



OFFICIAL REPORT
AITHISG OIFIGEIL

Local Government, Housing and Planning Committee

Tuesday 7 November 2023

Session 6



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LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE
26th Meeting 2023, Session 6

CONVENER

*Ariane Burgess (Highlands and Islands) (Green)

DEPUTY CONVENER

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

COMMITTEE MEMBERS

*Miles Briggs (Lothian) (Con)

*Stephanie Callaghan (Uddingston and Bellshill) (SNP)

*Pam Gosal (West Scotland) (Con)

*Mark Griffin (Central Scotland) (Lab)

*Marie McNair (Clydebank and Milngavie) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Julia Amour (Festivals Edinburgh)

Marc Crothall (Scottish Tourism Alliance)

Gary Curley (SkyeConnect)

Rob Dickson (VisitScotland)

Cathy Earnshaw (Venture North Cooperative Limited)

Donald Emslie (Edinburgh Tourism Action Group)

Sheila Gilmore (VisitArran and The Arran Trust)

Sarah Maclean (Outer Hebrides Tourism)

Leon Thompson (UKHospitality Scotland)

CLERK TO THE COMMITTEE

Euan Donald

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Local Government, Housing and Planning Committee

Tuesday 7 November 2023

[The Convener opened the meeting at 09:31]

Decision on Taking Business in Private

The Convener (Ariane Burgess): Good morning, and welcome to the 26th meeting in 2023 of the Local Government, Housing and Planning Committee. I welcome Stephanie Callaghan to the committee. I remind all members and witnesses to ensure that their devices are on silent during the meeting.

The first item on our agenda is to decide whether to take item 6 in private. Are members agreed?

Members *indicated agreement.*

The Convener: I remind members that we previously agreed to take item 5 in private.

Interests

09:31

The Convener: I invite Stephanie Callaghan MSP to declare any relevant interests.

Stephanie Callaghan (Uddingston and Bellshill) (SNP): Thank you, convener. I was previously an elected councillor at South Lanarkshire Council from 2016 to 2022, including being a member of the cabinet from 2017 to 2021.

The Convener: Thank you. Given the nature of our evidence sessions today, I invite Marie McNair to declare any interests.

Marie McNair (Clydebank and Milngavie) (SNP): I declare that I was a local councillor in West Dunbartonshire from 2003 to 2022.

The Convener: Thank you.

Visitor Levy (Scotland) Bill: Stage 1

09:32

The Convener: The next item on our agenda is to take evidence from two panels of witnesses on the Visitor Levy (Scotland) Bill. I welcome our first panel, who have joined us in the room. Marc Crothall is chief executive officer at the Scottish Tourism Alliance, Leon Thompson is executive director at UKHospitality Scotland, and Rob Dickson is director of industry and destination development at VisitScotland.

We will try to direct our questions to specific witnesses where possible, but if you want to comment, please indicate to me or the clerks. There is no need for you to turn your microphones on manually as that will be done automatically.

First, I am interested to hear your perspectives on tourist taxes across Europe. They are common and they do not seem to deter tourists. What are your thoughts on that? Perhaps Rob Dickson will answer first.

Rob Dickson (VisitScotland): Good morning and thank you for the opportunity to provide some evidence this morning. We are very clear that tourism levies and taxes across Europe have been long standing in many countries. They have largely been positive. Particularly in those countries where they form a more significant fund and are invested in the visitor economy, they have proved to be successful at improving the quality of what visitors experience and supporting businesses in seeking to play an important part in the visitor economy.

There is not very much evidence of them impacting negatively on consumers' decision making or choices about going to a particular destination. They have become quite commonplace and part of what visitors and tourists in general are familiar with. I think that we are following a reasonably well-trodden path that has been successful. That certainly gives VisitScotland grounds for confidence about the introduction of a levy and what it might achieve for us in Scotland.

Leon Thompson (UKHospitality Scotland): Good morning, everybody. It is a pleasure to be with you to give evidence. There are a lot of examples of visitor levies that are up and running across Europe and, as Rob Dickson said, there is no evidence to suggest that they are deterring visitors. It is important to note that visitor levies exist for different reasons and are applied in different ways. The charging structures are all different. Although such schemes are common,

they are all different in their establishment and approaches.

I want to highlight a couple of points. Although visitor levies across Europe are long established and have been running for a long time, we are looking at a situation where we could introduce levies in, perhaps, less benign global economic circumstances, and some challenges could arise from that. We also need to bear in mind price competitiveness, on which the United Kingdom ranks very low. I know that you have heard that from other witnesses, but it is an important point. With 20 per cent VAT plus additional costs for visitors, we are perhaps slightly disadvantaged compared with other destinations that already have levies.

Those are important points to bear in mind. I am sure that the industry will work with local authorities to make any levy that is introduced a success, but we should perhaps not look too much at the models that are already out there.

Marc Crothall (Scottish Tourism Alliance): Good morning, everybody. I concur with what Leon Thompson and Rob Dickson said, so I will not repeat it. A European Commission report in 2017 that reported on the impact of taxes on the competitiveness of European tourism concluded that a tourism-friendly tax regime could include reduced VAT rates. Those are not for this Parliament to address, but the report cited examples of countries that have seen benefits from a reduction in VAT.

We have a degree of concern and worry about our competitive edge. It is a risk to introduce a tax of this type, particularly into our domestic market. A high percentage of Scottish residents choose to holiday here and we actively promote holidaying on our doorstep. We announced the findings of the recent 56 Degree Insight sentiment survey at our conference at the Edinburgh International Conference Centre last week and, of the 1,000 Scottish residents who were surveyed, 64 per cent said that they have absolutely had to start winding back on what they spend on leisure, tourism, days out and experiences. There is concern out there that any further incremental charge for our core market at home may deter those individuals from choosing to stay overnight and spend.

It is not a case of comparing apples with apples around the globe. Visitor levies are a proven product and they exist, but we need to be mindful of how we will apply them if they are to go ahead here.

The Convener: Thank you for your answers. Something that has crossed my mind while we have been taking evidence on the bill is that Scotland has an incredible offer. It has Edinburgh, for example, which is an incredible city. It has the

west coast Highland mountains, which are unique, and an incredible set of many islands. I hear the concerns that there would be an impact on people coming to Scotland but, given that we have such an incredible global offer, I wonder about the doubt in people's minds. So many people have visiting Scotland, with all its many aspects, on their bucket lists. What are your thoughts on that?

Marc Crothall: As you will know through, I hope, having seen our national tourism strategy "Scotland Outlook 2030: Responsible tourism for a sustainable future", which is a collective strategy from the industry and Government agencies that 3,500 colleagues contributed to, we have an ambition to make Scotland the world leader in 21st century tourism, and that is about being responsible and having a sustainable future. We know that the destination is still in high demand and we are fortunate to have witnessed a good return from our international visitors.

It is like anything—if you genuinely want to go somewhere, you will accept paying the going rate, to a point. When we speak to some of the inbound tour operators, we hear that the world is now a much more competitive place when people choose destinations. Other economies are still a bit fragile and we have a favourable exchange rate, which makes Scotland attractive, particularly for our US markets. As we say in our submission, however, if a levy is to be introduced, there is still a tipping point as to how much people will be prepared to pay.

Equally important is the fact that that money is not never ending and it is money that will not be spent in the local economy—in the restaurants, pubs and attractions. People go to a destination to do stuff. We have lots for people to do, with beautiful islands and everything else, but we need to make sure that the rest of the economy is propped up as well.

The Convener: My next question is specifically for Rob Dickson. We have heard representatives of accommodation providers say that the bill gives the impression that Scotland has a problem with tourism and that there may be a risk of reputational damage. I am interested to hear your thoughts on that, given that VisitScotland's main role is to market Scotland to UK and international tourists.

Rob Dickson: We genuinely believe, and we have consistently said for a long time, that tourism is a force for good. It is good for the people who visit the country; it is good for the businesses that employ people and are able to make a profit from the work that they do; and it can, should and must be good for the communities that host the visitors. Getting that balance right is critical, and Scotland has a good record of getting it right. Of course there are some examples where it has not gone so

well, and we can see some of those if we look back to 2017, 2018 and 2019.

However, we are very clearly of the view that the levy presents an opportunity to address that balance local authority by local authority and to tailor what the levy can do to ensure that that balance is reached, sustained and developed even more strongly in parts of Scotland—you heard this in the evidence that you took last week—that rely on the visitor economy as the fundamental and core part of their economic success.

In some parts of Scotland, this is not a marginal area of economic interest, but the core of the economy. There is an opportunity to raise millions of pounds per annum and invest it in the future of that part of the economy that sustains so much of the way of life in those areas, and we see that as being fundamentally important. Above all else, that is why we are positive about the opportunity that the levy presents, but we are mindful that we need to get it right. I am sure that we will move on to talk about some of the issues that we need to get right, but the central point about how we get the right balance between visitors, business and community is fundamental.

The Convener: That is great—thanks. We will certainly get into some more detail. I invite Stephanie Callaghan to ask some questions.

Stephanie Callaghan: Thank you for coming along this morning. Mr Crothall, the Scottish Tourism Alliance published its local visitor levy manifesto in January this year, in advance of the bill. Does the bill measure up to that? To what extent has the Scottish Government taken your concerns on board? What have the engagement and consultation with the Scottish Government been like so far?

Marc Crothall: For quite some time before Covid, the STA was pretty much against the levy as a whole, but our industry is not blind to the fact that there are challenges out there in relation to financing, and I echo Rob Dickson's point that there is an opportunity to consider how we can get investment into the sector to ensure that we are world leading. We thought that we would get on the front foot and produce a manifesto with a set of recommendations, and we submitted them in January, as you rightly said.

We are grateful and thankful that the Scottish Government's reception of the manifesto has been very positive. The minister, Tom Arthur, has been extremely engaged with us from the outset, as has the cabinet secretary, Neil Gray. Many of the asks and the recommendations that we set out have been listened to and taken on. We are not entirely there yet, but we are very encouraged by the dialogue not just with the ministers but with their

officials. They have engaged with our policy group and our council regularly and we welcome that.

As Rob Dickson said, our national tourism strategy talks about conditions for success, and one of those is having the right policy. It is about getting the levy and its application right if it goes ahead. We would rather be in the camp than on the outside throwing stones in, because we want to influence the policy and ensure that, together, we get it absolutely right so that it becomes a force for good.

09:45

Stephanie Callaghan: That is very helpful.

My next question is for Mr Thompson. I am aware that UKHospitality Scotland has consistently argued against the introduction of a levy. What alternative options do you think the Scottish Government should be exploring to support communities to fund the improvements in tourism infrastructure that are needed and to address the impacts of mass tourism? Do you have a view on, for example, the business improvement district model in Manchester?

Leon Thompson: We have argued against the visitor levy. We have been consistent in that, as has much of the hospitality and tourism industry. However, as time has gone by and it has become clear that the levy is inevitable, we have been much more involved and engaged with the Scottish Government on what a successful levy would look like. As members of the Scottish Tourism Alliance, we fed in to the manifesto document that we were talking about before.

We are pragmatic about it. We can see that there are challenges that need to be addressed and that there are cost pressures on local authorities. Our businesses are already paying large amounts in business rates, so there is clearly nowhere to go with that. We cannot hypothecate VAT, which could potentially have been another option. We believe that, if we get the levy right, it can be delivered to the benefit of local visitor economies, which will ultimately benefit accommodation providers and the wider hospitality sector. We are rolling our sleeves up and getting involved—I think that my submission to the committee's call for evidence made that clear.

We still have a number of concerns about how the levy is run and administered, but we are generally on board with it and are looking at how we can play our part in making any levy a success.

Stephanie Callaghan: Thanks. My colleagues will pick up on some of those points.

The Convener: Stephanie Callaghan asked about the business improvement district model in

Manchester, and I am interested in hearing your thoughts on that.

Leon Thompson: That is very different from the model that is being proposed here, because it is business led. It is an optional levy, and it is cash at the point of exiting the hotel—I think that it is still just £1. It is very different from what we are looking at here. That said, the levy is estimated to generate a few million pounds for Manchester and for Liverpool. That money will be used by businesses to improve the visitor experience, particularly the business visitor side of things, which is important. As I say, that model is very different from the one that we are contemplating in Scotland, but it has been a positive step for businesses in Manchester.

The Convener: You say that the cash is an optional payment on departure. Is it optional to collect it or optional to give it?

Leon Thompson: It is optional to give it.

Rob Dickson: I think that what has been developed in Manchester is a good business response to a desire among businesses to do something in that area, and they have used the business improvement district model to voluntarily arrive at that position. I am a bit nervous of comparing that construct to what we are talking about here, which is primary legislation offering every local authority in Scotland the opportunity to establish something that is much more substantial and long term than a decision in the context of the business improvement district. I am not criticising that—I think that it is a very good model—but we are talking about something that does not bear immediate comparison and is a much longer-term proposition.

The Convener: Thank you for highlighting that. It is also about giving local authorities powers and the choice of whether to exercise those powers.

Marc Crothall: As Rob Dickson has said, they are two totally different things. Sheila Gilmore from VisitArran is in the next panel, and on Arran they have a charitable donation trust from which they get a sizeable amount of money to service some of the support networks on the island, but it is nothing of the scale that could be leveraged from a levy. It was interesting to hear last week from Chris O'Brien, who is the chief executive of the Nevis Range, that it has introduced a voluntary contribution towards the greening of the area—an environmental levy contribution—and that a reasonable amount of money has been donated already. Whether that would be impacted if there was a visitor levy on top is another question. Examples exist of businesses doing what they can in good ways, but they are not the same as what we are talking about today.

