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Tourism – a cornerstone of the Welsh economy

1. Tourism: Economic Reliability and Strength

- Tourism in Wales is a cornerstone of the economy of Wales. The industry provides **jobs that cannot be exported**, an investment in **infrastructure that can be utilised by residents and visitors** and offers the experience and wider understanding of the **culture and heritage** of Wales to the world beyond our borders.
- Even during a recession, tourism offers a reliable delivery of taxation, job provision and additional ancillary spending (food, drink, associated retail etc) while sustaining an industrial infrastructure that will be in place to take advantage of the upturn when it arrives.
- It has particular ongoing benefit to those rural and urban communities in Wales in need of **regeneration**. Throughout Wales, tourism significantly enhances the lives of local communities by supporting a wider range of amenities than would otherwise be viable. The economic future of Wales is reliant on the long-term prosperity of the tourism industry and on the industry meeting and exceeding the needs of the market.
- The tourism sector is estimated to be **worth £3.5bn to Wales**, greater than the combined national budgets for education and enterprise in Wales.
- A relatively **large number of people in Wales are dependent for their livelihoods on the tourism industry**. Around 77,900 workers

were in tourism-dependent jobs in 2003, equating to around 60,000 full-time equivalent positions (FTEs). *This is more, as a share of the total workforce, than any English region other than the South East.*

- **Welsh businesses are highly dependent on the tourism sector.** The accommodation sector in Wales is much more dependent on non-local guests than its UK counterpart (85% versus 72%), and the same is true for restaurants, bars and catering (51% versus 43%). Furthermore**, £1 in every £10 spent on transport and retail in Wales is spent by visitors**.
- Apart from the contributions received from the many other sectors/contributors within the tourism industry such as self-catering, camping and caravanning, 4,000 Hotels, Guest Houses, B&Bs, etc and 2,000 cafes and restaurants in Wales contribute business rates to local government.
- Welsh and other UK tourists prove, in an economic sense, the most efficient at converting their expenditure in Wales into economic value added, since less of their money is leaked out of the national economy when they purchase goods and services.

2. Challenges

- **Wales tourism is dominated by micro-businesses.** They are part of the distinctive character of Wales and shape its sense of place and are part of the entrepreneurial talent of Wales but these businesses rely on effective public/private sector partnerships to deliver their collective needs, achieve effective marketing reach and ensure their viability.

- In 2007 tourism spend and bednights were down and figures for UK tourism show that only Wales experienced a decline in bednights. Last year an overnight visitor to Scotland spent £15 more per night than an overnight visitor to Wales. The recession may stretch this divide.

- Wales faces particular challenges related to location, accessibility, image and the nature of the visitor experience. It has to work hard to retain and grow market share to ensure the economic and quality of life benefits of the sector are sustained and grow for the benefit of Wales. Specifically:

- Based on available data, Wales appears significantly under-funded for tourism marketing relative to Scotland and Ireland. **It is hard to envisage Wales maintaining its market share in the absence of increased government funding.**

- The above concerns are exacerbated by the uncertainties arising from the current Visit Britain review (due to report in February). Already cuts in infrastructure and/or resources that severely affect markets that are important to Wales have taken place.

- Take for instance, Type A markets: Devolved short-haul markets (such as France, Spain, Germany, Italy, Netherlands). In these markets, the primary role for VisitBritain will be as 'Insight Provider' – providing real consumer insight, data and information to strategic partners, regional partners and the trade.

- Or Type B markets: Devolved long-haul markets (such as the USA, Australia and Canada). In these markets a full portfolio of all the British Brands will usually be deployed.
- In effect, this adjustment means Wales will have to do all its own marketing- it is something that WAG will have to deal with directly and in isolation from now on.

