

Agenda – Pwyllgor yr Economi, Seilwaith a Sgiliau

Lleoliad: I gael rhagor o wybodaeth cysylltwch a:
Ystafell Bwyllgora 5 – Tŷ Hywel Gareth Price
Dyddiad: Dydd Iau, 21 Medi 2017 Clerc y Pwyllgor
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1 Cyflwyniad, ymddiheuriadau, dirprwyon a datgan buddiannau

2 Cynnig o dan Reol Sefydlog 17.42 i benderfynu gwahardd y cyhoedd o'r cyfarfod ar gyfer eitemau 3 ac 4

3 Trafod yr adroddiad drafft – Bargeinion Dinesig ac Economiâu Rhanbarthol Cymru

(09.15–09.45)

(Tudalennau 1 – 34)

Dogfennau atodol:

Adroddiad drafft (Saesneg yn unig)

4 Papur trafod – Prentisiaethau yng Nghymru 2017

(09.45–10.15)

(Tudalennau 35 – 54)

Dogfennau atodol:

Papur trafod (Saesneg yn unig)

Egwyl (10.15–10.30)



5 Panel twristiaeth (1) – Gwerthu Cymru i'r Byd

(10.30–11.30)

(Tudalennau 55 – 82)

Yr Athro Annette Pritchard, Athro Twristiaeth, Cyfarwyddwr Canolfan Ymchwil

Twristiaeth Cymru, Prifysgol Metropolitan Caerdydd

Yr Athro Nigel Morgan, Pennaeth Rheoli Busnes, Prifysgol Abertawe

Adrian Barsby, Cadeirydd, Cynghrair Twristiaeth Cymru

Adrian Greason-Walker, Eiriolwr polisi, Cynghrair Twristiaeth Cymru

Dogfennau atodol:

Briff Ymchwil

EIS(5)–20–17(p1) Ymatebion i'r Ymgynghoriad

EIS(5)–20–17 (p2) Yr Athro Annette Pritchard (Saesneg yn unig)

EIS(5)–20–17 (p3) Yr Athro Nigel Morgan (Saesneg yn unig)

EIS(5)–20–17 (p4) Cynghrair Twristiaeth Cymru (Saesneg yn unig)

6 Panel twristiaeth (2) – Gwerthu Cymru i'r Byd

(11.30–12.30)

(Tudalennau 83 – 85)

Deb Barber, Prif Swyddog Gweithredol, Maes Awyr Caerdydd

Cassie Houghton, Pennaeth Marchnata a Chysylltiadau Cyhoeddus, Maes

Awyr Caerdydd

Tom Jenkins, Prif Swyddog Gweithredol, Y Gymdeithas Dwristiaeth

Ewropeaidd (ETOA)

Dogfennau atodol:

EIS(5)–20–17 (p5) Maes Awyr Caerdydd (Saesneg yn unig)

7 Papurau i'w nodi

7.1 Gohebiaeth gan y Swyddfa Ystadegau Gwladol

(Tudalen 86)

Dogfennau atodol:

EIS(5)-20-17(p6) Gohebiaeth gan y Swyddfa Ystadegau Gwladol (Saesneg yn unig)

7.2 Gohebiaeth gan Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith at yr Ysgrifennydd Gwladol dros Drafnidiaeth

(Tudalennau 87 – 89)

Dogfennau atodol:

EIS(5)-20-17(p7) Gohebiaeth gan Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith at yr Ysgrifennydd Gwladol dros Drafnidiaeth (Saesneg yn unig)

7.3 Gohebiaeth gan yr Ysgrifennydd Gwladol dros Drafnidiaeth at Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith

(Tudalennau 90 – 92)

Dogfennau atodol:

EIS(5)-20-17(p8) Gohebiaeth gan yr Ysgrifennydd Gwladol dros Drafnidiaeth at Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith (Saesneg yn unig)

7.4 Gohebiaeth gan Ysgrifennydd y Cabinet dros yr Economi a'r Isadeiledd parthed y Banc Datblygu

(Tudalen 93)

Dogfennau atodol:

