Scotland's tourism industry?

11:15

Tim Fairhurst: Some of that is just a matter of fact, as you have described. Although VAT is an EU competence, it is down to nation states whether they apply reductions to certain categories of service, and quite a lot do.

There is quite a lot of resistance to using discounted rates of VAT in some countries,

because it is seen as an unnecessary revenue sacrifice. It is a highly vexed issue at national political level, with people asking, "Why would we do that? What is the benefit?" Some good work—and by "good", I mean thorough—has been done in both Germany and Ireland, where they found that reducing VAT on accommodation has a positive impact and allows a bit more money to come into the system. However, the majority are, I think, moving towards saying, "Okay, we can discount, but what is the benefit?"

As I understand it, that is not a choice that you have in the UK. To come back to your question, then, I would say that it is true that the UK is expensive with regard to the tax on top of services, because we do not apply a discount to accommodation. To that extent, it represents a relative competitive disadvantage, but the situation is also affected by the exchange rate. Post Brexit, the pound is probably softer. What is the overall impact of that on demand? It is probably not that big, but when people say, "Look—we are already taxed highly", that is, factually, the case. What is interesting about this debate, though, is the bit that you have control over. What are you going to do with the revenue and what impact is it going to have?

I think, therefore, that the accuracy of your premise is bang on; the UK would be towards the upper end in this respect. However, if we take Denmark, it has 25 per cent VAT, and it does not discount. A city such as Copenhagen leads on its sustainability credentials. Denmark is not a shrinking violet about this—it is expensive relative to other places in Europe—but it has an offer that it stands behind and the money is used to sustain the quality of that offer.

It is a different approach, but from some of the exchanges that we have had with officials prior to today's hearing, I would suggest that it might be interesting for Scotland to look across the North Sea and feel a bit more commonality with Nordic approaches. It is absolutely not for us to say what is right or wrong—that would be very much for Scotland to determine—but a high tax burden does not necessarily lead to problems with attracting visitors. You only have to look at cities such as Copenhagen.

The Convener: Thank you very much. I call Willie Coffey.

Willie Coffey: Good morning. Can you offer a few thoughts on the issue of the wild camping and motorhome fraternity throughout Europe? You will have heard lots of discussion at committee, both today and last week, about that particular issue and the fact that such visitors would not be subject to the levy and that it would indeed be very difficult to apply it to them. What happens in Europe with

regard to campers and motorhome users? Do they pay a visitor levy? How does that work?

Simon Smith: Most of our members are tour operators and we do a lot of city tourism, so we will monitor in a brief way what is happening elsewhere. As you might have heard, Norway would like to introduce a tax, and, indeed, has had this very debate. My understanding is that it is now looking at a tax on arrivals into the country rather than an overnight collection.

Tim Fairhurst: But not on camping in particular.

Simon Smith: Not on camping, because of the problems with collection. They have talked about using automatic cameras linked to a database of licence plates so that they can see who is a visitor and who is not, but I have not seen any detail about how that would work in practice. It is just an example that has been looked at.

Norway has been discussing a tax for quite a while now. However, nobody in the Nordics has introduced a tax, apart from Iceland, and that tax is currently suspended.

Tim Fairhurst: On your question whether anyone is seeking to tax campsites, I would just point out that we do not monitor campsites, because that is not what our members sell. It might not be knowledge that we have. Are you aware of any campsite taxing policy, Simon?

Simon Smith: Not offhand, but I can share information afterwards. We have a database with web links to all the sites and destinations. We go to the official pages, where you can see the detail of who taxes, why it is appropriate, how it is collected and so on.

Tim Fairhurst: Perhaps I can slightly enlarge the context of your question, because it partly relates to rural tourism, too. If this is about trying to describe how you might benefit from this revenue or what its permitted use might be—and I think that some of the questions in the previous session anticipated this—you need to think about those situations in which people arrive in one place but then do day visits to, say, the national parks or the North Coast 500. They are, in essence, benefiting from that infrastructure but are not necessarily spending money on overnight stays there. The question, then, is: what is an equitable way of managing that sort of thing? How, practically, can you spot who is coming in and out? I think that that is a highly topical issue.

