OFFICIAL REPORT
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Economy and Fair Work Committee

Wednesday 3 September 2025

Session 6

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ECONOMY AND FAIR WORK COMMITTEE
23rd Meeting 2025, Session 6

CONVENER

*Daniel Johnson (Edinburgh Southern) (Lab)

DEPUTY CONVENER

*Michelle Thomson (Falkirk East) (SNP)

COMMITTEE MEMBERS

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)
*Murdo Fraser (Mid Scotland and Fife) (Con)
*Stephen Kerr (Central Scotland) (Con)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)
Lorna Slater (Lothian) (Green)
*Kevin Stewart (Aberdeen Central) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Marc Crothall (Scottish Tourism Alliance)
Rob Dickson (VisitScotland)
David Hope-Jones (South of Scotland Destination Alliance)
Paul Lawrence (City of Edinburgh Council)
Cat Leaver (VisitScotland)
Malcolm Macleod (Highland Council)
Leon Thompson (UKHospitality Scotland)
Gordon Watson (Loch Lomond and the Trossachs National Park Authority)
Elin Williamson (City of Edinburgh Council)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy and Fair Work Committee

Wednesday 3 September 2025

[The Deputy Convener opened the meeting at 09:00]

Convener

The Deputy Convener (Michelle Thomson): Good morning, and welcome to the 23rd meeting in 2025 of the Economy and Fair Work Committee. The first item of business on our agenda is the choice of a convener, following the resignation of Colin Smyth.

In accordance with the Parliament's standing orders, where the office of convener is vacant, the deputy convener—in this case, myself—chairs the meeting for the purpose of choosing a new convener. The Parliament has agreed that only members of the Scottish Labour Party are eligible to be chosen as a convener of this committee. To that end, I nominate Daniel Johnson, sitting to my right, and seek the agreement of the committee for him to be convener. Are we agreed?

Members *indicated agreement.*

The Deputy Convener: In that case, I shall hand over to Daniel Johnson.

Interests

09:01

The Convener (Daniel Johnson): I thank the deputy convener for taking care of that so efficiently. That brings us to agenda item 2. Stephen Kerr is a new member of the committee, and I invite him to declare any relevant interests.

Stephen Kerr (Central Scotland) (Con): Thank you, convener. I am delighted to be on this committee. I should, for the purposes of transparency, indicate the entries in the register of members' interests detailing things that I did before I was elected and that are business related.

In addition to my professional career, in between the time that I was an MP and became an MSP I was a paid consultant for Invicta Public Affairs, working in the marine energy sector and the wood panel industry. I was also a paid consultant to the Institute of Sales Professionals; a leadership consultant for an organisation called Results Based Leadership; and an independent assessor for the faculty of professional and social sciences at Middlesex University. Since I have been elected, I have continued to be a fellow of the Institute of Sales Professionals.

I think that that is as transparent as I can possibly be. I know that it is a repetition of things that are already in my register of interests but, for the purposes of clarity, I do not think that we can go wrong by doubling down on it.

The Convener: Thank you for your thoroughness on that, and welcome to the committee.

As much as we welcome Stephen Kerr to the committee, it is also sad to see Jamie Halcro Johnson leave. I am sure that all committee members will join me in thanking him for his contributions and wishing him well in whichever new committee he finds himself.

Decision on Taking Business in Private

09:03

The Convener: That leaves me to move to agenda item 3, which is a decision to take item 5 on this agenda in private and, looking ahead, to consider the draft stage 1 report on the Community Wealth Building (Scotland) Bill in private. Do members agree to take those items in private?

Members *indicated agreement.*

Tourism

09:03

The Convener: Under agenda item 4, we are pleased to have two panels with us to look at the tourism industry in Scotland and the upcoming introduction of the visitor levy. On our first panel, we have: Marc Crothall, the chief executive officer of the Scottish Tourism Alliance; David Hope-Jones, the chief executive officer of the South of Scotland Destination Alliance; Leon Thompson, the executive director of UKHospitality Scotland; and Gordon Watson, the chief executive officer of Loch Lomond and the Trossachs National Park Authority.

I remind all members that they should keep their questions succinct, and I invite the panel to do likewise with their answers. That will enable us to get through as much as possible.

I will begin by asking the witnesses a broad question about the health of the tourism economy in Scotland and the context in which we find ourselves. This is a committee that seeks to be responsive to circumstances in the economy, and today's meeting is in large part in response to the letter that was drafted by a broad range of stakeholders from the tourism industry about the forthcoming visitor levy.

Could you give your view on where we find ourselves in the tourism industry and set out the points that were drafted in the letter that was circulated before the summer? I invite Marc Crothall to begin.

Marc Crothall (Scottish Tourism Alliance): Good morning. The Scottish Tourism Alliance is the overarching trade body for the industry. I am fortunate today to have some of my members alongside me. Your question is timely as we met with our destination forum and council members on Monday and Tuesday this week to get a pulse check of how the industry is faring. Also, our policy working group and board met last week.

I will give a summary of how things have been. The first half of this year was brutal and very challenging for the sector. The numbers of visitors did not flow through at the levels that we would have wanted to see. A lot of the industry was dark in the early half of the year. Coming into Easter, things started to pick up, but we have seen a significant decline in the number of domestic tourists. VisitScotland's statement to the committee highlights that as well. That market is hugely important to us year round.

The American market has been very much our saving grace. Much of that market is pre-contracted and comes here in tour groups. It is

staying a little shorter but still spending, which is great. There has also been a response from the airports to capitalise on what is happening over the pond with the Trump announcements by trying to get routes from Canada into Scotland.

I would describe the situation as relatively buoyant. Edinburgh has enjoyed a strong August period. In particular, the festivals have been fantastic and live music events have helped as well. Some incredible events have taken place across the country—the tall ships in Aberdeen and other types of activity—which has given stimulus to the sector, and, of course, there has been a lot of good golf over the summer.

Of course, visitor volume and footfall are all well and good, but what is important is how much visitors spend and how that converts into the bottom line. The harsh reality is that the bottom line of the majority of our businesses is very unhealthy, particularly in the hospitality sector. I am sure that my colleague Leon Thompson will elaborate on that.

We are in a sad position as a result of some recent announcements. Through the chancellor's changes to employer national insurance contributions, we have seen a loss of jobs. The impact is tough. The industry has a strong ambition to invest and stay competitive, and there is only so far you can push your price up. That brings me on to the industry's concerns about the visitor levy when and if it is chosen to be implemented by any authority.

The United Kingdom is already ranked 113 out of 120 in the world for its price sensitivity and competitiveness, and, with price points going up to combat the input costs, the visitor levy gives us cause for concern. As an organisation, we fully accepted the decision in Parliament when the legislation was voted through. We want the levy, if it is adopted, to be a force for good but what is important is the timeliness of how it is introduced. The 18-month window, which was acknowledged as being the required amount of time to be given to businesses to prepare and be compliant and legal, is absolutely critical.

Our concern in the case of Edinburgh, which will be at the forefront of this initiative and the showcase for the policy across the UK and further afield, is that the implementation date of 1 October is looming very fast. We do not feel that businesses in the sector are fully equipped and ready, or that the guidance and the detail that we need to be compliant is in the right place. Our call is for a pushback; it is not to stop the levy being implemented in July, but it is very much about getting it right and being the leader in that regard. For other authorities, as VisitScotland has highlighted, it is important to look at the economic impacts and the current and future climate of trading and competitiveness. That analysis needs to be done in detail. It is great that we have some authorities delving in, pausing and engaging with us in the level of detail that is needed.

I will stop there. I am sure that that gives a flavour, but in summary, I tweeted this morning about the good, the bad and the ugly. A lot of good has happened, as well as a lot of bad—

The Convener: I am glad that you are not referring to the members of the committee.

Marc Crothall: I am not referring to you, convener, but there is also some really ugly legislation out there that is causing a lot of significant damage to our bottom line.

The Convener: Thank you. I know that members intend to ask about some of the detail that you have just raised.

I put the same question to David Hope-Jones.

David Hope-Jones (South of Scotland Destination Alliance): Thank you, convener. I will start with the positives. I am the chief executive of the South of Scotland Destination Alliance. We are the destination marketing and management organisation for the Scottish Borders and Dumfries and Galloway, representing around 750 businesses in that region.

The picture that I hope that I can paint of the south of Scotland is one of collaboration, partnership, strategic clarity and ambition. Our organisation, the DMMO representing the industry, has a strong partnership with the two councils, South of Scotland Enterprise Agency and VisitScotland. Together, we have developed a responsible tourism strategy with unprecedented ambition for the south of Scotland. By working together, we will increase the value of tourism in the area by £1 billion and support 20,000 jobs. We launched that strategy last March, and initial numbers are very positive against those very ambitious targets. According to the two most recent Scottish tourism economic activity monitor reports, the visitor economy has grown by a third—that is an increase of £250 million over the past two years—with a 14 per cent increase in jobs.

In the south of Scotland, we have built collaborations, developed a strategy and invested in relationships. We meet every week for two hours with the two councils, SOSE and VisitScotland to go through the detail of the situation. Every three months, we publish a quarterly report with those five logos at the top to say what we have done in the past quarter and what we will do in the next quarter. I hope that, in that way, we have begun building business confidence and delivering against that ambition.

We are in a strong place with regard to the strategic foundations, but the honest truth is that the businesses that I represent are suffering exactly the same challenges that Marc Crothall so clearly articulates. Profitability is the number 1 challenge for hospitality right now. It is a punishingly hard trading space. The cost of employment is too high, the cost of energy is too high and the VAT situation is extremely difficult for our members. I think that we are at a critical threshold on price point.

We need to recognise and respect that the experts here are the people who are running the small and medium-sized enterprises on the ground level. They are the experts at setting prices to be able to meet their costs, as far as they can, and they have an impossibly difficult balancing act. Where we need to be very cautious, regionally and nationally, is with anything that would increase the price point beyond that critical threshold. If that happened, I think that we would see a disproportionate drop in occupancy.

I will let others elaborate on some of the other challenges that I am sure are faced across Scotland, but that is my opening message. I think that we are in a uniquely strong position in the south of Scotland. We have a plan, we have business confidence and we are delivering, but we need to be honest about the challenges that our businesses are facing. Ultimately, those challenges are evident in the number of businesses that are for sale right now. It is not necessarily a problem that businesses are for sale; the problem arises when people do not buy them, because in that scenario businesses are not investing in themselves and quality can go down over time. Those are not challenges that are unique to the south of Scotland, but it is important that we have a strong and united voice from the industry to represent some of those challenges.

The Convener: Thank you. I invite Leon Thompson to respond.

Leon Thompson (UKHospitality Scotland): Thank you, convener, and good morning, committee. I am the executive director of UKHospitality Scotland. Across the UK, UKHospitality has 750 members operating 123,000 venues; in Scotland, that equates to around 200 members and close to 10,000 venues. We are talking about hotels, bars, restaurants, coffee shops, cinemas, visitor attractions and a variety of indoor leisure businesses.

We have heard a lot of evidence already, and there is a lot to unpack. I want to highlight the fact that hospitality businesses are being completely squeezed from top to bottom. At the moment, we are running our pre-budget campaign, #TaxedOut, which is exactly how our members feel about the situation that they are in. For some considerable time, we have talked a lot about the cost of doing business, and the increase in the employer national insurance contributions in last year's budget was a hammer blow for our businesses. We surveyed our members in the aftermath of that announcement and we could see that businesses were already talking about scaling back operations, cutting back on jobs and so on.

09:15

Just in the past week, figures came out from the Office for National Statistics talking about job losses in the economy of just over 164,000. More than half of those jobs—89,000—have been lost in hospitality. Our sector has gone from being a job creator to one that is now haemorrhaging jobs. We are obviously very dependent on our workforce, so we are extremely disadvantaged by the changes in the employer national insurance contribution situation. It is certainly a regressive tax, and our members feel that quite acutely. As well as resulting in job losses, it is stifling the ability of our businesses to invest.

From a tourism perspective, Scotland is an amazing destination that lots of people want to come to, but we need businesses to invest in the product and the offer, because that is what keeps things fresh and keeps visitors coming back. If our businesses cannot make that investment, I would argue that the proposition of visiting Scotland is weakened. We need to do something about that.

We see three key moments coming up that can be used to support hospitality. The first is the UK budget. We are calling for a reduction in VAT, which is a longstanding ask of the UK Government. We feel that, to be competitive and give our businesses headroom, an immediate cut in VAT of at least 7.5 per cent down to 12.5 per cent would be the way to go. We would also like a reversal on the change to employer national insurance contributions, to help to stabilise our businesses and get them back to creating jobs right around the country and in every community.

Business rates reform is another ask, which would be in the UK budget for businesses in England. Beyond that, we have an eye on the Scottish budget, and we would like some meaningful support to come through from the Scottish Government on business rates at the end of this year.

Beyond that, it is about the Scottish election. We are calling for tourism and hospitality to have a much stronger voice at the table with the next Scottish Government. We want the rates system reformed so that we can have a better financial settlement for our businesses. We are talking about fairness and not necessarily a hand-up. We also want investment in skills.

Those are the three key asks that we will put forward. If we can deliver on all those things, we will certainly see our sector fly. However, at the moment, these are difficult times for businesses. Marc Crothall and David Hope-Jones have referred to the lack of any profit or margin. I was talking to one business that said that it made £600 profit in the past year. Other business are making nothing at all and are simply haemorrhaging cash. I am talking about businesses that are carrying historical debt. Businesses are still paying back their coronavirus business interruption loans. That is the situation that many hospitality businesses find themselves in.

As a final initial point, I note that we are talking here about tourism, and hospitality is a major part of tourism. However, hospitality businesses are also part of the every-single-day economy, which is also at stake. While domestic customers continue to manage the cost of living crisis, that, too, will have an impact on our businesses. For us, it is about not only visitors coming to Scotland but people who live here and the money that they have in their pockets to spend on hospitality experiences.

The Convener: Gordon Watson, what are your views on the state of the tourism economy?

Gordon Watson (Loch Lomond and the Trossachs National Park Authority): I will try to inject some positivity, because there is some positivity to talk about, as well as the issues that my colleagues have raised. I am the chief executive of the Loch Lomond and the Trossachs National Park Authority. The park is 720 square miles of some of the finest bits of Scotland. Some 15,000 people live there, but we now welcome about 4.5 million people a year, so it is a popular destination. The visitor economy is worth more than £0.5 billion and supports more than 7,000 jobs. The visitor trends are upwards year on year, not counting Covid. We are back to above the 2019 number for visitors, and the number of international visitors remains strong, with America and Germany bringing the highest numbers.

As a destination, Loch Lomond and the Trossachs national park is vibrant and busy and the footfall is high. I do not want to repeat everything that my colleagues have said, but we engage with the national park's destination business group, which includes about 40 of the leading businesses from right across the sector—everything from Cameron House to self-catering companies, cruise operators, destinations and so on. Despite the vibrancy, the sentiment among businesses is still negative because of many of the reasons that my colleagues have already mentioned. I will not repeat them, but it comes down to profitability. Although turnover is positive, profitability is not, which is leading to a few outcomes. Some businesses are having to opt out of the real living wage because they feel that they cannot afford to pay it. Even in the summer, some businesses are unable to open on some days in the week because either it is not profitable or they cannot recruit enough staff.

In rural settings, recruitment is a significant issue. Housing and transport are factors in that, and we are very active in those areas: on housing, we are a planning authority, and we are now promoting and delivering transport services that are delivering positive outcomes for us—we are just a couple of years into that.

