

Welsh Affairs Committee

Oral evidence: [Wales as a global tourist destination](#),
HC 1088

Wednesday 20 April 2022

Ordered by the House of Commons to be published on 20 April 2022.

[Watch the meeting](#)

Members present: Stephen Crabb (Chair); Geraint Davies; Ruth Jones; Ben Lake; Robin Millar; Beth Winter.

Questions 1 - 30

Witnesses

I: David Chapman, Executive Director for Wales, UK Hospitality; Suzy Davies, Chair, Wales Tourism Alliance; and Gwyneth Sweatman, Head of Communications, Federation of Small Businesses Wales.

Written evidence from witnesses:

- [Federation of Small Businesses Wales](#)

Examination of witnesses

Witnesses: David Chapman, Suzy Davies and Gwyneth Sweatman.

[This evidence was taken by video conference]

Q1 Chair: Good morning, and welcome to Committee Room 5 in the House of Commons and the first evidence session in a new inquiry for the Welsh Affairs Committee. We are looking at Wales as a global tourist destination. We have two panels of expert witnesses this morning. On panel 1 we are joined by David Chapman, who is the Executive Director for Wales for UK Hospitality, and Gwyneth Sweatman, Head of Communications for the Federation of Small Businesses in Wales, and we are joined remotely by Suzy Davies, who is the Chair of the Wales Tourism Alliance. Good morning to you all. Thank you very much for giving your time and expertise to the Committee this morning.

I will start with a couple of very broad and general questions to the panel, and I will direct my opening question to David Chapman first of all. David, what do you feel are Wales's core strengths when it comes to being a global tourist destination?

David Chapman: I think we can probably develop it more than we have, but we have an incredible indigenous culture, community, landscape, food and drink offer, a wonderful warm welcome and just a fantastic place to visit, and we must make more of that. I would like to come on to that a bit later, because I think that collaboration and partnership are essential to do this. I do not feel that this is only part of government plans; it is an industry area as well and, indeed, a public area. It is one where with a small nation such as Wales we are able to do an awful lot together for the betterment of the country and the economy, and it is an opportunity post-Covid for us to do that.

Q2 Chair: Great. I am sure as a Committee we will be nodding and wholeheartedly in support of all of those qualities for Wales, because we are all passionate about Wales, but are they evident to the international market, with international tourism being an incredibly competitive business? How well do you feel Wales is doing in capturing an appropriate share of the global tourism market?

David Chapman: I think that we have to do more, and that should be our ambition. It is difficult to be able to estimate quite how that image and content is reflected around the world. I am not able to tell you that, but I am able to say that I know we can do an awful lot more, particularly with compatible visitors, visitors who have an indigenous culture and a similar interest to what we can offer, perhaps with walking holidays, country holidays or city breaks—those are the sorts of things where we can probably specialise more and identify that more. I think that needs to be brought into a bigger plan that is not simply about coming to the UK, but is about the different nuances that the UK offers to visitors,



particularly in the direct lines in Europe, France, Germany and those nearby likely visitors.

Q3 Chair: Thank you very much, David. Suzy, could I bring you in here? Do you agree with those remarks from David about Wales's core strengths and where we are positioned at the moment in the global tourism market?

Suzy Davies: Certainly the strengths that Wales has played on for many years now, which are primarily our coastline, our countryside and our heritage, are things that we should be proud of. While they are not unique in the sense that other parts of Great Britain have those qualities as well, what we have in Wales is that they are all in a very confined space and they are all of extremely high quality. I suppose if I were to say that VisitBritain, which is the primary promoter of GB in this situation, may have some work to do, it is to recognise that those qualities are particularly special in Wales and then use them as part of its hook of attracting visitors to Great Britain.

We know from fairly recent data—and there are new types of data available, thank goodness—more about the types of holidays that people particularly from Europe are looking for and the types of things that Wales is good at and that we score highly on from our European visitors. While the relationship between VisitBritain and Visit Wales is very good now, there still is, as David said, a bit of work to do in raising the profile of Wales through the VisitBritain channels in a way that benefits the overall number of visitors coming to Great Britain.

Q4 Chair: Suzy, thank you. Colleagues will want to put some questions about the relationship with VisitBritain to the panel later, so we will come on to that in more detail.

I come back to the question of what Wales offers. Both you and David Chapman have talked about the outdoor experiences, the coastline and those kinds of things. How important do you feel it is instead for a nation like Wales to have a strong city-based offer in the global tourism market? The reason I ask is that when I look down the list of European cities that attract the most international visitors, obviously London is there right at the top, along with Paris, but Edinburgh is in there. I do not see Cardiff anywhere near the list of the top 25 visited cities in Europe. Do you think it would be a mistake to try to put Cardiff more at the heart of the international tourism offer for Wales or is it, going forward, going to become a much more important part of trying to get international visitors to get them to the capital?

Suzy Davies: It is a really good question, because certainly post-Covid the market where the most interest is being shown in the UK at the moment is the exciting city experience. We are talking about experiences an awful lot more. Wales at the moment, even compared to Scotland, does not do particularly well on that, but I understand that VisitBritain, because it is able to respond to these very agile bits of data, is now



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looking at selling Cardiff and Swansea more directly. You are right in the sense that there is more to do on that score, but it should not be at the expense of what already works quite well.

