



OFFICIAL REPORT
AITHISG OIFIGEIL

Culture, Tourism, Europe and External Affairs Committee

Thursday 13 September 2018

Session 5



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CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE
22nd Meeting 2018, Session 5

CONVENER

*Joan McAlpine (South Scotland) (SNP)

DEPUTY CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

COMMITTEE MEMBERS

*Annabelle Ewing (Cowdenbeath) (SNP)

*Kenneth Gibson (Cunninghame North) (SNP)

*Jamie Greene (West Scotland) (Con)

*Ross Greer (West Scotland) (Green)

*Stuart McMillan (Greenock and Inverclyde) (SNP)

Tavish Scott (Shetland Islands) (LD)

*Alexander Stewart (Mid Scotland and Fife) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Councillor Jenny Laing (Aberdeen City Council)

Councillor Bill Lobban (Highland Council)

Councillor Gail Macgregor (Convention of Scottish Local Authorities)

Councillor Adam McVey (City of Edinburgh Council)

CLERK TO THE COMMITTEE

Stephen Herbert

LOCATION

The Sir Alexander Fleming Room (CR3)

Scottish Parliament

Culture, Tourism, Europe and External Affairs Committee

Thursday 13 September 2018

[The Convener opened the meeting at 10:00]

Interests

The Convener (Joan McAlpine): Good morning and welcome to the Culture, Tourism, Europe and External Affairs Committee's 22nd meeting in 2018. I remind members and the public to turn off their mobile phones; members should please ensure that any electronic devices that they are using to access committee papers are switched to silent. We have received apologies from Tavish Scott.

Agenda item 1 is a declaration of interests. I welcome Annabelle Ewing and Kenneth Gibson, who have been appointed to replace Mairi Gougeon and Richard Lochhead as members of the committee. I invite Annabelle Ewing to declare any interests that are relevant to the committee's remit.

Annabelle Ewing (Cowdenbeath) (SNP): I am not entirely sure whether this is relevant but, to adopt a belt-and-braces approach, I say that I am a member of the Law Society of Scotland. I hold a current practising certificate, albeit that I am not currently practising.

The Convener: Does Kenneth Gibson have any interests to declare that are relevant to the committee?

Kenneth Gibson (Cunninghame North) (SNP): I have nothing to declare.

Transient Visitor Levy

10:01

The Convener: Item 2 is an evidence session with the Convention of Scottish Local Authorities and local authority representatives on proposals to introduce a transient visitor levy—perhaps better known as a tourist tax. This is the committee's first evidence session on the levy and we will have an evidence session with tourism industry representatives in due course.

I welcome our witnesses: Councillor Gail Macgregor, resources spokesperson for COSLA; Councillor Bill Lobban, convener of Highland Council; Councillor Adam McVey, leader of the City of Edinburgh Council; and Councillor Jenny Laing, co-leader of Aberdeen City Council. Thank you for coming to speak to us.

Before we get into the detail, I ask you to say briefly—perhaps in a couple of sentences—whether you support a transient visitor levy.

Councillor Gail Macgregor (Convention of Scottish Local Authorities): On a personal level, I will make no comments. I am representing the 32 local authorities, which have unanimously agreed that we should pursue a transient visitor levy.

Councillor Bill Lobban (Highland Council): I personally support a transient visitor levy.

Councillor Adam McVey (City of Edinburgh Council): The City of Edinburgh Council has had a long-standing commitment to a transient visitor levy. I would like to think that, in the past year, my administration has taken a slightly more business-case-led approach, compared with what has traditionally been a campaigning approach. Our council has had long-standing support for a levy in our programme and, in the past few months, the council has overwhelmingly passed a paper in support of a levy in principle, which included a process to take it forward.

Councillor Jenny Laing (Aberdeen City Council): Like Edinburgh, Aberdeen City Council has been looking at a levy for some time. We had it in our statement of intent when we went into negotiations with the Scottish and United Kingdom Governments back in 2015. We have brought to the council reports on aspects of what a levy might look like, and we brought it to the Scottish cities alliance as well. Other city councils have also come on board.

The Convener: Thank you. I thank those of you who submitted written evidence, which is useful.

Why is a transient visitor levy needed, how much would it raise and how could it be collected in practice?

Councillor McVey: In Edinburgh, the scale of funding would be about £11 million. That might not seem like a lot in the grand scheme of a £1 billion budget but, if we think of another key pledge that we are trying to achieve, which is to build 20,000 affordable homes, that will bring in council tax revenue of £20 million to £25 million. If we put a transient visitor levy in the context of the council tax revenue from building 20,000 homes, it starts to look like a significant amount of money.

The crucial thing for Edinburgh is that a levy would provide additional funds that could go towards addressing the city's additional pressures, costs and aspirations in relation to tourism and the hospitality sector. We have one of the most vibrant hospitality sectors anywhere on the planet. It is fantastically successful and it is sustained by a fantastically successful tourism industry, but we would be kidding ourselves if we said that that did not come with significant pressures, which have a cost—for example, it costs £1.5 million just to keep the city centre clean and to empty bins during the summer, and we put millions of pounds into supporting the festivals through that period. Additional pressures come with that success.

It would be fairly crass and fairly wrong of us to start setting budget decisions on continuing the support that will enable us to continue such growth and success against decisions on areas such as health and social care and education. That would not be appropriate.

A levy would provide a way for us to find additional revenue to sustain a crucial and hugely successful part of Edinburgh's economy. Fifteen to 20 years ago, such things were not in the condition that they are in now—we can track Edinburgh's unemployment rate and elements of success such as inward investment, a lot of which is going into hotels that are being built in the city. Everything is garnering more and more success, but we need to find a way of sustaining that. As the council leader, I do not want Edinburgh to be in a position where anything threatens the growth, success and vibrancy in our economy and culture.

The Convener: Councillor Laing, does Aberdeen take a different approach?

Councillor Laing: Edinburgh and probably the Highlands are looking to sustain the tourism that they have, but Aberdeen is slightly different, because we are looking to build up our leisure tourism. Hotel occupancy and other aspects have in the past been dominated by the oil and gas industry, which has block booked. When the downturn took place, occupancy rates reduced so, as part of our regional economic strategy, we looked to diversify our economy—the committee will not be surprised by that—and tourism is a main element of that. We are trying to build up leisure tourism.

We need to invest and, as a local authority, we have led the way on major investment in infrastructure—I am thinking about our £30 million in Aberdeen art gallery, and the new event complex Aberdeen, which is a £330 million exhibition centre. We also support various cultural events in the city, such as the great Aberdeen run, Nuart Aberdeen and SPECTRA.

