**Outstanding questions from the Tourism Management Review Group’s previous meeting**

**14 March 2019**

**What has happened with the Community Toilet Scheme?**

1. The scheme was not allocated funds beyond its set up to sustain the running of it. No officer was given it as part of their remit once it had been set up by Direct Services. Other cities operating the scheme make flat payments to cover costs but Oxford has never done so and this may explain the lack of take up.

**What are the occupancy rates of hotel rooms in Oxford?**

1. The Review Group has been provided with a report on hotels and short‐stay accommodation in Oxford as part of this meeting. This shows that in 2015, Oxford had an occupancy level of 80.6%, which was higher than the regional average and almost as high as the average for London hotels at 82%, but below that for Bath (84.5%). No hotels had closed between 2009 and 2015.

**How could a congestion charge be used in relation to coaches?**

1. The Review Group has been provided with an extract from a 2018 Parliamentary Research Paper on Local Road Charges, as set out below. The full report can be [found here](https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN01171).
2. Charging schemes may only be made “if it appears desirable for the purpose of directly or indirectly facilitating the achievement of policies in the charging authority’s local transport plan”. Local Transport Plans (LTPs) contain the strategic transport priorities of the relevant charging authority. The procedure involved in making a charging scheme, as set out in the Act, is quite straightforward: the charging authority makes an Order for a scheme. If the authority or authorities (in the case of a joint scheme) are entirely within England, outside London, then they may proceed to introduce the Order as they see fit. There is no requirement to hold local referenda or to obtain approval from the Secretary of State or anyone else.
3. The charging authority may seek views from local people or representatives but this is at the authority’s discretion. In practice, as road charges are so controversial, it would likely be a brave authority that did not seek to consult their voters in the fullest possible manner. An Order establishing a charging scheme must:
* Designate the relevant roads;
* The circumstances under which a charge will be imposed;
* The classes of motor vehicle(s) in respect of charges will be imposed; and
* State the duration of the charge.
1. A charging scheme may make provision in relation to the manner in which charges are to be made, collected, recorded and paid. The charges that may be imposed by a charging scheme include different charges (which may be no charge) for different cases, including different days; times of day; roads; distances travelled; classes of motor vehicles; and methods or means of recording, administering, collecting or paying the charge. This can be explored with guests from the County Council, at the meeting on 14 March 2019.

**How much money could be generated through a tourism tax on hotel rooms and short stay accommodation, for reinvestment?**

1. In order to understand the scale at which a tourism tax could be introduced in Oxford, the Review Group may wish to consider the outcome of detailed studies undertaken in Bath and Edinburgh, for example.
2. Bath City Council, which has approximately 2,000 hotel rooms, estimates that £2.4m could be generated each year from a £1 per person per night charge. Similarly, Edinburgh, which has approximately 13,000 hotel rooms, estimates a revenue income of £11.5m. These studies also factored in the availability of short stay accommodation such as Airbnb, which are not included in the total hotel numbers.
3. In each case, the studies broadly show that in cities with a similar hotel occupancy rate and tourism draw, approximately £1m may be generated per 1000 hotel rooms per year. Including granted planning permissions, Oxford is expected to have 3,200 rooms soon. This is an illustrative comparison, and depending on a series of other factors that have not yet been considered, revenue income for Oxford could range from £1m to £9m per annum. Further detailed work would be required to give a more accurate appraisal.