EIS(5)-20-17(p9) Gohebiaeth gan Ysgrifennydd y Cabinet dros yr Economi a'r Isadeiledd parthed y Banc Datblygu (Saesneg yn unig)

Ôl-drafodaeth breifat (12.30-12.35)

Mae cyfyngiadau ar y ddogfen hon

Mae cyfyngiadau ar y ddogfen hon

Mae cyfyngiadau ar y ddogfen hon

Gweler isod linc i'r ymatebion i ymgynghoriad y Pwyllgor ar ei ymchwiliad i Werthu Cymru i'r Byd:

<http://www.senedd.cynulliad.cymru/mgConsultationDisplay.aspx?id=266&RPID=1752626230&cp=yes>

Please find below a link to the consultation responses received for the Committee inquiry into Selling Wales to the World:

<http://www.senedd.assembly.wales/mgConsultationDisplay.aspx?id=266&RPID=1752626230&cp=yes>

1. Economic Context

- 1.1. Tourism is more important to the economy in Wales than to any other part of the UK, accounting for 4.9% of its economic output (the UK average tourism ratio is 3.7%). West Wales and the Valleys exhibit the highest tourism ratio at 5.7%.¹ Wales has some of the UK's most tourism-dependent local authorities, including: Anglesey, Gwynedd, Conwy & Denbighshire, Powys, and South-West Wales. Tourism's contribution to the wider Welsh economy is £6.9bn Gross Value Added (GVA) (13.9%) and it supports 206,000 FTE jobs (14.9%). In terms of GDP, tourism contributes £8.7bn (17.6%) and supports almost a quarter of a million FTE jobs.²
- 1.2. Tourism is a major export industry for Wales, with 80% of visitor expenditure coming from outside the country. For every £50,000 spent by visitors, one job is created.³ It is Wales' second largest employer, outperforming all Welsh Government (WG) priority sectors, stimulating high employment growth, accounting for half of all 16-24-year olds and most women employed in these priority sectors.⁴
- 1.3. There is widespread acceptance that spending money on marketing delivers results.⁵ The additional spend generated by Visit Wales' (VW) largely domestic 2015 campaign was £307m, creating 6140 additional jobs in Wales.⁶ For every £1 spent by Visit Britain (VB) in international marketing, an overseas visitor spends £23 in Great Britain (GB) and in 2015-16 VB generated over £800m in additional visitor spend by overseas visitors.⁷

2. International Marketing of Wales

- 2.1. Wales' overseas market is a small but lucrative component of the Welsh tourism industry, accounting for 10% of visitors but 20% of spend. Future growth for the industry is likely to be driven by the overseas market, which has significant growth potential for Wales. Currently branding activity is moving in the right direction and has achieved recognition; however, this growth potential is only likely to be realised by enhanced funding. Resourcing needs to reflect the industry's current and potential contribution to the Welsh economy and Wales' position internationally, as well as its competitor context. Wales has long been much less well known internationally than its GB counterparts (e.g. Scotland and the English regions, including London).⁸ This remains the case and in 2014 VB described Wales as 'least well known internationally' of the GB brands.⁹ Low consumer, media and travel trade awareness of brand Wales, poor connectivity

¹ ONS, 2016. The Regional Value of Tourism in the UK, 2013, p. 3.

² Figures from Deloitte, 2013.

³ Deloitte, 2013.

⁴ Ken Skates 2015. Written statement on the economic benefits of tourism to Wales.

⁵ NAW 2014, Enterprise and Business Committee, Tourism 2014.

⁶ Ken Skates 2015. Written statement on the economic benefits of tourism to Wales.

⁷ VB 2016 figures.

⁸ Pritchard, A. & Morgan, N. 2001. Culture, identity and representation. Marketing Cymru or Wales? *Tourism Management*, 22 167-179; Morgan, N., Pritchard, A., & Hastings, E. 2012. Developing a New DMO Marketing framework: The Case of Visit Wales, *Journal of Vacation Marketing*. 18 (1) p.1-17.

