

The City of Edinburgh Council

10.05am, Thursday, 7 February 2019

Edinburgh Transient Visitor Levy Consultation 2018

Item number

Report number

Executive/routine

Wards

Council Commitments

Executive Summary

This paper relates to the Council Commitment to progress the Edinburgh Transient Visitor Levy (TVL). This paper outlines the findings from a consultation on the Edinburgh Transient Visitor Levy which ran from 15 October to the 10 December 2018 and seeks endorsement of an amended proposal and next steps. The paper also provides members with a copy of the evidence submitted to the Scottish Government's national conversation on the tourist tax which closed on 25 January.

Edinburgh Transient Visitor Levy

1. Recommendations

- 1.1 Note the findings of the summary report on the Edinburgh Transient Visitor Levy Consultation.
- 1.2 Note the written evidence submitted to the Scottish Government National Conversation on a Tourist Tax
- 1.3 Agrees the amended Edinburgh TVL proposal, detailed in Paragraph 3.7
- 1.4 Agrees that, on the condition that the Scottish Government gives the City of Edinburgh the powers to raise revenues through a Transient Visitor Levy, the Council will take the next steps as detailed in the report, and
- 1.5 Agrees that the Leader and Deputy Leader formally write to Scottish Government to share the Council proposal for an Edinburgh scheme and the agreed ways of working to implement the Edinburgh TVL and to inform any ongoing consideration of this issue.

2. Background

- 2.1 The City of Edinburgh Council agreed, after local government elections in 2017, a Council Commitment to continue to make the case to the Scottish Government for the introduction of the Edinburgh transient visitor levy.
- 2.2 To take this commitment forward the Council undertook a range of activities to help scope and identify the key issues around TVL. The Council:
 - 2.2.1 Produced a comprehensive research paper on the potential Edinburgh TVL published in May 2018.
 - 2.2.2 Commissioned a survey using an independent research firm to test the views of visitor and residents on a potential Edinburgh TVL.
 - 2.2.3 Held over 20 different informal meetings one to one with stakeholders, within the Edinburgh tourism and business sectors, to discussion the issue of a TVL.
 - 2.2.4 Held a series of roundtable discussion with tourism stakeholders to hear their views and present the finding of the research.
 - 2.2.5 Officers further presented to stakeholder business groups around Edinburgh, and took part in a national roundtable discussion hosted by COSLA.
 - 2.2.6 Used stakeholder feedback to develop a draft proposal for an Edinburgh TVL

- 2.2.7 Conducted a formal engagement process and consultation on the draft proposal for an Edinburgh TVL supported by further roundtable events open to all groups, residents and businesses.
- 2.2.8 Gave evidence to the Scottish Parliament Committee on Culture Tourism Europe External Affairs alongside other LA leaders and COSLA on 25 October 2018.
- 2.2.9 Attended the Scottish Government national conversation event on the tourist tax and further submitted written evidence attached in [Appendix 1](#)
- 2.3 It should be noted that COSLA are also campaigning for LAs to have the legal power to implement a TVL, subject to consultation with stakeholders. This national activity is targeting national stakeholders, the Scottish Government and the Scottish Parliament.
- 2.4 Support for the principle of a TVL has been growing in local authorities across the UK with The Local Government Association also recently voting in favour of having such a power.

3. Main report

- 3.1 The underlying rationale for the TVL is that overnight tourists who pay to stay in the city and use public spaces and public services across the city should contribute more to help manage the impact of a successful tourism economy and to secure sustainable investment into its future success.
- 3.2 The purpose of the TVL would be to:
 - 3.2.1 Ensure Edinburgh's status as one of the world's great cities in terms of culture and heritage is sustainable
 - 3.2.2 Ensure that future investment in culture heritage, arts and sport, which benefit the city and enhance tourism
 - 3.2.3 Ensure sustainable investment in promotion of Edinburgh as one of the world's best cities to visits all year round.
 - 3.2.4 Ensure that tourist and visitors equitably invest in public services and ensure visiting this city is an enjoyable ad safe experience
 - 3.2.5 Support the Council to manager the impact of a successful tourism industry.
- 3.3 In keeping with this purpose and following several informal stakeholder engagement sessions, the Corporate Policy and Strategy Committee agreed to progress a consultation on the detail of a draft Edinburgh Scheme which proposed a '£2 or 2% per room charge, for all types of accommodation, all year round, across the whole of Edinburgh for a maximum of 7 consecutive nights stay'
- 3.4 This proposal would raise a projected sum of between £11.6m and £14.6m based on current figures. The consultation indicated that the revenue raised by any new levy would be re-invested into managing, supporting and increasing tourism in the

city. Investment would be targeted at infrastructure and public services improvements to improve the visitor experience of Edinburgh, increase its attractiveness and competitiveness as a destination, and managing the consequences of that success for residents.

The consultation findings

- 3.5 A summary of consultation findings and the roundtable discussion that accompanied it are noted below. A fuller account of the findings are presented in [Appendix 2](#).
- 3.5.1 85% of all respondents expressed strong support for the introduction of a TVL in Edinburgh, as did the majority of all category stakeholders, including Edinburgh businesses and Edinburgh accommodation providers.
- 3.5.2 67% of respondents felt that Edinburgh should introduce a TVL at a rate of around £2/2% of the cost of accommodation while 18% felt this was too low.
- 3.5.3 The majority of respondents (47%) preferred a flat £ per night per room rate but a high number of respondents (38%) wanted to see a charge based on the percentage of the room fee introduced.
- 3.5.4 Respondents felt there should be no significant exemptions or variations to this rate based on quality of accommodation, time of year, type of accommodation or length of stay.
- 3.5.5 The majority of respondents (81%) wanted to see a cap on charges of no less than seven days to help protect festival performers and other non-leisure visitors.
- 3.5.6 Consideration should be given to how those not staying overnight could also make a fair contribution to the maintenance of Edinburgh as a major tourist destination, given that day visitors to the city significantly outnumber overnight visitors while spending less with local businesses.
- 3.5.7 TVL should be considered alongside the rate of value-added tax applied to accommodation.
- 3.5.8 While respondents largely supported the purpose of the TVL, it was felt that a narrower set of objectives for funding should be identified and that the Council must be able to demonstrate clear outcomes and visible success in the short term.
- 3.5.9 In setting priorities for investment, respondents felt that revenue from TVL should be prioritised to street cleaning and transport in the first instance, then to parks and policing of tourist areas.
- 3.5.10 Concerns were high that TVL revenue will be reallocated to fill gaps in Council spending or effectively removed in any Scottish Government funding settlement.

Council Response to the consultation

- 3.6 Building on the consultation insight, the draft proposal has been amended as follows. Councillors are asked to endorse an Edinburgh TVL with the following components:

Type of charge

- 3.6.1 There was no overwhelming majority during the consultation for either a flat rate or a percentage charge. 47% of respondents favoured a flat rate and 38% preferred a percentage. Delving into these results showed that accommodation providers were however strongly in favour of a flat rate as this was felt to be the most straightforward approach – easiest to administer and easiest to communicate. It also raises more than a percentage charge – with expected revenue of £14.6m. As such, it is recommended that the scheme applies a flat rate room charge.

Size of charge

- 3.6.2 There was general consensus within the consultation that £2 or 2% was 'about right'. There was no strong views in favour of either increasing or decreasing this and feedback during roundtable events suggested that stakeholders felt it was enough to be 'worth it' but also proportionate enough to have no detrimental impact on the competitiveness of Edinburgh's Tourism offer. As such, it is recommended that the Scheme applies a £2/2% per room charge.

Scope of charge

- 3.6.3 The charge would apply to all paid accommodation including hotels, apartments, shared accommodation providers, student accommodation, guest houses, B&Bs and hostels. However, all stakeholders responding had a significant percentage (31%) in favour of exempting campsites from the scheme. Given the percentage of the market that campsites hold and the low budget nature of the business, it is recommended that the Council agree to exempt them from the charge.
- 3.6.4 The charge would therefore apply to all accommodation providers sites except for campsites located with the Edinburgh City boundary defined as the local authority boundary.
- 3.6.5 In Scotland, there is a statutory duty on local authorities to find permanent accommodation for all applicants who are unintentionally homeless or threatened with homelessness. It is recommended that the Council commits to looking at ways to mitigate any impact on those in need of emergency temporary accommodation as part of the implementation of the TVL.

Length of charge

- 3.6.6 The charge would apply to a maximum of 7 consecutive nights (therefore capping the total amount per one continuous stay to £14 per room). This was strongly supported at consultation and would ensure that a degree of

protection is offered to those staying in the city for extended periods for business or to support the cultural offering of the city in respect of festival workers and performers.

Revenue use

- 3.6.7 Members are invited to agree that as proposed, the revenue raised from the Edinburgh TVL will provide additional sustainable investment in supporting and managing the impacts of tourism within the city.
- 3.6.8 However, given that respondents of the consultation, while in favour of the broad purpose of the scheme, felt that more detailed prioritisation for investment options should be presented, it is recommended that a further, more detailed consideration on investment options is explored with key stakeholders and in particular, the new multi stakeholder group that is proposed below.

Governance

- 3.6.9 The consultation strongly supported the proposal that the Council should establish an advisory group of multiple stakeholders who would advise and inform council decision making on investment priorities, and have a wider role monitoring implementation and impact of the scheme. This would demonstrate the council's commitment to partnership working and transparent governance while maintaining the responsibility for taking those decisions and the management of the scheme within the Council.
- 3.6.10 If the council is empowered to progress with an Edinburgh TVL then the Council is asked to agree that officers take steps to establish the multi-stakeholder group bringing back the suggested membership and full remit to Corporate Policy and Strategy committee for approval.

Administration and implementation

- 3.6.11 To reflect the costs incurred in setting up new administration and collection mechanisms for the scheme, it is proposed that committee agree that the Edinburgh scheme allows for percentage fee of 1.5% of raised revenue to be retained by the providers collecting the charge for the first 2 years after which this policy would be reviewed.
- 3.6.12 In considering this recommendation it should be noted that there was not strong support during the consultation for providers to retain a fee for administering the tax. Indeed, there has been some concern about the precedent this would set. However, implementing a new tax such as this will, in the first years of the scheme, have an impact on the business administration of providers. It is also true that a well run implementation process requires the support and good will of our industry partners. For these reasons it is proposed that the council – building on established practice in the likes of Lisbon - enables accommodation providers to retain 1.5% for the

first 2 years of implementation. At this point it would be proportionate and appropriate to review the policy.

