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**Gwynedd  
Visitor Levy  
Economic  
Impact  
Assessment**

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JANUARY 2026

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# 1 Executive Summary

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- 1.1 The Visitor Accommodation (Register and Levy) Etc. (Wales) Act 2025 (the 'Act') gives councils in Wales the choice to introduce a charge on overnight stays. Known as a 'visitor levy', councils can choose to introduce the levy in their area from April 2027.
- 1.2 Cyngor Gwynedd is considering introducing a visitor levy – this Economic Assessment seeks to determine the potential economic impact of doing so.
- 1.3 There have been a number of studies to support the Welsh Government's decision to implement the Act. This report reviews these reports to determine the applicability of applying the same approach at a more local level.
- 1.4 The evidence base on the economic impact of visitor levies is relatively limited, due to a lack of applicable evidence of the impact of visitor levies from elsewhere, and there are gaps and uncertainties in data. This means that the national assessment is heavily caveated and relies on wide ranges – there are further complications with a local assessment as a result of gaps in data and an even more immature evidence base on the local impact of visitor levies (as opposed to national).
- 1.5 The key caveats relevant to the local level assessment are:
  - There are significant uncertainties in the elasticities of demand – this is the case at a Welsh level and is even more acute when applied at a Gwynedd level.
  - There are different data sources for the current size of the Gwynedd visitor economy. The main analysis uses the International Passenger Survey (IPS) and the Great British Tourism Survey (GBTS) – this is in line with the Welsh Government Appraisal and guidance provided to local authorities. STEAM data reports a much larger current visitor economy – the implications of this is set out in the report.
  - At a national level, the majority of visitor spending can reasonably be expected to be captured in Wales. That is not the case at a smaller area – for example, some spending of someone who visits Gwynedd may be in Conwy or Anglesey (and vice versa).
  - Similarly, the spending of the levy will also have a higher level of leakage as some businesses who benefit from contracts through the spending of the levy may not be based in Gwynedd.
  - The national level assessment (necessarily) assumed that the levy will be imposed across all of Wales – at a Gwynedd level, there will be different impacts if one local authority implements the charge, but its neighbouring authorities do not, compared to if all neighbouring authorities implement the charge.
- 1.6 Therefore, the Gwynedd level assessment is appropriately caveated, and should be read in the context of gaps in the data and the relatively limited evidence base, particularly at the local level.

- 1.7 Nonetheless, we are confident that the impact on Gwynedd will be relatively small in terms of both the impact on employment and GVA. We have applied a broadly similar approach to the Welsh Government analysis to establish bookends for the likely range of these impacts.
- 1.8 Within this main analysis, the assumptions are generally conservative in terms of the approach to assessing the impact on the economy (i.e. they verge on overestimating the negative impact). For example, we assume the Gwynedd suffers all the loss of visitor spending, when in reality some of the spending will be lost from outside of Gwynedd (as people staying in Gwynedd spend money in other local authorities on day trips). It also assumes that there is leakage of economic activity from the spending of the levy outside of Gwynedd while also assuming that Gwynedd businesses do not benefit from contracts that result from the spending of visitor levies from other local authorities.
- 1.9 Similarly, the analysis assumes there is no growth in the visitor economy and allows for a reduction in visitors in response to the introduction of the levy. In practice, if the visitor economy grows then the funding raised by the levy will increase, and indeed the levy spending could drive higher tourism through an improved visitor experience. This would help to maintain and improve Gwynedd's competitiveness as a tourist destination. There is evidence of year on year growth in visitors in other locations where visitor levies have been introduced.
- 1.10 Any growth in the visitor economy would also offset any losses to the economy (jobs and GVA) as a result of the visitors who do not come as a result of the levy and result in an increase in the levy revenue.
- 1.11 Nonetheless, based on this approach, the impacts of the levy are estimated to be relatively small. It is estimated that the levy could result in:
- A change in employment could be between -50 and +21 – this is between a loss of -0.1% or an increase of 0.04% of employment in Gwynedd.
  - A change in annual GVA could be between -£2.7m and +£0.4m per annum – this is equivalent to between a loss of -0.1% and an increase of 0.01% of Gwynedd's economy.
  - A revenue of between £2.4m to £2.8m per annum
- 1.12 This range from a relatively small negative impact to a relatively small positive impact reflects the findings of the Welsh Government Appraisal which also concluded a small negative to small positive impact at a national scale.
- 1.13 The STEAM data estimates the current Gwynedd tourist economy to be much larger than the IPS and GBTC – the impacts of the levy would be approximately 4 to 5 times larger if the STEAM data were used instead. This highlights the uncertainty in the data and therefore the inherent uncertainty in forecasting the impact of the levy.

## 2 Introduction

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### An overview of the Visitor Levy

- 2.1 The Visitor Accommodation (Register and Levy) Etc. (Wales) Act 2025 (the 'Act') gives councils in Wales the choice to introduce a charge on overnight stays. Known as a 'visitor levy', councils can choose to introduce the levy in their area from April 2027.
- 2.2 The levy is chargeable at two separate rates:
- Campsite pitches and shared rooms (hostels and dormitories): 75p per person, per night
  - All other types of visitor accommodation: £1.30 per person, per night
- 2.3 There are exemptions<sup>1</sup>; Visitors will not pay the visitor levy if they are:
- under 18 years of age and staying on a campsite pitch or in shared rooms (such as a hostel or a dormitories)
  - staying for more than 31 nights in a single booking
  - in emergency or temporary housing arranged by the local council
- 2.4 The funds from the levy will be reinvested for the purposes of destination management and improvement in the area. Section 44 of the Act stipulates that councils must use the proceeds of the levy for:
- mitigating the impact of visitors;
  - maintaining and promoting use of the Welsh language;
  - promoting and supporting the sustainable economic growth of tourism and other kinds of travel;
  - providing, maintaining and improving infrastructure, facilities and services for use by visitors (whether or not they are also for use by local people).

### The purpose of this report

- 2.5 Cyngor Gwynedd is seeking to determine the potential economic impact of introducing a visitor levy.
- 2.6 This report is phase two of a two phase process. Part one was joint commission between the local authorities of Gwynedd, Anglesey and Conwy which reviewed the data availability and evidence base that could be used in the individual Economic Impact Assessments. This means (as far as possible and appropriate) there is a uniform approach to the data review and analysis

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<sup>1</sup> <http://gov.wales/visitor-levy-small-contribution-lasting-legacy>

to feed into the consultation process. This Economic Impact Assessment for Cyngor Gwynedd is stand alone and includes the relevant information from the phase one study.

- 2.7 Section 3 of this report reviews the work undertaken by Welsh Government to understand the economic impacts of the Act at a national level, and the extent to which the approach could be applicable at a more local level.
- 2.8 The evidence base on the economic impact of visitor levies is relatively limited, due to a lack of applicable evidence of the impact of visitor levies from elsewhere, and there are gaps and uncertainties in data. Therefore even the national assessment is heavily caveated and relies on wide ranges. These limitations would be even more pronounced at local level.
- 2.9 The key caveats relevant to the local level assessment are:
- There is uncertainty over how much of the levy is passed to consumers (modelled as 'bookends' at only as 0% or 100%)
  - There are significant uncertainties in the elasticities of demand – this is the case at a Welsh level and is even more acute when applied at a Gwynedd level.
  - There are different data sources for the current level of visitors, bed nights and spend. The main analysis uses the International Passenger Survey and the Great British Tourism Survey (GBTS) – this is in line with the Welsh Government Appraisal and guidance provided to local authorities. Using STEAM data reports a much larger current visitor economy and therefore a larger impact – this means that there is a large range of potential impact and highlights the inherent uncertainty in the forecasting.
  - At a national level, the majority of visitor spending can reasonably be expected to be captured in Wales. That is not the case at a smaller area – for example, some spending of someone who visits Gwynedd may be in Anglesey or Conwy (and vice versa).
  - Similarly, the spending of the levy will also have a higher level of leakage as some businesses who benefit from contracts through the spending of the levy may not be based in Gwynedd.
  - The national level assessment (necessarily) assumed that the levy will be imposed across all of Wales – at a Gwynedd level, there will be different impacts if one local authority implements the charge, but its neighbouring authorities do not, compared to if all neighbouring authorities implement the charge.
- 2.10 The local (Gwynedd) level assessment is therefore appropriately caveated and should be read in the context of uncertainty in data and relatively limited evidence base, particularly at the local level.
- 2.11 An updated report will be produced if further data become available or further data / feedback received through the consultation process would meaningfully change the conclusions of the economic impact assessment.
- 2.12 The remainder of the report covers:
- A review of the work undertaken by the Welsh Government to understand the economic impact of the Act (Section 3)

