

Highland Transient Visitor Levy: *Lessons from a Pre-Consultation with the tourism industry*



Introduction

Tourism is of huge importance to the Highlands. Highland Council recognises the benefits, challenges and impact that tourists have across the area and is committed to working with communities and businesses to progress a fair, deliverable and sustainable approach to developing tourism in Highland.

A Transient Visitor Levy (TVL) – often also called a ‘Tourist Tax’ – is an additional charge paid by visitors to a city or region. It is most commonly levied on short term paid accommodation, but is not limited to this.

The Scottish Government has committed to passing enabling legislation by 2021 that would allow local authorities to implement a TVL. In December 2018, Members of The Highland Council voted in favour of running a consultation to garner the views of Highland residents, businesses and visitors on a potential Highland TVL.

In the context of unprecedented budget pressures for the Council, this could help manage the impact of tourism and help the Council invest to ensure the region continues to be a great place to live and visit.

No decision on the implementation or design of a TVL has yet been taken by the Council. It is committed to listening to and collaborating with Highland tourism businesses, residents and visitors before any decision is made.



Pre-Consultation

In May and June 2019, Council officers convened six round-table meetings with representatives from the tourism industry across Highland as part of a TVL 'Pre-Consultation'.

Meetings were arranged in partnership with destination groups and held in Kingussie, Isleornsay, Fort William, Ullapool, Inverness and Wick.

More than 40 people attended the sessions. This included representatives from a range of businesses and groups including accommodation providers of different types, visitor attractions, motorhome companies, destination groups and both national and regional industry associations.



The Highland Council wishes to thank all those who participated in the Pre-Consultation for their engagement and contributions.

Pre-Consultation aims and objectives



The aim of the meetings was to gather information to help ensure that Highland Council's next steps are informed by the views raised by the industry, and that our methodology for considering a Highland TVL is robust and fair.



Sessions were not designed for testing a formal policy proposition, 'convincing' participants of the benefits or disbenefits of a Highland TVL, or undertaking indicative voting on the outcome of a consultation.

Key Findings

Understand need, question method

Whilst it was not the aim of the Pre-Consultation to deliberate reasons for/ against a Highland TVL, discussions understandably turned to this at times.

The bases of support or opposition was varied and have been captured in the detail of this report. Ultimately, discussions can be characterised by:

shared appreciation of the importance of tourism to the Highland economy and a recognition of the need to invest in tourism infrastructure/ facilities; but concern as to whether a Transient Visitor Levy is the most effectual or equitable mechanism for accomplishing this.

Participants covered a range of stances.

Some advised they agree with the principle of a TVL, provided it is managed correctly and delivers tangible improvements for Highland.

Others advised they would not support a Highland TVL that had any potential to negatively impact businesses.

Strategic or opportunistic?

Several sessions questioned the motivations/ underlying principles for the Council considering a TVL – principally whether it is strategic or opportunistic.

Concerns were raised across all sessions that, especially in the context of budget pressures, the Council's motivation might be opportunistic – i.e. 'solely to raise funds' or, deemed worse, 'just plug the budget gap'. Many participants called for assurances that the Council would take a strategic approach to its consideration of a TVL, and to the spend of any revenue.

There was recognition across sessions that Highland would benefit from tourism management and that a TVL could play a role in this. To do so, it must be examined as part of a wider Highland tourism strategy and revenue was reinvested in the 'right things'. (See section on Spend).

In the words of one participant:
"a TVL could be progressive for the region if designed, managed and spent correctly. Without strategy and vision, it could be regressive."

Not a 'Bed Tax'

The possibility that a TVL might be implemented as a 'Bed Tax' – i.e. solely collected by accommodation providers – was strongly opposed by almost all Pre-Consultation participants.

A 'Bed Tax' was consistently deemed by participants to be inequitable. This was largely on the grounds that such a scheme would penalise certain types of visitor (those using paid overnight accommodation) and certain types of business (accommodation providers).

A 'Bed Tax' was judged especially unfair as it would not capture other visitor markets (day trips, cruise visitors, and motorhome users). It was argued these visitors already use local infrastructure without paying back into the local economy by staying in local accommodation and stand to benefit from revenue raised whilst not contributing to it.

Attendees asked the Council not to opt for a Bed Tax as an 'easy target', but to consider more strategic alternatives that reflect regional issues.

For more on this topic, see Workshop 2 on TVL design.

Questions of spend are key

How any Visitor Levy revenue would be spent was the most important factor in determining opinions on a Highland TVL amongst Pre-Consultation participants.

There was unanimous agreement from participants that any TVL revenue should be hypothecated for 'tourism purposes' and not absorbed into the general Council budget. Most groups did find wide definitions of 'Tourism uses' acceptable, however.

For more on this topic, see Workshop 3 on TVL spend.

Questions of spend will need to be a central tenet of the Consultation. Options will be provided on a broad range of 'tourism purposes' to assess support.

In favour of a *Highland* consultation

Attendees welcomed the opportunity to shape Highland Council's work on a Highland TVL. The Council's commitment to an objective consultation with the tourism industry, residents and visitors was also very well received.

The critical need to capture and articulate the unique Highland perspective on any TVL was a key message across all sessions, citing that the nature, impact and future of tourism in Highland differs from other regions. The Highland Council must thus gather regional evidence both for its own research/ decision-making and to inform Scottish Government's.

All participants agreed that any consultation cannot be a yes or no referendum. It must give respondents opportunity to voice opinions on the range of potential TVL impacts and designs.