Fundamentally, businesses are not investing and new products are stagnant. Obviously, there is some investment. We have seen the expansion of Cameron House and other destinations, but medium-sized and family-run businesses are basically just surviving.

On the visitor levy, four different local authorities cover the national park and there could be complications with different approaches from the four authorities. As a national park, we are fully engaged with each of the local authorities to ensure an appropriate approach. We are feeding back from our destination group about its concerns. To sum them up, there is scepticism that money will add value. As a national park authority, we want to ensure that levies will add value to the destination and that the investment is in strategic projects and initiatives that add value to the destination. We have a national park partnership plan and visitor destination investment plans, which we are working on with partners so that visitor levies are used to support the economy directly.

I will leave it there. I will not repeat things but our destination group has voiced some of the concerns that have been spoken about by my colleagues.

The Convener: Thank you for that thorough set of answers to open up the discussion. I now invite colleagues to ask questions. I suggest that members direct questions to specific panel members. I will hand over to the deputy convener to ask some questions.

Michelle Thomson (Falkirk East) (SNP): Good morning. I thank the panel members for joining us. You have given a compelling overview of the challenges that all your businesses are facing. I do not want to labour that point any more, but it is worth briefly reflecting on the macroeconomic picture for the UK. It could be that we are not that far away from a sovereign debt crisis, such is the scale of the challenges. I have a brief question, because I think that you have covered your challenges very well.

What, if anything, is your one biggest fear from the forthcoming UK budget, given the extensively pre-trailed talk of tax rises? In other words, what would be the tipping point to accelerate the situation that you have outlined? I would like a quick, off-the-top-of-your-head response from all of you, please.

Leon Thompson: For UKHospitality and our members, that would be further tax rises for our businesses. That would see more businesses going under—without a doubt. The other side of it is that more taxes on our customers would not help us, either. Any tax rise in the budget would be extremely problematic for a sector that depends on discretionary spend. If our consumers have less income, that is a problem.

Michelle Thomson: Does everyone on the panel agree with that?

Marc Crothall: Absolutely. The critical point is how to stimulate the economy in terms of spend. On Gordon Watson's point earlier, the harsh reality of us being able to compete globally on quality and investment is that there is a need to invest not just in the asset itself but in our people—we must protect the quality.

In our call to the Scottish Government as we head towards the election, we will certainly ask that it sees this industry as a safe bet for the future, invests in it and prioritises it. The stimulus that that would bring is not only tax generation but a lot of wellbeing and a positive mindset to help to rescue businesses. However, any further rise in taxes could see many more fall over the precipice. David Hope-Jones's point about properties for sale is true. Who would buy if that were the situation?

Gordon Watson: As a public servant, it is probably not for me to comment on Government policy, but, if I were to reflect on what the businesses in the national park would ask for, tax is an obvious one. On the Covid situation for tourism businesses, we lived it all, and some of them are still recovering from that. Apart from all the nuances of tax and so on, I think that probably what businesses would ask for is stability and no change to let people find their feet again, because it has been a matter of coping with Covid, coming out from Covid and then having various other things to address.

With family businesses, people invest their lives in their business and in the place, too—they are very tied to the destination—and they need a bit of space to plan and to see a way out. There is an emotional side to this for a lot of businesses that are very much part of their communities; they are invested in a place as well as a business.

Michelle Thomson: Do you have any final comments, David Hope-Jones?

David Hope-Jones: At its bluntest, any policy action that increases costs for businesses and reduces the amount of money in the pockets of customers will have a disproportionately negative impact. Those are the practical points.

I completely agree with Gordon Watson and echo the emotional points. There are a great many businesses, especially small and medium-sized businesses, that feel really got at and unfairly targeted at this time. They feel that they are investing in the assets that make communities work—the local pub, the restaurant with rooms and the places that bring people together. I think that they feel undervalued by the Government, and it is really important that we are honest about what the challenges are.

Murdo Fraser (Mid Scotland and Fife) (Con): Good morning. I have some follow-up questions specifically on the visitor levy, but I will start off with a slightly broader question.

We have had a very busy summer in Edinburgh. At one point, when we had the confluence of the festival and the weekend Oasis concerts, Edinburgh was the most expensive destination in the world. So, we have a lot of conversations about what people call overtourism. I do not represent Edinburgh; I represent Mid Scotland and Fife—Perth and Kinross, Clackmannanshire, Stirling and Fife. People in my area get very annoyed when they hear the term "overtourism", because they say, "We need more tourists, not fewer tourists." The only place in the region that I represent where I ever hear any concerns about visitor numbers being too great is St Andrews, at the height of the summer. Everybody else says, "Give us more visitors."

I will start with David Hope-Jones, because he represents the south of Scotland, so he will have an interest in this issue. Do you think that there is a danger of our debate on tourism getting skewed by the fact that people look at hotspots such as Edinburgh and Skye and think that everything is tremendous, whereas the rest of the country could do with a lot more visitors?

09:30

David Hope-Jones: Absolutely—I could not agree more. A huge challenge when it comes to the conversation about a visitor levy is people chirping up with, "I went to Venice. Even though it was a few extra pounds, I would still go there." Of course they would. It would be the same with Barcelona, and perhaps it would be the same with Edinburgh. However, I represent a rural and, in places, remote destination, which is a very different context.

I recognise and respect the fact that Galloway has been through a difficult and divisive national

park consultation, and that some people have said that we have overtourism, but I disagree. A key point is that we are in a strong place in the south of Scotland because we have a responsible tourism plan. It is not a plan about visitor number targets; it is a plan about visitor spend, job creation and community prosperity. It is important to recognise and respect the fact that communities everywhere can and do have reservations about potential growth in visitor numbers. The narrative that we need to develop is about the visitor economy. We need to talk about the economic benefits and how those are felt, socially, in communities up and down the country.

When it comes to the visitor levy, it is important to be honest. It is true that a great many European countries have gone for a visitor levy. Yesterday, I mapped out the VAT rates in the 18 European countries that have done that, and I make it that the average VAT rate on accommodation in those countries is 9.6 per cent, which is half the rate that we have. The businesses that I represent would be happy to have a visitor levy if they paid VAT at 10 per cent. It is important that we are honest about where Scotland sits with regard to VAT relative to other comparable countries in Europe.

It is also important that we are honest about the fact—which you alluded to in your question—that the different parts of Scotland are very different. We are extremely lucky to have a regional enterprise agency—South of Scotland Enterprise—with which we work closely and by which we are funded and supported. The development of SOSE has helped to begin to change the paradigm of policy making, which used to be understood as being solely based around the central belt and the specific challenges that are faced there. I am encouraged by the fact that I am on this panel and able to speak about the south of Scotland and represent the rural constituencies that you are talking about.

It is a different context in Scotland—Scotland is significantly different from many countries that have embraced the levy.

Marc Crothall: I have the privilege of co-chairing Scotland's tourism and hospitality industry leadership group, along with the Minister for Business and Employment, Richard Lochhead. My colleague Leon Thompson also sits on that group. That group is responsible for Scotland's national tourism strategy, "Scotland Outlook 2030". We have an aspiration for Scotland to be a world leader in 21st century tourism. I say to you all that that aspiration still stands strong in the sector. We are an aspirational group of people: we want to be recognised globally as being world leading in what we do in Scotland. We have iconic events and great destinations.

One aspect of that strategy relates directly to your point about how we spread the tourism pound, because we know that there is not overtourism everywhere. The cities have strong pinchpoints at certain times. Here in Edinburgh, it is challenging when a volume of visitors come this way. We must respect the community that lives in the city. However, I have many colleagues in Skye who will tell you that Skye is not suffering from overtourism, although there are challenges at places such as the fairy pools and the Glenfinnan viaduct—which the Deputy First Minister wrote about last week—when it gets busy.

The issue with the raising of a levy is how the money would be targeted to address that situation and to attract more tourists in. One of the calls that has been made by the sector is for the levy to be used to help to fund and support the great work that the destination marketing organisations do. I refer to the example of Aberdeen City Council, which has announced a 7 per cent levy. Psychologically, that sounds like a terrible number, but that money is wanted so that VisitAberdeenshire can use it to bring more people in through targeted marketing.

On the point about Venice, certain destinations have used the levy to address tourism pressure and overtourism. It has had a positive impact in Venice, where there has been a significant decline in visitor numbers. We are not talking about a levy to quash numbers. We want to grow numbers; the issue is about how the levy should be used to do that.

Murdo Fraser: It is interesting that you used the example of the levy in Venice, which has reduced numbers. To put the issue in context, I will give an anecdotal example from Perth and Kinross, which is part of the area that I represent. Perth and Kinross Council has a live consultation on a visitor levy in that area, on which I have had a lot of engagement with local businesses. That has been framed in such a way as to suggest that the levy could raise £9 million for the council to spend on measures that will benefit tourists and benefit the local economy. Framed in that way, it seems great—why would people oppose it?

However, I have not seen any studies—maybe you could enlighten me on whether any such studies have been done—on the negative impact that a visitor levy could have on visitor numbers. Are you aware of whether any work has been done on the economics of that?

Marc Crothall: That is a very well-framed question, which relates to VisitScotland's point that local authorities need to consider the potential impacts of price increases on competitiveness and quality, and to commission work on that. I know from speaking to Vicki Miller that we need to do the same—that thought appears about halfway

through our strategy. I know from Malcolm Macleod, who will be on the next panel, that Highland Council has just appointed an independent consultant to do such an assessment. Yesterday, we spoke to Jillian Schofield of Stirling Council, which is about to do the same. It is recognised that such assessments need to be done before we jump ahead with what seems like a good idea.

We are all appreciative of the fact that the local authority purse is very challenged, but I come back to our point that, if we create the right conditions for the sector and allow it to breathe, which is what some of my colleagues have said when we have asked them, so that it can drive economic growth, the benefit will come back the other way for enhancement.

Gordon Watson: To go back to your question about overtourism, I would characterise the issue not as overtourism but as historical underinvestment in public infrastructure for tourism. Obviously, I am referring to the rural setting. As a national park authority, since day 1, we have been focused on investing in the right visitor infrastructure and the right visitor management approach.

Covid was a wake-up call, in that lots of people came into the countryside and rediscovered their country. Although that was hugely positive in many respects, it also shone a light on the fact that our infrastructure was not what it should be. Many positive things have happened as a result of that. We have much stronger collaboration with partners in the national park. The rural tourism infrastructure fund has developed in such a way that a more strategic approach is now taken to investments in physical infrastructure.

During Covid, the better places funding allowed communities and organisations to hire seasonal staff at destinations to interact with visitors. That was a hugely positive measure, whereby small amounts of money had a huge preventative impact. I cannot overstate the value of having rangers and people on the ground to support visitor experiences and to prevent matters from deteriorating in the way that they have in some situations in rural areas.

All of that points in the direction of indicating that councils must have a strategy for how they will spend visitor levy revenue. That is another layer in the need for us to get more proactive about how we plan our tourism product. That is our mantra, and we try to support others by sharing our experiences on that.

Murdo Fraser: I would like to bring in Leon Thompson on the same point, but also move on a little bit too. Marc Crothall shared with the committee some of the correspondence that the STA has had with Ivan McKee and the Scottish Government about the benefits of changing the model of visitor levy from a percentage to a flat fee. Can you explain a little bit about the rationale for that and why that is important?

Leon Thompson: Yes. We have always argued that the percentage model is much more challenging for businesses to manage. It is not just about working out the percentage on the accommodation cost, although that does have its issues; it is about how bookings are handled these days through third parties—online travel agencies such as Booking.com and Expedia—and through tour businesses and so on in the wholesale market. Often, hotels sell the rooms on to third parties but they do not know what accommodation cost the guest has paid—that is just a feature of the model—and, technically, accommodation businesses could be in breach of the legislation if they do not charge the levy accordingly. That is why the Government is introducing a Scottish statutory instrument to address that particular point by ensuring that accommodation businesses will be able to charge the levy based on the first sale price, which will make things simpler for businesses.

There is also an issue about what looks like a fair and reasonable charge. A percentage starts to get hefty quite quickly, whereas a flat rate is perhaps easier and more transparent for customers. That is the nub of the issue. There are significant challenges in the percentage model. Members of the committee who have travelled will know that, when you go abroad, you pay a flat rate. That is much simpler for people to manage from a customer and a business perspective. That is critical.

To pick up on the point of overtourism, I do not believe that we have overtourism in Scotland. Even Edinburgh is not experiencing overtourism—we are not Barcelona, Amsterdam or Venice. We have a month or a six-week period in the summer when things are pretty busy, but a lot of that activity is generated by people who live in Edinburgh going out and enjoying the fringe, the festival and so on. It is not just about visitors to the city; it is also about citizens of the city going out and enjoying what is on their doorstep. That adds to the sense of busyness.

To Gordon Watson's point, we need to see more investment going into management and facilities and so on. That would be welcomed by my accommodation members, who will be tasked with charging visitors, raising the money and remitting it across to the local authority. We need to be careful that we do not see money being pulled out of the visitor economy and being given to local authorities instead. If people come and pay a 5 per cent levy on their accommodation,

they might spend less in the businesses in the city as a result in order to manage their budgets while they are here. If £50 million, for example, goes into the City of Edinburgh Council and we lose a large chunk of that because it is not being spent in businesses, who is winning? It starts to look like an exercise in raising money.

We must also consider all the administrative costs and so on. Although the levy is a charge on visitors, accommodation businesses will have their own costs in administering it. It is welcome that the City of Edinburgh Council and other councils have recognised that, but the 2 per cent that businesses will retain will not cover all the costs associated with managing the process—changing systems, administration time and so on all represent a cost to business. In a sense, money will be coming out of businesses—tens of thousands of pounds each year for some of the larger hotel operators—as a result of administering the charge.

The Convener: Gordon MacDonald wants to ask a brief supplementary question.

Gordon MacDonald (Edinburgh Pentlands) (SNP): I have a short question for Leon Thompson.

I have travelled all over the world and at least 27 countries in the world have visitor charges of some description. Some of them are flat fare and some are percentages. Booking.com, Hotels.com and all the rest of the booking platforms already handle this percentage change. It is usually referred to in a line that says, “Pay local tax at hotel” or whatever. When you book in, the hotel knows your rate if you have booked through Booking.com or Hotels.com and, at the end of the stay, it applies the percentage charge. The software to do that already exists. Many of the hotels in the Edinburgh area—I can only talk about Edinburgh—are international hotels that use that software all over the world. It is difficult for me to understand how large hotel groups will struggle to implement the charge.

09:45

A small, family-owned hotel might have problems, but the vast majority of the presence in the city of Edinburgh will be covered by the international software packages that are used in every other country across the world.

Secondly, you referred to the fact that hoteliers will get only 2 per cent of the fee. It is actually 40 per cent. It is a 5 per cent levy, and 2 per cent of the overall charge is retained by the hotelier. Quite a substantial amount of money will go back into the hotelier’s pocket to help with the administration of the levy. Have I missed something?

Leon Thompson: My members do not see it that way. They do not think that they will be able to cover their costs or that it will come anywhere close to covering the costs that they face.

On international comparisons, one issue that we have here is that we also have price marking legislation in the UK, which means that the price has to be fully displayed for consumers.

Gordon MacDonald: I accept that.

Leon Thompson: It is not a case of booking and then paying at the property. Everything will have to be paid for up front. That is slightly different from other countries and territories, and that is part of the challenge. We also have an issue with VAT being applied to the charge, which is another issue that adds to the complication in the calculation.

