Evidence from: Bluestone National Park Resort, T/A Bluestone Resorts Ltd ("Bluestone") – January 2025

Response to the Welsh Parliament Finance Committee

Introduction

This document serves as a comprehensive response to the Welsh Parliament Finance Committee, providing detailed insights and evidence from Bluestone National Park Resort, T/A Bluestone Resorts Ltd ("Bluestone") in response to the Visitor Accommodation (Register and Levy) Etc. (Wales) Bill. Bluestone is a well-established, award-winning tourism business in Wales, known for its 5-star self-catering accommodations and extensive onsite facilities. This report aims to set the Bill in context of the significant challenges faced by Bluestone in recent years, including the impact of the covid pandemic, the war in Ukraine, and various economic factors. It goes on to outline the potential implications of the proposed levy on Bluestone's operations and its broader impact on the local community and economy. The broader industry context and impact has been well documented by the Wales Tourism Alliance and as long-standing members of this organisation, Bluestone are fully behind the response they have submitted to the call for written evidence.

About Bluestone

Bluestone opened in 2008 and is now a well-established, award-winning tourism business in Wales, with a nationally recognised brand.

We have 424 units of 5* self-catering accommodation centred on one site, which range in size from small studio apartments to large 6-bedroom lodges.

We specialise in family-orientated short breaks and holidays of 3-night weekends or 4-night midweek stays, though 1-night stays are possible in our studio apartments and roughly 7.5% of all bookings are for 7 nights or more (based on 2024 data).

Onsite facilities include a biomass-heated waterpark, luxury spa, various restaurants and shops, and a wide variety of indoor and outdoor activities and play areas, set across 500 acres of Pembrokeshire countryside.

We are open all year and in 2024 welcomed approximately 180,000 staying visitors, averaging a 93% occupancy rate across the year.

We employ over 850 local people year-round and directly support the local supply chain with £5.5m of goods and services purchased from Pembrokeshire, Carmarthenshire, and Ceredigion businesses. We also contribute to the local community through our charitable arm, the Bluestone Foundation which in 2025 alone will distribute 0.75% of our annual profits.

Whilst 54% of last year's bookings were from Wales, 43% were from England, 1.6% were from Ireland, 0.4% were from Scotland and 0.2% were from overseas. Meaning we are popular both within Wales and further afield. The English and Irish Markets in particular are key areas of growth for our current marketing strategy.

Macro Context

We would like to start this section by reiterating the key points made in the written evidence of our industry body, the Wales Tourism Alliance; that the introduction of the proposed levy comes at a time when the tourism industry over the last four years has had to face into some profound macro challenges. Challenges which would not be reflected in the Welsh Government's baseline data of the year 2019 when tourism was performing at an all-time high. The world has changed significantly since then and for Bluestone specifically, these challenges and changes have included:

- The covid pandemic and associated lockdowns and restrictions throughout 2020 and 2021, significantly impacting Bluestone's bookings. During the first lockdown (March-July 2020) we lost around 8,000 bookings (based on prior year performance). Roughly half of those bookings were banked and had to be cancelled and refunded. With all lockdowns and restrictions considered, overall, we lost 50% of our bookings in 2020. In the first 2 months of 2021, when we were in another lockdown, we had no bookings at all. And had just 182 in March when we could re-open. In 2021 we achieved only two-thirds of the bookings we would have in a normal year, making 2022 our first 'normal' year since the pandemic – until Russia entered Ukraine (February 2022).
- The war in Ukraine has driven up energy costs and created fear and uncertainty across Europe at a time when we were still recovering from the impacts of the pandemic. In the UK, the average annual bill for gas and electricity is now 51% higher than in winter 2020-2021.
- The ongoing cost of living crisis has impacted consumer spending and our supply chain, with inflation rates hitting 11.1% in October 2022.
- Rising interest rates, impacting the cost of borrowing which has driven up our own repayments and has left consumers with less disposable income for non-essentials such as holidays. At the start of the pandemic the Bank of England base rate was 0.1%. By August 2023 it had reached 5.25% and is still at 4.75% (as of November 2023).
- The April 2025 increase in employer's National Insurance contributions which across a full 12 months will add £450,000 to Bluestone's cost base.
- The 40% growth in the National Living Wage (i.e. minimum wage) since 2019, which has increased from £8.72 in April 2020 to be £12.21 as of April 2025. This doesn't just affect the lowest earners as business are then forced to introduce incremental increases on all other pay bands so as to maintain appropriate differentials. We estimate that the 12-month impact of the April 2025 increase will cost Bluestone in the region of £800,000.
- These factors will be compounded further with the incoming Employment Rights Bill which the UK Government's own economic assessment estimates would cost businesses £5 billion per year to implement.

<u>Timing</u>

We are facing the prospect of imposing further charges on our customers at a time when they are more financially stretched than ever, and when our own margins have been systematically eroded by a series of external factors, world events, and the policy decisions of successive governments.

As outlined, businesses and therefore the economy have still not recovered from the pandemic and all the fall out from that, including the taking on of additional debt. If the introduction of a levy is deemed unavoidable by Welsh Government, then it should at least wait until businesses and the economy have fully recovered.

<u>Direct Impact on Bluestone</u>

- Cost of the Levy itself

If the proposed levy at a rate of £1.25 pppn was applied to our 2024 bookings, the amount raised would be approximately £850,000, growing to over £1m with VAT included. This is a significant burden of additional cost on both the consumer and Bluestone, and it will disproportionately impact lower income households booking lower value breaks given it is applied at a flat rate.