Q5 Chair: Thank you, Suzy. Gwyneth Sweatman, thank you for joining us this morning. How important for the membership of the Federation of Small Businesses are international visitors to Wales? Are they an increasingly important part of the customer base?

Gwyneth Sweatman: Yes, absolutely. When you have a thriving tourism industry, you generally have a thriving economy, so it is really important. It is also important to note that the majority of businesses working in the tourism sector are small businesses with one to nine employees. We are talking about a lot of businesses that have had a really difficult last two years. Our members have described the last few years as one long winter season, the worst that they have ever experienced, so having a supportive Government that supports a thriving tourism economy is really important.

I want to come back to the question that you asked earlier about what separates Wales. As part of the research that we did looking into preparing for today, we noticed that international travellers really value the Welsh language, and that is a real asset that we have to promote Wales as a country. I am from South Africa. I moved to Wales because I was impressed with the culture and the friendly people, and the Welsh language is a huge part of that. It is about promoting that as a brand as a whole, and including SMEs inside that conversation is important because they form the basis of the tourism industry.

Chair: Thank you very much. I am going to bring in my colleague Ruth Jones now.

Q6 Ruth Jones: Thank you, panel, for your time this morning. I will go to the UK Government policy first of all, looking at how that meshes in with Wales. How confident are you that the UK-wide measures contained in the Tourism Recovery Plan will deliver for Wales itself? I will start with Mr Chapman.

David Chapman: My feeling from looking into this and the research for you today is that we are coming to a crossroads in the Tourism Recovery Plan. I noticed several important quotes in it. One is that the plan is an important milestone in the recovery of the sector and, "It will ensure the tourism sector is well placed to reach its full potential and contribute to the UK Government's ambitious overall plan for growth". Obviously, that is going back a year or more now.

The fact is that we have now had a whole new series of challenges as an industry that probably were not foreseen when the plan was developed in the first place. It was looked on as a Covid recovery plan. What we have at the moment is a real cauldron of costs that have affected the industry right across. This April, we have had National Insurance increases, VAT



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has returned to 20%, and business rates have come back into play. Food inflation is pretty serious and energy inflation is very serious. That combination of costs together comes on top of two years where we have had destabilising effects on the industry with closures and restrictions, where we have lost all cash reserves and where we have borrowed money on loans. What I am trying to demonstrate is the fragility of the industry at the moment.

I think it needs some quite bold moves forward, which is down to all of us—the industry, the Welsh Government and the UK Government—to combine to use everything at our disposal to be able to help the industry through this difficult moment. The main purpose for this is not because we need the help, but because we can give the UK economy the help. Before Covid, we were contributing £3.6 billion into the Welsh economy every year. We were providing 140,000 jobs directly in the hospitality sector and supporting another 40,000 jobs. We are probably 20% down on those figures as we come out of Covid. It is a serious position. To get back to the point where we are able to pay the Exchequer the level of contributions that we were in 2019 as quickly as possible should be an ambition for everybody—not only the politicians, but the industry working together—to make sure that we get back there as quickly as possible and protect as many jobs and as many businesses as we can.

Q7 Ruth Jones: If the objective is to return to 2019 levels of inbound visitors, how achievable is that? You have mentioned the challenges very clearly. How achievable is that?

David Chapman: In the short term—

Ruth Jones: Sorry, by 2023.

David Chapman: Yes, and I think that is the difficulty, isn't it? It is about how quickly we can mount this recovery with this extra burden of extra challenges on top of us. I hope that with the restrictions being lifted and with ambitions and personal ambitions changing, people will fairly quickly come back to that. If that is the case, we then have to maximise that opportunity to make sure that overseas travel is not outbound, but that we get a very high level of inbound and get them to maintain the time that they are here and to extend the stay and the spend when they are here. To conclude on that point, because I will come back to the recovery plan, I think that there is some optimism and we should be working together to deliver that.

The idea of Cardiff as a hub is a very interesting point and it is one that I have been interested in for a number of years. We should be looking to cascade business out of Cardiff but to use Cardiff as a centre point for that to happen. Edinburgh has a reputation and is able to do that, as was pointed out, and obviously London does that very successfully. It retains spend but also is able to offer more. I do not think we do enough as an industry to be able to provide that sort of succession of opportunities that



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will tempt the visitor to stay longer and to explore more through the capital city hub.

Q8 Ruth Jones: That makes sense. Ms Sweatman, we have already heard the actual challenges. What about the way back? Are you confident that we will achieve the objective of returning to those levels of inbound visitors by 2023?

Gwyneth Sweatman: Recently we did a report on business support in Wales, and while a lot of people in the tourism sector did have to go out and get support, we found that 67% of businesses in 2021 said that they do not think they would still be here today without the support from Government, so that support has been key. Many of our businesses also say that they are looking to grow still. They are hoping to carry on expanding. Unfortunately, the only sector that we found that did not have extremely strong growth aspirations was tourism, just because of all the barriers, obviously. Something that is interesting about the 2019 intake is that the figures show us that over half of overseas visitors to Wales were from the EU. We do not yet know the true impact of that Brexit migration as well.