⁹ Welsh Affairs Committee 2014/15, p.17.

and an under-developed tour product have all been cited as barriers to promoting Wales in international markets.¹⁰

2.2. Wales' position as an international destination has improved recently. In 2016 Wales' market share of the overseas inbound market (£ millions) was 1.99%, worth some £443.86m, from 1,074,389 visits, almost reaching the 2% high of 2009. However, it was in the bottom two regions of GB, significantly behind competitor regions such as the SE, the NE, the NW and SW of England and Scotland (8.2% or £1,849,801). Only the NE of England recorded fewer overseas tourists than Wales. Significantly, London has seen its market share grow at the expense of other regions over recent years and now accounts for 75% of all international visitor spend, compared to 70% in 2002.¹¹

2.3. Wales' competitors are investing heavily to grow their visitor economies and destination brands from a stronger position. Scotland's marketing spend in 2016 was £45.8m, whilst in England most destination management organisations (DMOs) are able to draw on wide-ranging funding sources to develop their market offer, placing Wales at a competitive disadvantage, despite the WG funding sources available to VW. For example, the Discover England Fund is a £40m initiative (2016-2019), funded by the Westminster Government to: enhance the appeal of the English Regions to the overseas market; spread the growth out of London; grow their individual market shares. It specifically requires VB/VE to work closely together to drive the development of experiential regional packages to achieve these outcomes.

2.4. This compliments other initiatives such as the South West Tourism Growth Fund, which in 2015 provided £7.2m to promote SW England overseas and to develop integrated products and experiences. The Northern Tourism Growth Fund (£20m) was similarly aimed at the Northern 'powerhouse' English Regions. VB/Visit Scotland are partners in the Great Inverness Loch Ness Fund (£2m), which aims to deliver almost 32,000 additional visitors, 400 jobs and £21.6m in additional spending over 2017-2021. Moreover, many GB cities have well-funded marketing organisations determined to grow international visitors such as Edinburgh, Glasgow (£6m, 2015), Manchester (£5.4m turnover, 2015/16), Liverpool (£1.3m income, 2016) and of course London (£18.5m, 2016).

2.5. The Wales international marketing budget for 2017 is £2.05m. Regional DMOs such as Go North Wales are essentially privately funded whilst local authority budgets are fragmented, decreasing and largely focused on marketing their individual authority areas – strategies that do little to promote the overarching Welsh regional brands. Cardiff lacks the equivalent marketing partnerships seen in its competitor cities and although it attracted 357,000 visitors in 2016 (placing it 10th amongst UK cities), this was 1000 down on 2015. Bristol, its closest geographical competitor attracted 570,000.¹² Taken together, these factors adversely impact on Wales' ability to attract overseas visitors from London.

3. Effectiveness of the International Marketing of Wales

¹⁰ Welsh Affairs Committee 2014/15, p.17.

¹¹ VE 2016. Discover England Summary Insights.

¹² ONS Travel Trends.

- 3.1. The international marketplace is hugely challenging. Wales is competing with powerful, well-resourced destination/place brands. Destination marketing: increases brand awareness; enhances images and perceptions; increases visitation; and drives visitor spending. For each US\$1 spent in destination marketing US\$38 is generated in visitor spending across international markets.¹³ Governments with larger tourism promotion budgets typically enjoy higher levels of international tourism spending.¹⁴
- 3.2. The relationship between VW and VB is an essential determinant of the effectiveness of Wales' overseas marketing. VB have a proven track record in overseas marketing and they are being instructed by DCMS to move away from a strategy of London 'first' to one of London Plus, with significant funds being allocated to enhance the English regional offering. Without similar joint funding initiatives, it is difficult to see how Wales will significantly grow its 2% market share.
- 3.3. VB and VW have agreed a Memorandum of Understanding. It is difficult to assess how effectively this is working, particularly as my previous evidence to the WAC and the Senedd documented how the executions of the GREAT campaign seemed to work better for other GB regions/countries.¹⁵ It is vital that VW leverages VB activity, which during 2011-2014 generated 60,000 individual pieces of TV, radio, print and online coverage, the advertising equivalent of £6.9bn.¹⁶

