



EDINBURGH TOURISM
ACTION GROUP **ETAG**



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Sir Michael Lyons
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Dear Sir Michael

You may have seen articles and correspondence in the local, national and hospitality industry press about Tourism Tax prompted in part by the recent publication of research commissioned by the Edinburgh Tourism Action Group (ETAG). We wish to correct some errors in the recent coverage, attempt to dispel some myths, and advise our industry colleagues on the nature of our interest in this subject.

ETAG is a private/public sector working group, established six years ago. Members work together on a wide range of tourism and hospitality initiatives in Edinburgh which are "championed" by representatives from both sectors.

If Edinburgh is to remain the number one UK destination outside London, and facing increasing competition from other cities in the UK and abroad, it is important that we think about and plan for the future. To this end we recently launched an initiative, Scenario Planning, which considers Edinburgh's tourism as it might be in 15 years time. As part of this work we felt it was important to consider options for potential future funding sources for the growth and development of tourism in Edinburgh. One strand of this work is to gain a more detailed knowledge about tourism levies and taxes, and as a result Deloitte were commissioned to research Transient Visitor Levy/Tax (TVT).

We are not, at this stage, advocating or promoting its introduction. We are not sufficiently well informed on the subject to take a position, hence the Deloitte report. We do, however, feel that the subject does require sensible debate.

Some of the points from the Deloitte report, that you may find interesting, and that have not been highlighted thus far in the recent press coverage are noted below:

- TVT is a Visitor Levy or Tax and not a Bed Tax as being promoted by Sir Michael Lyons.
- In cities around the world hotels are "used" as the most reliable and easiest point of contact with visitors in order to apply and collect the levy.



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- Some cities operate the levy on a voluntary basis – visitors can opt not to pay. The report highlights high levels of acceptance (95% in Warsaw).
- TVT works very successfully in many cities. Paris (VAT on hotels is only 5.5%) has had one for many years (0.20 – 1.50 euros per person per day). Warsaw's international chain of hotels introduced it voluntarily with more joining the scheme.
- Some cities offset any levy by offering a range of discounts for venues around the area, this includes visitor attractions, restaurants, etc., thus targeting high volumes of visitors.
- Levy amounts are often quite low. No figures have been proposed for Edinburgh, but we have estimated that a typical year's revenue might be based on a charge of £1 - £2 (per room/per visitor) or a very small percentage. The near 10 per cent for this levy reported in the "Caterer and Hotelkeeper" is pure speculation.
- Hotels often add money for charities. In addition, some hotels in cities add breakfast and VAT separately to quoted tariffs, so a £1 - £2 is small by comparison.
- "Marketing" the levy to potential and current visitors would be required, explaining how they benefit – "where your £ is spent".
- Dublin (21% VAT) and Barcelona (16% VAT) are both investigating the introduction of a visitor levy. We understand both cities are seeing previous growth in tourism slowing due to competition, and are looking at financing future tourism development.
- Cities apply various methods of ring fencing and distributing funds that benefit all sectors, often with industry representatives dictating policy. The report says it is normally accepted that revenue from levies should not replace public sector funding, but may not be clear cut.
- Administration of any potential scheme would require further investigation. In Warsaw hotels collect and pass it on voluntarily and thus there is little cost of collection, but the report highlights a potential high cost of collection otherwise.
- Contrary to press reporting, the study has not been submitted to the Scottish Executive for its Finance Review.

The Deloitte report can be read and downloaded from:

http://www.scotexchange.net/about_us-intro/local_network_offices/edinburgh_and_lothians/etag_research.htm

The Next Steps

We are about to undertake further research to ascertain visitor's views, both current and those who might visit Edinburgh in the future. We need to know if £1 - £2 is going to make a difference to a visitor's decision to come to Edinburgh.

Will the strength of the Edinburgh product, and the value that might be created by skilfully spending any revenue raised more than offset any un-competitiveness (real or perceived) created by the introduction of any levy?



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Would any system be best done on a voluntary basis, or compulsory, and should the administration of any monies collected be entirely free from public sector influence? We also need to grasp Edinburgh residents' perspective on an often held view, "making the tourist pay", for what they benefit from. We should not make assumptions on either.

We will continue to seek the views of those cities who have a TVT system, both good experiences and bad, and would ask anyone who has quality research on this topic (not Bed Tax) – customer perceptions, any international studies, etc., to pass a copy on to us.

We are also discussing Business Improvement Districts (BIDs) which are another option for next year for Scotland, the retail sector in Edinburgh is already looking at this with positive interest.

We are also discussing business rates. The Chamber of Commerce are pushing for more of the rates collected in Edinburgh to be retained in Edinburgh. We need to know the realities and timescales of this.

We suggest that the petition enacted by the "Caterer and Hotelkeeper", and placed on line with its article on the Edinburgh levy, is misjudged, skewed and fails to provide readers with the requisite knowledge of the topic – not all the information is yet available. The petition puts both types of tax (TVT and bed tax) into the same question for voting, but only one option is given and we suggest that we can be better informed before deciding.

Clearly, as an organisation committed to the growth and development of tourism in Edinburgh, and with a deep understanding of the critical role a successful Edinburgh tourism industry plays in a successful Scotland, we are never going to advocate anything that would do the industry more harm than good.

There needs to be a period of informed and rational debate. Edinburgh is entitled to do this and not be castigated by our industry.

Finally, we urge you to read the report. Our sector should not dismiss this without understanding the wider picture. With all this, we in Edinburgh can make a better informed view. Doing nothing is not an option.

Yours sincerely

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