We understand that we need to invest to achieve the economic growth but, as a local authority, we are dealing with the same pressures as Edinburgh—and, I would argue, a little more, as we are the lowest-funded council in Scotland. My grant is probably on a par with that for the Western Isles, which has a tenth of Aberdeen's population, so we have to look for innovative ways to ensure that investment continues in the city of Aberdeen to support leisure tourism and other sectors. We believe that a levy would provide a way to raise revenue locally that could be ring fenced and invested in the areas that will help us to support leisure tourism.

The Convener: Councillor Lobban, your authority is very different from the city authorities. Does your approach differ?

Councillor Lobban: Our approach might be slightly different from that of the major cities, but we have the same sorts of problems. We have not yet formally considered whether we should have a transient visitor levy, but there is massive cross-party support throughout the Highland Council chamber for introducing what everyone now calls a tourist tax.

Tourism is our main industry, which is unlike the position in other areas of Scotland. Tourism brings £1.2 billion per annum to Highland; we get 6 million visitors and tourism supports 20,000 jobs. Increased tourism is bringing pressures on our infrastructure—including roads, parking and public toilets—at a time when council resources are challenging. It is therefore difficult to sustain tourism funding alongside the breadth of essential services that the council has to deliver, such as children's education. We cannot spend money just on tourism in preference to something else.

Our infrastructure is deteriorating, which will lead to a negative impression that causes reputational damage. The tourism sector is highly competitive and it needs to improve constantly to keep pace with the rest of Europe.

We face similar issues to the rest of Scotland but, in the cities, 50 per cent of people come to look at the view, whereas that figure is 87 per cent in Highland. There is a massive difference, despite our similarities.

Issues with facilities that we provide, such as parking, are exacerbated by tourists. In some areas, our roads have more traffic from tourists

than from residents. That makes an immense difference as, in effect, the residents pay for the tourists, who do not provide us with the income.

We need to increase sustainable resources and move to a more dependable and long-term solution for funding that supports our tourism sector and creates a higher-quality visitor experience; otherwise, we will run the risk that visitors will not come back. Council budgets are so constrained now that the only way of delivering additional resources is to look at alternative means of funding.

Many other countries in Europe charge a visitor levy. Just a few days ago in Paris, I paid a levy of €2.53 per person per night. Did that stop me going there? No. I do not accept the argument that visitors will be deterred from visiting the Highlands if we charge them a £1-a-night bed levy. The Highlands have some of the best food, the best accommodation and the most magnificent scenery in the world, but all that can come to nothing if a tourist loses a wheel off his car or has to go to the toilet behind a bush.

The growth in tourism is very welcome, but we are looking for some other way of funding support for it.

The Convener: Following on from that, Councillor Macgregor, the tourism sector has said that, yes, of course it is a great success story, but we have to be careful of biting the hand that feeds us. The point that it makes is that the level of VAT charged in the UK is higher than that charged in other countries and, therefore, the tax burden on the industry would be far greater if a transient visitor levy was imposed.

Councillor Macgregor: The key thing is that we consult with all stakeholders. The tourism industry is engaging very strongly, certainly with Edinburgh, Aberdeen and Highland, and we need to take it with us and allow it to appreciate the benefits that could come from the levy.

The reality is that it is very much about local consultation, so there will not be one size that fits all 32 local authorities. It will be very much down to local consultation between individual councils and their stakeholders: their partners, businesses and local population. The driver for that has to come from the pressures that Adam McVey highlighted and the issues that Jenny Laing highlighted. There are certainly massive pressures in Highland.

It has to be locally led. If we have appropriate consultation with the tourism industry, and if it sees the benefits—such as car parks in the Highlands and other infrastructure changes that may enhance the visitor experience, and all the things that Jenny Laing has highlighted—going back into the community, I am sure that we can get its buy-in and take it with us.

That will be part of the conversation, of which we are in the early stages. A lot of work has been done behind the scenes and now we need to go out and consult with everybody, but that has to be local consultation done on a council by council basis, because this is not a one-size-fits-all situation.

Claire Baker (Mid Scotland and Fife) (Lab): Councillor McVey said that Edinburgh council did not want to do anything that would threaten the vibrancy of tourism in Edinburgh. We can see that tourism is a success story in Scotland at the moment, with increased visitor numbers.

I know that local authorities have done quite a bit of research into European comparisons and I think that the UK is one of only nine of the 28 European Union countries that do not have a tourist tax. Do you have any evidence of whether there has been a positive or a negative impact on any countries or cities that have introduced a tourist tax? The convener touched on the representation we have had from the Scottish Tourism Alliance. How would you respond to concerns that the tourism tax would have a negative impact on visitor numbers? Is that a justifiable concern?

10:15

Councillor McVey: I think that it is a justifiable concern for the industry, but it is a concern that is easily overcome. When we looked at the post-introduction impacts in other areas, we saw that they were negligible. We are talking about low single-digit percentages and an increase in demand. In Edinburgh, our tourism sector is growing each year. The number of people going through the airport is growing each year and the number of people wanting to stay in hotels is growing each year.

As part of our engagement with industry, we had a round table. One person in the industry—a revenue manager—said, “We need to be careful about the timing of this because, obviously, we are down this year on last year”. When we pushed her on that a bit, she said that she meant that the growth that she was experiencing in her room occupancy and her room rates had slowed. She was not saying that they were down. She was saying that the growth rate was down. Any low single-digit impact on tourist numbers in Edinburgh will be absorbed easily with one year’s growth, and that is what we are talking about.

I would make the argument very strongly that the £11 million—if it is around £11 million that we end up investing—will not only counterbalance that impact but help to sustain that level of success, because the threat to the tourism industry in Edinburgh is not a transient visitor levy

of a couple of pounds. The threat is that, frankly, the city could get to the point that it starts taking policy decisions to mitigate the impact not in terms of sustaining that success, but in terms of looking at the numbers. That for me, as someone who doggedly supports the industry in Edinburgh, is my main concern.

Claire Baker: Jenny Laing described a different set of circumstances in Aberdeen, which is trying to grow the tourism sector. However, you and Councillor McVey are arguing for the same solution. How would the tourism tax help with growing numbers when you are not experiencing the pressures of tourism numbers that Edinburgh is?

Councillor Laing: The argument is about devolving the powers. What will happen locally may vary depending on what the circumstances. As far as Aberdeen goes, I mentioned the dominance of oil and gas and the switch that we have had from business tourism to leisure tourism. We have seen a rapid reduction in our nightly room rates already, so we are much more competitive now than we were previously.

We are managing to attract tourists and grow the sector economically because we are investing in the tourism offering. Whether that is investment in marketing the place and what is on offer, including the events that will attract people, or investment in infrastructure, we have to raise that revenue in the first place. My concern, which I think is shared around the table, is: given that budgets are reducing year on year, how will local government be able to sustain that investment when our statutory duties are increasing and the revenue that we are taking in is reducing? There has to be local flexibility, which goes back to the wider argument around devolution of powers and local accountability of how money is spent. That aspect featured very much in our statement of intent for the city deal, in which we asked how we could provide local government with the levers to stimulate economic growth. Those levers are what will allow cities such as Aberdeen and others to be buoyant and make that investment.