Indeed, I would again highlight Cinque Terre in Italy as an example in this respect, because the issue there is access to what is contested space—it can be very crowded. That would be an exception to my general observation at the beginning about this being a deliberate control mechanism.

As I understand it, wild camping is permitted in Scotland, so would a campsite tax suddenly result in lots of people camping informally? What would the impact be? I suppose that one approach would be, as Simon Smith has said, automatic number plate recognition of cars that come in. In such a scheme, locals would not have to pay, but visitors, hire cars et cetera would. I could see such an approach being very complex, though.

That said, from talking to officials before this meeting about the scope with regard to the permitted use of revenue—indeed, I was even talking about nature wardens and other kinds of tourism jobs in the rural economy that are absolutely helping to attract people as well as helping to look after the natural heritage—I do not think that it would be irrational to try to hypothecate money from visitors to support, say, the nurturing of natural heritage. However, I do not think that we are aware of any such scheme in operation. There are the eco-taxes in the Balearics, which were, to some extent, introduced as a consequence of powers devolved from Spain. They would have liked to impose a tax on aviation, but that is a Madrid competence, so the outcome, instead, was an eco-tax. As Simon Smith mentioned, you can have a look at what they are doing on sustainableislands.com.

The Convener: I will just stop you there, Tim. We have quite a few questions to get through, and I think you have given us a sufficient response to Willie Coffey's question on wild camping.

Do you have another question, Willie?

Willie Coffey: Yes. I had hoped to ask about the cruise ship levy. The Scottish Government has announced that it intends to include such a levy in the legislation. Are you able to share any experience in that respect from our European friends? Does it work? If so, how? Is it successful or otherwise?

Tim Fairhurst: It depends. If we take Amsterdam—our favourite example—it was noticeable that, when a cruise ship levy was introduced, the ships moved. There are other places in the Netherlands where you can dock that are still day-tripable from Amsterdam, and the immediate consequence was more road traffic, because people on the cruise ships in IJmuiden and Rotterdam were getting on coaches to go into Amsterdam. It is a good example of an area where there was not enough joined-up thinking. If there is a lower-tax alternative that achieves the same thing, industry will tend towards that, so you need to look at this holistically.

However, the fact is that, if you are in Orkney, you cannot go somewhere else—you need to go to Orkney. It is all very *sui generis*, so it is very hard to generalise, but Simon Smith might be able

to give you an idea of the range, from low to high, that we are talking about with regard to the cruise ship levy.

Simon Smith: The cruise ship levy that is applied is quite limited. Currently Amsterdam has the highest rate, at €8, and the proposal is to increase that to €11 in 2024. The levy is for sea and river cruising, but if the cruise starts or ends in Amsterdam, you do not pay it—it is only for stopovers. Catalonia does the same, but a slightly different approach is taken in the Balearics; if the ship is registered in the Balearics, you do not have to pay.

The only other country that looks at cruise ships is Croatia, but introducing the levy is a local discretion for municipalities. Therefore, Croatia is quite controlled in its implementation of the tax; there is a lower and upper band, with local discretion within those bands. I would also point out that France does not have a tax on cruise ships.

Willie Coffey: Thank you very much.

The Convener: That was helpful. I call Miles Briggs.

Miles Briggs: Good morning, panel, and thank you for joining us.

I have a question about the Scottish Government's consultation, which took place before the pandemic. In your experience, what change has there been in European tourism since things have returned to normal? What impact could that have on the bill as it stands?

Tim Fairhurst: There has been a big before-and-after effect. For the sort of tourism that we represent, demand is already at or above 2019 levels, with long-haul tourism, particularly from the United States, doing well.

