



ORKNEY
ISLANDS COUNCIL

Item: 6

Policy and Resources Committee: 18 February 2025.

Cruise Ship Levy Consultation.

**Report by Corporate Director for Enterprise and Sustainable
Regeneration.**

1. Overview

- 1.1. The Scottish Government has committed to explore the potential to grant local authorities new powers to introduce a cruise ship levy.
- 1.2. In September and October 2024, the Scottish Government held a series of roundtable events with stakeholders to discuss issues and concerns related to the introduction of a cruise ship levy for local authorities. The first event was held in Orkney on 5 September 2024.
- 1.3. It is anticipated that the Scottish Government will launch a 12-week public consultation on a cruise ship levy in February 2025.
- 1.4. Recognising that the timeframe of the upcoming consultation may not allow the Policy and Resources Committee to consider the Council's response within a committee cycle, a draft response has been prepared, proposing the Council's position as the basis for a response to the consultation, and is set out in Appendix 1 to this report.
- 1.5. The consultation response has been formulated by Sustainable Tourism in collaboration with Marine Services, and contributions invited from officers and members, as further detailed in section 4.4 of this report.
- 1.6. It is understood that once the consultation has concluded and responses have been considered, the Scottish Government will then confirm whether legislation will be progressed to enable a cruise ship levy for local authorities.

2. Recommendations

- 2.1. It is recommended that members of the Committee:
 - i. Approve the draft response to the upcoming consultation by the Scottish Government in respect of a cruise ship levy, attached as Appendix 1 to this report.

- ii. Delegate powers to the Corporate Director for Enterprise and Sustainable Regeneration, in consultation with the Leader, Deputy Leader and Chair and Vice Chair of the Development and Infrastructure Committee, to amend the Council's final consultation response, should any variations to the draft response be required following the launch of the consultation.
- iii. Authorise the Corporate Director for Enterprise and Sustainable Regeneration to submit the response in relation to the consultation on a cruise ship levy to the Scottish Government, on behalf of the Council, by the consultation deadline.

3. Background

- 3.1. For almost two decades, Orkney has been recognised as a leading cruise destination in Scotland, with outstanding port facilities and services and an [award-winning visitor experience](#).
- 3.2. Between March and October 2024 there were 213,785 cruise passenger arrivals, representing an increase of 237% since 2014. Today, cruise passengers account for almost half of all visitors to Orkney, contributing an estimated £15-20 million to the islands' economy and supporting local employment.
- 3.3. Cruise's success has exerted increasing pressure on Orkney's aging infrastructure, fragile environment, cultural heritage, and island communities, and the combination of cruise tourism's current pattern of growth and the Council's difficult fiscal position has frustrated efforts to adequately respond to the challenges and opportunities of this significant economic driver.
- 3.4. The Visitor Levy (Scotland) Act 2024 gives local authorities the power to introduce a levy on overnight accommodation. As the Act passed through parliament, stakeholders, MSPs, local authorities and others called for the development of a levy that would apply to cruise ships. Consequently, the Scottish Government committed to exploring the issues around such a levy, and to consult on a potential cruise ship levy before the end of 2024.
- 3.5. Cruise passenger levies have become increasingly common in popular destinations across the world as a means to support investment in local infrastructure and improved visitor management.