For us, what is really important is promoting that welcome back to Wales brand—we are here, we are open, we are ready. To do that, we need to have proper infrastructure. I could not agree more about being able to get people out and about. In the Nation Brands Index survey, Wales scored relatively not that great on vibrant cities. That is something we have just released a report on, “A Vision for Welsh Towns”, and promoting Welsh cities. There is so much to see in Wales. There is so much to do. It is about getting people into Wales through Cardiff and then dispersing elsewhere in a way that helps local economies as well.

I am quite confident with the SMEs wanting to grow. I think that is clear from all of our members. The desire to keep going is definitely there but we just need help.

Q9 Ruth Jones: Ms Davies, what are your thoughts on the concrete steps forward to achieve this objective?

Suzy Davies: Yes, we all want to be in the same place on this one, don't we? I have to begin with something that is not quite so easy to say. This message about, “We're good to go in Wales, Wales is ready for business” has been successful on one side. Working with VisitBritain and the “We're Good to Go” thing has been great. Of course, Wales has been the subject of some damaging headlines internally because of various policy announcements that have been taken and run with in a very bad way by some of the local press, things like tourism tax and stuff, which has not helped us during some of our higher period.

However, there are things in both the Welsh recovery plan and the UK recovery plan that are extremely helpful. The Welsh Government have just produced their review of the first year of the recovery plan, which



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has some very positive signs in there. I suppose the biggest threat to the speed of recovery will be the very recent news about things like the cost of living and Ukraine, which are having a material effect on people's decision-making powers. Even as recently as four weeks ago, we had people who had not booked, from Europe in particular, saying, "We have not booked yet but we are definitely going to". They were saying they were prepared to do it because things like insurance for Covid and good cancellation policies and good cheaper deals within GB and Wales were there for the taking. Whether those expressions of intention now translate into actual bookings, even with those protections, remains to be seen simply because of what has happened in the last couple of months. In those circumstances, it does not matter what is in the strategies, because they will be overtaken by events.

Ruth Jones: That makes sense. Thank you very much.

Q10 Robin Millar: Mr Chapman and Ms Sweatman, both of you have mentioned the importance of getting people into Cardiff and then distributing from there. My understanding from looking at the figures, and I am happy to be corrected on this, is that the dynamic of Wales works differently. If we are just talking about international visitors, then looking at international travel, people fly into London, Birmingham, Manchester and Liverpool. I have just checked now; I represent Llandudno, which is the largest resort in Wales, and I can get to Birmingham airport from Llandudno in less than two and a half hours. I would not get past Welshpool in that time if I tried to distribute from Cardiff. We have three world heritage sites in north Wales. As I say, Llandudno is the largest resort. We have a medieval walled town. Why are we promoting something that is not working, bluntly, by getting people into Cardiff and trying to distribute from there? Why are we not instead encouraging something that is?

David Chapman: I think it is a dual strategy. Mr Crabb's comment in the beginning was an interesting one. I do not think enough is made of Cardiff is the point that I was making, and more could be done to cascade out. But you are absolutely right and there are obviously travel-limiting areas within Wales, so Cardiff would not be in any way a gateway to the area that you represent. Many of my members are particularly in these—I think it is the UK's biggest resort for tourism, which is Llandudno.

One thing that is already in place is the Visit Wales work with Marketing Manchester. That is a very good example, from what I have seen, of collaboration and partnership working. There seems to be an understanding that the radius around Manchester is supported and not simply, say, the English factors of Manchester or the outlying areas and the other cities. By the look of it, with Visit Wales collaborating and helping to invest in that at the moment, that is the way forward. That is the suggestion of a line that I would like to take up with this, and I think you are ahead of where we would have been in the south, which is where I live, with Cardiff. I think there is more to be done there.



Q11 Beth Winter: Thank you for coming today. You have already outlined the detrimental impact that Covid has had on tourist numbers, but even pre-pandemic the number of international visitors was comparatively low when compared with England and Scotland. I think in 2019 we had a million international visitors, which represents 2.3% of the overseas visitors. Added to that, the spend per international visitor was lower in Wales compared with the other nations of the UK. I am interested to explore what you feel are the main reasons for that. I will ask Ms Davies first, please.

Suzy Davies: It is a question that has vexed people for probably decades by now: despite the offer that we have here, why aren't we getting the international visitors? I think there is a range of reasons for this and not all of them are easily answered.

One of them has already been alluded to. I am in mid Wales, where our airport is Birmingham, and I am pleased to say that there is a direct service from the town that I live in straight through to Birmingham International, which makes it easier for people to get to my bit of Wales. However, the majority of overseas travel comes in via Heathrow and the major airports, and we do not have one of those that has many direct flights. For example, if I were to take the Qatar direct link from Cardiff airport, which we are all very excited about, what that does for incoming leisure travel is difficult to ascertain. If you look particularly at Qatar, that is not a main market for either VisitBritain or Visit Wales.