Marc Crothall: Leon Thompson has referred to the Digital Markets, Competition and Consumers Act 2024, which is a differential aspect here in the UK. That provides complexity.

There are issues around the large and the small. I was speaking to the finance director of the Gleneagles Hotel Group yesterday, who was confused and challenged by what the levy might mean for a townhouse in Edinburgh and how it might then unfold in Perth. Other independent operators are confused because no technical detail has been provided as yet in Edinburgh for something that needs to be in place by 1 October. There are concerns.

Comparisons have often been made to the situation in Manchester and Liverpool. That is a completely different scheme. It is run by a business improvement district and by the hotel sector. It involves a flat fee—a single price—it is voluntary and it is targeted only on leisure visitors in Manchester and Liverpool. It is £1 in Manchester and £2 in Liverpool—Wales has voted for a flat fee of £1.75.

No issues or concerns are being raised by anybody in the industry around something that is straightforward and easy to administer. In the eyes of the consumer, £4 or £5 or whatever that flat fee might be can still be determined by a local authority, but it is much more transparent than a percentage. All the challenges that we currently find that we have to grapple with would be removed if a flat-fee approach were taken, and that spend would come the other way.

We never saw this situation coming. All the way through the process and in all our positive engagement with Tom Arthur, we have always advocated for a flat fee, for a lot of reasons that we have cited and other reasons that have since surfaced that none of us perhaps knew about previously.

Gordon MacDonald: I have a wee supplementary on the back of what Marc Crothall said.

The Convener: Okay, as long as this one is wee.

Gordon MacDonald: It will be. I have had a quick look at accommodation in Edinburgh for October, which is not high season. Comparing three-star and five-star hotels in October, prices range from £160 to £370. A 5 per cent charge is £8, rising to £18. Are we honestly saying that somebody who is prepared to pay £370 for a room in Edinburgh will walk away because they are being asked for an extra £18 in local tax?

Marc Crothall: The point here is competitiveness. The levy would not apply to the prices you cite, because the charge will apply to rates only from July of next year. Businesses simply have to be able to administer it from 1 October.

The issue goes back to the need to invest. We want that secondary spend in all our pubs, restaurants and visitor attractions that are absolutely desperate to survive. An example is in Wick in the Highlands. We have a situation now where guests come in and share a glass of wine and a bowl of soup because the visitor spend has been compromised by all sorts of things that we know about. If they do not have to pay that levy, they might have two glasses of wine and not have to share. That benefits the business, it allows investment and creates employment. Nobody is immune to the employment challenge that we are facing—not even our own organisation; I have had to make someone redundant as a result of the financial impacts that are being faced.

Your point is that there will be those who will not bat an eyelid at paying a little extra, but the majority are beginning to raise their eyebrows. The travel trade is also telling us that it is now looking at taking business away from Scotland because it is more difficult to make sales.

Stephen Kerr: The briefing from VisitScotland mentions that we are 113th out of 119 on cost competitiveness. Marc Crothall specifically mentioned that that is a UK number. How does it relate to Scotland?

Marc Crothall: It is based primarily on VAT and tax measures. I am afraid that I do not have the drill-down into Scotland, but the statistic relates to air passenger duty and VAT—the taxation on a visitor.

Stephen Kerr: Are aspects of tourism and hospitality in Scotland making us less competitive than, say, regions of England in terms of product and performance—the whole picture?

Marc Crothall: We hear about that from colleagues in our industry leadership group. Rob Dickson, who is here, went elsewhere in the UK, further south, with family and others. We know from colleagues there that the pressure on the domestic market is just as great because they are seeing outbound growth and much more appealing and attractive price points. We also have the opening up of the Balkan states. Cornwall, Devon and all the areas that have traditionally been hotspots are definitely suffering the same demise of the UK market.

Stephen Kerr: We have had quite a discussion and you have given a fantastic overview—I think that Michelle Thomson called it “compelling”, and I agree with her. We have focused on a number of reserved issues, such as VAT rates, employer national insurance contributions and so forth. We are a committee of the Scottish Parliament and so I am particularly keen to hear, in nuts-and-bolts terms, what the Scottish Government needs to do. I would like you to address that, if you would. I will direct my questions at Marc Crothall, David Hope-Jones and Leon Thompson, but they are probably specifically for Marc Crothall and Leon Thompson. What things does the Scottish Government need to stop doing, start doing and continue doing? Leon, you mentioned investment in skills and so I would like you to specifically talk about that, if you would, when you address my question. I will start with Marc Crothall.

Marc Crothall: Business rates relief is one thing that has not been mirrored like for like in the Scottish Government’s position or in the budget last year. We have seen the benefit of the small business bonus scheme, but, in terms of breathing space, businesses that go over the rateable value threshold of £51,000 have not had any relief whatsoever. If the chancellor is to extend some form of reliefs in the upcoming budget, we would like to see those mirrored directly—specifically in the licensed sector, where the harm is felt most keenly.

I will let Leon Thompson in on skills, but we have an amazing number of industry-led initiatives and we have raised money to support and upskill our colleagues. We are at an event on Friday at which at least another £60,000 will be collected from industry colleagues to support investment in their own people.

The other piece is about regulation. We cannot load anything more on to businesses that would incur more cost and require more investment to be able to trade. The flipside of that is to do more and invest more in VisitScotland. Do not take anything away. We were extremely grateful for the fact that extra moneys were given so that we could aggressively market the domestic market to try to restore some of it. Do not slice the pie. Back the

industry and replicate what we see coming through from UK initiatives, but do not put tax up.

Stephen Kerr: Can I ask you to say a bit more about regulation? Are you effectively asking the Scottish Government to cut regulation or are you asking for no more regulation? Which is it?

Marc Crothall: We certainly do not need any more on top. We would like planning to be improved so that we can provide some form of accelerant to enable investment, where it is possible, to happen quickly, and some form of relief to be given to that. Back the winners.

I have referred to the destination management organisations. It is critically important to manage some of what might be referred to as overtourism or the pressure in certain destinations. The DMOs have been supported through the enterprise agencies in the past and by raising moneys through membership and so on to supplement VisitScotland's local marketing activity. However, as Gordon Watson does so well at the national park, being able to manage what is on the ground responsibly and deliver the best experience is key. At the moment, the community of destination management organisations are all pretty much on a knife edge, waiting on a levy that may or may not come.

Stephen Kerr: Setting aside that issue—I think that we have covered it—should the Government stop, start or continue doing anything else?

Marc Crothall: It should continue to talk about—or start talking about—tourism more positively. I know that we have messages and we have lots of advocates, but the Government needs to understand the balance sheets of our business and get more under the skin of what it takes to run a business. We have had some great engagement with the Deputy First Minister and with Richard Lochhead, who co-chairs the tourism and hospitality industry leadership group with us. It is great when we see lots of people on the ground, but I do not think that they truly appreciate how much the margin is now compromised. Free that up.

The night-time economy is another area of our sector that is hugely important, with a real opportunity for growth. If that falls over, there will be a challenge. Moneys could be saved in the public sector reform space, I am sure, but getting more people back into offices and spending in the daytime economy, as Leon Thompson said, would be welcome as well.

Leon Thompson: The main financial lever that the Scottish Government has is business rates, as Marc Crothall said. We have talked about reform of business rates at this committee a number of times and we are keen to see it happen. Currently, hospitality businesses in Scotland are paying more in business rates than their equivalents in England, due to rateable values being higher here than they are elsewhere in the UK. That is a challenge when it comes to attracting investment or businesses having additional money to spend on other things, whether that is employment or investment.

The UK Government is looking at reform of business rates as well, which would essentially introduce variable multipliers—what we would call the poundage rate—and could be very advantageous for hospitality businesses in England. A multiplier of 35 pence in the pound, for example, would change things for hospitality businesses in England.

Stephen Kerr: Has that been discussed in Scotland?

Leon Thompson: It was discussed with the Cabinet Secretary for Finance and Local Government, the Deputy First Minister and the Minister for Public Finance, but it was ruled out because the economic model in Scotland is such that it would not work.

The conversation was rather closed down with the announcement of the review of the methodology that is used for hospitality. Fine—I am open to having that conversation. However, a review group is to be set up and I am not aware that even a chair has been appointed for that review group. It has a long reporting period—to the end of 2026—and then any recommendations might be adopted at the next revaluation in 2029. We have talked today about a sector that needs support sooner rather than much later. The key ask is for some support at the next Scottish budget but reform over the lifetime of the next session of Parliament.

We have spoken about skills. We have talked about the apprenticeship levy, so I will start there. It is very much an imperfect situation that our members do not like because it denies them flexibility in accessing training and so on. Again, this applies only to our members who operate in England and Wales, because the money that comes to the Scottish Government from the levy that is charged on our businesses here is not identified. The Scottish Government says that it does not know how much money it receives from the UK Government via the apprenticeship levy fund.

Linked to that, our businesses made good use of the flexible workforce development fund. When that was wound up a couple of years ago now, a training and skills opportunity was turned off.

10:00

Stephen Kerr: What specifically would you like to see happen?

Leon Thompson: Well, there are a couple of things. Our businesses made great use of the flexible workforce development fund so it would be good to reinstate that. As an organisation, we are working with the UK Government and the Department for Work and Pensions to provide sector-based work academy programmes. That is about encouraging people who are currently on unemployment benefits to undertake hospitality training at their local college. Participants go to the local college for a couple of weeks, where they learn and develop hospitality skills; they also get some interaction with local employers. After that two-week period, they then have a week of working in a local hospitality business. At the end of that process, they are guaranteed not necessarily a job but a job interview. That is up and running after some successful pilots that we ran with the DWP in England.

The way in which the money flows to Scotland under devolution—it is direct money that comes straight out of Whitehall for this—means that that money is not ring fenced. It is not provided to Scotland in that way. We are keen to see that initiative replicated in Scotland because we think that it is beneficial to our businesses. Even though we face challenges around recruitment and costs at the moment, we need to keep the pipeline of talent moving through and keep people, particularly young people, interested in jobs in hospitality.

We also see great opportunities there for Governments to lower the welfare bill, as we can help get people into work through such training programmes. We would like to see the Scottish Government looking seriously at something like that initiative, which would help our industry and help to get more people into employment. To me, that looks like a win-win, as we can help to deliver against the Scottish Government's broader policy objectives. We are doing that already with the UK Government.

Stephen Kerr: You want clarity around the amount of the levy and how it is being spent, and then some imaginative use of that money to generate the pipeline that you are talking about.

Leon Thompson: Yes.

Stephen Kerr: Gordon Watson wants to come in. It is nice to see you again, by the way.

Gordon Watson: As a public body, one ask for us is that we keep the rural tourism infrastructure fund going. That is now enabling powerful strategic interventions in fit-for-purpose public visitor infrastructure. We are benefiting from it in the national park. We have just completed a site at Tarbert, which has enabled us to repurpose it for campervans, as well as adding rapid chargers for electric vehicles and facilities for active travel. Even on existing sites, it is key to invest to respond to changing visitor needs and to enable the sustainable tourism that we want. It is important that that keeps going.

I mentioned the better places funding that was available for a few years. It not only allowed seasonal staff to be employed in hotspots but engaged communities and businesses in their own visitor management solutions. That enabled collaboration, because communities had the means to take ownership of their own destination through being able to employ staff and do small investments. Something like that will be important in rural settings in future.

Finally, there is a lot of positivity around growth areas, in particular in relation to people wanting to come and enjoy an outdoor experience. The growth in the number of people being active in the outdoors is not only good for the economy but good for wellbeing. An example is Conic hill, which is one of our popular small hills. A few years ago, maybe about 90,000 people went up it. Now about 230,000 people go up there every year. We have to spend a lot of money on the path, but that is a good problem to have.

The appetite to have an outdoor experience but also to do that sustainably means that transport is key for our rural economy. In some places, overtourism is not about too many people but about too many cars. Certainly, our piloting of rural seasonal transport services with the Trossachs explorer has not only caught visitors' imagination but means that seasonal staff can get to work. It reconnects communities and people who do not own a car are able to access the outdoors. It is what we refer to as "unlocking money from the car". If people are travelling on their own itinerary but not in a car, they will spend more money. They are not staying in a campervan and they will depend on the business where they stop for lunch. Being able to provide an alternative to car-based tourism is important, and it supports some of the visitor management challenges that we have in our small number of hotspots. We are committed to reducing car journeys from a net zero and emissions point of view.

David Hope-Jones: I echo the comments that there should be no new regulation, that there should be business rates parity with south of the border and that we should keep the RTIF. We are particularly keen, from our perspective, for the RTIF to be open to, accessible to and welcoming to other areas of Scotland, and for it to be seen not just as a sticky-tape solution when an issue

comes up but as something that can look at prevention as well.

In the south of Scotland, we have an ambitious plan that we are delivering on. We are growing our visitor economy positively. In relation to state-funded opportunities such as the RTIF, we are keen to get the visitor management right before there is a problem. My worry sometimes with the RTIF is that there is a sense of looking at the visitor numbers, but that is not the top problem.

On workforce, I absolutely echo some of the points that have been made. The workforce is important for us in the south of Scotland for a host of reasons, not least the fantastic prospective investment of Center Parcs building its first holiday village in Scotland in the Scottish Borders near Hawick. That will bring in £400 million-worth of investment and create 1,200 jobs, which is game changing for towns such as Hawick, Jedburgh, Galashiels and Selkirk. Towns that lost their mills will be transformed, but only if we get the workforce and skills right. Otherwise, the workforce will be bussed in from other areas, including, potentially, from across the border. Now is the time to invest in workforce development.

Stephen Kerr: What does that mean?

David Hope-Jones: There is a lot of money and there are a lot of organisations doing things. We have done a detailed analysis of the existing workforce challenges for businesses in the south of Scotland. If I may, convener, I will send that detailed analysis across to the committee.

In short, the challenges are that we are not selling the industry right or attracting young people with the right soft skills. We also need to invest in certain hard skills, particularly around chefs. We are presenting at the industry leadership group in a couple of weeks and there is real enthusiasm for working together, but we need to make sure that there is investment in this space. Sometimes, for understandable and admirable reasons, a lot of the investment follows the no one left behind agenda and tries to reach those who are hardest to reach. That is hugely important but, in reality, it does not necessarily reach as many people as we need to reach. That is a challenge. There is a lack of industry engagement earlier on in the process of setting up some of these interventions. Those are my key messages.

The key point that I am keen to make is about what Marc Crothall said about destination management and funding for the organisations that are doing that work at a local level. The south of Scotland is a uniquely positive case study of business working with the public sector. We have dialled up the ambition and we are delivering on it, but we need to keep that drive going.

I always enjoy putting a new word into the official record of the Scottish Parliament, so let me have a crack at this. I register the risk of soufflé́ism. There is a danger here. Although we have created this wonderful thing in the south of Scotland, with a vision, a passion and an ambition that we are delivering on, we need to be real, because a strategy on its own achieves nothing unless there is the resource, the capacity, the drive and the determination to make it happen. That is what we need in the south of Scotland. We need to not take our foot off the pedal and we need to invest in destination management. Looking ahead, I have a worry. We are beginning to think that, because we have said that it will happen and the results are encouraging, it will continue to deliver. However, we need to keep putting gas in the tank.

I have a final point, if I may, on infrastructure. You were looking for tangible things. On Saturday, we will celebrate 10 years since Queen Elizabeth II travelled from Waverley station to Tweedbank and opened the Borders railway. What a project, and what does it tell us not just about the south of Scotland but about Scotland as a whole as a place that is thinking differently, is acting differently and is open for business? It has transformed businesses in the south of Scotland.

