

Written evidence submitted by the Welsh Beer and Pub Association (TOU0016)

The Welsh Beer and Pub Association was established in March 2021 as the voice of brewers and pubs in Wales. Brewing and pubs is a significant contributor to the Welsh economy and to communities across Wales. **Overall beer and pub activity has been estimated to sustain 54,000 jobs, £670m of wages and £1.2bn of GVA across Wales from direct, indirect and induced effects.** This is split between brewing activities, pub activities and the specific beer related impacts on the on and off-trade, as follows:

- Activity in the brewery element has been estimated to sustain 3,200 jobs, £80m of wages and £140m of GVA;
- Activity in the pub sub-sector has been estimated to sustain 49,500 jobs, £580m of wages and £1.1bn of GVA;
- The beer related on-trade has been estimated to sustain 2,200 jobs, £31m of wages and £56m of GVA;
- Beer sales in the off-trade have been estimated to sustain 1,000 jobs, £16m of wages and £32m of GVA.

Along with our members we are committed to making the Welsh brewing and pub offer the best it can be and we welcome the opportunity to respond to this important inquiry.

1. How attractive is Wales as a holiday destination for international tourists?

Wales is undoubtedly an attractive place for international tourists (and domestic tourists for good measure). It is of course important to note that pubs and the visitor economy are inextricably linked. Typically, inbound tourists highlight a visit to the pub as one of the top three activities they look to carry out whilst in the UK, with half of all visitors including a trip to the pub as part of their itinerary. This is no different for those visiting Wales, where hospitality is a vital part of the wider economy (as detailed in answer to question six). Pubs are of course also the ultimate shop window for Great Welsh beers (over 70% of the alcoholic drinks sold in pubs are beer), acting as a stimulus for exports as a result of people discovering our produce whilst on holiday and then seeking them out once they return to their home market.

2. Why is the number of international visitors to Wales comparatively low as a share of the UK total?

WBPA does not have a view on this question.

3. Does Wales have a sufficiently strong “brand” internationally and what more could be done to promote Wales as a holiday destination abroad?

The Welsh “brand” is strong and it is one that Welsh brewers and pubs have played an important part in forging over centuries. Brewing is an important part of Welsh heritage and culture, across the UK 80% of the beer that is brewed here is consumed here. We are however keen to enhance the role brewers and pubs can play in promoting Welsh culture, and boosting “brand Wales” and the sector stands ready to work with the Welsh Government, and other stakeholders, in promoting this to international visitors. As detailed in answer to question one, pubs (and the brewers that supply them) are an important part of the tourism offering and we are stand ready to ensure that both play as full a role as possible in promoting Wales internationally.

4. How has the COVID-19 pandemic impacted the tourism industry in Wales?

VisitBritain estimates that the tourism industry as a whole has lost £210 billion of revenue during the pandemic caused by enforced periods of closure and restrictions on travel and socialising. The brewing and pub sector has been disproportionately impacted throughout the crisis and latest figures from CGA highlight the extent of the recovery challenge. The trading figures for pubs in Wales show trade is still down 26% in the first seven weeks of 2022 following a fall of 29% in December, compared to usual trade and following the emergence of Omicron and additional restrictions. Although Welsh Government support, totalling over £100m, was vital in securing the short-term future of pubs there is still much to be done while the recovery is nascent and fragile. The WBPA is pushing for the removal of the cap on business rates reliefs in Wales, alongside Welsh Government support on pressing Westminster for lower beer duty rates and permanent level of lower VAT for the hospitality sector.

5. What will be the impact of a return to the 20% rate of VAT from April 2022 for the tourism industry in Wales?

The WBPA has been a leading voice in calling for the extension of the 12.5% rate of VAT and indeed making this a permanent rate for hospitality. If VAT reverts to 20% in April 2022 the rate on visitor accommodation will be higher than every other country in Europe (except Denmark) and nearly double the EU average.

Alongside industry partners the WBPA published a report in February 2022 which outlines the potential benefits of extending the lower rate. The report confirms the findings of previous reports over nearly 3 decades that demonstrate how reduced VAT on hospitality and tourism will lead to strengthening and expansion of the sector and, over time, higher revenues for HM Treasury.

According to modelling, a permanent rate of 12.5% VAT will set off a virtuous cycle of industry investment and growth. For Wales specifically the return on investment of this change would be a net benefit of almost 11,000 jobs and over £250m in additional business turnover.