- A wider literature review to understand the extent to which evidence exists that would allow for the Wales wide approach to be undertaken at a smaller geographical scale (Section 4)
- Caveated Gwynedd level economic impact assessment (Section 5)
- Cross checking with the Welsh Government Analysis, accounting for the relative importance of tourism to Gwynedd (Section 6)
- Conclusion (Section 7)

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### 3 Studies to support the Welsh Government Act – Economic Impact

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3.1 There have been a number of studies to support the Welsh Government's decision to introduce the Act. These include:

- Evidence review of elasticities relevant to a visitor levy in Wales, Alma Economics, 2022
- The Potential Economic & Greenhouse Gas Impacts of a Visitor Levy in Wales, Cardiff Business School & Welsh Government, 2024 - referred to in this report as the Welsh Government 2024 analysis
- Revised analysis of the potential economic and greenhouse gas impacts of a visitor levy, Welsh Government, 2025 - referred to in this report as the Welsh Government 2025 analysis
- Review of impacts of visitor levies in global destination, Bangor University 2024

3.2 These reports are undertaken at an all Wales level and are heavily caveated.

#### **Evidence review of elasticities relevant to a visitor levy in Wales, Alma Economics, 2022**

3.3 Alma Economics undertook a Rapid Evidence Assessment (REA) which reviewed the literature on elasticities relevant to a visitor levy in Wales.

3.4 It sought to estimate the price elasticity of demand of tourism and accommodation in particular. Price Elasticity of Demand (PED) is the measure of responsiveness of the demand for a good or service when its price changes. A negative PED denotes a decrease in quantity demanded when price increases. A high elasticity of demand indicates that the quantity demanded of a good or service is highly responsive to changes in its price, meaning a small price change can lead to a significant change in demand. Inelastic (or low elastic) demand is when demand is not responsive to price.

3.5 The report identified a high level of uncertainty and significant evidence gaps. Even where relevant evidence was found, there was a large variation in the magnitude of estimates of elasticities and there were no studies that provided Wales specific estimates and only a small minority of studies considered the UK market.

3.6 There were significant variations in the findings for tourism – while the majority of studies (70%) found that tourism was inelastic, there were some studies that reported elastic demand. The average mid-range PED across all studies was -0.7 and the median was -0.9. This means that for a 1% increase in the price of a good or service leads to a 0.7% reduction in demand.

3.7 There were only two studies that specifically considered accommodation – those showed it to be price inelastic (at -0.7). The report includes a caveat that these should be interpreted with caution given the limited number of studies. At least one of these reports was specifically based on international tourism – and so will be less relevant to a domestic market.



- 3.8 The review (by the report's own admission) provided very little evidence of addressing the more nuanced research questions, including (i) insight into the drivers of visitor behaviour, (ii) the impact of visitor levies or similar on tourism demand, and (iii) how the explored elasticities may vary depending on the characteristics of tourists (e.g., based on protected characteristics).
- 3.9 The report itself is also clear that these studies provided very little evidence differences that might occur at a sub-regional level, with most studies focusing on national impacts and / or international tourism.

### **The Potential Economic & Greenhouse Gas Impacts of a Visitor Levy in Wales, Cardiff Business School & Welsh Government, 2024**

- 3.10 This report estimates the economic and greenhouse gas emissions impact of the levy at an all-Wales level. We have reviewed it to understand the extent to which a similar method could be used to estimate the impact of a levy in individual Local Authorities.
- 3.11 The report includes two scenarios:
- i. 100% levy is passed on from business to consumers.
  - ii. 100% levy is absorbed by the business
- 3.12 The analysis does not account for supply-side changes, such as providers exiting the market due to the levy.

#### ***100% Levy is passed on from business to consumers***

- 3.13 The study calculates the likely impact on the study in three scenarios (optimistic, neutral and pessimistic) based on a range of elasticities taken from the Alma study. It applies these to different visitor segments (two domestic with different spending patterns and overseas visitors). This results in a change in consumer demand for each segment.
- 3.14 The report uses elasticities from the Alma Economics study which (as above) has significant uncertainty, data gaps, and is largely based on international tourism and national effects. The issue of applying national elasticities will be more problematic at a Local Authority level than it would be at an all-Wales level.
- 3.15 The study assumes that the price elasticity of demand feeds through directly into the economy – i.e. the increase in the levy results in a reduction in demand (within the study area) which means a reduction in total trip spending (also in the study area). This could be due to either people not visiting the study area or visiting the study area for a shorter period of time as a result of the levy.
- 3.16 The model then uses Input-Output tables to determine the likely impact of the Welsh Economy.

#### ***100% Levy is absorbed by the business***

- 3.17 This scenario assumes that there is no change to visitors or revenues and that businesses absorb all of the costs. The report assumes that there are no supply side changes – i.e. no business exits the market, or are put off entering the market in future, instead the levy is taken from the output of the businesses.

- 3.18 It assumes that there are no losses in employment and only decreases in salary (and other elements of output). This is likely to underestimate the employment loss since – in reality, a loss of revenue would result in a reduction in staff as well as a reduction in salaries.

### ***Issues and Caveats***

- 3.19 The report itself highlights significant caveats:

- **Price Elasticity Uncertainty:** as above, there are significant uncertainties in the elasticities – this is the case at a Welsh level and will become even more acute if used at a smaller study area.
- **Accommodation Supply:** as above, the model does not account for supply-side changes, such as providers exiting the market due to the levy.
- **Pass-Through Assumptions:** as above, the report assesses the ‘book ends’ of the likely impact by assessing the impact if the levy is passed on to visitors or absorbed by businesses – it does not seek to assess the extent to which one is more or less likely.
- **In-Wales Costs:** The analysis only includes in Wales costs and so it likely underestimates the total costs of the trip, particularly for international trips. This will therefore overestimate the reduction in international trips post levy (and so presents a worst-case scenario)
- **Base-Year Constraints:** The levy is modelled on 2019 tourism data due to data limitations, with rates adjusted for inflation.
- **Future inflation:** Future inflation and sector changes are not included – it is effectively a snapshot in time in a given year.
- **Administrative costs:** The analysis does not include any frictional or administrative costs that any new Levy might engender.

### **Revised analysis of the potential economic and greenhouse gas impacts of a visitor levy, Welsh Government, 2025**

- 3.20 This report updated the previous work for two sets of rates. One of those sets of rates (£1.30 standard / £0.75 lower) was subsequently used in the Act. The analysis also excluded children and young people staying in Lower Band accommodation, since they are excluded from the Levy.
- 3.21 The report used similar methodology as the original but noted that: ‘Constraints on time and access to data architectures mean a full, and fully comparable, reworking of the 2024 impact assessment is not possible’.
- 3.22 The results of the analysis at a Welsh level are set out in Table 3.1.

Table 3.1: Summary of likely impacts in Welsh Government report

			Likely range
Employment	Passing Levy onto visitors	FTEs	-400 to 100
	Businesses absorb levy	FTEs	360
Annual GVA (£m)	Passing Levy onto visitors		£7.5m to £11.1m
	Businesses absorb levy		£32.3m

## Review of impacts of visitor levies in global destination, Bangor University 2024

- 3.23 Bangor University undertook a review of international evidence on the environmental, social, and cultural impacts of visitor levies in various global destinations. The report then provided recommendations of the Welsh Government on the implementation of the levy.
- 3.24 The report identified five case studies / areas which had implemented visitor levies that had similarities to Wales in terms of the reliance on the tourism sector and / or their social, cultural and/or environmental context. This meant that the case studies included places that, like Wales, were reliant on their tourism industry.
- 3.25 The report focused on the implementation of the levy – including what the levy can be spent on, the decision making process and authority, local accountability, the scope of project and activities funded, the impact of the funded projects (noting a lack of evidence) and the need for transparency, accountability, monitoring and evaluation.
- 3.26 It did not focus on the impact of the levy on the tourism sector specifically, although there were some takeaways that do inform our report:
- There is limited evidence on the effects of tourism taxes: ‘A **comprehensive assessment of the impacts of tourism taxes remains limited**, despite their clear motivations for implementation’.
  - In general, there has been continued **year-on year growth in tourism in locations that have introduced a visitor levy** (although we cannot know what the counterfactual would have been without a levy).
  - **Some locations choose to vary the tax during different seasons** – for example, the Balearic Islands have implemented two separate visitor levies: €0.25 – €1 per person per night in low season (November – April) and €1 – €4 per person per night in high season (May – October).<sup>2</sup> **While others do not:** in Mareo and San Martin, where seasonality is high (visitor numbers in the four busiest months are over ten times those in the quietest four months), a flat visitor levy has been imposed throughout the year (€1.50 – €3.50 per person per night).
  - Some locations (Catalonia / Barcelona and the Balearic Islands) **vary by accommodation type / quality** (including different rates for different hotel ‘star’ quality. While **others do not have as much differentiation:** Iceland initially introduced a flat

<sup>2</sup> Welsh Government, 2024. Review of visitor levies in global destinations [here](#)

rate and subsequently split the rate into three broad categories camping, hotels, and cruise ships.