3.6.13 Council is further asked to agree that should the council gain the power to implement a TVL, council officers take steps to establish an implementation working group and seek a lead partner from the accommodation sector for the implementation phase. A paper would be developed identifying the appropriate stakeholders and full remit for consideration by Corporate Policy and Strategy committee as appropriate. The Edinburgh TVL consultation results will initially inform the priorities for this group and the insight from the consultation will continue to shape further details of the scheme.

Next steps

3.7 Having considered these proposals, the council is asked to agree as detailed above, an Edinburgh TVL scheme of £2 per room charge applying all year round for all accommodation types within the council boundary except for campsites and for a maximum of 7 consecutive nights.

4. Measures of success

4.1 The measures of success in terms of the work specified in this report relate to securing the right to introduce a transient visitor levy.

5. Financial impact

5.1 There was no immediate financial impact to the Council other than officers time. Financial impact to the city should the council get the power to implement the scheme would cost as part of the implementation working group's activities and reported back to council. All appropriate implementation costs would be met by the scheme.

6. Risk, policy, compliance and governance impact

6.1 The recommendation in this report is consistent with existing policies and aspirations of the Council, as detailed in the Council Commitments and Council Business Plan.

7. Equalities impact

7.1 There are no immediate equalities impact from the recommendations related to this paper. An Integrated Impact Assessment at this stage are conditional on the TVL being implemented in Edinburgh through legislative permitted by the Scottish Government.

8. Sustainability impact

8.1 The proposals in this report will have no immediate sustainability impact but should the Edinburgh Transient Visitor Levy be introduced there would be sustainability outcomes related to the decision on the additional income choices, but these are

beyond the scope of this paper and are conditional on the TVL being implemented in Edinburgh

9. Consultation and engagement

- 9.1 In addition to the formal consultation on the Edinburgh TVL which concluded on the 10 December 2018, further consultation with other partners and users will be undertaken where appropriate.

10. Background reading/external references

- 10.1 [City of Edinburgh Council Commitments](#)

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11. Appendices

Appendix 1 – Council Submission to the Scottish Government national conversation

Appendix 2 - Summary of results from CEC Transient Visitor Levy Consultation

An Edinburgh Transient Visitor Levy

Submission to the Scottish Government National Discussion on the Transient Visitor Tax.

What would be the reasons for introducing a transient visitor tax?

Edinburgh has strong tourism trends that need additional secure resources to support, manage and maintain.

Tourism is an important contributor to the city economy, with more than four and a half million visitors annually and spending £1.8bn. Edinburgh visitor numbers exhibit a strong seasonal pattern, and spend per visitor is high and increasing.

From 2011 to 2017, the number of visitors to Edinburgh and the Lothians rose by 18 per cent, while total expenditure from visitors rose by 53 per cent over the same period.¹ In Edinburgh there are very high hotel occupancy rates. The average occupancy rate in Edinburgh hotels was 83.7% in 2017, the highest in the UK.²

During 2017, Edinburgh welcomed over 10.7 million bed nights from international visitors and 6.9 million bed nights are from domestic visitors. Edinburgh has witnessed a growing overseas tourism with the number of visitor nights increasing by 47% from 2011 to 2017, compared to an increase of 2% from domestic visitor nights.³ Successful expansion of new routes to Edinburgh Airport has contributed to this growth. From 2011 to 2017 the growth of Edinburgh airport passenger numbers increased from 9.4 million to 13.4 million.⁴ Edinburgh clearly has a strong appeal internationally to the global tourism market.

Edinburgh draws in more overseas visitors per year than other UK cities, excluding London. There were on average 1 million more overseas visitors a year than Glasgow and Liverpool, and even 0.5 million more than Manchester and Birmingham. Many of the overseas visitors are for leisure tourism who come to Edinburgh on holiday at 71%, which is larger than other major UK cities including Glasgow 54.5% and London 50.7%.⁵ This means that Edinburgh as a destination is starting from a strong base with a high amenity value for tourism (culture, attractions, events). In 2017, seven out of the top ten most visited tourist attractions in Scotland are in Edinburgh.⁶

This growth in tourism needs additional resources to support sustainable investment into the future and, in order to manage the impact of the success of tourism on the city and its residents.

Current levels of support and investment

The City of Edinburgh Council has a strong track record of investing in and supporting tourism, culture and the City's heritage. This is in addition to core services that might be expected or the council is statutorily required to provide. Council funds a range of cultural bodies in Edinburgh through grants from the Edinburgh Festival organisations, to its music and theatre venues. The council also provides funds to support destination promotion and

¹ Visit Scotland 2017 [Tourism Performance Visitor to Edinburgh & the Lothians](#).

² [Edinburgh by Numbers 2018](#), data provided from Colliers UK publication.

³ Visit Scotland 2017 [Tourism Performance Visitor to Edinburgh & the Lothians](#).

⁴ [Edinburgh by Numbers 2018](#), data provided from Civil Aviation Authority.

⁵ [Edinburgh by Numbers 2018](#), data provided from the International Passenger Survey, ONS.

⁶ [Edinburgh by Numbers 2018](#), data provided from Association of Scottish Visitor Attractions.

management, funding for museums and galleries, and events like the Winter Festivals and Hogmanay. In addition to core services the Council provides funds for additional bin emptying, nightshift cleaner and sweepers, pavement sweeping, washing and repairs in city centre area including improvement to parks and open spaces and funds to enhance community safety during busy visitor times of the year.

In addition, the City of Edinburgh Council has also committed funds on key capital projects, including the Collective Gallery on Calton Hill, Leith Theatre, Kings Theatre, and IMPACT, the first new concert hall in Edinburgh in over 100 years on St Andrew's Square. The Council also continue to work with the Ross Development Trust on a refurbished Ross Band Stand. Through this partnership, the council also delivered a fully refurbished Ross Fountain, located on the West End of Princes Street Gardens.

Tourism challenges in Edinburgh

As detailed Edinburgh City Council has a strong track record of investing in and supporting tourism, culture and general services which provide the environment and context for a successful tourism industry. This investment has supported the delivery of the Edinburgh 2020 tourism strategy. The 2020 strategy was led by a cross industry body with central government representation from Scottish Enterprise.⁷ There were three priority objectives:

- to increase the number of visitor to the city by one third;
- to increase the average spend of visitors to the city by 19% and
- to reduce seasonality across the sector.

However, the financial situation in Scotland remains challenging and most public bodies are operating in an environment that anticipates further reductions. Public sector funding has been in decline over successive years and this has placed pressure on supporting Scotland's infrastructure and tourism. In the pre-budget scrutiny undertaken by the Local Government and Communities Committee of the Scottish Parliament in 2018 it was observed that "for councils, the last decade has been about doing more with less."⁸

The new Edinburgh tourism strategy for 2030 is currently being developed. The emerging themes coming out of this work relate to how the city can ensure better quality and sustainability in growth. This reflects the similar themes from the Scottish Government's Economy Strategy. The proposed Edinburgh tourism strategy, is therefore, not only focussing on visitor related metrics but is understanding that services related to transport and infrastructure and the city centre transformation play an important role to the visitor economy.

⁷ The ETAG group comprises of a cross representation of the tourism industry, including Scottish Enterprise, Marketing Edinburgh, Edinburgh Hotel Association, the Federation of Small Businesses, City of Edinburgh Council, the Scottish Tourism Alliance, and other Edinburgh business and tourism groups or businesses.

⁸ Scottish Parliament Letter to Minister for Local Government, [Budget 2019-20: Pre-Budget Scrutiny](#), December 2018

As many other European cities attest, managing the consequences of a thriving tourism economy creates challenges arising from increased demand on public services, city congestion, pressure on waste collection and a need to provide enhanced community safety. This need to be financially supported in addition to investments made in more obvious activity such as events and attractions.

To continue to build on and manage the success we have had as a city to date the Council needs a secure revenue raising mechanism that can assist in adapting to new economic challenges, as well as manage the impacts and opportunities arising from a growing sector.

The main aim of the TVL would be to create the conditions for Edinburgh to sustainably invest and manage the success of an expanding tourism sector, helping to ensure Edinburgh is a more attractive destination for people to visit and to continue to work.

Why a TVL

During the last Council term starting from 2012, the Council worked with the Edinburgh Tourism Action Group (ETAG) and identified other funding models for tourism promotion. A variety of funding models were considered which could be used to generate additional funding such as Tax Increment Financing (TIF) and a Tourism Business Improvement District (TBID).

A TVL is favourable over these alternatives because it has fewer restrictions in spending scope and has greater long-term security of funds. For example, a BID has the potential to be discontinued and is not considered a secure source of income. This would limit the flexible use of any resource raised to potentially invest in innovative income raising or capital projects should those opportunities arise.

The legislative approach of a TVL, where the Scottish Parliament legislates to enable local government to introduce such a levy, is more flexible in this regard and would make the mechanism more durable and responsive to local circumstance and city-wide issues. The Scotland Act, has devolved significant new powers to Scotland and presents the opportunity to take a more innovative approach to taxation. COSLA continues to argue for more devolved taxation powers to Scottish Councils.

Edinburgh's citizens have also showed support for and promoted the concept of a TVL in the city as part of budget and citizen engagement survey's and consultations. In the 2017 budget consultation, where the Council seeks feedback on its specific budget proposals, 42 per cent of all ideas submitted referred to some form of a tourist tax, more than any other suggestion received that year, or previously. This was despite it not being mentioned in any of the engagement material.

Progressing the TVL in Edinburgh

The City of Edinburgh Council agreed, after local government elections in 2017, a Council Commitment to continue to make the case to the Scottish Government for the introduction of the Edinburgh transient visitor levy. To take this commitment forward the Council undertook a range of activities to help scope and identify the key issues around TVL. The Council

- Produced a comprehensive research paper on the potential Edinburgh TVL published in May 2018.
- Commissioned a survey using an independent research firm to test the views of visitor and residents on a potential Edinburgh TVL.
- Held over 20 different informal meetings one to one with stakeholders, within the Edinburgh tourism and business sectors, to discuss the issue of a TVL.
- Held a series of roundtable discussions with tourism stakeholders to hear their views and present the findings of the research.
- Officers further presented to stakeholder business groups around Edinburgh, and took part in a national roundtable discussion hosted by COSLA.
- Gave evidence to the Scottish Parliament Committee CTEEA alongside other LA leaders and COSLA
- Conducted a formal engagement process and consultation on a draft proposal for an Edinburgh TVL supported by further roundtable events open to all groups, residents and businesses.