The Convener: It would be good to keep an eye on those, because they sound like very good initiatives and it would be interesting to see whether they are impacted.

Marie McNair: Good morning, panel. What are your views on its being an accommodation rather than a visitor levy? As you know, many visitors, such as day trippers, campers and motorhome drivers, would not pay anything. You will be aware that the Scottish Government has recently confirmed that it intends to amend the bill to include cruise ships. Should the bill be amended to capture other visitors who do not pay for accommodation but clearly have impacts on the areas that they visit? If so, how could that be done?

Rob Dickson: We are entering some of the complexity of the bill. The principle of starting with accommodation providers is a good one. It is very transparent about the point at which the levy is applied, and I think that is a good, solid basis for the levy. It is well established in the international markets, and consumers will readily understand it. It makes absolute sense for that to be the foundation of the core legislation, and we are supportive of that.

You highlight a range of other types of accommodation and visitors. In the fullness of time, it would be good to get the levy to apply, if appropriate, to those visitors, but we are not yet convinced that there are necessarily the right answers available, particularly in relation to motorhomes and cruise ships. Although we welcome the work to try to include them, I am not sure that we should slow up the process that we have begun in order to include what are, by comparison, relatively small parts of the market.

With cruise ships, in particular, the port is frequently not the area where the visitors go, so there is a disconnect between the arrival point and where the visitor impact is, which may present some issues. For example, Rosyth is in Fife but many of the visitors will go to Edinburgh, Perthshire, Stirling or wherever. That is a specific point about cruise ships.

We think that there is a set of challenges in relation to how you could apply and collect the levy for motorhomes. Having worked in local government, I know that it already has a lot of powers to charge for overnight stays of motorhomes. We have seen a range of very good examples applied through the direction of visitor management rather than the application of a levy, whereby motorhome users are quite happy to pay an overnight charge for good services and good places to stay. There are examples in Fife of the Fife Coast & Countryside Trust and the council collecting a levy, and there are examples in the

Highlands of car parks being run by community groups and other trusts to raise a levy.

There may be existing legislation and existing opportunities to address a large portion of the motorhome piece, although I would not say all of it, and I think there is scope to pursue that. However, our overriding view at present is that the approach to the accommodation piece makes good sense and is logical and applicable. There is probably further work to do on the other areas, and time should be allowed for that instead of trying to press ahead with changes in the context of the current legislation.

Leon Thompson: There is logic in applying the levy first to accommodation. It is easy to identify and capture the funds—it is easy for the remittance to take place. This is a big step for Scotland, so we do not want to overload things by adding more to it. It is very much a case of applying a visitor levy to accommodation and seeing how that goes and whether there is merit in, or any need for, extending levies in other directions. There are a number of complexities with wild camping and motorhomes, as Rob Dickson said, and I am sure that solutions could be found over time. However, I think that it would be helpful to focus on what we are trying to achieve with the bill as it stands instead of trying to add in more.

On the cruise side of things, we need to understand a lot more about the way the cruise market will go in the future and what impact introducing a disembarkation charge or a levy for vessels coming into ports would have on the decisions that the cruise operators make. We have quite a lot in front of us already with the visitor levy on accommodation, and it is critical that we make a success of that before we move forward.

One of the concerns of the industry is that this levy is a gateway to continuing to introduce additional charges. If there is to be an extension of visitor levies or visitor taxes, there needs to be detailed conversations about what the changes are and the impact they would have. Trying to fit things into the bill perhaps does not provide the right opportunity to have those conversations.

Rob Dickson: I will come back in with a point. VisitScotland chairs a camper van and motorhome working group as part of the wider work that we do with national agency partners and councils on visitor management. We are conducting research with motorhome and camper van users. That work is on-going and will enable us to come to a conclusion on and understand where the options for the levy might sit in relation to existing legislation and local authorities' existing powers. The work of that group is already focused on this. Sorry—I should have said that in my original answer. I apologise.

Marc Crothall: Just to pick up on what has been said, camper vans are a very sensitive issue, particularly in the rural economy and the islands. There has been a lot of discussion about them. The levy provides an opportunity to improve the infrastructure and provide the right space for campers to park up in, and a revenue stream can be collected from that. There has been discussion about potentially collecting a levy at the point of hire, but that would obviously be inappropriate if all the hire companies are set up in Glasgow and the camper vans head off to the Highlands.

It is absolutely critical that the cruise point is looked at very carefully and in isolation. We have seen what Amsterdam has done recently in turning away all cruise ships to avoid their going to that part of the globe. You cannot overestimate how important cruise passengers are in spending in the local economy. They do it differently, and Cruise Scotland argues that 40 per cent of those who disembark and have a good experience onshore will return for a full-time land-based holiday, so it needs to be a separate step. It is understandable why it should be explored, but there are a lot of watch-outs to be considered first.

Marie McNair: I will move on to my last question. Are there any accommodation providers currently covered by the bill that you consider should not be? For example, the boating sector argues for the removal of recreational vessels and moorings from the scope of the bill.

Leon Thompson: We are happy with the accommodation providers that are covered. We now have everybody on there that needs to be. We always had a concern about having a level playing field, and we were particularly concerned to make sure that the short-term lets market was visible and part of this. UKHospitality Scotland is content with the way that the accommodation providers are captured at the moment. We are also pleased that any new or emerging accommodation providers or trends can be captured in the legislation going forward, so that the Government can be fleet of foot on that.

10:00

The Convener: I have a question about that. I met somebody who sails around the islands. They are in a place where moorings may be brought in—they are not there yet—and they are very excited about that. Their boat does not have a cabin, so they sail to an island or up the west coast, moor the boat, get out and stay in a hotel. What do we do about the fact that they would get a double charge, because they would be charged for mooring the boat and also charged for staying in a hotel? Has anyone thought about that?

Marc Crothall: I think that there are two separate issues there. There is the mooring fee, and if you moor on a pontoon, you receive a whole heap of services. If you choose to sleep on the boat on the mooring, it is similar to the motorhome scenario; it is your own property, effectively—it is not a charter. However, if you choose to go into any form of fixed accommodation, you should rightly pay the levy if it is applied in that location.

It is an interesting one. It is your own vessel, and the motorhome analogy is probably the closest you could get to it, but distinguishing the mooring fee and what you get by way of services from the marina itself is very different.

The Convener: Yes, it is very different, but I understand that mooring the boat would be included in the levy, so people would be charged an accommodation levy and would pay for the other services on top of that.

I am not asking you to answer that question or come up with a solution on the hoof, but I think that it is interesting. Once you get into the detail of a nuanced situation, you uncover these practices. People enjoy experiencing Scotland in a particular way, and how do you handle a double charge?

I will move on and bring in Pam Gosal.

Pam Gosal (West Scotland) (Con): Good morning. Leon Thompson mentioned that there are concerns about how the levy will operate, so my questions are about the process and how the money will be raised. Some witnesses referred to the levy as an accommodation tax, and others claimed that companies would be acting as unpaid tax collectors for local authorities. Should businesses be allowed to claim a percentage of the proceeds from tourist taxes to offset the costs of collecting, remitting and reporting levies, just as local authorities can recover their costs from the levy fund?

Leon Thompson: We are trying to look at this as being a partnership between local government and businesses, so we have to bring the two sides together. As things stand, the levy will be paid by visitors, but there are some significant costs associated with managing and administering the system and then remitting the payments to local authorities. The business and regulatory impact assessment gives some indication of the costs before a levy is introduced and of on-going costs.

On my point about partnership, if local authorities will be able to recover their costs, it is absolutely appropriate for businesses to have their costs fully repaid, too, otherwise the relationship will be completely unbalanced. As I said earlier, we have moved to a position in which businesses are being pragmatic about the introduction of a levy, but that is based on there being a partnership and businesses being able to recover costs and

having a strong voice at the table in relation to how money from the levy is spent. From a business perspective, the ability to recover funds is a critical part of their activity around the levy.

Pam Gosal: Obviously, there will be quite a heavy burden on microbusinesses and small businesses, which do not have as many people and resources as larger businesses, so is it important that those businesses are looked after?

Leon Thompson: It is important that all businesses are looked after. There will be significant costs for larger businesses, too. Issues relating to the timeframes, the changing of systems and so on will cost all businesses money. Even larger businesses often have to delve much further into their back offices and the systems that they use, which they might not own, so they might have to pay fees for changes. All businesses should be able to recover their costs.

Marc Crothall: Absolutely—all businesses should be able to do that.

Many microbusinesses have to employ accountants to do their books, and the levy will result in another layer of time and work. On Leon Thompson's point, systems will change depending on the methodology that is used to collect the levy—there could be a heap of variables—and such changes come at a cost.

We are here because we want a partnership approach to be taken. If the Government is to bring the industry with it—we have committed to taking that approach, and the way in which we have acted to date very much shows that we want to be part of this and to make the scheme a force for good—it would not be good if businesses were to suddenly face additional undue costs that put them in a more difficult financial position.

Rob Dickson: I will stand back and look at the different parts of this before I come to the specific point about the impact on businesses.

Earlier, I said that the bill is enabling legislation to establish the flexibility for local authorities to implement a levy if they choose to do so. Between those two parts—the Parliament passing the legislation and the decision being made to enact a levy locally—there must be space for an incredibly important piece of work to be undertaken: there must be a formal statutory consultation, as the bill recommends, by the local authority. That mechanism, with local authorities having the space to operate in that way, is fundamental to businesses in any given area being supportive of the proposition and understanding how the levy will operate, how they will be impacted in relation to collecting the money and how they will be supported in developing efficient and effective systems and processes, as Marc Crothall and Leon Thompson said. In addition, businesses

might be supportive of the proposition depending on how the money from the levy will be spent. I suspect that we will come on to that.

I emphasise how fundamental that preparatory work by local authorities is. There should be work and engagement with businesses in order to understand their concerns and ensure that, if a levy is implemented, it operates in as frictionless a way as possible for all parties—councils, consumers and businesses. For VisitScotland, that point is very important indeed.

The Convener: You are part of the expert group that has been looking into this work. I take your point that consultation will be critical and that we must remember that a levy will not be introduced as soon as the legislation is enacted—a local authority will have to consult before it can introduce a levy. However, has the expert group explored how money from the levy could be collected on behalf of a council? Have you had discussions about that?

Rob Dickson: Colleagues on either side of me are on the expert group, too.

The Convener: Here we are—we have the expert group in front of us.

Rob Dickson: Yes, you have a chunk of the expert group in front of you. We had our third meeting yesterday. The answer to your question is that we have not discussed that in detail yet, but it is on the list of work that we will focus on and undertake. We certainly imagine that the guidance will address that element once we are able to do that work. We see that as part of what we should, and will, be working on.

The Convener: Great, so that work is to come.

Stephanie Callaghan: Rob Dickson said that it is fundamental that local authorities do that consultation work. Would you like the committee to make any specific recommendations about the bill in that regard?

Rob Dickson: From a VisitScotland point of view, I will want to reflect on that and come back to you. At this point, I do not think that we would recommend any adjustments to the bill. I simply reinforce that the requirement for statutory consultation by a local authority prior to it making a final decision on whether to implement a levy is fundamental. As somebody who worked in local government for 20 years, I think that it is critical that that type of approach and engagement between a council and stakeholders forms the evidence base on which elected members make a local decision.

The fundamentals are embedded correctly in the bill. I will discuss with colleagues whether we think there should be any adjustments. As things

stand, the broad approach is correct, and we are happy with it.

The Convener: Having listened to people, I have been thinking that some local authorities have a strategic tourism plan. If a local authority decides to introduce a levy, should it be required to have a plan that the levy sits in, so that everybody understands what the levy is being used for and so on?

Marc Crothall: Absolutely. The levy should be used to enhance the tourist and visitor experience, so we expect destinations—local authorities—to have a plan. If they do not have a plan, we have a national strategy that clearly signposts and signals what the areas of focus should be.

From the industry's point of view, we are supportive of the proposal because it presents the opportunity to enhance the local tourist and visitor experience. In relation to the challenges that we have had in doing some of the stuff that we want to do—a good example relates to destination marketing organisations—investments could be made to support different types of activity. If there was no plan and there was the choice to go off and spend money elsewhere, we would have a big problem with that.

Leon Thompson: Consultation cannot be rushed. We must ensure that all the right voices are involved and that the approach is absolutely correct. A key part of that involves making an economic assessment of the levy's introduction, because we must consider the costs for local authorities, the costs for businesses and the potential economic impacts. It is vital that there be links or connections to local tourism strategies or the national tourism strategy, because only by using those can we have a proper conversation about the outcomes that we are trying to arrive at. It is not just about how much money we want to raise; it is about how we will spend the money and what difference it will make.

Consultation should also involve some fairly detailed discussions about key performance indicators and the reporting mechanism so that everybody is clear on how the levy is working and the difference that it is making. It comes down to businesses buying into the introduction of a levy and ensuring that communities are able to understand the difference that it is making.

Rob Dickson: I agree with what Marc Crothall and Leon Thompson have said, but I will go further by making a link to my earlier comments about how important the visitor economy is to the economy of many parts of Scotland. We have been working very hard and are increasingly able to point to regional economic strategies that go beyond individual local authority areas. At the heart of those strategies is consideration of the

strengthening of the visitor economy and the role that it plays. We consider it important for the objectives of any visitor levy scheme to be aligned to the regional economic strategy, and we strongly support individual councils having, in addition, a local tourism strategy.