On the levy putting people off, I do not see that it would do that at all. We have heard today that people will go somewhere and pay a levy—I have done it myself. The other argument is about the transient visitor levy coming on top of VAT. However, although other countries have lower VAT levels, when their VAT is combined with the levy, the amount is on a par with what the combined total of VAT and the levy that has been suggested here would be.

Local authorities would have the opportunity to spend that money locally on the issues that affect them, which might be different in Aberdeen from those in Edinburgh and the Highlands.

Kenneth Gibson: I have a question on the way in which the levy would impact across Scotland. In its submission, COSLA said:

“we need to be innovative about funding for public services.”

so it looks like as though the levy would provide additional money for public services. It also said:

“This is not a replacement for existing funding but will provide important additionality over and above existing funding streams.”

In paragraph 4, COSLA said:

“Non-Domestic Rates are not devolved to a local level.”

Non-domestic rates were pooled in Scotland because cities such as Edinburgh and Glasgow benefited disproportionately from rates. People from, for example, Glasgow, Inverclyde, North Ayrshire and North Lanarkshire spent their money in Glasgow, so it was decided to pool non-domestic rates so that the resources could be spread more evenly.

The issue that has not been touched on in any of the submissions is that although some local authorities such as, for example, Highland, Dumfries and Galloway, Aberdeen, and Edinburgh will probably benefit significantly from the levy, will North Lanarkshire, West Dunbartonshire or Clackmannanshire? The levy could create an imbalance in the resources available to councils. I am pretty sure that I know the answer to this question, but do you feel that there should be an element of pooling, as there is with non-domestic rates, or do you take the view that the issues of congestion in, for example, Fort Augustus, the Grassmarket, or Dumfries high street are for individual local authorities to resolve and, therefore, they should keep all the revenue from the levy? It seems that the levy would provide flexibility only for councils that already have a large tourist income coming in.

Councillor Macgregor: As I said, the important thing is local discretion. All 32 local authorities are very different and have different challenges, but we have areas that are incredibly pressured as a result of tourism, such as Edinburgh and the Highlands. The principle of the levy is to enable them to offset some of the pressures that they have as a consequence of tourism. It is incredibly important that local leaders and communities are able to decide to raise additional income that can then be spent directly in their communities to enhance the tourist experience.

In the other areas—it is probably circa 25-plus local authority areas—the levy may never be implemented, but we need to have the power to implement it if it would work for a local area. The pressures in Edinburgh are immense—you hear that if you speak to taxi drivers in Edinburgh, as I

did when I was coming here this morning—and therefore the pressures on the council are immense. Borders Council does not have the same pressure as a result of tourism. Argyll and Bute has a different type of pressure: it is not particularly hotel related or rooms based; it is more to do with use of roads and camping sites. The principle is about local consultation, local discretion and the ability, if it fits, to enable a local authority to levy a transient visitor tax. Indeed, the amount will be at the discretion of the local authority as well.

I do not think that there is any requirement to have a national pot as such. It would be very much down to local accountability: it would be, for example, Adam McVey's neck on the line at the next election if it did not work. The reality is that it is about local accountability and local consultation, and if the levy is going to work for an authority it should be able to implement it. If it is not going to work for an authority it simply will not implement it.

Kenneth Gibson: It is not about whether it will work, but whether an area has the tourists that will make it work. The point that I was trying to make is about the increase of disproportionality that we already have between prosperous areas and less prosperous areas in Scotland. I was wondering whether pooling would perhaps be a way of resolving that to some extent. Without pooling, some areas will not benefit.

I fully understand all the talk about pressures. You only have to walk up the Royal Mile any day of the week to see the number of tourists and all that—indeed, sometimes you cannot walk up the street, because of people buffeting you. That amount of tourism is a success and provides 35,000 jobs in Edinburgh. Colossal amounts of money come into Edinburgh through tourism. The levy would surely widen the gap between, for example, Edinburgh and surrounding authorities unless there was some kind of pooling. That is the point that I was trying to make.

People from West Dunbartonshire, North Lanarkshire and so on go on holiday to Edinburgh, the Highlands and other parts of Scotland and already spend some of their hard-earned money there, so I wonder whether pooling could perhaps be given further consideration.

Councillor McVey: It is a useful question. I want to make a specific point about the 35,000 jobs. In Edinburgh, the industry has not been good at doing the hard work in terms of skills generation, the communities that need access to those jobs the most and the highly transient workforce in the economy. With an additional £11 million, if the industry said that it would love a proper skills programme through which it could give more local people a career in the industry, we would be open to discussing that.

The question is really about the why. Why are we progressing the levy? We are not progressing it just so that we can get an additional £11 million in funding for our local authority. We are progressing it because we think that it is the best way of funding the continued success of the tourism industry. If we are going to pool the revenues, let us pool the costs.

The costs of sustaining that economy are on Edinburgh. If you asked my colleagues in Midlothian and East Lothian whether they wanted to start paying a bit more towards Edinburgh's funding of the festivals and Edinburgh's crowd management and place management, I am sure I know what their answer would be.

Kenneth Gibson: The income vastly exceeds the costs.

The Convener: We must move on, because other members want to ask questions.

Jamie Greene (West Scotland) (Con): I will try to keep my questions brief. Councillor McVey, in your submission you say that

"local authorities should have the power and discretion to raise additional income by levying tax, in addition to Council Tax and Non-Domestic Rates, on either resident, property owners or visitors in the local authority or within a discrete area of the local authority."

Which additional tax-raising powers are you thinking about?

Councillor McVey: I mean the transient visitor levy. Our programme for Edinburgh also contains the workplace parking levy, although we do not have the ability to levy that at the moment. Because of the way in which Edinburgh's transport system is structured, and because of the movement from the north of the city as well as the south-east and west, we are progressing with that to make sure that people make the right choices when they come into the city so that we can relieve traffic pressures. It will also give us the ability to take space away from cars across the city where possible and create more valuable space, whether it be for active travel or just general public space.

Jamie Greene: Thank you. I just wanted to clarify that.

What will you do with the money? For Edinburgh, £11 million is a relatively small amount of money in the grand scheme of things, and I suspect that there will be much less in potential intake in smaller local authorities that have fewer tourists. Will the money be ring fenced for reinvestment in the tourism industry, or will it be used to build affordable homes or fill in pot holes or for other infrastructure projects that should be funded from other areas of local authorities'?

budget, or will it just get sucked into the wider local authority budget and be seen as a top-up tax?

Councillor Lobban: Tourism is Highland's main industry. We estimate that a £1 a night levy would generate roughly £12 million. If we take that as revenue funding, it is £12 million a year. If we capitalise it, it would give us something like £120 million to spend on capital projects such as toilets, car parks, and roads and so on.

