

**Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Bil Llety Ymwelwyr \(Cofrestr ac Ardoll\) Etc. \(Cymru\)](#)**

**This response was submitted to the [Finance Committee](#) consultation on the [Visitor Accommodation \(Register and Levy\) Etc. \(Wales\) Bill](#).**

**VAB144: Ymateb gan Ymweld â Youth Hostels Association | Response from:  
Youth Hostels Association**

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## Consultation Response

Senedd Cymru | Welsh Parliament

Y Pwyllgor Cyllid | Finance Committee

Bil Llety Ymwelwyr (Cofrestr ac Ardoll) Etc. (Cymru) | Visitor Accommodation  
(Register and Levy) Etc. (Wales) Bill

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## Summary

- The legislation as proposed is too broad in its potential application
- Inadequate account is given to charitable, educational or social enterprise organisations operating an accommodation facility
- The wider impact on the budget accommodation sector will be disproportionate
- There are negative consequences for YHA, its guests and its staff

**We therefore recommend that charitable providers with clear objectives for public benefit are exempt from this legislation**

## YHA Background

YHA is a unique organisation. We are a leading charity and a 95 year movement. We have a clear mission to enrich the lives of all, but especially young people, and improve physical health, mental wellbeing and life skills through the experiences we create. We are also a social enterprise hostelling organisation operating in the tourism-hospitality sector. We have a wide range of locations and an extremely varied visitor base.

Overall, we currently host around 120,000 overnight stays annually across 14 sites throughout Wales.

We work collaboratively with a wide range of organisations and stakeholders, enjoy mutually beneficial partnerships with National Parks, and are ideally placed to support sustainable low-impact tourism and responsible countryside access.

More recently, the complete closure of our hostels during Covid-19 and the subsequent hospitality operating landscape has proved very challenging. We have accrued significant debt whilst closed, continue to operate at a loss, find visitor numbers still below pre-pandemic levels, and have taken the difficult decision to sell some hostels in Wales. As with the wider hospitality sector, we continue to operate in an extremely challenging economic environment.

For more information on YHA please see link below to YHA Wales strategy document launched in the Senedd in 2022

[YHA in Wales | About YHA | YHA](#)

### **View on General Principles**

YHA is a long-established employer and operator in Wales. We understand the desire for the Welsh Government to consider a visitor levy and are aware that the majority of the population is supportive of the basic principle of a ‘tourism tax’.

YHA also understands public concerns about the negative impacts of ‘over-tourism’. However, as an environmentally responsible provider embedded within existing communities, we bring long-standing usage and employment to a range of non-domestic properties and help ensure visitors are well informed and socially responsible.

In applying a levy to **any** overnight stay in Wales with any accommodation provider at any time, the proposals fail to account any not-for-profit, educational or social enterprise organisations operating a residential facility.

### **Review of existing reports**

We note from the reports and outcomes of the previous consultation and Regulatory Impact Assessment that the following concerns have been identified:

- There is notable public support within Wales for the principle that children and young people should be relieved from the levy.
- There are several known examples of ‘tourism taxes’ applying in other countries with exemptions for young people.

YHA is supportive of these views. We know that the social, physical and mental health benefits of residential experiences are well documented, and increasingly important when considering the growing mental health concerns for young people. YHA's vision is for young people to stay away from home and access the outdoors, nature, culture and heritage. Any additional financial barrier to accessing these experiences will result in less stays. Consideration should therefore be given in any potential legislation to young people being exempt from any overnight visitor levy.

### **Charitable Sector Customer Impacts**

The government's own assessment recognises that the legislation would add to the cost of a family holiday. It also acknowledges that the legislation:

*“may have a disproportionate impact on children and young people from lower socioeconomic backgrounds, whose families may already find it more challenging to finance such trips.”*

YHA, as an organisation that exists for the benefit of young people from lower socioeconomic backgrounds, is very uncomfortable with this outcome.

The overnight stays we offer (both for young people travelling as part of an educational group, and those within families) are significant value for money for this demographic and are delivered on very tight operating margins. A levy would have a significantly disproportionate impact on them. Whilst it may be considered possible to replace this reduced customer base with a different demographic, this would have a negative impact on our charitable mission and the wider value YHA contributes to society. This would lead to outdoor recreation & learning, and tourism more generally, being less inclusive and accessible.

### **Hostel Sector Tourism concerns**

YHA operates within what Visit Wales defines as the 'Hostel Sector'. The most recent summary visitor data available from Visit Wales is the Wales Accommodation Occupancy Survey 2023 (published June 2024). This report clearly highlights a well-known challenge for the hostel sector - a significant disparity exists in occupancy levels within the Hotel and Serviced Sectors, and that of Hostels. Simply put, hostels have a lower occupancy rate. It's published report in part concludes:

- *There remains a clear divide in % occupancy levels between larger and smaller operators, and between block returners and independents suggesting the larger,*

*more ‘corporate’ accommodation providers are outperforming the smaller and/or independently owned properties.*

- *Operators rely on either repeat customers (especially in self-catering) or reluctantly signing up to dominant OTAs and sacrificing a lot of margin for volume*
- *High prices and decreased spending power have affected the profitability of organisations. The Wales Tourism Business Barometer shows shrinking margins and a perceived difficult operating environment.*

YHA is agreement with the above conclusions. Based on outline detail provided, YHA estimates that the levy will result in a cost of accommodation increase of around 5% per overnight. We would need to pass on the additional levy to our customers. This will deter budget travellers.

