

## Tourism Funding and Levies: An International Perspective

*"All generalisations are dangerous even this one"*  
Alexandre Dumas, 1850



Dr Terry Stevens  
Yvonne Crook

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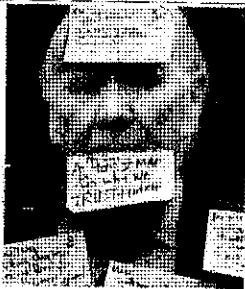
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## Lib Dems vote to scrap 50p tax rate

The Liberal Democrat leader, Sir Menzies Campbell, has avoided an embarrassing defeat over a new tax package which had threatened to split the party. Lib Dems at their annual conference in Brighton voted to scrap the party's commitment to a 50p tax rate on the highest earners. Instead, they approved Sir Menzies' plan to pay for income tax cuts for low and middle earners with a rise in green taxes. An attempt by rebel MP Evan Harris to retain the 50p tax rate on top of that was overwhelmingly rejected in the conference hall. Sir Menzies said approval for the "bold and credible" policies had been crucial.



Post-it notes written by delegates cover a cut-out of Sir Menzies Campbell

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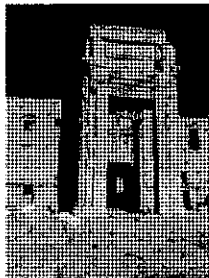
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## An Expensive Precedent

Lady Hester Stanhope ... 1813

... riding into Palmyra on an Arab steed at the head of her travelling procession. On this occasion she was hosting a fête for the local Bedouin. To the grand sheikh of the Bedouin she presented a piece of paper, handwritten, on which she directed him to charge every traveller who visited the ruins a thousand piastres. "This enormous tax", wrote traveller John Carne in *Letters from the East* (1826), "which it is impossible to escape causes several travellers to leave Syria without seeing the finest ruin in the world". One visitor who did attempt to evade the tax, reports Carne, had his hut set on fire by the Arabs.



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### Push Factors ...

- Lack of or need for more money to sustain places
- Deficit in funding for managing environment
- Desire to invest or enhance visitor experience
- Need to find 'new' money
- Appealing ... consider what impact £1 extra from every visitor!

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### Pull Factors ...

- Quality of environment (80% key) and community as 'host'
- Visitors willing to contribute
  - Peak District 75% of visitors
  - Cairngorms 61% of visitors
- Linking payback to conservation works ... Lake District
- Non-Financial Benefits
  - Feel good
  - Loyalty
  - Communication

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### TRANSIENT VISITOR TAX

- ≡ March Study 2006 differentiates between Tourist specific and Non Tourist specific
- ≡ Tourist specific (hotels/airports) statute
- ≡ Concludes that Edinburgh could raise £3.2m
- ≡ Concludes that Voluntary scheme most credible (Vancouver Tourism Levy Enabling Act 2004)
- ≡ Less revenue but more sensitive to markets

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"63% of all consumers stated that a well-managed environment was important when choosing a UK destination and 76% thought their stay should benefit local people"  
English Tourism Council, 2004

"80% of British travellers are prepared to pay £30 - £70 extra per fortnight to book a hotel with a responsible environmental attitude".  
Futures Foundation, 2006

"80% of UK holidaymakers say it is important that their holiday does not damage their destination's environment. 75% say it is important that their holiday benefits the destination".  
MORI, 2000

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## CORPORATE SOCIAL RESPONSIBILITY

- ⊕ A better way of doing business
- ⊕ Business leads and achieves
- ⊕ Time to make a difference
- ⊕ Market trends in favour
- ⊕ Consumer selection and choice

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## Support for Tourism Critical Success Factors: A Model

Controllable <sup>1</sup>	Partly Controllable	Uncontrollable
Government attitude	Government attitude	Topography
Education, training	Population	Heritage, culture
Research	Internal infrastructure	Market size
Transport policy	Pricing competitiveness	Language
Tourism policy	Taxation	Climate
Other policy	Fashion	Location
Place/Policy	Perceptions	External infrastructure
Destination management	Image	Fashion
Marketing strategy	Public attitudes	Alliances
Branding	Efficiency of investment	Security
Image	Product development	Tourism
Media relations	Administrative boundaries	Corporate investment
Alliances	Marketing areas	Business environment
Investment incentives	Business environment	Macro economics
Product innovation	Investment climate	Competition
		Political environment

Source: PFC (2003) Refined by Stevens & Associates  
Notes: <sup>1</sup> Controllable by the Government and/or the tourism industry in a destination.

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### Key Issues ...

- Geography:      National?  
                         Regional?  
                         Destination?
  
- Statutory or Elective?
  
- Fiscal or Financial?

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### Taxation in the UK ...

- Tourism industry hostile to tourism tax
- Lyons Inquiry has it on agenda
- Hostility not unfounded especially in marginal economies, SMEs and lifestyle businesses
- Potential to increase 'black economy'

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*"An ideal minor tax that relates to a group that imposes clear costs on authorities"*

Association of London Government, 2006

*"Bed Tax could hit 32,000 jobs, say Tourism Group"*

Tourism Alliance, June 2006

*"New tourism tax could cut takings in hotels, B&Bs and caravan parks by £1.3 bn per annum"*

Tourism Alliance

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## My Other Road to Damascus ...