4. Consultation on Cruise Ship Levy

- 4.1. In September and October 2024 the Scottish Government held a series of roundtable events with stakeholders to discuss issues and concerns related to the introduction of a cruise ship levy for local authorities. The first event was held in Orkney on 5 September 2024 and chaired by Mairi Gougeon MSP, Cabinet Secretary for Rural Affairs, Land Reform and Islands, with representatives from the Council, Destination Orkney, British Ports Association, Lerwick Port Authority, Royal Caribbean Group, Fred. Olsen Cruise Lines, Cruise Lines International Association and Scottish Government in attendance. Subsequent meetings were held in Glasgow, Inverness and Edinburgh.
- 4.2. It is expected that the Scottish Government will follow up on the roundtable discussions with the launch of a 12-week public consultation in February 2025, inviting stakeholder views to inform their decision on whether legislation will be progressed to enable a cruise ship levy.
- 4.3. Anticipating that the upcoming consultation will mirror previous consultations by the Scottish Government, including the recent cruise ship levy roundtable events and the national discussion on transient tourism tax (November 2018 to January 2019), the draft response, attached as Appendix 1, addresses the following questions:
 - i. What would be the reasons for introducing a Cruise Ship Levy?
 - ii. What would a well-designed and operated Cruise Ship Levy look like?
 - iii. What positive and negative impacts could a Cruise Ship Levy have?
 - iv. How could funding raised by a Cruise Ship Levy be used and how could revenue be distributed fairly?
- 4.4. The consultation response has been formulated by Sustainable Tourism in collaboration with Marine Services, and contributions invited from:
 - i. an informal Council officers group comprising representatives from Sustainable Tourism, Marine Services, Finance, Economic Development, Communications, Licensing, Community Planning, and the Orkney World Heritage Site Gateway Project, who meet once a month to discuss ongoing visitor levy activity.
 - ii. Members of the Harbour Authority Sub-committee.
 - iii. the Corporate Leadership Team.
 - iv. Members, as part of an elected members' seminar held on 14 January 2025.

4.5. Key points in the consultation response include:

- In principle, the Council is in favour of the introduction of new discretionary powers that would allow local authorities to charge a levy on visiting cruise ships.
- A cruise ship levy could unlock transformational socio-economic benefits for communities across Scotland and improve the nation's cruise offer by supporting long-term investment in destinations, forging stakeholder relationships, exemplifying an equitable approach to tourism taxation, and enabling the viability of other levies.
- A well-designed and operated cruise ship levy should adhere to principles that support local autonomy, simplicity, transparency and stakeholder engagement.
- As tourism continues to grow and public sector budgets are stretched, the proceeds of a cruise ship levy should allow local authorities to maintain essential services and infrastructure. It should also support improved visitor management, particularly in areas accessed by cruise tourism, and development that harnesses opportunities to improve local quality of life and the visitor experience.
- A cruise ship levy should not replace other extant funding streams, the availability of which is especially vital in today's difficult economic and financial environment.

5. Next Steps

- 5.1. Should the recommendations at section 2 be approved, the Council's consultation response will be submitted to the Scottish Government by the consultation deadline.
- 5.2. It is understood that once the consultation has concluded and responses have been considered, the Scottish Government will then confirm whether legislation will be progressed to enable a cruise ship levy for local authorities.
- 5.3. If legislation to introduce a cruise ship levy is progressed, there will be further opportunities for the Council and other cruise stakeholders to engage on proposals.
- 5.4. Investigations into the feasibility of an overnight visitor levy for Orkney will take place over the coming months and include a comprehensive programme of stakeholder engagement which, among other things, will gather views on a cruise ship levy.

5.5. A members' seminar will be scheduled for May 2025 to present the findings of the visitor levy feasibility investigations and to discuss the implications of the introduction of an overnight visitor levy and a cruise ship levy in Orkney.

5.6. In the meantime, the most up-to-date information can be found on the Council's [Visitor Levy webpage](#).

For Further Information please contact:

Christie Hartley, Team Manager (Sustainable Tourism), extension 2854, email christie.hartley@orkney.gov.uk.

Implications of Report

1. **Financial:** The preparation of the Council's response to the cruise ship levy consultation has been resourced within existing service budgets.
2. **Legal** – None.
3. **Corporate Governance** – None.
4. **Human Resources** – None.
5. **Equalities** – None at this stage.
6. **Island Communities Impact** – None at this stage.
7. **Links to Council Plan** – The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - Growing our economy.
 - Strengthening our Communities.
 - Developing our Infrastructure.
 - Transforming our Council.
8. **Links to Local Outcomes Improvement Plan** – The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - Cost of Living.
 - Sustainable Development.
 - Local Equality.
9. **Environmental and Climate Risk** – None.
10. **Risk** – None.
11. **Procurement** – None.
12. **Health and Safety** – Not applicable.
13. **Property and Assets** – Not applicable.
14. **Information Technology** – Not applicable.
15. **Cost of Living:** – Not applicable.

