Scottish Parliament Devolution (Further Powers) Committee

6th March 2015

“Our Vision is that by 2020, Scotland is a destination of 1st choice for a high quality, value for money and memorable customer experience delivered by skilled and passionate people.”

Old Town Jail, St John Street, Stirling, FK8 1EA

t 01786 459235  f 01786 451037  e mail@stalliance.co.uk
www.scottishtourismalliance.co.uk

company registration No SC214303  VAT No 894056396
## Contents

1. **Scottish Tourism industry & the STA**
   1.1 **Key Facts - The Scottish Tourism Industry**
   1.2 **The Scottish Tourism Alliance**

2. **Smith Commission & Command Paper**
   2.1 **Future Opportunities - 2014 and beyond - The future in Scotland’s hands**
   2.2 **Air Passenger Duty**
   2.3 **European Commission – "A Place for Scotland at the EU Tourism Table"**
   2.4 **Scottish Tourism "A Local Speciality"**
   2.5 **Powers to Remain Reserved to Westminster**
   2.6 **Tourism VAT**

3. **Priorities for Consideration**
   3.1 **The Job in hand – maintaining momentum**
   3.2 **Air Passenger Duty- delivering the promise**
   3.3 **European Commission – a place for Scotland at the table**
   3.4 **Tourism VAT- an uneven playing field for Scotland**
   3.5 **Other priorities- levers for growth**
   3.6 **reserved matters**
1 SCOTTISH TOURISM INDUSTRY & THE STA

1.1 KEY FACTS - THE SCOTTISH TOURISM INDUSTRY

The Deloitte report - entitled ‘Tourism: jobs and growth’ - was commissioned by VisitBritain and published in November 2013 highlights:

- Scotland's visitor economy in 2013 is worth circa £11.6bn, equivalent to 10.3% of Scotland's GDP.
- Scottish tourism supports almost 350,000 jobs, which is 58,000 (+16%) more than in 2013.
- Spending by tourists in Scotland generates £10 billion of economic activity and the wider Scottish supply chain contributes £5 billion to Scottish GDP (in basic prices).
- There are more than 21,000 businesses in the sector growing to possibly 60,000 by 2025.
- Growth in the tourism sector has been faster than manufacturing since 2010.
- Tourism export value to Scotland could grow from £2bn in 2013 to £5.2bn by 2025.
- Subject to the right conditions being put in place Scotland has the potential to double its worth to £23.1bn by 2025.
- Circa 10% of the workforce in Scotland is employed in the tourism sector and this is as high as 15% in rural parts.
- 80% of tourism business operate in rural areas and provide the lifeblood to the rural economy.
- 2014 Facts.
  - Visitors increased by 32%, which led to an 18% growth in expenditure.
  - Office for National Statistics show that North American visitor numbers rose sharply from 385,000 in the year ending in June 2013, to 510,000 in the following year.
  - Overall, overseas tourist visits increased from over 2.2 million to almost 2.6 million in the year ending in June 2014.
  - Spending by overseas visitors rose from £1.5bn to more than £1.6bn in 2014.
- DCMS has cut the funding of VisitBritain for 2014/15 by 5%. A Deloitte study in 2010 estimated travel and tourism contributes 9% of UK GDP and is responsible for 2.6 million jobs. However, the sector receives just 3% of the DCMS budget. Scotland suffers as a result.
1.2 **THE SCOTTISH TOURISM ALLIANCE**

The Scottish Tourism Alliance (STA) is the Industry Leadership Group for tourism and the leading voice for the tourism sector in Scotland.

The STA evolved from the Scottish Tourism Forum which was established in 1998 to act as the ‘voice of the tourism industry in Scotland’. Formed in March 2012, the STA has gone from strength to strength and grown from 90 to 252 member bodies which in turn represents 75% of 21,000 tourism businesses and has been given the authority to lead on industry matters by both the public and private sectors.

2 **SMITH COMMISSION & COMMAND PAPER**

The industry submitted to the Smith Commission the following summarised points:

2.1 **FUTURE OPPORTUNITIES -2014 AND BEYOND- THE FUTURE IN SCOTLAND’S HANDS**
To provide Scotland with the financial and tax raising powers and to review and address any disconnections and under-support of Scottish tourism with UK Govt, VisitBritain and European Commission.