## Conclusions and implications for our study

- 3.27 The work undertaken to support the Welsh Government has highlighted that there are gaps in the evidence base for understanding the economic impact of the Visitor Levy. This means that the Welsh level economic impact study is necessarily caveated and includes wide ranges / book ends for the likely impact.
- 3.28 Applying the Welsh Government approach at a more local area level would have the same caveats and issues – and some of the issues would be more acute at a smaller study area.
- 3.29 The detail is set out above, but the key issues include:
- **There is limited applicable evidence on the Price Elasticity of Demand** – both Welsh Government economic appraisals use the PEDs from the Alma Study which are largely national studies for international tourism. There are no Welsh specific studies and only two that specifically look at accommodation (rather than tourism as a whole). The issue of using these elasticities become even more acute at a smaller study area since it is not clear that national elasticities hold at a sub-regional level.
  - The analysis does **not take a view on the extent to which the levy is passed on** - it has book end for the impact of 0% or 100% of the levy being passed onto consumers.
  - It also does **not allow for supply side changes** – i.e. it does not allow for the potential some businesses are deterred from entering or leave the market. In the scenario where all of the levy is passed on to businesses, it is assumed that there is no loss in employment (only a loss in wages).
  - **There is very little evidence addressing the more nuanced questions**, including (i) insight into the drivers of visitor behaviour, (ii) the impact of visitor levies or similar on tourism demand, and (iii) how the explored elasticities may vary depending on the characteristics of tourists (e.g., based on protected characteristics). **This means the analysis makes mostly linear assumptions based on averages.** This also makes it difficult to apply local characteristic to the study (and so to adapt the methodology in the national assessment to a more local level).
  - It **does not include out of country costs** which likely underestimates the total cost of the trip, particularly for international trips. This will therefore overestimate the reduction in international trips post levy (and so presents a worst-case scenario).
  - The analysis does not consider what visitor spending that is 'lost' as a result of the levy is spent on instead – this could be day trips (instead of overnight trips) or Welsh residents spending money on other things (instead of holidaying within Wales). This approach is again likely to be worst case scenario in terms of the impact of the levy on the Welsh economy. This is likely to be less relevant at Gwynedd level than the Welsh level as those visiting Gwynedd (who are put off by the levy) are unlikely to also live in Gwynedd (whereas a Welsh resident may also holiday in Wales – for example, a Cardiff resident may spend money in Cardiff rather than holiday in Gwynedd).

## 4 Further literature review

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- 4.1 We conducted a further literature review to understand the extent to which evidence exists that would
- Allow for the Wales wide approach to be adapted for a local level assessment.
  - Fill the evidence gaps identified above
- 4.2 There was limited additional evidence above what was used in the work to support the Welsh Government when implementing the Act.
- 4.3 There were various other examples where there has been continued year-on year growth in tourism in locations that have introduced a visitor levy (although as above we cannot know what the counterfactual would have been without a levy).
- 4.4 The other questions the literature review sought to answer were:
- To what extent does a visitor levy get passed on to visitors?
  - How does the impact of a visitor levy change with seasonality or popularity of a destination?
  - How does the cost of accommodation / trip change the impact of the levy? There was no additional evidence found to answer this question.
  - Do visitors adjust their wider trip spending if they bear the cost of the levy?

### To what extent does a visitor levy get passed on to visitors?

- 4.5 The extent to which a visitor levy gets passed on to consumers will determine whether it is consumers or accommodation providers who will bear the cost of the levy. As set out above the Welsh government economic appraisal does not take a view on this but tests book ends for 0% to 100% pass on.
- 4.6 The literature provides mixed evidence on the rate of pass-through (the extent to which businesses pass on changes in tax as changes in price to consumers) of a visitor levy or other tax mechanisms.
- 4.7 We looked at various tax mechanisms to determine pass-through rates:
- A review of lodging taxes in US cities showed that a lodging tax is unlikely to be fully passed on to the visitors – about 86% of tax paid is by visitors and the remaining 14% is absorbed by accommodation providers in the form of lower accommodation rates or reduced occupancy.<sup>3</sup>

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<sup>3</sup> Hudson, S., Meng, F., So, K. K. F., Smith, S., Li, J., & Qi, R. (2021). The effect of lodging tax increases on US destinations. *Tourism Economics*, 27(1), 205-219. Available [here](#)

- The European Commission study found that there was a high degree of pass-through in the long run but also had example of where taxes were not passed through. For example a case study of Disneyland Paris indicated they were unlikely to pass on VAT rate increases in 2014 to visitors due to the high price sensitivity of visitors. This meant Disneyland absorbed the cost of the VAT increase to mitigate the impact on visitor numbers and expenditure.<sup>4</sup>
- A study looking at the pass through of air passenger taxes on airfares across Europe estimated air passenger tax pass-through rates from 20% to 56%.<sup>5</sup> The same study mentions that the consumer share of the tax burden from a French VAT-reform was between 57% and 77%.

4.8 The literature review therefore does not provide clear evidence for the different level of pass-through rates that could be used – and so we maintain the approach in the Welsh Government Assessment of using bookends.

#### How does the impact of a visitor levy change with seasonality or popularity of a destination?

4.9 There are limited studies that have quantified PEDs for different seasons but several studies state that demand for tourism is less elastic in the high seasons compared to the low seasons.<sup>6</sup>

- The report on the balancing of revenue and demand in the hotel industry in Dubai<sup>7</sup> found that demand elasticity is much higher in the low seasons (and lower in high season). That is likely to be driven significantly by international travel – the report found that local hotels do not face strong seasonality as much international hotels do.
- The report on the price elasticities for accommodation services in Prague showed that visitors are less elastic during the high seasons than they are throughout the year with PEDs of -0.22 to 0.78 in the high seasons vs PEDs of -0.10 to -0.54 throughout the year. The positive PEDs in the high season suggest that the expected price-demand relationship may not always hold.<sup>8</sup>

4.10 The European Commission study found that there were higher elasticity of demand in destinations with close substitutes. It showed that European countries in proximity still exhibit differences in PEDs due to the type of seasonal tourism offering.

4.11 Separately, the study of lodging tax increases on US destinations showed that approximately 49% of travellers altered their plans due to high travel taxes by reducing spending, staying somewhere cheaper and visiting during low season.<sup>9</sup>

4.12 While the literature review highlighted some further evidence on seasonality, not sufficiently to be able to determine how Gwynedd would differ from the Welsh Average.

<sup>4</sup> European Commission, 2017. The Impact of Taxes on the Competitiveness of European Tourism [here](#)

<sup>5</sup> Wozny, F. (2024). *Tax incidence in heterogeneous markets: The pass-through of air passenger taxes on airfares* (No. 16783). IZA Discussion Papers. Available [here](#)

<sup>6</sup> Baždar Gašljević, T., Maradin, D., & Cerović, L. (2023). Price Elasticity of Demand For Hotel Services On The Business Example Of Two Hotels In The Republic Of Croatia. *Journal of accounting and management*, 13(1), 1-14. Available [here](#)

<sup>7</sup> Alrawabdeh, W. (2021). Seasonal balancing of revenue and demand in hotel industry: the case of Dubai City. *Journal of Revenue and Pricing Management*, 21(1), 36. Available [here](#)

<sup>8</sup> Petříček, M., & Chalupa, Š. (2020). PRICE ELASTICITY OF DEMAND FOR ACCOMODATION SERVICES–EMPIRICAL APPLICATION IN PRAGUE. *Ad Alta: Journal of Interdisciplinary Research*, 10(1). Available [here](#)

<sup>9</sup> Hudson, S., Meng, F., So, K. K. F., Smith, S., Li, J., & Qi, R. (2021). The effect of lodging tax increases on US destinations. *Tourism Economics*, 27(1), 205-219. Available [here](#)

## Do visitors adjust their wider trip spending if they bear the cost of the levy?

- 4.13** While the study of lodging tax increases on US destinations<sup>10</sup> mentioned above showed that visitors responded to a levy by decreasing their spending, the study did not quantify to what extent visitors reduce their spending. And overall, the literature is not clear about how visitors would adjust their wider trip spending if they bear the cost of the levy.