List of Background Papers

A Cruise Ship Levy in Scotland: Roundtable Events Discussion Paper.

[Visitor Levy \(Scotland\) Act 2024.](#)

[Guidance on the Visitor Levy for local authorities.](#)

[Orkney Harbours Cruise Ship Booking and Confirmation Policy.](#)

Appendix

Appendix 1 – Council’s draft consultation response on a cruise ship levy.

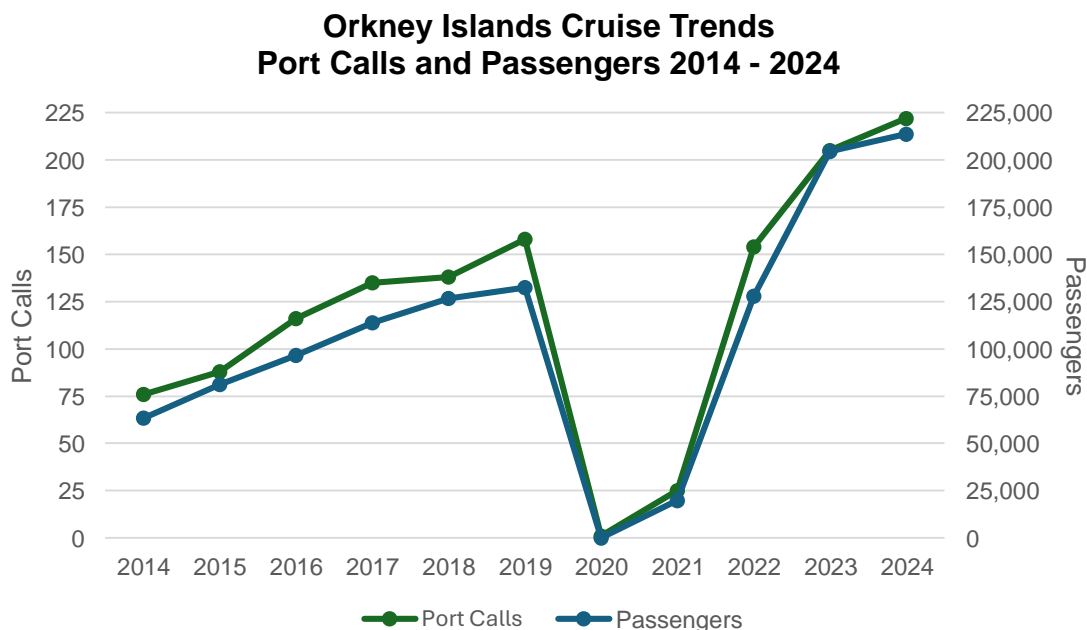
Cruise Ship Levy Consultation Response

1. Cruise Tourism in Orkney

1.1. For almost two decades, Orkney has been recognised as a leading cruise destination in Scotland, with outstanding port facilities and services and an [award-winning visitor experience](#). While the majority of cruise ships call to Orkney's main cruise port of Kirkwall on Mainland Orkney, a growing number are also visiting other smaller ports across the islands.

1.2. Cruise operations are managed by Marine Services, a division of Orkney Islands Council. As the Statutory Harbour Authority, Marine Services is also responsible for the safe and efficient operation of the 29 piers and harbours located throughout the Orkney Islands.

1.3. In 2024, there were 213,785 cruise passenger arrivals between March and October, representing an increase of 237% in the last decade. Today, cruise passengers account for almost half of all visitors to Orkney, contributing an estimated £15-20 million to the islands' economy and supporting local employment.



1.4. Cruise tourism's success has exerted increasing pressure on the islands' aging infrastructure, fragile environment, cultural heritage, and island communities, and the combination of cruise tourism's growth trajectory and the Council's difficult fiscal position has frustrated efforts to adequately respond to the significant challenges and opportunities which the sector brings to our communities.