What we would observe generally—and we know this to be a common sectoral position, given our participation in something called the tourism manifesto, which gathers together the best part of 40 pan-European associations in the sector—is that the social acceptability of tourism is different now from what it was. We missed tourism during the pandemic; it was very clear that there was a very big economic loss in that respect, and the general service sector was in deep trouble without visitor revenue to complement domestic demand. However, it seems to us that there is now less tolerance of crowding, and the sensitivity to overtourism is more acute now than it was before. I think that some of that is due to frustration, with people saying, "What was building back better going to be? Look, here we are—same old, same old." We are finding less tolerance and understanding of the compromises arising from the competition that visitors bring to a domestic

place, whether in the hurly-burly of the summer months or whenever.

Although I think that, generally as an industry, we are aware of a bigger hearts-and-minds problem with tourism than there was before, the issue also provides a catalyst for a constructive and collaborative debate. The framing of the proposed legislation here will allow you to have that discussion about what is good about tourism and how you can maximise benefits while minimising the negative impact. It feels as if this measure provides an opportunity to give that a good airing.

Miles Briggs: That was helpful.

You will be aware of the Scottish Government's recent legislation on short-term lets, which have been a huge part of the offering to tourists in the capital. Are you aware of any other countries where unintended consequences have arisen from two different pieces of legislation being brought in at a similar time, one of which limits the accommodation provided to tourists while the other looks to tax them? What impact, negative or positive, do you think that such an approach has had?

11:30

Tim Fairhurst: Again, some—indeed, few—countries have taken a national approach to this; Portugal would be one example. Most take a local approach—and I am leaving aside regulations around platforms and so on.

Take a city such as Florence—or I should say Tuscany, just to be correct. The Tuscany region has introduced legislation that offers a tax incentive to return properties to the normal private rental market, as opposed to their being used as holiday lets, because of concerns that too much of the housing stock has gone to such lets and there is not enough for the full-time population. There has been an observable hollowing out of full-time residents, because of holiday lets. That said, it is very easy to stigmatise visitors. The question is: if there are too many holiday lets, is there anything in the toolkit of the local authority that can be used to deal with that? In Tuscany, they are using licensing, and there are also some opportunities around tax.

In some places, peer-to-peer rental is an absolutely key asset. Where hotel investment is prohibitive, because either the season is too short or no one is building accommodation, how else do you bring visitors in and give them somewhere to stay? Again, a one-size-fits-all answer just does not work for the peer-to-peer approach. It is very valuable in some places, providing complicated contested competition for the same asset in cities where accommodation is expensive for younger

people and so on. It really requires a depends-on-the-place approach.

Authorities have to be quite creative with the tools that they have at their disposal, whether that be licensing or something else. Inevitably, it means that if you are a provider, you will say, “Okay—I have my national obligations and I have my regional ones.” That is quite normal in continental Europe. That does not mean that it is good; it is administratively quite clunky, and there might be a few things that you have to comply with, if that is the game that you are in.

Miles Briggs: Okay. Thank you.

The Convener: I will now bring in Ivan McKee.

Ivan McKee: Good morning. My question is about the way of calculating a visitor levy and whether a flat rate makes more sense than a percentage rate. It is clear that there are pros and cons to both approaches. We have heard about complexity versus simplicity, costs and the potentially regressive nature of one compared with the other. It would be good to get a sense of how you see that and what examples there are from across your sector.

Tim Fairhurst: I will give the high level, and Simon Smith can give some examples.

Simple is good, for sure. Amsterdam keeps coming up. Amsterdam is proposing a higher percentage rate next year rather than having a flat rate plus a percentage rate. It was the only city—it probably is the only city—that has that combination. All the online travel agencies, such as Expedia and Booking.com, had to reprogramme their back end to cope with Amsterdam having that particular approach.

The point about being regressive is very important. It is very hard to justify someone who is staying in budget accommodation paying the same amount that someone who is staying in high-end accommodation is paying. It would be easier to put a penny on VAT and remit that money back for the purposes that you are interested in, but you cannot do that, so there has to be some other approach.

In general, it is not very efficient to introduce a tax for a small amount because of the frictional cost of collection; however, you know all of that. It is a question of doing things as optimally as possible. There are e-commerce versions. Trying to make things as smooth as possible in the back end is desirable if there are to be benefits to go with the approach, as Simon Smith said.