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<sup>10</sup> Ibid



## 5 Caveated Gwynedd level economic impact assessment

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- 5.1 As set out in the previous sections, there is insufficient evidence to be able to robustly and accurately model the precise impact of the levy, or what how different scenarios would impact the magnitude of the effect (for example, whether other local authorities also implement a levy).
- 5.2 Therefore, we have taken a twin track approach to provide book ends (broadly following the Welsh Government approach) and sense checks for the likely range of the effect:
- Caveated reproduction of the Welsh Government approach. This is set out in Section 5.
  - Cross checking with the Welsh Government Analysis, accounting for the relative importance of tourism to Gwynedd. This is set out in this Section 6.

### Caveated reproduction of the Welsh Government approach

- 5.3 We have taken a similar approach to the Welsh Government 2025 analysis to estimate the impacts at the Gwynedd level – as in the Welsh Government approach this includes ‘bookends’ with two scenarios, one where 100% of the Levy being absorbed by businesses and another where 100% being absorbed by businesses
- 5.4 The approach is caveated because – as set out in Section 3, there are caveats within the Welsh Government report that also apply here and are in some cases more exaggerated in a local level assessment.
- 5.5 The key caveats that are relevant to the local level assessment are:
- At a national level, the majority of visitor spending can reasonably be expected to be captured in Wales. That is not the case at a smaller area – for example, some spending of someone who visits Gwynedd may be in Anglesey or Conwy (and vice versa). For the purposes of this assessment, we assume that all spending is ‘lost’ from Gwynedd and so this a worst-case scenario in terms of the impact on the visitor economy.
  - Similarly, the spending of the levy will also have a higher level of leakage as some businesses who benefit from contracts through the spending of the levy may not be based in Gwynedd.
  - There are different data sources for the current size of the Gwynedd visitor economy – this is set out in more detail below.
  - The Welsh Government analysis assume that a change in the price of tourism (i.e. the levy) results in a decrease in demand for tourism. It does not consider changes in visitor spending patterns within the trip (for example reducing other trip costs by the cost of the levy). This is likely to be worst case scenario in respect to the impact of the levy on the Welsh economy (assuming that the PED picks up all of the change in visitor behaviour). The same approach is taken in the local assessment – again this is likely to be worst case.



- There are significant uncertainties in the elasticities – this is the case at a Welsh level and is even more acute if used at a smaller study area. There is no alternative evidence for a more robust assessment and so we have used the range of elasticities of demand used in the Welsh Government assessment.
- The national level assessment (necessarily) assumed that the levy will be imposed across all of Wales – there will be different impacts if one local authority implements the charge, but its neighbouring authorities do not, compared to if all neighbouring authorities implement the charge. It is not possible to accurately assess what the impact of different combination of local authorities introducing the levy is, but the effect on the magnitude of the impact is considered.
- The scenario where the levy is passed onto businesses does not account for supply-side changes, such as providers exiting the market due to the levy.
- It also does not account for reductions in employment and assumes that the savings are found within the ‘value add’ of the businesses operations. In reality, it would likely result in a reduction of jobs too.

5.6 As with the Welsh Government analysis, the analysis does not include inflation (it considers the annual impact if the levy was in place in 2024 – the latest year for which data is available), it does not include administration costs on businesses, and it does not include costs that are outside of Wales (this means the analysis likely slightly overestimates the impact of the levy, particularly for international visitors – for whom out of Wales costs will be higher).

5.7 Given the lack of evidence, there are assumptions (such as elasticities of demand) where we have not sought to make the assumptions Gwynedd specific – but instead have indicated whether the estimates are likely to under or overestimate the impacts, and provided sensitivity tests as appropriate.

5.8 It has been assumed that VAT will be included on the Visitor Levy.

### **Estimating the current number of visitor economy**

5.9 In order to estimate the impact of the visitor levy, we first need to estimate the size of the visitor economy (the number of visitors, and nights stayed, and the spending that they support).

5.10 The Welsh Government analysis uses the Great British Tourism Survey (GBTS) and International Passenger Survey (IPS) for 2022 to 2024 – this is also the guidance that has been provided to local authorities.

5.11 This results in an average of 0.87m visits staying 3.6m bed nights and supporting £250m of spend. Note this is all trips including those that are staying in accommodation that is not included in the levy (for example staying with friends and family).

5.12 It should be noted that this data set has seen a reduction in bed nights and spend compared to pre Covid averages (2017-2019) and the data used in the Welsh Government Consultation

Document<sup>11</sup>. This decrease may be partly due to a change in methodology in the data collection but is also as a result of an actual decrease in tourism in Gwynedd.

- 5.13 However using the 2022-24 average does not account for the more recent (or indeed future) growth in bed nights and spend. Therefore a sensitivity test is included with the 2024 bed nights and spend.
- 5.14 A sensitivity test is also included to include the STEAM data which has a much higher visitor numbers and spend data – this is likely to overestimate the impact of the levy but is included for completeness, and because it is noted that the rural nature of Gwynedd may mean that the GTBS and the IPS may underestimate visitor numbers.

### Visitor levy passed entirely on to tourists

- 5.15 This section assumes that 100% of the visitor levy is passed on to consumers. It first considers the impact of the loss of visitor spending and then considers the extent to which the spending of the levy itself would offset the loss.

#### The impact of the potential loss of visitor spending

- 5.16 In the main analysis we use the average annual data from the GTBS and IPS for 2022 to 2024
- 5.17 Including both international and domestic tourists who stay in accommodation that is eligible for the levy, it is estimated that there are approximately 0.67m overnight visitors to Gwynedd per year – who spend an average of 3.9 nights and spend £307 per person per trip.
- 5.18 Note that since this does not include those who are staying in accommodation that would be exempt from the levy the 0.87m visits set out above reduces 0.67m visits (and bed nights and spend also reduce)<sup>12</sup>.

**Table 5.1: All eligible overnight visits to Gwynedd – split between accommodation types and visitor type – core scenario (2022 to 2024)**

	<b>UK-resident visitors (Standard Band)</b>	<b>UK-resident visitors (Lower Band)</b>	<b>Overseas visitors (Standard Band)</b>	<b>Total (avg over 2022-2024)</b>
Total visits by overnight visitors ('000)	398	227	50	674
Total Gwynedd bed nights ('000)	1,450	868	305	2,623
Average trip length (nights)	3.6	3.8	6.2	3.9

<sup>11</sup> Welsh Government Consultation Document: Consultation on proposals for a discretionary Visitor Levy for local authorities Compendium of visitor and visitor accommodation provider data sources 2022

<sup>12</sup> For Great British Tourism Survey we exclude those staying in 'other accommodation' and for the International Passenger Survey we exclude those who are staying in their own home or staying for free with friends and family

Total Gwynedd overnight expenditure (including VAT)	£129m	£54m	£24m	£207m
Cost per trip (including VAT)	£324	£236	£485	£307
Cost per night (including VAT)	£89	£62	£79	£79

Source: Great British Tourism Survey and International Passenger Survey

5.19 The Welsh Government 2025 analysis estimated that 22% of those in the Lower Band accommodation are children and so are exempt from the levy. It is assumed that this assumption holds at a Gwynedd level – were the proportion of children to be lower the impact of the levy would be higher, and conversely were the proportion of children to be higher the magnitude of the impact of the levy would be smaller.

5.20 The table below include only eligible visitors (i.e. it excludes children visiting lower band accommodation).

5.21 Note that all international visitors are assumed to stay in standard accommodation and so pay the levy – this is consistent with the Welsh Government analysis. Were there to be children in lower bound accommodation within this group, the magnitude impact of the levy would be smaller).

Table 5.2: All eligible overnight visits to Gwynedd – split between accommodation types and visitor type – core scenario

	UK-resident visitors (Standard Band)	UK-resident visitors (Lower Band)	International	Total
Eligible overnight visits ('000)	398	177	50	625
Eligible Gwynedd bed nights ('000)	1,450	677	305	2,432
Average trip length (nights)	3.6	3.8	6.2	3.9
Eligible Gwynedd overnight expenditure (inc VAT)	£129m	£42m	£24m	£195m
Cost per trip	£324	£236	£485	£312
Cost per night	£89	£62	£79	£80

5.22 The levy is £1.30 per person, per night for standard accommodation and 75p for lower band accommodation. It is assumed that VAT is charged and so those costs increase to £1.56 and 90p. Based on the average trip length and the total cost per trip, it is estimated that the visitor levy would be between 1.5% and 2.0% of the trip cost depending on trip / visitor type.

