

Wednesday, 08 March 2006

To Sir Michael Lyons

Lyons Inquiry into Local Government: Interim Report and Consultation Paper

The Cornish Association of Holiday Home Agencies (CAHHA) through its members represents approximately 2,500 holiday cottages in Cornwall. As members of the Cornwall Commercial Tourism Federation we have been asked for our views on the Lyons Inquiry into Local Government, In particular, the comments made about a possible tourist tax, a measure that we strongly feel should not be carried forward.

CAHHA objects to the concept of a tourist tax (sections 2.98 to 2.102 of Interim Report – Part 2 – Local Government Funding) on the following grounds.

1. It will be prejudiced against certain sectors

The tourist tax, as suggested in the Interim Report, will be applied to “hotels and similar establishments”.

Whatever method is used to collect this it is certain to be weighted towards the sectors of the tourism business that are easy to define.

Hotels and other serviced accommodation make up less than 20% of the tourist nights spent in Cornwall so we assume that “and similar establishments” will include self catering accommodation. It will be impossible to ascertain the total list of self-catering owners who earn an income from tourism as many property owners let for insufficient weeks to come under business rates, advertise privately and are not members of the local tourism organisations. A tax is therefore likely to be unfairly targeted towards Agencies and the few larger businesses. This would still leave large sectors untouched such as single self-catering property owners, the camping sector, the smaller Bed and Breakfast market and small camp sites which also often operate under the radar by drawing business from drive by signage.

It would therefore appear to be the case that those who promote the tourist tax as a local government fund-raising measure are suggesting a tax only on a small proportion of the industry for the perceived gain of ‘taxing tourists’. This would lead to a very unfair system which will be biased against Hotels and Agencies.

2. Difficulties in collection

The tourism industry in Cornwall is extremely fragmented. It is impossible to know the size of the accommodation sector. It is estimated that there are 4,375 accommodation providers in Cornwall (South West Tourism Intelligence Project). However, it is also known that this figure may be an under-estimate by up to 34% (same source), owing to the difficulties in ascertaining how many guest houses, B&B establishments and self-catering units there are at any time. This is because many of the smaller establishments operate at under the VAT threshold, are only open for a short period of the year or operate in the informal economy.

In addition, many small establishments operate one year and not the next, new businesses enter the sector and leave again, often after a short period, and some tourism businesses are run as adjuncts to other businesses (e.g. farmers diversifying into campsites for the peak season only).

With the cost of collection liable to be high for the above reasons, it is difficult to see how local authorities will be able to justify a tourism tax in these circumstances.

3. Unpopularity

Without a tourism tax, the tourism industry in Cornwall already contributes greatly to the local economy by bringing over £1.2 billion p.a. (South West Tourism Facts 2003), by employing more than 25% of the local workforce (40,000 FTE jobs) and by subsidising many facilities, such as leisure centres, which would not be economically viable without the tourist pound.

Persuading tourists to stay in the UK is a difficult task with factors such as reliable weather and low airfares to contend with. A lot of money and time has been spent over the last few years on advertising the UK market and getting through difficult times such as the foot and mouth restrictions. By imposing a tourist tax, local authorities would be suggesting that tourists were a burden to be tolerated, ripped off and sent home again. Tourists would soon sense this and start to vote with their feet. The UK is, in world terms, an expensive destination. By imposing an unnecessary extra tax, authorities will in effect encourage many tourists to travel elsewhere, adding to the balance of payments imbalance in tourism for the UK.

Few people in the UK live far away from a regional airport offering cheap flights to guaranteed sunshine using a mode of transport benefiting from untaxed fuel yet that which is the heaviest contributor to global warming. A tourist tax will only encourage people to leave this country making the problem worse.

Conclusion

The Cornish Association of Holiday Home Agencies urges the Lyons Inquiry not to see a tourist tax as a way forward. It is inherently unfair, it would be difficult to collect, and it would be unpopular with businesses and tourists alike.

Yours faithfully,

Barry Hall for CAHHA