Summary reasons for introducing a transient visitor tax

The City of Edinburgh Council is responding to the needs of residents, businesses and visitors who would all like to see Edinburgh as a well managed tourist destination.

The Council is also seeking to ensure the future sustainable success of the City as the visitor accommodation sector and tourism continues to grow at a time when public spending is reducing.

To remain a successful and world leading tourist destination, Edinburgh needs to compete with other global cities as a destination into the future and that the growing tourism economy retains the support of Edinburgh's residents.

If the current growth continues, without a corresponding source of sustainable investment then there is a credible risk that the City offer for both visitors and residents will be damaged. A failure to secure TVL could pose its own risks to the sustainable growth of the industry.

What would a well-designed and operated transient visitor tax look like?

Tourism taxes

Edinburgh is not alone in looking at the options for implementing a transient visitor levy and there are a significant number of best practice examples to learn from. The idea has been used in many cities, including very recently in Porto which introduced a city tax in April 2018 and Athens in January 2018. The UK is one of only nine countries from the EU-28 with no tourist tax as of 2018.

Despite the differences in fiscal and regulatory systems applying a tourist charge on overnight accommodation stays in popular city destinations is overwhelming preferred option for income generation. Tourism taxes in other countries are usually a devolved issue and are determined and administrated locally by the municipal authority.

The international tourism sector has observed a rapid uptake of cities adopting a tourist tax since 2012. For example, a few of these cities are: in 2012 Barcelona, Budapest, Hamburg, Milan; 2013 Berlin; 2014 Turin, Dubai, Rome 2014; 2016 Lisbon, Palma Majorca, Abu Dhabi; 2017 Baden Baden; and in 2018 Athens, Porto and Vilnius.

Hotel taxes can vary by city within the same country. Italy for example has over 60 destinations with a tourist charge. Tariffs vary from one location to another, the highest charges are reserved for the art-rich cities of Venice, Milan, Florence, Siena and Rome charge top rates of up to €7 per person per day.

If a tourism tax were to be implemented in the UK, it would be visible in the booking process. The fact that pricing on accommodation is made public on grounds of no hidden charges is a benefit to consumers.

There are many different tourist tax models currently in use with different charge types. These are briefly mentioned below and illustrate the ability to select a specific option relevant to their city economy rather than blunt option such as reducing VAT charge rate or a fixed entry charge to a destination.

Tourist taxes apply across many of the most popular Italian towns and cities. The tariffs vary from one location to another. Rome charges up to €7 per person per night, Venice, Milan, Florence, Naples and Turin charge up €5 per person per night and Verona charge up to €3 per person per night. There is also considerable discrepancy in the number of nights which the tourist tax is applied: in Naples and Rome, it is applied to the first 10 days of your stay while it is lower in other cities like Florence 7 nights, Verona 5 nights and Turin 4 nights.

A **progressive tourist tax model** is a charge that varies by size on the type of accommodation. This means that it varies by hotel grade or price band, so staying in a more expensive or better-quality establishment will incur a higher charge than a budget or less well service establishments. An example of this visitor levy type applies in Rome, guests staying in a 3-star hotel are required to pay between €4 per person per night, and €7 per person per night if they are staying in a 5-star hotel.

The **fixed rate or fee model** is a charge applied equally across all types and grades of accommodation. It is used in cities like Lisbon, Prague, Dubrovnik who charge a fee person per night. Variations of this model also include a **charge per room** (e.g. Dubai) and a **charge based on a percentage of the room cost** (e.g. Amsterdam, Berlin, Budapest, Vienna).

Characteristics of an Edinburgh TVL

Having listened to feedback from key industry partners through a number of informal individual and group discussions, the Council developed a draft proposal for a £2 or 2% per night per room charge on all accommodation types, across the whole city all year round but capped at 7 consecutive nights stay.

This draft proposal has been subject to an 8-week public consultation which invited detailed consideration of each characteristic including administration and collection, use of resources raised and governance and accountability for the scheme.

Purpose of the Edinburgh TVL

The underlying rationale for the TVL is that overnight tourists who pay to stay in the city and use public spaces and public services across the city should contribute more to help manage the impact of a successful tourism economy and to secure sustainable investment for the future. The Council believes it is necessary to introduce a charge to:

- Ensure Edinburgh's status as one of the world's great cities in terms of culture and heritage is sustainable
- Ensure that future investment in culture heritage, arts and sport, which benefit the city and enhance tourism
- Ensure sustainable investment in promotion of Edinburgh as one of the world's best cities to visits all year round.
- Ensure that tourist and visitors equitably invest in public services and ensure visiting this city is an enjoyable and safe experience
- Support the Council to manage the impact of a successful tourism industry.

Investing Resources and Accountability

The revenue raised by any new levy should be re-invested into managing, supporting and increasing tourism in the city. Investment should be targeted at infrastructure and public services improvements which businesses and stakeholders believe will improve the visitor experience of Edinburgh and increase its attractiveness as a destination.

We have heard from the consultation results that decisions about how or where the revenue raised should be spent should be made in partnership with the tourism industry and accommodation providers.

Further examples of what the revenue raised could be deployed on include: to support promotional tourism activity to market Edinburgh to new markets, support destination management; such as to invest in improved digital connectivity and public transport projects relied upon by tourists and tourism-related businesses; or to support improved public services in key tourist zones of the city, such as refuse collection, public conveniences, and community safety.

Public accountability for the effective use of resources is a critical component of the scheme. While the council to be legally responsible for taking decisions related to raising

income locally, there are many ways which stakeholder engagement, transparent decision making and public accountability can be enhanced. The Edinburgh TVL consultation specifically seeks feedback on the roles and responsibilities of a stakeholder advisory group or forum for the proposed Edinburgh TVL.

Summary of consultation findings.

- 85% of all respondents expressed strong support for the introduction of a TVL in Edinburgh, as did the majority of all category stakeholders, including Edinburgh businesses and Edinburgh accommodation providers.
- 67% of respondents felt Edinburgh should introduce a TVL at a rate of around £2/2% of the cost of accommodation while 18% felt this was too low.
- The majority of respondents (47%) preferred a flat £ per night per room rate but a high number of respondents (38%) wanted to see a charge based on the percentage of the room fee introduced.
- Respondents felt there should be no significant exemptions or variations to this rate based on quality of accommodation, time of year, type of accommodation or length of stay.
- Exceptionally, respondents wanted to see a cap on charges of no less than seven days to help protect festival performers and other non-leisure visitors.
- Consideration should be given to how those not staying overnight could also make a fair contribution to the maintenance of Edinburgh as a major tourist destination, given that day visitors to the city significantly outnumber overnight visitors while spending less with local businesses.
- TVL should be considered alongside the rate of value-added tax applied to accommodation.
- While respondents largely supported the purpose of the TVL, it was felt that a narrower set of objectives for funding should be identified and that the Council must be able to demonstrate clear outcomes and visible success in the short term.
- Concerns are high that TVL revenue will be reallocated to fill gaps in Council spending or effectively removed in any Scottish Government funding settlement.
- In setting priorities for investment, respondents felt that revenue from TVL should be prioritised to street cleaning and transport in the first instance, then to parks and policing of tourist areas.

The [full report of the Edinburgh TVL consultation findings is available here](#). The Council will consider its response to the consultation and a final draft proposal for an Edinburgh TVL Scheme in February.

What positive and negative impacts could a transient visitor tax have?

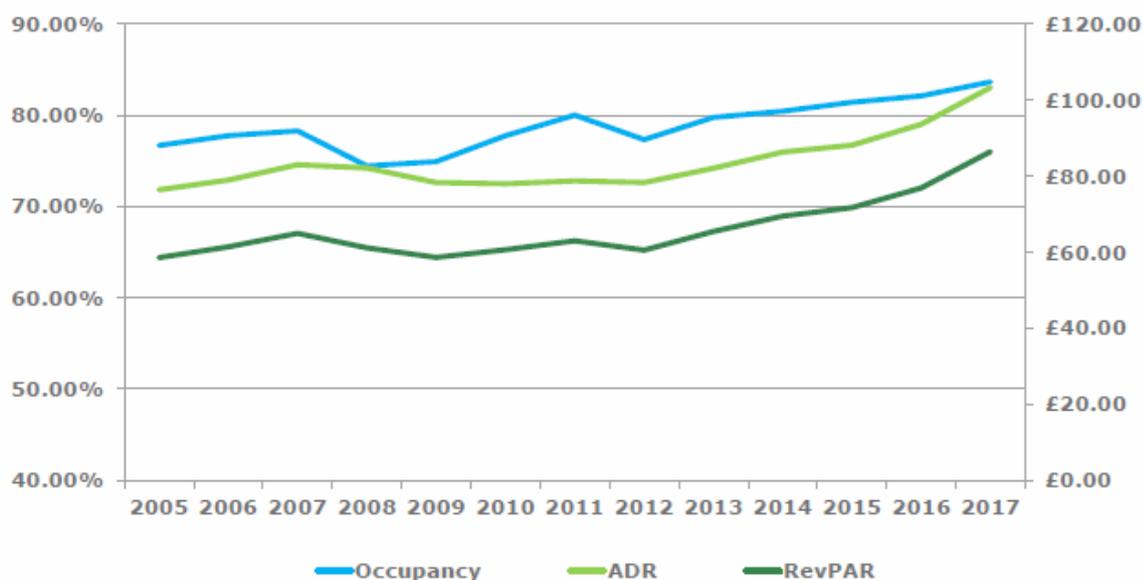
Challenges and costs to tourism sector

The performance of the accommodation sector within the visitor economy is very strong which has resulted in considerable growth in the sector historically. Observing the future supply and recent openings of accommodation in Edinburgh, it is clear that the two growth areas are hotels and serviced apartments.

There are different metrics that can be reported when showing the performance of the accommodation sector. One of the most readily available relates to hotel accommodation. The three main indicators are occupancy rates, average daily rate and revenue per available room.

The chart illustrated below was taken from a piece of work the Council commissioned as part of the City Plan work to research the commercial needs of the accommodation sector in Edinburgh, the information was sourced from STR.

Edinburgh Hotel Performance



Occupancy levels in Edinburgh have continued to increase since 2012, this is in despite of continued supply growth in hotel rooms. Occupancy is a measure on the percentage of all rooms occupied, or sold in, a given period to the total available rooms in that period. The market does show seasonality with typically lower rates in the winter months. The highest occupancy achieved in the market was 93.6% in August 2017.

