

ECONOMIC DEVELOPMENT & TRANSPORT COMMITTEE

Date: 16 November 2005
Time: 9.00 to 12:20
Venue: National Assembly for Wales, Cardiff Bay
Title: ECONOMIC DEVELOPMENT & TRANSPORT
 MINISTER'S REPORT

Economic Overview

- 1. Gross employment flows for Wales:** This statistical data was published via the Assembly internet site on 8th November. It shows high levels of both job creation and loss. Over the last few years around 2,300 jobs have been lost each week in Wales with about 2,700 created. This is important data placing into context media focus that can sometimes lead to a misleading picture of the way in which the economy operates.

Whilst no one disputes that individual plant closures can have a devastating effect on local communities, their impact on the overall picture can be muted. This is because we do not operate in an economic environment where the number of jobs are more or less fixed and to which there are additions and subtractions from large scale openings or closures. The true picture is one in which expansions and contractions make a larger contribution than individual openings and closures. The extent of this employment 'churn' outlined in the data reinforces the importance of getting the fundamental conditions right to help the economy to generate and sustain high levels of good quality employment.

- 2. Public Sector Employment Trends 2005:** On 28th October the Office of National Statistics published statistics for Public Sector Employment for year to June 2005. These figures show there were 304,000 people employed in the public sector in Wales. This represents a reduction of 2,000 (or 0.5 per cent) on the previous year but an increase of 16,000 (or 5.9 per cent) on 1999. For the UK as a whole, public sector employment over the year to June 2005 was 93,000 (or 1.6 per cent) higher than in the previous year and 590,000 (or 11.3 per cent) higher than in 1999. Wales has seen the smallest percentage increase in the level of public sector employment since 1999 compared to other UK countries and English regions. Indeed out of all UK countries and English regions, it is only Wales that has seen an increase in the private sector share of total employment since 1999.
- 3. CBI Quarterly Industrial trends Survey (Wales):** The results of this survey which relates to the Welsh Manufacturing Sector was published

on 26th October. Results appear to reflect the extremely competitive environment our manufacturers face within a global economy. Amongst the main findings was a deterioration of business sentiment for a second consecutive quarter. A rise in average unit costs. A fall in domestic and export prices. And a fall in employment for the first time in eighteen months.

4. **Disposable Wealth:** Latest quarterly analysis of UK disposable wealth is showing that disposable wealth in Wales is growing at one of the fastest rates in the UK, with a 10% year on year increase in wealth. However the Welsh figure of £24,247 remains some way behind the overall UK figure of £40,000.

Supporting Business

5. **Opus TF:** this Cardiff based independent production company has secured European funding to assist development of a series of documentaries for the international market. Through the European Union's Media Plus Programme it has gained £61,000 which it will match fund and use to build upon the reputation it has already gained as a successful exporter of television programmes.
6. **Format Filters:** the Aberaman based company has been the subject of a management buy out secured via the help of a £550,000 funding package from Wales Fund Managers Limited (acting for Finance Wales) and HSBC Bank. Buy out will help the company build on its reputation as a supplier for high definition television cameras.

Encouraging Entrepreneurship

7. **Enterprise Week:** On 14 November I launched Enterprise Week in Wales. This is part of a UK wide initiative aiming to promote and celebrate enterprise in all its forms, within which Wales will play its full part. A series of events are planned and we hope to build on the success we achieved last year in coming top of the UK league in terms of number of events held.
8. **High Growth Programme:** 15 new companies, each with a predicted turnover in excess of £1 million over the next three years have qualified to enter the High Growth Programme. This £15 million Programme which provides mentoring from experienced business people and specialist support from leading private sector firms to nurture promising new-start business has benefited from funding from the Assembly Government and Structural Funds.

Promoting ICT

9. **e-Wales:** A new policy and strategy unit, e-Wales, has been established to drive and embed e-Government in Wales and deliver effective e-strategies across policy areas in the Welsh Assembly

Government. The division will proactively interface with UK and European organizations to positively influence ICT and telecommunications policy development in Wales.

10. **BT Exchanges:** BT is trialling its 8 Mbps service in this month which will include four Welsh exchanges (Llandaff, Llanishen, Radyr and Rhoose). Commercial launch of the higher speed services is anticipated across the UK to enabled exchanges by spring 2006.
11. **High Speed Broadband Access:** Successful trials in Pembrokeshire of a new fibre optic cable which provides high-speed broadband access in remote locations. The success of the trial has prompted BT to consider testing the new technology elsewhere in the UK.
12. **Total Network Solutions Limited:** BT announced its acquisition of Total Network Solutions Limited, based in Oswestry. This move is part of the Company's strategy to extend capacity and market coverage in key convergence technologies.