Do you want to address the simplicity of the process, Simon?

Simon Smith: Yes. Members may be aware that we spoke to the Scottish Government’s visitor

levy team as it was preparing the bill. It asked for examples from elsewhere in Europe. That team has seen the information from our database that we will share after this meeting.

We know that the Government’s proposed approach is a percentage rate. On the countries that implement a percentage rate, I mentioned earlier the 21 member states with a tourist tax. Five member states have introduced a percentage rate. There can be a mix, as in the Netherlands, for instance. Amsterdam has a hybrid rate, but there are other destinations in the Netherlands that have a fixed rate. The key examples are Germany, Hungary, the Netherlands, Romania and Austria. Austria is slightly different because it adds a flat rate on top, but it is a fixed flat rate.

Amsterdam was quite complex because of the fixed rate of €3 on top of the 7 per cent, and children under a certain age were exempt. It was very difficult for an OTA to calculate what the tax would be. On the calculation of percentage rates in Germany, some rate calculations include VAT. It is quite common for breakfast and other items to be excluded. I would say that most of those who implement the percentage rate would exclude VAT from the calculation of the room rate, but some in Germany include VAT.

Ivan McKee: If I understand what you are saying, the majority of the 21 member states—every one, excluding five—have a flat rate. Is there a banded flat rate within that so that different types of accommodation providers pay a different flat rate?

Simon Smith: It varies by destination. For example, Italy uses a star rating but, in other countries, the rate is fixed regardless. They might potentially have a different rate for youth hostels or other types of accommodation, but there would be the same rate for hotels that have between one star and five stars.

Ivan McKee: Okay. So a flat rate rather than a percentage rate is normal.

Tim Fairhurst: There is quite often a flat rate that is banded according to the class of accommodation, but there is a nuance there. Be aware that that can create perverse incentives to qualify to be a lower class of accommodation. Star ratings are a little anachronistic in some ways, but there are quite rigid rules. If a hotel in Spain does not have heating, it cannot be a certain category of hotel, but who cares about that in the summer? It might be in an accommodation provider’s interests to say, “Oh, we are a hostel. We are definitely a hostel.” It might be a really nice hostel, and it might just have managed to fall below the line because of a quirk in the definition. That is a reason why percentages are easier and ignore those sorts of strange demarcations.

The Convener: I have a couple of questions. Why did Amsterdam have the percentage and the cap? On star ratings, would bed and breakfasts and short-term lets have to become part of a star rating system?

Tim Fairhurst: I will answer the second question first. If the approach were just on a percentage basis, you could ignore that. I am sure that people will have their own experiences. What is meant to be objective is far from it. Someone can have very expensive three-star accommodation or ask why five-star accommodation is very cheap. People might be trying to fill the rooms. It does not make much sense. The rate really ought to relate to the value of the overall transaction.

Why did Amsterdam end up having two versions? Again, we have to speak carefully, and this is our understanding of why certain decisions were taken. Currently, Amsterdam has a coalition Government, and the coalition is not always an easy one. There are different views. Does the decision of whoever happens to be in charge of that particular bit of the council hold sway?

A gentleman called Udo Kock, who used to work at the International Monetary Fund, was the finance wethouder in Amsterdam. He introduced that. It was straightforwardly to raise revenue, because Amsterdam has a lot of visitors and that involves a lot of costs. There was no hiding from that. It was not just about overnight taxes; there was a tax on tours and activities. There was a charge for guided canal visits, visiting cultural sites and so on. There were very clear and bizarrely precise forecasts of how much money would come in. There would be €105 million from that.

This is speculation on my part—Simon Smith might have solid knowledge of this—but, if people say, “We want to get revenue,” there will be some certainty if a flat rate is used because they will know what the volumes are. If you know that bed nights in Amsterdam are 15 million or 16 million—the figure is heading up towards 20 million now—and the rate is X overnight, that helps from a budgeting perspective. However, if the rate is a percentage, people suddenly need to know a lot more about hotel yield management and how pricing varies because they will not know what they are going to get. It depends on how much they can charge for the room on any given day.