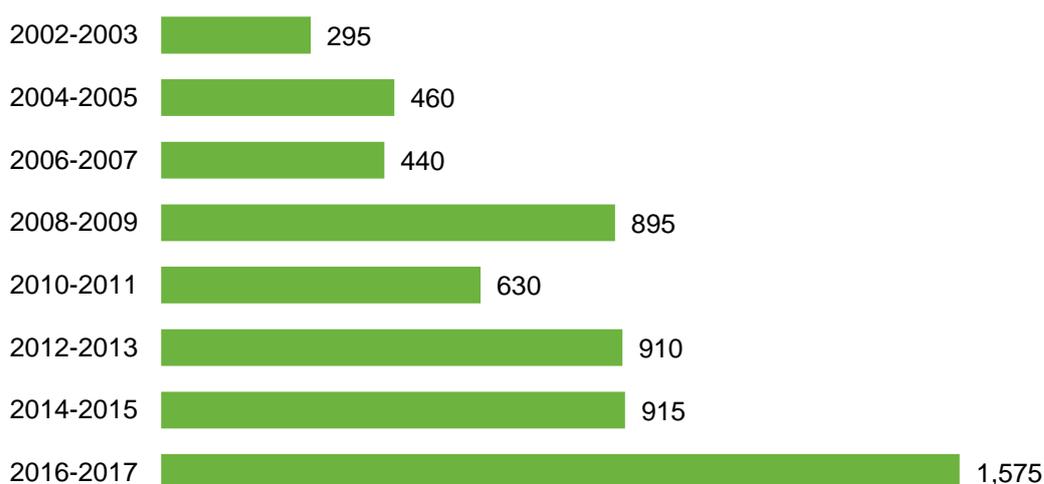
The revenue per available room, is also known as 'yield', is calculated by multiplying the occupancy rate by the average daily room rate. The average daily room rate is the total hotel room revenue divided by the number of rooms sold. As also shown in the chart both these measures have been increasing over time and more prominently since 2012.

It should be noted that fluctuations in the occupancy rate are influenced by the introduction of new rooms added to the existing stock. For example, the October 2018 YTD occupancy

rate shows a 1.4 percentage-point drop on the same period in 2017, but there was a 5.6 per cent increase year on year growth in supply of new hotel rooms over that period.

The next chart depicts the scale of the increase in the supply of new hotel rooms in Edinburgh. There were on the latest estimate in 2018, 167 hotels or just over 13,000 rooms in Edinburgh. The continued growth in the level of hotel occupancy despite the recent increased in hotel supply is evidence of the considerable growth of the sector and hotel operator and developer demand in Edinburgh. This also speaks to industry confidence in Edinburgh's tourism economy.

Hotel development completions in Edinburgh 2002 to 2017 (number of rooms)



Comparing year on year occupancy rates is one way of showing the performance of the sector. The relative performance of the Edinburgh hotel market is also strong. The average occupancy rate in Edinburgh hotels was 83.7% in 2017, the highest in the UK. Recent data published by European Cities Marketing shows that in the first 9 months of 2018, Edinburgh is ranked 1st in terms of the best occupancy rate in Europe, with London (2nd), Liverpool (9th) and Hamburg (10th).⁹

International comparisons

Many hospitality industries have thrived due to the public investment that tax take has contributed to. Therefore, the negative perceptions towards a tax among businesses can depend on how supported the industry feels by the public sector in sustaining the area's tourism product.

Edinburgh is not alone in looking at the options for implementing a transient visitor levy. The idea has been used in many cities, including in cities like Porto who introduced a city tax in April 2018, and Athens in January 2018. The UK is one of only nine countries from the EU-28 with no tourist tax as of 2018.

⁹ [European Cities Marketing](#) Press Release – European Hotel Industry Growth – first 9 months of 2018.

Despite the differences in fiscal and regulatory systems the tourist charge on overnight accommodation stays is an overwhelming popular choice of local taxation. The underlying rationale for the TVL is that overnight tourists who pay to stay in the city and use public spaces and public services across the city should contribute more to help manage the impact of a successful tourism economy.

If the cumulative fiscal burden placed on accommodation providers and consumers should be accounted for in the evidence base for any new levy then greater attention is needed in what we are comparing. There are indeed many moving parts to taxation in general, only observing the size of one tax rate ignores exemptions or reliefs that could apply.

There is very little supporting evidence that the UK is at a competitive disadvantage to other locations because of a lower VAT. Any suggestions that this is true ignores exemptions, and other taxes impacting on businesses and providers in the UK.

The following points should be considered in relation to the UK collective tax regime relative to the rest of the Europe.

- The UK has the highest VAT registration threshold in the EU and the OECD, so many small businesses providing goods and services to tourists across the UK are not charged VAT at all.
- The UK has lower rates of corporate (and personal income) taxation compared to most of Europe.
 - The overarching Corporate income tax rates across the EU-28 range from as low as 9% (in Hungary) to up to 35.53% (in Belgium), however the average rate across is around 21%. In the UK the charge is currently 19% going down to 17% in April 2020.
 - The marginal personal income tax rates for average earners across the EU-28 range from 10% in Bulgaria to up to 54.5% in Belgium, with an average of just below 30% across all. The UK average rate is currently at 20%.
- The World Economic Forum ranks the UK 40th out of 136 on overall tax, “real tax rate. This tax measures the level of personal income tax and social security contributions in each OECD country by calculating the "tax wedge" - personal income tax, employer and employee social security contributions, minus family benefits received as a proportion of total employer labour costs.

Wider research on visitor behaviour

The Council commissioned a specific piece of research into the views of residents and visitors on the TVL which was conducted independently by Marketing Edinburgh. This was the first-time residents and visitors to Edinburgh have been asked for their views on the issue.

Over 500 residents (evenly split between those living in and around the city centre, and those living in other parts of the city) and over 500 paying overnight visitors (10% from Scotland, 35% from the rest of the UK, 56% overseas) were asked for their views in the survey.

This provided us with the views of residents and importantly the views of visitors. The results showed that there would be no impact of a £2 tourist tax on overnight stays on 88% of visitors coming to Edinburgh. Only 3% said they would change their plans to come to Edinburgh if a TVL was applied. However, given we know that it is budget visitors who are most likely to be price sensitive, it would be erroneous to suggest that this would equate to 3% of the total economic yield of tourism.

These results indicate that an overwhelming majority of visitors would still come to Edinburgh if a levy was introduced – speaking to the question of price elasticity. Indeed, in the survey, around 78% reported that they would still come to Edinburgh, even if the tax was as high as £4 per room, per night.

In November 2018 STR's Tourism Consumer Insights team used their Edinburgh Visitor Survey to poll recent visitors to the city to gauge their perceptions on a tourism tax and to capture additional data to enable a deeper understanding of the economic impact such a tax might have on the city.¹⁰

The research set out to evaluate the potential impact of the possible introduction of Transient Visitor Levy of £1 to £2 per night for shorter-stay travellers. In Edinburgh three out of every four visitors to Edinburgh said that a tourism tax would have no effect on their stay. Another positive sign for the acceptance of the TVL is that only 2% of travellers said they would not travel to Edinburgh. Around 9% of travellers who would choose cheaper accommodation to help deal with the cost of the tax and a further 6% of tourists indicated they would have visited the city but stayed outside of it to avoid paying the tourism tax. These findings need to be set against the general acceptance that tourism to the city is projected to continue to grow.

In addition to evaluating the impact of the tax on the accommodation sector, the research examined if the tax might have associated impacts on visitor spending in other aspects of the visit. The results showed that there was only a small cross-section of travellers (14% of sample) were likely to reduce their spending during the trip.

A strong majority of respondents, reported that such a charge of £1 or £2 per night would not reduce their non-accommodation spend (73%), a further 14% were unsure. It was further found that domestic travellers and those aged 25-34 years, an age-group arguably more likely to be travelling on a budget, were the most likely to adapt their budget to compensate for any additional cost.

¹⁰ Tourism tax: a blessing or a curse [STR November 2018](#)

Impact

It is important that when looking at the potential impact of introducing a TVL scheme that specific characteristics of the markets are considered when interpreting the results. Any research findings should be set in the specific context that:

- Accommodation owners have flexibility to vary pricing by the day of week, month or year, time of booking or booking agent. The dynamic pricing systems creates a degree of uncertainty over the potential impacts on consumer behaviour. A strong case could be made that as consumers are already used to paying incredibly variable price changes in the rates of accommodations they will not be as deterred from a marginal rise in prices.
- There is also the relevance of scale, will the charge of £8 be impactful enough when the price of 3* hotel over four nights in Edinburgh can be as high as £1,589 on average.¹¹
- Accommodation costs may represent a large proportion of overall average visitor spend, around 50%,¹² but not all of it. Other costs include: food and drink, travel, events, tours etc.
- Origin of visitors, destination, the modelling method and time-period are all relevant factors when calculating demand elasticities in research and all of these factors significantly influence the estimates.
- Research results from an independent Edinburgh survey from STR concluded minimal impact on final visitor decision and impact on non-accommodation spend. Under the presence of a £1-£2 tourist tax on overnight stays, 91% of visitors to Edinburgh said they would not change their plans, and 73% said it would not reduce non-accommodation spend.

Competitiveness is not just about price

When interpreting any measure of price competitiveness, it is important to understand how the measure has been derived. The World Economic Forum for example, create a range of index values and rank countries relative to each other. Creating almost a league table of countries depending on different measured data points.

Most of the measures for overall international competitiveness are at the national level. The World Economic Forum's Travel and Tourism Competitiveness index placed the UK 5th out of 136 economies in 2017 for competitiveness. This ranking was based on a broad range of factors including business environment, prioritisation of travel and tourism, Cultural resource and business travel, international openness, and price competitiveness.

¹¹ Average cost of 4-night break in Edinburgh taken from Scottish Government [Transient Visitor Taxes in Scotland: Supporting a National Discussion](#), November 2018, figures based on Moffat Centre Analysis of Scottish Accommodation Occupancy Survey.

¹² Figure sourced from the Edinburgh Visitor Survey 2018.

This reinforces the position that the UK and within that, Edinburgh, remains competitive when all factors are considered alongside price.

The measure for international tourism price competitiveness are comprised of four indicators. The measure includes indicators for: value for money, the cost of travel (i.e. airport tax and fuel), and the cost of a brand hotel. This covers only a few of the many considerations for visitors, and ignores the destination's attractiveness.