5.23 The elasticity is assumed to be -0.74. This is in line with the Welsh Government (2025) appraisal (for the neutral scenario). We have also tested the more pessimistic elasticity (-1.12) and more optimistic elasticity (-0.38) from the Welsh Government appraisal – this range is presented at the end this section.

5.24 As is set out above, there is very little evidence on local level elasticities as a result of visitor levies – the relatively limited analysis that exists is based on national evidence. In the absence of more locally specific evidence the range of multipliers has been applied.

5.25 It should also be noted that elasticity of demand in Gwynedd will be affected (to some extent) by whether neighbouring local authorities also introduce the visitor levy – if Gwynedd is the only local authority to introduce the levy, the impact on visitor behaviour will likely to be higher (as visitors may choose to go to other local authorities instead) whereas if more local authorities introduce a charge, the impact is likely to be lower.

5.26 Using the neutral multiplier (-0.74) results in a reduction in demand of between 1.1% and 1.5% depending on trip / visitor type.

Table 5.3: Change in demand as a result of the levy – core scenario

	UK-resident visitors (Standard Band)	UK-resident visitors (Lower Band)	International
Levy per person per night (ex VAT)	£1.30	£0.75	£1.30
Levy per person per night (inc VAT)	£1.56	£0.90	£1.56
Average trip length (nights)	3.6	3.8	6.2
Avg per-trip expenditure (inc VAT)	£324	£236	£485
Per trip Visitor Levy:	£5.68	£3.45	£9.61
<b>a) As a % of trip cost</b>	<b>1.8%</b>	<b>1.5%</b>	<b>2.0%</b>
b) Elasticity	-0.74	-0.74	-0.74
<b>Percentage change in consumer demand (a x b)</b>	<b>-1.3%</b>	<b>-1.1%</b>	<b>-1.5%</b>

5.27 This reduction in demand results in a £2.5m reduction in spending by visitors per year (including VAT) and £2.1m (excluding VAT).

5.28 Not all of that spend would have been spent in Gwynedd - some would have been spent in other local authorities (either day trips or on the journey) but to be conservative it is assumed that all of the loss is felt in Gwynedd. This will overestimate the (negative) impact on the Gwynedd economy.

Table 5.4: Loss in trip expenditure – core scenario

	UK-resident visitors (Standard Band)	UK-resident visitors (Lower Band)	Overseas visitors (Standard Band)	Total
Eligible Gwynedd overnight expenditure (inc VAT)	£129m	£42m	£24m	£195m
Percentage change in demand	-1.3%	-1.1%	-1.5%	
Post-trip Visitor Levy Expenditure (£m) (inc VAT)	£127	£41	£24m	£192
Gross Trip Expenditure Losses (direct) (£m) - including VAT	-£1.7	-£0.5	-£0.4	-£2.5
<b>Gross Trip Expenditure Losses (direct) (£m) - excluding VAT</b>	<b>-£1.4</b>	<b>-£0.4</b>	<b>-£0.3</b>	<b>-£2.1</b>

5.29 Based on Welsh Government multipliers for ‘accommodation and food’ – indirect and induced effects are also included. Again, these would not all have been felt in Gwynedd and so this is likely to overestimate (the negative) impact of the loss of expenditure as a result of the levy.

5.30 We apply both a type 1 (which captures direct and indirect effects) and type 2 multipliers (which capture direct, indirect and induced effects) for accommodation and food<sup>13</sup> – this is used as a proxy for all spending and is likely to capture the majority of the spending patterns.

5.31 This results in a loss of between £1.5m and £1.7m of annual GVA per year – which results in the loss of between 42 and 47 FTE jobs.

Table 5.5: Loss in annual GVA and employment as a result of loss of visitor spending – core scenario

	Type 1	Type 2
Change in direct annual output (exl VAT)	-£2.1m	-£2.1m
Multiplier (accommodation and food)	1.23	1.39
Change in total annual output	-£2.5m	-£2.9m
Ratio of Output to GVA (accommodation and food)	0.58	0.58
<b>Change in annual GVA</b>	<b>-£1.5m</b>	<b>-£1.7m</b>
GVA per FTE (accom and food) in Gwynedd	£35,525	£35,525
<b>Change in FTE Employment</b>	<b>-42</b>	<b>-47</b>

<sup>13</sup> This is based on Welsh Government Indicative economic multipliers (input-output tables): 2019

## The impact of the Visitor Levy spending

5.32 The visitor levy will result in an increase in economic activity. The visitor levy can be spent on:

- mitigating the impact of visitors;
- maintaining and promoting use of the Welsh language;
- promoting and supporting the sustainable economic growth of tourism and other kinds of travel;
- providing, maintaining and improving infrastructure, facilities and services for use by visitors (whether or not they are also for use by local people)

5.33 For the purpose of this assessment, it is assumed that the impact is felt equally across different sectors of the economy (and so Gwynedd averages have been used). This could be updated when further information on the type of investment that the visitor levy is spent on is available.

5.34 The Levy would result in £2.8m of revenue excluding VAT (see Table 5.6) – this accounts for the reduction in demand as a result of the levy and excludes children from the lower band accommodation.

5.35 Not all of this will be spent with Gwynedd employers, since:

- Up to 10% will go to Welsh Government to cover operating costs – in main analysis it is assumed that the full 10% is taken by Welsh Government, but a sensitivity test is included to reduce this to 0% (to give the full range of 0% to 10%).
- A further 25% leakage is applied to allow for the spending of the Gwynedd levy to be spent on companies outside of Gwynedd. This is a conservative estimate since leakage is anticipated to be very low – the spending of the fund would be carried out by Cyngor Gwynedd in line with its sustainable tourism principles. Spending is likely to include spending on destinations and communities in Gwynedd including destination management, regeneration and public realm projects, and events. This means that spend would be with local contractors and businesses as far as possible. The nature of the spending (relatively small contracts) means that it is more likely to be delivered by local businesses and less likely to attract businesses from further afield. There may also be local grants for businesses (which themselves would support economic activity) which would be largely spent within the county. Nonetheless a higher leakage of 45% is included as a sensitivity test.

5.36 Again, we apply type 1 and type 2 multipliers and a ratio of GVA to output<sup>14</sup> – this result in an increase of approximately £1.1m to £1.3m in annual GVA in Gwynedd supporting 19 to 21 FTE jobs (see Table 5.7).

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<sup>14</sup> Multiplier and ratio based on Welsh Government Indicative economic multipliers (input-output tables): 2019

Table 5.6: Levy revenue – core scenario

	UK-resident visitors (Standard Band)	UK-resident visitors (Lower Band)	Overseas visitors (Standard Band)	Total
Post-levy eligible bed-nights accounting for reduced demand ('000)	1,431	670	301	2,401
Levy per person per night (ex VAT)	£1.30	£0.75	£1.30	
<b>Visitor Levy Revenue (ex VAT)</b>	<b>£1.9m</b>	<b>£0.5m</b>	<b>£0.4m</b>	<b>£2.8m</b>
Visitor Levy Revenue (inc VAT)	£2.2m	£0.6m	£0.5m	£3.3m

Table 5.7: increase in annual GVA and employment as a result of spending of the Visitor Levy – core scenario

	Low Scenario - Type 1	High Scenario - Type 2
Visitors Levy revenue (ex VAT) – direct output	£2.8m	£2.8m
Excluding 10% that goes to WG operating cost	£2.5m	£2.5m
Leakage	25%	25%
Visitors Levy revenue (ex VAT) in Gwynedd – direct output	£1.9m	£1.9m
Multiplier (all sectors)	1.21	1.33
Change in total output (including direct etc) in Gwynedd	£2.2m	£2.5m
Ratio of Output to GVA (all sectors)	0.5	0.5
<b>Change in GVA in Gwynedd</b>	<b>£1.1m</b>	<b>£1.3m</b>
GVA per FTE across all sectors (Gwynedd)	£58,615	£58,615
<b>Change in FTE Employment in Gwynedd</b>	<b>19</b>	<b>21</b>



## Total impact of the Levy

5.37 The combined impact of the levy is the loss of visitor spending plus the increase economic activity as a result of the levy spending in Gwynedd.

5.38 In the core scenario that is anticipated to be a £0.3m to £0.4m loss of annual GVA (which is a 0.01% decrease in Gwynedd's annual GVA) and the loss of 22 to 26 jobs (which is 0.05% of the Gwynedd's employment).