As far as numbers in Wales go, Visit Wales and VisitBritain have over the years tended to mine the same markets. For the 10% of overseas visitors that we get, the composition of that tends to change a little bit over the years. My straightforward answer to your question is that the things that sell Wales need to be highlighted more strongly in the VisitBritain offer and backed up by the fact that it is not as difficult to get here as perhaps people think it is.

We know that people choose to come to Great Britain and Wales is often a second choice, but they come back. We have quite a high level of return visits. I wonder whether there is some work for both Visit Wales and VisitBritain to do there in the markets we already have to increase the number of return visits for the longer stay and the longer spend by taking advantage of the things that Wales is good at. If there was an easy answer, I think it would have been snapped up by now.

David Chapman: I think that we have a number of assets that need to be more promoted, and Ian will be on later. We have the International Convention Centre there. That can raise the profile throughout the world for us and it is an asset that needs to be helped more, even though Ian is there. As an industry we want to see all our assets being able to target visitors.

One thing that might help is relooking at how the strategy works and maybe bringing in the industry and Visit Wales at the earliest possible



opportunity to the VisitBritain thinking so that we can offer collaboration at that level and to come up with the sort of nuanced promotion that the nation needs. I am thinking that there are headline features that are in danger of swamping the agenda. The Queen's Jubilee and the Commonwealth Games are very big and justifiably things that should be promoted, but we have to find a way as well of being able to sell the timeless assets that we have and to renew those and to show a way of attracting visitors to come to us. We also have to show the modern Wales, which is what the international business community should now be able to see through our meeting opportunities. That is why the capital city and, indeed, the urban areas of Wales need to be promoted as well.

It is a mutual activity between the industry, Visit Wales and VisitBritain, and we need to look at that within the recovery plan from now on and help the UK Government and VisitBritain to devise a way to make that much more directly relevant to the Welsh market.

Gwyneth Sweatman: As part of the recovery plan, the UK Government also promised a sustainable tourism plan to follow on from that afterwards. We are keen to see that. One of the biggest challenges for tourism in Wales, and also one of the biggest bonuses, is our geography. Obviously, we have gorgeous mountains, gorgeous beaches, beautiful cities and beautiful towns, but it is also hard to get to. As we were talking about earlier, we want to be able to eventually get from one side of Wales to the other without having to leave the country. That would be nice.

It is about doing that in a sustainable way. A lot of our members say what works well for them in getting tourists from England and abroad is ecotourism. It is a big market in Wales and something that is gaining traction. As we keep going, that will become more and more appealing. I think we need to be supporting the sustainable development of the economy and of the tourism sector that way so we can push people into all different parts of Wales and they can have great sustainable experiences.

David Chapman: Can I very quickly add to that, because I think there is a relevant point? The way that they have shaped the future in structuring sustainable tourism as a big advantage for visitors to Wales is something that we need to contribute to. It is one of our policies, for instance, just to show the way that we can work together, for our members to be assisted but also to lead on electric power points. We know that for decades we have had maybe 80% to 90% of visitors coming by car and that is not likely to change, given the infrastructure that we will talk about a bit later for transport. Let's make something of that. People are now becoming much more responsible on the road and they are switching to electric cars. Let's make our nation a place that welcomes that and our businesses as venues for assisting that.

Q12 **Geraint Davies:** Gwyneth Sweatman, you mentioned that half the



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visitors to Wales are from the EU. Can I ask what the impact has been of the decision to no longer recognise EU ID cards as valid entry documents for the tourist sector in Wales?

Gwyneth Sweatman: I am not sure that I am able to answer that. It is, just to clarify, half of overseas visitors. I am not sure I have an answer for you on that immediately, but I can definitely go away and find that out and get back to you. Obviously, we want to make it as welcoming as possible, so anything that gets in the way of welcoming tourists to Wales is something we are not supportive of.

Q13 **Geraint Davies:** Can I turn to you, David Chapman? You mentioned some of the other costs: food, energy, National Insurance and VAT. My understanding is that not allowing the EU ID card is going to cost something like 40,000 jobs across the UK just for English-teaching schools alone, for children who want to learn English coming from France or whatever. Do you have any numbers on the impact it will have on tourism in Wales?

David Chapman: No, not at this stage we haven't. In fact, I am grateful to you for raising that issue and I can look into it and offer you some help—

Geraint Davies: It is said that something like 80% of the income of that particular sector will go, so could you come back to the Committee?

David Chapman: Absolutely, yes.

Q14 **Geraint Davies:** If it is going to be significant, it is something we want to push on. Do you have any information on this, Suzy, by any chance?

Suzy Davies: Funnily enough, the language schools have raised this with me—the delays in visa changes and how that will affect their industry. They do not have any figures for us yet either, so I am quite interested to know where you got your 80% from. I do not think that is an unreasonable surmise, because Covid itself has caused great gaps in the number of people coming here anyway for language learning. Even though Covid is hopefully on its way out, there is a residue of that that also impacts, alongside the difficulty of getting in on a young person's card.

Geraint Davies: Thank you. Obviously, the Russian situation makes it even worse. I will leave it there.

Q15 **Robin Millar:** Mr Chapman, you mentioned the bundle of costs attached to things but, Ms Sweatman, I think you also referred to this long winter that we have had, over two years. I will come to each of you. Can you concisely summarise what the impact of the Covid-19 pandemic has been on the tourism sector in Wales, please?