Informed decision makers

Feedback on the introductory presentations (see next section) highlighted the usefulness of the information provided for explaining the Council's current position – both financially and in relation to TVL – and advised that consultation respondents should be equally informed.

The language used around the opportunity was raised at several meetings. Interpretations and implications of 'tax' as opposed to a 'levy' were markedly different for some participants. Communications needs to be very clear.

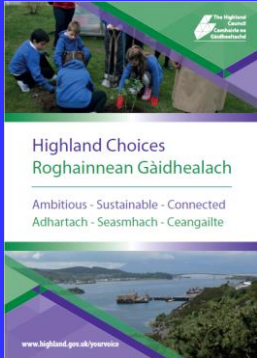
- A 'Tourist Tax' is largely interpreted as a national scheme, consistently applied across Scotland and potentially centralised.
- A 'Tourist Levy' was interpreted as more locally adaptable, 'payback-type-schemes'.

The Pre-Consultation also included requests for additional evidence from the Council, particularly in relation to:

- Greater evidence of visitor perceptions of the state of infrastructure/ facilities
- Visitor numbers at small scales and with more detail

Pre-Consultation Presentation

Each session commenced with an introductory presentation from Highland Council officers. This covered key contextual points, including:



Council Budget

The Council's Revenue Budget is reducing in real terms. In 2019/20 the Revenue Budget is £573m. The Council would require £604m to 'stand still', leaving a **£30m budget** gap.

The Council's Capital Budget has also decreased but is required to address the conditions of our schools and roads.

Further information is available in the Budget Booklet.

Challenges of funding Highland tourism

A lot of tourism in Highland is not paid attraction based, or does not make use of chargeable services. Such free sites/ infrastructure – often maintained by the Council – don't generate income for reinvestment.

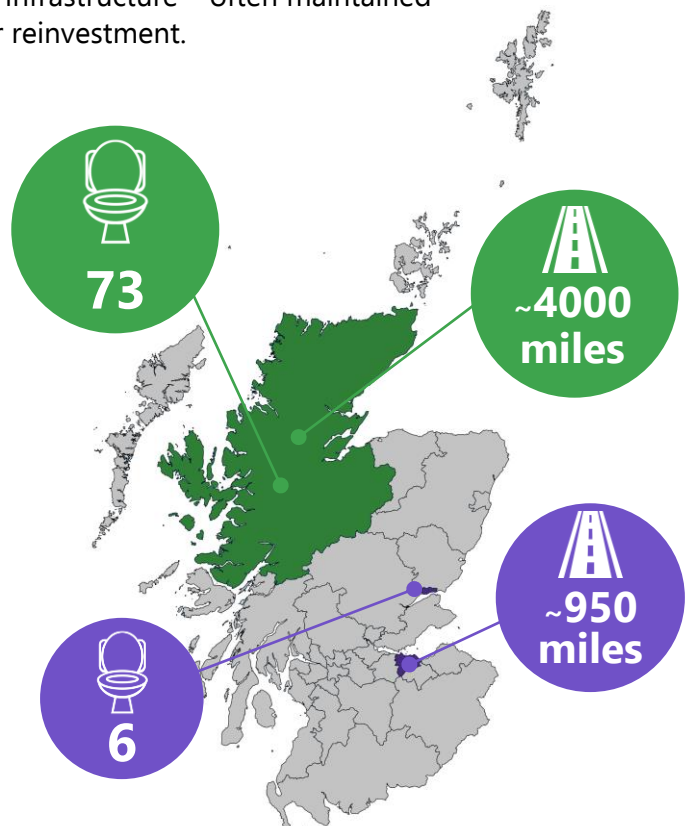
In addition, our large geographic area means Highland Council often needs to provide greater numbers of facilities than smaller-sized local authorities.

However, our low population density means the Council secures less funding to do so from Scottish Government and mechanisms such as Council Tax.

Some examples –

Dundee City Council and Highland Council have similar populations yet Highland delivers more than 10 times the number of public conveniences.

Highland Council has responsibility for more than four times as many miles of road than Edinburgh Council but the Highland population is less than half of Edinburgh's.

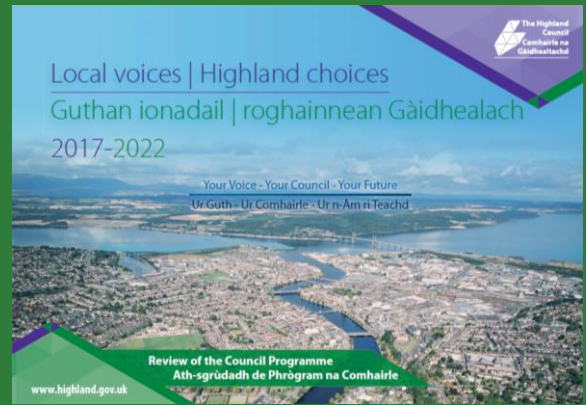


* The Highland Council runs 73 public conveniences and supports a further 35 through the Comfort Scheme

Alternative ways to raise revenue for tourism

The Council has not yet made a decision on implementing a Highland TVL, but has committed in its Council Programme to:

working with partners to explore options for retaining more of the revenue generated by tourism for investment in the local area, including exploring the possibility of a tourist levy.



Both the Council presentation, and workshop discussions, therefore also discussed the viability of other ways to raise income to invest in tourism development.

Option 1 – Additional Scottish Government funding

Scottish Government funding makes up over 70% of Highland Council's budget.