There are many things about how we should spend that money that we would wish to discuss with the public and the industry. There is a wide variety of projects but, basically, tourists use the same sort of facilities that the public do, while the public pay but tourists do not. It does not matter whether the tourist comes to Highland from North Lanarkshire, or from Spain or Switzerland. The simple fact of life is that the provision of such services costs money and we have to find a way of making the tourists happy to come and spend their money. For me, it is as simple as that.

Councillor Laing: As the information that we have supplied to the committee shows, when we have held discussions with various groups, it has always been said that we would look to ring fence the money specifically for the tourism sector and the investment we are making in the city in order to attract visitors.

We have almost £600,000 going into VisitAberdeenshire, which is there to promote the destination through marketing and various other aspects. We have money on top of that that goes into different events, but that money also levers in private investment as well as investment from our neighbouring authority of Aberdeenshire.

My concern is that the private investment is predicated on that investment being made by local authorities. It is therefore important to us, particularly as our budgets get tighter, that that money is available to invest in those areas because it would not just be the local government investment that could be lost; the investment from the private sector could also be lost.

10:30

Jamie Greene: It sounds to me as though there is some disparity around how each individual council would look to spend that money by reinvesting it in promoting the area, for example, or in marketing schemes. That sounds positive. However, if you are using it to reverse closures of public toilets or fix roads, one might suggest that those things should be being done anyway from existing budgets or by asking for more budget from elsewhere.

You talked about the idea that tourists do not pay for these things, but in your opening

statement, Councillor Lobban, you said that tourism brings more than £1 billion into the area, so would you not say tourists are already paying for these services with the additional income that they bring?

Councillor Lobban: There is no doubt that tourism brings additional income to tourist operators and so on. However, it does not bring additional income to allow a local authority to provide the services that we provide for tourists.

There are areas in Highland, such as the famous North Coast 500 road route, which have seen an exponential increase in the number of visitors. Highland Council is responsible for maintaining that road. It was maintaining that road in general in previous years for the use of local residents, whereas now it is being maintained for the use of massive numbers of tourists. I do not think that it is unjustified to expect the tourist to contribute towards that. It is also not unjustified that we would spend a lot more money in promoting the Highlands to bring in even more tourists. It is such an important subject to us.

Jamie Greene: It is no huge surprise that if you ask a local authority, "Would you like additional tax-raising power to generate more revenue?" the answer is, "Yes". I am not hugely surprised to hear that. However, if you ask business, especially small businesses that are actually generating revenue from tourism, they seem to be hugely against this prospect. Two thirds of respondents to a Federation of Small Businesses survey said that it would be negative to their business, and three quarters said it would have a negative effect on their business and on the general local economy. How do you respond to those businesses?

Councillor McVey: We have done quite a lot of work with the industry and we have had a very mixed bag of comments. We are doing a session today with the industry, including the FSB and the Association of Scotland's Self-Caterers, for example, on the mechanism that we would use. We heard very clearly from business that, if the amount that is charged is fairly small and it is easy to administer, a lot of the problems that some of the businesses fear actually dissipate. Our policy officers are working with the industry today to ask, "How do you want it best administered? What is easiest for your business so that the administrative burden is at an absolute minimum?"

To pick up on the FSB survey that you highlighted, one in four businesses that responded to that survey said that they support the levy. I think that is a pretty good starting point. When you ask any business, "Do you want to pay more tax?" the answer is usually no, but one in four businesses—

Jamie Greene: One in four say yes, but three in four say no.

Councillor McVey: In this case, one in four is quite a high rate of businesses willing to pay more. In the research that we have published today through our Marketing Edinburgh body, a vast majority of tourists say that they would be happy to pay the charge in Edinburgh. It is not often that you ask individuals whether they would be willing to pay more tax and they respond yes; that is especially true of tourists who are here for a couple of days or a week, but those people have responded in the affirmative to say they would be happy to pay.

On priorities, it is important to mention things like roads and public toilets. It is important to recognise that the priorities for local authorities, and for sustaining our public services for residents, could be different from those that are about sustaining and investing in our tourist economies. In Edinburgh, we are looking at some financial challenges—everyone is—and our decisions are being motivated by our guiding principles, which are an inclusive, fair economy that works for our communities. Obviously, the success of tourism plays a huge part in that but it is very difficult for a local authority to balance sustained investment for mass availability of high quality public toilets, for example, and social care services. It is a difficult decision process to be in, and the proposals speak to an alternative process, which I think sustains our success and gives us a revenue stream to invest in the future.

Ross Greer (West Scotland) (Green): I feel that we have almost skipped a stage in the debate. The first stage is about the principle of whether local authorities should have the ability to exercise this power before we can have a debate about whether any individual authority should exercise it. However, given that we are the tourism committee, not the local government committee, I suppose that that was inevitable.

Councillor Lobban has detailed the pressures on Highland Council in terms of roads, parking and public toilets. Can Councillor McVey and Councillor Laing detail the pressure on city councils, particularly in Edinburgh, where there is a unique situation? Is there a different kind of pressure on the services that you provide as a result of mass tourism, with Edinburgh being an international city?

Councillor McVey: Yes, absolutely. In place making and making our city just function as it should, managing that number of people takes an incredible amount of effort.

Not all of that effort is seen; it is not all particularly visible. Nevertheless, we need to provide additional support to the core services—

the services that people do not notice until the bin is massively overflowing, for example, or the bit of public realm control that people do not realise is needed until the city is absolutely swamped with pedestrians on a pavement that is 1.5m wide. If we are going to continue to grow and sustain the tourism industry and our tourist economy, those are the services that we need to put additional revenue towards.

A lot of that work is intangible and a difficult sell—I appreciate that it is a difficult sell to the industry as well—but it is absolutely crucial if we are going to increase the capacity of the city. I will give you just one example. We put £1 million of capital into our budget last year for a new venue in Leith Theatre. The motivation for that was to create a new, additional, vibrant cultural centre, and it just happened to be in my ward. This year, Edinburgh International Festival put on a programme there, which spread its cultural offering throughout our city. Such facilities are helpful if we are to grow our tourist numbers.

To continue to grow that success, it will be helpful to spread the impact across the city, but that will take additional investment. It will take additional capital investment, additional venues and additional revenue investment to best manage the spread of the visitor population. There are a whole host of costs, some of which are quite acute and some of which are not particularly visible.

Edinburgh faces a host of costs, some of which will be faced elsewhere, but I do not anticipate the roads of Edinburgh being necessarily the first thing that the revenue will be spent on. Industry may be telling us of other acute areas that it wants us to spend it on for the good of X and Y. It will be a very business-led and business case-led decision-making process.