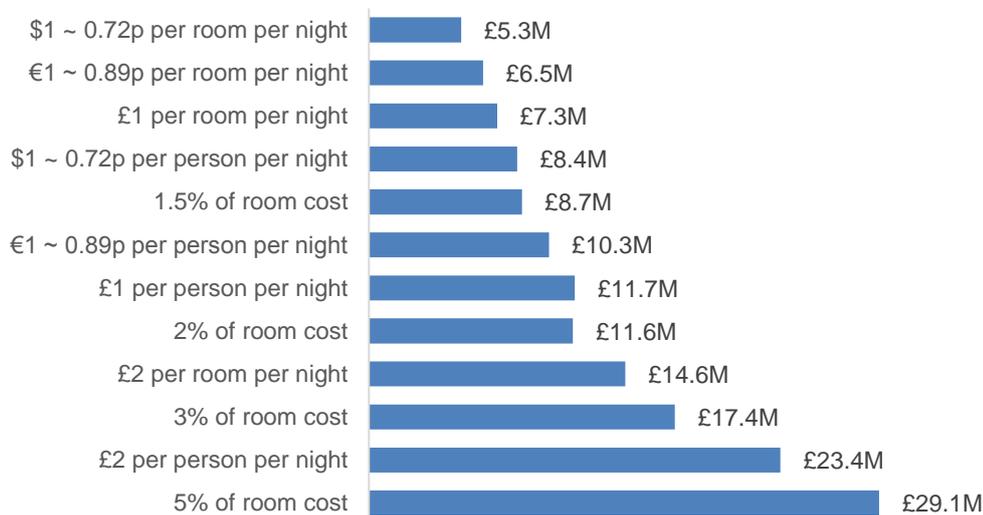
Edinburgh has a high amenity value rich in scenery; history & culture; architecture; attractions, and an international programme of events. Tourists consider a -destination's overall appeal, affordability, the overall quality of the tourist experience, events, cultural and other attractions. With its packed events and festivals calendar, historic city centre, free museums and art galleries and wealth of outdoor attractions, Edinburgh is extremely well placed in this regard.

These **pull factors** are not captured within a generic measure or within a price based analysis of competitiveness. Edinburgh is a global destination and its competitiveness relative to other destinations should not just be based on cost and stay costs and relative affordability but a more holistic assessment of all the relevant factors.

How could a transient visitor tax be used, and how can revenue be distributed fairly?

Potential Revenue

The introduction of either a small charge of 2% of the room cost or £2 per room per night could generate between £11.6 to 14.6 million per annum to invest within the City.



This estimate is based on new information gathered in 2018 as part of a commercial needs assessment on the accommodation sector in Edinburgh. It includes hotels, services and self-catering apartments, short term lets (from Airbnb) and guesthouses and B&B's and hostels within the City of Edinburgh geography. The analysis factors in the differences in prices and occupancy rates across the different accommodation types.

The analysis does not show the expected revenue to be raised from the 35 student accommodation units that are available to rent over the summer. There are an estimated 19,000 student bed spaces in the city, almost a third of student hall sites are rented out exclusively over the festival period in August. The analysis does not also reflect the possible differences that exist between the different hotel types and uses average variables of occupancy and room cost for that sector. We are aware that 4 and 5 star graded hotels make up around 40% of the supply of bedroom in that sector, with the budget sector making up 34% of bedrooms in the Edinburgh hotel market.

The estimates quoted in the chart could be higher than reported above, if seasonal factors in occupancy and price were to be incorporated into the analysis, using monthly average occupancy and average room rates. Edinburgh is a seasonal destination with typically higher prices and occupancy rates over the summer period, and relatively lower prices and occupancy early in the calendar year.

Use of the revenue

Within the results from the Edinburgh TVL consultation, there was strong consensus around the priorities for investing any revenue generated by TVL. 76% of all respondents cited street

cleaning as their priority for spending. This was the number one ranked priority for all stakeholder groups and followed by transport (58%), which was also the second priority for all stakeholders.

During roundtable events stakeholders also pressed for fewer priorities that would have a significant impact on the city and could be visibly identifiable as a direct gain or achievement of the TVL. Stakeholders also raised the view that any TVL must count as “additional” rather than displacing Scottish Government core funding. This means in practice it should not be subtracted from the total estimated expenditure, like the council tax, or centralised and redistributed from the Scottish Government like non-domestic rates or indeed centralised into a pot.

The revenues raised from international cities with a similar TVL arrangement are typically reinvested into services that support tourism. Lisbon raised around 15 million a year and that is targeted at reinforcing revenues for mobility and transportation, urban hygiene and new skills protocols in addition to issues of security that are of concern to the city.

It is clear that in an environment of reducing public funding and declining National Lottery funding, something needs to be done to ensure that the Council and our partners can continue to invest in, and benefit from, tourism to the city. The current levels of investment and support for those things that make a city attractive – from clean streets to historic and cultural activities – will be more challenging into the future.

Edinburgh welcomes around 64% of the total volume of international visitors of Scotland and 22% of the total volume of domestic visitors, not investing adequately in improving the quality of offer of the City may, as a consequence, adversely impact on tourism in Edinburgh and across Scotland.

Establish Administration, Enforcement

In the Edinburgh TVL consultation, the Council asked for views on a number of issues in relation to how any TVL should be administered. 49% of all respondents favoured a monthly collection mechanism rather than an annual collection.

Almost a third (30%) of all respondents felt there should be an industry-led team to design the collection and administration of the scheme with the council. This figure did not substantially vary by stakeholder group, with 31% of accommodation providers supporting this. By contrast, 56% of all respondents agreed there should be a forum of stakeholders to help oversee TVL with a role to make spending recommendations and review investments and monitor the effects of TVL on the local economy.

If a visitor levy were progressed in Edinburgh, then it is possible that accommodation providers would be required to register with the Council and would be responsible for collecting the levy and transferring it to the Council. Depending on the model used they would be required to maintain appropriate records of rooms occupied, or number of eligible people staying overnight, room rate charged and the amount of levy paid. This would include short-term lets.

Keeping the visitor levy simple would reduce the burden of information required from accommodation providers. For example, a charge per room is more straightforward than a charge per person, as the latter would require the accommodation providers to collect details on all visitors who stay.

Method of collection

Accommodation providers would be required to make their tourism levy payment to certain agreed timescales. Simplicity would suggest that this should be done electronically into a tourism levy body account. If this were to be the case then to ensure compliance, the following information would be required:

- the accommodation providers that are liable for the tourism levy
- the number of rooms occupied during the period for payment or revenue raised from rooms sales
- number of rooms or revenue amount under any exemption

Overseeing the implementation

For the Council to effectively perform its role of overseeing the implementation it will need to have access to necessary information to validate returns. This would include information on current and historic hotel and other accommodation providers, this would be ascertained by the registration process.

Amsterdam request businesses to register online every year to keep their records up to date. Other cities like Lisbon, Porto and Budapest requested information to be submitted by providers every month, using before the end of the 15th of the month for the month previous.

Based on other examples internationally and in the case of discrepancies, the accommodation provider would have a duty to provide a reason to the authority. Further, the visitor levy administering body, the local authority, would reserve the right to conduct financial audits of the returns in the same way as assessors have access to this when assessing rateable values of hotels. This would be done on the basis of risk and not as a matter of course.

These provisions should be included in any legal process and the control of this would be set by central government during the formation of the legislation to implement the TVL or tourist tax.

The Council has given several assurances that it would work closely with industry to establish the best and most efficient administrative and collection process for a TVL.

Conclusion

Edinburgh has a strong and growing tourism industry that is continuing to build and invest in the city. In light of public funding pressures there is a need to secure a mechanism to raise additional income into the future to continue to sustainably invest in tourism and manage the consequences of a thriving tourism industry on the city and its people.

The City of Edinburgh Council has taken a political position to progress an Edinburgh TVL. In taking this commitment forward the Council conducted several months of informal engagement and consultation. The input from industry stakeholders was used to develop the details of a draft scheme which could then be subject to further formal consultation.

A full and detailed public consultation which was heavily promoted amongst stakeholders and in the press concluded on 10 December. The consultation received over 2,500 responses across the city and showed that there is overwhelming support from all stakeholders for the TVL.

A final proposal for an Edinburgh TVL Scheme will now be considered by the Council in February 2019.

Transient Visitor Levy

SUMMARY OF THE RESPONSE TO THE CITY OF EDINBURGH
COUNCIL'S DRAFT PROPOSAL FOR A TRANSIENT VISITOR LEVY

Executive summary

More than 2,560 individuals took part in a survey or public discussion forums as part of the Council consultation on a draft proposal for an Edinburgh Transient Visitor Levy (TVL). This report includes the feedback from the public consultation events with industry stakeholders and residents. All quantitative findings are from the survey alone.

The consultation was intended to advance a practical discussion about whether and how Edinburgh should introduce a TVL to ensure sustainable funding for the long-term success of Edinburgh and Scottish tourism and to invest in managing the impact of tourism on the city, its residents and visitors.

In summary, the results of the consultation showed that:

- 85% of all respondents expressed strong support for the introduction of a TVL in Edinburgh compared to only 9% who expressed strong opposition.
- The majority of all category stakeholders supported the introduction of a TVL in the city:
 - Edinburgh residents – 90%
 - Edinburgh businesses – 77%
 - Edinburgh tourist attractions – 67%
 - Edinburgh accommodation providers – 51%
- 67% of respondents felt Edinburgh should introduce a TVL at a rate of around £2/2% of the cost of accommodation while 18% felt this was too low.
- The majority of respondents (47%) preferred a flat £ per night per room rate but a high number of respondents (38%) wanted to see the introduction of a charge based on the percentage of the room fee.
- Respondents felt there should be no significant exemptions or variations to this rate based on quality of accommodation, time of year, type of accommodation or length of stay.
- Exceptionally, respondents wanted to see a cap on the duration of the charge of no less than seven days to help protect festival performers and other non-leisure visitors.
- Consideration should be given to how those not staying overnight could also make a fair contribution to the maintenance of Edinburgh as a major tourist destination, given that day visitors to the city significantly outnumber overnight visitors while spending less with local businesses.
- TVL should be considered alongside the rate of value-added tax applied to accommodation.
- While respondents largely supported the purpose of the TVL it was felt that a narrower set of objectives for funding should be identified and that the Council must be able to demonstrate clear outcomes and visible success in the short term. Concerns were high that TVL revenue would be reallocated to fill gaps in Council spending or be effectively removed in any Scottish Government funding settlement.
- In setting priorities for investment, respondents felt that revenue from TVL should be prioritised to street cleaning and transport in the first instance, then to parks and policing of relevant tourist areas.

Response to the consultation

The Council received 2,560 responses to the TVL consultation through a survey, with categories of respondent shown below.

The Council also conducted public events with stakeholders to discuss and understand attitudes towards the proposed levy.