Let us not just celebrate the decisions that were made 15 years ago. Let us look forward. Let us continue the line to Hawick and connect up with the £400 million investment from Center Parcs—which, by the way, is more than the total cost of the railway to Tweedbank. Let us continue on to Carlisle and let us build the third cross-border railway. If you wanted something neat to take into manifestos, that would be my suggestion.

The Convener: Thank you very much for that injection of enthusiasm.

Can I ask a brief supplementary based on the last set of questions, which have been largely about matters of competitiveness and price sensitivity? To some extent, this is a policy that has been based on the assumption that a price can be added on and that customers will pay it. To what extent are tourism businesses price setters and to what extent are they price takers of a price that is set by the market? This is, in the formal parlance, about the elasticity of demand. To some extent, it will be neither one thing nor the other; it will be somewhere in between. To what extent can tourism businesses set a price and to what extent do they have to accept the price that the market sets and tourists are willing to pay? Marc Crothall, you are the one who has been discussing this.

Marc Crothall: It is a good question. It is becoming more challenging because of the input costs that the businesses are having to combat when it come to where their price point needs to

sit if they are to stay afloat or pay a bill. Do not get me wrong—I agree, and we would all agree, that certain price points exist around the country in different types of accommodation and in certain experiences that are quite rich. Maybe some of the people who operate those businesses or the owners of those businesses are expecting a higher return and, therefore, that is difficult to manage.

Dynamic pricing is an interesting model, but there are tipping points. The harsh reality of that pricing is becoming clearer to operators and business owners at all levels. We do not want the reputation or the badge that Edinburgh already has—it was publicly put out in the media a couple of months ago—of being the most expensive short-stay destination in Europe. That is bad.

Owners, operators and everybody else will have to come in line, but they can do that only if they can pay their bills and meet their overheads—energy, insurance, labour and food inflation—and all those costs continue to rise. Customers are expecting an upweighted level of quality and are benchmarking us against destinations that have upped their game as well. It is a fine line when it comes to how you set price.

Are we price setters or are we driven by market demand? Clearly, we will look at the Oasis Edinburgh concerts and the iconic moments that as a destination we should be proud to be hosting. We will have other events, such as the Commonwealth games next year in Glasgow, that will no doubt drive rates through demand. It is not unique to Edinburgh or Glasgow or Scotland. It happens around the globe.

The Convener: I feel compelled at this point to say that we appreciate both Oasis and Oasis fans in this committee.

When policies are introduced, it is always worth taking a deep breath and taking a couple of steps back and asking whether we are where we expected to be. When the visitor levy was first mooted, people were talking about a pound or two on a hotel visit. If we are looking at 7 per cent and then we add VAT, it is in effect 10 per cent on top. If we managed to find a hotel room for £150 in Edinburgh, it is putting another £15 on top of that bill. Is that 10 per cent additional charge to the guest what was expected when this was first discussed?

10:15

Marc Crothall: In my view, having had conversations with you and many of your colleagues when the bill was going through Parliament, we all at the early stages thought that we would be at the £2 to £4 mark, and possibly more in the city centre of Edinburgh, the capital. From speaking to chief executives and officials in many of the local authorities that are considering this, I know that they also modelled originally on around £1 or £2. Malcolm Macleod will not mind me saying that, because it is on record publicly. The simple answer is that we are not where we thought that we would be. We are now far up the ladder by way of an increase. I guess that local authorities that are having to manage their finances in a finite way see the opportunities that are presented, but that is risky without doing the economic impact assessment first.

I have not had a holiday yet. I have spent a lot of time around Scotland, enjoying Scotland for all that it is; the events and things have been phenomenal over the summer and we have a lot to shout about. However, I am now going away for a week in Menorca with my wife. I have my tourist tax bill, because I have had it communicated to me. It is £54 for the week in a property that I will not say is a one-star or two-star product. It is a nice place to go, but £54 is all that I am being asked to pay. I do not mind paying that, but it would raise the hairs on my back if I were being asked to pay £150 or £200-plus, which is what it would be to stay in a similar type of property in Scotland.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning, everybody. I want to drill into whether the cost of a holiday in Scotland is fair, which Marc Crothall has touched on. By and large, we are seeing that international numbers are going up and I expect that they will go up even more in 2025, but our briefing tells us that the average duration of visits fell by 19 per cent—maybe a day out of five—so people are staying for a shorter period. Is there an issue there about the cost of booking a holiday in Scotland?

Marc Crothall: In Scotland, we have outperformed the rest of the UK and we should be celebrating our international footfall numbers. Visitor numbers and visitor spend have grown by 26 per cent since 2019. We have done an amazing job, and all credit goes to VisitScotland and the industry. Our strength is that we work collaboratively together.

However, you are right: the visitor stay is shortening and international markets are also being price sensitive. I can say that. My chair is Rebecca Brooks, who owns Abbey Ireland & UK and is chair of UK Inbound, which is the organisation that represents the inbound tour operators. Many of its members are saying more and more that there is a price sensitivity not just to Scotland but to the UK as a whole.

Global tourism is bigger than it has ever been, even post-Covid. More people are travelling than ever before and it is a tougher market out there, but our price point is now becoming, against the

quality of the offer of the total experience—and not everywhere—uncomfortable. I have spoken to the board of Internova, which owns Barrhead Travel and a suite of other travel companies, including one of the largest American travel companies, and they raised their eyebrows at the fact that we were thinking about putting a visitor levy of 5 per cent into Edinburgh—£3, £4 or £5 might be palatable and, if we can demonstrate where that money is invested, how it enhances the visitor experience and how it helps transition towards our green agendas, that is absolutely fine, but we are a costly destination.

Let us not forget that the domestic market is a hugely important, year-round market for us and our current base is basically too expensive for the family audience, in particular. The danger of not being able to service that audience or appeal to that audience because of price is a worry.

Willie Coffey: David Hope-Jones is from the south of Scotland. For many years, my constituents have told me that it is cheaper, even when they include the cost of flights, to go to places such as Menorca—where Marc Crothall is going—than it is to spend the same amount of time in Scotland. I was fortunate enough to be in the wonderful village of Portpatrick a few weeks ago. If you cost that and compare it with the equivalent in Fuengirola, you see that it is much more expensive to stay in that part of the south of Scotland. That message will probably be the same all over Scotland.

Why is that? The wages in the tourism sector are much lower than the national average. You talked in your opening remarks about profitability being an issue. How can that level of charge for visitors not deliver profitability for small hoteliers? Is the profit being eaten away by things such as VAT and national insurance? What is the reason for that? It has historically always been the view that holidaying in Scotland is much more expensive than holidaying abroad.

David Hope-Jones: Yes, absolutely. It is a great question. That is a challenge for the industry. VisitScotland does excellent research listening to visitors, and value for money is not a point on which we in the south of Scotland and elsewhere necessarily score as high as I would like.

In answer to your question, the challenge is business costs. All 750 businesses that I represent wish that they could be charging less. They know that they can get numbers up if they charge less. They are charging what they do to be able to survive this year and next year. The costs in VAT, employment, energy and business rates determine that price point. You are absolutely right. If you compare five days in Portpatrick to a couple of weeks abroad on a package holiday, it is a difficult proposition.

One challenge that we have in the south of Scotland is that we are too reliant on the domestic market, which is particularly price sensitive, from my point of view. We want to use the domestic market to grow the season. We have a short visitor season in the south of Scotland. We want to use the domestic market to build the shoulder season and build the winter months and to increase our international market share to try to get the price point up in the summer. At the moment, the south of Scotland has comparatively one of the lowest market shares of international visitors. That matters because, put simply, they spend more per day. A near European visitor might spend twice as much as a domestic visitor and a North American visitor potentially four times as much as a domestic visitor. A priority for us is to be able to extend the season through the domestic market and to increase the price point by getting more international visitors, but we need to use opportunities like this to be honest about the challenges of the price point and the challenges of value for money and where the issues are.

I want to be clear. The businesses in Portpatrick are not making oodles of money through that price point. They are trying to survive next week. They are trying to work out how they can keep their staff next month. They are trying to think about how to invest in the quality and the product and the story when they do not have the money to do that. Those are the challenges that you will have seen in Portpatrick and that is why it is important that we represent the challenges on business costs here.

Willie Coffey: Leon Thompson, how do we get more people in Scotland to holiday in Scotland when we have heard that story?

Leon Thompson: First, a holiday in Scotland is worth every penny.

Willie Coffey: Tell that to Marc Crothall. He is going to Menorca!

Marc Crothall: Research.

Leon Thompson: We may not compete well on price competitiveness but, when it comes to experiences, we are way above our competitors. We have always had this challenge. Yes, there are issues around cost and we know that other destinations are cheaper. We also have issues to contend with such as the weather, which makes jumping on a flight and going somewhere sunny for two weeks a compelling proposition. We need our domestic market. That is critical. The domestic market keeps hospitality and tourism thriving—or going—throughout the year. International visitors are vital and they are the icing on the cake. The more we can do to bring in international visitors, the better, but we need a strong domestic market

to respond to promotion and marketing of the country.

We cannot shy away from the fact that we are expensive and a lot of experiences are beyond the means of people in Scotland and the UK, particularly right now. Again, it goes back to what we were talking about at the start of the conversation. We need a UK budget that will help our businesses, as has been outlined across the last hour or so in this session, and also help our consumers and our customers. Only if we can do that will we see an uplift in domestic holidaying again. I reiterate that we all work incredibly hard to encourage Scots and people from elsewhere in the UK to come and stay in the country and experience what is great about Scotland.

Willie Coffey: Gordon Watson, it is expensive to stay at home and holiday, but the wages are pretty low compared to the national average. What is the reason?

Gordon Watson: Our businesses cite a huge combination of issues such as rising fuel costs and the cost of purchasing stock for hospitality businesses. It is an accumulation of things. As I said earlier, there is an accumulation of things hitting at the same time. Whether hospitality or accommodation businesses, our businesses are incredibly worried about price point and starting to lose business and how much they have to consider absorbing some of these things.

We have to consider the impact of visitor levies on different types of accommodation product. For example, we have one of the country's largest coaching hotel companies, which has many hotels in the national parks. Its product is an affordable package coaching tour holiday based on coaching hotels. It has a big market from England. If 5 per cent plus is added on plus VAT, it is incredibly worried that that will take its price point away from the market that is its core business and it is considering how much it might have to try to absorb that to keep that audience and that market. We need to consider the impact on different types of accommodation product. Hotels in Edinburgh are one aspect, but lots of different types of rural accommodation provider need to be thought about in the price point that they end up with as a result of a high visitor levy impact.

Coming back to the costs that businesses are having to pay to operate, I think that it is one thing after another. If you are a rural business, fuel is big. Although some roles are low paid, if you are a chef, you are doing okay at the moment. Lots of hospitality roles are in high demand with a lot of competition for them as well, which is a key aspect in the quality of offering. There is a lot to manage and still keep up a competitive price point. That is the message that I am getting from my business community.

Leon Thompson: Could I address the point about pay? Marc Crothall might want to say something about it as well. We are not a low-paid industry. As a minimum, businesses will be paying the national living wage, which is two thirds of median average earnings, but those are very much for entry-level jobs. As Gordon Watson outlined, we have high demand for people with particular skills, and not just chefing and kitchen roles. People can build great careers in hospitality and tourism and command competitive salaries as well. Another important point is that servers in restaurants and hotels and so on get a share of tips and service charges, which boosts earnings too. We had legislation ensuring that that money is passed on in full to employees, which is good news. There is a lot there around the pay that is incredibly positive for people starting jobs and careers in hospitality.

Marc Crothall: I was going to come in on exactly that point, because Leon Thompson and I were part of the fair work hospitality inquiry. A real positive is that we are probably the sector that has raised the pay bar the most. We have a population issue and all businesses are having to compete for local labour, so they are paying high wages. My oldest son is in the industry. I probably would have steered him away from it if I thought that it was a poorly paid opportunity. It is quite the opposite.

There is an ability and desire to invest in the people that we have and grow their wage and help them accelerate fast, which is good. Housemaids working in some of the hotels in the city are earning upwards of £40,000. They get the gratuity and the pay. To them it is a good job, and that is important.

It hurts and grates when we hear people positioning our industry as a poorly paid, low-paid sector. We know that that is possibly the case at the base level, but, more and more, young people who come in at the entry point are not being paid the lowest level of pay possible. They are being treated well and they get a lot of added value in learning and wellbeing.

10:30

The Convener: As a guide, I note that we will aim to conclude this panel at about quarter to 11. I turn to Gordon MacDonald.

Gordon MacDonald: Actually, Willie Coffey has covered the questions that I was going to ask.

The Convener: In that case, I call Kevin Stewart.

Kevin Stewart (Aberdeen Central) (SNP): Today, I am sitting in the great city of Aberdeen, where we have had some great experiences for tourists this year. The tall ships were mentioned—

that was a fabulous event for visitors, for Aberdeen and for the north-east. We have had more cruise liners than ever come into the port of Aberdeen. One reason why I am sitting in Aberdeen and not in the committee room is that this is the Society of Petroleum Engineers' Offshore Europe conference and exhibition week. Visitors here get good value for money and it is definitely worth every penny coming to visit Aberdeen and the north-east.

We heard earlier about what some folk describe as overtourism and about price gouging. Can we learn lessons on attracting more visitors over the piece while not repelling folk with high prices at certain times? Let me give you an example. As I said, this week is Offshore Europe week, but an event called Aberdeen restaurant weeks is also taking place. Until 14 September, more than 70 venues, restaurants and cafes in the city have good deals on food, at a time when they could be price gouging because of the Offshore Europe event. The leadership for the food event is from Aberdeen Inspired, which is the business improvement district. Should there be more of that rather than less of it in order to attract return visitors?

Marc Crothall: Of course, you had a big golf event in your neck of the woods as well, which has led to more golf tourism visitors heading towards Aberdeen.

We work closely with Chris Foy at VisitAberdeenshire, who does a great job. I am pleased to say that Robert Wicks, who works at P&J Live, is joining our board. We also have Frank Whitaker, who is the chair of the Aberdeen Hotels Association. The sector in Aberdeen has a strong voice.

Aberdeen is transitioning from the oil world of a few years ago to becoming more of a tourism proposition and a destination that attracts visitors. The community and the collective business industry have done an awful lot of work in that regard.

There are lots of benefits and deals on offer. I was going to remark earlier that rarely have we seen discount offers being promoted so heavily at this time of year, including by companies such as itison and 5pm. That speaks to Leon Thompson's earlier point that people have probably been more desperate to get cash flow, to hang on to staff and to get people to come out. We will absolutely support what is being done in Aberdeen.

Similar activities are being undertaken in Glasgow, Edinburgh and Inverness, too, including through the collective works of the chambers of commerce, to get people out. Such activities are not uncommon, but they are viable only if you can make money and if the visitors then return, and, of course, business owners have to combat food inflation costs, rates and many other things.

We would love to see all of our operations busy. We are in this industry because we enjoy serving and looking after people. There is nothing worse than being in an empty restaurant or an empty hotel. However, it is a pointless exercise if you do not make any money when you are doing it and you end up having to close your door. Sadly, we are seeing far too many businesses having to close doors now rather than open them.

Leon Thompson: Having a broad portfolio of events, attractions and reasons to visit a destination is critical. That is where VisitAberdeenshire plays a key role. You can enjoy the city and you can enjoy the countryside as well. That is critical and broadens the appeal to visitors. On the point about pricing, people will pay what they can afford and what the market can bear.