2.2 **AIR PASSENGER DUTY**
The Scottish Tourism Alliance believes that there is a strong case for the devolution, and significant reduction of the rate, of APD to support tourism and wider economic growth.

2.3 **EUROPEAN COMMISSION – "A PLACE FOR SCOTLAND AT THE EU TOURISM TABLE"**
Scotland to sit at the European Tourism Council (ETC) so as to better access European led interventions appropriate to the Scottish economy. To foster closer relationships with the ETC and so influence future policies.

2.4 **SCOTTISH TOURISM "A LOCAL SPECIALITY"**
A commission is established to review and make recommendations around the future of local interventions and to create a roadmap and framework for tourism growth.

2.5 **POWERS TO REMAIN RESERVED TO WESTMINSTER**
The STA submitted a range of matters that should be reserved to the UK Government in the interests of maintaining comparability, equity and competitiveness between tourism businesses in Scotland and in other parts of the UK. See 3.6
2.6 **Tourism VAT**

The UK (and Scottish) tourism industry has long been concerned at the competitive disadvantage which it faces as VAT is applied to tourism in the UK at the standard rate, currently 20%. The ability of member states to vary application of VAT levels is not being used at UK level to benefit the tourism sector so making the Scottish industry less competitive to other European states.

### 3 Priorities for Consideration

In general the industry is content with the direction of travel between the Smith Commission and the resulting Command Paper. There are however a number of key issues that the industry wishes the Committee to consider, namely:

#### 3.1 The Job in Hand – Maintaining Momentum

In 2013 the industry and Scottish Parliament endorsed the TS2020 strategy. An enormous amount of work was undertaken to bring the industry and public sector stakeholders together to forge the strategy and growth ambitions through to 2020. The core of that strategy supports national economic growth ambitions by an industry that accounts for 10.3% of national GDP and in some rural areas 15% of the workforce and is arguably Scotland’s most sustainable industry.

The STA highlights to the Committee that Tourism remains a core industry to the Scottish economy. Every effort must be made to ensure that the eye is not taken off the ball and strategic development continues at a pace despite the current political landscape. The industry has come off the back of a hugely successful 2014 and every effort must be made to maintain that momentum.

Investment and support in the industry must continue despite a political backdrop of: Referendum, Smith Commission, Command Paper, Westminster Elections and 2016 Holyrood elections.

**Action:** Ensure momentum, investment and decision making is maintained throughout the coming two years so supporting what is seen as Scotland’s most sustainable industry.

#### 3.2 Air Passenger Duty – Delivering the Promise

The power to charge tax on passengers leaving Scottish Airports is to be devolved to the Scottish Parliament. APD is seen as a potential lever for growth and is recommended by the Smith Commission and in the Command Paper.

We seek early discussions with the Scottish Government around the design and implementation of a suitable working arrangement for Scottish APD. A working agreement and understanding is required in light of the statement within the Command Paper around; ‘recompense to the UK government should it be ‘turned off.’

---

Page 4 of 8
In addition there is recognition of the need to align infrastructure investment with the development of policy around APD in Scotland.

Action: A working group made up of the Parliament and industry is established to oversee a workable, effective and timeous transparent, implementation plan around a ‘new deal’ for APD in Scotland.

### 3.3 **European Commission — A Place for Scotland at the Table**

Whilst foreign affairs is a reserved matter the Command Paper section 31 outlines the need for open consultative approach by the UK Government around EU matters that hold a direct impact on devolved powers. The Command Paper recommendations go as far as saying Scottish Ministers should attend EU Council of Ministers meetings in appropriate circumstances. Bearing in mind the importance of tourism to the Scottish economy every effort must be made to ensure the industry does not continue to be put at a disadvantage as it currently is:

The European Commission outlines the following objectives:

1. **Strengthening trans-national cooperation with regard to sustainable tourism**
2. **Encouraging a higher involvement of small and micro enterprises and local authorities;**
3. **Stimulating competitiveness of the tourism industry by means of an enhanced focus on the diversification of sustainable thematic tourism products.**

At an STA Open Meeting in Stirling on 8th October 2014 attended by 250 industry professionals Francesca Tudini (Head of Policy European Commission Tourism Policy Unit) made a speech outlining several interventions supporting the above policies, none of which are visible here in Scotland or to the STA:

1. **Destination Support:** financial grants and business support. Given the upheaval and lack of a framework for destinations across Scotland such funding support is vital.
2. **Destination Measurement Tool** being reviewed to provide benchmarking between destinations.
3. **Small business digital support.**
4. **Support around a ‘Charter for Responsible Tourism.’**
5. **Euro marketing campaigns to key emerging markets (China especially)**
   - [www.visiteurope.com](http://www.visiteurope.com) as a ‘go to’ website when they promote Europe through their campaigns.
Action: Press for clarity with UK Government around Scottish ministerial attendance at EU Council of Ministers meetings with the express aim of securing a permanent place at the European table for Scotland, in what is a fully devolved matter. Such an action will lead to Scotland maximising interventions currently being missed. The Command paper is not clear in this regard.

3.4 TOURISM VAT- AN UNEVEN PLAYING FIELD FOR SCOTLAND

Not a devolved matter nor is it proposed to be within the Command Paper. Research carried out between 2011 and 2012 by Professor Adam Blake, a Treasury adviser, using the core of the Computable General Equilibrium (CGE) model in use by HM Treasury found that a reduction in VAT charged on tourism would be revenue neutral and contribute £3bn to the UK economy, gradually reducing thereafter. The UK Government’s own model also shows that a reduction in VAT on visitor accommodation and attractions is a far more efficient way of generating jobs and growth through the UK economy than any other measure including reduced Corporation Tax, lower fuel duty or a reduction in the general rate of VAT.

Our industry is at a disadvantage to other European member states as exampled:

- UK is one of only two EU states not to take advantage of a reduced rate of VAT on visitor accommodation.
- UK is one of 14 EU countries that apply the full rate of VAT on admissions to amusement parks.
- The UK is the only major tourist destination in the EU not to benefit from a reduced rate of VAT for tourism.
- Tourism is the only export industry in the UK which is subject to VAT with the majority of visitor expenditure being liable for the tax.

Action: Together with industry bodies the Scottish Government must continue to make representations to UK Government to reduce VAT rates across the UK on tourism accommodation and visitor attractions so as to maintain a competitive position alongside other European destinations.

3.5 OTHER PRIORITIES- LEVERS FOR GROWTH

Within devolved powers there are a number of key priorities that, whilst devolved, have an intrinsic and interconnected relationship with the UK government policies.

- **Sustained support and budget for VisitScotland**
  - DCMS funding for VisitBritain funding is reducing resulting in less reach to critical emerging markets. Every effort must be made to support and invest in the marketing resources within VisitScotland so as not to lose ground in these key emerging markets.
  - VS needs adequate resourcing for marketing to other / traditional international markets and, importantly, the critical UK market.
• Continued investment in skills
  o National skills initiatives operate across the sector (ie People 1st) it is however essential that bodies such as Skills Development Scotland is resourced to help meet industry demand required to meet growth targets whilst maintaining UK wide connections with training schemes.

• Continued investment in infrastructure –
  o Transport connectivity.
  o UK wide smart ticketing across multi modal travel providers.

• Digital connectivity
  o Comprehensive mobile and broadband platforms are essential for future competitiveness and growth.
  o Every effort must be made to support investment to open up rural areas and provide cities with ‘digital blankets’.
  o Cross UK working is required to maximise the pressure on mobile companies to enhance service cover to rural areas that are currently poorly served so slowing the tourism economy. Visitors’ ability to spend and buy is curtailed by poor mobile signal.

• Ongoing easing of regulatory burden on business
  o Parity of treatment across the UK so creating a level playing field.
  o Prioritise growth in all policy decision making so supporting the industry, investment, young people, skills and the attractiveness of the industry as a place to invest.

Action: To main a focus and watching brief on UK-wide matters that are devolved and not simply chasing a ‘Scottish solution.’ Working on a UK wide approach will on the above matters will bring about better and more advantageous outcomes for the Scottish tourism industry.

3.6 RESERVED MATTERS

The following matters should be reserved to the UK Government in the interests of maintaining comparability, equity and competitiveness between tourism businesses in Scotland and in other parts of the UK. These are:

• Immigration policy and visa controls;
• Health and Safety Regulation;
• Employment Law;
• Excise and fuel duties;
• National Minimum Wage (Low Pay Commission)
• Competition regulation;
• Financial regulation;
• National Insurance and pensions.
• Parity of business rate poundage between Scotland and the rest of the UK.

End