### International benchmarking studies:

- ① 'Support for Tourism: An International Comparison' 2003  
ELL Scottish Parliament
- ② International Benchmarking of 15  
World Class Mountain Destinations

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## The Findings ...

### (i) Support for Tourism Study

#### Types of Support:

- Organisation Structure
- Tourism Investment Incentives
- Financial
- Quasi Financial
- Fiscal
- Tourism Policies and Strategies
- Training and Business Development
- Marketing Support
- General Attitudes
- Landuse Planning Policies

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## The Findings ...

### (i) Support for Tourism Study

- Need for strong destination structure
- External factors especially relative strength of sterling
- VAT is an issue "*Britain is the odd man out in Europe*" (twice EU average)
- Value for money key

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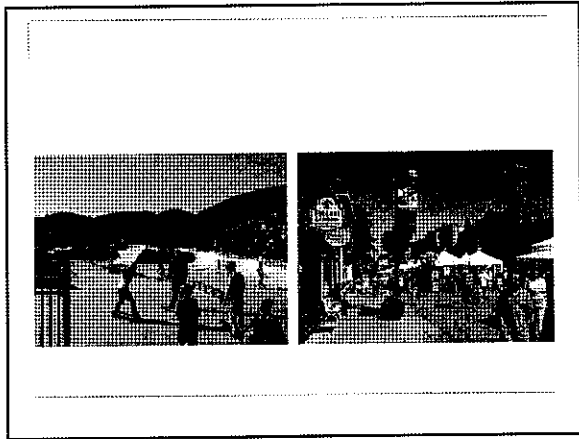
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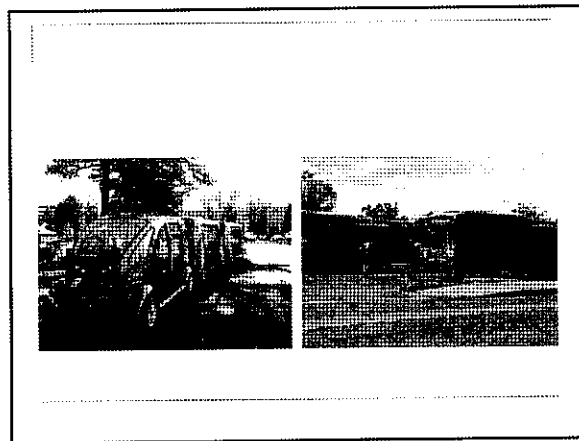
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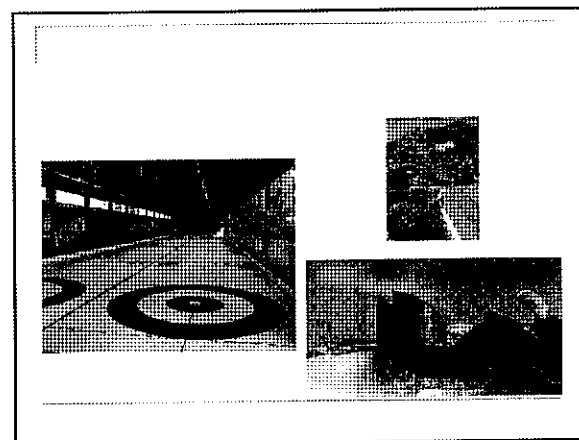
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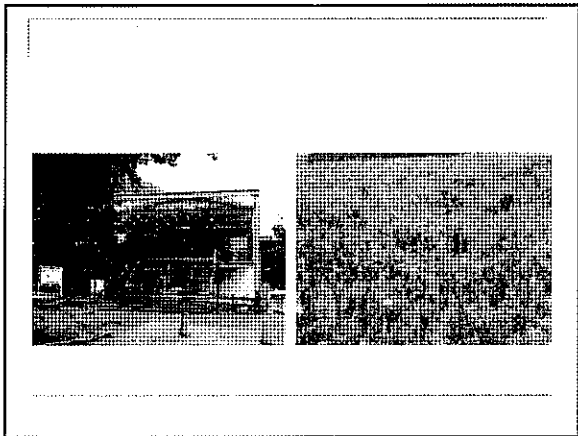
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Statutory ... Other Ways ...

- Planning System ...
  - S106 Agreements
  - % for tourism
  - Planning obligations
- BIDS and Business Rates generally
- Incentives ... keep what you earn / reduce 'loss' to centre

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## Elective or Voluntary

- ▶ Voluntary ... donating or payback
- ▶ Added value: feel good
- ▶ Methods:
  - Donation
  - Supplements (opt in / out) or Levy
  - Merchandising
  - Membership Schemes
  - Participation
  - Fund raising events
  - Added value cards
  - Corporate sponsorship

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## Key Lessons

1. Local or destination-based models work
  - Horses for courses
  - Locally determined
  - Locally 'spent'
2. Value for money is essential
3. Alternatives to direct taxation
4. Elective methods work
5. Local money = local support = local benefits  
= DMOs

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