***So how can we protect this pan-Wales industry and build on its strengths in the short and medium term*?**

3. Actions To Sustain, Support And Develop The Tourism Industry In Wales

a. Marketing Support

- The performance of Visit Wales' tourism marketing team in the last eight years- under the Wales Tourist Board, where it received considerable Welsh Assembly Government/EU Objective One support and then within WAG- has been exemplary and has demonstrated a high competence in content, prudence and delivery. This view is confirmed throughout the industry.
- This high standard of past delivery has set a high bar for future achievement and driven the immediate competition to up its game.
- The RDA's in England have responded with well-funded and competitive campaigns. VisitEngland has been reformed and will now provide a more co-ordinated response from the RDA's and therefore far greater competition for Wales than was previously the case.

- The SNP Government in Scotland have chosen tourism as a key sector and allocated considerable resources to achieving greater market share.
- Marketing money is an investment not a handout and translates into up to thirty times returns to the economy.
- However, it is essential that the Welsh Assembly Government continues to ensure the best possible returns particularly when money is tight and also provides the highest standard of marketing advice and support.
- Therefore, to enable tight monitoring and direction of spending, it would make sense for the VW Marketing Team to benefit from having the industry close on hand to offer ideas, market intelligence, advice and feedback and direct resources towards areas that will raise profile for tourism and, indirectly, the government, and encourage the levels of visits and personal spending that will produce the maximum economic return.
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b. Grants

- Business Grants are a vital tool for the Welsh Assembly Government to sustain the economy and have been at the centre of Economic policy since the inception of the Assembly in 1999.
- The Section Four grant scheme (specialised tourism grant scheme) has proved very effective and well subscribed since its introduction. Section Four stood alone and always had a ring fencing that ensured

smaller businesses could draw on its support and quality throughout the industry was upgraded.

- The disadvantages of the previous Section Four scheme included the restricted total pot- usually around £3m- which was set at a level that did not reflect the status or contribution of the tourism industry to the economy of Wales.
- Also, it was administered in an entirely separate way to other economy grants and so the bigger picture- ie how tourism fitted into the Welsh economic picture-was more difficult to assess and to appreciate.
- Since the consolidation into SIF, this ringfencing has disappeared and with it concerns have been raised by smaller businesses that they will be overlooked for larger projects.
- Also, compared to the familiar Section 4 scheme, SIF is, perhaps not surprisingly, less well understood by operators on the ground.

- There is plenty of “communication” about the new system- via presentations (Economic Summit, 1st Tourism Summit, Small Serviced Sector Forum, SE Forum, TAP)- but overall, a low awareness of content remains.

- In reality. widespread confusion over funding priorities and application procedures remain.

- When consulted by the industry, the small minority of tourism businesses that had tried to apply for SIF funding professed themselves somewhat frustrated by the process.

- There are also industry concerns over the loss of specialist Section 4 advisors into the wider Economy pool.

- Specialist advisors for small tourism businesses have now been lost- they have disappeared under a preference for generalism- but it is not to late to reintroduce these roles because the needs of tourism businesses differ from those of other sectors in important respects.
- There is also scope for using the skills of those already employed in tourism as a source of advice to others in the sector.
- Visit Wales in consultation with the industry through the new partnership (see below) should draw up specific and clear strategic investment priorities, in line with the Spatial Plan, for SIF funding within the tourism sector.
- This would deliver considered policy overlays to ensure that tourism sector applications for SIF are coordinated and targeted to enable focus of expenditure on where there will be the greatest return on investment and the strongest strategic benefit to the Wales economy.
- It is envisaged that this would take the form of group applications in which apparently random projects are brought together as a single project designed to meet an identified strategic market and business investment need. These projects are likely to have either a destination or thematic focus. Such an approach would necessitate making some difficult choices between different priorities but would avoid a scattergun approach and possible concerns about public funds being spent to best effect.