Improving Transport

13. **Ebbw Valley Line:** I announced on 3rd November that Amey Rail had been awarded the contract to complete the detailed design of the Ebbw valley line before commencing the main site works in the spring of 2006.
14. **Other Transport Issues:** The **Transport (Wales) Bill** successfully completed its 2nd reading in the House of Lords also on 1st November 2005.
15. The A477 Nash Fingerpost to Bangeston trunk road improvement will be completed on the 17th of November 2005.
16. The Deputy Minister attended the inaugural meeting of the **Wales Freight Group** on 1st November 2005.
17. **Air Services:** The UK Government has agreed to award a Public Service Obligation (PSO) on the new air service between Cardiff and RAF Valley. We are now working with the Department for Transport to take the PSO process forward with the European Commission.

Establishing Wales in the World / Tourism

18. **Swansea Marina:** Is embarking on a major expansion to cater for a large rise in the demand for yacht space. Some £530,000 will be invested into providing an additional 100 moorings in time for the 2006 spring/summer season. This investment will make Swansea Marina (410 berths plus a further 200 on the River Tawe) one of the largest in the UK.

Setting a Fresh Direction

19. New Environmental Project: On 25th October I announced the approval of a new Objective 1 project to increase recycling and composting facilities at the Bryn Pica landfill site, Aberdare (total project cost of £1.9m). The project will contribute to the creation and safeguarding of jobs, and make a valuable contribution to national recycling targets. The current facility will be designed to accept industrial and commercial waste, with the composting facility able to process material from municipal and commercial waste streams, enabling a more environmental and sustainable operation to take place. Once fully commissioned the facility will be able to process 30,000 tonnes of waste each year; at least 50% will be recycled, reducing landfill by 15,000 tonnes.

20. Latest Structural Fund Figures (October 2005):

Overall: £1.4 billion grant has been committed to Structural Fund programmes, supporting 2,595 projects. This represents £3.37 billion of total project investment, including £1.96 billion of match funding. 36% of match funding has been provided by the private sector. The creation and safeguarding of around 124,457 gross jobs can be associated with projects match funded by Structural funds.

Objective 1: £1.2 billion has been committed supporting 1,581 projects representing £2.87 billion of total project investment. The creation and safeguarding of around 112,802 gross jobs can be associated with projects match funded by Structural funds.

Jobs & Investment News

Job Gains & Safeguarded

21. Admiral Insurance Group: Has announced a £200 million investment in new offices in SA1, Swansea that will create 250 jobs over the next three years. Key to securing the investment has been a £1.9 million Welsh Assembly Government RSA grant. Admiral is one of Wales' most successful and dynamic companies and the confidence they are displaying in the SA1 development should help to act as a catalyst to draw other companies to the city.

22. Wales & West Utilities: Gas distribution business is investing £52m to create a new administrative centre at Celtic Springs Business Park, Newport. Company was offered £2m RSA towards the cost of establishing its administrative centre. The Business employs more than 1,200 across Wales and the West Country. This is latest in a series of prestigious international companies to invest in Wales and represents excellent news for Newport.

23. **GMAC Financial Services:** Company based at Parc Natgarw in Treforest has announced it will expand its workforce to 270 by the end of the year. The company relocated to Wales some 5 years ago and has gone on record as saying the highly motivated and skilled workforce is a key reason behind its expansion plans in Wales.
24. **PRA International:** This leading clinical development company has made a long term commitment to Swansea by taking a 10 year lease at Matrix Business Park. The move will safeguard the existing workforce of 60 in Swansea and will create opportunities for further high quality employment as the company looks to expand its Wales based operation. PRA is the second major international company to commit to the development with global IT company EDS already on site.
25. **Warburtons:** Creating 140 jobs in South Wales as part of a £10 million investment, with the takeover of the former Rathbones bakery in Rogerstone near Newport. The bakery is expected to be completed by July next year.
26. **Contact Centres UK:** Company backed by an Assembly Investment Grant of some £40,000 is to create more than 50 jobs in Bridgend. The company is to focus its efforts upon the financial services and legal sectors.
27. **Hazell Carr:** Financial services complaints specialist hopes to create 120 graduate jobs at its UK business site at St Mellons. Company has been offered RSA to assist with the move, its previous base required major urgent work. The company received grant to move to a building that will not be complete until 2007. The company has moved to St Mellons as a temporary measure.
28. **Newport Galvanizers:** Company announced a move to a new factory adjacent to Corus's new plant in Llanwern thanks to a Regional Selective Assistance Grant. The move will safeguard 45 local jobs.
29. **Solway Recycling:** Have announced that with the help of the Wales Environment Trust and the Welsh Assembly Government they have secured £28,000 Assembly Investment Grant. The company helps farmers deal with problems that arise from the new legislation arising from the Waste Framework Directive.

Job Losses

30. **DARA:** As part of a total of 725 job losses at DARA facilities across the UK - up to 500 losses are expected at DARA St Athan with the announcement that maintenance repair work on fighter jets is to end in April 2007.
31. **Nippon Electric Glass:** Closing its Cardiff facility as a direct result of the decline in demand for the glass that goes into cathode ray tubes.