This report is based on all responses received by any method, but percentages are only shown for responses to the survey, which was hosted online, with paper copies made available in libraries and on request.

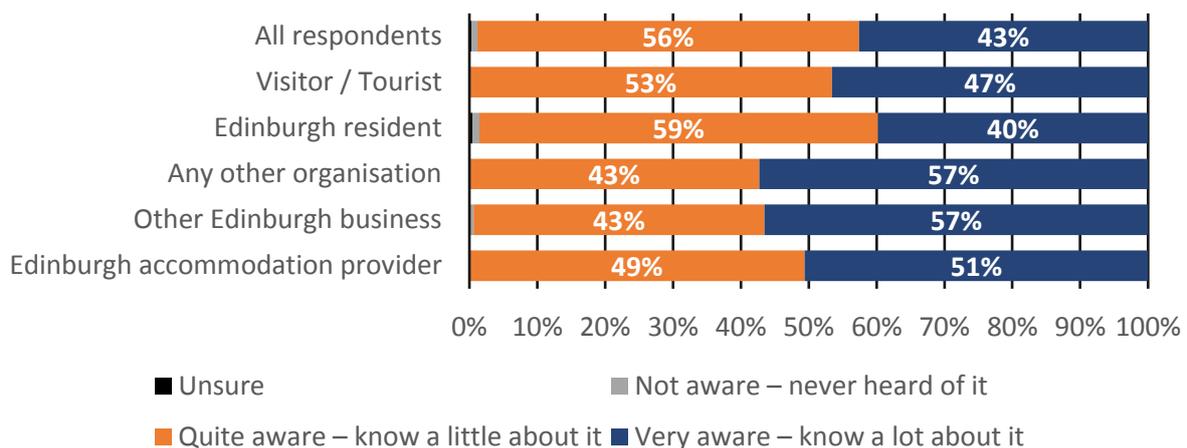
Fig 1. Number of respondents to online survey by type

Respondent type	Number
Edinburgh-based accommodation provider	170
Other Edinburgh business, including visitor attractions	162
Any other organisation, including non-Edinburgh-based accommodation providers	103
Edinburgh resident	1,996
Visitor to Edinburgh / tourist	88
Not stated / prefer not to say	41
Total	2,560

Awareness of the proposed transient visitor levy

Almost all respondents to the online survey had some level of awareness of the proposed TVL. This would suggest that the results of the survey reflect the views of a more interested and informed group of stakeholders.

Fig 2. 'How aware are you of the concept of a 'tourist tax' or 'transient visitor levy' (TVL)?' (2,551)



Attitude to the proposed levy

Respondents were given two opportunities at the beginning and at the end of the consultation to register their opinion about the desirability of a TVL within Edinburgh. The answers given were consistent. All groups of respondents were supportive of introducing a TVL in Edinburgh, with 85% of all respondents saying they strongly supported the levy, compared to 9% who strongly opposed it. Edinburgh residents were the most supportive group, with 91% expressing strong support and only

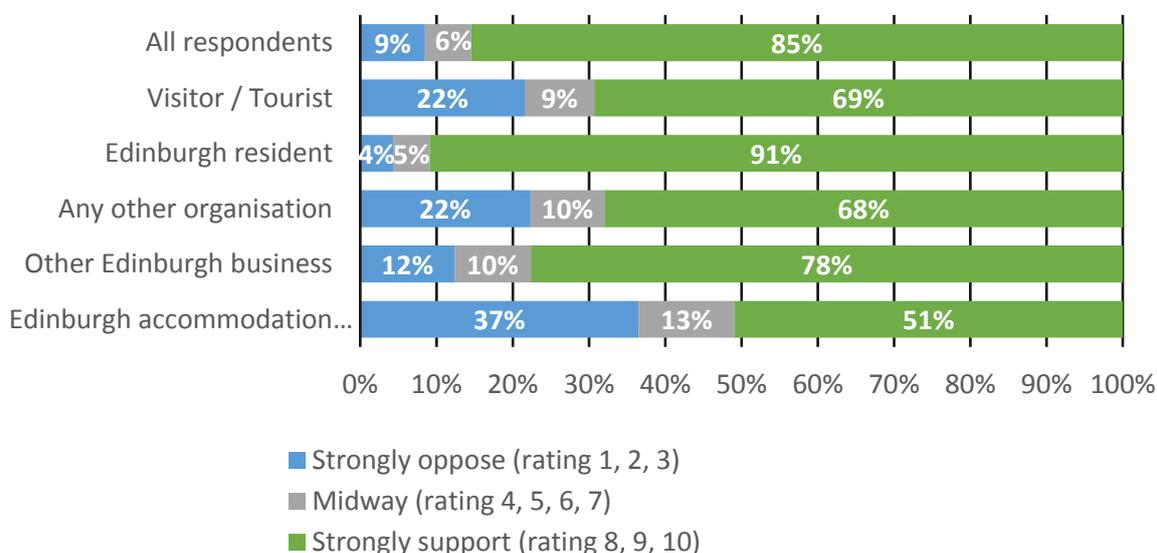
4% expressing strong opposition. The majority of Edinburgh-based accommodation providers supported the introduction of a TVL (51%) but were also most likely (37%) to oppose it.

Fig 3. 'Overall, on a scale of 1 to 10, where 10 is totally in favour and 1 is totally against, how would you rate your general support for introducing a Transient Visitor Levy in Edinburgh?' (min 2,539)

	Edinburgh accom. provider	Other Edinburgh business	Any other org.	Edinburgh resident	Visitor / Tourist	All
Strongly support (rating 8, 9, 10)	51%	78%	68%	91%	69%	85%
Strongly oppose (rating 1, 2, 3)	37%	12%	22%	4%	22%	9%

While the overall response is skewed by the high number of resident respondents, a majority of all Edinburgh businesses, other organisations and visitors rated their support as '10 – totally for'. Edinburgh Accommodation providers were most polarised in terms of responses with 51% strongly supporting and 37% strongly opposing a TVL.

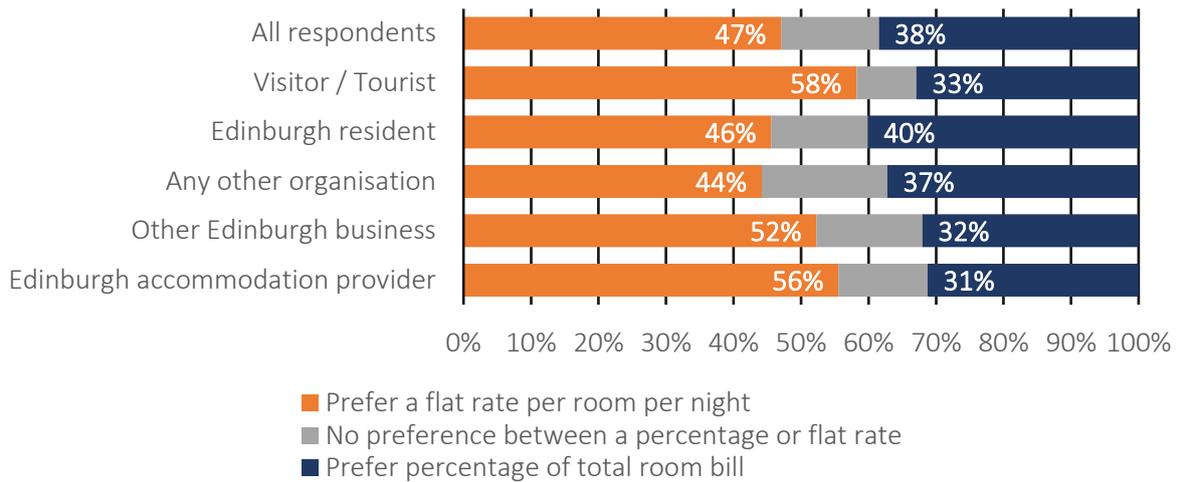
Fig 4. 'Having considered the different aspects of the proposal, we want to check if your opinion has changed. Overall, on a scale of 1 to 10, where 10 is totally in favour and 1 is totally against, how would you rate your general support for introducing a Transient Visitor Levy in Edinburgh?' (2,539)



Type and level of charge

Of those who expressed an opinion on the format of a TVL, 47% felt the charge should be a flat rate, while 38% felt it should be a percentage. The flat rate was felt to be easier to understand – this feedback was noted in both market research and the consultation – and was especially favoured by accommodation providers in Edinburgh and those who described themselves as visitors to the city.

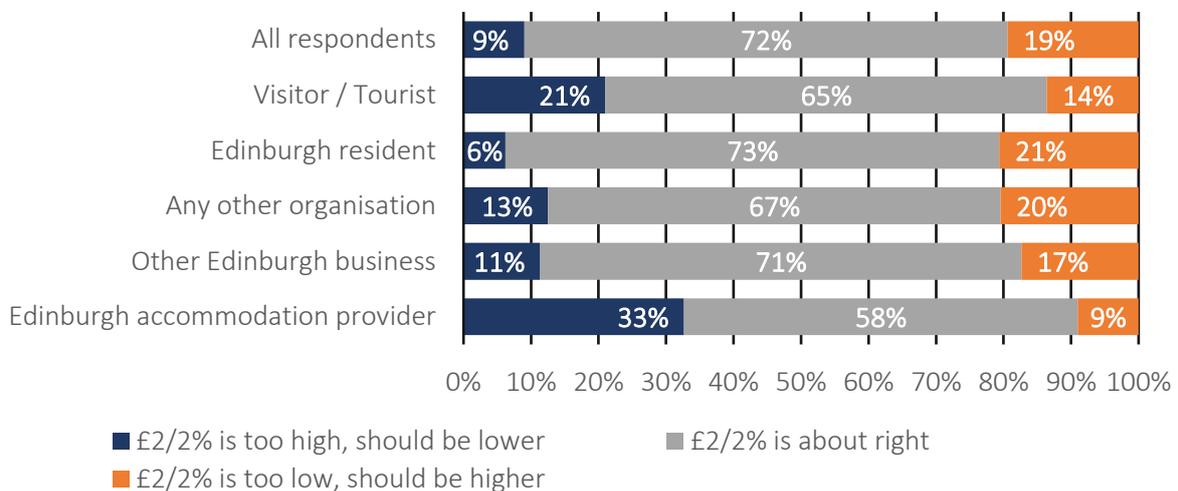
Fig 5. 'If a transient visitor levy were to be introduced in Edinburgh, which charging mechanism would you prefer?' (2,425; excludes 'unsure')



When asked whether luxury accommodation should pay a higher rate, 46% (base 2,523) felt that it should. While the consultation suggested that there could be a peak rate and an off-peak rate, respondents were also clear that any charge should be imposed year-round (89% supported this; base 2,539).