Many Pre-Consultation participants felt that the funding afforded Highland Council from the Scottish Government takes insufficient account of:

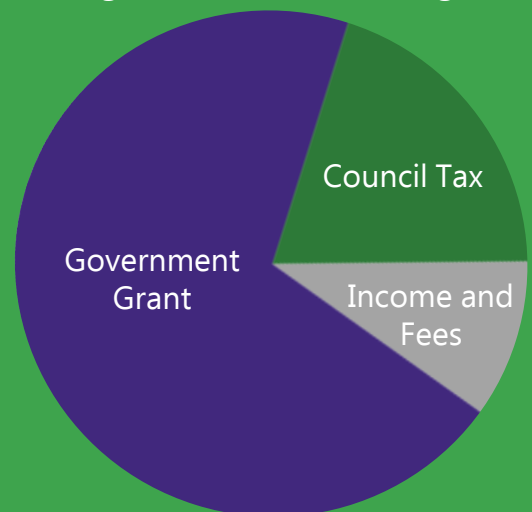
- Financial pressures due to the region's size
- Low population density
- High visitors numbers, especially relative to residents

They argued that this should be addressed first.

The Council continues to work with CoSLA on ensuring a fair deal for Highland Council, but this is not seen as an option for raising funds for tourism development.

The Highland Council highlighted the Rural Tourism Infrastructure Fund, and the extent to which Highland has benefited from this additional funding. Whilst well-received, participants emphasised the need for greater and longer-term funding.

Highland Council Funding



Option 2 – Raise income from local residents

Participants respected the decision of The Highland Council to limit Council Tax increases to 3% for 2019/20 and understood that this raise was required just to avoid further cuts in services.

Officers highlighted the limitations to this approach, principally that a Council Tax increase generates limited revenue – roughly a 1% increase yields only £1 million additional revenue for the Council – and funds raised through this method could not be ring-fencing for tourism.

This option was thus collectively deemed unsuitable for tourism development by participants.

Option 3- Redirect spend from other services

Highland Council recently consulted on the 2019-2022 Budget and has made prioritisation decisions accordingly, which have been passed by Full Council. In the context of the Council's budget gap, any reductions in spend will go to addressing budget pressures, rather than be 'spare' funding available to be redirected to tourism.

Amongst Pre-Consultation participants, there were very few calls for the Council to fund tourism investment through additional savings. Participants typically respected the Council's prioritisation of funding based on statutory requirements and the Budget Consultation.

Option 4 – Raise income from local businesses

This topic saw some of most lively discussion at every Pre-Consultation meeting. A Highland TVL must be seen in the context of industry concerns about the rate/ design of the Scottish Non-Domestic Rates system.

Key points of clarification introduced by the Council were welcomed by participants, including:

- The Council has little appetite for introducing further taxes on businesses.
- Most business taxation is controlled by national legislation, not local authorities.
- The Highland Council collects Non-Domestic (Business) Rates on behalf of the Scottish Government. It does not retain this revenue.
- Business Rates revenue is centralised by the Government and reallocated to local authorities. The Highland Council collects more Business Rates than it receives back.

There was consensus amongst all almost participants that recent increases to Business Rates posed a threat to small businesses and no rise in this would be welcome.

Opinions differed as to whether changes to rates, and especially the threshold of the Small Business Rates Relief scheme, could be an option to generate additional funds or would pose additional risks to small businesses.

Many participants argued the inequity of the current taxation scheme, wherein hospitality businesses were known to pay more tax than large supermarkets or construction companies in the same region. It was felt any increases in business rates should not be applied universally and hospitality businesses should not be subject to greater charges.

There were vociferous calls from nearly all participants for reform to this scheme in the first instance before adding what is perceived to be 'another tax'.



Option 5 – Commercial activity

A key theme to emerge from the Council's 2019 Budget Consultation was '*Developing a more Commercial Council and Increasing Income Generation*'. The Council is heeding the calls of Highland residents to be more commercially minded and is seeking ways to generate income. This approach was also welcomed by Pre-Consultation participants, especially initiatives that would add to the region's tourism offering, or help address issues.

Support for commercial activity came with a strong caveat, however – that the Council must take a sensitive approach to providing and siting commercial facilities/ services that could compete with local businesses, such as campervan sites or facilities.

Overall, whilst participants welcomed the Council generating income, it was recognised that money could not be generated at the levels required to enable the investment needed.

Option 6 – Voluntary schemes

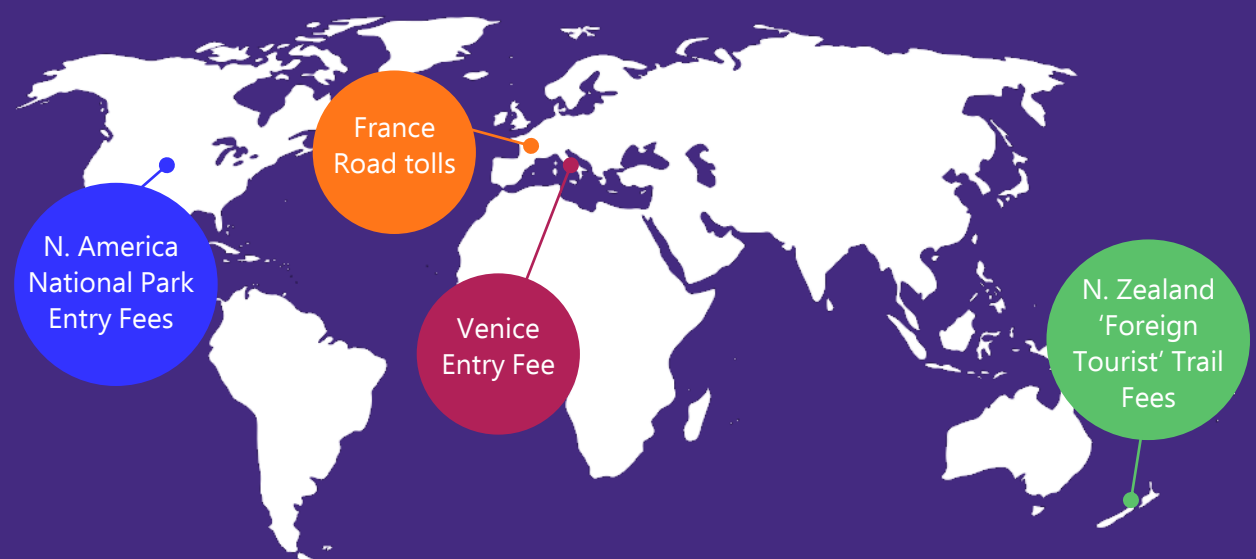
The potential of implementing a voluntary levy, wherein visitors can opt whether to contribute, was raised at half of the sessions. It was felt this could generate revenue whilst mitigating against many of the impacts associated with price sensitivity.