The decision by Sony earlier this year to close its CRT TV plant at Bridgend, of whom NEG was a key supplier is a direct cause of this closure. Some 392 staff are affected (280 direct employees; 180 permanent logistics contractors; and 12 Agency staff). 146 staff took voluntary redundancy in June/July this year.

- 32. Economy Power Ltd:** Cardiff based business employing 210 is to close following its acquisition by E. on. The closure is expected to take place in June 2006. It is understood the company are offering employees a redundancy package as well as an additional retention payment if they remain with the company until closure.
- 33. Trico:** Pontypool based company has announced it will cease production of manufacturing and painting activities at the Pontypool site, retaining a sales office and distribution centre with the relevant support functions. Production is to be transferred to more competitive locations. 299 jobs are based at the Pontypool site.
- 34. Electronic Harnesses UK (EHUK):** Company announced on 31st October the closure of its factory in Llantrisant from January 2006. Company presently employs 33 staff plus a further 46 home workers. It is understood the company was in discussions with Sharp, Wrexham for a new opportunity to provide electronic harnesses for a new Sharp product, but was not successful in their bid.

Annex A

EDTC ACTION OUTSTANDING

EDTC2- 08- 05 8 June, 2005

Economic Development and Transport Minister to bring to committee more detailed figures of the merger savings as they became available (Item 2)

- The consultation paper indicated that the total cost of merging the organisations was some £39 million (over the next 5-6 years). This represents the cost of restructuring the Economic Development and Education departments, ICT, managing the mergers, transfer and induction of people and re-organising corporate services. From the £39 million, £29 million can be found from within existing resources. A budget requirement of some £10-12 million over the next 5-6 years is required to take this forward.
- Work is continuing to firm up the costs of the second wave of ASPBs merging with the Assembly, most of these are for the merger of the Tir Gofal scheme from CCW.
- For 2005-06 the Assembly Government has a budget of £4.7m to meet the costs of mergers that cannot be met from within existing resources.
- For 2006-07 a provisional additional budget of £7.2m has been earmarked to support the cost of mergers. These costs also include early estimates for the cost of the second phase of mergers. The costs are for:-
 - re-structuring the departments
 - developing common services and systems
 - integrating ICT and telephony infrastructure and systems
 - adding ASPB premises to the Assembly Government estate
 - training staff of the merging Departments
- Because the majority of these are corporate costs there are no separate estimates of the cost of merging any particular ASPB.
- Costs of training and ICT integration in particular will continue beyond the main merger date of April 1 2006.

Benefits

- The table below analyses the original benefits for WAG and EDT. Further work has now been undertaken to calculate the running costs and budgets for the new Departments for next year. The information is being used to refine estimates of the cash releasing benefits of mergers. Early

indications are that WAG is on course to deliver benefits of at least £10 million by 2009.

- From next April, the number of people in the new EDT Department will be about 1650, including secondees – broadly the same as now. This is consistent with the commitment made by Ministers that the Assembly Government will do all in its power to avoid compulsory redundancies at or about the point of merger.
- Over time, the merger synergies and benefits arising from ‘Making the Connections’ will influence the scale of the new EDT team. An early priority will be to firm up the scope for these synergy savings and plan how best to ensure that they are realised. Non-pay costs will be looked at first, though staff numbers will fall back over the next few years in a properly planned and managed way. The conclusion of the current EU funding round and the introduction of new business processes and shared services will offer opportunities for efficiencies.

Original Estimates of Benefits	2008-09 (£)
EDT Department	4,700,000
DELL Department	1,900,000
Corporate services Departments (Staff)	3,100,000
Corporate services (Non-Staff)	900,000
Total	10,600,000

Breakdown of Anticipated EDT Savings 2008-09 (£)	
Management Team	400,000
Trade and Invest Wales	1,000,000
Tourism and Marketing	300,000
Finance for Wales	400,000
Regional delivery	1,500,000
Policy and Strategy	200,000
ASPB Boards, CEO Offices	900,000

Total	4,700, 000
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- Further estimates on costs are within the tables at Annex B and C.

The EDT Minister agreed to update the Committee on the closure of the packing line at Organic Farm Foods in Lampeter.

- Majority of the 50 jobs at the Lampeter site were lost, although total closure of the plant was avoided. The job losses were primarily a result of unsustainable distribution costs between Lampeter and other company locations. However, the company has retained an operating base at Lampeter for the purpose of local retail and wholesale trade and as a sourcing point for organic produce from SW Wales into the company.
- 10 people are currently employed at Lampeter. These positions are not totally secure as the company is evaluating the profitability of this operation in its own right, now that it is removed from the head office and processing functions that were previously at Lampeter. However if this operation is found to be profitable, the company then intends to continue it for the foreseeable future. Ideally the company would like to maintain a Welsh presence of some sort and be able to economically procure Welsh grown organic produce.
- The company retains long term leases on the 4 units at Lampeter, only 1 of which is now being utilised by the local wholesale operation. It has tried unsuccessfully to interest other companies in taking the leases of the units. The WDA has also put these units forward to potentially interested businesses but no firm interest has been shown to date. They will continue to try to find alternative tenants for the benefit of Organic Farm Foods and also to create alternative employment in Lampeter. The site is no longer owned by the WDA and the units are also being marketed privately by Morgan & Davies.