Ross Greer: Let us move on to the mechanism. There are some unique challenges in local authorities. For example, Highland and Edinburgh face issues with short-term lets of the Airbnb model. Do you envisage a mechanism for collection that ensures that those who visit your areas and take short-term lets in that more informal economy pay the same rate as those who stay in a traditional hotel or bed and breakfast?

Councillor McVey: We have engaged directly with Airbnb, which is supportive of what we are trying to do. Such lets make up more than 50 per cent of the market in Edinburgh, so Airbnb has more than 50 per cent of the control, and it would be happy to apply a transient visitor levy. Nevertheless, the levy should be applied to the industry on a regulatory basis so that it is not reliant on Airbnb's good will, although we are very pleased to have that good will. The impact on that industry would be absolutely negligible and very easy to control through the booking platforms, but

I think that the levy must be applied on a regulatory basis. I should say that Airbnb is also taking part in our discussion today, in which we will discuss the mechanism.

Stuart McMillan (Greenock and Inverclyde) (SNP): Councillor Lobban, a few moments ago you mentioned the North Coast 500 and the additional tourist traffic on the roads. Does the additional revenue that comes in cover the cost of the maintenance of those particular roads?

Councillor Lobban: No, it does not. There is no contribution towards the additional road costs. There is obviously direct taxation—the VAT and so on that goes to central Government—but there is no direct input due to the additional traffic. Unfortunately, unlike some countries, we do not tax tourists to use our roads.

Stuart McMillan: Does the additional take that will come into the economy and the money that will be circulated around the economy in that particular part of the Highland area bring an economic benefit?

Councillor Lobban: It brings fantastic economic benefit. In other parts of Scotland, there are massive industries; in Highland, our massive industry is tourism. On that specific route, a small village of 100 or so people might be right next to a massive tourist visitor centre. We would not build a toilet for 150 or 200 people, but we would build one or keep one open for 50,000 tourists. There must surely be some way of tying the cost to the revenue, but, at the moment, I do not believe there is.

Stuart McMillan: Today's discussion has been about hotel beds. I represent Greenock and Inverclyde, where, in recent years, an increasing number of cruise ships have been coming in. Obviously, the folk who come in on cruise ships do not stay overnight. Have there been any discussions within COSLA about a mechanism that would include them? Could it be considered that anyone who disembarks from a cruise ship should pay some type of tourism tax comparable to the £1 on a hotel bed?

Councillor Macgregor: At the moment, we are focused on those local authorities that have done a lot of legwork and an awful lot of consultation to get to this stage. We are working on the principle of local discretion, so although a room-based model may suit Edinburgh, it would be down to your local authority to look at another model that would apply to the cruise ships that are coming in.

Local discretion is about local people making decisions for the betterment of their area—there is a similar issue in Orkney—and that is the beauty of the mechanism not being set in stone so that all 32 local authorities can either do something or do nothing. We are not going to have a model for

Aberdeen that is exactly the same as the model for Edinburgh.

In your area, there is a pressure because of cruise ships. Your local council could look at that and develop its own mechanism. It could consult on it and develop it further if required—if not, it would not implement it. We have different pressures inland and around the coast, but the key is to give local people the discretion to raise income to deal with those pressures in a way that is fitting for their areas.

Councillor Laing: I reiterate what Gail Macgregor just said. Local flexibility is very important, because there will be different circumstances in different places. I do not know whether you are aware of this, but a large harbour infrastructure investment is going ahead in Aberdeen, and one prime intention behind providing that deep water is to bring in cruise ships for the first time. We are looking at how we can shape that going forward. It is not our intention to levy any kind of tax on the cruise ships, because we do not feel that that would be the way to go for us at the moment. However, people in other places may feel differently about that.

It is about local accountability, and everybody who is sitting round the table understands that the legwork starts when the powers are granted to local authorities. I am certainly not going to introduce anything that will have a negative impact on the economic growth of my city and the region. I will not introduce anything that I do not feel can be fully embraced by business and, indeed, by residents in the city, because we are accountable to them. It is about our having the power to go forward with the negotiations and then shape things up so that they suit our local economy.

10:45

Stuart McMillan: Just to be clear, there are no pressures because of the cruise ships coming in. I warmly welcome them. My constituency office tends to be really busy when the ships come in, because it is an ideal location for them. The more ships that come in, the better.

I suspect that I know what the answer to this question is going to be from all four of you, but do you genuinely believe that local authorities are the best bodies to invest the money and any extra revenue that could be generated? Could it not go to a destination management organisation or some other organisation in the area to be invested in the tourism offer? As Jamie Greene mentioned, any investment could be badged as potentially helping tourism, whether it was investment in toilets, in roads or in whatever else. Are local authorities really impartial enough to make sure that any money is invested in the tourism offer?

Councillor Macgregor: Local authorities understand, through success, where the pressures lie at the moment, and it is usually incumbent on them to deal with those pressures. Some authorities are looking at having an overarching board or body to disperse the funds. I will let my colleagues from Edinburgh and Aberdeen talk about that, because they have done a bit of work on it.

We are talking about bringing in income to plug a gap that exists in local authorities' budgets at the moment. We simply do not have enough budget across the piece to provide all the services that we would like to provide. We now have a lot of statutory duties in education and social care, where we face massive pressures. This is an opportunity to enhance our local areas and do something to help them to flourish by bringing in a little bit of additional income and then making sure at the local level—because, yes, we do know best at the local level—that money is spent where it absolutely needs to be spent. If that was decided at a higher level, the money might not be spent where it needs to be spent.

Councillor McVey: We have done a lot of work on the governance of any scheme, and I have concluded that the council is the best place for the final decision to sit. However, we have explored how we can best engage with key stakeholders, the industry and the tourism sector to get the right actions from that investment. We have explored ideas using the Edinburgh tourism action group as a sounding board.

Let me be clear about why I do not think that the decision should sit with a body other than the council. Many of the pressures are certainly driven by the tourism industry and the tourist economy, but some of the biggest effects are felt by the residential population. There must be a balance. All actions will be about supporting and enhancing the success of the tourist economy, but not all will be exclusively for the tourist. Our actions will be about relieving and addressing the pressures so that we can continue to grow and sustain what is an incredibly vibrant part of our economy—that is the balanced approach that councils will take.

Councils understand best where the balance lies and where, for instance, they need to invest in new areas of tourism development. Craigmillar castle, for example, is not as accessible as Edinburgh castle and we might want to develop it as a tourism destination, to spread the benefit. Hotels in the city centre might have a vested interest in thinking that that would not be the best thing to do, so the council would be best placed to make the decision. Although, ultimately, there must be a strong input from the industry and from key stakeholders to make sure that their voices are heard in the process and that it is ultimately

additional funding for additional purposes, I think that councils are best placed to decide exactly what that funding is tailored to.