As legislation is not required for a voluntary scheme, participants proposed that this could be instigated much quicker than a TVL, which likely would not be in place until 2022/23 or later. It would thus be able to address current issues without waiting for a TVL.

Council Officers explained the difficulties of generating enough revenue to make significant investment from voluntary schemes, for example, is the Lake District Foundation. The region sees roughly double the visitor numbers to Highland, but the scheme generates ~£500,000 per annum, of which 25% covers collection and administration costs.

Examples of other charges that raise revenue to tourism

Both the Council presentation and the Pre-Consultation workshops also cited some examples of how other countries and regions raise funding for tourism development.



Consultation context/ timeline



Workshops

Following the introductory presentation, meetings took the form of three open discussion workshops. These were designed for representatives of the tourism industry and Highland Council to increase mutual understanding of the:

- Potential impacts – both positive and negative – of a Highland TVL
- Important contextual factors to consider
- Potential optimal design (collection and spend) of such a scheme
- Expectations for the Council's Open Consultation on TVL

These discussions are the focus of the rest of this Pre-Consultation Report.

This report

As part of the Pre-Consultation, The Highland Council committed to publishing an anonymised high-level report, collectively summarising the content of all six sessions. This Report, will be used to inform:

- Open Consultation and Visitor Consultation methodology/ contents
- Continued research/ evidence gathering by the Council
- Points for consideration for Highland Council Members when debating TVL at Full Council in December
- Regional aspects that should be submitted as part of any Highland Council submission to the Scottish Government's National Consultation

Workshop I : What might be the impacts of a TVL?

The aim of Workshop I was to understand what issues the Council might need to investigate and include in the Consultation. Participants were asked for evidence, where possible, of positive and negative impacts.

Council introduction

The Council's introduction to this workshop highlighted how many of the oft-cited impacts of a visitor levy are more complex than at first glance, and the Council needs to understand the nuances of these.

Pre-Consultation discussions often focussed on wider contextual issues that it felt could be worsened by a TVL. There was concern that a Highland TVL could be examined in isolation, thus overlooking cumulative impacts and interdependencies.

Several such issues are beyond the remit of the TVL project and/or the Council's control. Nevertheless, across the sessions, attendees requested that the Council note these factors and ensure the options made available to consultees and decision-makers were mindful of them.

Caveats to assessing impact

Participants consistently raised three key caveats to accurately assessing the impact of any tourism levy scheme at this stage:



1. Design

Impact is difficult to determine without knowing how such a scheme may be designed and structured. This is more complex as it is not yet clear how much the Scottish Government will stipulate a fixed TVL design in its enabling legislation.



2. Net gain

Willingness amongst participants to accept the potential negative impacts of a TVL is directly dependent on how much revenue could be raised, and the positive impacts this could have. Concerns were raised about administration burdens/ costs to the Council and the extent to which this might reduce income.



3. Price sensitivity

All sessions recognised the difficulty in assessing the degree to which tourists' behaviours might be affected by changes in price. Evidence on this is lacking.

Opinions on price sensitivity were divided. Some participants argued that tourist levies would represent a modest price change, leading to minor or no changes to visitor behaviours.

Others felt that the price sensitivity of Highland tourism is likely high and thus a levy could lead to significant changes in visitor numbers/ behaviours (e.g. spend and duration of stay).

Positive impacts

Most of the Pre-Consultation discussion on potential TVL impacts focused on the negatives. Several contributors did, however, offer suggestions of potential positive impacts:

- The generation of a locally-controlled additional revenue stream for maintaining and increasing investment in Highland
- Improvements funded by a Levy could enhance Highland's visitor and resident experience, and destination competitiveness.
- Help to ensure that Highland tourism is sustainable and services, infrastructure and environment will not be degraded through increased use.
- A greater sense of equity and residents' acceptance of tourism if visitors and residents both invest in public services used.
- Support for the Council to manage the impact of a successful tourism industry



Impacts on Competitiveness

Whether a TVL would impact the competitiveness of Highland and/ or individual businesses was raised at every session.

Highland competitiveness

The World Economic Forum's *2017 Travel & Tourism Competitiveness Report* stating that the UK is 135th/136 in price competitiveness is often used to emphasize that Highland already struggles to be competitive and any levy would make Highland still less so.

Participants also highlighted that Highland faces additional challenges to staying competitive. These include higher business costs (e.g. delivery, travel, energy and staff retention); and higher visitor charges for things like travel.