EDT (2) 11- 05 28 September 2005-11-04

Economic Development and Transport Minister agreed to provide a note for the Committee on the breakdown of the Transport budget for Mid and West Wales and concerns over the apparent slippage in the timing of several schemes (Item 2)

- It is not possible to breakdown the £8 billion, 15 year Transport Programme to the level of detail requested.
- With regard to the timing of individual schemes: -

A487 Porthmadog to Tremadog

Scheme is in Phase 2 of the 2004 Supplement to the Trunk Road Forward Programme. Means it could be ready to start by April 2010 subject to the completion of statutory consent procedures and the availability of funds.

Many issues associated with the preferred route for this scheme including the fact the route passes through some very environmentally sensitive areas with some tight constraints. These issues are currently under review. It will not be possible to progress to a point where statutory procedures can be instigated until the outcome of the review is known.

Remodelling of Aberystwyth Bus Station

2 phases to the project to improve the Aberystwyth Bus Interchange service. Phase 1 involving the building of a new roundabout on Alexandra Road giving buses easier access to the bus station and cutting out the one way system forms part of a larger package of schemes known as the 'Ceredigion Transport Initiatives. For which £4.9 million was made available to Ceredigion County Council under the Welsh Assembly Government's Transport Grant scheme.

Phase 2 which includes the redevelopment of the bus station did not form part of the original bid for Transport Grant and would require a new bid from the Council. However, Transport Grant scheme funding is fully committed at the present time and we did not invite any new bids other than those for Safe Routes to Schools schemes in the 2006-07 round.

A44 Llanbadarn Fawr Relief Road

Scheme appears in the Trunk Road Forward Programme but is on hold at the present time and has not been ranked in Phases 1,2 or 3 of the Programme.

Economic Development and Transport Minister agreed to provide further information on progress with tidal power projects (Item 3)

- Wales has 1000km of coastline and emerging renewable energy technologies have provided the opportunity to examine the exploitation of the Welsh Marine resource. There is theoretically a significant energy resource around the Welsh coasts, which can be tapped for electricity generation purposes; there is the possibility this can be done through tidal stream devices, wave energy systems or tidal barrages/lagoons.
- Work carried out by DTI and Countryside Council for Wales has shown there are some areas that are more suitable than others, particularly for the early stage demonstration of device technologies.
- The major barrier to wave and tidal projects is the high cost and uncertainties related to the operating environment. In January the UK Government published proposals for the allocation of a new £50 million 'Marine Renewables Deployment Fund' that will support the continued development of the marine renewables sector. The majority of the funding

will be through the Wave and Tidal Stream Energy Demonstration Scheme.

- The aim of the scheme is to encourage the accumulation of manufacturing and operating experience necessary for the continued evolution of these technologies towards eventual commercial reality. This will be achieved by:
 - constructing and installing a number of early grid-connected wave and tidal-stream power devices.
 - operating these devices for an extended period.
 - capturing key data on the resource, costs (construction, installation, commissioning, operational and maintenance) and energy performance and revenue.
 - producing in a clear, transparent and unambiguous report, an economic evaluation of all projects supported by the scheme, whilst maintaining the confidentiality of commercially sensitive information.
 - undertaking rigorous and thorough evaluations of the environmental advantages and disadvantages of the devices supported.
 - stimulating the development of a supply chain.
- The European Commission has given EC state aids approval and a call for bids under the scheme will be held in the First Quarter 2006.
- In Wales financial support is also available through the Objective 1 programme. Two proposed projects that have recently received support are Wave Dragon and Marine Current Turbines (MCT). Wave Dragon has sought support for both feasibility and capital grant while MCT has requested feasibility support; there is a possibility the latter could be eligible for support from the new DTI demonstration scheme programme. Government funding support is dependent on the range of licences/consents and leases which are required from Crown Estates, DTI, FEPA etc.
- In summary, we have a considerable theoretical energy resource. New technologies are needed to exploit this resource, particularly wave devices that operate in a moderate regime and tidal stream devices which operate in relatively shallow waters, but a great deal of developmental activity will be needed before this resource can be exploited to the full.

EDT(2) 13-05 October 20, 2005-11-04

Economic Development and Transport Minister agreed to update the Committee on the start date for the concessionary fares pilot scheme in Wrexham for 16-18 year olds (Item 2).

- We are working closely with Wrexham County Borough Council in order to achieve a start on the pilot scheme as soon as possible.

Economic Development and Transport Minister agreed to provide further information on transport subsidies (Item 2).