Amongst those who expressed an opinion about the level of the charge, 72% supported a charge that was either £2 flat rate per night or 2% of the total bill, with a majority of respondents in all groups also supporting this level of charging. 33% of Edinburgh accommodation providers felt that £2/2% was too high, however within this category 9% of respondents also felt that it was not high enough. 21% of residents felt that the charge should be higher than £2/2%.

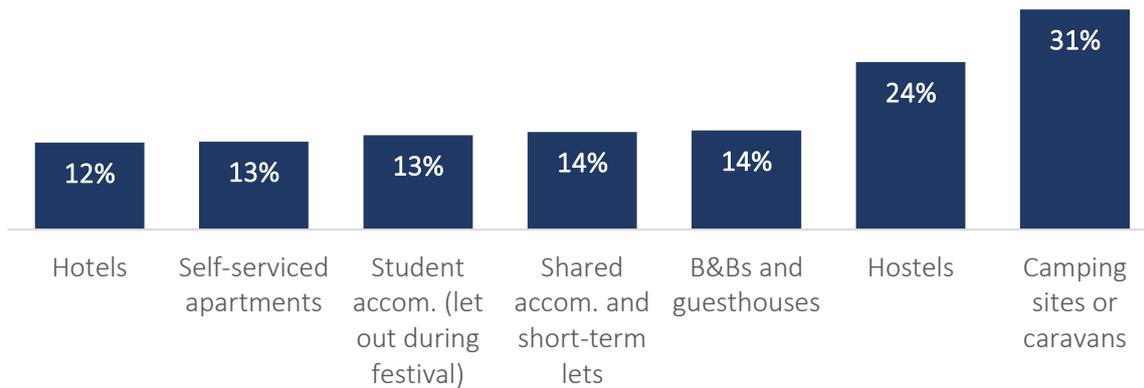
Fig 6. 'What level should the charge be?' (2,379; excludes unsure)



Exemptions from TVL

The Council asked respondents to consider, if a TVL were introduced, should any types of accommodation be exempt from this charge. There was no majority level of support for any exemption for any accommodation type, though there was significantly more support for exempting camp sites and hostels across all categories of respondent.

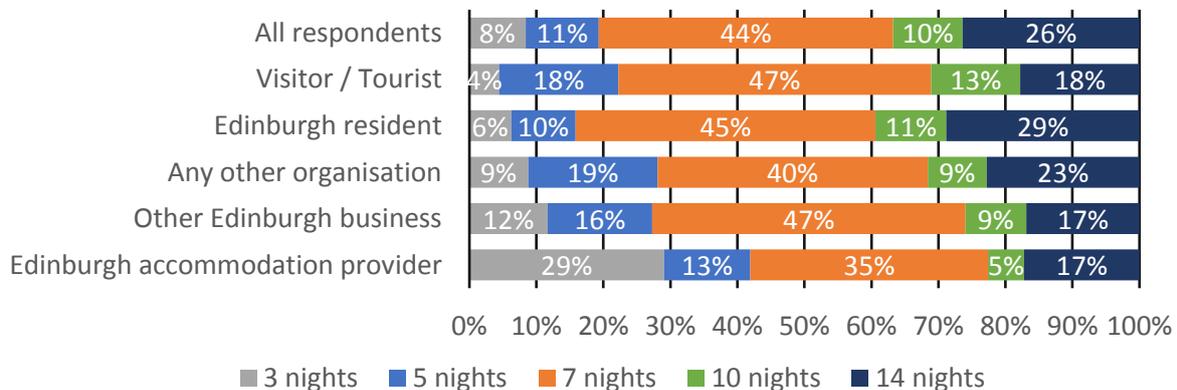
Fig 7. 'If a transient visitor levy were introduced in Edinburgh, are there any types of paid accommodation you feel should be exempted from this charge?' (2,560)



There was less support for exempting the room charges based purely on the cost of accommodation. Only 13% of all respondents felt that budget properties (those charging less than £50 per night) should be exempt. As with exemption by types of property, there was no significant variation between stakeholder groups.

There was more support for any charges to be capped. 48% of all respondents felt that there should be a cap on the duration of the charge period, rising to 60% of accommodation providers. Amongst those who felt that there should be a cap, the highest level of support was for that cap to be based on a stay of seven nights (44%) followed by a stay of 14 nights (26%). While these periods also correspond to one week and two weeks, they may also have been chosen to reflect normal holiday periods – though the average overnight visitor to Edinburgh is much more likely to stay for only three nights.

Fig 8. 'If yes, after how many nights should a charge be capped?' (1,238; those who felt there should be a cap, excludes unsure about duration)



The response to both of these questions suggests that there would only be broad support for a cap which applied to a small minority of visitors, rather than one which materially impacted the average visitor in any way.

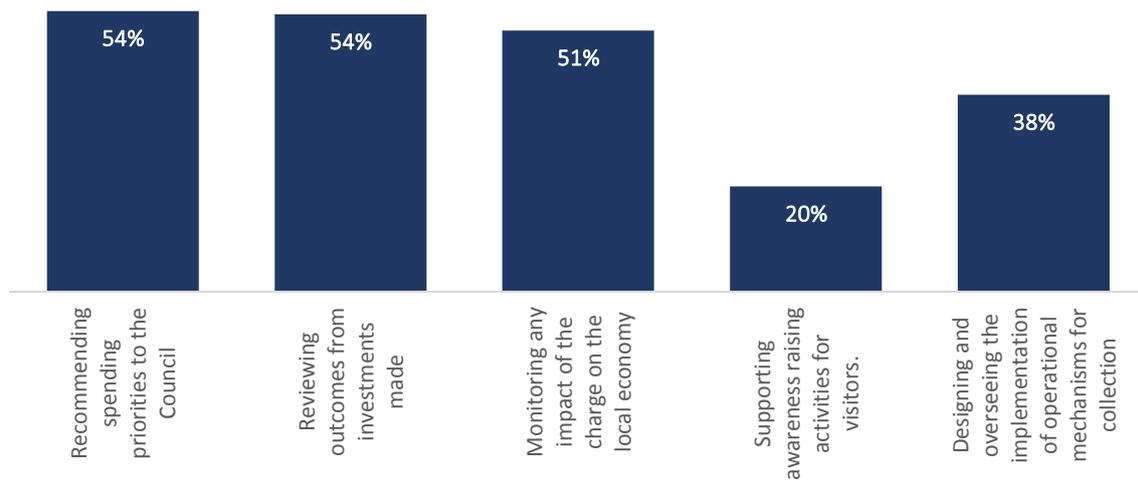
Administration of the TVL scheme

The Council asked for views on a number of issues in relation to how any TVL should be administered. 49% of all respondents favoured a monthly collection mechanism rather than an annual collection. But only 16% of all respondents wanted to see a portion of revenues retained by industry to pay for

the collection – amongst accommodation providers this figure was a little higher, with 21% supporting it.

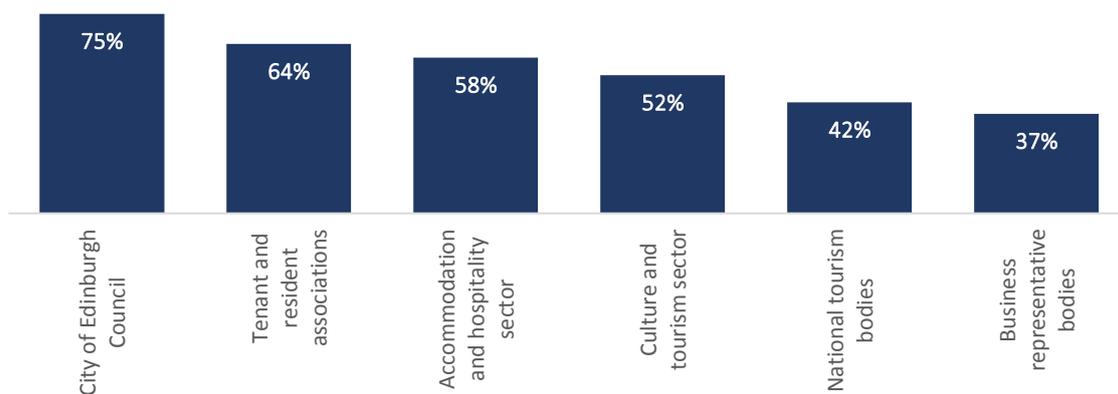
Almost a third (30%) of all respondents felt there should be an industry-led implementation process for an Edinburgh TVL. This figure did not substantially vary by stakeholder group, with 31% of accommodation providers supporting this. By contrast, 56% of all respondents agreed there should be a forum of stakeholders to help oversee TVL with a role to make spending recommendations to the Council; review investments and monitor the effects/impact of TVL on the local economy.

Fig 9. 'If a forum were established, what role should it have? (Please tick all that apply)' (2,560)



The Council sought views about membership of such a forum, with majority support amongst all respondents for involvement of the Council, tenant and resident associations, the accommodation and hospitality sector, and the culture and tourism sector. These views were broadly consistent across stakeholder groups. There was less support for the inclusion of national tourism bodies and other representative business groups. Even amongst accommodation providers, support for these members was 46% and 45% respectively.

Fig 10. 'If a TVL forum were established, who should be involved? (Please tick all that apply)' (2,560)

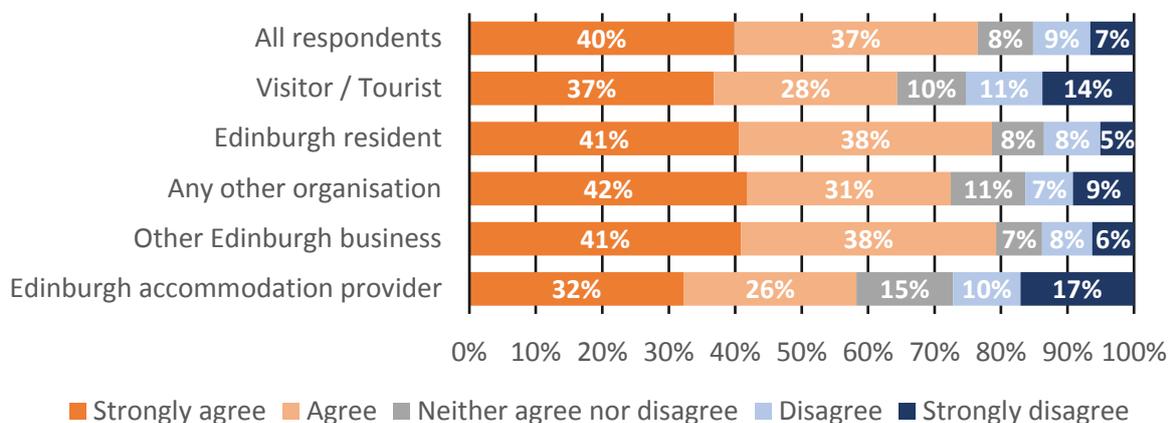


How revenues should be invested

The Council set out a list of priorities for the TVL. Respondents were asked the extent to which they agreed or disagreed that the priorities were correct – 76% of respondents (base 2,499) agreed or strongly agreed, while only 15% disagreed or strongly disagreed.

