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Finance Strategic Policy Committee Consideration of a Visitor Levy

Background

The Finance Strategic Policy Committee (SPC) has previously examined the introduction of a Hotel Bed Tax in Dublin. Requests made by Dublin City Council to Government to enact legislation to facilitate the introduction of a hotel bed tax were not successful. As it stands, Dublin City Council does not have the legal capacity to apply the tax. Enabling legislation is required to be passed by the Dail to progress. The introduction of a hotel bed tax or Visitor Levy is listed in the Finance SPC's work programme 2019 to 2024.

Context of Tourism in the Dublin Economy

Tourism makes an important contribution to the economy of Dublin. In 2017 there were almost 6 million overseas visitors to Dublin, with an associated spend of €2bn, almost 1.5 million domestic visitors with an associated spend of €327m and just over 320k visitors from Northern Ireland with an associated spend of €107m. Visitors to Dublin demonstrate a seasonal pattern, with many initiatives underway to reduce the extent of such seasonality.

Tourism is an important sector within the economy having regard to employment and the value of overseas and domestic earnings. Overseas tourism to Dublin has been steadily increasing in recent years, pointing to the strong appeal Dublin retains within the global tourism market.

Basis for consideration of introduction of a visitor levy

Dublin has a high amenity value i.e. culture, attractions, events, all supporting tourism. Growth in tourism requires additional resources to support sustainable future investment and also to manage the impact of the success of tourism on both the City and city residents. Tourism allows for the enjoyment of local amenities by visitors who do not contribute to the costs of services for those amenities, i.e. benefits without costs. Tourism is correlated to the enjoyment of public goods and it is appropriate to link the benefits of tourism to the amenity related costs.

There is an accepted rationale for the taxing of visitors to reflect the costs of tourist related service provision such as additional street cleaning, maintenance and investment in public realm, staging of city events, congestion at historic amenities, management of environmental impact on cultural and historic sites. The application of a tourist/visitor tax is not new, having first been introduced in Canada in the 1970s. It is a common feature across many cities, in Europe and elsewhere.

Local Government Funding

There is a growing acceptance that considerable investment is required to maintain and develop a public realm and array of amenities attractive to visitors, for which no direct line of funding exists. Local Government funding in Ireland is limited and restrictive. The introduction of the Local Property Tax has in effect transferred funding from Dublin rather than into Dublin. This occurs as the Department of Housing Planning and Local Government consider that Dublin is adequately funded and hence in addition to the retention of 20% of LPT receipts, the bulk of remaining LPT receipts are substituted for previously provided government grants, thereby eliminating any new flow of funds to the City. This points to a scarcity of operational resources for the City, further emphasising the need to consider different funding measures for key activities, in this case, supporting the tourism industry.

Current Tourism related support and investment

Dublin City Council has a proud history of investing in and supporting tourism, culture and the heritage of our Capital City. This is quite separate to the provision of core services that might be expected or that Dublin City Council is required by statute to provide. Examples of Dublin City Council's commitment are The Dublin City Gallery, the Hugh Lane, owned and funded by Dublin City Council, Dublin City Council's restoration of *14 Henrietta Street*, shortlisted by The Royal Institute of the Architects of Ireland (RIAI) in 2018, Dublin's UNESCO designation as a City of Literature, Dublin City Council's extensive and ambitious Event programme. Dublin hosts many events and festivals including The New Year's Festival (NYF) and Bram Stoker Festival. In addition, Dublin City Council provides grants to arts and culture related organisations and events, thereby supporting a network of diverse local cultural activities. This illustrates that Dublin City Council incurs expenditure which directly supports tourism.

This is further to core services supporting tourism provided by Dublin City Council such as additional bin emptying, nightshift cleaning and sweepers, pavement sweeping, washing and repairs in the City centre area, including improvements to parks and open spaces. Dublin City Council has invested extensive funds to capital projects which animate –our City fabric which in turn provides the environment for a successful tourism sector. Our investment, both current and past, has supported the delivery of *Destination Dublin* a collective strategy for Tourism Growth in Dublin to 2020. Dublin City Council along with the other Dublin Local Authorities is in an ongoing partnership with Failte Ireland on a Dublin focused Tourism strategy.

Concerns of stakeholders in the Tourism industry

As referenced previously, the Finance SPC have previously considered the introduction of a hotel bed tax. Past representations made by the Irish Hotel Federation spoke of concerns held around risks to the introduction of a visitor levy. A potential disbenefit arising from a visitor levy was stated of reducing tourist numbers through decreased demand for hotels as a result of the imposition of the levy. The sensitivity of visitors to increases in hotel prices would be a relevant factor. A further disbenefit referenced was the potential for job losses in the sector, in the event that the levy was not passed on to visitors and/or reduced occupancy occurred through price sensitivity to the levy.

A concern expressed was that a visitor levy (or hotel bed tax) is typically focused on accommodation provision while accommodation is but one of the services procured by tourists and in this sense, accommodation providers would be front line for all tourist related service providers. Also concerns were expressed that the charge might be difficult

to administer causing difficulties for the accommodation provider and the visitor. Finally while the application of additional resources to tourist related services and initiatives was welcome, it was noted that there must be absolute transparency on the application of such funds to *only* tourism related matters.

Matters to consider

In considering the introduction of a visitor levy, due regard is required in its design so that the charge is reasonable. The design should strive to uphold key objectives such as equity (i.e. being progressive as against regressive), ease of administration (i.e. significant resources should not be required), transparent (i.e. it should be easy to follow how the charge is made and what it pays for), adequacy (i.e. it should provide for a reasonable quantum of tourism related services as against being of token value). It follows that such matters as price setting / rate of visitor levy, the service on which the levy is charged (accommodation only or other tourism related services), exemptions, how the charge will be made and returned, the care and management of the funds and involvement of interested stakeholders will require focus.

Suggested Approach to progress

Earlier the partnership between Dublin City Council, the other Dublin local authorities and Fáilte Ireland was referenced. This arrangement works well and brings benefits to all involved. It would be worthwhile to involve the partnership with this process.

There are many aspects to the introduction of a visitor levy that would benefit from consultation and communication across the wide range of interested parties. A comprehensive consultation process could be initiated to inform and shape the outcome.

With the agreement of the SPC, arrangements will be made to commence a consultation process that will assist in understanding the implications, positive and negative of the potential introduction of a visitor levy.

Kathy Quinn
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