A range of calculations are available that set out the funds that might be raised through a levy. It depends on which set of numbers you look at, but we are talking about tens of millions of pounds per annum on a rolling basis. It seems only right and proper that, in considering how that investment might be managed, a council or regional economic partnership should be absolutely clear about what it is seeking to achieve by way of economic development outcomes for the visitor economy in the medium and long terms. Decisions about a levy are forever decisions—I realise that they are not entirely forever decisions, but they are for the long term.

10:15

It is essential that regional economic strategies—with a visitor economy approach rooted in them—and local tourism strategies are available to allow businesses and other partners to assess whether the investment from the proposed levy will deliver the economic development outcome that we want to achieve. Leon Thompson and Marc Crothall made that point. Businesses would rightly be concerned if they thought that a levy was being introduced without there being the necessary clarity on what economic development outcomes would be achieved from the investment from the levy. To answer your question, we think that it is fundamental that that information be available in advance of detailed consideration of the levy.

Marc Crothall: It is also critical that money from the levy be treated as supplementary income; it should not result in other budgets being slashed. This is an opportunity to grow the pot. The levy must not become a toilet tax or a trash tax. The money should be used for game-changing strategic investment. As Rob Dickson said, a lot of money could be raised from the levy, which is why it is important to bring communities with us and to engage them in that conversation.

Pam Gosal: Sticking to the theme of how the money is raised and some of the concerns, we have had witnesses from the industry and from councils, and one of the many areas where there is disagreement is whether the levy should be a flat rate or a percentage rate. The industry argues that a flat rate would be easier to collect. The process has to be simplified—both sets of witnesses talked about the importance of that. Last week, we heard from people from Europe that some countries use both approaches.

Do you agree that, with either approach, it is important to minimise basic burdens on businesses? What would be the easiest and simplest way to collect the levy?

Leon Thompson: We need it to be simple—that is the fundamental requirement of the levy. On a percentage versus a flat rate, in my written submission to the committee, I said that a flat rate would be easier to administer, and I think that there is broad consensus on that. Whether it is a percentage or a flat rate, it needs to be proportionate and fair. One concern about having a percentage is that it quickly ramps up the costs, particularly for people who are staying for extended periods. We need to arrive at something that is fair and affordable. Businesses can put in systems to manage either approach but, on balance, there are merits in the ease of the flat-rate approach.

I watched the evidence session last week when the European Tourism Association unpacked all the different approaches that are in place across Europe. That highlights how complex the situation can become. A model for Scotland or local authorities within Scotland needs to be simple, understandable and easy to use and navigate by businesses, local authorities and, crucially, visitors so that people understand what they need to pay.

Pam Gosal: Last week, we heard that some councils want a flat rate and some want a percentage. You can imagine what businesses are thinking about such burdens, whether it is micro, small or large businesses and even websites and accountants. Should different authorities set the rate, or should the Government do that?

Leon Thompson: We would like the bill to take a national approach, so that we do not have extreme divergence across local authorities. We run the risk of having a patchwork-quilt approach, which would become difficult for businesses that operate across multiple local authority areas. It would also be a challenge for visitors, as most visitors will not know which local authority they are in and will not understand immediately what they have to pay. We need to have set in stone whether the approach will be a percentage or a flat rate.

On your point about whether there should be a cap, I argue strongly that it would benefit the approach to have a cap, whether it is flat rate or percentage. It would be incredibly helpful if some parameters were laid out in the bill, because a lot of the nervousness that businesses have about the introduction of a levy is that we could see the levy shoot up and the sky would be the limit. We need to avoid that scenario. We hope to avoid it if we have good dialogue and consultation with local authorities and can settle on a figure that everybody is comfortable with and that the market

could bear. However, for the avoidance of doubt, it would be helpful to have some parameters set in the bill.

Rob Dickson: I understand Leon Thompson's points, which are well made. This is a quite complex and different point. Accommodation, which is the basis for the tax, is very price sensitive. A person who is considering staying in Edinburgh tomorrow night could go online and find a range of prices, from quite low to quite high. It does not seem to us entirely right to apply a flat rate regardless of that person's budget or their choice as to which end of the price piece they are at. Also, we are all very familiar with peak season prices and off-peak season prices.

On balance, therefore, we support a percentage levy rather than a flat rate. We think that that is more sensitive. It also aligns to the approach in Scotland of trying to extend the season and of being inclusive and catering for all parts of the visitor market, so that people who have less money to spend can still afford to come to Scotland and have accommodation that is within their budget. They would contribute to the levy as well—the percentage approach would allow the levy to be adjusted naturally at the price point and at the pay point.

It is absolutely fundamental that we have one or the other approach nationally—it should not be a mix. As I indicated earlier, in the consultation and the work that local government does, it is critically important that local authorities work with local businesses to come to a conclusion on the percentage, if that is the approach that is taken. Of course, that percentage can be adjusted over time. It might be that, in a time of economic uncertainty and pressure, a lower levy is appropriate. It might be that as the economic cycles change, five years down the line, a slightly higher levy is appropriate. Local government should be sensitive to those things and work with businesses to try to find an agreed position on what the levy in a local area should be.

The enabling legislation is to allow local government the freedom to make decisions about the levy. It is right that the freedom extends to the choice of what the percentage should be and the applicability of the levy in the local area. That seems to us to be part of local decision making.

Marc Crothall: This is a very emotive subject, as you can see. On Leon Thompson's point, the smaller the business, the easier it is to administer. We now have dynamic pricing models and people publish rates on many different platforms. You have to show the all-inclusive rate on your site to the consumer, and you will have to factor in percentage uplifts of varying types. The hostel sector has a central reservation booking system for all hostels across Scotland. If there are

variables across different authorities, it will become a challenge to model that. We also need to put ourselves in the shoes of the consumer.

Without question, we take the view that there should be a cap or maximum amount of money that can be taken from any one customer who chooses to holiday or stay in Scotland, whether they are staying at the Balmoral hotel or in a bed and breakfast. To go back to my earlier point, the money that is spent on a levy is money that could be spent doing stuff, such as spending money in pubs, restaurants, attractions and buying tickets for festivals. I know that Julia Amour is behind me and will be speaking to the committee later. We talk about artists and so on who stay long term over the summer period. There are also differing views in Scotland's two largest cities. It is complex.

I get the point that you are likely to raise more money through a percentage model than you are with a fixed sum, but we need to factor in the bureaucracy and all the administration, as well as the issue of transparency to the consumer. A tour operator will contract business two years in advance, as will convention businesses and so on, so they will need to have absolute clarity on what the fee structure will be when they are contracting. There could be a lot of flip-flopping, although there is also an opportunity to switch on and switch off.

We definitely want a national cap on the actual amount of money. As we said in our written submission, if there is a percentage model, we would want a parameter for what the cap and percentage would be.

The Convener: Mark Griffin has a supplementary question.

Mark Griffin (Central Scotland) (Lab): The committee is grappling with the simplicity and transparency of a flat rate versus the fairness of a percentage rate. I want to delve deeper into the concept of the percentage rate. If the percentage rate is applied purely to the accommodation provided and not to breakfast, spa and gym facilities, for example, is there potential for avoidance of the levy? For example, a hotel that offers those extra services could essentially minimise the accommodation price on a bill and inflate the other services, but still maintain parity on the price. Is that a mechanism for avoidance of the levy, or at least for minimising the levy, if we go down a percentage route? Does anyone have views on that?

Marc Crothall: Obviously, you could have £90 breakfasts—all of a sudden, they could be very expensive. I am not saying that the industry is out to deceive, but there are package products that are sold regularly. It goes back to the administration of that. We are seeing an

increasing number of room-only options, but in other situations you will have to strip out the variables with all-inclusive rates for three-night stays, festive packages and so on. Our understanding is that the levy will be based solely on the accommodation rate, and that is the way that it should be for parity, but that brings additional finance administration. Would people view their breakfast as being more valuable than their accommodation? That might depend on where they stay, but you have raised an interesting point.

Rob Dickson: We understand the challenges that small and medium-sized providers in particular face in collecting the levy. Going back to earlier points, the basis for the tax is accommodation and I think that all providers understand what their accommodation charge is. Therefore, it is possible to charge the percentage levy on the accommodation charge. Many ancillary things are added to bills for a variety of reasons, but the fundamentals, if kept straightforward, are as easy as we can make them and are sympathetic to businesses and the challenges that they face. The percentage approach then accounts for the price sensitivity around accommodation, length of stay and so on.

Leon Thompson: It will be a challenge for businesses to strip out packages and arrive at the final figure for accommodation. It needs to be borne in mind that a lot of that information is commercially sensitive. I am aware that businesses will be required to share detailed information with local authorities. There might be a reluctance to put some of that information out there if it is likely to be seen by competitors so that they can see how much the room rate is within a particular package of neighbouring hotels. We need to bear that in mind and address it at some point.

The Convener: Thank you. Obviously, people have figured out how to do that in Europe and elsewhere, so I hope that we can figure it out in Scotland.

Miles Briggs (Lothian) (Con): Good morning and thank you for joining us today. This follows on from the line of questioning about what is an accommodation tax and not necessarily a visitor levy. I want to look at exemptions from the scheme. Some panels in previous weeks have agreed very much that exemptions are needed in the bill. How could that be administered by local authorities so that we capture the exemptions? The Government has proposed a voucher scheme, specifically. What are your views on that?

10:30

Marc Crothall: We have had a lot of discussion about exemptions. Our view is that having as few exemptions as possible will make it easier, but the absolute position of the industry is that that is not for the industry to manage. It needs to be pushed back to the local authority for a number of reasons, not least of which is the general data protection regulation. For a small business that is busy, or even for a large business that has a busy front desk, people turning up to a desk with a voucher that is to be verified for assurance that it is not fraudulent and so on will put on a lot of unwanted pressure.

Equally, if a person is in receipt of a voucher because they are on a benefit or because of a bereavement, it is perhaps not great to have to declare that at the desk of a hotel, or to otherwise be challenged on it. In our view, local authorities should administer that and there should be a reclaim, rather than disbursement at the hotel.

Rob Dickson: It is understandable why people who have previously provided evidence to the committee have highlighted the opportunity of exemptions, but we think that the process for exemptions needs to be straightforward, transparent and as consistent as possible. We have made the point about people who would be travelling around Scotland, which I think presents a challenge.

It is fair to say that we are unclear and, therefore, uncertain about how the exemption process would work to the satisfaction of the consumer, without disbenefit to the business and without increasing the burden for councils. Although there are clearly many reasons why exemptions from charging a levy might be applied, more consideration needs to be given to how we can make an exemptions process effective and generate the desired outcome for the consumer.

The convener asked earlier about the work of the expert group. We had a detailed discussion about the matter yesterday: I think that it is fair to say that it was inconclusive and that there is more work to do on the guidance end. I make the specific comment this morning that I think that there might yet be more to do in respect of legislation on exemptions because, as I said, we are unclear and uncertain about quite how we will get that to work in the way that might be desirable.

Leon Thompson: Absolutely—I agree with all that. It is quite a challenging area: the presumption should be that exemptions will be kept to a minimum. I think that it will be in everybody's interests to do that. The exemptions that are set out in the bill will be fairly easy to manage because those groups are likely to be covered by contracts that the UK Government, the Scottish

Government or local government have with hotels or other accommodation providers, so they are easier to manage. Extending exemptions will become, as my colleagues have said, much more problematic for all the reasons that Marc Crothall outlined.

The key takeaway is that accommodation businesses do not want to have to make such decisions at the front desk because that will be very problematic.

Our going down that route would perhaps leave the system open to fraud, as well. If there are to be exemptions for people who are visiting to attend a funeral or because they have a hospital appointment, we will need to see evidence. What if the person does not want to give that evidence? That would become an issue for businesses and for my members in terms of the financial penalties that sit with the bill, which would leave businesses exposed. If they were to make a wrong decision, they would then be liable to pay the levy themselves, or to pay the fines or whatever. From our point of view, exemptions should be minimal and should be administered by the local authority.

Miles Briggs: Thank you for that. The complexity is in the fact that councils are not where people book accommodation, so provision of evidence of eligibility for exemption will be difficult. I do not think, from looking at the matter, that there are many examples around the world of good exemption schemes that we could take off the shelf to apply to the bill.

Leon Thompson: Absolutely. In our discussions yesterday about exemptions we were looking at other countries and territories and the exemptions that they apply. They have minimised them and have probably done that because there is a set of real complexities around them.

Miles Briggs: Has the industry done any work to find out what percentage of people would be staying in accommodation with exemptions? The types of people we would want to see being exempted broadens out widely. You have mentioned some: people visiting individuals in hospital or in prison, for example. There is potentially a huge number of people. The STA's submission mentions additional costs that the scheme would place on school trips coming to an area. People from charities, medical professionals and military personnel are wider groups of people who should also be exempt from paying the levy because they would be working or undertaking charitable work.

Marc Crothall: We have MSPs staying over in Edinburgh Monday to Thursday.

Miles Briggs: I live here, but other members might be interested. [*Laughter.*]

Marc Crothall: I am just looking around the room.

To answer your question, I note that we have not done a direct analysis of that, but we can access information about school trips. We do not have the depth of information to say how many people have stayed in a property to attend a hospital appointment or whatever.

There is also potential for an exemption for major events. If you are to win major events or conventions, that carrot could be dangled, but, again, it would be a national decision or a local authority decision to underwrite such events, or otherwise. Such things tend to be more contracted and managed by a central source, rather than individual agents going off and doing their own thing. The required scale is not there. Leon Thompson cited a couple of places that we know about—I think that Berlin was one city that was mentioned. Milan exempts residents who are staying in their own backyard, in their own city.