**Table 5.8: Change in annual GVA and employment combined effect – core scenario**

		<b>Core (based on elasticities)</b>
GVA	Decrease due to loss of spending	-£1.5m to -1.7m
	Increase due to spending of the levy	+£1.1m to +£1.3m
	<b>Change in annual GVA</b>	<b>-£0.3m to -£0.4m</b>
	Gwynedd GVA (2023)	£2,842m
	Approx percent of Gwynedd Economy GVA	-0.01%
Employment	Decrease due to loss of spending	-42 to -47 jobs
	Increase due to spending of the levy	+19 to +21 jobs
	<b>Change in FTE Employment</b>	<b>-22 to -26 jobs</b>
	<b>Gwynedd FTE Total</b>	<b>48,485</b>
	Approximate percent of Gwynedd employment	-0.05%

5.39 The core scenario is based on an elasticity of -0.74. Applying Welsh Government's optimistic elasticity (-0.38) reduces the impact to the loss of 2 to 3 jobs and results in an increase in annual GVA of £0.4m.

5.40 Applying a more pessimistic elasticity (-1.12) results in a larger loss of up to 56 jobs and up to £1.6m annual loss in annual GVA.

**Table 5.9: Change in annual GVA and employment combined effect**

	<b>Lower Bound (based on elasticities)</b>	<b>Core (based on elasticities)</b>	<b>Higher bound (based on elasticities)</b>
Decrease due to loss of spending	-£2.2m to -£2.5m	-£1.5m to -£1.7m	-£0.8m to -£0.9m
Increase due to spending of the levy	+£1.1m to +£1.2m	+£1.1m to +£1.3m	+£1.1m to +£1.3m
<b>Change in annual GVA</b>	<b>-£1.1m to -£1.3m</b>	<b>-£0.3m to -£0.4m</b>	<b>£0.4m</b>
Gwynedd GVA (2023)	£2,842m	£2,842m	£2,842m
Approx percent of Gwynedd Economy GVA	-0.04% to -0.05%	-0.01%	0.01%
Decrease due to loss of spending	-63 to -71 jobs	-42 to -47 jobs	-21 to -24 jobs



Increase due to spending of the levy	+19 to +21 jobs	+19 to +21 jobs	+20 to +22 jobs
<b>Change in FTE Employment</b>	<b>-44 to -50 jobs</b>	<b>-22 to -26 jobs</b>	<b>-2 to -3 jobs</b>
Gwynedd FTE Total	48,485	48,485	48,485
Approximate percent of Gwynedd employment	-0.09% to -0.1%	-0.05%	-0.01%

5.41 Table 5.10 sets out the total levy revenue collected in each scenario – note the economic activity supported by these activities is included in the GVA impacts set above but is included here for clarity.

5.42 Based on the current number of visitors (bed nights) the levy would raise £2.8m, of which up to £2.5m would be retained by Cyngor Gwynedd to spend in the local area (in line with the Act) assuming that up to 10% of the revenue covers Welsh Government operating costs.

5.43 The approach set out in the previous analysis allows for a reduction in demand in response to the visitor levy – this reduction results in the revenue falling slightly but it remains between £2.7m and £2.8m in total, and between £2.4m and £2.5m once the contribution to Welsh Government operating costs have been excluded.

5.44 In reality, the revenue collected could be higher than this for a number of reasons:

- This assumes that the number of visitors is static as of 2024 data – and the only change is a reduction in visitors (or bed nights) as a result of the levy. In reality the visitor economy may grow (with or without the levy). The Gwynedd tourism market has been growing post Covid and this may continue. There is also evidence year-on year growth in tourism in locations that have introduced a visitor levy (refer to the Bangor University report as summarised in Section 3).
- The levy will allow Cyngor Gwynedd to invest in activities in line with the Act, including promoting and supporting the sustainable economic growth of tourism, and providing, maintaining and improving infrastructure, facilities and services for use by visitors. This investment is itself likely to drive an increase in visitor numbers. Conversely there could be a fall in visitors without the investment in the levy.
- STEAM data suggests a much more significant current visitor economy in Gwynedd – this would result in a larger revenue – this is set out in more detail in the sensitivity test in the next section.

Table 5.10: Revenue estimates

		UK-resident visitors (Standard Band)	UK-resident visitors (Lower Band)	Overseas visitors (Standard Band)	Total	Reduced by 10% to WG for operating costs
Levy per night (excl VAT)		£1.30	£0.75	£1.30		
No reduction in demand	In scope bed nights	1.45m	0.68m	0.31m	2.43m	
	Revenue (excl VAT)	£1.88m	£0.51m	£0.40m	£2.79m	£2.51m

Core	In scope bed nights	1.43m	0.67m	0.30m	2.40m	
	Revenue (excl VAT)	£1.86m	£0.50m	£0.39m	£2.75m	£2.48m
Optimistic	In scope bed nights	1.44m	0.67m	0.30m	2.42m	
	Revenue (excl VAT)	£1.87m	£0.50m	£0.39m	£2.77m	£2.49m
Pessimistic	In scope bed nights	1.42m	0.67m	0.30m	2.39m	
	Revenue (excl VAT)	£1.85m	£0.50m	£0.39m	£2.74m	£2.46m

### Sensitivity test and impacts of assumptions

- 5.45 There are a number of assumptions made above which effect the scale of the impact. The key assumption are set out in the table below, alongside the implications for the magnitude of the impact. Additional sensitivity tests are also carried out – those are set out in Table 5.12 and Table 13..
- 5.46 As set out above, there are a number of different sources for estimating the current size of Gwynedd's tourist economy. The main analysis presented above uses the GBTS and IPS for average annual data for 2022 to 2024 – this is in line with the approach used by Welsh Government and also the guidance that has been provided to local authorities.
- 5.47 The annual figure for 2024 is higher than the average annual figures for 2022-24 (reflecting a recovering post-covid market) and so we have added the 2024 figures as a sensitivity test.
- 5.48 STEAM data estimates a much bigger tourism market in Gwynedd – this is set out in more detail, including a sensitivity test, below.

Table 5.11: Implications of assumptions on likely magnitude of impact

	Sensitivity test	Implication
Contribution to WG operating costs reduced to 0%	Yes – Table 5.12	Tested in sensitivity test – <b>very little change to magnitude of impact</b>
Higher level (45%) of leakage is applied	Yes – Table 5.12	Tested in sensitivity test = <b>Slightly higher magnitude of impact</b>
Using 2024 GTBS and IPS data (instead of 2022 to 2024 average)	Yes – Table 5.12	Tested in sensitivity test = <b>Slightly higher magnitude of impact</b>
Using STEAM data	Yes – Table 5.13	Tested in sensitivity test = <b>Higher magnitude of impact</b>
Proportion of children in standard accommodation is higher than 22%	No	Lower impact in terms of loss of visitor expenditure (as more children, who are exempt) + Lower impact in terms of spending of levy = <b>Lower magnitude of impact</b>

Proportion of children in standard accommodation is lower than 22%	No	Higher impact in terms of loss of visitor expenditure (as fewer children, who are exempt) + Higher impact in terms of spending of levy = <b>Higher magnitude of impact</b>
More pessimistic elasticity of demand	Included in Table 5.9 (lower bound)	Included in lower bound above = <b>Higher magnitude of impact</b>
More optimistic elasticity of demand	Included in Table 5.9 (higher bound)	Included in higher bound above = <b>Lower magnitude of impact</b>
Cyngor Gwynedd only local authority to introduce levy	Not explicitly	Not explicitly but likely to be closer to 'more pessimistic elasticity of demand' = <b>Higher magnitude of impact</b>
Cyngor Gwynedd and neighbouring local authorities to introduce levy	Not explicitly	Not explicitly but likely to be closer to 'more optimistic elasticity of demand' = <b>Lower magnitude of impact</b>
Less than 100% of spending is 'lost' from Gwynedd	No	Lower impact in terms of loss of visitor expenditure = <b>Lower magnitude of impact</b>

Table 5.12: Sensitivity tests

	Core	Contribution to WG operating costs reduced to 0%	Higher level (45%) of leakage is applied	Using 2024 GTBS and IPS data
<b>Change in annual GVA</b>	<b>-£0.3m to -£0.4m</b>	<b>-£0.2m to -£0.3m</b>	<b>-£0.6m to -£0.7m</b>	<b>-£0.4m to -£0.5m</b>
Gwynedd GVA (2023)	£2,842m	£2,842m	£2,842m	£2,842m
Approx percent of Gwynedd Economy GVA	-0.01%	-0.01%	-0.02% to -0.03%	-0.01% to -0.02%
<b>Change in FTE Employment</b>	<b>-22 to -26 jobs</b>	<b>-20 to -23 jobs</b>	<b>-27 to -31 jobs</b>	<b>-25 to -29 jobs</b>
Gwynedd FTE Total	48,485	48,485	48,485	48,485
Approximate percent of Gwynedd employment	-0.05%	-0.04% to -0.05%	-0.06%	-0.05% to -0.06%

5.49 STEAM data reports a much higher tourism sector in Gwynedd. In 2024 there were estimated to be 4.1m visitors, staying 20.4m nights and spending over £1bn. That is approximately 4 to 5 times bigger than the tourism market in Gwynedd based on the IPS and the GTBS.