### **YHA Financial Implications**

As a not-for-profit organisation, YHA operates on tight financial margins. We are not commercial, do not generate a profit, and accommodation rates are set competitively to allow guests to stay on an affordable basis.

YHA lost £70m during Covid, surviving by selling hostels and taking out c£20m of extra debt. Within Wales, YHA reluctantly sold its flagship site in Cardiff as well as several other properties. More recently, YHA faces new financial challenges following recent budget announcements. Further detail is found in Appendix A below – a recent submission to a Westminster debate on NI changes.

Initial estimates show that the bill as proposed would incur an additional financial liability of around £90,000 annually – a cost we cannot afford to absorb. It is also unclear whether the legislation would allow for Local Authorities to impose further costs via Licensing or registration fees.

YHA is also a significant employer in Wales, notably in rural areas with a low population base. These areas have a high proportion of Welsh first language speakers, and often have limited employment opportunities. We note that risks already identified in the existing assessments state:

*“Should the introduction of a visitor levy result in fewer tourists coming to a local area in Wales that applies a levy, this reduction in tourism could have indirect economic consequences for the local community, affecting job opportunities for young people and/or their parents which could in turn impact on household incomes.”*

YHA would strongly agree this is significant concern. Any reduction of overnight visitors will result in YHA offering less employment opportunities.

## **Views on subordinate legislation**

The bill leans heavily to subordinate legislation which would provide uncertainty for financial planning purposes. It also allows for significant regional variations via local authorities. This may require a confusing tiered approach to charges with YHA in Wales. Caps on premiums and potential levy exemptions are also not specified. Clearer definitions and guidelines would therefore be beneficial in any legislation.

## **Recommendations**

We believe there are clear grounds for considering revisions to the bill from two key perspectives:

- Purpose of accommodation

Exemptions should apply where the primary purpose of accommodation provides a clear public benefit. This includes YHA, and other organisations whose charitable status and mission clearly separate them from commercial or business accommodation providers. Existing financial arrangements (eg exemption from business rates) are a clear indicator of the value and need for this.

- Financial challenges

Further consideration should be given to excluding the hostel or budget accommodation markets, or to providing adequate safeguards to ensure any levy does not disproportionately impact visitor opportunities for those on lower incomes.

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## Appendix A

### Submission to Westminster Debate 7<sup>th</sup> January 'Impact of the Rise in National Insurance on Charities'

#### Context for YHA, the Youth Hostels Association (England & Wales):

- YHA is charity/social enterprise rooted in hospitality with a big labour force, over 50% of whom are on the living wage. We operate a network of hostels which provide affordable, social accommodation and inclusive adventures in extraordinary buildings in amazing places — welcoming a million people each year.
- YHA lost £70m in Covid, surviving by selling hostels and taking out c£20m of extra debt.
- YHA then faced a perfect storm of massive inflation on energy, food and wages and much higher interest rates. In the last two years, energy costs have tripled and debt interest payments doubled, adding in the last two years an extra £5m onto our cost base, in addition to wage pressures where NLW has risen 40% over the last five years.
- This created a structural deficit of c£5-6m (on a turnover of c£50m). That resulted last year in a cash deficit of £5m.
- The YHA Board agreed a Recovery Plan to get back to a breakeven position by 2026, which included having to review a third of our hostels across our network that are no longer financially viable, and putting over 20 up for sale over the last year. This year we have a budgeted loss of £3m.

#### Impact of 2024 Budget on YHA

- The changes to National Insurance and the raising of the National Living Wage added another £1.75m to our cost base. We had already modelled £0.9m into our budget planning for next year based on the NLW rise as proposed by the Low Pay Commission. But the rest (£0.85m) was unexpected: higher than predicted NLW (£250K) and the employers NI contribution changes, particularly the lowering of the threshold (£600K).
- These huge cost rises cannot be covered simply by passing them on to beneficiaries in higher prices – young people and those on low incomes who themselves have been hit hard by cost of living crisis. And we were already making a loss. So the only alternatives for us are fewer jobs, lower wages, more part time and short term contracts, and selling more hostel assets.
- Charities like YHA deliver many of the services which support the achievement of the government's objectives, yet unlike the public sector, there was no relief or exemptions provided in the Budget for charities.

## Government funding

- The Budget provided no clarity or certainty on whether the Government intends to continue with funded programmes we are currently delivering which end in March. The National Citizen Service has now been scrapped by DCMS, which was worth £1.2m a year to us, and we still await news of whether Defra will continue to fund Generation Green (worth about £1m to us) or a new replacement scheme.
- We are hearing positive attitudes to Generation Green from Defra ministers, but it might be that no new funding schemes are proposed until after new government strategies are developed, and one is being considered for the access to nature agenda, which Generation Green supports. This would mean a likely gap in funding next year before any new schemes are subsequently launched, in which time staff and volunteers will need to be let go and processes disestablished, before reestablishing later. A smoother transition which extended funding for Generation Green next year would protect our ability to deliver residential stays which connect young people with nature.