- The Welsh Assembly Government should also consider the use of other economic mechanisms to support businesses in the recession- for instance, it should consider the impacts made on tourism businesses of the re-assessment of business rates in 2010 based on rental values of property in April 2008.
- A policy of proactively helping to protect businesses and jobs- rather than try to repair those damaged by the recession- would be more fruitful than waiting for the worst to happen. This was offered to Corus in 2001 (training assistance given to the business instead of a lay-off policy) and, with some imagination, it could be done to help significant tourism employers, particularly in areas where they are key to local communities.
- Whatever approaches are adopted, clear and systematic communication across affected departments- and with the industry- will be necessary if the money spent is to be maximised.

c. Partnership Proposals

- The creation of a stronger and more robust national leadership for tourism to utilise the post-merger strengths of both the public and private sectors and to fight a joint action against economic downturn is vital. The severe fallout predicted for the post-credit crunch economy- as outlined to business leaders in Wales at the Welsh Assembly Government's Economic and Tourism Summits-makes it vital that the tourism industry's representatives continue to stand alongside our politicians and together we determine to do everything within our power to protect jobs and protect businesses and to deliver the best possible returns within what could be a very difficult three-year trading period.

- Therefore, the proposal is to establish a formal, industry-led partnership be established to replace the existing Tourism Advisory Panel (Minister's advisory group) once its term of appointment expires this May. TAP is unable to provide the resolve, depth of representation, communication links or the pool of advice that current conditions demand.

- This proposed body should comprise key representatives from industry and relevant officials within Heritage to combine policymaking and delivery with new, extended industry-wide and industry-driven information provision.

- This partnership will deliver shared public and private sector national leadership for tourism. It will foster communication between the different aspects of the tourism sector to retain and increase competitiveness.

d. Examples Of Additional Policy: Some Specific Measures

Greater use of Tourism Guides

- Tourism Guides have the ability to unite communities with visitor, express local knowledge and culture and offer retraining opportunities to those in other industries, such as the steel industry.

- WAG should explore the potential of using the existing tourism Blue guides as a resource, the extension of the Green Badge scheme to other areas of Wales and offer training and retraining packages that would be under industry control particularly in unemployment hot sports (see below).

Training

- At present the Tourism Training Forum for Wales deliver training for the industry under the auspices of People Ist, the Sector Skills Council. WAG should discuss ways of strengthening the skills infrastructure, linking it closer to the industry, reassessing its operational delivery and considering measures that will lead to improving value for money.
- Emphasis should be on providing local jobs for local people and offering specialist skill training to match job demand in different communities.

- Emphasis should be more vocational training than exists at present- tailoring training to vacancies- and less generalised.

- The industry would be able to offer guidance on where vacancies exist and how training should adapt to these vacancies.

- Life long learning support should be an important part of the package, so that the training is not entirely single job specific or entirely commercially driven- but nevertheless training must be concentrated on providing sustainable and appropriately rewarded employment that should be transferable within the sector but nevertheless aimed at the opportunities that exist within the locality where the applicant resides.

Sense Of Place

- If we are to tempt visitors from visiting other competitor locations we must deliver a tourism product that has a clear difference as well as one that matches their demands and their requirements. Wales must emphasise its *usps* and not be seen as an extension of another region.

- We must improve the promotion and signposting of cultural events and products; wherever there is a WAG presence/promotion we should ensure we aim to display cultural tourism product

- We should combine elements of the Welsh culture to increase the offer- for instance, develop a programme to encourage tourism venues (including heritage tourism venues) and hospitality outlets to host music and food events and, with the industry, offer practical advice to tourism businesses on how to use music in their business and encourage the use and promotion of local food.

- A database of musicians should be developed, alongside a story telling programme, all linked through the WAG website. WAG could encourage the use of sculpture and art to enforce Sense of Place; investigate proposals to roll out integrated PR initiatives targeting arts/heritage sector and travel sector; scope the potential of Arts and Landscape trails (links to walking), especially in regeneration areas; ensure VW website (and other government funded websites) have up to date events listings or links to websites with up to date listings (eg the regional websites, Arts Council's "what's on" website) .

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