The counter point raised to this, however, is that destination competitiveness is based on considerably more factors than simply price. Once the WEF Report considered other factors such as quality, safety, environment, facilities, the UK ranks fifth in competitiveness

Through this discussion, there was recognition across the sessions that there is a trade-off in competitiveness. A levy that reduces price competitiveness could improve *overall competitiveness* by improving other factors.

Some participants worried that a levy applied to Highland and not other regions could cause displacement of visitors to neighbouring regions. Others maintained that Highland would remain competitive in this scenario due to its unique offering.



Price
competitiveness



Overall
competitiveness

Discussions around regional competitiveness were also underpinned by questions as to whether Highland tourism is 'as booming as we're led to believe'.

Evidence was largely anecdotal, but many participants advised that whilst visitor numbers have risen, this is clustered in peak areas and months. Out with these, visitors numbers can be low.

As well as visitor numbers, participants queried visitor spend. Some attendees presented evidence to suggest that, whilst total visitor numbers have risen, spend has largely plateaued or declined as visitors spend less per head.



Wider uncertainty for tourism

Visitor numbers and spend are responsive to numerous factors. Participants raised concerns about Brexit, Scottish Independence, Terrorism and Climate Change affecting tourism.

As a result, the current tourism pressures Highland faces were widely seen as 'a problem that may not last'. Several participants sought to highlight that a decision cannot be made solely looking at the current period of relatively greater visitor numbers. It must be made in the knowledge that visitor numbers and spend will almost inevitably fluctuate, and could decline.

The potential impact of such factors was deemed especially important given any TVL would only be able to be implemented in early 2020s at the earliest – after a period of significant uncertainty. By extension, several participants highlighted the need to consider whether any decision made now is still valid, or represents the best option, by time of implementation.

UK Markets

Almost 80% of visitors to Highland are from the UK. This was regularly raised across the sessions as a consideration when determining the viability, equality and impact of a TVL..

Many attendants were concerned that any levy could be most negatively received by domestic visitors both due to the market's exposure to possible reductions in demand following Brexit, and due to the perception that 'they already pay their taxes'

Visitor experience

It was a concern of many participants that introducing a levy could imply visitors are unwelcome in Highland. This could be exacerbated by any sort of complex system.

Other participants advised that a levy could assist in ensuring visitors feel welcomed. Revenue could potentially be invested in schemes and/ or marketing to promote Highland as a welcoming region. It was felt a levy could also offer an important means of securing residents' buy-in to support ongoing tourism development.

Business Competitiveness

Every Pre-Consultation session featured discussions on the pre-existing pressures on business competitiveness and the perceived added strain a levy could cause.

Financial pressures:

- Rising Non-Domestic (Business) Rates
- The full (20%) rate of VAT applied to accommodation, compared to competitors in other countries benefitting from reduced rates (5-10%)
- Increases in business costs such as staff (rising National Living Wage), and increased costs for stock, services, energy and delivery.

It was argued a levy would worsen this as many small businesses may be forced to 'absorb' the cost of a levy, rather than pass onto the customer, to stay competitive.

VAT – assurances were repeatedly sought by participants that a levy would be independently accountable and would not impact businesses' VAT contributions. It was emphasised that many businesses work to VAT thresholds – particularly in their seasonal operation – and thus if a levy were to impact VAT, it could fundamentally change some businesses' operating models.

Additional pressures:

- Increased competition from alternative accommodation providers such as Airbnb
- Existing administrative burden and 'red tape'.

Participants welcomed the Scottish Government's *Short-Term Lets Consultation*.

The potential additional costs and administrative strains for businesses through collecting a levy was raised at most sessions. Participants asserted that if the burden on businesses is too onerous, people may cease trading. This was advised to be especially the case in rural regions with a high prevalence of 'lifestyle businesses'.

Sub-sectors at risk

Three markets were repeatedly cited as being especially price sensitive:

- Middle-to-low-end tourism providers – the majority of Highland's provision
- Group/ travel trade due to tight margins and capacity for booking agents to go elsewhere
- Camping/caravan parks due to the low cost of accommodation and potential for 'wild' camping



Impacts – Summary

Pre-Consultation attendees raised a range of potential positive and negative impacts of a Highland TVL.

Positive impacts focussed on creating a sustainable locally-controlled revenue stream for the Council to invest in maintaining and increasing investment. Such improvements, it was felt, could significantly improve the quality and competitiveness of Highland's visitor experience.

The biggest concerns amongst industry was that a TVL would threaten the competitiveness of the region and of individual businesses. It was felt this could lead to reduced visitor numbers and spend, and thus a loss of income from this industry vital to the Highland economy.

The difficulty of determining the likelihood or extent of potential impacts of a Highland TVL was appreciated. Participants strongly advised further research and giving consultees opportunity to raise positive and negative impacts openly.

Discussions around participants' willingness to accept potential risks often came down to a key choice: what will cause most damage to tourism in the region – doing something or doing nothing?

For some participants, any price increase and associated potential adverse impacts outweighed any potential positive impacts.

For others, whilst they recognised the potential undesirable impacts of a TVL, they reasoned that the risk to sustaining tourism in Highland would be smaller by introducing a TVL and thus enabling investment, than by 'doing nothing' and incurring degradation of the environment, infrastructure and tourism 'product' due to lack of available investment.

For these participants, the potential positive impacts outweighed the potential negative impacts with the crucial stipulation: that a TVL scheme was well-designed and revenue well-spent.

This leads to the next workshop: what might a well-designed TVL look like?

Workshop II : A well-designed TVL?

Workshop II focused on which factors need to be consulted on and researched to help design the optimal TVL scheme for Highland, were a decision made to implement this.