**What are the arguments for and against the introduction of a tourism tax?**

1. The Review Group has been provided with an extract from the “Options for a tourism levy for London” 2017 report, set out below. Many of these matters would be transferable to the Oxford context. The full report discusses how the introduction of a tax might operate in London, and it can be [found here.](https://www.london.gov.uk/sites/default/files/tourism-levy-for-london-wp83.pdf)
2. Arguments for a tourism levy -The main economic arguments for a tourism levy are based around internalising the externalities of tourism. This externality argument has two main aspects. The first relates to the observation that tourists impose costs on the host society (and on other tourists), which are not accounted for in the private costs of the tourist. Examples include congestion and pollution generated by consumption of services like transport. Crowding, queues at popular attractions and untidy environments affect residents and businesses of the host nation as well as other tourists and can discourage visitors to a particular destination.
3. Therefore, the argument is there should be appropriate policies to internalise these externalities which optimise the volume of tourism. In theoretical terms, a tax or levy equivalent to the marginal external cost should be introduced, the revenue from which could be used to compensate residents or to mitigate the externality. The second aspect of the externality argument relates to the provision of public goods to visitors. Tourists consume un-priced natural amenities and public goods, which in turn gives rise to the free rider problem.
4. Public goods have two features: they are non-rival and nonexclusive. A good is non-rival if for any given level of production, the marginal cost of producing it to an additional consumer is zero. A good is non-exclusive if people cannot be excluded from its consumption. Tourists consume a range of non-exclusive public goods while visiting their destination. These might include the water and sewerage systems, utilities, waste disposal facilities, parks and recreation areas, health care facilities, police and public safety services. Local residents make a significant contribution to the provision and maintenance of public goods through direct taxes such as income taxes and property taxes like council tax.
5. International visitors are argued to make little contribution to national or local funding for these types of public goods. Tourism taxes and levies appeal to policymakers because the levy when applied to international tourists is ‘exportable’, i.e. the burden does not fall on residents. Of course, this argument would apply to a lesser extent to domestic visitors to London. In the case of London, cultural attractions that are free or heavily subsidised might also come under this heading although they would not meet the technical definition of a pure public good since charging for entry is eminently possible. Nevertheless, the same free rider argument tends to be raised; that the UK government provides free entry to cultural attractions for the benefits to UK society but these are enjoyed by visitors from overseas who make little contribution to their upkeep by way of taxes.
6. There are other more general arguments for taxing tourism. Governments across the world spend a significant amount of money promoting tourism and the UK is no exception. London’s tourism offer is promoted by London & Partners. It is argued that since governments spend considerable sums promoting tourism, there is a case for those who gain (the tourism sector) to bear the cost of promotion. Ihalanayake (2007) also argues that rent extraction and Government Revenue Generation are economic arguments for taking tourism.
7. Arguments against a tourism levy -There is generally strong opposition to the idea of hotel bed taxes within the hotel industry although not necessarily the wider tourism sector. As Lyons (2007) noted in their review: “I received a great deal of correspondence on the possible introduction of a blanket tax on tourism. Over 500 individual businesses sent proformas to my Inquiry opposing this and ‘Caterer and Hotelkeeper’ organised a ‘say no to bed tax’ petition with 4,028 signatures. I also received correspondence from larger organisations such as Butlins, Travelodge and Pontins as well as tourism representative bodies”.
8. When the introduction of a £1 hotel bedroom tax was raised by Camden council, the Deputy CEO of the British Hospitality Association said: “Any additional tax on top of the existing 20% VAT, which is almost the highest in Europe, would directly discourage international tourists from visiting London... A tourist tax could also be costly to collect and almost impossible to collect from the flats and houses let illegally through online companies like Airbnb.”22 As alluded to in these statements, there are several arguments put forward against hotel accommodation taxes, which are similar to those made in campaigns to reduce VAT on hotel accommodation. Industry representatives argue that hotel taxes reduce the competitiveness of the sector relative to competitor destinations.
9. They argue that tourism is highly price sensitive because of the many close substitutes so an increase in price due to the tax would lead to a large decrease in demand23. The tax is therefore seen as counter-productive as the revenue generated would be outweighed by the benefits foregone in tourism expenditure which generates jobs and income. Related to this, if tourists have a fixed budget for their trip then they may simply subtract the levy from their total holiday expenditure. A second argument is that the tourism sector in the UK is already heavily taxed.
10. The World Economic Forum (2015) ‘Travel and Tourism Competitiveness Index’ found that the strength of the UK tourism sector was weighed down by its heavy ticket taxes and airport charges. As discussed above, VAT is charged at the standard 20 per cent on hotel accommodation in the UK, however, a number of other European countries offer a reduced rate of VAT on hotel accommodation. Other taxes and charges impacting on the tourism sector include (among others): Air Passenger Duty, visa/entrance fees, Licenses to serve alcohol and other more general taxes like business rates and/or PAYE.
11. A third argument against tourism taxes and levies is that they only apply to a segment of the wider tourism industry i.e. commercial accommodation. Many of the arguments to tax tourism could equally apply to other service providers such as restauranteurs, entertainment venues, or visitor attractions. Moreover, tourists staying in commercial accommodation as opposed to those staying with friends or relatives are arguably unfairly penalised. Finally, the administrative burden of collecting tourism levies falls on businesses rather than the tourist, adding to their cost base. Some commentators have argued that operators should be able to offset these costs against the tax they pay.
12. Finally, there is also a concern that competition could be distorted if the levy were not to apply (or could easily be avoided) by less regulated parts of the sector such as non-serviced accommodation provided through websites like AirBnB.