Annabelle Ewing: Good morning, councillors. Thank you for coming. We have been having a very interesting discussion. Reference has been made—by all of you, I think—to engagement, which is extremely important. I will quote from a letter that the committee received yesterday from the Scottish Tourism Alliance and UKHospitality. You will get to see the letter. On the subject of engagement, it says:

“Local authority interests have thus far failed meaningfully to consult with the industry on their proposals.”

Do you feel that that is a fair statement and that, notwithstanding your initial response, there may be more work to do on engagement?

Councillor McVey: I am aware the STA has made comments on Edinburgh's engagement, which, I have to say, I do not recognise. Members of the STA have sat on the round-table discussions that we have led, and the STA had a representative at the Edinburgh tourism action group just two days ago, at which one of my senior policy officers went through the proposals in detail in order to get feedback. If they sent that letter yesterday, I think it is unfortunate timing for them to put that in writing. I do not recognise that situation at all.

Our door has been absolutely open. As well as taking part in a round-table event, some of the organisations—for example, the Association of Scotland's Self-Caterers—followed the matter up with me directly afterwards. I had a meeting with them to go through some of the specifics and to hear their voices, their concerns and the issues they were bringing forward. I am more than happy to do that with anyone else.

There is a two-way process of engagement. Many people from the industry will take part in the event today and will help to shape the proposals. We require the industry to take part and engage. Nevertheless, there are people in the industry who think they can pretend that we do not exist, avoid engagement and make all this go away by refusing to take part in it, which is potentially an unfortunate route for some organisations to go down. We are absolutely keeping the door open and doing as much outreach as we can. The process that we have led today—in as much as it has been open and has tried to engage as many people as possible—has been an informal process of engagement to best shape our proposals.

The next phase will involve taking a report to the committee that I chair in the council, which will then lead a widespread consultation in the city. That will look to engage in a much more mass way

with literally every resident, every tourist who wants to take part and every person in the industry who wants to directly have their say on what we are proposing.

I do not recognise at all what those organisations have put in writing. The process that we have undertaken has provided plenty of opportunity to date and will provide a really robust opportunity for engagement as we start our consultation process.

Councillor Lobban: We are not as far down the line as City of Edinburgh Council—there is no doubt about that—but engagement with not just the industry but the public is fundamental to the whole process. We cannot take our proposals forward in any way unless we consult at every possible level. The next question for our tourism working group will be how we engage with industry and especially members of the public. It is quite simple: we cannot progress unless we consult.

As Adam McVey said, it is a two-way street. We have been in dialogue with some of our larger hotel groups, one of which already charges a bed tax that the owner donates to his own charity. There are differing opinions out there and we need to hear them.

Councillor Macgregor: As Adam McVey says, the local authorities that we are working with did an awful lot of the informal legwork, which was really important in shaping what we took to the council leaders a couple of months ago and the mandate that we were given to progress this. The press launch that took place a couple of months ago has ramped things up and means that we are now going into a far more formal process of consultation.

I assure the committee that I, too, do not recognise what is in that letter. COSLA met both those bodies over the summer, and they have both been invited to a round-table meeting at the end of the month. Up to June or July, a lot of work had been done by individual local authorities, but COSLA now has a mandate, with 32 council leaders behind us, and we will move to a far more formal process, ensuring that every stakeholder is consulted along the way. We have met those organisations and we will meet them again at the end of the month.

Councillor Laing: Like other local authorities, we have had informal discussions and meetings with the local representatives of the different bodies, and their views have been more positive than those we are hearing at a national level. They have come forward with issues and have told us where their concerns lie. As a local authority, we have looked at how the administration could work and have tried address those concerns. They have also raised the issue of the amounts of money that

might be involved, and that, too, has probably shaped the proposals we have brought forward. From our perspective, the local negotiations have been far more positive than the views that we are seeing in correspondence and that are coming out at a national level.

Those discussions have highlighted the fact, which was raised earlier, that there will be different circumstances in different places in Scotland. That is why we argue that it should be devolved to local authorities to determine whether they wish to use the power. That decision will be determined by what people in the local areas are saying, whether it be the business side or, indeed, the residents.

Annabelle Ewing: That is very interesting. There seem to be certain differences in view, but it is encouraging to hear you acknowledge that engagement is a key part of the process.

The submissions describe industry concerns about the interplay of the levy with the very high VAT rate on tourism imposed by the UK Government, which is on average double that of most other EU countries. What has been done, or what do you plan to do, to get evidence about consumer behaviour, perhaps drawing on international examples? It is the consumer who will pay the levy, but there seems to be an assumption about how consumers will behave. I would have thought that the likely impact of a tourist tax on consumer behaviour would be a key issue here.

Councillor McVey: In the research that Marketing Edinburgh has published today, 97 per cent of visitors to Edinburgh who were surveyed said that they would come back to Edinburgh if there was—

Annabelle Ewing: I am sorry to interrupt. It is all very well to take a survey of people walking along the high street in Edinburgh, but other countries that have introduced a tourist tax have presumably taken stock and conducted analyses of what impact, if any, there has been on their tourist numbers. Has any work been done in that regard?

Councillor McVey: Apologies. The research that I mentioned in my first answer shows that different places have brought in different rates. I was in Italy last week, where I paid four different tourist rates. One was €6 a night per person and another was €1.50 a night per person. However, the cumulative effect is in the low single digits—at the higher rate, we are talking about 1 to 3 per cent.

That is mirrored by the information that we got by asking people who are visiting Edinburgh. Interestingly, when you ask them whether they would come back if they had to pay £1 a night, almost everyone says yes. As you would expect,

when you start increasing that number it starts to affect demand. When you ask people, "Would you pay £10 a night?", the number starts to tail off. The rate has a clear impact on people's decision whether to stay in the city.

I agree with the subtext of your question. There has to be a business case-led process to find the price elasticity in the levy and ensure that we pick a number and a regime that do not negatively affect supply.

The elasticity of price in Edinburgh's market—which may be quite similar to the Highlands—is absolutely enormous. If you walk down South Bridge you will see a hotel with a room rate that is digitised on its front door. It is a clear and visible on-street reminder of how elastic prices are. It can go from around £50 to around £300 within the space of a couple of weeks. It is very much driven by where the market is. During the Edinburgh International Festival, people pay a lot of money for fairly basic rooms. During low season, people pay a lot less for some fantastic rooms in Edinburgh. It is a great place to get a bargain, if you want to come in January or February. The elasticity of price is absolutely key, and we need to stress test exactly what we are going to pitch the rate at.

Edinburgh's proposal is for a fairly low rate. People will not pay more than they would pay for a cup of coffee during their visit. We propose to cap the levy at seven nights, meaning that people who are here for longer on business would pay only for the first seven nights of their stay. The fairness element in the levy means that we will end up with something that hits the equilibrium point and does not affect the market.