Kevin Stewart: Can I stop you there? I agree with you that people in the main will pay what they can afford, but if you are a business person who is coming to, in my example, Aberdeen, for an event that they cannot get out of, they could be price gouged. That is not happening here at the moment, which is a wise move on the part of businesses in Aberdeen.

It is not just a case of what you can afford to pay. Sometimes, you have no option if you have to go to a place anyway. Sometimes, businesses—here in Scotland and elsewhere—get that wrong by price gouging, which makes it less likely that folk will return. Is the Aberdeen restaurant weeks event and Aberdeen Inspired's approach the right thing to do to get return visitors?

Leon Thompson: Absolutely. It is clearly an opportunity to stimulate demand among visitors, and residents as well, in order to get people out to enjoy what they have on their doorstep. We should not lose sight of that.

Aberdeen is hugely ambitious in the conference market and in bringing in more business conventions. Demonstrating price competitiveness and an open approach to pricing is to be commended, and I am sure that Aberdeen will benefit from that. Again, it is about having that broad basket of appeal, which, ultimately, makes destinations successful. Aberdeen city and Aberdeenshire certainly have that.

Kevin Stewart: Thank you. I do not know whether Gordon Watson and David Hope-Jones want to come in briefly.

Gordon Watson: I have an example of using events to help create a legacy for the destination. The events that we help to support and facilitate are more to do with outdoor experiences. We have

been hosting the great Scottish swim, which is now called Go Swim Loch Lomond and which, at its peak, had 2,500 participating competitors, bringing 10,000 people with them. The legacy of the event is a huge rise in people coming for low-level water sports, including open-water swimming and paddle boarding. It has brought people to the destination.

On biking, Aberfoyle has repositioned itself as "Gravelfoyle" because of the gravel biking experiences that you can have there. The duke's weekender is an annual event that brings together a wide range of participants in cycling events. The businesses see that as a way to position the destination and to get behind that—not to exploit it for the weekend that people come to the events but to use that as a way to position themselves and to respond to what the destination is becoming.

In Aberfoyle, you will see more cycle shops and businesses appealing to that sort of visitor. Also, it has allowed us to take part in some of the big events, such as the UCI world cycling championships—some of the races started in Balloch. We also hosted the 2018 European championship open-water swimming competitions, which put Loch Lomond on the television screen in front of a billion people around the world. You never know where these things will lead.

Businesses would have never imagined that outcome, but it is about using such events as a way, as you have mentioned, to support return visits because people have experienced something that they want to do again, and for them to position themselves to that end.

David Hope-Jones: On the core premise of your question and whether businesses should resist the short-term benefits of price gouging with an eye to the long-term benefits of return visitors, the short answer is, yes, absolutely. Price gouging definitely cannot be seen in the south of Scotland.

I will shift the discussion a bit to look at the comparison between rural Aberdeenshire and what it has succeeded in doing and parts of the south of Scotland, in relation to the destination brand, the story of place and of Aberdeen shifting from oil to destination. We are interested in that place-based approach. It is a core part of what VisitScotland wants to do with the Scottish visitor economy and it is a key part of our approach.

Put simply, destinations succeed when businesses work together, and when they have one story and one message that they shout loudly and proudly. For us in the south of Scotland, that story is, "Scotland starts here." That is our destination brand, because the biggest challenge for the south of Scotland is that people pass through it. We need to turn the south of Scotland from a go-through place to a go-to place. We will succeed in doing that by businesses and the public sector working together.

Comparisons with Aberdeenshire are interesting and, absolutely, events are a key part of it. We, along with anyone else who was in Stranraer while the SkiffieWorlds championships were happening, felt the positivity and the energy of the event, and the money that it brought in was huge. Ditto the tour of Britain and what it did for Kelso and its town square, which I am told is Scotland's largest. Destinations succeed by attracting such events and leveraging them in as part of that destination story.

Kevin Stewart: I have a question for Marc Crothall. This morning you seemed to be more positive about the Aberdeen visitor levy than some of the other witnesses, unless I am picking you up wrong. If I am right about that, will you give us your reasoning for being more positive about what Aberdeen is doing in that regard?

Marc Crothall: Thank you for that observation. I am not positive about the fact that it is 7 per cent, because, psychologically, that rate will potentially skew people away from Aberdeen, given that it is 5 per cent or 3 per cent elsewhere. However, Matthew Williams has been leading the levy consultation or the conversations on behalf of Aberdeen City Council, together with our colleagues in the industry, including Frank Whitaker and Chris Foy, about the proposals that sit around the levy when it is raised from April 2027 onwards. It has been clearly demonstrated that it will be invested positively to help to grow the economy. The process has been collaborative and well thought through.

I am not disputing what other destinations have done or saying that they have not thought it through in detail, but if the levy is used to stimulate the economy, to win more of the big events and it is spent wisely, and if there is no other alternative to funding the destination marketing organisation, which we know is a challenge, that has to be good.

I always return to what Vicki Miller and VisitScotland have made clear. The levy will be introduced in April 2027. A detailed economic impact assessment needs to be carried out that is based on current and future trend before implementation goes ahead.

Kevin Stewart: Thank you very much. I have one final question, which is about conversations that I have had with trade members in recent weeks about the impact of employer national insurance contributions. People are freely admitting that they are paying less in a lot of cases, but others are saying that it is impacting on training and the ability to bring new people in. I

know that you have a lot of asks of the Scottish Government and the UK Government, but this seems to me to be the biggie in the equation, certainly in this city. Has the change had a major impact on wage points, training and recruitment? Short answers would be good, because I know that the convener wants to finish. I ask Marc Crothall to respond first, please.

10:45

Marc Crothall: We are hearing the same—that the cloth has had to be cut by some businesses while others are more fortunate and continue to be able to invest in their people. The bottom line is that the employers' preference is to continue to invest in and protect the staff they have. If the numbers do not cut it because pressures have been forced on them by others, that can be the difference between their being able to stay open or not.

David Hope-Jones: I completely agree with your analysis that it is the biggie. It is the single biggest issue and the point that my businesses want me to represent here. In the south of Scotland, we are seeing economic growth in the total value of tourism, but the most recent numbers suggest that job creation is static. That is because, even if businesses are growing, they are nervous about taking people on. The short answer is that I absolutely agree, and something needs to be done.

Leon Thompson: Yes, it is a regressive tax. It has had a hugely negative impact on the hospitality sector and we would like to see it reversed in the UK budget.

Gordon Watson: As I said earlier, a number of our businesses say that, as a result of the change, they have had to move away from offering the real living wage in some cases and are also looking at their total staff wage bill. In some cases, that is affecting businesses' opening hours, as they feel that they can afford to open only at the most profitable times. As I have said, we are still seeing businesses not opening seven days a week, and I am hearing anecdotally of a range of impacts on businesses that mean they are having to adjust their operation in order to be viable in different ways.

Kevin Stewart: I hope that folk will come and visit Aberdeen during the restaurant weeks. Thank you.

The Convener: I think that we can take it as read that all members will be making a plug for their particular parts of Scotland.

I will ask one final question and, in a sense, tee up the next panel. We are obviously a matter of weeks away from the introduction of the levy in Edinburgh. There has been some press reporting about correspondence between Marc Crothall and the City of Edinburgh Council, and I think that a decision is due at one of the council's committees later this month about how that is to proceed. There are a number of outstanding questions about exemptions and payment mechanisms, and I hope that business owners themselves are fully aware and have had access to platforms and so on. Can you summarise the situation and the level of preparedness you think there is for the introduction of the levy in Edinburgh?

Marc Crothall: Our concern, which has obviously been spelled out in the conversations and communications that we have had with the council leader, is that, despite all the good work that has been done—there have been many months and years of it—we are not ready. The guidance that was published last week is not detailed enough—we are being told that by our members. There are still questions about some of the conflicting information that sits on VisitScotland's FAQs portal, which has not been corrected. Given that we are only a matter of days away from when businesses are expected to be compliant, and with an SSI due to be laid midway through October, we believe, it seems very risky to pursue a deadline of 1 October. We would be far more comfortable and, I think, reassured if the deadline were 1 January. The analogy is not putting a football player into the team to play a big match if they are not fully fit. I think that we are not quite there. Pre-season training has not come to its full fruition and there is work to be done.

We are grateful that the motion has been remitted. For the reasons that we have communicated openly, and given the information and detail that is still coming from colleagues, as well as their concern about getting it right and being legally compliant, we agree with the deferral back. It is not about stopping the July implementation; it is about continuing to work closely with the industry to get it right. Edinburgh is in the spotlight. We are doing something completely different from the rest of the UK, and this is a chance to get it right and do it well.

There is a whole communication piece about the socialising of it, because a lot of people out there have not seen platforms before and have not got their heads around it—to the point that financial directors of large businesses are still questioning what is required of them. It is not just the many small business operators who will have to grapple with this. The legislation allowed for 18 months in which to prepare and get ready, but even 1 January is not 18 months from when the act went live, in July. So, give us the breathing space to be able to get it right.

Leon Thompson: Convener, you asked earlier whether we felt that the discussion and the policy progress of the visitor levy had gone in the direction that we had thought they might, and this is one area in which they have not. We pushed really hard for an 18-month implementation period, not because we wanted our businesses to sit on their hands, but because, having been in consultation with businesses, we knew that they would need that amount of time to be ready and organised. So, having an effective implementation date of 1 October has been extremely unhelpful.

Many of my members are concerned about issues of compliance around that, to put it mildly. If they are not ready by 1 October, what will that mean for them if they are trying to levy the tax on guests and do not get it right? There have been conversations with the City of Edinburgh Council about enforcement, because there are a lot of enforcement powers in the legislation. Verbally, there has been assurance that it will all be very light touch, but I do not think we have heard definitively that the council is going to take such an approach. I and some of my members believe that having an implementation date of 1 October is a fundamental barrier to a smooth transition into applying the charge.

The Convener: I thank the panel for all their contributions. We will have a brief suspension to allow the panels to switch over.

10:52

Meeting suspended.

10:57

On resuming—

The Convener: I welcome our second panel of the morning. With us from the City of Edinburgh Council, we have Paul Lawrence, chief executive, and Elin Williamson, head of business and growth. We also have Malcolm Macleod, assistant chief executive, place, Highland Council; Rob Dickson, director of industry and events, VisitScotland; and Cat Leaver, director of strategy and competitive intelligence, VisitScotland.

I will open with a slightly different version of the opening question that I put to our first panel. Do you feel that we are ready to implement a visitor levy, and what impact do you think that the visitor levy will have, given the economic context of the tourism industry that we heard outlined by the industry representatives earlier? I invite Paul Lawrence to respond first, not least because he might want to respond to some of the points that were raised by the previous panel of witnesses.

Paul Lawrence (City of Edinburgh Council): Thank you, convener. The basic answer to your question is that, yes, we feel that Edinburgh is ready to implement the levy on the public sector side. A huge amount of work has been done by my colleague Elin Williamson as well as our enforcement teams and others to put in place the charging mechanism, the systems and the enforcement processes. Gearing up on our side of things is going well, and we are getting good national support for that from things such as the Improvement Service. We think that we have been effective in that regard.

We understand the concerns of the industry. As you are probably aware, the City of Edinburgh Council passed the proposal to implement the visitor levy scheme in mid-January—in fact, I remember the day: it was the day of the storm warning when everybody got buzzed on their mobile phones and we had to have the meeting on Teams rather than in person. The industry has since received the details of the scheme and has been able to consider how to take it forward. We issued detailed guidance two weeks ago, which we think is in sync with VisitScotland's frequently asked questions.

11:00

We are aware that there have been some discussions within the Government about an additional statutory instrument, which Marc Crothall referred to earlier. If the Government chooses to lay that before Parliament, we will deal with it by considering the implications and advising our elected members accordingly. Other than that, we think that we are in good shape. As I hope that you know, our approach in the lead-up to members adopting the scheme has been demonstrated by years of industry engagement involving accommodation providers, attractions and so on.

On your second question, in Edinburgh—as I think is the case everywhere, as is demonstrated by what Kevin Stewart said about Aberdeen earlier—there is an urgent need to invest in the product. That is not a very nice word but I hope that you do not mind me using it to describe things such as visitor-based services, attractions, events, digital services and so on. There are all sorts of things that happen in Edinburgh, particularly in the summer but also year-round, that I think need additional investment, and the investment priorities we have set out are 100 per cent in line with the partnership-based tourism strategy that we adopted and have refreshed. Those priorities will enable investment in the product not only in the city centre but in all areas of the city that are heavily visited, such as Portobello, Cramond, the Pentland hills and so on. We are under a strong direction from our elected members that the levy must benefit the whole city, not just the city centre,

and we would not be able to get that money from anywhere else—indeed, some of our current investment would be threatened because of wider financial conditions if the levy did not exist; it is essential to refreshing, maintaining, sustaining and supporting the product, which is, obviously, a gateway for Scotland.

I heard, as I am sure that members did, the concern from the industry about the burden of taxation and the fact that it is something that adds to the cost of staying in Edinburgh. Our contention is that we have done significant research on that engagement and have found that Edinburgh is not completely but increasingly an international destination, and that the levy is something that international visitors are comfortable with paying.

On the whole, I think that we are in good shape. We are aware there might be changes, and we will deal with those if they arise, but we are optimistic that the levy will provide the investment basis to sustain Edinburgh as a destination for the future.

The Convener: I would like to advise the witness, who managed to name check various parts of the city and not mention any parts of south Edinburgh, that Bruntsfield and Morningside could use investment as well.

I will move on to the other witnesses. Two specific points were raised earlier, and the one that I am most concerned about is the level of business awareness and engagement, given that the levy is soon to be introduced. Could you address that point?

The second point concerns the 18-month lead-in period. January is not 18 months ago, and the situation is made more concerning by the fact that the SSI that we mentioned might introduce a further change. Could you address the point around the lead time that businesses have asked for, as was expressed quite clearly by the previous witnesses?

Paul Lawrence: My apologies, for not name checking investment in your constituency.

I am sure that Rob Dickson and other colleagues know this better than me, but my understanding is that there is an 18-month period between a council deciding to adopt a scheme and visitors starting to pay the levy. For Edinburgh, that is from January 2025, when it was adopted, to late July 2026, when it will commence—that is an 18-month period. As the scheme sets out, there are other dates within that process, such as the October date, which is the date from which the levy applies to bookings that are made for stays commencing after July 2026. However, there is a clear 18-month period, as the legislation sets out.

As I said, if the Scottish Government, through the SSI, says something in particular about the charging mechanism that we believe merits further consideration, we will look in detail at that. As we always have done, we will talk to our stakeholders and advise our elected members, who will take a decision on it. However, as we sit here today, without any hard knowledge about the SSI or anything else, we are proceeding with the guidance that has been issued.

To answer your first question, we have regular deep and thorough engagement with the industry, led by Elin Williamson's team and our regulatory services. There may well be some outstanding questions from the industry regarding potential changes that people have heard about, but we can deal only with the certainties in front of us, and we believe we have undertaken deep engagement with the industry at all stages.

The Convener: Gordon MacDonald has a supplementary question.

Gordon MacDonald: I want to ask a quick question of clarification. The international passenger survey for 2024 highlighted that there were 4.4 million visitors to Scotland and that they spent £4 billion. That represented a 9 per cent increase in trips and an 11 per cent increase in spend compared with 2023. You said that Edinburgh was becoming more of an international destination. Has there been any analysis of what the impact would be on the domestic tourist market, given that businesses and domestic tourists are facing the same challenges of food inflation, higher energy costs and so on? Has there been any analysis to say that the introduction of the visitor levy could have more of an impact on domestic tourists?