Leon Thompson: Clearly, some groups could be made exempt. That would be simpler where contract arrangements exist with a hotel for a convention that is coming to a city or a town. That would obviously be easier because everybody could work together to manage that. Similarly, school trips could be managed fairly straightforwardly because it would be pretty obvious that a group was on a school trip, so that would be okay. If exemptions are made for a wider set of people it will be much harder to get evidence, for reasons of privacy, GDPR and so on. That is when it would become more complicated

Marc Crothall: There are practical things to consider. There could be unintended situations. If you are on an island and your ferry is cancelled so you have to stay over, are you exempt or not?

Miles Briggs: Finally, do you have views about the 18-month lead-in time?

Rob Dickson: Yes. Some of us would answer that we think that 18 months is probably appropriate. In answer to Pam Gosal's question, I talked about the importance of the consultation period. That lead-in period is important for doing all the necessary engagement and work with businesses and within councils to ensure that the levy is successfully implemented. The 18-month period, from the point of decision making to the point of implementation, feels appropriate.

It is a period during which there will need to be close work with businesses to support them in getting arrangements in place. There will be internal work that councils need to do and there will be discussion with a range of stakeholders. I realise that for councils that are considering immediate implementation of the levy, that

presents a little bit of a challenge, but I see that as a one-off problem at the start of having the levy. As authorities come onstream later in the process, they will be able to plan, which I think will be more effective.

Leon Thompson: Absolutely—18 months sounds like a long time, but it is not. That period sits very well with the detail that we have been given around the consultation, as Rob said. It will be a momentous decision for local authorities to introduce the levy, so we must make sure that we get it right—that there is communication with businesses and that there is the time that businesses will need to get ready.

When I was working with larger businesses on the introduction of the deposit return scheme, businesses were saying that they needed an absolute minimum of 12 months and that longer would be better. That helped them to get ready and to keep their costs down, which is a crucial point in this.

There must also be communication with our visitors. There will be people who booked 18 months to 2 years ahead and who have already paid but have not been charged the levy. What do we do there? I think that 18 months feels right and that, from a practical point of view, it is the right way to proceed.

The Convener: Marc Crothall wants to come in.

Marc Crothall: I cannot not reference the short-term let licensing scheme. We need to get this right and not have lots of hurdles that need to be got over. It is about better regulation and having good policy. However, the time will go very quickly, and everybody has to be on the bus from the off.

The Convener: Thank you. Time is rapidly running out for us. The responses have been tremendous, but I ask members who still have questions to keep them brief and witnesses to keep responses to the point. That would be fantastic. Everything that you have contributed has been tremendous, but I need to make sure that we do not go wildly over time.

With that, I bring in Mark Griffin.

Mark Griffin: Marc and Leon, your organisations have both flagged some concerns about the costings within the financial memorandum and the BRIA. Do you want to elaborate on those concerns and say whether you think that those documents accurately reflect the cost to your members?

Leon Thompson: I will go first. The BRIA makes it clear that it is running with indicative costs. We do not know what system will be in operation and we do not know the requirements and cost pressures that will be put on to

businesses. All we have at the moment is an outline of what the costs might be. There were 20 businesses consulted as part of the BRIA, which was quite a small sample. There will be many other businesses out there that might think that their costs will be far greater and which have other things that they need to consider.

The BRIA certainly did not take into consideration the costs that businesses will face in terms of potentially paying commission on credit card transactions, for example, which can range from 1.5 per cent to 3.5 per cent. That is currently missing.

There is a difficulty with BRIAs; there is a lot of good information in there, but the costs are just an indication of what businesses could be facing. That is why for me, and for UKHospitality Scotland, if a local authority wants to go ahead with introducing a levy, it will be crucial that, as part of the consultation process, there is a very clear economic determination of the costs for businesses in that local authority area, and it should set out very clearly the costs to the local authority. Only then will elected members be able to make a call on whether there will be a gain or we will be moving the same money around.

Marc Crothall: I do not have much to add to that. We are in a very different time, now. The wider costs and impacts on businesses at the moment are different from those relating to the sample set that was consulted, which was very narrow. We would support a more detailed and in-depth dive to get it right.

Mark Griffin: Leon Thompson, you have also flagged concerns about how the levy would interact with online travel agents and third party booking sites. Do you have any more clarity or information to provide on how that will work in practice?

Leon Thompson: Those are issues that businesses will need to explore. We have highlighted that businesses might need to renegotiate terms with online travel agents. Obviously, we have concerns about whether commission will be paid to OTAs, which will include the visitor levy. Those issues would be part of very detailed discussions that would need to happen when businesses are faced with preparing for managing a levy.

10:45

Marc Crothall: The situation is dynamic. Prices vary across many different platforms, so multiple calculations and negotiations have to be done. Equally, when you get down to it, if you are going to skin a cat, what are you left with? Will there be the desired impact?

We have to look at competitiveness and the sensitive price point being published as an all-inclusive rate that includes the levy charge and the VAT. I know that not all European Union member states have VAT applied to their modelling. I think that only five out of the 21 member states that have adopted a levy process use the percentage model; all the others use a fixed fee. It is a little easier to put across the financial piece, but the complexity and the cost to business are not yet truly appreciated and understood.

Mark Griffin: I have a final question for Leon Thompson. Has UKHospitality Scotland done any modelling of the impact of a levy on non-accommodation businesses—on bars, restaurants and entertainment venues? Do tourists come with a fixed pot of money that they have to spend? Will taking money out of that cost those other non-accommodation businesses?

Leon Thompson: That is a great question, which we do not know the answer to, because we do not know how consumers will respond. We are in a cost of living crisis, and visitors are looking to keep costs down. Spending any more on accommodation will undoubtedly mean that they will have less to spend in the local economy—in bars, pubs and restaurants—and, obviously, that will impact on members who operate those businesses. That is something else that needs to be considered as part of the economic analysis. Will a levy add to or take money out of the visitor economy?

Marc Crothall: At our conference last week, we announced another set of results from survey research. On like-for-like occupancy levels in 2022-23, occupancy was up 7 per cent across the patch. Some 220 different business types were involved. Turnover was up by 12 per cent, and profit was down by 18 per cent. The profitability of 340 pubs surveyed went backwards by 36 per cent.

Spend in those businesses is important to keep them sustainable and for them to grow. People go to a destination to experience things, and restricting the amount of money that can be spent in the destination and in other parts of the economy must also be factored in. People want a destination that has stuff rather than an empty one.

The Convener: I would like to clarify that. You mentioned pubs' profitability being down by 36 per cent. Are those pubs directly connected to people who come to areas to spend or are they pubs in general?

Marc Crothall: That was from a survey that was done by the Scottish Licensed Trade Association in which 340 pubs were surveyed. We looked at the profitability of the businesses, because we

hear a lot about strong performance in revenue. That is understandable, because prices and rates have gone up uncomfortably in some parts, although they have needed to because the input costs have been so significant. Despite that offset because of energy costs and everything else, they are making less money. There was 36 per cent less profit, and 9 per cent of those who were surveyed said that they are facing closure by the end of the year.

There are multiple factors; it is not about a single activity. Obviously, the workforce is tied into that. Unless you have a revenue stream and income and people spend, you are not likely to be able to counter those input costs.

The Convener: I am trying to understand whether that was directly to do with people going to stay in places.

Marc Crothall: Destination footfall and turnover are up, but the profitability of the businesses has gone backwards by 36 per cent.

The Convener: I will not labour the point because of the time, but I understand that, because of Covid, a lot of people got used to enjoying their drinking time at home with friends, and they do not now go to pubs in general. I am trying to understand whether profits are down across the board.

Marc Crothall: We have strength in our visitor numbers, so it is not about that. It is about people's spending ability as much as anything else.

The Convener: Okay. Thank you very much.

I will move on and bring in Pam Gosal.

Pam Gosal: My question is about how the money is to be spent. Earlier on, the convener touched on that with the tourism strategy. Last week, I raised the concern that councils are going through very challenging times. There are a lot of budget cuts. Is there concern that they might end up plugging the hole with the visitor levy, especially when spending on infrastructure is such a grey area? They could end up spending the money on roads and bins. Obviously, that would work for the tourism side—people want things nice and clean and no potholes. However, that money would go into the day-to-day work of the council. What are your thoughts on that?

Rob Dickson: There is a close relationship between the point that I made about the visitor strategy and the spend proposals that are set out. Earlier on, I made it very clear that we see the benefit of the levy in strengthening, developing and growing the visitor economy. It follows that councils need to set out how the way in which they will invest the money will strengthen the visitor economy. Frequently, what is good for visitors is

also good for residents and businesses. I made that point earlier.

We would not be against the provision of additional bus services that would benefit visitors and might benefit residents as well. Adding to services, strengthening the street cleaning regime and improving the infrastructure are all things that underpin and sustain the visitor economy to the benefit of residents as well. It seems to me that that brings benefits to residents from visitors who come to their location, and that they have a 365-day benefit from that.

What should not happen is the substitution of budgets with funds that have been raised from the levy. The council should not make a saving and substitute that money with the levy money so that it is just a replacement. We do not see that as strengthening and developing the visitor economy; we see it as simply a budget swap that would not be acceptable.

That needs to be set out in what councils consult on. They need to be clear about the purpose of the levy and what will be achieved with it. That way, businesses can be confident that there is a clear proposition in front of them on what the gains from the levy will be, and they can then respond to the consultation process and be critical or supportive of the proposition. That will aid transparency in that space as well.

Leon Thompson: I absolutely agree with everything that Rob Dickson has said. It all goes back to outcomes, key performance indicators and linking back into visitor strategies. If we are going to go down the route of introducing a visitor levy, local authorities and businesses need to be ambitious about what we are trying to achieve, because a lot of money is likely to be generated, and there will be a missed opportunity if it simply disappears into the same old things day after day.

We need to be ambitious, and we need to think about where we want to go. That links back to the strategies and investing in culture, heritage and business events. Business events have not bounced back in terms of numbers in quite the same way that leisure tourism has. Perhaps there are opportunities to help some destinations in Scotland to get ahead of their international competitors in that area, as well.

Infrastructure projects and public-private partnerships can add to the offer for visitors. I am sure that visitors would like graffiti to be cleaned off the walls at destinations. Obviously, that is important. As Rob Dickson said, that benefits visitors' perceptions of the destination and, obviously, the experiences of residents as well. They are not mutually exclusive. Let us be ambitious and set objectives and outcomes that everybody can sign up to.

Marc Crothall: Ambition is the key. I am a co-chair of the tourism and hospitality industry leadership group, which the gentlemen with me are on, too. We talk about the real strategic game changers and what can shift us to becoming a world leader in 21st century tourism. That will require investment at scale. The levy could potentially provide a lot of that support.

To give an example, I was in South Uist last week—I know that Sarah Maclean is on the next panel. We had a conference in a brand-new community facility. It has supported the local community, and it is serviced from some tourist or visitor experience activity as well. It is multipurpose. That is a great example—the levy could invest in a similar type of asset in the future. However, the levy needs to be not a toilet tax or a trash tax, as I referred to earlier.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Should the money that is raised locally be spent in that area only? For example, say it was Skye we were talking about, and people are staying there, should the money raised through the levy be restricted and spent in that area or should the local authority be allowed to spend that revenue wherever it chooses in the authority?

Rob Dickson: I am of the clear view that it would be wrong to hypothecate the tax in that way. If it is a Highland Council tax, I do not think that the money should be hypothecated directly to any single destination and I say that for two reasons. The first relates to Marc Crothall's point about ambition. I hope that any given location might have sufficient ambition so that it would want more than the levy and that the council might be supportive of that. In any given period, to pick your example, Skye might want significant sums of investment to deliver something new, different or better and Skye would then recognise that Sutherland or Caithness, in two or three years' time, might have equal ambition.

Hypothecating the money to individual destinations is detrimental to being ambitious. It might also fail to recognise and address some of the pressures that come with growth in the visitor economy. I do not think it is a good thing to do. As I said earlier, it is better to set out clearly the ambitions for the investment, and for destinations to be closely involved in the development of those tourism plans and strategies so that they can articulate what they want to achieve and how they want to use the levy.

Leon Thompson: I agree with Rob Dickson's comments. If a local authority wishes to introduce the levy, it is about bringing in other destinations within that local authority area. We have obviously talked a little about the pressures that can come with tourism. I know that VisitScotland works hard to encourage people to go to other locations to

help alleviate pressure in more popular areas. It is important that strategy and ambition are shared across a local authority area and the way to do that is to make sure that funding flows from any visitor levy.

Marc Crothall: The Highland region is probably the most challenging region when it comes to how that money would be spent; the subject is emotive. Having been on Skye, I know that the Skye community very much wants that money to stay on Skye. Rob Dickson makes a very good point, however. Why not ask for more? It goes back to consultation and its importance in bringing people with you. The aim is to spread the tourism pound and to try to ensure that the visitor experience of Scotland as a whole is absolutely world class. That will require working together strategically over time.

Willie Coffey: The question of national parks recently came up in discussion. There are varying views on them, but how do we ensure that the national parks receive their fair share of the visitor levy? They can span multiple authorities, as we all know. How do we solve that particular problem? Rob Dickson, I will start with you again.

Rob Dickson: There is a live discussion about this. Some work has been started on it and, if it is acceptable, VisitScotland might want to respond to the committee with some further thinking on the issue.

My belief at the moment is we need to do a bit more thinking here, and I have two comments to make. First, it is absolutely essential that councils that are thinking about the levy engage in early discussions with the national parks. The whole basis of discussing national parks in the Parliament is that the Government is committed to creating at least one more national park during the current parliamentary session, so we might have three or even four in Scotland. I think the relationship there is critical.