Table 1: Welsh Presence on VB Shop

Sector	Wales	Scotland	England (excl. London)
Travel & Transport	1	5	9
Attractions	13	10	60
Sightseeing Passes	2	4	6
Trips & Tours	8	18	40
Total	24	37	115

- 3.4. The extent to which the Welsh brand is embedded in VB content is questionable as article content barely features Wales (e.g. *Get Inspired – See Our Articles*). Indicators of success in this area may include the numbers/upweighting of Welsh products in the VB online shop (table 1). There is some evidence of improvement here, predominantly in terms of 'attractions' available to purchase, boosted particularly by the recent addition of five Zipworld attractions. Surprisingly, given Wales has packaged 2017 as 'Year of Legends' and castles are an area of product strength, only two are featured (Cardiff and Castell Coch). The World Heritage Castles of North Wales do not feature on the VB shop, neither does the Cadw Explorer Pass, even though its equivalent Historic Scotland does.
- 3.5. In travel and transport, Wales only features on the GB BritRail Pass. Visitors can purchase a BritRail South West Pass to Devon and Cornwall and several Scottish Rail Passes and MBritRail Passes are being developed for England. There is currently no Welsh equivalent. There is an Explore Wales Pass offered by Arriva but this does not feature on any VW/VB online platform and can only be bought at a staffed railway station, not online, by telephone or on a train. It is only for travel in Wales with no key gateway connections to London or Manchester. Since rail is 'the preferred

¹³ Destination Marketing Association International, 2014.

¹⁴ Morgan, N., Pritchard, A., & Hastings, E. 2012. Developing a New DMO Marketing framework: The Case of Visit Wales, *Journal of Vacation Marketing*. 18 (1) p.1-17.

¹⁵ NAW 2014, Enterprise and Business Committee, Tourism 2014 and Welsh Affairs Committee 2014/15, p.17

¹⁶ VB Marketing Highlights 2011-2014, p. 26.

means of transport for international visitors... between London and other destinations in Britain'¹⁷ and visitors have a 2-3-hour travel time tolerance, this is a key barrier for international visitors to Wales.

3.6. Other content in this transport section includes steam railways (e.g. Ravenglass & Eskdale Steam Railway Cream Tea) and marine cruising (e.g. Ullswater Steam Cruise) but nothing from Wales. Wales' under-representation under 'trips and tours' remains and reflects its underdeveloped tour package component and lack of major transport providers (such as Rabbits of Scotland).

4. What Might be Done in the Future?

4.1. More funding is needed to enable Wales to compete effectively and realise its potential on the international stage. A fund like the Discover England initiative could be used to develop experiential regional packages, crucial to entice overseas visitors out of London. These could lead to partnerships delivered by VW/VB/DMOs, specifically tied to increased visitor numbers, spending and job creation targets. Funding should be sufficiently flexible to take advantage of market opportunities, even if they are outside key markets (e.g. to market North Wales in Japan in the wake of strong brand recognition in 2017).

4.2. Overseas visitors have a very poor understanding of UK geography outside London and awareness of Wales is even lower. Research shows that visitors are unable to imagine the types of holidays available to them outside of London and itineraries and London Plus packages are important in facilitating visits when visitor knowledge is low.¹⁸ Wales needs to work even harder than other GB competitor regions/countries because of its low awareness and that will require increased funding and product/package tour itinerary development.

4.3. Wales is well placed to grow experiential, immersive, authentic, adventurous travel in contrast to London's 'box-ticking', sightseeing appeal. Greater resourcing of targeted development of marketing and product development will enhance its ability to grow this market. The Wales Tourism Alliance (WTA) has called for greater investment in the industry – a doubling of the £10m capital investment support and similarly enhanced marketing funding. In a post-Brexit Wales, this level of funding is vital if Wales is to fulfil its true potential as an international tourist destination.

4.4. Wales' overseas offices could play a role in building the Welsh brand overseas and in key VW markets. However, with information about their current activities hard to obtain, it is likely that this role remains under-developed and invites the conclusion that, whilst their remit does include promoting Wales as a tourist destination, this lacks clarity and targeted delivery.