Paul Lawrence: I am not sure that there has been. The figures that I have in front of me show that overnight tourism has increased from 13.8 million nights in 2014 to 20.3 million nights in 2023—which is more or less a 10-year period—and that international visitors now account for 66 per cent of total nights. If I understand you correctly, behind your question is a concern that, if international visitors are more comfortable in paying the levy but domestic visitors are less so, that might have an impact on Edinburgh, and therefore on Scotland, as the city is a significant gateway to the rest of the country, as you can see on the High Street every morning. I do not know whether that will be the case. To a degree, we will just have to see what happens.

Effectively, because the market has been able to bear it, there has been a significant increase in high-end accommodation in the city. That has economic consequences, which the committee may come on to. We see the change as meaning that more needs to be done to ensure that the city has more serviced apartments—which can be more affordable—and more budget and mid-range

accommodation. We have to find the locations for those, because I think that they will help domestic tourism. It is unlikely that we will find locations for all of those in the city centre, and they might have to be in locations such as south Edinburgh, which has lots of opportunities.

The Convener: And south-west Edinburgh.

Paul Lawrence: Yes, and, more seriously, across the wider region. Of course, if visitors stay across the wider region, where there is a greater range of development opportunities and accommodation could be more affordable, the key challenge for us then becomes the transport connectivity, which is good in some areas and less good in others.

There are implications for the domestic market, and, although there are ways of dealing with them, there are challenges within that.

The Convener: If Elin Williamson and Cat Leaver would like to come in, please say. Otherwise, I will go to the principal witnesses from each of the organisations.

Rob Dickson, I put the same opening question to you. Do you think that we are ready for the visitor levy, and what do you think the impact will be, given the economic context of the tourism industry in Scotland?

Rob Dickson (VisitScotland): Good morning. Between us, we will try to cover that. The economic impact and the data—

The Convener: You can decide between yourselves who would like to answer.

Rob Dickson: We will not answer everything twice, let us put it that way.

On the question whether we are ready, in parallel with the period of consultation around the draft bill and the passing of the legislation, we had an expert group that pulled together the guidance that has been published by VisitScotland for local authorities. That guidance was published almost a year ago and is designed to support local authority officials in the development of their schemes as well as in the preparatory work around consultation on those schemes. Subsequently, we have ensured that a FAQ has been published online. Therefore, I think that I can say that we have a suite of information available in the public domain that has been there for some time. We will update it shortly in relation to a number of points that have been made, and the precise timing of that relates slightly to the on-going work that the Government is doing on the SSI that you have referred to, but that does not cause any delay with regard to anything that Edinburgh is taking forward.

We argued strongly for the 18-month period between the decision to have a levy scheme and the point at which the levy scheme is collected, for exactly the reasons that Leon Thompson outlined earlier, namely that local authorities and businesses would have a considerable amount of work to do. In the particular case of Edinburgh, which is unique because it is first, the situation was obviously going to be a little bit more pressured than it would be for anybody else.

As things stand, I concur with what Paul Lawrence said. If we need to make changes as a result of changes that the Government makes, we will do so. The guidance that the council has published aligns with our guidance. I am not aware that there are differences between what we are saying in our FAQ and what the guidance that Edinburgh published says.

I think that we are in a reasonable position to take forward the levy. However, we are now in September, and the levy is due to be collected in July next year. We are aware that there is more to be done. I do not dispute that, but, due to the process that we are following, I think that we will be where we need to be by then.

Cat Leaver can talk about impacts on numbers.

Cat Leaver (VisitScotland): The previous witnesses covered well the three big takeaways around the impact on the industry. We know that international markets are driving growth, and that is a positive story for us. However, domestic tourism is softer. It is stabilising but it remains fragile. Your question raises a critical point, and the impacts on the split of international and domestic visitors need to be borne in mind by each region and local authority when it looks at implementing the levy. We know that the trading environment remains increasingly pressured with both forward bookings and yield under significant strain.

There will not be blanket impacts. There are lots of complexities and differences when we get down to regional levels and each of the local authorities must work with its businesses and communities and with ourselves to make sure that its approach is appropriate for the industry in its area.

Rob Dickson: I would like to make a brief point on the FAQ on our website. We will continue to work with councils and with the sectors that are represented by the previous witnesses to ensure that, where businesses have questions about things that they feel are unclear in our guidance or the council's guidance, we address that as best as we possibly can through the FAQ. We will continue to do that and to publish further answers to frequently asked questions.

Michelle Thomson: This is a quick question—and possibly, if you will forgive me, a slightly

cheeky one. We heard a clear articulation from the previous panel, with concerns being expressed, and we are now getting a totally different view. Where is the disconnect occurring and why? I accept what you are saying about timescales and working through the iterative process that you have described, but it still seems to me that there is a disconnect. We are in politics and we understand probably better than anybody that people will adopt positions but, at the same time, we have a duty to make sure that we get to the right place in everybody's interest.

Who would like to take that cheeky question?

11:15

Elin Williamson (City of Edinburgh Council): Somehow, I seem to have been volunteered. [*Laughter.*] The majority of the issues are around the operational implementation and interpretation of the legislation. The discussions about the SSI have been on-going for some months now, and the method of implementing it and the exact wording for how it will work have been run past local authorities, sector stakeholders and so on. However, there are some areas around that that need to be ironed out.

When we issued our information for Edinburgh, it was specific to idiosyncrasies, if you will, that are Edinburgh specific. For example, Edinburgh has introduced a five-day cap, which is not national. We have tried to focus on the things that are Edinburgh specific, leaving the national parts for VisitScotland to include in its guidance. We are conscious that VisitScotland will struggle to issue its national guidance without having clarity on the SSI. We are working in tandem to try to ensure that we have ironed out all issues, but we are in a unique position. We have never done this before, and things will come up continuously that we will try to respond to.

I will clarify a couple of points. The 1 October date is the point at which bookings made for stays on or after 24 July become leviable. There is no obligation to charge the levy as of 1 October. That is a business-specific decision. The levy does not become chargeable until a chargeable transaction happens, and that does not happen until the visitor checks in. The visitor cannot check in before 24 July. There needs to be some clarity about that.

There has also been some confusion about the reporting. I think that some industry members mentioned earlier that there is no platform yet. That is because the platform is to do with how accommodation providers will report back to local councils, which will not happen until chargeable transactions have happened. We have tried to say, "This is the information that you will need to give us in October 2026." If accommodation providers take a booking now for a stay after 24 July, they will need to gather that information so that they have it. We have tried to keep it at as high a level as possible. We are not asking for personal data and there is no request for copies of passports or anything like that. We are trying to keep it to literally numbers of rooms that are let and the price.

Michelle Thomson: You have answered the question in relation to process development and iteration, which I alluded to, and that dependency between the two of you, but the other concern that came through from the previous panel was about the percentage versus a flat rate. Do you have anything to add on that? It seems to me from what the previous panel said that significant concerns remain. Are you putting that to one side, given that your job is to focus on the practical implementation? Does anybody else on the panel have anything to add on what still feels like a disconnect, setting aside the operational process things that Elin Williamson has clarified?

Paul Lawrence: It might be interesting for the committee to hear from my colleague from Highland Council, because there may be different arguments in different places based on the accommodation base. Our members felt quite strongly that a percentage approach was fairer given the accommodation mix in the city of Edinburgh, but that might be different in different places. We are comfortable with what the legislation says and we think that it represents a fair way of introducing the levy. However, I am aware that people up and down the country will have different views on that.

Malcolm Macleod (Highland Council): I will come back to the point about a flat rate versus a percentage, but in Highland we are slightly behind, having carried out a consultation at the back end of last year and early this year, which was extended. We got over 4,000 responses. Are we ready? The answer is no, as of today. We are taking a bit of time not just to go through the responses, but also to do a bit more work on some of the issues that have been raised.

Paul Lawrence is right. There are different issues for concentrated city authorities and an authority that covers a third of Scotland and has a very wide variety of accommodation types, which come with different pressures. There are those who are opposed to a levy in principle and those who are supportive of it. The majority are not opposed to a levy, but they are opposed to the levy as we presented it, which was 5 per cent with no exemptions. We have gathered a huge amount of valuable information from the consultation.

The things that we are working through at the moment include, not surprisingly, looking at the economic impact assessment in much more

depth. At the start, we did what I now accept was a high-level economic impact assessment. We are now doing a lot more work on that. In particular, we are looking at the different sectors, the different geographic areas and the different impacts of seasonality that Highland inevitably has. If we compare the inner Moray Firth with the more rural parts of Highland, we can see that they present very different challenges.

The issue of exemptions is something to be considered in such a huge area where people need to travel. An example is hospital visits. We are looking at how exemptions can be put in place within the guidance and the legislation.

A lot of representations have come in on the possible impact in relation to VAT thresholds, particularly for our smaller operators.

There has also been extensive discussion about the impact and burden on business of the collection methodology and processes, and we are looking at that—slightly on the coat tails of Edinburgh and other cities, to see how they are dealing with it—while continuing to be involved in developing the system along with the Improvement Service.

Those are the key things that have come out. We are taking time to see how we can best move forward.

We have set up a visitor levy reference group, which has really good representation, and it certainly helped the debate and discussion as we went through the end of the consultation into the phase that we are currently in. I hope that that engagement with business will continue, because one of the other areas that businesses and communities were clear on was what the levy would be used for. Given the scale of our area, the different infrastructure challenges that we have and some of the huge successes that we have seen, which have been helped by the rural tourism infrastructure fund as well as a number of other funding sources, we have demonstrated that improving the visitor experience for visitors at our honey pot sites and developing new facilities that extend dwell time—such as at Inverness castle, for example, which is the key one for us this year—is really appreciated by communities that are affected by different types of tourism.

The debate about a flat rate or a percentage came up a lot, but we are bound by the guidance and the legislation. Our convener wrote to the minister asking whether there was any prospect of that being reconsidered. We recognise that this is a fairly common theme but, for the reasons that have already been set out at length—not just here, I am sure, but in various other places—we are bound by what we are allowed to do. However, that sentiment clearly came out.

The Convener: Stephen Kerr has a supplementary question.

Stephen Kerr: It is related to what Michelle Thomson asked. Paul, you started out by saying, "We are in good shape", but the "we" seemed to be the council. The council was communicated with by the Scottish Tourism Alliance in July, extending the "we" to include all the people who are going to have to collect the taxes, in effect, and send them to the council. In its communication to you, it said that, as of 14 July,

"There is still no practical or technical guidance from the council or VisitScotland, despite assurances we have received, like the guidance that was published for local authorities back in October 2024."

My question is very simple. I hear public sector bodies saying, "We are ready", but what feedback are you getting, on the basis of that sort of communication from the Scottish Tourism Alliance? The people who are on the front line of this do not sound as if they are ready at all. What is your response to such representations? What is your broader on-going engagement with the sector and what is it telling you?

Paul Lawrence: Thank you for the question. I will say two things and then I might ask Elin Williamson to talk about on-going engagement in response to your last point, if that is all right.

First, since that letter was received, we have issued our guidance to the sector. Do I think that that has made everybody absolutely clear on everything, that they all think that we are marvellous and that we are over any issues? I do not, but I think that it has helped. The guidance being published is a key part of what has happened.

Secondly, I referred earlier—I think that Rob Dickson mentioned it as well—to the issue that the possibility of an SSI being agreed has introduced a degree of uncertainty. It is not for me to speak on behalf of the sector, but I wonder whether that possibility is partly behind people saying, "Can you not wait and see what the Government does, which will allow us to move forward?" That issue will be debated by our elected members at our finance and resources committee in a week and a half's time. As Marc Crothall said earlier, that was remitted from our council meeting last week so that we, as officers, could try to get a bit of certainty on that.

I repeat that the broad mood of our members is that we have passed a scheme, we have given the 18-month period and we have worked closely with the industry. If there are going to be some changes through the SSI, we will look at that, but we do not know what will happen. There is some external uncertainty, which is a perfectly good reason for concern, but it is not within our gift to do

anything about it. There are also some internal issues, and I hope that the fact that we have published our guidance since that letter came out has addressed some of those.

Elin, do you want to talk a bit about on-going engagement?

Elin Williamson: Absolutely. We have engaged a lot. As a local authority, we are focusing our engagement on those stakeholders that are in our area. We need to be aware of what is happening nationally for natural reasons and we speak to the national agencies but, as I said earlier, our information is Edinburgh specific and we have focused on the matters that are specific to Edinburgh. Could we have issued our information earlier? Yes—absolutely. We were ready to issue it before the summer recess, but we held off because we wanted to be cognisant of the national position as well.

We are now in a position where we are very close to the 1 October and we are not really that clear on the national position in relation to the SSI being laid, but we have the legislation, which is there and is clear. To go ahead with the implementation based on the legislation as published would in many ways make more sense than holding off to see whether there will be changes further down the line.

That is our general sentiment. There will always be people with opposing opinions, but in our engagement with local stakeholders, many of them are saying, ”Let’s do this. We’ve been working towards this for a very long time. Let’s go ahead and try to do this together.”

Stephen Kerr: Is that the sentiment of the stakeholders?

Elin Williamson: Many local stakeholders, yes.

Stephen Kerr: Businesses say, “Let’s go with it.”

Elin Williamson: Yes.

Murdo Fraser: Good morning, panel. I am not going to repeat all the questions that I asked the first panel, but I have a few specific items I would like to follow up.

I will start with Malcolm Macleod. I was interested in what you had to say about the detailed economic impact assessment that you are now doing in the Highlands, which suggests that that was not part of the original work that you did.

Could you tell us a little bit more about how the assessment is being done? Specifically, given that, as you said, you cover a third of the landmass of Scotland, are you looking at differential impacts in different parts of the Highlands? Would it be possible for Highland Council to look at bringing in a visitor levy only in certain parts of the Highlands as opposed bringing it in everywhere?

11:30

Malcolm Macleod: I will start at the beginning. The economic impact assessment covers all parts of the Highlands, but it also covers all sectors. We are trying to capture everything that came out of the earlier work. There are big differences. Some of the occupancy pressures in Inverness are very high in comparison with other areas where occupancy is incredibly seasonal, as you will appreciate, and there are areas where there is more pressure on the serviced accommodation sector than there is on large hotels. We are trying to find a way through and are using an external economic consultant to help us navigate that.

We have looked at the geographical differences; alongside that, we have looked at seasonality. It is complicated, because there are different areas that do better at different times of the year. Badenoch and other areas, such as Caithness, do not see the same level of visitors in winter months, for example. Is that differentiation possible? It is certainly something that we are looking at; we are also looking at how we build in seasonality, if that is possible.

Murdo Fraser: For example, you could apply the visitor levy at certain times of the year and not at other times.

Malcolm Macleod: Rob Dickson is nodding, so that means yes. When we looked at the heat maps—and we shared the information with the industry, as part of our reference group—we saw that there are clear patterns but not always those that you would expect to be the main pressure points, if I can put it that way.

Skye is often raised as somewhere that gets huge numbers of visitors. If I am allowed, I will come on to talk about the success of the work that we have done at the Storr, for example, which is demonstrating how investment and infrastructure—

Murdo Fraser: I heard the other day that apparently you can get married there.

Malcolm Macleod: You can, yes. For a small fee to Highland Council, that is possible.

That work set up a real benefit, with visitor numbers up by something like 32 per cent on where we were two years ago.

When it comes to bed nights and pressured areas, Inverness is clearly a hot area, but there are other areas where there is real pressure on beds—Lochaber, for example, which did not immediately stand out to me when I originally started this work, and Badenoch.