David Chapman: I will happily start on that. We represent probably about 80% of the hard-line economic impact within the tourism sector



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from our businesses. You have heard it often enough from our members and from the press. Let me start from a different angle.

Robin Millar: Can I interrupt you, sorry? We could probably spend a whole session just on the impact of Covid on the tourism sector. Could you keep it concise?

David Chapman: I will try. I want to get across the wellbeing factor. It is not only all those impacts that I mentioned earlier, which are relevant, but the fear that spread through our businesses and through the people who work in that business about the security of their futures. The uncertainty and, as I mentioned earlier, the destabilisation of the industry day to day was something that—I have worked in this industry for more than 20 years. It genuinely affected me seeing my friends in the industry and how they were responding to this terrible time and terrible personal time. That is debilitating.

One thing that we must take into account is that this is a brilliant and resilient industry, but it is about the capability of these people to keep coming back and keep coming back when they are being successively hammered. We are in that position now. It is easy to take that for granted. It is much documented on the cost side. I can provide you with all that information, and I spend most of my time at the moment talking about it, but I want to raise that prospect here. It is about how we must look after those champions who are helping to bring back the recovery and to think of it not simply as numbers on a page.

Gwyneth Sweatman: In Wales we have a need for that confidence to be rebuilt. Obviously, in Wales we had more restrictions and for longer, and while I am not qualified to comment on any of the health aspects of that, businesses in Wales went above and beyond to help support and keep Wales safe, and that needs to be recognised. We did some research in 2021: 67% of businesses would not have survived, according to them, without help from the UK Government and from the Welsh Government as well. That is clear. Debt that small businesses held has gone up from an average of around 57% of held debt to now 77%, so small businesses are having to rely on debt from all different areas and on getting loans and grants, and that is definitely massively increasing.

What we also saw increasing is a concern over the viability of high streets and how they are doing. Quite a lot of tourism and small businesses are based on high streets, so the lack of footfall has been a real problem. We also have staycations, which have increased quite a lot in Wales. That is fantastic, but the sector is not yet in a strong place to be able to respond to that and meet those because of the staffing challenges.

I know that we spoke about the issues previously, but you have what we are calling a cocktail of costs—I know that there are a lot of different names for it. We have VAT, National Insurance and energy rises. I spoke to a business recently whose energy bills have gone up by £15,000. This will have huge implications on jobs. There is not currently any support for



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those energy bills rising. We were pleased to see that the Chancellor accepted our calls for employment allowance in the spring statement. That is great. It will save businesses about £1,000 each on average. Looking at the impact of Covid, beyond that we also have costs of living and how that impacts on to costs of business and sending that on to customers. Unfortunately, it is quite a bad cycle and the impact of Covid is yet to even—we have yet to even see the shape of the recovery.

Suzy Davies: To save a bit of time, I concur with everything we heard there. One of the things to bear in mind is that the costs for businesses have risen considerably on top of the debts they have incurred through Covid, but that affects customers as well. If you look at who will be coming to Wales—this is domestically, as well as from overseas—price point is now starting to matter. It is affecting, as I mentioned earlier, people making the decisions about when they are going to book, and they are booking early only if they have guarantees that they can cancel their bookings at no cost and so forth.

We have not seen the impact of this yet. We need to see how the summer in particular pans out. I suppose it is fair to say that what Wales in particular does not need is anything home grown in burdens for the tourism industry that would disadvantage it from other parts of the UK. You know what I am talking about, I am sure. You have seen all the headlines about things like tourism tax, which is not imminent but is definitely coming if we are to believe what we hear. There are some imminent challenges, such as the differences between second homes and holiday businesses, for example. It is eating into that resilience a bite at a time, and at some point we will have particularly micro and small businesses just say, “We have had enough of this and we will not be able to give you an offer anymore”.

Q16 **Robin Millar:** Thank you for that. I want to come to the question of costs, and let me grasp that nettle that you put out there, Suzy. There were headlines at the weekend that said Wales is going to introduce a tourism tax. Can we take this opportunity to be very clear that Wales is doing no such thing? There is a consultation on a policy of the Welsh Government to consider a tourism tax, but visitors to Wales this year—this summer—will not be taxed in any way or form. Can we be clear about that?

Suzy Davies: That is true, yes.

Q17 **Robin Millar:** Thank you. Can we then look at this cluster of costs, this “cocktail of costs” that you mentioned? How well do you think the UK and Welsh Governments have supported the tourism sector in Wales? Ms Sweatman, we will start with you, please.

Gwyneth Sweatman: It is important to say that businesses are thankful for the support from UK and Welsh Governments, and it is important to recognise that support. The furlough scheme was incredible—the first of its kind in the UK—and that support should not go unrecognised.



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I think that a lot of businesses will find themselves asking, "What now?" All these changes have come in in April. Especially with the rising costs of living, there was a lot of great support there, but we will need to continue that. It is important for us that that support is joined up. We have new and exciting ideas like the Levelling Up Fund, which has the potential to do fantastic things, but it should not bypass the support mechanisms we have in place in Wales already. For us, it is important that we have open dialogue between the UK Government and the Welsh Government when implementing more support for businesses. We urge both institutions to think about the support that businesses need today, because many will be asking, "What now?"