Secondly, there should also be early discussion with the other local authorities that form a national park area about the levy proposals in the round for the national park. It seems wrong to us that the position of having a national park is not recognised four square at the start of the discussion. There is a little bit of thinking and work to be done on the issue and I will maybe come back with some written evidence in due course, if possible.

Willie Coffey: That is great. Any view on that, Leon or Marc, or will we leave that one there?

Leon Thompson: As Rob said, it is critical that local authorities work together and it is great that that is also set out within the bill. Encouraging local authorities to interact with one another if they are considering introducing a levy is just good advice.

If a local authority wants to introduce a levy, it would be good for it to talk to its neighbouring local authorities.

11:00

Marc Crothall: We put in a previous submission. We used, “We think they should receive a fair share” so we will leave it at that.

Willie Coffey: Those are really good diplomatic answers. I invite you to look beyond the legislation and it being in place and so on. How should we measure the positive impact of the legislation looking ahead? What should we be looking for? Let us start with Rob Dickson again, if that is okay.

Rob Dickson: It is entirely reasonable that in 10, 15 or 20 years, we should be able to look back and recognise the difference that investment in the visitor levy has made and all the benefits that a strong visitor economy brings. It is also reasonable that residents should look at the place in which they live and be pleased about the improvements that have been brought about because of the way in which the levy was utilised in their local city, town or community. If we get this right—and it is perfectly possible to get it right—we should look back on something that is genuinely successful and impactful on our local area, because of the enabling nature of the legislation and the empowerment that we are giving to local authorities and local communities to make decisions about how it is used. I will leave the matter of plaques to local decision-making, I think.

Willie Coffey: Leon Thompson, how should we evidence the success of the legislation?

Leon Thompson: It comes down to thriving destinations and communities. Civic pride is a key part of that, and we would like to see our communities more engaged in tourism. One of the reasons that we are sitting here talking about a visitor levy is that residents have perhaps fallen out of love with tourism. We need to reintroduce them to all the good and benefits that come with tourism and having visitors in our cities. Civic pride is critical, but we must also have a flourishing economy that delivers jobs in hospitality for people who are living and working in destinations.

Willie Coffey: Do you have any final words, Marc?

Marc Crothall: I have three. It is important that the people who live in the communities have sustainable businesses that thrive and grow, and that the visitors keep coming back. We rank as the 14th most desirable destination to visit in the world and we are 140 out of 142 in terms of our price competitiveness. If we can, we need to ensure that we have a volume of visitors coming through who

are happy to pay, even if we have a higher price point.

Your point about signage is absolutely another big part of it. It is important that we communicate how a visitor has contributed to Scotland, so that they feel part of it, by making it clear that their levy has just not gone down the plughole to empty a bin. It has helped us to invest in creating the destination that they have chosen to visit again.

Stephanie Callaghan: I have a short supplementary about the collection of data, and I will direct it to Rob Dickson. Is it not going to be necessary to collect data so that we have something that we can compare across local authorities? Increases in employment in tourism were mentioned as well as building the volume of visitors and so on. We could make that comparison and make improvements if there are bits that are not working within one authority that are perhaps working in another.

Rob Dickson: Absolutely. We see the introduction of the levy and the data that it will generate as being very helpful in understanding the sort of thing that Marc Crothall was pointing to by giving us better, stronger and more empirical data on tourism in Scotland. It is surprising how often we do not have the data that we think we would like. Miles Briggs has asked questions about exemptions, but we do not have data on that. It is an example of where the collection of good, hard data will be helpful and aid future decision making.

The Convener: Thank you for that. That concludes our questions. We very much appreciate you coming to join us this morning; it has been a very useful discussion. We are seeing even more of the picture and unpacking the complexities that were described at the beginning of the meeting. Thank you for joining us. I now suspend the meeting to allow for a changeover of witnesses.

11:04

Meeting suspended.

11:11

On resuming—

The Convener: On our second panel this morning, we are joined in the room by Julia Amour, who is the director of Festivals Edinburgh; Gary Curley, who is the executive chair of SkyeConnect; and Donald Emslie, who is the chair of the Edinburgh Tourism Action Group. We are joined online by Cathy Earnshaw, who is the destination strategy manager at Venture North Cooperative Limited; Sheila Gilmore, who is the chief executive of both VisitArran and the Arran

Trust; and Sarah Maclean, who is the chief executive of Outer Hebrides Tourism.

I welcome our witnesses to the meeting. We will try to direct our questions to specific witnesses where possible but, if you would like to come in, please indicate to me or the clerks. For those of you online, please type an R in the chat box.

We are tight on time, and the panel is quite big, so only come in if there is a burning issue that we have not heard about from somebody else. We will also try to start with different people so that we are sharing the contributions and the conversation.

I have some general questions, initially. I would be interested to hear about the importance of tourism for your local economies, the challenges in ensuring that local services and infrastructure meet the needs of residents and visitors alike and how visitor numbers and spend this year compare with the pre-Covid period.

Despite what I have just said, we will probably end up hearing from all of you in this case. I will go to those online first, starting with Cathy Earnshaw.

Cathy Earnshaw (Venture North Cooperative Limited): We represent Caithness and Sutherland in the far north of Scotland. Overall, although we do not have final figures, we have definitely seen a recovery in visitor numbers. However, as Marc Crothall said earlier, net profitability is not as people would hope it to be. Obviously, the cost of living and energy crisis are affecting a lot of our businesses in those areas.

Tourism is very important for our economy across Caithness and Sutherland. About 16 per cent of jobs are dependent on the accommodation and food services sectors, although we depend on other sectors, too. We are slightly more dependent on the tourism and hospitality sectors than the rest of the Highland area.

We also have clear differences in terms of our geographical spread. We have more visitors in the north-west of Sutherland compared with the central and east coast. It is very important that we take that into account with regard to a future visitor levy.

11:15

Gary Curley (SkyeConnect): I am representing the Isle of Skye. As you know, Skye is a very popular tourist destination—it is the second most popular destination in Scotland. The previous bit of research that the Moffat Centre did for us in 2019 showed that the visitor economy produces an output of about £260 million a year. It is hugely significant to the residents and the businesses on Skye; it is the main economic driver.

On visitor numbers, it is certainly true that we have seen a return to pre-pandemic levels, but I echo the point that that has not necessarily translated into extra profitability or success in the businesses. A lot of the businesses are struggling at the moment, despite the numbers making it sound like everything is great. Profits are being heavily squeezed, so reinvestment has been very difficult for a lot of those businesses.

We have all the same challenges. If you have a business with an annual turnover of £260 million, you would be reinvesting some of that to keep the business alive, and to improve, enhance and preserve it. That is one of the issues in a place such as Skye. It needs significant reinvestment in order to maintain, preserve and enhance it for residents and visitors.

The Convener: I am just going to ask another question here, rather than put it to everyone individually. I will start with Gary Curley and then I will come back to Cathy Earnshaw. What are your thoughts—positive or negative—on a visitor levy?

Gary Curley: We did a survey, which we sent to 1,000 businesses and individuals across Skye. We had 170 responses. I can speak to that first, because we share the views of what that survey found.

There was some angst about the idea of introducing a visitor levy—60 per cent were against the idea. However, that was driven by issues such as the impact on non-VAT-registered businesses. There are a lot of questions about what that will mean if people are taken over the VAT threshold. That led to 64 per cent of businesses saying that they would take fewer bookings were that to happen to them.

Issues relating to where funds should be reinvested, how they should be split and so on was mentioned earlier. One of the things that came out really strongly in the survey was the view that revenue generated in an area should be reinvested in that area. Some 90 per cent of respondents supported that. There is huge public support for the idea of reinvesting money in the area where it is generated. It is understandable that, if you are going to be ambitious, there are some national strategic things that you might need to consider. However, given the pressures on the infrastructure each year, that must be weighted in order to preserve as well as to improve the infrastructure.

Let us look at the other question in terms of the different types of accommodation that will charge the levy. We have a lot of camper vans coming to Skye and other areas around the Highlands. That came up as a big issue in the survey. Eighty-five per cent of respondents considered that camper vans and motorhomes should be part of the

scheme, because the belief is that those visitors have a greater environmental impact as they produce more waste and they might spend less money on the island.

Lots of things have come out of that survey—it is all in our submission.

The Convener: Brilliant. Thank you very much; that is very helpful. I will come to Sheila Gilmore now. To jog your memory, my questions are: how important is tourism to your local area? How have you done in terms of recovering from Covid-19? What are your general thoughts—positive or negative—on the visitor levy? I ask that you stick to those, as there will be other questions that will get much more into the detail. Thanks.

Sheila Gilmore (VisitArran and The Arran Trust): Of course. Thank you very much, and thank you for inviting me along. It has been a very interesting session.

Tourism is vital to Arran's economy; it is the mainstay of our island economy. The figures currently suggest that the economic impact is greater than it was in 2019, which is before Covid. However, as I think that you heard in an earlier session, costs have risen so the profit margins have lessened. Therefore, it is not the rosy picture that is painted. There is a lot more to it.

We have a population of about 4,500—we are just waiting on the final figures to come in—of which about 1,500 are employed directly in tourism. That gives you an indication of how important tourism is for the economy.

Our concerns about a tourism visitor levy are that we have quite a lot of on-going challenges, which are well documented, as a Scottish island and with the ferry service being as it is at the moment. It is all quite challenging, so we feel that that would just be another obstacle in our way.

Like Skye, we are also concerned about the VAT threshold and where that will position businesses. We do not have any other access to Arran. We do not have any airports. We only have the ferry and that is a lifeline service, so there is a great deal of concern. Most of our visitors come from the central belt. Would the levy be seen as a double tax? Would they reconsider coming here? Why go to Arran if you can go to the Lake District, get similar geography and enjoy the same kind of experience? There are a whole load of concerns.

There needs to be a bit more clarity around the exemptions as well, because people commute from and to the island. There are a lot of other things that I could go into. Those are all in our paper, so I will not go into them in too much detail just now, but there are more questions that I feel need to be addressed.

The Convener: Thanks very much for that, Sheila. We definitely have more questions for this session. Julia Amour, could I come to you with the same three questions?

Julia Amour (Festivals Edinburgh): Of course. In the interests of time, I might leave the question of the importance of tourism to the economy to my colleague Donald Emslie, with whom we work very closely—if that is all right, Donald.

Donald Emslie (Edinburgh Tourism Action Group): Absolutely.

Julia Amour: In terms of the significance of Edinburgh's festivals to residents and visitors alike, and how we have been doing coming back after the Covid pandemic, I will make a couple of points. Residents are at the heart of responsible tourism, and they are the largest segment of the audiences—about one-third of the audiences come from the city. We want to ensure that we are building back in a way that works for those residents, the visitors that come from the UK and further away, and for the city spatially. Reinvestment is crucial to that.

We have just published an economic impact study of the first year back at scale since Covid and we have shown that, with about 70 per cent of the visitors in total volume numbers that we had before the pandemic, we are achieving at least the same amount of additional economic value—and more when you look at the economic value that is delivered for cities. However, that money is largely flowing to accommodation providers in particular and other hospitality businesses; it is not coming back to the city infrastructure or to those who make the festivals happen. Therefore, we see the levy as an important way of being able to reinvest in a sustainable future visitor economy.

Obviously, we want culture, heritage and festivals to be at the very heart of that, because it provides so many year-round benefits to people in the city as well as to our visitors. It also provides the very authentic experience that future, responsible visitors want. You have a strong Harry Potter vibe going on in the city, but you also have contemporary cutting-edge culture, and that is a very powerful offer that we do not have in many other places.

Donald Emslie: It will not surprise anyone for me to say that tourism is a significant driver of Edinburgh's economic success. In the pre-Covid statistics, visitors to Edinburgh represented about 26 per cent of all Scottish visitors and up to 66 per cent of all international visitors. Pre-Covid, the economic contribution of tourism was about £4 billion a year, with 30,000 people employed directly each year, plus all the supply chain employment. Tourism is a big part of Edinburgh's

economic success, and, if you walk around Edinburgh, you will see many cranes and building sites, most of which are for building hotels or repurposing buildings into some kind of tourism business. All that is very positive and exciting.

We have recovered well, mainly through success with the North American tourist market. As you have heard previously, numbers are up and revenue is up, but I suspect that the profitability of some businesses is under pressure because of the cost of doing business.

On the introduction of a levy, you will know that Edinburgh is quite far advanced in its thinking and development. ETAG, the organisation that I represent, has been discussing it on and off for about 20 years. The point that we have reached is that, if the legislation is enacted and it enables Edinburgh to introduce a scheme, we want to be involved and to make sure that the scheme is a success, as it could raise significant amounts of money in Edinburgh for the delivery of our tourism strategy, which goes out to 2030.

We have a policy-driven tourism strategy that looks at people, place, partnership, reputation and sustainability. As Julia Amour has said, the levy will help us to achieve a lot of the strategic goals that we have set out in our tourism strategy to deliver for the visitor economy. The key point of all that is about managing growth for the benefit of the city and its residents, businesses and visitors. We understand that increasing numbers bring concerns and has an impact on the city, and the levy will be important in allowing the visitor economy to mitigate some of the challenges.

Sarah Maclean (Outer Hebrides Tourism): Good morning. I echo what has already been said about the importance of tourism for our communities. I believe that the last time an economic impact assessment of any depth was done here, it proved that tourism is the biggest private sector employer across the islands and that it contributes significantly to communities, especially the more rural and fragile areas, which have a particular reliance on tourism and visitor footfall.