- The level of subsidy for the intra-Wales air service is estimated at around 31 pence per passenger kilometre in the first year of operation, falling to around 18 pence per passenger kilometre by the fourth year as passenger levels build up. The average subsidy for the Arriva Trains Wales franchise is 11 pence per passenger kilometre (subsidies are significantly below the average on certain routes and significantly above the average on routes which are less heavily patronised).

The Economic Development and Transport Minister agreed to circulate a note to the Committee on progress with the RIBS project (Item 3)

- The Regional Innovative Broadband Support (RIBS) project will enable areas of Wales previously described as broadband blackspots to have access to first-generation (512Kbps – 2Mbps downstream) broadband services.
- The project was approved by the European Commission on 1st June 2005 and was subsequently advertised in the Official Journal of the European Union (OJEU) to generate interest from infrastructure suppliers. Work is currently underway assessing applications received. It is hoped that a contract will be awarded to the successful supplier by the end of 2005 and the roll out will begin in 2006.

The EDT Minister agreed to circulate to the Committee figures from Ireland on the opportunities golf tourism has created.

- Golf has been identified as a premier growth product in response to a growing visitor market that offers high yield and is less dependent on seasonality.
- The following table shows the numbers of people visiting Ireland who either visited specifically to play golf (Golf Visitors) or who played golf while visiting (Golf Holidaymakers).

Year	Golf Visitors	Golf Holidaymakers	Total	Visitor Spend
1988	52,000	14,000	66,000	N/A
1991	122,000	37,000	159,000	N/A
1993	166,000	40,000	206,000	N/A

1996	210,000	122,000	332,000	N/A
1998	204,000	126,000	330,000	N/A
2000	219,000	135,000	354,000	N/A
2002	95,000	73,000	168,000	N/A
2003	133,000	93,000	226,000	€126m

Sources: **Visitor Numbers** – taken from 'The Ryder Cup – The Opportunity and Potential for Wales, Building on Ireland's Experience' (Tourism Management Services – May 2005)

Visitor Spend – taken from Failte Ireland's 'Golf Tourism Facts 2003' statistical factsheet

NB: The reduction in visitors during 2002 may be attributed to the consequences of 11 September upon the tourism industry.

- Also attached for information at Annex D is the executive summary of the WTB's golfing strategy that provides further background to development plans for Welsh Golf tourism up to and beyond Ryder Cup 2010.

Officials agreed to clarify what the smallest area is that could be considered by a Member State as a potential Article 87(3)c area

- In its first draft of the Regional Aid Guidelines, the European Commission sets out its consideration on the regions that may be eligible for selection by Member States as Article 87(3)c areas. These include:
 - economic development regions (regions that had a GDP of less than 75% of EU 15 Average when current guidelines adopted)
 - low population density regions (as subsequently defined in the draft)
 - Regions which form contingent zones with a minimum population of at least 100,000 which are located within either NUTS2 or NUTS 3 regions which have either a GDP per inhabitant of less than the EU 25 average or which have an unemployment rate which is higher than 115% of the national average.
 - NUTS 3 regions with less than 100,000 population which have either a GDP per inhabitant of less than the EU 25 average or which have an unemployment rate which is higher than 115% of the national average.
 - Islands and other regions categorised by similar geographical isolation which have either a GDP per inhabitant of less than the EU 25 average or which have an unemployment rate which is higher than 115% of the national average.
 - NUTS 3 regions, or parts thereof adjacent to a region which is eligible for support under Article 87(3) a as well as NUTS 3 regions which share a land border with a country which is not a Member State of the European Economic Area or EFTA.

In addition:

- The Commission will approve regional aid for SMEs, but not for large companies, in areas with a minimum population of 20,000 that do not meet the above criteria but where member states can demonstrate a need for economic development using recognised economic indicators.
- It will be appreciated that, against these criteria, it is not straightforward to determine the smallest area that may be considered by a Member State for designation as an Article 87(3)c area: clearly both geographical and population factors can act as determinants.
- However, if the above criteria are considered against the currently available data for East Wales two key scenarios emerge:
 - a) Powys, as the only NUTS 3 area in East Wales with GDP below the EU25 average, could be considered for designation.
 - b) All the NUTS 3 regions in East Wales or *parts of those NUTS 3 regions* (scale unspecified in the Commission's draft) could be considered for designation as adjacent to WWV, assuming it is designated an Article 87(3)a area

Conclusion

- It is not possible at this time to be precise about the smallest areas that might be designated as Article 87(3)c areas: the draft criteria above illustrate the range under consideration.
- Once the Commission has finalised its guidelines, it will be for individual Member States to determine the process through which their Article 87(3)c coverage is to be agreed. It will be through the UK process that the extent of the geographical coverage of 87(3) c areas will be determined – particularly in the context of areas adjacent to Article 87(3)a areas.