I do not know whether we have any solid knowledge of that, but I guess that, for Amsterdam, there was the combination of budgetary certainty and a percentage rate not being quite as regressive, which is the reason why such a rate is better. I would think that there was an iterative approach and Amsterdam ended up there, but it is looking at potentially 12.5 per cent and getting rid of the flat rate next year because of

the complexity, and Amsterdam probably has a better handle overall of what revenue there will be. However, I do not know whether we have solid knowledge of that.

Simon Smith: Amsterdam used to have a percentage rate, as has been highlighted, with children being exempt from the fixed rate. My understanding is that there were two different rates because of the exemption for children. We have not seen in detail how children will be affected by the proposed approach next year. We expect a vote in the city council next month. We know from the budget that it would like to increase the tourist tax.

Mark Griffin: I had a question about the interaction between VAT and tourist levies, but I think that it has been covered in previous answers.

Marie McNair: The committee is interested in tourist tax exemptions that are in place across Europe, whether they are determined nationally or locally, what type of stays or guests are exempt and how accommodation providers and local authorities check to ensure that exemptions claims are legitimate.

Simon Smith: I can answer that. First, I will touch on reductions. We see reductions throughout Europe, but it is not one size fits all. For instance, sometimes a child of a certain age might pay a lower rate, and sometimes you might pay a lower rate in low season, for instance. Those are two key examples.

Tim Fairhurst: Is that for anyone, not just a child?

Simon Smith: Yes. It is for anyone in low season.

Tim Fairhurst: I think the question is about exemptions as well as variations, so perhaps we should just split those two.

Simon Smith: An exemption for children is a quite widely known type of exemption, as is an exemption for those who are usually resident in the municipality. Another key exemption is for business travellers. The purpose of visits sometimes gets split up, so if you are attending an authorised event, that is slightly different. Exemptions would generally apply to business travellers in Germany, and I think that Milan gives exemptions for events there.

When we do our research, we predominantly look at the visitor, and there are loads of exemptions for, say, medical or military personnel, or for people who are staying for medical reasons, and we do not monitor those. We mainly monitor how that affects our members, who deal with business and leisure travellers. I would be happy to share our database after the meeting so that you can see that.

We have responded to the Welsh Government consultation, and I know that Wales is looking at taking a simpler approach. When we spoke to the Scottish Government's visitor levy team, we found it was more interested in actual exemptions and any reductions. I think the original proposal from Edinburgh was not to have any low seasonality; it was to set a fixed rate for throughout the year.

Tim Fairhurst: Are there not limits of up to a week and then no more in some places? There is a maximum number of nights.

Simon Smith: Yes. Italy would be a good example of where there is a maximum number of nights but that number does vary from three up to seven nights, or even 10 nights.

Marie McNair: How do local authorities and providers check that exemption claims are legitimate?

Simon Smith: Generally, the law would explain that. What is classed as a school trip is a key example of that, as is a trip for medical reasons. Disabled people are sometimes excluded. Generally the law set out how to prove an exemption claim is legitimate. Sometimes it could be a letter, so in the case of business travellers, an invitation to a certain meeting or to an event, for instance, would be a key example of proving an exemption.

Marie McNair: Thank you.

Pam Gosal: Given the administrative burden that this scheme will have on businesses, and its cost, some wish for consideration to be given to enabling providers to retain or claim a proportion of the levy to manage administration of it. Are there any instances in Europe of businesses using the proceeds from tourist taxes to offset expenses associated with collecting, remitting and reporting levies?

11:45

Simon Smith: I have seen that. I could not give examples because we generally just skim the law to find the rate, but I think that Edinburgh's example was that the accommodation provider could retain a certain percentage and then pass on the rest. When the law is introduced, sometimes it is the accommodation provider who is the liable person, which helps with the levy's collection.