Since pre-pandemic figures, we have recovered fairly well, all things considered. Interest in the islands has certainly bounced back. We have had significant challenges around ferry travel, which has had an impact on the industry. Specifically, in Uist, we have ended up with quite a divided picture across the north and south, in that we have had a lot of benefit over the past year from increasing cruise traffic to Stornoway and around Lewis and Harris. The picture for Uist is a lot more challenging. We have already lost businesses in Uist due to constraints on visitors. The picture is fairly mixed and, in general, more fluid and a little bit less predictable than it was pre-pandemic.

Profitability is definitely down. Businesses are finding things more challenging. Overall, due to challenges around finance and the flow of finance within the sector, there is broad support for some form of levy. It is about getting it right in how it is shaped and applied and who it captures, and ensuring that it is fit for purpose. We are broadly on board but interested to see how we can make it work effectively.

The Convener: Cathy Earnshaw, I would like to pop back to you to pick up the question about the levy.

Cathy Earnshaw: Like SkyeConnect, we did a couple of surveys. One was directed at our Venture North members, who, clearly, are business members. The other was a general public survey conducted while we were out and about at various shows or online. Overall, with both sets of results, the results of views were marginal. Our Venture North members and tourism businesses were marginally—53 per cent—not in favour of a levy. Through the open public consultation, the result was slightly stronger in favour, but it was only 59 per cent.

11:30

Whether people were positive or negative, the key concerns were around the management of the funds if the levy was to be put in place, the strategic view and how it would be done in the Highland region. Therefore, in our responses, we have advocated strongly for a cross-sectional private and public sector management committee, if the levy goes ahead, so that we get a broad view from right across the Highlands and specifically from—you will not be surprised to hear me say this—the rural north and out in the islands. We need a stronger voice in the Highland region, because it covers such a vast area.

It was very marginal. It was considered to be key that it is kept at low cost with minimal impact to businesses and, most importantly, our communities and residents—it is about the balance between visitors and residents. At Venture North, we have done a lot of community consultations, working directly with anchor organisations, on the impact on the visitor economy and the places where we live. It is most important that there is a broad strategic view.

The funds could be very significant, and our key message is that we take the big, ambitious views and that, in the planning, we include all areas. I appreciate what Gary Curley said about the impact of tourism on Skye. However, for our area, we feel that the funds should not necessarily be raised in just one destination. Many of our communities are on the pathway to the Orkney islands, which are extremely popular, and there are also all the

people travelling the north coast 500 route or going to Skye. There are impacts on communities from people who are travelling to other destinations.

Looking at the long-term picture, should we try to redirect people to different areas or different destinations? Taking a broader Highland view, we could channel any future potential infrastructure funds to encourage visitors to areas that perhaps have capacity for visitors, which would improve the situation for residents in areas that are already impacted by overtourism.

The Convener: Thank you for your response; it is good to hear that perspective. We go to Marie McNair.

Marie McNair: Good morning, panel members. I have already asked this question of the earlier panel. I would like to get your views on this being an accommodation levy rather than a visitor levy. As you have probably heard, many visitors such as day trippers, wild campers and some motorhome visitors would pay nothing. What are your views on whether the bill could or should be amended to capture visitors who do not pay accommodation costs but have a clear impact on the areas that they visit? I put that to Gary Curley first.

Gary Curley: It is a good question. If we consider visitors who, when visiting destinations around the country, contribute through a visitor levy for environmental protection, enhancement or infrastructure improvement, I do not think that that should stop at just people who use accommodation. I think that other visitors would be quite happy to pay a levy. However, you need to consider that people who use hotel or B and B accommodation might not produce as much waste as those using other types of accommodation that are not included in the levy.

From our local research and discussions that we have had, there would be broader support for a wider levy that considers other accommodations.

Donald Emslie: That issue does not impact too heavily on Edinburgh, in that motorhomes and camping are not a significant part of Edinburgh's visitor economy. Our position has always been that, with any introduction of a levy, legislation should make it clear which type of accommodation will have to raise the levy. Where possible, it should be a level playing field. It is not insurmountable that mobile homes, in particular, could be charged a levy at the point at which they are rented, and I think that GPS tracking or another kind of technology could be involved in that.

For Edinburgh, cruise ships pose a much more complex and complicated discussion. How a levy might be charged on cruise ships will need a lot of

thought as the bill goes through the Parliament. That will be about consultation with Forth Ports and how a levy might be raised, if it is to be raised.

Marie McNair: Thank you, Donald. Do any of the online witnesses want to answer before I go to the next question?

The Convener: Sheila Gilmore has indicated that she wants to come in.

Marie McNair: You are on mute, Sheila.

Sheila Gilmore: I think that you can hear me now. There is an issue around it all being about accommodation. We have done quite a lot of research on this. When we do a visitor survey or exit poll, it is all about roads. That is the big issue—apart from ferries, which is another saga—and the biggest infrastructure thing that people say they wish was improved.

To be perfectly honest, the measure would penalise the tourism industry. Accommodation providers would try to generate income that would be used to fix potholes in roads that are used by absolutely everybody. It is a difficult thing to say that it is all down to accommodation providers, because every business uses the roads. At the end of the day, tourism is everybody's business, and everybody makes use of the infrastructure. However, it seems to be only the accommodation providers that are being asked to implement something.

We have a lot of smaller businesses here, including a lot of bed and breakfasts and self-catering units that have just gone through the short-term lets issue. I do not want to churn over all that, but they have already been through the mill with it, and now we are asking them to do even more. We have a survey out just now to find out how many of our businesses have decided to stop because of short-term let licensing and how many of those properties will go back on to the general housing market. At the moment, it is looking like very few.

There will be an impact from the levy just being on accommodation. We have a lot of second homes here. Those people still come and use all the facilities, but they do not pay for accommodation because they have their own. It is a challenging issue to address.

Marie McNair: Thank you for your views, Sheila.

Cathy Earnshaw: The strongest responses that we had from our survey work—I think that you saw this, too, in the comments from Highland that were made in response to your public consultation—were about the inclusion of what we would call non-traditional forms of accommodation such as motorhomes and so on. Although that is not necessarily a solution for the issues that we have

in the north with irresponsible wild camping and people who choose not to go into established campsites—as much as we, as a destination management organisation, try to encourage the use of established campsites—our key concerns in this area have been the impacts of motorhomes and wild camping. Therefore, we definitely want the legislation to take that into consideration.

Marie McNair: Thank you for that, Cathy. I will move on to my second question.

The Convener: Sheila Gilmore wants to come in again.

Sheila Gilmore: I very quickly want to note that, at the moment, nearly 60 per cent of visitors to Arran are day visitors. They would not pay any tourism visitor levy, and there is a danger that the number of day visitors would increase. You could argue, in fact, that the day tripper has more impact on the environment and possibly creates some of the visitor management issues that people talk about such as litter, dirty camping and whatever. That is a concern, because we will potentially see a greater increase in the number of day visitors, who would not have to pay a levy.

Marie McNair: Sheila, I will stay with you. What are your views on how the bill was developed? To what extent were you involved in the consultation on the bill? Do you feel that your views have been taken on board?

Sheila Gilmore: I was quite involved. I went to a lot of consultation meetings, prior to and through Covid, and I am surprised that it has got to this stage, because I thought that, in the discussions at the time, businesses and the industry were not in favour of imposing anything. You asked whether our views have been taken into consideration. It is great to talk to the committee today; I must hope that our views are taken into consideration. However, it is a bit frustrating because, with some of these issues, it feels as though we are going over old ground. There are issues that were raised way back in the various consultations that I do not think have been addressed in the paper—there is very little detail in there on exemptions, for example.

Marie McNair: Does anyone else want to come in?

Donald Emslie: As an organisation, ETAG has been involved. We represented ourselves at the Scottish Government consultations and the Scottish Tourism Alliance has run several sessions on the introduction of the levy. We have been closely involved with the City of Edinburgh Council, which recognises the need for the industry to be involved in the creation of any scheme that might arise from this enabling legislation.

The Convener: As no one else wishes to comment, I will bring in Pam Gosal.

Pam Gosal: Good morning. My question is about how the levy will be raised. Over the past few weeks, we have heard from industry and from councils, and today we have heard from organisations representing industry. There have been a few disagreements, even today, on whether the levy should be a flat rate or a percentage rate, and on whether it should be capped through the application of a national limit. Businesses want a simpler process, but they are also looking ahead to see whether they can forecast how much money would come in.

Should local authorities have the freedom to decide whether it would be a flat rate or a percentage rate? Last week, our European witness talked about one place having both. What are your thoughts on that, and on whether it should be flat rate or a percentage rate, and whether it should be capped? I put that to Sheila Gilmore first.

Sheila Gilmore: If a visitor levy is to go ahead, I think that a flat rate is the answer. There needs to be a lot of clarity and transparency around that. Having percentages would make it challenging for packages. Some of our hotels do new year packages, golf packages and activity packages. The accommodation element would have to be withdrawn from that, which would create more hassle for the businesses. We want to try to simplify things.

There does need to be a cap. We must be realistic about this. We do not want local authorities to say, “Let’s just horse on and put in vast sums of money.” I am sure that that would not happen, but you never know. It is important that we close that floodgate.

We have a visitor gifting scheme, which we originally said would involve paying £1 per bed night. We have changed that completely and it is optional, but that is not capped. However, that is a voluntary thing, so it is slightly different. I will be happy to talk about that later, if the question arises.

Pam Gosal: Do you think that local authorities should have the freedom to decide?

Sheila Gilmore: No. I personally think that it would be better—and I think that VisitArran would feel happier—if it was a national decision, because then it would be transparent and the same across the board.

Gary Curley: My position is very similar to Sheila Gilmore’s. There may be merits to a percentage-based approach but, in general, the feedback from businesses on Skye is that it should be very simple and that a flat rate would be

preferable. In addition, there should be an agreement to have national consistency. Although we understand that there would also be merits in certain areas being able to have flexibility, depending on the impacts of tourism, for the scheme to work and for it to be accepted, we do not want it to be difficult for businesses to administer.

11:45

Different sized businesses have different resources. Many of the businesses on Skye are sole trader B and Bs or very small businesses, and the addition of an extra bit of administration to their work would be difficult for them. A lot of businesses on Skye said that they would not have the capacity to deal with the extra administrative burden—up to 75 per cent of the smaller businesses said that. There are lots of considerations to bear in mind there. If we can make it simple, that would be the way to go.

Should local councils have the say on the rate? I agree that there should be a national perspective, but I also agree that if, following private and public sector consultation, there is multistakeholder agreement in a council area, there could be flexibility there. People just do not know, so there are still a lot of questions.

Julia Amour: I am going to put the other view on whether it should be a percentage or a flat rate. I completely understand why there is a spectrum. You have heard from quite a lot of witnesses earlier today and in previous sessions about the dynamics of the market in different parts of Scotland. Obviously, Edinburgh is a prime example of that; Donald Emslie might want to say more about that.

However, I think that having a percentage naturally accounts for those variations. If there is a Taylor Swift concert or an Edinburgh peak festival season, you will see the benefit of that being reinvested in the local economy. I think that local authorities should have the flexibility to determine that, but any such scheme should be consulted on very thoroughly so that there is a lot of building of consensus, as far as that is possible, within the local authority area.

The issue of a cap is something that the City of Edinburgh Council has spoken about. It is one of the mechanisms that could be used to ensure that there are not unintended consequences for people such as the workers who come to stage the festivals every year, who might stay in the city for four weeks. Having a cap would be one way of recognising, in part, the different way that they contribute to the economy and the fact that we might want to incentivise their coming.

We would definitely be positive about a cap, and it is something that we would talk to the local authority about, but we would want that to be down to flexibility at local level.

The Convener: When you talk about a cap, are you talking about the amount of money or the number of days? Last week, Paul Lawrence talked about a cap of seven days, which would involve paying the levy for the first seven days of accommodation, after which there would not be a charge.

Julia Amour: That is absolutely right. That was the cap that I had in mind—the number of days for which the levy would be charged.

Donald Emslie: It does not surprise me that there are differing views. I think that that leads into our proposal that there should be a very strong national framework, but that each area should have the flexibility to introduce the scheme that best suits the dynamics of their local area.

In relation to the question about whether it should be a percentage or a flat rate, from our perspective—having discussed the issue with the industry in Edinburgh—we have come down on the benefit of a percentage, because that approach would reflect dynamic pricing and the vagaries of the market from a busy August, as Julia Amour has explained, to a much quieter January. We would welcome a percentage levy. I certainly think that it should be capped, and it should probably be capped at a number of days.

To go back to my earlier point, the local flexibility should be able to accommodate local needs and concerns. The process should be based on consultation with the industry so that it is not just the local authority that sets the rate. That should be done in consultation with the local industry, recognising the need for buy-in so that the money can be raised to deliver the strategy.

I said earlier that we have been talking about a levy for about 20 years. An important point that we have gathered from our research is that a lot of businesses and residents in Edinburgh said that if we were going to do this, we should make it meaningful by raising enough money to make a difference, so that they can see the benefit that visitors coming to the city raises money, which makes a valuable contribution to making Edinburgh a better visitor attraction for the residents who live here and the visitors who come here.

The Convener: There is something that I am curious about. You have been busy with the idea of a levy for 20 years, and—

Donald Emslie: Not me personally.

The Convener: Not you personally, but ETAG—I apologise. We have discussed the issue

of a flat rate being simpler but a percentage being fairer, because it connects to dynamic fluctuations in the market, as you have just described, but have you come across any system that would handle that? One of the issues with a percentage approach is a concern about complexity. Have you come across anything that would help to make it easier for the levy to be collected?