Additional Cost to the Welsh Assembly Government of Mergers

Type of Expenditure	Expenditure includes	Total additional cost to WAG for 2005-06 ⁽¹⁾	Estimated total for WDA element ⁽²⁾	Total additional cost to WAG for 2006-07 ⁽³⁾	Estimated total for WDA element ⁽²⁾
		£ '000	£ '000	£ '000	£ '000
Support for Economic Development and Transport Department	1. Departmental restructuring 2. Staff training 3. Departmental Awareness sessions	100	87	172	149
Finance Systems	4. Systems analysis 5. Systems development 6. Training	300	186	0	0
Human Resources People	7. Staff training 8. WAG Awareness sessions 9. Employee support 10. Recruitment 11. Job Evaluation	920	571	900	559
Facilities Management	12. Security, Health & Safety, Disability Discrimination Act assessment and adaptations 13. Signage	265	117	1,000	440
Business Information	14. Library Services 15. Records management 16. Access to information 17. Information security	100	62	0	0
ICT ⁽⁴⁾	18. Departmental restructuring 19. Infrastructure, systems & software 20. Licences & contracts extension 21. Telephony	2,245	1,394	2,000	1,242

	22. Wide Area Network (WAN) connectivity 23. System Security				
Total ⁽⁵⁾		3,930	2,417	4,072	2,390

1. Based on costs estimated by mergers projects.
2. Estimated total costs have been apportioned to specific ASPBs using numbers of staff or buildings as appropriate.

	Staff ⁽⁶⁾	Buildings
ELWa	440	8
ACCAC	100	2
WDA	1181	11
WTB	181	4

1. Expenditure is expected for 2006-07. Estimates based on the latest information available.
2. The final plans for the work programme for ICT may change the distribution of costs between 2005-06 and 2006-07.
3. Not included in the breakdown are the estimates for work on phase 2 mergers affecting Health and Social Care Directorate, Environmental, Planning and Countryside Department and Culture Department. A small contingency reserve for 2005-06 (£500,000) remains to be allocated.
4. Figures provided by WAG HR 1November 2005.

Additional Cost to Welsh Assembly Government of Mergers

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		£ '000	£ '000	£ '000	£ '000
Support for Economic Development and Transport Department	<ul style="list-style-type: none"> • Departmental restructuring • Staff training • Departmental Awareness sessions 	100	13	172	23
Finance Systems	<ul style="list-style-type: none"> • Systems analysis • Systems development • Training 	300	29	0	0
Human Resources People	<ul style="list-style-type: none"> • Staff training • WAG Awareness sessions • Employee support • Recruitment • Job Evaluation 	920	88	900	86
Facilities Management	<ul style="list-style-type: none"> • Security, Health & Safety, Disability Discrimination Act assessment and adaptations • Signage 	265	42	1,000	160
Business Information	<ul style="list-style-type: none"> • Library Services • Records management • Access to information • Information security 	100	10	0	0
ICT ⁽⁴⁾	<ul style="list-style-type: none"> • Departmental restructuring • Infrastructure, systems & software 	2,245	214	2,000	190

	<ul style="list-style-type: none"> • Licences & contracts extensions • Telephony • Wide Area Network (WAN) connectivity • System Security 				
Total ⁽⁵⁾		3,930	396	4,072	459

1. Based on costs estimated by mergers projects.
2. Estimated total costs have been apportioned to specific ASPBs using numbers of staff or buildings as appropriate.

	Staff ⁽⁶⁾	Buildings
ELWa	440	8
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WDA	1181	11
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6. Figures provided by WAG HR 1November 2005.

THE WALES TOURIST BOARD

A PROPOSED STRATEGY FOR

GOLF TOURISM IN WALES

EXECUTIVE SUMMARY



Prepared by:
Members of
The Golf Consultants Association

For

The Wales Tourist Board

June 2002

1 INTRODUCTION

The decision by Ryder Cup Ltd. to bring the 2010 event to Wales was the result of unprecedented co-operation between the National Assembly for Wales, Celtic Manor, the Wales Tourist Board (WTB), Welsh Development Agency (WDA), Sports Council for Wales (SCW), and the Welsh Golfing Unions. Winning the Ryder Cup bid presents Wales with an opportunity to develop its place in the golf world over the next 10 years.

As a result, the WTB has been presented with an excellent opportunity to develop Wales as a golf tourism destination to compete with its neighbours in Scotland, Ireland and England.

To take full advantage of this, the WTB has commissioned the preparation of a Golf Tourism strategy. This Executive Summary is a synopsis of the key elements of the proposed strategy and conclusions and recommendations on which it is based.

The work has been undertaken by four member firms of the Golf Consultants Association: ***Impetus Golf and Leisure Limited, John Ashworth Associates, Premier Resorts Limited and Sports Marketing Surveys*** and consisted of:

- An audit of the golf product in Wales
- A detailed SWOT analysis for golf tourism in Wales
- A critical appraisal of the current arrangements for marketing Wales as a golfing destination with recommendations for the future
- Recommending priorities for future investment
- Quantifying the value and volume of the potential golf tourism market for Wales and identifying growth market segments.