5.50 The sensitivity test below estimates the likely impact of the levy based on the STEAM numbers, this is likely to overestimate the impact of the levy but is included for completeness and in recognition that the rural nature of Gwynedd may mean that the GTBS and the IPS may underestimate visitor numbers. This Steam analysis provides a bookend in terms of:

5.50.1 Worst case in terms of impact on employment and GVA – this results in a reduction of between 100 and 116 jobs (approximately 0.2% of Gwynedd's economy) and up to £1.9m GVA (up to 0.07%).

5.50.2 Best case in terms of available revenue spending – this increases to £11.2m (after accounting for contribution to Welsh Government operating costs). This is likely to be a very best case scenario in terms of revenue funding.

5.51 Note that this analysis is based on the core scenario (i.e. an elasticity of -0.74). Applying Welsh Government's range of elasticity (-0.38 to -1.12) would results in a wider range of impacts using the STEAM data,

5.52 The main analysis (following the Welsh Government approach and guidance) remains the preferred approach but the STEAM data demonstrates the uncertainty (and potentially top end) of the likely impact.

Table 5.13: Change in annual GVA and employment combined effect

	<b>Main analysis</b> Core scenario (elasticity of -0.74)	<b>STEAM</b> (elasticity of -0.74)
Decrease due to loss of spending	–£1.5m to –£1.7m	–£6.7m to –£0.6m
Increase due to spending of the levy	+£1.1m to +£1.3m	+£5.2m to +£5.7m
<b>Change in annual GVA</b>	<b>–£0.3m to –£0.4m</b>	<b>–£1.5m to –£1.9m</b>
Gwynedd GVA (2023)	£2,842m	£2,842m
Approx percent of Gwynedd Economy GVA	-0.01%	-0.05% to -0.07%
Decrease due to loss of spending	-42 to -47 jobs	-188 to -212
Increase due to spending of the levy	+19 to +21 jobs	+88 to 97
<b>Change in FTE Employment</b>	<b>-22 to -26 jobs</b>	<b>-100 to -116</b>
Gwynedd FTE Total	48,485	48,485
Approximate percent of Gwynedd employment	-0.05%	-0.2%
<b>Revenue (excl VAT)</b>	<b>£2.8m</b> £2.5m accounting for contribution to WG	<b>£12.4m</b> £11.2m accounting for contribution to WG

## Visitor levy entirely borne by the accommodation provider

5.53 This scenario assumes that businesses absorb the cost of the Visitor Levy which means that there is no change to the level of visitors to Gwynedd. This means that the businesses absorb £3.3m including VAT (this is worst case as some businesses will pass VAT on).

*Table 5.11: Total cost to be absorbed by the business*

	UK-resident visitors (Standard Band)	UK-resident visitors (Lower Band)	International	TOTAL
Eligible bed nights (no reduction in demand) ('000)	1,450	677	305	2,432
Levy per person per night (inc VAT)	£1.56	£0.90	£1.56	
<b>Total levy = total cost to be absorbed</b>	<b>£2.3m</b>	<b>£0.6m</b>	<b>£0.5m</b>	<b>£3.3m</b>

5.54 Businesses absorb £3.3m of additional cost and this is paid for business revenues – the Welsh Government appraisal assumes that this is ‘found’ from within the value added and so in the same as GVA. In reality, it would likely there would also be some reduction in jobs.

5.55 The Welsh Government appraisal also assumes that neither input prices change, nor do visitor volumes, nor economic scale. This means that there are no ‘Type 1’ supply chain multiplier effects. There are however some indirect effects consequent on the Levy squeeze, reducing income to be spent (in part) across the Gwynedd economy and so a multiplier of 1.2 is applied to include direct and induced, but excludes indirect GVA. This results in a loss of £3.9m in annual GVA.

*Table 5.12: Change in annual GVA due to impact of Levy being absorbed by the business*

	TOTAL
Direct annual GVA	-£3.3m
Multiplier (direct and induced, excludes indirect)	1.16
Total annual GVA	-£3.9m

5.56 As set out above, the spending of the levy is expected to result in an increase of £1.1m to £1.3m in GVA per year in the core scenario and an increase of 19 to 21 jobs (accounting for contribution to WG operating costs and leakage). This results in a combined impact of a loss of £2.7m in annual GVA and an increase in 19 to 21 jobs.

*Table 5.13: Change in annual GVA and employment combined effect – core scenario<sup>15</sup>*

	Annual GVA	Employment
Change due to impact of Levy being absorbed by the business	-£3.9m	0
Change due to spending of the Levy being	+£1.1m to +£1.3m	19 to 21 jobs
<b>Net change</b>	<b>-£2.7m</b>	<b>19 to 21 jobs</b>
Proportion of Gwynedd economy	-0.1%	0.04%

5.57 The relevant sensitivities set out above are included in the table below. The higher leakage, change in contribution to Welsh Government operating costs and approach to VAT changes results in a jobs impact of between 14 and 24 jobs and a loss of between -£2.0m and -£3.0m of annual GVA.

5.58 Again the STEAM data has a much larger impact (driven by a larger current tourist economy) and shows the bookends (both positive and negative) of potential impacts.

*Table 5.14: Sensitivity tests*

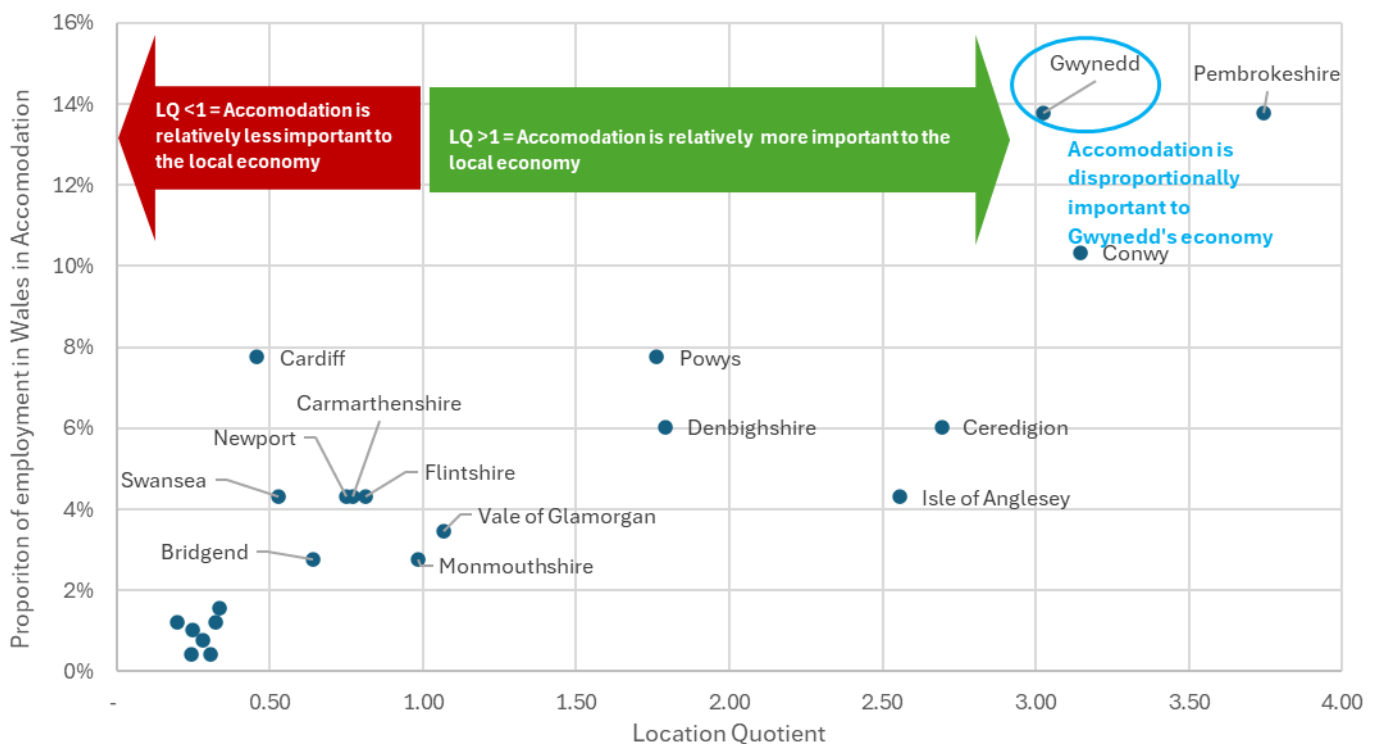
	Annual GVA	Employment
Core	-£2.7m	19 to 21 jobs
Higher level (45%) of leakage is applied	-£3.0m	14 to 16 jobs
Contribution to WG operating costs reduced to 0%	-£2.5m	22 to 24 jobs
Businesses do not 'absorb VAT'	-£2.0m	19 to 21 jobs
STEAM	-£12.0m	88 to 97 jobs

<sup>15</sup> The range of different elasticities makes negligible difference to the bound presented in this table.