2. What would be the reasons for introducing a Cruise Ship Levy (CSL)?

2.1. In principle, the Council is in favour of the introduction of new discretionary powers that would allow local authorities to charge a levy on visiting cruise ships. Moreover, given the scale of the growing challenges presented by the sector, the Council would urge the Scottish Government to enable this as soon as practicably possible.

2.2. If appropriately designed and implemented, a CSL could unlock transformational socio-economic benefits for communities across Scotland and improve the nation's cruise offer by:

2.2.1. Supporting long-term investment in destinations

- (i) A CSL would provide a means for destinations to support and harness the opportunities of cruise tourism while enabling cruise lines and their passengers to contribute to the places they visit.
- (ii) As tourism continues to grow and public sector budgets are stretched, the proceeds of a CSL would help local authorities to maintain services and infrastructure that support the visitor experience and are essential to local quality of life.

2.2.2. Forging a relationship between cruise stakeholders and destinations

- (i) Beyond economic benefits, one of the most significant outcomes of the introduction of a CSL would be the development of a relationship between cruise stakeholders and destinations that could help to reshape cruise tourism into a more sustainable model.
- (ii) Cruise lines sell the experience of their ships and our places. While they have a relationship with those who facilitate access to destinations, i.e. ports and shore excursion operators, cruise lines often do not have a direct relationship with the communities they visit and, in some destinations, this has aggravated adverse impacts and perpetuated local anti-cruise sentiment. The introduction of CSL would facilitate a direct, mutually beneficial relationship between cruise lines and destinations via local authorities whose primary obligation is protecting and serving the interests of local people and their places.

3. What would a well-designed and operated CSL look like?

3.1. A well-designed and operated CSL should adhere to principles that support local autonomy, simplicity, transparency and stakeholder engagement.

3.1.1. Local autonomy

- (i) There should be a balance between local and national consistency. Given the unique circumstances of cruise destinations across Scotland, with differing levels of cruise tourism, port ownership models, types and areas of related land-based activity, and local requirements, a one size fits all approach would not be appropriate.
- (ii) Local authorities are best placed to understand the needs and preferences of their local communities and, therefore, it is essential that a CSL supports local flexibility to respond accordingly.
- (iii) A degree of national consistency could facilitate greater cruise stakeholder understanding of their obligations and how to effectively and efficiently comply with them. It could also reduce some complexity in the design of local schemes and support local authorities in establishing joint or regional CSL schemes where appropriate.
- (iv) In principle, the Council would be supportive of a discretionary levy that devolves decision-making to local authorities, yet provides some overarching principles set out in national legislation to preserve Scotland's competitiveness as a premier cruise destination.

3.1.2. Simplicity

- (i) The application of existing legal mechanisms and practices would ensure simplicity in the design of legislation to enable a CSL and also facilitate stakeholder understanding and compliance. For example:
 - Revenues could be collected and remitted by a ship's agent who acts on behalf of the shipowner and, among other things, ensures compliance with local regulations.
 - The basis of a CSL could be a flat rate per passenger, with actual passenger numbers declared via their agent, reflecting existing national reporting requirements.
 - Harbour dues are typically not levied on cruise ships' crew and, echoing this practice, crew should be exempt from a CSL.

- A lead time for implementation of or significant modifications to a CSL scheme would be essential and the period of minimum 18 months provided by Section 14(3) of the [Visitor Levy \(Scotland\) Act 2024](#) (the VL Act) is a reasonable precedent.
- (ii) Furthermore, the ability to combine the administration of an overnight visitor levy and a CSL (as well as other potential future levies) would reduce costs for local authorities and enable viability of levy schemes for islands and other smaller local authorities, which may not be practicable on their own. For example, savings could potentially be achieved through:
- use of the national digital platform for local government (currently under development for the overnight visitor levy) for multiple levies, depending on its functionality
 - legislative provisions allowing local authorities to act jointly in relation to a CSL, as set out in Sections 12(3) and (4) of the VL Act

