

COLLECTIVE RESPONSE FROM EDINBURGH'S FESTIVALS ON SCOTTISH GOVERNMENT CONSULTATION QUESTIONS AROUND A TRANSIENT VISITOR TAX

Reasons for introducing a transient visitor tax

Affordability, value for money, and quality of experiences for visitors and residents alike are key reputational issues for Edinburgh that need to remain in balance.

In the collective view of Edinburgh's Festivals, there is an overriding need to generate additional revenues to develop key areas that make the city a world class destination. This analysis is supported by the call for alternative funding mechanisms identified in the ten-year [Thundering Hooves 2.0](#) strategy, published in 2015 with the support of city and national stakeholders to ensure the future success of Edinburgh's world leading festival city can be sustained.

Edinburgh's Festivals collectively support the concept of a Transient Visitor Levy (TVL) as a means to secure additional investment from visitors to the city who greatly benefit from our attractions and amenities. At the same time we recognise there is understandable concern about the price competitiveness of the city, and we highlight issues later in this response that a TVL policy needs to take into account.

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

As part of establishing an efficient transient visitor levy and minimising negative impacts, we believe it will be important to opt for a charge on a percentage of the room bill rather than a flat charge per room. The Edinburgh Festivals collectively support a charging level of 2% per room per night.

This mechanism would be more progressive than a flat charge, enabling the TVL to automatically reflect changes in visitor accommodation prices; it avoids visitors at the budget end of the market paying proportionately more; it minimises pressure on accommodation providers with the most fragile price points; and it would ensure that huge seasonal price increases at the higher end of the market return dividends to the city as well as the operators. If a flat charge were to be adopted, some of these benefits should be retained by introducing a higher flat rate for more expensive accommodation and an exemption for budget accommodation.

Design of a TVL based on a percentage of room bills would avoid the need for blanket exemptions of specific types of accommodation. Policy makers should however certainly consider a threshold room price below which it would not be worthwhile collecting the revenue. Key issues for the festivals are:

- that festival participants who invest their own money to stage work that makes the city a magnet for cultural tourists should not be unfairly disadvantaged by a TVL; and
- that Edinburgh must continue to be an attractive visit destination for young people as we want them to develop a long-term affection for the city as prospective loyal lifetime visitors.

The Festivals support all year round application of a TVL scheme, to make it consistent and worthwhile. While city tourism does have shoulder seasons, it is important to recognise that the city is a successful year-round destination with a high [average hotel occupancy](#) rate of 84% in 2018 - compared to 82% in London and an average of 76% for the rest of the UK.

The festivals support a cap after the first 7 nights of stay, as we understand from the City of Edinburgh Council research paper that this will ensure returns from over 90% of visitors but takes account of the need not to deter people visiting the city for longer periods due to work. For the future success of the festivals and the [£280m in annual economic impact](#) they bring to the city's tourism and service sectors, this will be critical as a large majority of participants require a longer stay. It is a particularly vital issue for the Edinburgh Festival Fringe which has become the world's

largest performing arts festival because of its 'open access' model, where tens of thousands of participants invest their own money to stage work here rather than being paid a fee to perform. The festival participants who create this unique cultural asset for the city must not be unfairly disadvantaged by the introduction of a TVL, and we call on policy makers to ensure that the design of any TVL scheme for Edinburgh takes account of this issue.

The city's reputation as an affordable and value for money destination is critical to its sustained future success. Messaging around the introduction of any TVL scheme will need very careful communication around the provisions to help budget and long stay visitors. Any adverse effect on demand from prospective festival performers would damage Edinburgh's status as the world's leading festival city.

Minimising overhead costs is a shared concern for every business contributing to the success of Edinburgh's tourism sector, so we are concerned that the administration of a TVL in the city must be as efficient and cost-effective as possible.

A portfolio of potential investments from TVL revenues should be considered by a panel of city stakeholders based on the case for investment against clear criteria. While local authorities must remain accountable for the process of spending the proceeds of local taxation, there should be an option appraisal around establishing a Transient Visitor Levy Trust where the 'stakeholder forum' would become an independent board making investment decisions and ensuring civic agreement on use of the revenues raised.

An independent oversight forum will need to have robust governance arrangements and to be manageable in size with members who have the right mix of skills and experience to undertake the responsibilities. The membership composition should reflect fairly the balance of different types of organisation contributing to the success of the local tourism sector as well as members who are able to bring the perspective of residents.