2. THE MARKET

Tourism revenue from domestic visitors to Wales reached nearly £1.2bn in 2000; and from overseas markets £263m of which £43m was from the US, £21m from Germany and £8m from the Netherlands.

Available data on the volume and value of golf tourism to Wales is unreliable. The WTB has had to rely on data from the United Kingdom Tourism Survey, which cannot be broken down to the detail required to measure accurately the relatively small numbers of golf tourism trips to Wales.

Research by Sports Marketing Surveys (SMS) has shown that the primary markets for golf tourism to the UK are (1) the UK domestic market, (2) the US market and (3) the mainland north European market.

The UK and US markets have remained static in recent years in terms both of golf participation and golf tourism. To increase Wales market share, the WTB must divert into Wales golf tourists who now visit England, Scotland and Ireland to play golf.

Golf tourism to the UK from the mainland north European markets is relatively small. However, golf participation in Europe is growing and there will be niche opportunities for Wales to share in the associated growth in golf tourism.

Based on SMS research, our best estimates of the number of regular golfers taking golf holidays in the UK is shown in the Table below.

Regular Golfers Taking Golf Holidays in UK , 2000			
	From UK	From USA	From Europe
Holidays in UK	152,000	125,000*	21,000
Holidays in Wales	11,000	n/a	1,000
Holidays in Scotland	69,000	50,000	16,000
Holidays in England	72,000	n/a	4,000

* includes Ireland

The figures relate to regular golfers taking holidays where golf is the main purpose of the holiday. They understate the total of golf related trips because they do not include trips for purposes other than a holiday, e.g. a business trip, nor trips by golfers who are not regular golfers, nor trips where golf is a casual activity as part of a general purpose holiday. Evidence from Scotland, where better data is available, suggests that the underestimate is significant. In their golf tourism strategy, the Scottish Tourist Board estimates a total of some 260,000 golf visits, twice the number recorded by SMS as trips by regular golfers. In the absence of better data, only a crude estimate of total golf holidays in Wales is possible, but we would place the figure at around 30,000.

With this current conflicting information available with regard to the true current size of the golf tourism market in Wales, we suggest that appropriate surveys be introduced immediately to collect better data on the volume and value of golf tourism to Wales by market segment.

3. THE APPROACH

The UK has traditionally been Wales strongest holiday market. The report proposes a strategy that places priority on developing golf tourism from the UK in the short term while building international awareness of Wales as a golfing destination, particularly through the

promotional opportunities created by Wales success in winning the Ryder Cup in 2010 and a potential successful bid for the Solheim Cup in 2007.

Marketing activity into international markets should be phased in line with improvements to the golfing product in Wales, with international priority given to the USA and Ireland followed by Mainland Europe.

In particular, the marketing strategy:

- For the UK, should target regions in England that generate the highest numbers of holiday trips to Wales;
- For the USA, should piggy back on existing US golf tourism traffic to the UK and Ireland and persuade US visitors to spend at least part of their trip in Wales; and
- For Mainland Europe including Ireland, should take advantage of ad hoc marketing opportunities to target niche market segments.

We suggest an objective of gaining a sensible relative share of the market compared with Ireland and Scotland, provisionally (subject to further research) set at 100,000 golf tourist visits more than tripling Wales golf visitors over a 5-7 year period.

For this strategy to be successfully implemented, the WTB marketing spend needs to significantly increase from its current £30,000 per annum to £700,000 per annum as shown below.

Item	Year 1	Year 2	Year 3
Personnel	100	150	150
Expenses	50	75	75
Marketing Material	50	75	75
Advertising	125	150	150
Direct Mail	50	75	75
PR	50	75	75
Promotions	75	100	100
TOTAL	500	700	700

This budget reflects pure marketing costs and does not include the cost of setting up and running the Events and Competitions programme associated with the Ryder Cup.

This increased marketing spend must be linked to additional infrastructure investment if the additional volume of business created is to be satisfied and the quality expectations are to be met.

4. THE POSITIONING

What will make Wales different from its key competitors is its relatively easy access by car from its core markets, then easy weekend access to tee-times and unhurried golf in wonderful surroundings at reasonable prices.

A brand positioning of “A short drive to unhurried golf in inspiring surroundings” is suggested.

Our research for this report confirms the market positioning of the Wales golf product as a value for money offer when compared with the competition in Scotland and Ireland.

Wales should continue to exploit the price advantage for the UK market. However, as the product is improved over time, there is significant headroom for Wales to increase prices in the tourist magnet facilities, particularly for the less price sensitive US and European markets.

5. THE PRODUCT

The report highlights the lack of world class golf facilities in Wales when benchmarked against the best in England, Scotland and Ireland.

Wales has three golf resorts where on-site accommodation of 4 Star or 5 Star standard is combined with the full range of visitor facilities including golf courses, conference and banqueting facilities and leisure club.