The Council presentation introduced three key factors to consider, all of which were agreed by participants as key topics for consultation:

- Which visitors to charge?
- How to charge?
- How to collect?

Which businesses should charge a TVL?

The strongest opinions expressed by Pre-Consultation attendees were in relation to which businesses would charge a TVL.



The message was almost universal: it would not be fair on visitors or businesses to only levy visitors staying in paid overnight accommodation.

An accommodation-only levy was seen as inequitable by most participants as it arguably penalises certain visitor and business types. It was felt that whilst a 'Bed Tax' might work in cities, it was not fitting or fair in Highland.



Any scheme, it was argued, would need to capture other categories of visitor, principally: motorhome users not staying in paid accommodation, Day Visitors to Highland and Cruise Visitors.



Widening the definition of 'visitor' beyond those staying in paid accommodation was not solely a contention of accommodation providers. It was recognised by multiple representatives from non-accommodation businesses including visitor attractions, motorhome hire, and destination groups.

The strongest consensus was to levy motorhome users not staying in paid accommodation. It was felt these visitors really should contribute for the infrastructure they use and the impact they have staying in laybys or 'wild camping' rather than campsites. It was also hoped a permit might help discourage wild camping.

Cruise passengers were regularly cited as an important category. It was felt by participants that visitors typically stay for less than a day and contribute little to the local economy as they use on-ship hospitality, whilst making extensive use of free infrastructure and services.

Day Visitors were highlighted as another key type of visitor that use public services and infrastructure but typically do not contribute to their provision and maintenance.

Non-accommodation-based levies

The difficulty of recording and levying visitors not staying in paid accommodation was appreciated by participants. The following options were suggested at several sessions and the Council was asked to consider potential net income, impacts, logistics and legalities.

'Entry Fees' (inc. Road Tolls) – A 'Highland entry fee' was raised by participants at every Pre-Consultation session and positively received by most attendees.

It was posited that road tolls, with exemptions for locally-registered vehicles, might be a more equitable approach as it would capture day visitors, tour operators and motorhomes in addition to visitors staying in overnight accommodation. It was noted, however, that this method would not account for duration of stay.

Participants cited supporting examples including entry fees to US National Parks, congestion charging in London, and road tolls in Ireland.

Car parking charging – Charging for car parking at tourist sites and for overnight motorhome parking divided opinion. Some regions cited it as a favourable option for both generating income and helping to reduce issues such as motorhomes damaging verges, dumping waste and not paying for local serviced sites. Other regions, however, reported charges worsened such issues.

Motorhome Permits – Requiring visitors to have a 'Highland motorhome permit', enforced through the Council's car parking enforcement network, was raised as an option to ensure motorhome users contribute for the infrastructure they use and impact they have.

A levy on other 'tourism businesses' – Participants typically felt that, were an accommodation levy introduced, non-accommodation operators should also be required to charge Day Visitors. Common suggestions were visitor attractions, activities and tour providers. It was argued that any system required for administering an accommodation levy should be easily extended to other business types.

Cruise visitors – Participants' proposals of charging a levy to cruise operators for visitors was met with significant support from attendees across the sessions. It was felt that this market would be relatively simple to record and administer if costs were collected by the cruise operators or port authorities who are already required to report visitor numbers.

The price sensitivity of this market was a concern for some, who cited the example of Amsterdam where cruise operators stopped berthing at the city after a levy was introduced. Others highlighted that the Amsterdam rate was in part designed to address over-tourism, whereas a Highland charge could be at a much less prohibitive rate.

Across the sessions it was felt that the mechanisms, and potential impacts (both positive and negative), of levying cruise visitors should be explored.

Which visitors should contribute?

Many TVL schemes across the world offer reductions or exemptions for specific types of visitors. The Council introduced the following considerations based on these examples:

- Highland residents
- Registered disabled visitors
- Business travel
- Registered carers
- Children
- Off-season visitors

There was consensus that Highland residents should be exempt from any charges given the scale of the region often necessitates 'internal' travel.

Across other factors, however, opinion was divided on whether it was fairer to charge everyone equally or to offer reductions. It was generally agreed that all these options should be consulted on with a wider sample of people.

Discounted levies for visitors visiting in autumn/ winter months received support from most participants, largely as it was felt this could help address the seasonality of Highland tourism.

How to charge?

Across the sessions, charging any levy as a percentage of accommodation/ other fees was deemed to be much fairer than a flat rate, as this has a disproportionate effect on lower price providers/markets compared to high end.

A flat rate was recognised as likely the simpler to implement. But the potential benefit in this regard was outweighed by most participants' by concerns of inequity.

How to collect a levy?

The complexity of setting up any TVL scheme – particularly as there is no registration system for accommodation providers, or other 'tourism businesses' – was raised at every session.

By extension, concerns were raised that a scheme could be managed through the Non-Domestic Rate system and only apply to rated business. It was argued this would lose significant potential income given the proportion of providers likely below the threshold, and would arguably penalise medium-to-large and established businesses.

The point at which a levy is charged was also discussed. It was deemed simplest to charge at the point of booking, but several participants highlighted difficulties including: many businesses do not have the infrastructure to do this, it would be hard to implement with large coaches and group bookings, and complexities around cancellations.

No consensus was reached on the optimal collection or charging model. Participants did ultimately ask, however, that when considering how revenue from a TVL might be collected the Council conducts some sort of impact analysis to determine the simplest and cheapest method for businesses, and the Council.

It was proposed that if the Council opts to implement a Highland TVL, it should work with industry representatives to develop and agree a methodology.