David Chapman: I completely agree. The industry was saved by the package of measures introduced to support it: furlough, the VAT changes, business rates, grants, and lately duty support. We will talk about VAT again so I will not go on to that, but in Wales the Economic Resilience Fund was a real breakthrough. That helped particularly in the early days. The fact that Wales, after listening to conversations we had, adopted the 100% business rate relief for two years was a significant help as well.

The point that Gwyneth makes is absolutely spot on. Covid has gone and there is a sort of a catching of breath and a gap. We now need to look at how we can very cleverly use the resources and the tools at the disposal of both industry and Government to help this recovery as quickly as possible. The Shared Prosperity Fund, for instance, as well as the Levelling Up Fund, are areas where we could make a difference, I feel, particularly with the unification of the farm-to-fork element of the food and drink industry, the agriculture industry and the hospitality industry in Wales. That will help branding and reputation as well.

Q18 **Robin Millar:** Suzy, is there anything in particular that you want to add?

Suzy Davies: No, I agree with all that. The only point I would add is that in the second wave of support, the one that was dedicated to tourism and hospitality, there were certain micro and small businesses that fell through the gaps, simply because of their nature and size. The smaller the business, the less likely you were to be able to benefit from the support. Certainly with the second wave, self-catering did not get the same sort of support as other sectors. Nevertheless, the overriding message is: thank you, both Governments.

Q19 **Robin Millar:** Let's talk about VAT. There is the prospect that that will return to 20% and there is also, as I say, the discussion about a tourism tax, which I think is relevant because tourism taxes are typically in countries that have a lower rate of sales tax. Perhaps taken as a bundle, what do you think the impact of raising tax in that way would be on the small businesses that you represent in the sector that we are talking about, tourism? Suzy, can I start with you, please?



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Suzy Davies: Yes. I don't have figures for you but I can get them to you, because the organisation that has been lobbying for many years for cuts in VAT has the evidence to show that the lower the VAT rates, the higher the return to the Treasury over a period of time. I will undertake to make sure I get links to that to the Clerk.

Not all small businesses are eligible and signed up for VAT but, of course, they pay VAT on the stuff that they buy in to offer good-quality business. There is an impact and possibly a space there for considering how we deal with non-VAT registered businesses and how they might be able to benefit from a cut.

You are quite right in the second part of your question. All tourism tax countries have much lower rates of VAT for tourism products in those countries—10% and less, generally. It depends a little bit on the actual product. The prospect of a 20% VAT rate plus a tourism tax, however modest, is not great news for tourism in GB, let alone Wales. Again, it does not help us with that, "Wales really wants you, welcome to Wales" message that we desperately need to be pushing at the moment.

Q20 **Robin Millar:** Thank you. Mr Chapman, from your perspective can you comment on the impact of a differential between Wales and the rest of the UK, if there were to be an additional tax in Wales.

David Chapman: I would like to respond on the VAT thing as well if I can.

Robin Millar: Please.

David Chapman: What has happened is that at the least it is a missed opportunity to take it back to 20%, and at worst it is a real setback. That is not simply for the industry, but for our customers and the economy. It is inevitable with that level of cost that we demonstrated earlier that the rise of VAT back to 20% means that we will have to put our prices up. That means either that our customers do not eat out so often or they have to pay more, and that is again another symptom of inflationary spiral, which will add into the other inflationary elements that are happening at the moment. Whereas in reverse, if we had been able to have kept even at the 12.5% level of VAT, 70% of our members when surveyed said that they would use that difference to reinvest. That reinvestment is the bedrock of the recovery, and it is also the platform for the Chancellor of the Exchequer to receive more money from us more quickly. I felt it was short-sighted. I think that UK hospitality feels it was a short-sighted move to do that.

Looking at any other taxation, at the moment it is the last thing we need. It is as simple as that. As I mentioned, since April we have had business rates raised again to 50% on their way to 100% next year. We have National Insurance to cope with and we also have the VAT rise. More taxation is going to differentiate for visitors. It is already producing some bad publicity and it is just the wrong time.



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- Q21 **Robin Millar:** Ms Sweatman, I will ask you to focus on this question. If we are pressing for a lower VAT rate—and there seems to be unanimity that a lower VAT rate would be good—how long should it be for? When is the end of this piece of string? When would the tourism sector say, “Yes, fair play, chwarae teg, we have had our run, it is now time for us to pay 20% again”?

Chair: Just very briefly, please.

Gwyneth Sweatman: I will keep it short. It is interesting that in February we saw national figures that insolvency has risen by 121% as per the same time last year. Realistically, we need to see the shape of the recovery before we can add any more costs at the feet of businesses or at the feet of customers.

I also want to quickly point out that we have had members in Wales talk about the fact that they have had trips cancelled because customers think that perhaps companies in England are a safer bet and there is more consistency across the border in lockdowns and restrictions. What we need to be doing is pushing that “Welcome back to Wales” brand. I want to second what both the other panellists have said about “Welcome back to Wales”.