Headline results from this 2022 analysis of the impact of VAT applied to hospitality and tourism at 12.5% rather than 20% are as follows:

- Jobs created over 5 years – 182,400
- Jobs created over 10 years – 286,850
 - For Wales specifically this would be 10,800 jobs
- Additional turnover over 5 years - £4.9 billion
- Additional turnover over 10 years - £7.7 billion
 - For Wales specifically this would be £270m
- Years for UK Government to see positive returns on its investment – less than 5 years
- Net present value of fiscal gains for HM Treasury over 10 years - £4.6 billion

Regional analysis demonstrates that maintaining a permanently reduced rate of VAT on hospitality and tourism will benefit all parts of the UK, thereby assisting the Government's 'levelling up' agenda. Maintaining a reduced rate of VAT for hospitality and tourism would be highly popular with, and advantageous to, virtually all UK residents. Once coronavirus restrictions and fears are removed, reduced VAT will lower prices, so eating out, day trips, short breaks and holidays become cheaper for UK residents and an incentive to overseas residents to visit Britain. The full VAT report can be found [here](#).

6. What would be the potential implications for Wales' attractiveness to international visitors of a tourism levy?

The impact of this would be damaging, and significantly so. The WBPA urges Welsh Government not to pursue this policy. More than 9% of the workforce in Wales is now employed in tourism which amounts to over 130,000. Wales attracts around 11 million overnight visitors to Wales a year – this equates to around three visitors to every resident in Wales. In total, the tourism spend amounts to £6.3bn and the gross value added from tourism is over £3bn. It is estimated that well over 11,000 businesses are engaged in the tourism sector in Wales. There are almost one million international visits every year, ten million overnight GB stays and 96m day visits (these numbers are all pre-COVID). In summary then, the tourism industry is absolutely vital to the wider health of the Welsh economy and any move to restrict this – and a tax on tourism would inevitably act as a restriction – would negatively impact this.

7. What steps are needed post-pandemic for the tourism sector in Wales to recover and grow its international appeal?

A recent WBPA study conducted by Oxford Economics calculated that, despite the very significant Government investment in the sector during Covid, over eight hundred pubs closed their doors for good during this time across the UK (75 in Wales). Many profitable brewing businesses have been lost. For the remainder of the sector, debt levels have spiralled, and the future is very uncertain. As key financial support measures are now withdrawn, trading levels have still not returned to pre-pandemic levels, costs are rising sharply, and confidence among many pub goers remains fragile. The sector took on £1.2 billion in debt, equivalent to £25,000 per pub, while the sector suffered a turnover loss of £14.5 billion, for Wales alone this amounts to almost £1bn (£956m) in lost turnover over the course of the pandemic. There is a real risk that debt levels will become unsustainable, and cash will run out. Thousands of pubs remain at risk, undermining the foundation of local economies and ambitions to level up the UK which could result in a tragedy for the health and wellbeing of communities, as well as for our city centres and high streets. More than ever, we need Governments to continue to invest in the sector as current support measures are now ending. We are determined to come through the pandemic and resume a world-leading pub and brewing offer. The sector can be an economic powerhouse that plays a positive role in our communities, is a force for good for our mental health and sociability, and an employer of a disproportionately high number of young adults.

That is why the WBPA is urging Welsh Government to support calls to:

- Mitigate the energy cost crisis through the extension of the energy price cap to small businesses and supply to joint residential and commercial premises. Support guaranteed, contracted energy supply at a fair rate and without the need for security deposits or levies.
- Extend the lower VAT rate for food and drinks sold in pubs and the wider hospitality sector with a view to making this permanent.
- Reduce the overall burden of beer duty over time. Ensure Alcohol Duty Review proposals are in force by no later than February 2023, with an increase in the lower-strength threshold for beer from 3.4% to 3.5% abv and a container size of 20 litres or above for the draught beer reduction.
- Reduce the disproportionate burden on hospitality businesses through either a permanent specific sector multiplier or a high streets relief, bring forward an Online Sales Tax to offset the cost of pubs' rates and provide for a fairer business tax

regime for the digital age, and remove Subsidy Control limits on rates support; the Small Business Rate Relief threshold of £12,000 RV should also be increased.

8. How can the UK and Welsh Governments and bodies like VisitBritain and Visit Wales better work together to make Wales a more attractive destination for international visitors?

WBPA does not have a view on this question.

9. Has the UK Government's tourism Sector Deal achieved its aims of making Wales more accessible and improving conditions for domestic and international visitors?

The WBPA welcomed the Tourism Sector Deal as an important milestone in boosting the UK's tourist offer. The work on the Sector Deal specifically was paused however as a result of disruptions caused by the COVID pandemic. As a key partner of Westminster Government the WBPA will, alongside the BBPA, continue to engage with all stakeholders as part of the Tourism Recovery Plan and Hospitality Strategy however which we hope will boost Wales, and Welsh hospitality, as a tourist destination.

10. What infrastructure and transport reforms are needed to make it easier for international tourists to reach Welsh destinations and attractions?

WBPA does not have a specific view on this question, though it goes without saying that investment in transport infrastructure enabling more people to more easily reach Wales would result in a significant impact on revenues for brewers and pubs.

11. How can Wales increase its share of international tourism while meeting the UK and Welsh Governments' respective decarbonisation commitments?

WBPA does not have a view on this question.

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