Design – Summary

Two key principles consistently underpinned participants’ opinions on how any Highland TVL should be designed:

- What is most equitable? – for visitors and businesses
- What is most simple? – for visitors, businesses and the Council

Pre-Consultation finding	Impact on next steps
<p>A TVL solely collected by accommodation providers was strongly opposed by participants. It was deemed inequitable as it disproportionately impacts certain types of visitor and businesses.</p> <p>Attendees encouraged the Council to consider different types of levy including for Motorhome Users, Day Visitors and Cruise Visitors.</p>	<p>Consultation will include questions on different levy options.</p> <p>Officers will continue to research options for a ‘package’ of levies.</p> <p>Officers will advise Scottish Government not to restrict work to accommodation.</p>
<p>Five alternative levy options for charging wider cross-sections of visitors were raised by participants</p>	<p>Council to consider these in relation to potential net income, impacts, logistics and legalities.</p>
<p>Percentage charges deemed preferable to Flat Rate charges on grounds of equity, although percentage charges recognised for simplicity</p>	<p>Give consultation respondents options for both</p>
<p>Opinions divided on whether it would be fairer to charge everyone equally or to offer reductions.</p>	<p>Include opportunities to provide feedback on this in consultation</p>
<p>It was proposed that if the Council opts to implement a Highland TVL, it should work with industry representatives to develop and agree a methodology.</p>	<p>Undertake this approach</p>

Workshop III : How might income raised be used?

Workshop III asked attendees what questions the Council needs to ask visitors, the public and wider industry to inform how any income from a Highland TVL might be invested.



Spend is key

Pre-Consultation discussions strongly suggested that these questions of spend are the most important factor in determining support or opposition towards a TVL.

Participants confirmed it is vital to consult on not just what revenue might be spent on, but also who decides.

In favour of ring-fencing to tourism uses

There was almost unanimous agreement across participants that revenue raised from visitors should be invested in services that are part of the visitor experience.

The potential that TVL revenue raised could be used to 'plug the Council's budget gap' or allocated to general funds, was one of the most fundamental concerns amongst all participants. They were very clear that this would undermine any scheme.

Defining 'tourism uses'

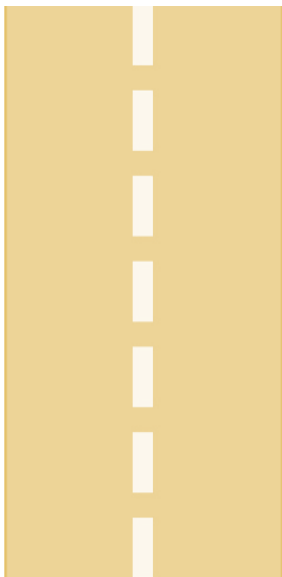
Participants appreciated the complexities of defining 'tourism uses'. To open discussion, the Council listed potential areas:

- Capital spend
 - e.g. new visitor parking, viewpoints/ laybys, motorhome facilities
- Revenue spend
 - e.g. maintaining public toilets and footpaths, supporting/ attracting events, marketing

Overall, participants welcomed the types and range of potential areas of spend.

There was support for both revenue and capital spend as both providing additional infrastructure/ service and maintaining/ sustaining our assets are vital to delivering a successful Highland tourism product.

There was a reticence across the sessions to restrict spending options to inflexible rules, or commit certain percentages of revenue to specific causes, as this may restrict the ability of the Council, and other groups, to respond to local need and factors.



One of the most divisive areas of potential spend discussed was roads and, by extension, passing places and laybys.

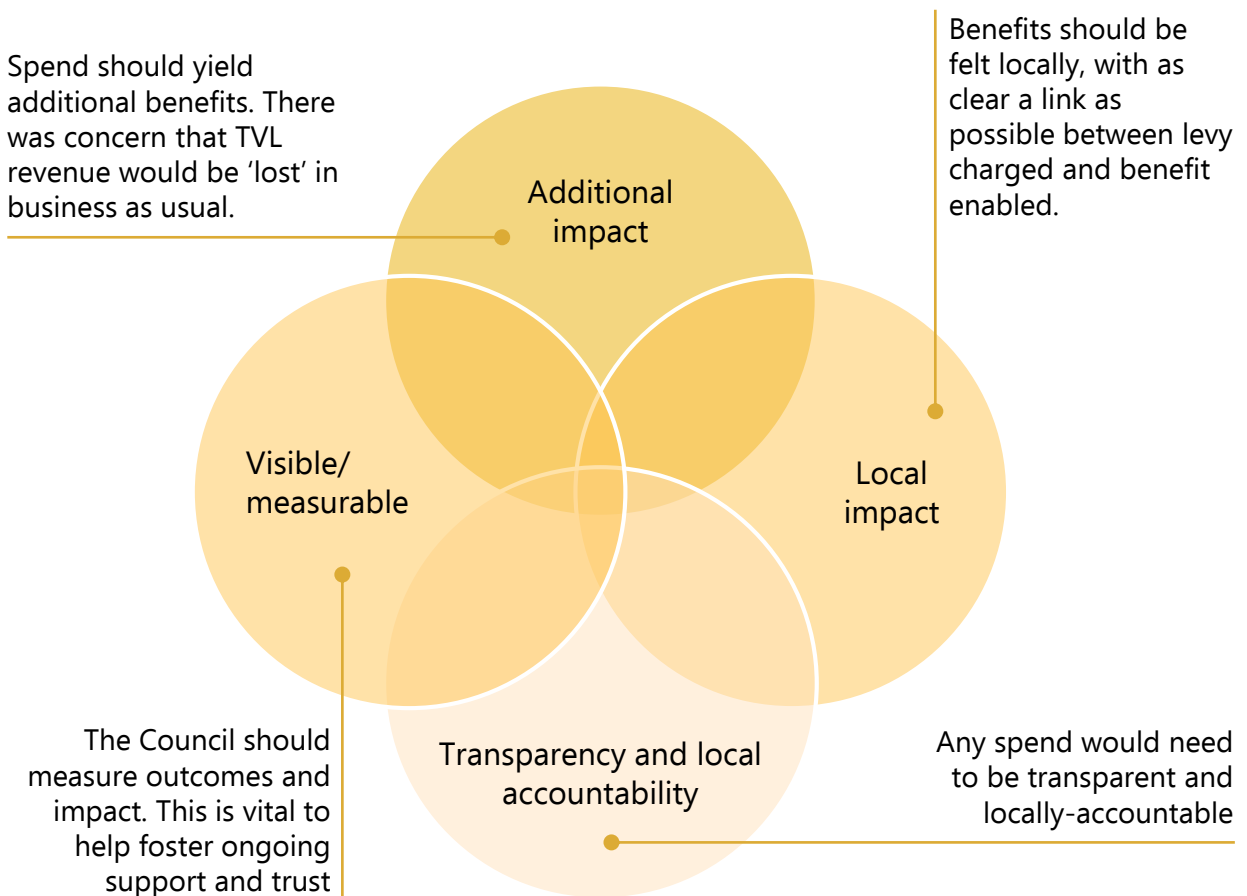
Whilst there was understanding across participants that many miles of Highland road require resurfacing, and the Council has limited budget to do so, perspectives were split regarding added value and the extent to which roads constitute 'tourism spend'.