## 6 Cross checking with the Welsh Government Analysis, accounting for the relative importance of tourism to Gwynedd

- 6.1 We have conducted 'sense checks' which uses the overall impact of the Visitor Levy on the Welsh economy (from the Welsh Government analysis) to estimate the likely impact on Gwynedd. Note this does not address the caveats with the Welsh Government analysis, or its applicability at a more local level, but it does provide additional confidence in the analysis.
- 6.2 First, it should be noted that Gwynedd has a significant proportion of the overall Welsh tourism market (and therefore employment) and the economy is disproportionately reliant on it. This is shown in Figure 6.1 which shows that Gwynedd has just under 14% of Wales' total employment in Accommodation but that it has a location quotient of 3.0 which means that accommodation is disproportionately important to the local economy.

Figure 6.1: Accommodation employment in Wales -Location Quotient and proportion of employment in Wales



- 6.3 The table below shows that based on a number of different measures (employment, visitor nights and spend); the Gwynedd tourism sector is between 7% and 15% of the Welsh tourism economy.



Table 6.1: Gwynedd tourism sector as a proportion of Wales total

	Proportion of Welsh total tourism sector
Employment in Accommodation (BRES 2024)	14%
Employment in Accommodation and Food (BRES 2024)	7%
Domestic - nights (all trip types)	15%
Domestic - spend (all trip types)	11%
International - nights (excl own home and family and friends)	10%
International - spend (excl own home and family and friends)	8%

6.4 As a sense check, we have applied this to the findings of the Welsh Government 2024 Appraisal. In the appraisal that passed on 100% of the levy to the customer, it found that:

- Across Wales, the Levy would result in between a loss of 100 and -400 jobs
- And a change in annual GVA of between -£7.5m and an increase of £11.1m

6.5 If we applied the range above (7% to 15%) we would expect an impact of between -60 and plus 15 jobs and a change in GVA of between a loss of £1.1m and a gain of £1.7m. This compares to the estimates in Section 5 of -2 to -50 FTEs<sup>16</sup> and between a loss of £1.3m to a gain of £0.4m in annual GVA.

6.6 This approach of pro-rating the Welsh Government analysis would be expected to be higher than the analysis set in Section 5 because prorating the Welsh Government analysis assumes that Gwynedd claims its (relative) share of the spending of the visitor levy (once non-regional spending is accounted for).

6.7 The analysis in Section 5 assume that there is leakage of the spending of the Gwynedd levy outside of Gwynedd and does not account for Gwynedd business 'gaining' as a result of the levy from other local authorities (for example a Gwynedd business being employed on a project in Anglesey or Conwy paid for by the levy).

6.8 It should be noted that these estimates are only indicative – the approaches are not like for like. Nonetheless the similarity of the figures provides confidence in the analysis set out in Section 5.

<sup>16</sup> Note this is comparing jobs and FTEs so it's not comparing like for like



Table 6.2: Cross checking compared to Welsh Government Approach - 100% of the Levy passed on

		<b>Pessimistic</b>	<b>Core</b>	<b>Optimistic</b>
Employment	<i>WG approach - Welsh level</i>	-400	-140	100
	WG approach - Gwynedd level 7%	-28	-10	7
	WG approach - Gwynedd level 15%	-60	-21	15
	Caveated Gwynedd approach (passing Levy onto visitors) – Section 5	<b>-44 to -50 jobs</b>	<b>-22 to -26 jobs</b>	<b>-2 to -3 jobs</b>
Annual GVA (£m)	<i>WG approach - Welsh level</i>	-7.5	2.1	11.1
	WG approach - Gwynedd level 7%	-0.5	0.1	0.8
	WG approach - Gwynedd level 15%	-1.1	0.3	1.7
	Caveated Gwynedd approach (passing Levy onto visitors) – Section 5	<b>-£1.1m to -£1.3m</b>	<b>-£0.3m to -£0.4m</b>	<b>£0.4m</b>

6.9 Taking the same approach for the scenario where businesses absorb the levy, then applying the 7% to 15% range would result in between 25 and 54 additional jobs (compared to 19 to 21 in Section 5) and between -£2.3m and -£4.8m (compared to -£2.7m in Section 5).

Table 6.3: Cross checking compared to Welsh Government Approach – 0% of the levy passed on

			<b>Core</b>
Employment	WG approach - Welsh level	Jobs	360
	WG approach - Gwynedd level 7%	Jobs	25
	WG approach - Gwynedd level 15%	Jobs	54
	Caveated approach (businesses absorb) – Section 5	FTEs	<b>19 to 21 jobs</b>
Annual GVA	WG approach - Welsh level		-£32.3m
	WG approach - Gwynedd level 7%		-£2.3m
	WG approach - Gwynedd level 15%		-£4.8m
	Caveated approach (businesses absorb) – Section 5		<b>-£2.7m</b>

## 7 Conclusion

- 7.1 The evidence on the impact of visitor levies on local economies is relatively limited, and there are some significant gaps and uncertainty in the data. Therefore this appraisal should be read in that light.
- 7.2 We have sought to replicate the appraisal methods used by Welsh Government, making them relevant at a local level where possible, and including assumption and caveats transparently. We have also added sensitivity tests and sense checks to add robustness to the appraisal.
- 7.3 Despite the caveats associated with the evidence base and methodology, we are confident that the impact on the Gwynedd economy will be relatively small in terms of both the impact on employment and annual GVA. The table below reflects the likely range using the IPS and the GTBS (in line with the approach used by Welsh Government).
- 7.4 This analysis is relatively conservative in that it assumes there is no growth in the visitor economy and allows for a reduction in response to the levy. In practice, if the visitor economy grows then the funding raised by the levy will increase, and indeed the levy spending could drive higher tourism through an improved visitor experience. There is evidence of year on year growth in other locations where visitor levies have been introduced.
- 7.5 Any growth in the visitor economy would also offset any losses to the economy (jobs and GVA) as a result of the visitors who do not come as a result of the levy and result increase the levy revenue.

Table 7.1: Summary of likely impacts

			Main analysis - Core scenario	Main analysis - Likely range <sup>17</sup>
Employment	Caveated approach (passing Levy onto visitors)	FTEs	-22 to -26 jobs	-50 to -2 jobs
	Caveated approach (businesses absorb)	FTEs	19 to 21 jobs	19 to 21 jobs
	<b>Combined range</b>	FTEs	<b>-26 to 21 jobs</b>	<b>-50 to 21 jobs</b>
Annual GVA (£m)	Caveated approach (passing Levy onto visitors)		-£0.3m to -£0.4m	-£1.3m to £0.4m
	Caveated approach (businesses absorb)		-£2.7m	-£2.7m
	<b>Combined range</b>		<b>-£2.7m to -£0.3m</b>	<b>-£2.7m to +£0.4m</b>
Revenue	<b>Combined range</b>			<b>£2.4m to £2.8m</b>

- 7.6 The STEAM data estimates the current Gwynedd visitor economy is 4 to 5 times larger than the IPS / GBTS data – therefore using the STEAM data results in significantly higher impacts.

<sup>17</sup> This includes a range of pessimistic to optimistic based on the elasticities in the Welsh Government analysis

For example the change in jobs is -26 to +21 in the core scenario of the main analysis, and this becomes -116 to +97 using the STEAM data. Similarly the revenue increases to £11.2m (although note this is likely to be an overestimate). This highlights the uncertainty in the data and therefore the inherent uncertainty in forecasting the impact of the levy.

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