Trying to keep it short, generally our stance is that it cannot happen now, but when it does happen, and if it does happen, small businesses need to be involved in that. There is not a lot of detail about how the collection of tourism tax would work and small businesses need to be involved in every aspect of that.

Robin Millar: Thank you. I will conclude by adding my own thanks to the hardworking members of the tourism sector, certainly in the Llandudno area. They have accommodated the phenomenal recovery, the spike of recovery back—going to your point about resilience—and it is remarkable but they do need help.

Chair: Thank you very much. We will have to pick up the pace of questions, and if I can encourage our witnesses to be concise in their answers, that will help us get through and get in a timely way on to the second panel. Over to you, Geraint Davies.

- Q22 **Geraint Davies:** David, how consistent do you think the messaging about Wales is between VisitBritain and Visit Wales? Can you also tell me what distinctions we should have between marketing Great Britain and Wales when promoting Wales?

David Chapman: In this session I am very keen to not point fingers at things where it has not worked, but I can give you some examples. For instance, one of the vehicles that came from the Discover England-funded project was the Tourism Exchange Great Britain, but there was not any great inclusion of Scotland, Wales and Northern Ireland within that



Tourism Exchange Great Britain project, which came from the Discover England fund. I think that was just part of process, and there are other examples. If you look at things like the Enjoy Summer Safely campaign, it did not seem to have a real grasp of the variance between the nations about reopening and the different conditions.

Q23 Geraint Davies: What should we be saying, in a nutshell, about Wales, in promoting Wales as opposed to Britain?

David Chapman: If you are looking at messaging directly, as well as picking out the major UK attractions, we have to do things like, for instance, celebrate the 10th anniversary of the Welsh coastal path. I think that we should be looking at joint promotions through online travel agents, allowing a rotation of content between the different nations. There are opportunities to be much more sophisticated about how the Welsh message is got across and to give it an equality that may not appear to be of the same status, but is actually of the same magnitude, depending on what the offer is.

Q24 Geraint Davies: Gwyneth, can I turn to you? How should we be distinguishing Wales? Should we be offering all sorts of things like Dylan Thomas tours or castle breaks or certain things that you can get in Wales and get people to Wales, rather than Wales being an afterthought after you arrive in London and you are thinking of somewhere to go?

Gwyneth Sweatman: My favourite thing about Wales is the Welsh cake, so if we could fit that in as well, that would also be great. In the Nation Brands Index, only 53% of respondents recognised Wales as somewhere that they would go on a holiday, so we can definitely do better overseas. I agree with you, it is completely about recognising our brand, implementing that overseas, and shouting about us a bit more.

It is also important to note that SMEs have told us they take advantage of both the Welcome Britain and the Visit Wales brands. Both are valuable to businesses in Wales, and we should be taking advantage of both. I could not agree with you more. I think we need to talk more about the fact that we have more castles per square metre than anywhere else in the world. It is absolutely beautiful. Wales is a special place and we need to be shouting about that a lot more.

Q25 Geraint Davies: Finally, Suzy, is there consistent messaging and should there be a clear distinction to attract people specifically to Wales? What should that be?

Suzy Davies: I will say that they are not inconsistent at the moment. The point I made earlier is that for certain types of markets, Wales could be foregrounded more in the VisitBritain sell. There are unique things. I think that David mentioned the coastal path. You mentioned Dylan Thomas. There are periods of time when those should be right at the forefront of VisitBritain's marketing. We are in an unfortunate position this year where we have the Jubilee and the Commonwealth Games



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fighting for space with the 10th anniversary of the Welsh coastal path. You hope that the Welsh coastal path does not lose out in that fight.

I am not in the business either of saying VisitBritain is doing a terrible job on this—it certainly is not—but there are points in time where the distinct Welsh offer could be foregrounded. Meanwhile, Visit Wales itself is pushing the things that are best and unique about Wales within its domestic market anyway, so it is not as if the message is entirely lost.

Very quickly on VAT, by the way, of the 180 countries in the world where tourism is seen as a major player in the economic vibrancy of the country, the UK scores bottom of the list in the tax efficiency of that particular industry. It is the highest taxed tourism industry of those 180 countries, so we definitely do not need more tax.

Q26 Ben Lake: We have heard quite a bit in passing this morning about the way in which Wales could be branded and marketed overseas. I am interested to hear your thoughts as to which overseas markets should be targeted to attract inbound investment to Wales and how we might go about targeting those particular countries.

Gwyneth Sweatman: I know loads of people who have gone on tours to the Welsh language settlement in Patagonia. There is so much diaspora with Wales that we need to be taking advantage of. As we go abroad and we look at different free trade agreements, we need to be taking advantage of those relationships as well and building those connections. There is a lot more Wales could do in the US. There are a lot of different markets we could take advantage of while also protecting the markets we currently hold and doing the “Welcome back to Wales” to our EU market as well, which is important to continuously keep going. It comes down to having a message that we all agree on and a brand of what Wales does. It would be great if we could get a giant blockbuster movie as well. That would help, I think.

Q27 Ben Lake: Ms Davies, do you have any thoughts? You started to allude to potential areas that we could be targeting perhaps to draw visitors to Wales.