I have not had political approval yet, but we are hopeful that, by the end of the year, we will be able to come forward with the outcome of the consultation and the revised impact assessment.

Murdo Fraser: That is very interesting because it suggests that the whole picture may be a bit more complex than people may have thought at the start.

Malcolm Macleod: My professional response to that is "Absolutely". Although engagement was difficult at times, the benefit is that we now have such a rich source of information from right across all accommodation providers.

I do not know whether I want to mention this, but the other thing that came out is the missing part of the jigsaw that many accommodation providers see: motorhomes and equalisation when it comes to addressing impact. That has come out in a way that perhaps we had not quite expected.

Murdo Fraser: That is a whole new can of worms that we could spend the rest of the day on. I will bypass it for the moment.

I have one more question for you—you touched on this in an answer to one of my colleagues. I think that you said that your convener had written to the Scottish Government suggesting that the council should be given the option of a fixed fee rather than a flat rate—sorry, I mean a flat rate rather than a percentage.

Malcolm Macleod: I think that the letter asked whether the Scottish Government would be willing to consider that. As of today, I am not sure that a response has been given.

Murdo Fraser: Thank you. Perhaps I could put that same point to Paul Lawrence or Elin Williamson from Edinburgh. In one of your previous answers, Paul, you were almost hinting that although Edinburgh was content with a percentage, allowing others to have a flat fee might be the way forward.

Paul Lawrence: I am honestly not sure that it is my place to give advice on that. Our elected members were strongly of the view that a percentage was the fairest. I suppose that I was trying to say that, because the accommodation mix and the visitor mix are different in different parts of the country, there could be flexibility, in the way that you have heard from Malcolm Macleod, to tailor a scheme accordingly, as long as engagement and consultation have been deep and effective—again, in the way that I think you have heard Malcolm articulate.

Murdo Fraser: I am sorry. I am not expecting you to make policy on behalf of the City of Edinburgh Council. Elin, do you want to come in?

Elin Williamson: When we did our engagement before the legislation on the levy came in, we asked people that exact question: should it be a percentage, or should it be a flat rate? The responses from the people that we consulted in Edinburgh were split across the board, but there was a slight majority in favour of a percentage. The interesting thing is that both sides used the exact same argument around fairness as the reason for their response: either that a flat rate was fairer or that a percentage was fairer. There are obviously strong feelings both ways.

The one big positive around using a percentage is that, thanks to dynamic pricing, which, as you know, is pretty widespread in the industry, a large part of the issues with the off season or different areas are already addressed if you have a percentage. We discussed whether to have a different percentage for different parts of the city or at different times of the year, but we realised that dynamic pricing has already addressed that. From that perspective, a percentage is a lot easier to handle. However, a flat rate may be more pertinent if a local authority is looking at things such as different times of the year or different areas.

Murdo Fraser: Thank you very much.

I have one more question on the same territory. It is for VisitScotland, so it is for either Cat Leaver or Rob Dickson—whoever wants to answer it. It is specifically about economic assessment. In your written submission, you say:

> "Before considering a levy, a local authority should examine the profile of their visitors—whether largely domestic or international—and the potential impact of a levy on businesses and visitors within the current economic and competitive travel landscape. Local authorities should also consider the potential impacts of a levy on factors such as price competitiveness and quality, visitor demand, occupancy and seasonality."

That is a very clear statement of where VisitScotland is.

Given that, would you expect local authorities to be doing an economic assessment of the sort that Malcolm Macleod talked about, which Highland Council is now doing? Before introducing the levy, we would have a full picture, as opposed to the situation that I outlined earlier, where, for example, in Perth and Kinross, the levy is being presented in some quarters as, "This is something that could raise £9 million for the council. It is free money. What is not to like about all this cash coming in?" However, that does not look at the other side of the equation, which is to ask whether, if the levy is introduced, there will be a negative impact on visitor numbers.

Rob Dickson: There is no such thing as free money, as my accountant grandfather told me, so I take your lesson to heart. It is complex. In the

consultation on the bill and, subsequently, in the work to develop the guidance and the considerable volume of activity that my colleagues undertake with local authorities across the length and breadth of Scotland, we have been clear that there is an optimal chronological order as to how this should be approached.

We have always said that if a levy is introduced, the funds from it should be used to deliver the visitor economy strategy that has been put in place, which has already been consulted on and of which we hope industry would be supportive.

Paul Lawrence referenced the position that was reached in Edinburgh, where considerable work was done on the strategy for the visitor economy there. In doing that work, people will begin to assess and consider some of the issues that you are talking about and, therefore, understand better the priorities and delivery of that strategy.

As they then move into the development of the levy scheme, they need to look at the parameters of the visitor economy in their area, the appropriateness of a scheme in general terms, the accommodation mix and the seasonality. There is a huge difference between a relatively densely populated area such as Edinburgh and the Highlands, as Malcolm Macleod has articulated. Therefore, the parameters of caps on nights, seasonality issues and whether to have different levies in different places become part of it. All of that, which is considered as people begin to draft and develop their scheme, allows them to build a picture of what may or may not be possible.

Finally, people should be consulting informally with businesses and the normal range of stakeholder groups, and local authorities will have well-established networks to speak to. They should be doing all that work. That should land them in a position where they can undertake a statutory consultation with a well-prepared and well-considered proposition. Within that proposition should be clarity about the ability of the proposed scheme to deliver the strategy and fit with their market, and some modelling to show what funds might be raised and how those funds might be levered.

The point that I want to emphasise is that this is complex. It requires detailed work and detailed consultation, and it takes a period of time. I think that Paul Lawrence said that it took years, and by my rough calculation, it took Edinburgh somewhere in the region of at least three years, if not five, or maybe even longer because of the Covid interruption, to get to a proposition. There were various delays—there was no legislation and there was Covid—and I am not saying that it should take five years, but it should take a considerable time for that detailed work to be done so that the local authority understands the impacts on its local economy and its visitor economy and the benefits that accrue in the delivery of its strategy and the investment in that strategy.

Murdo Fraser: I think that that is a yes in answer to my question. Should detailed economic impact assessments be done?

Rob Dickson: I will not say yes specifically to that, because there are so many different ways of presenting economic impact assessments. I am not going to say that one way of doing it is better than the other, but an authority that has undertaken that work will arrive at a position where it has the evidence that supports the proposition that it is making—or not.

The Convener: Can I come in on that? I would very gently like to push back on that. It may be complicated to arrive at an answer, but one fundamental point that needs to be addressed is the price elasticity of demand. That is, if you are putting up the price by 5 per cent, what will that do to demand? Is that an assessment that you are recommending be made?

Rob Dickson: That is one of the questions that should be answered.

The Convener: In every area where a levy has been proposed, has an assessment of the elasticity of demand been made?

Rob Dickson: Colleagues have been through this in detail, and I think that they have done the best that they can with the data that they have available to them. From our work, we know that the data is not always available to allow this work to be done.

The Convener: That is slightly different from saying that there are lots of different ways of looking at it.

Cat Leaver: There are two key points in what needs to come out of the assessment. One point relates to value for money—the price point—for the end consumer and the type of consumer visitor within that region. The other relates to business: the cost benefit of running a levy scheme for the composition of businesses that sit within that local authority. There are two slightly distinct but important parts of the assessment that need to be got to the bottom of.

The Convener: Edinburgh is going to put up the price of accommodation by 5 per cent. That is the decision that the council has made. Has the council assessed what that will do to visitor demand?

Paul Lawrence: As best we can. Between 2019 and 2024, hotel prices in Edinburgh have gone up on average by 82 per cent, which is nearly twice as much as in any other UK city. That is before a

levy. Has that had an impact on the demand for our hotels? Not particularly.

The media is full of stories about the costs of accommodation, particularly in the summer period and when large events are taking place. We do not have any mechanism at all to control that, as you know. I am sure that colleagues from the industry would say that those times are often few and far between so what businesses do is, as it were, harvest when they can to prepare for the leaner times of the year.

If we ask whether that price elasticity or that price increase has impacted on visitors to Edinburgh, particularly overseas visitors, the answer is no. That is quite helpful evidence. On whether there is a percentage at which I could say to you, "If we went above X per cent, people would stop paying it", I do not believe that it is possible to answer that question.

11:45

The Convener: Again, I will push back on that. As somebody who stopped doing economics in my first year of university, I may be going beyond the bounds of my expertise, but I think that what you are saying is slightly different. It is not that there is not elasticity of demand; it is that you have rising levels of demand but, at any given moment, the market will be finding a price. If you were to put prices up by 5 per cent at that moment, you would expect to see some reduction. It could be a 5 per cent drop in demand or a 1 per cent drop in demand, but you would expect to see a drop in demand.

I accept that it may be a difficult assessment to make but I think that it is questionable to say that there would be no impact on demand. I am just wondering about that assessment of what a 5 per cent increase would do to demand—which is different from saying that there are rising levels of demand.

Paul Lawrence: I am not sure that I said that there would be no impact. Obviously, time will tell what the impact is but, as Rob Dickson says, it is a complex picture. I am not an economics graduate either, but if there is a surfeit of demand over supply, what tends to happen is that prices go up, and that is what we have seen in Edinburgh. As I said before, we believe that one way of addressing that is to have more mid-market product. That mid-market product will help to ease demand, but it will have a 5 per cent levy on top of it. Can we say that fewer people will come as a result of that? We need to see what happens, but that has not been the international evidence.

I completely accept that international comparisons, as ever, are often riddled with issues because the taxation base is very different in different places, but we think that the global position of demand for people to come to Edinburgh will continue, as long as we continue to invest in the product. We do not think that there is some immutable law of nature that people will always come to Edinburgh. We cannot be complacent. We have to invest in the public realm, in safety and in better cleansing. We have to support our festivals and our here-all-year attractions. If we keep doing that, is there evidence that demand is dropping off because prices have risen? The answer to that is no, but we must continue to invest.

The Convener: Is that part of the consideration in Highland Council? I do not know what is being proposed but will there be an assessment of, for example, what percentage difference a 1 per cent increase in price would make to demand? Is that something that is being attempted?

Malcolm Macleod: I do not think that it is as linear as that in terms of the different percentage rates, but Highland Council is looking at all the information that we have received from everybody and we have had good input from different sectors. Basically, to address that question, a lot of the people in the consultation were worried about the impact on numbers of visitors, so we will be looking at that to see the level of sensitivity. There is that broad point to consider about supply and demand.

The Convener: I am probably abusing my position as convener very early on in my tenure, but I will make the brief observation that, as a business owner, if I were to put my prices up by 5 per cent at my instigation, I absolutely would be making a forecast on what that would do to my revenue. It may be a difficult calculation, but it is one that I would expect to be done. If local authorities are saying, "We are going to put our prices up by a certain percentage," I would expect them to assess what that would do to demand and to revenue. I think that that is a fairly fundamental business assessment and if businesses would be making that assessment, I think that local authorities should be making it.

Murdo—do you have any more questions?

Murdo Fraser: I am done. Thank you.

The Convener: Fantastic. We have questions from Willie Coffey next.

Willie Coffey: I will move away from the visitor levy to talk about wider issues around tourism. I am glad that colleagues from VisitScotland are here. Your chief exec was here a year ago and I raised a few issues about the VisitScotland website. This is an opportunity for you to update the committee and others about the progress with the website and about what its real purpose and intentions are. It was never intended to be a

bookings website, because other players do that, but I raised some significant drawbacks, faults and problems with the website, so I ask Rob Dickson and Cat Leaver to give the committee an update on any progress with the website and where it is heading.

Cat Leaver: Since Vicki Miller appeared at the committee last year and you asked those questions, there has been considerable work on VisitScotland.com, which is our consumer-facing website—we have several different websites for different audiences.

The role of the website is a key point to ask about. We are clear that we play a role in the earlier stage of the visitor consumer journey. It is about inspiring people to consider Scotland as a destination to come to and then it is about helping them to plan that journey once they decide that we are the destination of choice.

We are absolutely not a booking platform. There are many others that operate in that field, which we signpost to and support, albeit that there are listings for businesses and events on the website as it stands.

We are constantly looking at what user behaviours are telling us and what technology trends are coming into play and how we can best support those through our digital infrastructure. We know that very little search traffic is now coming from traditional search engines—the Googles and so on. That is changing due to things such as generative AI. Search engines are presenting information that they are scraping from websites such as VisitScotland.com. Therefore, people are not clicking through to the website at the same level as they once did. That means that we need to think about how we make sure that rather than it only being VisitScotland that appears in those types of searches, we are getting the businesses in front of people when they are searching.

The same goes for an increase in things such as social search. We are seeing a huge increase in people searching via social platforms and building out their itineraries and travel plans based on aspirational itineraries and trips of others. It is about making sure that we mirror that with the types of content and how we structure the content and build the website moving forward.

Willie Coffey: Edinburgh has had a fantastic summer with the number of visitors coming, and colleagues have mentioned their own particular locations as well. It can be quite difficult for my part of the world, East Ayrshire, to attract tourists. There is plenty on offer, I assure you, but if you use the VisitScotland website, you are particularly badly let down.

I raised a couple of examples a year ago, which are still evident today. If you are looking for a hotel in Kilmarnock and put “Kilmarnock hotels” into your website search, it takes you to Cruden Bay, which is 200 miles away. If you look for the Kilmarnock Park Hotel, which is the biggest hotel in Kilmarnock, it asks if you are looking for a hotel in Peebles. That does not help when we are trying to get tourists to come to my part of Ayrshire, which is fantastic. These search difficulties are still evident within the search engine that is at the heart of the website. Are you addressing that and trying to correct it?

Cat Leaver: The issues that you are talking about relate specifically to our destination management system, which is the system that holds our business listings. It is important to stress that those business listings are updated by the businesses, not by us. Therefore, the accuracy of those listings is down to the level of update and maintenance, although it is something that we try to proactively work on with businesses.

One of the solutions that we are looking to put in place is the introduction of pulls from application programming interfaces. That is about using things such as Google business profiles and pulling that API information directly on to our website so that we get a larger proportion of businesses and more accurate information. We also already work with businesses to make sure that those profiles are up to date and that they are optimised so that they appear appropriately in searches. That should help to counter some of the challenges we face in that space because we are drawing on third-party information.

Willie Coffey: I do not want to dwell on this because I know that it is a big issue, but it is nothing to do with the information that is being supplied. It is the search engine that is getting it wrong. Its geotagging is fundamentally wrong and broken. To take you to Cruden Bay, 200 miles away, is just daft. It is the search engine that is making the mistake, not the supplier of information.

I take it that you are giving us your assurance that you will be attending to that kind of thing.

Cat Leaver: Yes, that is something that is actively being looked at.

Willie Coffey: If I was a visitor and wanted to come to my area of Scotland, to be taken 200 miles away is not what I would be expecting.

Cat Leaver: That is an absolutely fair point.

Willie Coffey: What should the website be in the future? It is never going to be a booking site. What will it be beyond what we can see today? How will it develop and what additional offer can it make for tourists coming to Scotland?

Cat Leaver: It will continue to adapt based on the needs of the user. The primary goal at the moment is to up the level of immersive multimedia content to give a feel of sense of place and what the person will experience when they are here. We know that such things as our landscapes and our warmth of welcome are real assets and set us apart from our competition. Making sure that we can help the user in a digital space feel some of those things and, therefore, feel compelled to book a trip to Scotland is absolutely paramount.