4.5. The visitor economy is vital to the growth of the Welsh economy and to the wellbeing of its communities. Investment in tourism brings multiple benefits: it employs more young people and women than other priority sectors; it drives entrepreneurship; it is a labour-intensive industry not substitutable by automation; it is delivered locally and underpins its rural economy, more than agriculture. Tourism delivers high-quality facilities, which are key to delivering a successful business environment, the overall Wales brand and residents' quality-of-life. A vibrant tourism industry supports Wales' ability to develop its other priority sectors as it enhances the public

¹⁷ VB 2014, Submission to Office of Rail Regulation.

¹⁸ VE 2016. Discover England Summary Insights.

realm, delivers high-quality offerings valued by investors and thus has a key role in attracting wider investment and building resilient communities.¹⁹

¹⁹ Scottish Enterprise 2015. Productivity and Tourism.

1. Background - The Welsh Visitor Economy

The Welsh visitor economy is an engine of entrepreneurship, regeneration, economic and social inclusion and sustainable growth. The Visitor Economy (VE) is broader than the more commonly used concept of tourism. It embraces not only the quantifiable but the intangible elements that make a successful destination and includes a wide set of stakeholders active in creating a high-quality public realm and a vibrant sense of 'place' for visitors, residents, etc. The VE directly impacts local economies through spending and supplier interactions; it also creates benefits for sectors including: creative industries, manufacturing (e.g. in hospitality & food and beverage) and health & life sciences (through medical tourism).

The management of the VE encompasses: shaping local identity; driving economic success, making the area attractive to investment and talent, managing innovation and change. As such, it becomes a mainstream activity for local authorities/public bodies in contrast to the more common approach that sees tourism as a discretionary, peripheral activity, focused on marketing. The VE covers:

- ✓ 'Attractors' (natural/built environment, heritage, cuisine, events and retail, sport, leisure and cultural facilities) that make a place distinctive and capable of engendering pride and creating a place worth experiencing.
- ✓ 'Infrastructure' that shape a sense of place and makes it a welcoming, accessible, safe, clean place (signage, transport, interpretation, ICT, etc.).
- ✓ Services for visitors, residents & students that create economic and social value (hotels/bars/restaurants, galleries, events and day-to-day services).

To create a successful visitor economy, it is vital to manage these components with a clear focus on market needs, a focus summarised in a destination brand, which gives shape and voice to ambition, improves perceptions and promises what can be delivered. In Wales, the VE is more economically important than in any other part of the UK, accounting for 4.9% of its economic output, with local authorities such as Anglesey and Pembrokeshire more dependent on the VE than English resorts such as Blackpool. Tourism delivers £6.9bn Gross Value Added to the wider Welsh economy and supports almost a quarter of a million FTE jobs.¹ In addition, it is a major export industry for Wales, with 80% of visitor expenditure coming from outside the country.²

2. Selling Wales to the World

¹ Figures from Deloitte, 2013.

² Ken Skates 2015. Written statement on the economic benefits of tourism to Wales.

Investment in the VE delivers results.³ The additional spend generated by Visit Wales' (VW) 2015 campaign was £307m, creating 6140 additional jobs in Wales.⁴ For every £1 spent by Visit Britain (VB) in international marketing, an overseas visitor spends £23 in Great Britain (GB) and in 2015-16 VB generated over £800m in additional visitor spend by overseas visitors.⁵ Wales' overseas market is a highly lucrative component of its VE, accounting for 10% of visitors and 20% of spend.