Suzy Davies: Visit Wales relies to a significant extent on VisitBritain for reach into overseas markets, but I suppose there are things that they can think of themselves and, in fact, work with VisitBritain to highlight a little bit. Our main group seems to be the 35 to 55-year age group, so what are we saying about Wales that would be attractive to overseas visitors and which types of overseas visitors? That is the point I am making. It is less about the country and more the type of visitor and what they might want.

If we are looking further afield, there may be the type of sell that we are making in Europe quite successfully that could work in those countries as well, particularly English-speaking countries. Australia is a reasonably good overseas market for Great Britain. Are we getting the majority or



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more of them coming to Wales perhaps based on sentiments of diaspora or sentiments of heritage, for example? I am sure there is more we can do there, plus, of course, the blockbuster would be great.

It is also worth mentioning the point that while Scottish airports have direct flights from China, for example, Wales does not have an equivalent to that. Markets that are open to other parts of the UK in this case are not so readily open to Wales because of the infrastructure, which we have alluded to a little bit before now. As it happens, of the targets that we have at the moment, which align very much with VisitBritain, the US are the highest spenders. We have a smaller percentage of US visitors to Wales, for example, so targeting the higher spenders surely has to be part of what we are thinking of doing.

David Chapman: I chaired the Welsh Government's Cultural Tourism Partnership for 10 years some years back, and we were looking at how we could utilise the diversity that Wales offers and also extend the stay on the back of it. I think that there is an opportunity for us to link up with communities. Patagonia was mentioned, but there is a large number of symmetries with people living in Germany, France and Italy, who want the same sort of thing as they have in their country in a different way. We have great country house hotels, wonderful countryside, the language, the Eisteddfod and the Royal Welsh Show. We have that natural, national, indigenous offer, and I think we could do more directly with those exchanges of people. That will help particularly with the type of spenders. It will help to influence the campaign to a deeper level once they return and talk about it. It can also help to fill up planes going the other way and bring it back, which is a useful factor.

Things like St David's Day we could do more of maybe, combining that with communities' food and drink offers and other celebrations of the natural wholesomeness of Wales, such as the fantastic Welsh lamb offer that we have—the best premium lamb in the world. That needs to be built into this feeling of expansion and freedom that we can offer to a holidaymaker.

Q28 **Chair:** Thank you. I do not think we have any further supplementaries, so I say thank you to our witnesses on our first panel. Thank you very much for your time and your input. It is great to see some of you again and great to meet you for the first time, Gwyneth Sweatman. We will move seamlessly over now to our second panel.

David Chapman: Could I ask one more thing before I leave? The Welsh Affairs Committee five years ago contemplated—in fact, it was about to do something—looking into the impact of VAT on the Welsh hospitality businesses. This was pre the VAT cut. David Davies was the chair then, and it was aiming to look at how a VAT cut would impact in those businesses. As we have had a cut for a year and a half or so with some evidence, I wondered if I might cheekily ask if you could contemplate looking back into the impact on Welsh businesses. I am sure it would be useful to the UK position to have that bit more authoritative examination.



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It is certainly something that would be very warmly welcomed right across the industry.

Q29 Chair: Mr Chapman, thank you very much. Before you go, as you were speaking another thought flashed through my mind when you referred back to previous work that the other iterations of this Committee have done. We have done work in the last two years around the future of Cardiff airport. We have looked at that and we have looked more recently at rail connectivity within the UK. Before you go, I will ask each of you very quickly. Wales is attracting a relatively low number of international visitors compared with Scotland, Ireland and other parts of the UK. How important a factor is it that we do not have adequate travel infrastructure, either by air or by rail? Suzy, as chair of the Wales Tourism Alliance, can I throw that one to you very quickly?

Suzy Davies: Yes. I mentioned Cardiff airport. I think only 4% of international visitors to Wales come through Cardiff airport, 7% perhaps through the ferries, so people are coming in through English airports and driving. As far as trains are concerned, our train travel is very transactional. We never sell it as an experience, possibly with some justification at the moment because it is not always great, is it? Somebody mentioned earlier the electric infrastructure for cars. It is a big ask for Wales because the grid will need upgrading as well as installing the power points, but that is doable. It just needs the political will.

Q30 Chair: Thank you. Mr Chapman, is this a huge game-changer for us?

David Chapman: There are two things. One is the unification of all modes of transport so that they combine and work together—buses, trains and making sure that when you get off one you can get on to another one. I think that work is starting to happen. The other thing is that I seem to remember the Committee did some work on air passenger duty. It seems inconsistent that Northern Ireland and Scotland have some degree of devolved authority on that, but Wales doesn't. It would certainly help greatly in attracting new routes.

Gwyneth Sweatman: In 2018, Expedia did some research on cities that have budget airlines, and that included Scotland. They saw an uplift of 40% in bookings for those cities and that helped with their tourism. I think there are extremely clear arguments for supporting Cardiff airport, and that is why we need a sustainable tourism plan that that could link to. By and large, geography is Wales's biggest barrier to having positive tourism.

Chair: Great, thank you very much. We will see you again. Thank you.