For example, the levy charged on a fully occupied 6-berth lodge in a January Midweek Break will represent 2.8% of the value of the booking (off peak). Versus just 0.5% for the same lodge in an August Midweek Break (peak).

As the levy is also to be applied to children, including infants, it will also disproportionally impact young families which as a family resort, is the majority of Bluestone's market.

- Loss of Competitiveness

However, this implies that Bluestone would be able to maintain that level of occupancy with a tourism levy introduced. A notion that we would challenge given the realities of the economic climate, as supported by the Welsh Government's own Visitor Levy Survey where 21% of respondents said they would either not visit or would reduce their stay. We believe this would be particularly noticeable for those of Bluestone's guests who live either side of the Welsh border.

As such, it will be harder to compete with businesses in England that will not be charging a levy. We tend to market to areas within a 4-hour drive time so are likely to lose a proportion of our Welsh and English customers living on the border when there are clear levy-free alternatives. Good examples being Center Parcs in Longleat as a competing resort, and Devon & Cornwall as a competing destination.

The levy is also likely to shift behaviours from staying overnight towards making day trips instead, since the levy is to be charged to overnight stays only. We have comparatively few units of accommodation which facilitate one-night stays (studio apartments), as the vast majority of our breaks are either 3-night weekends or 4-night midweeks taken in cottages or lodges. Nevertheless, in 2024 we had 1,600 studio stays, 85% of which were by guests within a 2-hour drive time. These could all be put at risk by a visitor levy.

- Monitoring and Reporting Concerns

Furthermore, the accuracy of the levy to be paid by Bluestone will rely on the trustworthiness of our guests. Given the fines and penalties which are proposed, this is a serious concern of Bluestone's. In line with industry standards and consumer expectations, we are starting to move towards contactless check in, meaning we are not able to accurately verify every guest that comes through our doors. We rely on them booking accommodation of an appropriate size for their family or group and registering all guests ahead of arrival. At its peak we had pre-registration levels at 75%, but for various reasons we are seeing these levels drop. To accurately comply with the Bill as proposed, we would have to achieve 100% accuracy which will be difficult with our current operations and systems.

- Cost of Implementation

With the above considered, we will need to make costly amendments to our website, booking platform, accountancy software, and mode of operation to accommodate the proposed levy.

- Cost of Education and Training – Staff and Guests

Where changes are made to our software and processes, we would also need to invest in the training of our staff to facilitate these changes.

Similarly, there would need to be a process by which we 'educate' our guests to understand the increased charges. When 46% of our guests are not from Wales, they will not be familiar with these charges. And for our repeat bookers, which represent 42% of all our bookings, the levy will represent a change and an increase in cost that they are not familiar with.

- Impact on Discretionary or "Secondary" Spend

Whilst the impact on Bluestone's primary revenues is clear (accommodation), with the upfront cost of a holiday made more expensive by a levy, it is also likely to impact our discretionary spend, or what Bluestone refers to as Secondary Spend. This is onsite spend for things like activities, entertainment, food and drink. For those visitors who are not put off by the levy in coming to Bluestone, they will automatically have less money to spend onsite, which will have greatest impact on our key stakeholders – see below.

- Impact on Stakeholders

Pembrokeshire as a Destination. Despite being a large resort with myriad onsite activities and entertainment, we pride ourselves on drawing people to Pembrokeshire and encouraging them to visit the local area. We know from our Post-Stay Surveys that roughly half of all our guests have never been to Pembrokeshire before and a similar number leave the resort at some point during their break to frequent businesses in our community. Of that number, 17% dine out, 32% visit beaches and scenic areas, 12% visit free local attractions, 18% visit paid local attractions, and 17% shop in local market towns.
If holiday costs were to increase as a result of the levy, it is likely to result in fewer visits to Bluestone and therefore fewer visits to business in our local area.

Supply Chain. By extension this will likely impact businesses within our supply chain; if we were to lose business, so too, will they. As previously stated, we are now spending circa £5.5m a year in our local area of Pembrokeshire, Carmarthenshire and Ceredigion. And £8.5m in Wales as whole.

Employees. Similarly, the jobs of our staff may be put at risk. Our business model relies on high levels of occupancy year-round (in excess of 93%) to support the jobs and families of over 850 people 365 days of the year.

- Price Sensitivity

Bluestone operates in a highly competitive marketplace. It is therefore price sensitive with pricing models following a curve. Raising the price naturally decreases sales. Therefore, by definition, the tourism levy whilst designed to be paid by guests, will ultimately be paid for by business like Bluestone who in all likelihood will need to lower their lead-in price and in effect absorb the cost of the levy. As above, this could mean additional costs in excess of £1m annually – in addition to all other compounded costs as outlined above.

Conclusion

In conclusion, Bluestone has faced significant challenges over the past few years, including the covid pandemic, the war in Ukraine, and various economic pressures. Despite these obstacles, Bluestone has continued to provide exceptional service and contribute positively to the local economy and community.

The proposed Visitor Accommodation (Register and Levy) Etc. (Wales) Bill presents additional challenges that could impact Bluestone's operations and its ability to remain competitive. The potential financial burden of the levy, coupled with the need for costly adjustments to our systems and processes, could have far-reaching effects on our business and the local stakeholders we support.

We urge the Welsh Parliament Finance Committee to consider the broader implications of this levy on businesses like Bluestone and the communities they serve. It is crucial to strike a balance that supports the tourism industry while ensuring sustainable growth and development for the future.