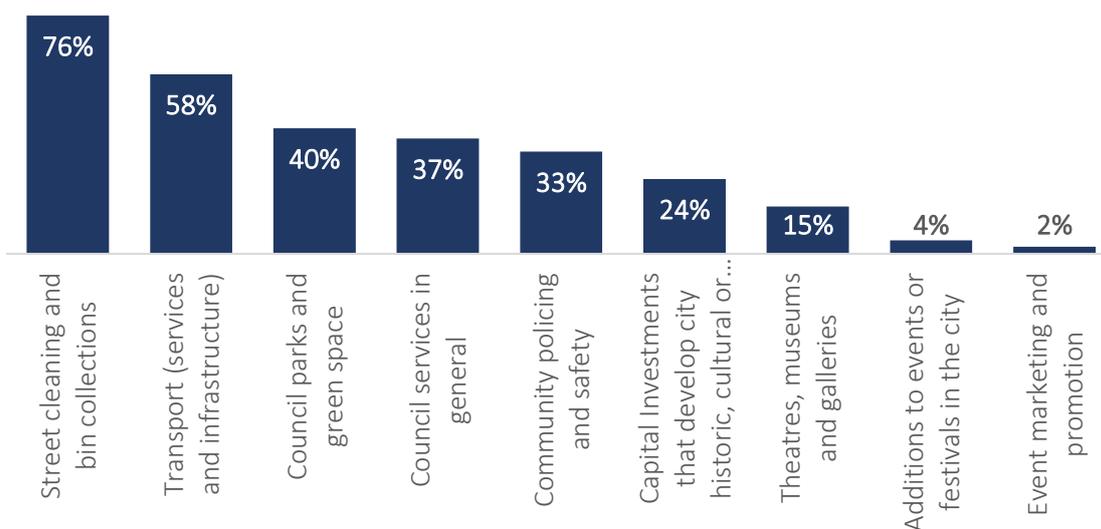
There was broad support for the priorities amongst all stakeholder groups, with the lowest level of agreement (58%) amongst accommodation providers, while the highest was residents and other Edinburgh businesses (both 79%).

Fig 11. 'To what extent do you agree or disagree with the priorities as set out above?' (2,499; excludes unsure)



There was strong consensus around the priorities for investing any revenue generated by TVL. 76% of all respondents cited street cleaning as their priority for spending. This was the number one ranked priority for all stakeholder groups, followed by transport (58%), which was also the second priority for all stakeholders. The least preferred choices for all groups were additional events (4% overall) and promotions (2% overall). Additional priorities for funding included public toilets, access to drinking water, and improving disabled access to historic buildings and festival venues.

Fig 12. 'If a transient visitor levy were introduced, which three areas would you prioritise to receive funding from the revenue raised? (Choose up to three options)' (2,560)



While the survey identified a substantial minority (37%) who were in favour of the TVL revenue being used to fund Council services in general, feedback from others – particularly industry stakeholders – indicated strong opposition towards this idea.

Roundtable feedback

The Council arranged and facilitated 7 roundtable events across the City during the consultation period. Roundtable discussions ranged from small meetings of 3-4 to larger meetings of 10-15 participants with individual residents, business people, organisations and membership bodies and groups in attendance. To ensure the same anonymity provided by the survey, the feedback has been compiled as a single report. Attribution is made to stakeholder groups and not to individuals or organisations.

Support for TVL

It was generally acknowledged by residents and industry participants that Edinburgh would benefit from additional funding to support its tourist sector and manage the consequences of a thriving tourism economy on the city and its residents.

Recognising the need for additional funding, all groups stressed the importance of tourism to the Edinburgh economy. It was generally well-understood that the City enjoys enormous economic benefits from tourism and has an important national role in the tourism sector. However, this should not be interpreted as absolute endorsement of tourism in the City, resident attendees expressed a feeling that the growth in visitor numbers, hotels and short-term lets is to the detriment of residents and some communities. For example, Old Town residents report that year-round tourism has a significant negative impact on their quality of life as well as the quality of their local environment.

Overall opinions of an Edinburgh TVL were mixed across the group sessions. Residents, local businesses and event/visitor stakeholders offered most support, while Industry attendees were most likely to be strongly opposed - although this opposition was sometimes in principle, it was also often caveated dependent upon whether the revenue raised would be additional and ringfenced to support tourism.

Industry opposition to an Edinburgh TVL reflected a concern about the overall burden of taxation on businesses and providers, competitiveness with other tourist destinations and the practicalities and cost of implementation. Industry stakeholders spoke against the idea that tourism is booming in Edinburgh and Scotland; participants felt that large tourism sector businesses were 'struggling to maintain profits' with concerns raised about future prosperity – particularly in respect of conference and business visitors.

While some attendees held firmly entrenched views that they would not support a TVL under any circumstances, most expressed targeted concerns about how a TVL would operate cost effectively and how resources would be invested.

Not including alternative methods of raising revenue as part of the consultation raised specific criticism from some stakeholders that the Council had "already made up its mind" and was focused on one option to the exclusion of others.

Overnight and Day visitors

A number of participants at the public events observed that day visitors significantly outnumber overnight visitors – and that cruise ship and coach party visitors make as much use of the infrastructure in the City as overnight visitors while spending relatively little.

Though it was acknowledged that charging day visitors was more difficult without also penalising residents, it was otherwise seen as a large potential revenue source left untapped by an overnight TVL

with the total burden of a levy falling on overnight visitors. Accommodation providers in particular felt this should be further explored citing Hoi-An in Vietnam as an example.

All respondents suggested that a small charge on tourist attractions where an entry fee is already requested should be explored. An additional charge on all festival tickets was also suggested although how this was targeted towards tourists without also encompassing city residents was an identified concern.

Setting a charge

Fairness was considered important in setting the charge, and it was not clear that stakeholders necessarily considered a flat rate to be the fairest outcome. It was observed that Edinburgh's hotel prices in key locations can multiply between peak and off-peak seasons and that a flat rate might be 'too much' during the off-peak period as well as 'too little' when Edinburgh is at its busiest. It was also suggested that a flat rate might have a disproportionate impact on budget providers and budget tourists.

Attendees suggested that a percentage of the total bill might be the fairest way of deciding the charge. This, it was felt, would take reasonable account of variations in quality of accommodation and demand for accommodation across the year and inflation on an ongoing basis.

However, simplicity of administration was also a major concern for industry and all accommodation types who attended felt that a flat rate would be easier to administer and be simpler to understand. Concerns about the administrative burden of the system of charging also meant any scheme of in-year variation was seen as less workable and less desirable regardless of whether a variation had some merit.

Criticism of a flat rate system was around the potential administrative implication of having to set a fee each year that would take account of inflation.

Level of charge

Attendees, that discussed the level of charge, felt that whatever level was set needed to raise an 'impactful' amount of resources. Residents questioned whether an annual return of (the estimated) £11m to £13m was enough to achieve a meaningful impact in the City.

By contrast, accommodation providers and businesses focused on how the resource would be spent. In terms of the level of the charge accommodation providers focused on consideration of the overall tax burden rather than seeing the TVL as 'stand alone'. It was suggested that if TVL were introduced, there should be some reduction in the VAT rate on accommodation.

Use of resource raised

While there was agreement that the Council's proposed priorities were important and welcome, stakeholders expressed a range of points on how resources should be invested. The priorities were seen as reasonable for a local authority to have, but were felt to be too broad for a TVL to fund.

The priorities were viewed to be focused on tourism from the Council's perspective - providing a financial buffer for the Council to make choices about commercialisation of the city space and not necessarily reflecting the concerns of residents – such as addressing issues of quality of life .

As presented, respondents felt that the draft priorities were worded to enable the Council to spend the money raised in any way it wanted. Further prioritisation and specific investment proposals were

sought and a stakeholder group looking at this in more detail was strongly supported by industry and resident attendees alike.

There was broad concern across stakeholder groups that the resources raised

- Would be spread too thinly across a large number of priorities to be felt to make an impact.
- That in 'pleasing everyone' the scheme would impact no one.
- That the Council would absorb the TVL to meet its wider funding pressures.
- That any revenue raised by Edinburgh through a TVL would simply be removed in the funding settlement from Scottish Government, creating effort and raising expectations but resulting in little improvement.

Industry respondents in particular were looking for mechanisms and guarantees from the Council that would ensure resources raised would be spent to support tourism. It was also accepted that using the resources to manage the impact of tourism in the city would be positive for visitors and residents alike. Industry attendees suggested assurances such as these would increase levels of support for the TVL.

Exemptions

The impact of charging on different customer groups (and price elasticity) was, understandably, a larger concern to accommodation providers. While it was acknowledged that leisure travellers would be largely unaffected by a modest charge, the cumulative effect on corporate customers could be more noticeable. Bulk bookings for businesses and conferences would result in noticeably higher total bills that could impact on demand. Part of the reason for the higher level of support for a cap appears to be due to how uncapped charges would impact on non-leisure visitors. For example, international businesses often use hotel accommodation for extended stays for staff based in other countries, and the Edinburgh festivals (notably the Fringe) require four weeks of accommodation for many performers and other essential staff.

Finally, self-catering accommodation providers, residents and other accommodation providers expressed similar concerns about the relationship between the TVL and the council position on short term lets. Other accommodation providers and residents welcomed the potential requirement for short term lets to register and be visibly contributing to the sustainable future of the City's tourism while self-catering accommodation providers felt that the TVL would disproportionately impact upon them and have a greater administrative and financial burden than on larger, established businesses.

Next Steps

The responses to this consultation will be used to inform further council consideration of a TVL in Edinburgh, its design and implementation. The findings will also be submitted to the Scottish Government National Conversation on Tourist Tax/Transient Visitor Levy.