Willie Coffey: If you come back again next year, I do not want to be asking the same questions—well, I will not be here next parliamentary session, but if you come back before next May, I do not want to be asking the same questions. I hope that we can see an improvement in this because it is really important, and we rely on the website, to an extent, to bring more people to my part of Scotland. Thank you.

The Convener: Stephen Kerr, do you want to ask questions?

Stephen Kerr: Just very briefly—I know that we are running out of time. My first question goes back to the ideas of price elasticity and of supply and demand. From the earlier panel, we heard an incredible example about visitors to the north of Scotland choosing to share a glass of wine and a bowl of soup, because their ability to spend has been compromised. The whole question of price is a real hotspot for us, and we should be concerned about how we are being perceived. You mentioned that in your submission, in which you highlighted

"perceptions of value for money"

and said that you are aware that

"some tour operators are beginning to move to alternative destinations."

Data points on visitors' reactions to what they perceive to be value for money either exist or are there to be gathered. It was said previously that a visit to Scotland is worth every penny. As a Scot, I agree with that. However, we have to listen to what people say about what they perceive to be, to use your own words, value for money. You then went on to mention tour operators. In gathering such data, we seem to be facing a problem that we could describe as price related, but perhaps ought to be framed in the context of value for money.

Willie Coffey mentioned problems with VistScotland's website. I think it was a big mistake that you closed down your information centres. One of Scotland's greatest assets is its people. Seeing a friendly face across a counter or desk in a visitor or information centre represents value for money. I think that you have been stripping value out of the proposition that you put before both potential and actual visitors to Scotland. In your submission you mention that issue, but you do not address it. What are you doing, what have you done or what do you plan to do to drive up people's perception of value for money?

Cat Leaver: I can start on that one. Going back to the complexities of the issue, there is not a blanket picture. What represents value for money can be very different, depending on which type of visitor you talk to, the segment of the market that they are in and where in Scotland they are coming to, so it is worth recognising and acknowledging that.

Stephen Kerr: Is that view based on data?

Cat Leaver: Yes.

Stephen Kerr: So you do have that data.

Cat Leaver: Yes. For example, earlier Marc Crothall referenced the domestic families sector. We are seeing a decline in domestic staycations as a consequence of the increased cost of living and travellers being more budget conscious. There are definitely segments of the market in which price has a much greater impact.

At national level, we examine how competitive and attractive we look on an international scale. The additional complexity with levies and a variety of other factors is that, because we present them at the point of sale, when somebody is looking to come to a destination, no matter where in the country they plan to go, they will see those costs up front. That is a positive thing for consumer transparency, but it potentially creates a point of differentiation between us and another destination.

For example, we know that more than 50 per cent of people who search on Expedia, which is one of the major online tour operators, do not yet have a destination in mind; instead, they are looking for inspiration. That is where we work with partners such as Expedia and with businesses within Scotland to make sure that we get their products and profiles on those platforms, in the hope that it will inspire people to come here. A lot of our market investment is done through that type of exposure, to make sure that we have market share. Then we have to make sure that we convince people that coming here will represent value for money and what they will get is unique and worth every penny.

12:00

Stephen Kerr: Yes, but what about the customer experience on the ground? You have covered the process that gets people here. What about their experience when they are here? How does your organisation measure that, and what are your thoughts on that aspect?

Cat Leaver: We do not control the experience of customers once they are in market, because we are not hospitality or business providers. However, we do measure visitor intent, behaviour, sentiment and so on. We look at how they feel things were in relation to value for money. I believe that David Hope-Jones in the earlier panel mentioned that, in the south of Scotland, that is one of the metrics from our research that his organisation identified it could do more in.

The perception of value for money and quality needs work, and again it can be different across different parts of the industry and different parts of the country. We measure that and look to the results. We know from behaviour research that visitor intent remains high: people still want to come to Scotland. The repeat visitation rate is very high. Once people have come and experienced this country, that is less of a challenge; the difficulty is getting them here in the first place.

Stephen Kerr: Right—I am not sure you are addressing my question. However, I think that we are running out of time, so perhaps we could pick up the point later. Does VisitScotland not have any say in the quality or the value proposition of the product?

Cat Leaver: We do. Rob Dickson's team works closely with businesses on the ground to support product development that is designed to meet consumer demand. We carry out research to understand what visitors are travelling for, what they expect and what they would like to experience, and that helps us to inform providers' product development. We work with businesses to support them in getting their offer to market, by making sure that it is online, bookable and available via intermediaries and so on, and is also accessible to international audiences.

The Convener: Gordon MacDonald, do you want to ask questions?

Gordon MacDonald: I have a couple of points of clarification, which are predominantly for Paul Lawrence and Malcolm Macleod.

Many visitors, whether they be domestic or international, book via international hotel chain websites or global booking platforms. Have they expressed any concerns about how they will cope with the visitor levy? Secondly, once the visitor levy scheme is up and running, what financial support will be offered to accommodation providers to help them with the admin for it?

Paul Lawrence: Elin Williamson might want to answer that.

Elin Williamson: It might be easier if I take that. On your second point, offering such support is a specific part of the Edinburgh scheme. We have said that accommodation providers can retain 2 per cent of the levy that they collect—not 2 per cent out of the 5 per cent, but 2 per cent of the levy collected—to meet some of their administration costs. We recognise that such a retention will not cover all such costs, but it will meet some of them.

On your first question, when the scheme was initially agreed, on 24 January this year, we had intended a much shorter transition period. I am sorry if my memory has failed me, but I think that we had said at that point that bookings from 1 May onwards would be liable for the levy. However, later conversations with online travel agents and industry members revealed that they felt strongly that they needed longer to prepare, and nine months was generally felt to be appropriate. They said, "Obviously, the longer the better, but we can do it in nine months". That is why the 1 October date was set in the first place.

Gordon MacDonald: Thank you.

Malcolm Macleod: I will give the same answer, in the sense that we did not receive a huge amount of response from the type of operators that you are talking about. However, we recognised that the levy is a really important part of the offering, particularly for our international visitors. We are looking at the proposals that have come through Glasgow, Edinburgh and Aberdeen, which have an element retained to deal with the administrative burden. We are keen that, if the levy is to be brought forward, that will be part of our eventual proposition.

Gordon MacDonald: Thank you.

The Convener: Kevin Stewart, would you like to ask questions?

Kevin Stewart: My questions are for VisitScotland, in the main. Earlier this morning we heard a lot about overtourism in certain areas. Many people have said that in its marketing VisitScotland concentrates on certain areas and not others. I have to say that people here in Aberdeen and the north-east often feel aggrieved at the approach taken on your website and in other communications. That feeling was particularly evident in the run-up to the tall ships event in the north-east. Would it be wise for VisitScotland to review its website and marketing, and to highlight other places that are not currently facing overtourism?

Rob Dickson: I apologise that my colleague Cat Leaver has had to leave the meeting, because she is travelling today.

On your first point, I thought the subject of overtourism was picked up quite well, and in some detail, by the panel in the earlier evidence session. We would not recognise overtourism as a Scottish issue. We recognise that one or two busy places

are busy on particularly dry, sunny days, but that should not equate to a narrative that Scotland has an overtourism issue. Murdo Fraser put his finger on it earlier when he pointed out that there are large parts of Scotland—which you have also referred to in your own question—where people would say, "We do not have overtourism; we have a desire to have more visitors to our area."

That leads me on to your second point, which was about marketing. I will come back to the website in a moment. We go out of our way to ensure that our marketing is designed to deliver a spread of visitors across Scotland and across the various seasons of the year. For example, in our digital marketing and on our social channels we do not include marketing of Edinburgh in August. If you look at what has been put in the public domain, you will see that, at those times of the year, we ensure that we highlight what is going on in other areas of Scotland. Indeed, much of the work that my colleagues do is to ensure that various events are supported at different times of year in different locations, and that we market those. We are a national tourism organisation and we have to represent all areas of Scotland. However, we seek to do so in a way that highlights to visitors the opportunities in other parts of Scotland at other times of year, to address those pressure points as best as we can.

On the specifics of the website—again, I think that this was touched on in the earlier session—we strongly encourage businesses and destinations to link to our work that we do there and on our digital channels to ensure that their collateral, their messages and their products are made widely available to visitors.

More can always be done in that space. Marc Crothall referenced the investment that the Government was able to make in our budgets this year and the desire to see that grow, to continue to secure international visitors. That is an important part of how we work, and we will continue to strive to make that as effective as possible for all parts of Scotland. That is a daily challenge for us.

Kevin Stewart: You say that you are an all-Scotland organisation. I take that at face value, but how would you convince hoteliers, business people and the likes of Aberdeen Inspired here in my city that you are an all-Scotland organisation, that you listen and that you will adapt if they think that you are not getting it quite right for this north-east corner?

Rob Dickson: I spent a considerable part of July and August in the north-east for golf events. I was not at the tall ships event, but colleagues were there. I spoke with councillors and officials from Aberdeen City Council and Aberdeenshire Council, and, indeed, from Moray Council. I think that it might have been Marc Crothall who mentioned the north-east in the previous evidence session. They are doing outstandingly good work to develop the proposition and the products in the north-east. We have staff who are dedicated to that work in the north-east and we will respond—immediately and very positively, I would hope—to the work that they are doing in order to amplify the quality of it and to ensure that they get the support from us that is necessary. I would be disappointed if they did not feel that they were getting that at the moment, but I would be quick to react if I received that message and was told that that was the case.

On the specifics of our marketing, our national position is that, for every pound that we invest in marketing, there is a £18 return. By any measure, that is a good return as regards the work that we do with public money.

Kevin Stewart: I might come back to you on some of those points at a later date, Mr Dickson, and I am sure that other folk will be glad of the offer that you have made.

I have a brief final question. We have talked about the different places where marketing takes place. We heard earlier about various markets and market changes, the importance of the United States and a move towards the Canadian market. One thing that has always perturbed me is that I do not think that we necessarily make enough efforts in certain places, including Germany. We get a lot of German tourists, but I think that we could get a huge number more. Folk who come from Germany tend to come back. Do we have the right balance when it comes to targeting our marketing efforts?

Rob Dickson: We are active in 17 countries, and we use our expertise to try to retain and grow the global profile and market share in our priority countries, in France and Germany, and domestically in the UK. There is further room for growth in those areas. Clearly, the US is a high-growth market for us as well, and there are opportunities further afield, including in Australia, Canada and China.

Germany is a focus for our international connectivity campaign, because we recognise your point. We design our marketing in order to target those countries where we think that there is either a propensity to visit Scotland—clearly America would sit within that—or a demand and interest in the product that we have on offer. We know that to be the case for Germany, France, Holland and Italy, and that is why we focus work on those countries.

Kevin Stewart: Thank you, Mr Dickson.

The Convener: I want to ask a couple of final questions about the technicalities of the collection of the visitor levy. Let us look at the Edinburgh

proposition. There will be a 5 per cent levy, and the council will allow accommodation providers to retain 2 per cent of that, but there will be 20 per cent VAT on top of that. Would it not be better just to charge 3 per cent? The key concern of providers is that they will have to put their prices up in a way that is beyond their control. The council would get the same amount of money if it just charged a 3 per cent levy and the accommodation providers would be able to charge a lower price. Would that not be simpler?

Elin Williamson: Sorry—that is what I meant. It is not 2 per cent out of the 5 per cent that they retain but 2 per cent out of the total sum that is due to us.

The Convener: Sorry—you need to say that again.

Elin Williamson: It is not 2 per cent out of the 5 per cent that they are collecting, so it is not a quarter or 20 per cent—sorry, my maths is not—

The Convener: It is 2 per cent of the total amount that they are collecting.

Elin Williamson: It is not 20 per cent of what they are collecting. It is 2 per cent of what they are collecting.

The Convener: I understand. It is a fraction of a percentage.

On the percentage collection issue, VAT—I have made this point in a private briefing about the City of Edinburgh Council—is a non-trivial tax to collect. A lot of verification is required. If we consider hotel accommodation, there are a lot of different components to that that go beyond the provision of accommodation. There are fine-dining experiences in which the cost of the accommodation is probably less than half of the total bill that is paid. What prevents a bed and breakfast provider, for example, from saying, "We don't charge for our accommodation. We just have a £100 breakfast that we provide in the morning"? How would you prevent that from happening?

12:15

More broadly, the verification that is required to audit the books to ensure that each room rate has had the 5 per cent levy applied correctly is quite complex, certainly as compared with simply totting up the total number of nights of occupancy and then multiplying that by a flat fee.

What stops abuse and, more important, how will verification take place? It strikes me that that is a non-trivial issue.

Elin Williamson: Our enforcement team is wrestling with those questions as we speak. We are engaging with VisitScotland on communication with industry about that and on avoiding the issue of how we prevent a bed and breakfast from saying, "There's no fee for accommodation, but you pay £100 for breakfast."

One issue that we have discussed with VisitScotland and industry is what would happen if the charge is completely voluntary. For example, could the visitor choose to stay without the breakfast and therefore say, "I want to stay for free, but I don't want the £100 breakfast"? In that case, you could argue that the £0 stay would be non-leviable. That is one of the discussions that we have had. I am not quite sure how VisitScotland—

The Convener: That is equally problematic. There are a lot of providers who pride themselves on providing packages that include overnight accommodation and a fine-dining experience, which is non-optional. However, to argue that they should be placing an accommodation charge on the whole of that fee strikes me as being quite unfair.

I think that there is a much bigger grey area than might at first be apparent. The issue does not apply just to food. What about tourism and other leisure facilities that might be on offer? If you are running a spa, what proportion of your fee is the accommodation and what proportion is the other service? It would not seem to me to be fair to be charging the levy on the full amount that is charged to the customer.

Paul Lawrence: The legislation is pretty clear on that: we charge the percentage rate based on what the accommodation costs. I understand your point that it is a non-trivial issue and, as Elin Williamson says, we are wrestling with the matter now.

I do not know about members of this committee, but I have been abroad a fair bit over the years. I have paid a visitor levy in lots of countries. I have never been offered a free stay but with a big price for a breakfast. My personal experience is, broadly, that industry is compliant with the law and with regulations. On the amount of room that there might be for people to play games, you generally do not see that happening in a responsible, well-regulated industry. If we see issues come forward as the levy is implemented, we will have to look at those, but international evidence does not suggest the game playing that you indicate.

The Convener: There are two separate points here. I think that the game playing is at the margins, but it is definitely a possibility. I am not saying that that is happening in the main—I think that you are right to say that most businesses are compliant. However, the flip side of the same point is that there will be some businesses that offer a broader experience. If you are providing a

restaurant with rooms, are you saying that they need to be charging 5 per cent on the total bill?

Paul Lawrence: No.

Elin Williamson: No. As the legislation says, 5 per cent should be charged on the accommodation portion. It is up to the business to—

The Convener: Determining that is quite complicated, is it not?

Elin Williamson: Most businesses will have a model whereby they have an allocation for each portion. We know that bed and breakfast businesses tend to look at it as a total, but the majority of other businesses, particularly hotels, are already reporting regularly to, for example, CoStar on their accommodation-only prices. That is a recognised model.

We appreciate that package prices and so on will make it complicated to identify the specific accommodation portion. We are willing to work with businesses on understanding how they have arrived at that figure. We have said all along that any enforcement that we carry out will be reasonable and proportionate. We are not there to get businesses as such. We want to work with them to understand their thinking behind, for example, charging £200 for a bed and breakfast package and saying that £100 of that is for breakfast. If they can justify that, that might well be a valid charge.

The Convener: Okay. I will leave my questions there. I thank the witnesses for their contribution.

12:20

Meeting continued in private until 12:35.

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