The major product deficiency in Wales today is the lack of on-site accommodation, with only 6 courses on the ‘Wales Best’ list having on-site accommodation, and only the three resort venues have accommodation of sufficient scale to host more than small numbers of tourists.

In addition, there is a need to upgrade practice and teaching facilities, improve Clubhouse appointment; particularly changing rooms and invest in course improvements within the current stock.

The report supports major, targeted financial incentives to encourage current operators and developers to rise to the challenge and overcome these issues.

Given the relative inaccessibility of mid Wales to its target markets, this focussed investment should be initially targeted at the south and west and in the north, within easy access from the M4 and A55.

Further focus will be provided by the WTB promoting golf in Wales from a number of clusters of golf developments, each located around the hub of a trophy magnet course. The report identifies five possible areas in which these clusters could be developed, two in the North and two in the South.

The 5th cluster, which would cover mid Wales, will currently rely on English resorts (Carden Park for example) to provide the magnet until a developer comes forward to build such an attraction within the area on the Welsh side of the border.

6 THE PEOPLE

Whilst it is important to provide the facilities needed to encourage the tourist to visit it is as important to develop the skills of the people working in the industry to maximise repeat visits through the delivery of exceptional service.

This needs to start by achieving buy-in to this Golf Tourism Development Strategy from all areas of Wales and from the different interest groups within the industry itself.

All the training and development needs should be brought together into one Golf Tourism Training Plan. The short-term priority should be placed on customer service training; over the longer term, the training programme should lay the foundations that will ensure that the future golf tourist finds the industry in Wales being run by well-trained and sympathetic operators.

The WTB needs to increase its own dedicated central support for golf.

A new structure will be required to handle the opportunities presented by the implementation of the report. This will have the WTB at its heart and five Regional Clusters around Wales helping to deliver a common and regionalised strategy.

Ideally, responsibility for driving forward this strategy should be centralised in one body.

However constituted, that body should be wholly responsible for strategy, funding, implementation and control of golf development and marketing. It should have complete authority over communications, training, finance and product development. Two or three full-time staff may be required in support.

A more formalised involvement with the operators from around Wales, who will need to make the strategy work and who will be the key beneficiaries is also required.

The relationship between the central body described above and any new company set up to implement the Ryder Cup events programme needs resolution at an early stage.

What is clear is that the two must work in harmony. What is equally clear is that both must have a clear remit within which to get things done and accountability for their actions. It is tempting to suggest that they should be one and the same organisation, but we recognise that this may not be possible because of the different interests involved.

If that is the case, then for the purposes of the implementation of this strategy, we consider that the WTB should be seen as the common factor. The WTB should establish the overall marketing programme, and the events programme and the promotional opportunities it provides should be in harmony with it.

7 THE BUDGET

To implement this report will require additional funding, and we estimate a budgetary requirement for the public sector contribution toward the golf tourism development strategy as follows:

- Product improvement: £22.5 - £35 million
- Marketing: £6 million (to 2010)
- Ryder Cup support: £27 million (to 2010)
- Training: £3 million

In total, a maximum of £60-70M is therefore needed. The £27 million support for the Ryder Cup has been agreed already by the Welsh Assembly. The extent to which the product improvement budget will be required depends upon market response to the development opportunities that will be needed, and the estimate should be treated as an allocation to be drawn down as necessary against development projects approved by the WTB.

It is difficult to test the likely return on such an investment in Wales. In Scotland, golf tourism generates around £175 million annually for the economy from some 300,000 golf tourist trips, an average economic benefit of £580 per trip.

Golf in Wales is priced at about one quarter below that in Scotland. Further, the profile of the golf tourism market to Wales is lower spend than that to Scotland, where more overseas visitors stay longer and spend more per day. However, based on a crude calculation, if we assume an economic benefit to Wales of half that in Scotland, say £300 per trip, a total of 230,000 golf tourist trips will be needed to pay off the estimated maximum level of public investment.

That represents a 7-8 year payback at today's volume of golf tourism to Wales.

However, this strategy has been devised to drive up the number of visits from its current 30,000 pa estimate to 100,000 trips pa. Taking a 15% annual growth this would deliver 105,000 visits pa by 2011 and payback of the public investment in five years.

Furthermore, 100,000 golf visitors producing economic benefits of £300 per trip would generate value of £30m pa, the equivalent of 1,000 jobs based on the formula of £30,000 spend per job.

8. CONCLUSION

Winning the Ryder Cup bid has provided a catalyst to awaken Wales fully to the potential of golf tourism. Unprecedented co-operation between a number of agencies, golf ruling bodies and commercial operators within Wales has demonstrated the desire to grasp the opportunity that is being presented.

The strategy outlines the approach needed to capitalise on all the goodwill generated and to “seize the moment” and develop golf in Wales to a level to challenge the established destinations in the rest of the UK and abroad.

Now is the time for action and the implementation of the many recommendations outlined within the report.