Donald Emslie: That is an interesting question. The property management systems of the bigger operators can cope with a percentage approach. I ran a hotel, not in Edinburgh but down south. When the VAT rate changed from 20 per cent to 5 per cent during the pandemic, the systems were able to be engineered to accommodate the different VAT levels. Bigger operators and more sophisticated property management systems can cope with that.

An aspect that underpins our strategy is that businesses should be supported throughout the implementation of the levy. We have made representations to the City of Edinburgh Council that pre-planning and preparation are absolutely vital, and that ETAG, as a business support organisation, would be there to develop toolkits and infrastructure to help the smaller operators to introduce such a percentage levy.

The Convener: So, are you saying that the first thing that a levy should be spent on is putting in place the infrastructure for businesses?

Donald Emslie: It might not be as direct as that. What needs to happen is that money needs to be spent on pre-planning the implementation of the levy. There is a very big need for communication and for the guidance that is being prepared in parallel with the legislation going through Parliament to be very clear so that it helps businesses with the introduction of the levy. As an organisation, ETAG will be there to support the businesses in Edinburgh to ensure that the process is as easy and smooth as possible.

The Convener: Thank you very much for that. Before I bring in Miles Briggs, I remind Sarah Maclean and Cathy Earnshaw that they should indicate if they want to come in—it is hard for us to know if people who are online want to speak, but I definitely want to hear from you as well.

Miles Briggs: Thank you for joining us here and online today. As I have done previously, I want to ask some questions about exemptions. Currently, the bill mentions a possible scheme involving exemption vouchers. What is your view on whether we should have an exemption scheme, and would that be best taken forward nationally or locally? Have you done any work on that? I know Festivals Edinburgh is in favour of the provision, so I will maybe bring in Julia Amour first.

Julia Amour: There was some good discussion earlier this morning about the wider principles of exemption schemes and the complexities of local and national implementation of that idea, so I am not going to attempt to approach that territory, but we know that it is a very big picture.

The point of view that the festival organisers have put forward is that there are certain dynamics within Edinburgh for a sustainable visitor economy, with the festivals as one of the attractions that not only attract people to Edinburgh but also to come to Scotland for their holidays and spend the rest of their time in other parts of the country. We know that that relies on artists bringing their work to Edinburgh, and artists who live here staging their work in Edinburgh. However, at the biggest platform—the Edinburgh fringe festival, where the work is self-presented, and people take a risk by investing their own money in their shows—the situation for those artists is becoming more and more difficult.

There are various ways in which we could handle that. One of them is to ensure that the provision for exemptions, rebates or reimbursements is in the legislation. That is what this committee and the Parliament needs to be concerned about during the passage of the bill. We would then want to have that conversation locally about how we can best approach that.

I completely accept what some of the accommodation representatives were saying, which is that we do not want to deal with that on the front desk, and that there are other ways of doing that and putting money back into the system.

Donald Emslie: I agree with Julia Amour. ETAG supports the local authority having the flexibility to introduce exemptions. I think that the position needs to be clear and transparent. Going back to my point about a national framework, perhaps there are some categories of exemptions that could be included in a national framework, with a local authority having some flexibility to go further should it so wish.

Sarah Maclean: It is clear from the various viewpoints that there are different structures of destinations around the country. Based on that, we would be very much in favour of having a bespoke model in the islands that reflects the interests of the wider region and the wider country but, with regard to exemptions, is more reflective of the needs of island communities in terms of the differences between the different types of islands. We have some very fragile small islands, where travel is absolutely necessary even for basic things such as healthcare and service provision, and we have larger islands, where people can be slightly more self-contained. We have already addressed those factors in the islands context

through the air discount scheme, so we already have a model that involves an acceptance the singularity of island residents versus other travellers.

I think that our local authority representative at last week's meeting said that we would be interested to explore moving away from the accommodation-based collection of the levy, which we feel is quite limiting, and considering instead a collection model that takes into account the number of motorhome travellers and cruise passengers coming to the islands. An accommodation-only based collection model would seriously limit any levy revenue that we could gather in the islands, whereas a model based on collection at a port of entry, using existing mechanisms, would not only take pressure off some of the providers in the sector but would also open up collection to a much wider range of tourists.

On the question of exemptions, it is very easy to work through why people are travelling. There could be a tick-box approach to finding out why someone is in the area and why they need to travel. That could also help to differentiate between residents and visitors. We think that exemptions and getting the exemptions clauses of the bill right are critically important.

Sheila Gilmore: I agree with what Sarah Maclean said. We have to have a very localised look at exemptions. Arran is slightly different, in that we are in an urban, mainland local authority area. However, there will be things that the local council will not consider that affect the island community—just simple things that are very relevant for our community, because in our islands a lot of commuting goes on in both directions. We also have a lot of commercial operators and service providers that are brought in to service agricultural machinery and suchlike on the island, and people coming to the island in relation to health and social care, too. We also have to deal with stranded passengers—I hate to say it, but we get a lot of them. That issue is very specific to our area, and it is probably not as great an issue in the rest of North Ayrshire or other areas of the country.

I reiterate what Sarah Maclean is saying, that exemptions must be absolutely bespoke for the area that the local authority is serving.

12:00

Stephanie Callaghan: I thank all members of the panel for joining us today, online and in person.

Donald Emslie, you already mentioned the consultation on proposed schemes, and it is important that the objectives and the impact are

looked at. Do you agree with the requirement in part 3 of the bill that revenues should be spent on developing, supporting and sustaining the facilities and services that benefit tourists and leisure visitors? Do you have any thoughts on how those levies might support your strategies, your vision for projects and so on? It might be good to hear from Sheila Gilmore after you, or anyone else who wants to come in.

Donald Emslie: As I said earlier, ETAG facilitated the development of the Edinburgh tourism strategy for 2030, which was to run from 2020 to 2030. We are several years into that, albeit the first two years were heavily impacted by the pandemic. So, we have the strategy, and we have our strategic goals to deliver around people, place, environment, partnership and reputation. Each of those strategic goals have actions that underpin the delivery of that strategy.

For example, one of the key objectives in our place strategic goal is how we help the visitor to manage their visit to Edinburgh, in order to alleviate congestion and the impact on the city and to potentially spread out the benefits of their visit, rather than just concentrating them on the castle, the Royal Mile, Holyrood and the Grassmarket. That requires significant investment. It would probably require some kind of digital app to help us to achieve that and, therefore, we very much see the money that would be raised from the levy being used to help us deliver that key strategic goal within our visitor strategy. That would benefit the city; it would benefit businesses, because we might be able to spread the benefits of the person's visit around the city; and it would also benefit residents in the old town, who feel that their area is a little bit more congested than residents up in Bruntsfield do. That is one example of how the levy could help us deliver our tourism strategy.

We absolutely endorse the legislation saying that the money should be ring fenced for the support of a visitor strategy. We think that that is very important. In Edinburgh, that could involve significant amounts of money—we are talking about a potentially game-changing amount of money being raised in Edinburgh that would help us to deliver the strategy and change the environment for the visitor in Edinburgh.

As Rob Dickson said at the end of the previous session, we want to be able to look back in 10 years' time and say that all of the money that has been invested has made a difference and that the resident in Edinburgh notices it just as much as the visitor does. I think that that is critically important. If some of the money is spent on smaller schemes that are invisible, I do not think that we would look back and say that the scheme had been as successful as it would have been if

we had been ambitious and used the money to invest in much bigger schemes.

The Convener: We are going to bring in Sheila Gilmore, but I see that Julia Amour wants to add something to that.

Julia Amour: Apologies, Sheila. I just want to add that I agree with everything that Donald Emslie has said—we are, of course, a member of ETAG. If there was one area of that drafting that we were slightly concerned about it was that there was not an emphasis on how we can develop local cultures—local music cultures, local food cultures—to be attractive to visitors as well. That is something that I think that probably everybody who is sitting around this table would be equally attracted to, and which we would like to see Parliament consider as the bill goes forward. The levy is not simply for facilities that are used by tourists; it is for facilities that could be used by tourists but are absolutely rooted in that authentic resident culture as well.

Donald Emslie: I would just like to add one supplementary point. You asked if I agreed with the bill regarding leisure tourism, which I do, but it needs to include business tourism. I think that that is one of the missing points in the legislation. Business tourism in Edinburgh, through conferences and conventions, brings in a significant amount of money to the Edinburgh International Conference Centre, the hotels and other accommodation providers and the restaurants. Therefore, business tourism is a vital ingredient in the whole economic strategy for the visitor economy.

The Convener: We are going to go online, first to Sheila Gilmore and then to Cathy Earnshaw.

Sheila Gilmore: I think that any money that is generated locally should be spent locally. We have a good example. Our visitor gifting scheme, the Arran Trust, has been going since 2011 and people in the community are very good at telling me what they feel that money is to be spent on. The national strategy, “Scotland Outlook 2030”, talked about thriving places and passionate people, and what we are doing is all about that. Anything that we do here on the island always puts the community first: it will be good for the community, then it will be good for the resident and then it will be good for the visitors. It must be community first, and the community should have the right to pick and choose where that funding is spent, rather than being dictated to by others.

Visitor dispersal and so on should be managed by the destination management organisation. That is where the DMOs can come in and play into this field very well, because they know the local communities—they are working with the local

communities, and they are in the local communities.

We are also fortunate on the island because we have the Arran island plan, which is all about putting the community at the heart, with environment and the economy being on either side, and keeping everything in balance. It is important that any local money that comes in is spent locally, in that community.

Cathy Earnshaw: Earlier, I made it clear earlier that, although we would like a lot of the money to be spent in our north Highland region, we are not about the destination focus but are more about a broader strategy right across the Highlands. Based on that, I think that, if these funds were to become available, we must look at using them for long-term goals, transformative developments and strategic builds.

For example, on Skye, there is a trial of a visitor management app that involves infrastructure across the area. Could that be used right across the Highlands, specifically around the north coast 500 route, with regard to where we look to build our strategy?

I also wholly agree with the points about the development of areas that do not have the focus of a visitor attraction. For instance, in the Highlands, it is Inverness, Skye and north-west Sutherland that get the vast majority of visitors, but we have other areas such as central Sutherland and the east coast peninsula, which is outwith Venture North, that have capacity for visitors.

Across the Highland region, we need to look forward in the long term to build a strong strategy to manage those funds and think big about how we could transform the areas. The Highlands as a whole is one of the most attractive destinations in the world just now, aside from Edinburgh. I think that that is where we should focus.

Since the pandemic, initiatives in our area such as the use of access rangers have been instrumental in changing the conversation between residents and visitors and reducing the friction that we were experiencing badly during the pandemic. Venture North wholly supports the use of such initiatives across the north Highland region. Beyond those strategic goals, as I said earlier, I believe that we need—in the Highland region, anyway—a cross-sectional, private-public sector, full management plan over a 10-year period with regard to how the funds would be managed.

Going back to a previous comment, in the north, we favour the levy being a flat rate rather than a percentage. From previous comments, it is clear that there is a distinct difference between rural areas and city areas when it comes to the need to keep things simple for the businesses. We do not

have the large organisations or the computer infrastructure to make the process simple for our businesses.

Stephanie Callaghan: That is fantastic; you have already answered a lot of the second part of my question, which is about geographical areas. The previous panel felt that the levy should not be restricted and that that could be detrimental to being ambitious about developing other areas and alleviating pressures on existing ones.

On that point, is it central that councils involve communities as well as businesses in their consultations? I am wondering specifically about your area, Cathy Earnshaw, and it would be good to hear briefly from Gary Curley and Sarah Maclean what their thoughts are.

Cathy Earnshaw: I can see Sheila Gilmore nodding. In our area, for instance, our voice with Highland Council is through the Highland Tourism Partnership. We have agencies—VisitScotland, Highland Council and the regional DMOs—that are part of the voice of tourism for our area. Currently, the DMOs represent the community voice, but if you were looking at a management committee for the funds in the future, you would want to make that stronger.

As I pointed out earlier, not all areas in the Highlands have DMOs representing them and part of the issue there would be to look at regional plans. However, as Sheila Gilmore pointed out earlier and I am sure that Gary Curley will say, there is also the option of looking at the role of the DMOs, because we are here on the ground and we work directly with our communities. Heaven forbid that we did not, because we would soon hear about it, even in my area—I cover Sutherland, which is quite a vast landmass with small communities. We live and work here; if the DMOs did not focus on communities and on being a vibrant place for people to live and work in, we would be nothing.

Sarah Maclean: I agree with everything that Cathy Earnshaw said about the link that DMOs have with communities and how that cascades into the wider tourism offering and sector in more remote areas. We are a destination management organisation, managing that link between the destination and place as opposed to marketing. We are not necessarily there to sell the place. Obviously, we will promote it if we can. The link to communities and making tourism work for communities is central to that.

That leads into the question of the reinvestment of levy revenue into infrastructure and into innovations that we can potentially employ and make happen through revenue streams that would otherwise have been unattainable. It is also about maintaining some of the grass-roots services that

we try to provide to visitors, which it is becoming increasingly difficult to do.

In the previous panel, Marc Crothall talked about profitability being squeezed despite footfall and custom perhaps being up. That is similar for us, in that we are seeing more visitors and more interest in Scotland and in the regions, but in many ways less of what is needed to manage them. We desperately need resource to help us with managing our destination websites, which cost money, and managing our visitor information points. We have one official tourist information centre in the Outer Hebrides, which is based in Stornoway, so if you are in Barra, Uist, Harris, or anywhere in rural Uist, you do not have access to a tourist information centre.