Tim Fairhurst: Are we aware of any examples of the law allowing the accommodation providers to retain part of the tax in continental Europe?

Simon Smith: I could not give any offhand but I think there could be examples.

Tim Fairhurst: Could we get back to you on that?

Pam Gosal: Could you, please, because that is quite important?

Simon Smith: Yes.

Ivan McKee: My question is about the uses that the revenue generated by the levy is put to. The draft bill says that the levy would be spent on

"developing, supporting and sustaining facilities and services which are substantially for or used by persons visiting"

the scheme area

"for leisure purposes".

How does that compare with any limitations that are in place in other countries or areas in Europe? We have had debates about the extent to which use of the revenue can be constrained. Also, the draft bill talks about leisure purposes here but it should also include business purposes. Any examples would be helpful.

Tim Fairhurst: Yes. There will be lots of devil in those details. In general, those are the sorts of things that people spend money on but some countries have limits on hypothecation, so if there is revenue, it is just revenue and the Government gets to decide what to do with it. Governments do not necessarily have the ability to ring fence revenue, so that is just general tax law. If ring fencing is allowed, it is generally for the sorts of purposes that we have described.

One area where there is a range of things is whether it makes sense to use that revenue for tourism promotion. Again, what counts as promotion?

A good example of Europe versus the rest—and it is not so much a tourism tax but it is a tax on visitors—is the approach to visa waivers. If you go to visit America you get an electronic system for travel authorization, or ESTA. Some of that money is hypothecated to USA tourism promotion. So if you are a visitor to the States, you are contributing to attracting yourself to the States. We are not here to be prescriptive but that is probably the only thing we would be hesitant about because, in a sense, you would be imposing a tax burden on the person who is actually doing the thing you want them to do, which is visiting Scotland, which seems a bit obtuse. In Europe, when the European travel information and authorisation system is rolled out in spring 2025, that is at a much lower rate of €7 and that is just to cover the cost of doing ETIAS, or that sort of visa waiver thing. We endorse that approach and we supported it when there was a chance.

As described, I agree that "leisure" might be the tricky word there because it can be counterproductive to say there is one tribe of people called visitors and another tribe called residents. A good place to live is often a good

place to visit and you will want to maximise the mutual benefits. Leisure is undertaken by residents as well as visitors, so taking as holistic an approach as possible so that the end result is destinations that are good places to visit and good places to live and work is what you are trying to achieve and that will create a sort of virtuous circle.

After listening to a bit of the previous session, I think the way local discretion is exercised, the degree of engagement and interest in what we going to do with the money, and what success will look like mean that it would be desirable to share good practice and ideas, and to treat the whole thing as a laboratory.

Simon Smith: Some revenue is put towards tourist boards' budgets. Croatia is a good example of that, where they set a percentage of the revenue collected and decide how it is used by the national tourist organisation and the destination authority.

Tim Fairhurst: Just to give a bit of reality to the economics—and this is also a before and after the pandemic question—lots of local tourism offices used to be funded by things like city cards. If revenue just came from stuff that got bought and there were no visitors, the revenue fell off a cliff.

The subject of tourist board funding models is outwith our competence and interest today but it is certainly a legitimate part of the debate, because these days, those bodies are not predominantly about promotion but about trying to play a role in overall destination management. I believe that is the holistic approach that VisitScotland would endorse.

Ivan McKee: Thank you. It would be nicer if we could tax people for not visiting Scotland.

Tim Fairhurst: Absolutely.

The Convener: Thank you. That concludes our questions. It has been very helpful to have your insights of what is going on in Europe, so thanks so much for your evidence today.

Tim Fairhurst: We are very happy to receive written follow-up questions and provide whatever detail we can if we fell short today.

The Convener: You were going to send something to us in response to Pam Gosal's question.

We will continue to take evidence on the bill at our next meeting, when we expect to hear from representatives of the tourism industry.

We previously agreed to take the next items in private so, as that was the final public item on our agenda for today, I now close the public part of the meeting.

11:51

Meeting continued in private until 12:13.

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