11:00

Councillor Macgregor: Evidence shows that the levy has a very low impact on visitor numbers in other European cities. We have compared a lot of countries across mainland Europe. Rome, for example, has a 10 per cent VAT rate, but if the overnight charge is applied it goes up to 26 per cent, which is in excess of our VAT rate. We see that across many other major European cities that benefit from tourism. Adam McVey is absolutely right. Visitors are there for the visitor experience—it is about far more than just price.

Further to that, the local authority will work out what the tourism industry in its area can cope with. It may even be seasonal—the levy might only be applied in the busy period from April to October. The entire point here is that it is about local knowledge and local discretion.

Alexander Stewart (Mid Scotland and Fife) (Con): We have touched on the research that you have done so far, so can I tease that out a bit?

You have yet to persuade the industry that the levy is a good idea—it sees it as an extra burden—and it would appear that you are yet to persuade the Scottish Government that a levy is a positive thing and should be introduced.

How would you envisage the Scottish Government legislating to introduce such a levy?

Councillor McVey: I am quite comfortable that this would be a business case-led process and I think that we would all be quite comfortable with some form of scrutiny to ensure that such a levy was not being introduced on ideological grounds—if I can phrase it that way—rather than on the basis of a robust, sensible and professional business case that sustains the success of an individual economy.

I am not going to tell the Scottish Government how to write the legislation—that is entirely a matter for the Government. My job is to outline and take forward as robust an Edinburgh proposal as possible and feed that into the legislative process so that MSP colleagues and the Scottish Government can introduce legislation that will, hopefully, give us the powers to implement the levy.

Councillor Macgregor: It is really important to hear from Adam McVey, because he is very much at the forefront of this. In my role at COSLA, I have been engaging with the Scottish Government for about a year on the issue, specifically with the then Cabinet Secretary for Finance and Constitution. We have had many cross-party discussions with all political groups in Holyrood. The important thing here is that we have those conversations and it is not just us saying, "We must have this. We must have that." It is about us all getting together around the table for the betterment of our local areas and having that discussion. We will continue to do that.

As Annabelle Ewing pointed out, we are at the beginning of the process, and far more consultation needs to be done. The key thing is that we take everybody with us and eventually persuade them that although a levy is not for everybody, it is a good idea for those who want to use it. Those discussions with the Scottish Government and all political parties across Parliament are absolutely essential. No one can make a decision without the fullest of information.

Alexander Stewart: You have made a strong case for Edinburgh—one of the strongest cases that we have seen in the evidence. Other local authorities are still working their way through the process of how they would manage the levy. Do you think that it is the council that should negotiate, or should COSLA take the lead role to ensure that all local authorities are involved in the process?

Councillor Macgregor: Under COSLA's current governance structures, which can be quite clunky, we have a mandate from 32 leaders; leaders are behind the process of the principle of local discretion for all local authorities. It is incumbent on COSLA to be the driver and pull everybody in. Obviously, the wealth of knowledge and value that Adam McVey, Jenny Laing and Bill Lobban bring to the table is incredibly important. However, we have to look upon the levy as a local authority tax that is entirely discretionary. After that, the hard work can be done behind the scenes by those who wish to implement it.

Alexander Stewart: You have touched on the idea that if the levy happens, it may happen in only a few local authorities. The majority may choose not to go down that route because they would see it as an extra imposition.

The businesses that may have some difficulty with the levy are those that are trying to cut costs to ensure that they provide the best experience that they can. You clearly understand that they feel nervous about the process because they see it as an extra burden. How will you convince them that it is not?

Councillor McVey: By involving them in the decision-making process. I am expecting businesses, as an outcome of today's meeting with the industry, to come up with their best model of how the levy would be implemented. I want to make sure that the levy is as easy for them to operate as possible. Nobody wants every hotel in Edinburgh to have to take on additional staff to administer the levy. It is about ensuring that the levy has as minimal an administrative burden on businesses as possible. It is also about involving businesses in everything from the governance and rate of the levy to how it is spent. If we engage businesses throughout the process—as we have done and continue to do—it will make our proposition much stronger.

Alexander Stewart: As you have indicated, the business community in Aberdeen has struggled a bit to regain its confidence. Are you finding it even harder to engage the business community?

Councillor Laing: No, I do not think that that is the case. It is about having a dialogue with businesses and, in effect, selling the idea of the levy to them. At the end of the day, we have got to show people that the levy will be advantageous to their area. I think that we can do that based on the evidence.

We cannot get away from the fact that the levy is a consumer tax, not a business tax. I realise that we have got to look at how collecting the levy and so on will affect businesses, but local authorities collect tax already. We have revenue and benefits staff who deal with those aspects. Our research

has shown that we can deal with the levy in that way. Nowadays, given the digital age that we live in, businesses quite easily pay various taxes to various levels of government, so that issue is by no means insurmountable.

On the issue of COSLA support, local authorities are reaching out to Government to say that they require powers—including a levy such as this—to be devolved. Local accountability is what it is all about going forward. We are on the ground in our local areas, and we know where the priorities lie and where we need to put investment. I have put my case for why Aberdeen wants the levy. It comes back to the fact that we have to trust local authorities to make such decisions on the ground.

In the case of the three councils that are sitting around the table today, we believe that the levy is the way forward for us. If we had the powers to introduce it, we would be introducing it, obviously in conjunction with the businesses with which we would be having discussions. We see the levy as a way of meeting the needs of our communities. Other local authorities will have a different perspective, but that is what local authorities should be about—they should be able to deal with local situations and ensure that the investment that is required is going into their areas. That is what will stimulate the economic growth that will support the communities that we are elected to represent.

The Convener: This country does not have a very good history and real experience of hypothecated taxation. That does not really happen in this country. However, we debate ring fencing. Since I was elected to the Parliament in 2011, a constant theme of our debates has been that central Government has to ring fence certain things, otherwise local authorities will not prioritise them. This committee deals with culture. The cultural sector often complains that, because services are not statutory, local authorities often cut their funding. Can you see that, as a result, there might be a lack of confidence, despite what you have said, about the money going where it is needed?

Councillor Laing: That is why things have to be determined locally. We are accountable to our local communities. If that money is not invested in areas where it is required for the local community, people will not be on the council for very long.

I have argued that we are looking to build up our cultural sector and invest in tourism, because we see that as a way of boosting our economy. Others will see that their areas of priority may be elsewhere. However, if statutory duties are increasing year on year and our finances are reducing year on year, there is less money to put into non-statutory things. That is why we need to

look for ways in which local government can raise money that can be invested in our priorities.

Councillor McVey: I want to make a point about ring fencing and priorities. There is a disparate picture across the country. The Highlands tourism market is very different from the tourism markets of Edinburgh, Aberdeen and Dundee. All our areas have similarities, but there are incredible differences. It would be impossible to go down the road of ring fencing priorities to deal with the pressures in each individual area, because those pressures are very different. It is about place making, infrastructure and cultural support in the case of Edinburgh and other places. The issue goes beyond the ability to say that it is about this or that; a whole host of things is involved.