Marc Crothall mentioned attending a conference with us last week. There, a lady spoke about being expected to provide visitor information via the local craft shop, and said that they are increasingly losing sales and revenue because they spend so long dealing with visitor inquiries, such as on when the next bus is and where they can eat out. That sort of fundamental information is needed in a small community and people do want to help—they will give their time—but when that starts to impact on their business and revenues, it is no longer working effectively. We need grass-roots core sources of income that will allow us to keep visitor information strong, improve our visitor offering, keep the whole sector running smoothly and ease those frictions that sometimes do arise in communities that perhaps see less of the benefit of tourists. They need to see that it is working.

We are really supportive of the innovations, the big pictures and doing things differently, and we hope that we can get there. We want the levy to do that for us and that is why we support it, but we also see some of the brass tacks being covered through the potential to get some additional revenue back because, at the moment, there are no other streams that channel that visitor spend back into the services that support the sector.

12:15

The Convener: Thanks for that, Sarah. Gary Curley—as briefly as possible.

Gary Curley: Sure, no worries. I echo all the points that were made previously. I guess that we are hearing that there is a diverse array of needs and challenges across Scottish tourism and a lot of differences between urban and rural tourism. That all needs to be taken into consideration in the bill. At the moment, DMOs are fighting for survival because it has been proposed that funding may be withdrawn for a lot of DMOs in Scotland. We are talking about how to deliver a national strategy

and how to have ambition. In an area like Scotland, there will have to be local delivery mechanisms. It will have to be nuanced.

There is an opportunity to look at the structure of the tourism industry and consider the role of the different organisations. In England, they commissioned a report called “The de Bois Review”, which looked at the role that DMOs play in the national tourism strategy. In order to get communities and areas, such as Skye, Arran and other areas in the Highlands on board, there has to be a connection between the local strategy, the national strategy and the vision.

That is where the disconnect is and that is why you are getting so much opposition from a lot of the rural communities. They see the levy as money that will be taken out of a community that is already struggling to invest in its infrastructure, without knowing where their voice will be within that national picture. It is great to talk about ambition. We all want to be part of an ambitious country that achieves great things and be leaders in 21st century tourism, but we have all these disparate DMOs trying to deal with local challenges and needs that are not going away and, as Sarah Maclean was saying, there is no money coming back in to reinvest in the tourist infrastructure in those areas. The needs are often greater in some of those areas.

The Convener: Thank you very much for that. That is very useful. Willie Coffey would like to come in.

Willie Coffey: Thanks, convener. Gary, you are in the territory that I wanted to ask you about, which is what the role is for the localised DMOs. You have expressed that very clearly.

One issue that might come up is the 18-month lead-in proposal and whether you agree with that. Rob Dickson was quite clear from VisitScotland’s point of view that it was essential to have the space to allow properly worked out thinking between passing the legislation and putting it into practice, so that local authorities could get it right. Do you see a clear role for yourselves as localised DMOs to help the system get that right?

Gary Curley: Yes, definitely. I know that Highland Council is currently developing its new strategy for tourism, based on the opportunities that the TVL will create and the money that will come in. The fabric of Scotland’s tourism industry is so diverse and the needs are so different that DMO input is essential. If you do not get it, you will not get the full picture. That is what makes Scotland attractive to international visitors. It is not a place where you come and find that it is one size fits all. It is very different and diverse. There are all sorts of interesting things to do and see here. I think that the voices of local areas, which are

some of the most popular tourist destinations in the country, need to be heard and to be at the table.

Willie Coffey: What about that 18-month lead-in time? Is that something you would all broadly support so we can work out the implementation of this locally?

Gary Curley: Yes, I think that that is probably fair.

Julia Amour: We followed the City of Edinburgh Council in our stage 1 response to the bill. As you have heard from Donald Emslie, this issue has been discussed in Edinburgh for 20 years now. We have participated in research about this since 2017, I think, when we co-funded some research. We feel that the City of Edinburgh’s discussions with the industry are quite far down the track and we are conscious that they feel that they could do it more quickly than in 18 months.

Willie Coffey: Donald Emslie, do you have a view?

Donald Emslie: I would say that the 18-month lead-in time is absolutely essential. This is a very complicated piece of legislation that is about to be implemented locally. I keep coming back to the fact that once we have the proper enabling legislation and framework, it is down to the local authority to introduce a scheme that it sees will fit the needs and ambitions of its local area. That will need a lot of consultation and work.

We are fortunate in Edinburgh that we have a strategy implementation group that oversees the Edinburgh 2030 strategy. That is chaired by Councillor Day, the leader of the council, with all of the senior key executives plus leaders from the industry. For example, Julia Amour sits on that group, as do Edinburgh Chamber of Commerce, VisitScotland, the airport, and the hotels association.

We are a leadership group that has already been discussing the legislation and responding to it, but also looking forward to how this might be introduced. What are the key challenges and what are the benefits that we could all realise by spending this amount of money over a protracted period of time? That is where the ambition comes in. This is all about ambition for bigger projects and spending this money successfully.

Sheila Gilmore: I think that 18 months is realistic, provided that there is that local engagement. It gives time for that to happen and it is important that local authorities that are considering taking this forward—part of it may be whether they consider taking it forward or not—engage with the local community at grass-roots level to find out exactly what is wanted. As Gary Curley said, DMOs are a great way to do that

because we engage with the community as well. It would be really great if the committee could endorse that kind of process moving forward. Thank you.

Pam Gosal: We have heard that many businesses do not have the necessary infrastructure in place to collect the levy, and that if the rate were a percentage, it may make things a bit more difficult and challenging for small businesses and microbusinesses to collect. In response to the consultation, Outer Hebrides Tourism wrote about an initial period of grace from penalties for late returns and return errors. It suggested maybe about a year. Does the panel agree with that? Do you have any thoughts on how a local authority can support businesses to collect the levy to ensure that they are not penalised for non-compliance? Is the bill getting the balance right? Could I ask Sarah Maclean that question, since her organisation mentioned that?

Sarah Maclean: Thank you. As I expressed earlier, our feeling is that we have an advantage in the islands in being a very self-contained community. Potentially the accommodation-based collection would not be the optimum one for us, but, if that were the route that the local authority chose to go down and the onus was put on individual businesses to be the liable bodies for collection, we feel that it would only be fair to give a period of time for them to find their feet with that and to understand how it works. I think that there is a slight perception in some sectors, or some parts of the sector, especially among smaller businesses, that the levy is almost coming on to them, rather than them being the vehicle by which it is collected. There is a little bit of messaging there.

Somebody has previously mentioned the need for the levy not to push businesses over the VAT threshold and the need for mechanisms that can be put in place to reflect that it really is that the small businesses are a conduit to pass the levy on, rather than it actually impacting directly on their own profitability. There are various things there to be got right, and even if the financial structures, the modelling and everything is done really well—which I hope it would be, and we totally support that 18-month lead-in time to get it right—I think that there is still room for error. In order to be supportive of small businesses and to bring the tourism sector with us, it will be crucial that it is seen to be as soft and light a touch as possible before anything such as enforcement or penalties are introduced. That may be something that comes later, if there is evidence that people are abusing the structures, but I think that initially we have to do this in favour of the businesses that we represent.

The Convener: I call Mark Griffin.

Mark Griffin: I have a question about the financial memorandum and the modelling of costs for businesses, particularly smaller ones and microbusinesses. Has the cost burden that will be placed on those businesses been adequately reflected in the memorandum? Has, for example, the potential for some of those businesses to be pushed over the VAT threshold been properly recognised and modelled?

I will ask Gary Curley to respond first, as he touched on this earlier.

Gary Curley: I think that more consultation needs to be carried out on that area. The VAT issue is still quite unclear for a lot of business. It is definitely something that—I am sorry, but could you repeat the end of the question? I missed it.

Mark Griffin: It was whether the financial memorandum reflected the cost burden that will be put on small businesses, particularly with regard to their being pushed over the VAT threshold.

Gary Curley: According to our survey results, people are still concerned about the potential cost implications and administrative burdens, specifically for smaller businesses. More might need to be done to reassure people, which might require a little bit more research. That is really all that I have to say.

Mark Griffin: Thanks. Could you respond, Donald?

Donald Emslie: It is so important that the cost to the operators of introducing and collecting this levy be properly refunded to them and that any cost that they incur be recovered. That is also true for the local authority. If local authorities have to set up infrastructure to help collect and administer this, that should be part of the cost recovery, too. Nobody wants to put pressure on businesses to collect this levy; given that the money would be invested in strategic goals, I think that it would be a little bit contrary to those goals to put further pressure on businesses. I think that cost recovery will be absolutely key here.

I agree with Gary Curley that further discussion needs to be had about this, particularly with regard to the VAT thresholds. It does not make sense to me to push somebody over a VAT threshold because they are collecting a levy that is not part of their revenue stream and which they then have to rebate to a local authority. I think that the issue needs to be discussed. Again, cost recovery is vital.

Going back to the previous question, I do not think that this is about pressuring businesses. There should be some grace with regard to compliance and collection, particularly for microbusinesses.

Mark Griffin: Does anyone online wish to comment?

The Convener: No.

Gary Curley: Perhaps I can add one point about OTAs. Although they might well provide a collection method that could reduce some of the administrative burden and costs, it is unclear how that approach would actually work. On Skye, a lot of the accommodation providers use Booking.com, Expedia and so on—there are others—but it is a mechanism that could reduce some of the administrative burden on some of these businesses.

12:30

Mark Griffin: Thanks for that.

Finally, I have a catch-all question just to get people's views. If this legislation is passed and implemented, what should we be tracking a couple of years down the line? What would define the measure of success? What should we be reviewing to track whether this is working in a positive way and not damaging the sector?

Donald Emslie: Shall I go?

Mark Griffin: Please.

Donald Emslie: I think that you will have heard me say throughout this session that, for Edinburgh, this will be quite significant and a significant level of money is likely to be raised to support the visitor economy. The move requires serious consultation, serious thought and serious preparation to make sure that it is implemented in the right way.

We are talking about a game-changing amount of money that could be invested into the visitor economy in Edinburgh to achieve our strategic goals; indeed, hundreds of millions of pounds could be invested over the next 10 to 15 years. What will Edinburgh see for that investment? As leaders of the industry, we must be prepared to be ambitious, stand up and deliver some of the bigger projects to ensure that visitors and residents can see the connection here. We must be able to say, "Yes, visitors come to Edinburgh, but they contribute to the city, too, and this is what their contribution has delivered." I think that that is a very important connection.

We should not be seeing this, particularly in Edinburgh, as a contribution—I was going to use another word, but I would hate to have done so, so I did not—to the city's infrastructure and facilities. What we should be setting our sights on is ensuring that, in 10 years' time, Edinburgh as a destination is thriving, vibrant and world-beating, and that is what this has the potential to achieve. It cuts across Julia Amour's culture sector, the world

heritage sector, the genuine hospitality sector and its hotels, restaurants and bars, transport—indeed, everything.

Julia Amour: Perhaps I can add a brief comment that speaks to the points that you have heard already. This needs to be additional and must not be a substitute for the general core services, and there needs to be a virtuous circle in which residents, as well as visitors, can see the benefits. Yes, it should be used for solutions where there are pressures, but only in very specific areas where addressing those pressures will help with the sustainable development of the visitor economy.

More important is that it should be a stimulus for ambition, but that will include not just infrastructure—as many have pointed out, everybody has infrastructure pressures—but activity. If we think about the things that are the lifeblood of all of our communities—clubs, music, food, cultures and so on—we see that that is a sweet spot for Scotland. Scotland's appeal is rooted in its local culture, so we must not get too distracted by capital investment alone; there must also be revenues for communities.

The Convener: A few people online want to come in. We are wildly over time, but I do not think we could have done this in an hour. It is really important that we give people the time to speak, but we do have some other things that we have to cover after this session.

I will bring in Sheila Gilmore and then Cathy Earnshaw.

Sheila Gilmore: Visitors need to see the difference. If this is to be implemented successfully over the next five or 10 years, visitors will need to see where their money is going and know that it is actually adding value to the destination.

Cathy Earnshaw: I go back to the views that Rob Dickson and Marc Crothall expressed about how we measure success. I want to be very careful about this; as I have said, we are marginally against a visitor levy in this area, but what those who are for or against it will be looking for is clear evidence of thriving places that we can live and work in and enjoy; a thriving visitor economy; and somewhere residents are delighted to live and delighted to welcome visitors to. Although the sums of money that we might have in 10 years' time might be game changing, we still need to manage them well and responsibly for a sustainable future.

The Convener: That sounds like a perfect note on which to end, Cathy. You summed that up beautifully.

Thank you all so much for coming today to share your views with us. It has been very helpful. We will conclude our evidence taking on the bill at our next meeting, at which we expect to hear from the Convention of Scottish Local Authorities and the Minister for Community Wealth and Public Finance.

Subordinate Legislation

Title Conditions (Scotland) Act 2003 (Conservation Bodies and Rural Housing Bodies) (Miscellaneous Amendment) Order 2023 (SSI 2023/278)

12:35

The Convener: The next item on the agenda is consideration of the Title Conditions (Scotland) Act 2003 (Conservation Bodies and Rural Housing Bodies) (Miscellaneous Amendment) Order 2023, which is a negative instrument. I should say that there is no requirement for the committee to make any recommendations on such instruments.

If members have no comments to make, does the committee agree that we do not wish to make any recommendations in relation to the instrument?

Members *indicated agreement.*

The Convener: Thank you.

We previously agreed to take the next items in private. As that was the last public item on today's agenda, I close the public part of the meeting.

12:36

Meeting continued in private until 12:38.

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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