3.1.3. Transparency

- (i) The imperative for transparency cannot be understated. To be wholly successful, the introduction and implementation of a CSL must be built on a robust foundation of trust among local, national and international stakeholders. This will increase democratic accountability and ensure delivery of long-term benefits from and for cruise tourism.
- (ii) Considered in combination with the principle of simplicity previously discussed, transparency could be facilitated by mirroring certain provisions of the VL Act. For example:
- Prior consultation on the scheme, Sections 13(1)(a) and (c). Before introducing or modifying a scheme, local authorities are required to prepare and publicise an outline of the proposed scheme (including exemptions), its objectives and how they will be measured and reported, and an assessment of its impacts, as well as a consultation report which summarises responses received and sets out reasons for whether it intends to proceed with the proposal.
 - Annual reporting on scheme, Section 20. Local authorities are required to prepare and publish an annual report on their levy scheme, setting out the amount of money collected, use of net proceeds, and performance of the scheme in relation to its objectives.

- Visitor levy forum, Sections 16(1) and (2). Local authorities are required to establish an advisory stakeholder forum to consult on matters relating to their levy scheme such as scheme modifications and reviews, use of net proceeds, and annual reports on scheme performance.

3.1.4. Stakeholder engagement

- (i) Tourism can have a significant impact on peoples' lives and their places and a sustainable approach, therefore, seeks to optimally balance the needs of all stakeholders, including visitors, industry, environment, local communities and future generations. Accordingly, stakeholder participation in CSL-related planning and decision-making is essential to ensure generation of widespread benefits and maximisation of outcomes.
- (ii) Through effective stakeholder participation, a CSL should be cognisant of stakeholder views and reflect local, regional and national strategic aspirations related to the visitor economy and cruise tourism, in particular.
- (iii) Considered in combination with the principles of simplicity and transparency previously discussed, stakeholder engagement can be specified by replicating certain provisions of the VL Act and best practice set out in the [related statutory guidance](#) (Guidance) . For example:
 - Early engagement, Chapter 05 of the Guidance. Before deciding whether to introduce a levy scheme, best practice prescribes that local authorities engage with stakeholders to develop an understanding of related priorities, issues and concerns, and to carefully assess risks and potential impacts on the visitor economy and local communities. Moreover, stakeholder engagement will help to inform the design of a scheme, if progressed.
 - Prior consultation on the scheme, Section 13(b) of the VL Act. Before introducing or modifying a scheme, local authorities are required to consult stakeholders, including local communities, tourism businesses and organisations, visitors and anyone else likely to be affected by a visitor levy scheme.
 - Visitor levy forum, Section 16(4) of the VL Act. The advisory stakeholder forum must comprise a reasonable balance of stakeholders who are representative of communities, businesses engaged in tourism and tourism organisations in the scheme area.

4. What positive and negative impacts could a CSL have?

4.1. The implementation of a CSL would provide a means for destinations to harness the socio-economic opportunities of cruise tourism by:

4.1.1. Supporting long-term investment

A CSL would offer long-term benefits for stakeholders through targeted investment in the public realm for which the cost of provision has traditionally been borne by local taxpayers. As tourism continues to grow and public sector budgets are stretched, the proceeds of a CSL would help local authorities to maintain services and infrastructure that support the visitor experience and are essential to local quality of life.

4.1.2. Forging cruise stakeholder relationships

Collaborative development and implementation of a CSL by cruise stakeholders would facilitate a direct relationship between cruise lines and destinations via local authorities. This could deliver mutual benefits for stakeholders, such as community capacity building and industry access, improved visitor management, and innovative product development, improving destinations' cruise offer while, crucially, helping to garner and maintain local support for cruise tourism.

4.1.3. Exemplifying an equitable approach

The combined introduction of an overnight visitor levy and a CSL (as well as other potential future levies) represents an equitable approach which enables more visitors to contribute to improving the places they visit and enriching the lives of local people they encounter.