Potential positive and negative impacts of a transient visitor tax

With 18 out of the EU 27 member states already [levying occupancy taxes](#) to enhance the quality of their competing city offers, we would be concerned if Scotland chose to ignore this opportunity to create new fiscal mechanisms enabling its cities to attract additional income by ensuring that visitors help to invest in future success.

We understand the arguments around different tax regimes for visitors to other competitor destinations, but due weight should be given to the fact that the UK comes out very strongly at number 5 in the world out of 136 countries for [overall tourism competitiveness](#) in the World Economic Forum's global index. We believe it is Edinburgh's brand promise as a high quality, high value for money destination that the city must come together to deliver, rather than seeing price as the primary issue for the tourists we want to attract.

Several Scottish and UK tourism and hospitality bodies have opposed the proposed mechanism, highlighting concerns over the position of the UK close to the bottom of the same [index](#) on price competitiveness. We recognise that there are genuine concerns about the potential impact of a visitor levy on margins across a broad span of tourism businesses and on the price competitiveness of the city, and would want to see robust monitoring of tourism sector indicators to inform policy makers and stakeholders about the effectiveness of implementing a scheme, its relative costs and benefits, and impacts on the local economy.

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

To be seen as a worthwhile scheme for local residents and businesses it is vital that the funding distributed from TVL revenues will be additional and not substitute for current investment. We welcome the commitment in the recent City of Edinburgh Council paper to the city's Corporate Policy & Strategy Committee that 'there is no suggestion from the Council that the TVL should compensate for or alleviate the responsibility to adequately fund local government to meet its wider statutory duties'.

Funds raised must not disappear into general local authority budgets but must be transparently invested into key areas that contribute to a sustainable tourism economy and ensure a high quality experience for visitors and residents alike. If allocation of revenue generated by an Edinburgh TVL is managed by the Council, we would want to understand proposals for achieving a transparent balance between investment in Council-led and other activities.

The logic of a TVL is that reinvesting in areas stimulating higher quality tourism will create a virtuous circle - helping businesses to succeed, creating more jobs, improving city amenities for residents and in turn generating more revenue. The priority for TVL revenues should be to provide additional resource for areas of local development that can contribute most to these outcomes.

In Edinburgh, a City Tourism Strategy for 2030 is soon to be developed and is expected to focus on high value visitors rather than coach and cruise tourism, and on spreading tourism benefits to more areas across the city. We know that [cultural tourists](#) like our festival visitors are likely to be higher earning independent repeat visitors with longer stays and more appetite to explore, supporting small service businesses with employees from across the whole city. This makes a compelling argument to enhance Edinburgh's cultural offer using TVL income, which also contributes to a high quality of life for residents.

There is a particular opportunity to use the fund to leverage additional investment for new opportunities, for example capital investment in assets that would open up new cultural quarters to visitors and residents alike, such as Leith Theatre.

As a model, the recent Platforms for Creative Excellence programme agreed between the Festivals, City of Edinburgh Council and Scottish Government shows how local investment can be multiplied more than threefold to help develop our unique cultural assets to deliver greater returns – through programming innovation, to sustain Edinburgh's world-leading reputation and attractiveness; creative development, to enhance employment opportunities; and community engagement, to offer more residents the benefits of sharing in the city's cultural success.

With any TVL generating modest additional funds that will be subject to many potential demands, it will be important to ensure that additional funds are not diverted to supporting general statutory functions of local authorities. We recognise that the City of Edinburgh Council may want to make a case to contribute to the additional costs of city management during peak tourism seasons that are so important to Edinburgh's worldwide reputation as a cultural capital. This case should be assessed alongside other potential uses of the funds.

Conclusion

As set out above, the collective view of Edinburgh's Festivals is strong majority support for a Transient Visitor Levy as a means to secure additional investment from visitors to the city who greatly benefit from our attractions and amenities. At the same time we recognise there is

understandable concern about the price competitiveness of the city, and we highlight issues that a TVL policy needs to take into account.

Specifically, we wish to be assured that:

- TVL funding distributed will be additional and not substitute for current investment
- TVL funding will be transparently invested into key areas contributing most to outcomes that strengthen sustainable high quality tourism, based on clear agreed criteria overseen by an independent forum of stakeholders
- festival participants who invest their own money in staging work that makes Edinburgh a magnet for cultural tourists will not be not unfairly disadvantaged by a TVL
- effective messaging will be put in place to communicate the provisions to help budget and long stay visitors, to avoid adverse effects on the most fragile price points; and
- robust monitoring will be put in place to inform policy makers and stakeholders about costs and benefits of the scheme and impacts of the change on the local economy.

Date: 17 December 2018