This was largely in response to different area pressures. Regions with higher proportions of smaller, single-track roads typically felt that roads were crucial to the visitor experience and would be money well-spent.

There was agreement, however, that, were TVL revenue spent on roads, it would clearly need to add value beyond the core Council's Programme and should not be invested in developing new roads.

Spending principles

'Good spend' of potential TVL revenue was consistently seen to follow four key principles:



Who would decide on spend?

Participants consistently advised:

1. *Not Highland Council alone* – Participants consistently stipulated that they would not support Highland Council being the sole decision maker.
2. *Pre-existing regional or local groups* – Areas were divided on which organisations should be involved. All sessions did put forward either a Destination Management Group or Community Councils as a potential mechanism, although some were strongly against this. There was some reluctance towards establishing a new group given the volume of existing tourism organisations.
3. *Industry representation* – All groups advocated strong industry representation on any decision-making panel, on the grounds of fairness given potential business involvement, and the insights into visitor behaviour and expectations that businesses can afford.

Another option – some participants favoured an application system, wherein groups across Highland could 'bid' into a fund derived from TVL revenue. The administration costs of such an approach was flagged as a potential deterrent however.

Where to spend revenue?

The question of whether levies raised in a specific area should be ring-fenced to be spent in that area elicited strong reactions, confirming the need to consult on this.

In favour of geographical ring-fencing

The immediate reaction of most groups was that "what is raised locally should be spent locally" is the fairest model.

It was also posited that this approach is considerably more palatable to potential Consultation respondents.

Against geographical ring-fencing

Discussions also repeatedly cited potential limitations of ring-fencing, principally:

- i. Depending on the scheme design, some regions could be short-changed, raising little income and thus having little to invest
- ii. The point of visitor payment and the areas of visitor use/impact are often not clearly correlated. For example – a visitor may pay for a tour in Inverness, but almost all infrastructure used and impact occur in other regions. Who would retain any levy?
- iii. The sub-regions of Highland are intra-dependent and benefit from being part of the whole 'Highland' destination. To isolate rural areas from urban, or north from south, was seen by some to be short-sighted
- iv. Full geographical ring-fencing could lead to busy places getting busier and others 'losing' more visitors. This would not be good long term for Highland as a destination.



Where to spend revenue? (continued)

Two sessions advocated the potential for a consistent split of income between local 'pots' and a Highland 'pot'.

In this model, a certain percentage would be retained locally, and the rest allocated to a pan-Highland fund. This, it was argued, would enable regional decision-making and response to immediate pressures, whilst developing the wider industry.

Scale of ring-fencing

Participants, in general were reticent to recommend at the preferred scale any geographical ring-fencing. A need for balance was recognised: between achieving 'local impact' and ensuring any revenue is not split into so much it loses spending power

That said, all groups were unanimous that if a scheme was implemented, income could not be centralised further than 'Highland'. Concerns remain that it could become a national tax.

It was generally felt this issue of scale would be too complex to consult on accurately and would likely need to be decided by the Council, in line with wider policy.

Spend – Summary

Pre-Consultation participants were almost unanimous in their requests to see the following key principles applied to the use of any TVL revenue, were it to be introduced:

- Ring-fenced to 'tourism uses', NOT allocated to general Council funds
- Providing additional and measurable/ visible benefits – not 'lost' in business as usual
- Transparent and accountable spend, with decisions not made entirely by Highland Council, and involving tourism industry representation.
- As local impact as possible, not centralised beyond Highland

Perspectives on other factors were less uniform, most notably:

- The pros and cons of geographical ring-fencing funds within Highland
- What constitutes 'tourism uses', particularly whether investment in roads should be included.

Ultimately, Pre-Consultation participants welcomed consultation on these factors with a wider group and agreed the need to offer a range of options for potential spend to consultees.

The opportunity to ask visitors what they would see as valuable investments for their visitor experience – through the Visitor Consultation – was welcomed, with the caveat that visitor feedback should be balanced against local impact.