The key point is that, for Edinburgh to be successful, it needs the flexibility of change. It will need flexibility if, year on year, the industry and key stakeholders say to us, "Last year, it was really important that we invested in festivals to make a big show, but this year something else is really important. Can we redirect funds towards that?" That flexibility of approach gives us an ability and an opportunity to sustain the success that we all aspire to.

Jamie Greene: The UKHospitality and Scottish Tourism Alliance submission states:

"Local government (both individual local authorities and COSLA) has singularly failed to listen to the informed views of an industry that is close to and understands its consumers."

I referred to the FSB report that said that three quarters of businesses thought that there would be a negative impact. Even the Cabinet Secretary for Culture, Tourism and External Affairs has said that we need more investment in infrastructure, but we need to invest in a smart way and

"do it in a way which doesn't hammer the tourism industry."

If the industry and the small businesses that the levy will affect are not in favour of the levy and even the Government is not supportive of it—it seems that it is not—do you feel that you are fighting a losing battle?

Councillor Macgregor: Absolutely not. To reiterate, we have engaged with industry bodies, and we will continue to engage. We are at a very early part of the process. We had our launch only two months ago, and we are now going into a formal consultation process. Knee-jerk reactions on both sides need to be slightly relaxed. Let us have a much wider discussion. However, we are absolutely not negative about the matter.

Councillor McVey: We should listen to the plethora of voices from supporting businesses. In Edinburgh's case, there are international players

entering the market that are not yet operating, such as Virgin Hotels, which support our plans. Airbnb, which covers a different sector of the market, supports our plans. Big Scotland-based businesses that do not have the international dimension of having experienced the levy elsewhere support it. They are big players in our market.

Although some industry bodies are keen to play up a consensus, that does not exist. There is not a consensus in the industry. There are industry voices—the split might be one in four, 50:50, or two thirds and one third—that understand the impact that the levy could make in supporting the sector and industry voices that understand the long-term concern that the levy is needed if we are to sustain the level of success.

I will make a point that has not been made. In Edinburgh, three hotels have either just opened or are being built on St Andrew Square alone. Hotels are being built across our city, and the market expects continued growth. If anything threatens that continued growth, the market and the industry will suffer. It takes sustained investment to prolong that. Those who take the longer-term view in the industry and those who understand the benefits of that investment to the community and the industry are taking a far more pragmatic, positive and supportive approach.

What I have to say is similar to what Jenny Laing said. Behind closed doors, the industry—especially in a one-on-one situation with individual businesses—takes an approach that is very different from the less than measured contributions by some industry bodies that members will hear.

11:15

Kenneth Gibson: I want to touch on an issue that has not been covered. UKHospitality said in its submission:

"Imposing an additional tax on visitors who choose to stay in commercial accommodation (and who make the greatest economic contribution to a destination) ignores the pressures created by day visitors (in the case of Edinburgh 18.5m such visitors per annum)".

Obviously, those day visitors contribute to congestion, use public toilets, drop litter and impact on the roads. How would you address that particular issue?

Councillor McVey talked about trying to make Edinburgh an all-year-round destination. It is understandable that we have more people in November than we do in January and February. Is there a possibility that such a tax could be seasonal to try to attract people in quieter times?

Councillor Lobban: I do not think that there is any doubt that the tax could be seasonal in some

areas. If you go to some parts of the Highlands in the middle of December and look for a tourist, you might not find one.

There are many thousands of day visitors. The cruise ships provide day visitor after day visitor, and the season is extending. Maybe there are discussions to be had with the shipping industry about how we can levy some form of payment for those day visitors.

The Convener: You have talked about roads being churned up. What about camper vans? Whenever I go to the Highlands, I seem to get stuck behind camper vans. How can the charge be levied on them?

Councillor Lobban: Obviously, that is quite difficult. There is no doubt about that. People pick up their camper vans at Edinburgh airport, drive away, and head for the Highlands. It would be very difficult for us to form some form of tax for them. Maybe Edinburgh could form a tax and benefit from it, but we would not. The simple fact of life is that the costs of those people on our roads are massive. They use our toilets, and they dump—or they have to dump—their toilet waste in remote communities when there are no facilities for them. We would have to compensate for them by using different tourism funds.

Councillor McVey: We have covered both of those issues in direct conversations with the industry. One thing that we put on the table was seasonality. We asked the industry whether it would prefer the levy to apply when room rates are £300 a night as opposed to £50. It very clearly said that it wanted the approach to be as simple as possible, and it found the levy applying all year round to be the simplest approach. We were open to either suggestion. Some industry bodies have said that we are not listening. Contrary to that, we listened to the industry and progressed on that basis.

Day visitors became quite a big part of the conversation. Our industry quite rightly said that people coming into the city of Edinburgh caused a big pressure. The problem is in trying to look for an international example of such an approach working anywhere in the world. I cannot find one anywhere, and I think that everyone else has struggled to find an example.

We have engaged directly with the attractions of Edinburgh. Edinburgh castle and Edinburgh airport, for example, were involved in our discussions with the industry and key stakeholders. We have continued those discussions with a number of people whose organisations have visitors who go through them to explore what options exist.

To speak to the point about camper vans, 101 reasons why we should not proceed will be thrown

into the debate, unless it is squared off. My view—which is broadly a personal one, although I think that most people share it—is that we need to establish the bulk of the issue in a pragmatic and sensible way. We need to find the path of least resistance, which is night-time visitors having a small rate and applying the levy as simply as possible. That will give us a platform. If we want to build on that in five or 10 years' time, that will be absolutely fine. In the interim, it is about ensuring that we invest in the industry. There may, for instance, be incentives for parts of the industry that are not covered by immediate legislation to voluntarily be part of the process. If we say to those who contribute, "You get a bigger say in the priorities that the fund is going to," people who operate in the city of Edinburgh and other places might voluntarily apply to join the decision-making process.

Councillor Macgregor: The convener made a very good point. Some local authorities have pressures with camper vans, for example. COSLA is working with them, and it has looked at the possibility of local discretion whereby the hotel room rate fee per night would not apply and the possibility that, if people used camping sites in such areas, such a model could be brought forward. Again, it comes down to local discretion. What will work in Edinburgh will not work in Argyll and Bute. It is all in the round. As Adam McVey said, that is not a reason not to take the approach; it is a reason to find solutions to allow our communities to flourish.

The Convener: There are many more questions that we would like to ask you but, unfortunately, we are out of time. I thank all our witnesses very much for coming to the meeting to give evidence. We will return to the issue soon and take evidence from the sector.

11:21

Meeting continued in private until 11:37.

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