4.1.4. Enabling viability of other levies

Crucially, the availability of multiple mechanisms to generate revenue from tourism is especially vital for islands and other smaller local authorities as it could enable the viability of levy schemes which may not be practicable on their own.

4.2. Conversely, a CSL could potentially have the following adverse effects:

4.2.1. Increasing costs

- (i) A CSL would increase the cost for cruise lines to visit Scotland, which would likely be passed on to their passengers and reflected in higher-priced cruises. However, the long-term investment enabled through a CSL would significantly improve the visitor experience, increasing perceived quality and value for money and providing justification for a levy.
- (ii) Additional administration costs would also be introduced for whomever is liable to collect and remit the levy to the local authority (e.g., ships' agents, as suggested in paragraph 3.1.2 above). This cost would likely be passed on to cruise lines who would, in turn, recover it from their passengers.
- (iii) If there were evidence of a significant administration burden on the liable 'entity', retention of a proportion of CSL proceeds collected could be considered, as proposed in Edinburgh Council's overnight visitor levy scheme.

4.2.2. Limiting cruise tourism

A CSL could potentially be wielded to limit visitor numbers or even deter cruise tourism, which would not only restrain local economic opportunities but could also potentially compromise Scotland's attractiveness as a cruise destination. However, a more sustainable approach would be to instead manage cruise ship arrivals through a policy such as Orkney's [Cruise Ship Booking and Confirmation Policy](#) developed by the Harbour Authority in consultation with stakeholders and introduced in August 2023.

5. How could funding raised by a CSL be used and how could revenue be distributed fairly?

5.1. As tourism continues to grow and public sector budgets are stretched, the proceeds of a CSL would allow local authorities to maintain services and infrastructure that support the visitor experience and are essential to local quality of life.

5.2. A CSL should support improved visitor management in areas accessed by cruise tourism and development that harnesses the opportunities of cruise tourism to both enhance the visitor experience and improve wellbeing of local communities.

5.3. In 2024, Orkney welcomed 213,785 cruise visitors. If they had each paid a CSL of £5 per person, for example, £1,068,925 would have been generated. It should, however, be noted that, as the costs of administering a CSL scheme are unknown, it is not possible to estimate what net proceeds could ultimately have been available for local investment.

5.4. For islands and other smaller local authorities, the availability of multiple mechanisms to generate revenue from tourism could enable the viability of levy schemes which may not be practicable on their own.

5.5. Importantly, a CSL should not replace other extant funding streams such as VisitScotland's Rural Tourism Infrastructure Fund, the availability of which is especially vital in today's difficult economic and financial environment.

6. Additional Comments

6.1. Further engagement on CSL

The Council would welcome the opportunity to closely support the Scottish Government in developing detailed proposals for a CSL that would unlock the benefits of cruise tourism for local communities and improve Scotland's cruise offer. Our team is available to contribute expert advice, offering in-depth understanding of the complexities of the cruise sector underpinned by significant industry knowledge, insider experience and long-standing relationships with local, national and international cruise stakeholders.

6.2. General Power of Competence

The Council is heartened that the Scottish Government is revisiting the matter of a General Power of Competence for local authorities in Scotland, particularly at this fiscally challenging time. Not only would this expand the scope for local democracy, putting Scotland on a par with England, Wales and Northern Ireland, which already have such powers, it may also provide local authorities with a mechanism through which revenues from a wider range of activity (tourism and otherwise) could be levied. The Council welcomes the opportunity of the Scottish Government's ongoing consultation on a local authority General Power of Competence to contribute our views and perspectives on potential legislative changes to enable local authorities to more effectively deliver public services.

6.3. Other visitor levies

As previously stated, the availability of multiple mechanisms to generate revenue from tourism is especially vital for islands and other smaller local authorities as it would enable the viability of levy schemes which may not be practicable on their own. Therefore, the Council would be supportive of the exploration of further levies that could apply to motorhomes and day visitors, for example.

DRAFT