Future growth in the Welsh VE is likely to be driven by the overseas market. Currently branding activity has achieved acclaim, recognition and success; however, future investment needs to reflect the VE's current and potential contribution to the Welsh economy and Wales' position internationally, as well as its competitor context. Wales has long been much less well known internationally than its GB counterparts (including Scotland, the Lake District and SW England).⁶ This remains the case and low awareness of brand Wales, poor connectivity and an under-developed tour product have been cited as barriers to promoting Wales in international markets.⁷

Wales' position as an international destination has recently improved, almost reaching the 2% market share high of 2009. However, London has seen its market share grow at the expense of other regions over recent years and now accounts for 75% of all international visitor spend, compared to 70% in 2002.⁸ This presents major challenges to the Wales brand. In addition, Wales' competitors have access to significant funds to grow their visitor economies and destination brands from a stronger position. Many regional cities have well-funded marketing organisations such as Edinburgh, Glasgow, Manchester, Liverpool and Birmingham. In Wales, local authorities are withdrawing resources from tourism and seemingly fail to understand its importance to their economic success. For example, our capital city of Cardiff lacks the equivalent marketing partnerships seen in its competitor cities and attracts less overseas visitor (357,000 visitors) than Bristol (570,000).⁹

The international tourism context is hugely challenging. Wales is competing with powerful, well-resourced destination/place brands.¹⁰ Tourism marketing: increases brand awareness; enhances images and perceptions; increases visitation; and drives visitor spending. For each US\$1 spent in destination marketing US\$38 is generated in visitor spending across international markets.¹¹ Governments with larger tourism promotion budgets typically enjoy higher levels of international tourism spending.¹²

The relationship between VW and VB is an essential determinant of the effectiveness of Wales' overseas marketing. VB have a proven track record in overseas marketing and they are moving towards a strategy of London Plus, with significant funds being allocated to enhance the English

³ NAW 2014, Enterprise and Business Committee, Tourism 2014.

⁴ Ken Skates 2015. Written statement on the economic benefits of tourism to Wales.

⁵ VB 2016 figures.

⁶ Pritchard, A. & Morgan, N. 2001. Culture, identity and representation. Marketing Cymru or Wales? *Tourism Management*, 22 167-179; Morgan, N., Pritchard, A., & Hastings, E. 2012. Developing a New DMO Marketing framework: The Case of Visit Wales, *Journal of Vacation Marketing*. 18 (1) p.1-17.

⁷ Welsh Affairs Committee 2014/15, p.17.

⁸ VE 2016. Discover England Summary Insights.

⁹ ONS Travel Trends.

¹⁰ Morgan, N., Pritchard, A. & Pride, R. 2012. *Destination Brands*, Oxford: Elsevier.

¹¹ Destination Marketing Association International, 2014.

¹² Morgan, N., Pritchard, A., & Hastings, E. 2012. Developing a New DMO Marketing framework: The Case of Visit Wales, *Journal of Vacation Marketing*. 18 (1) p.1-17.

regional offering. It is vital that VW leverages VB activity, which during 2011-2014 generated the advertising equivalent of £6.9bn.¹³

3. The Future

Wales' local authorities need to realise the potential of the VE and invest in its infrastructure and marketing. Overseas visitors have a very poor understanding of UK geography outside London and of Wales. Itineraries and London Plus packages are important in facilitating visits and Wales is well placed to grow experiential, immersive, authentic, adventurous travel.¹⁴ Further product development assisted by VW will enhance its ability to grow this market.

The visitor economy is vital to the growth of the Welsh economy and to the wellbeing of its communities. It drives entrepreneurship; it is delivered locally and underpins its rural economy, being more economically important than agriculture. Tourism delivers high-quality facilities, which are key to delivering a successful overall Wales brand and enhancing residents' quality-of-life. A vibrant tourism industry supports Wales' ability to develop its other priority sectors as it enhances the public realm, delivers high-quality offerings valued by investors and has a key role in attracting wider investment and building resilient communities.¹⁵ Developing its overseas product offering and attracting more international tourist numbers and spend will be critical to this success.

¹³ VB Marketing Highlights 2011-2014, p. 26.

¹⁴ VE 2016. Discover England Summary Insights.

¹⁵ Scottish Enterprise 2015. Productivity and Tourism.

1. Industry Representation

The Wales Tourism Alliance

1.1 The Wales Tourism Alliance (WTA) is the recognised over-arching representative organisation for the tourism industry in Wales, liaising with and coordinating the views of all concerned and informing and working with Government at Westminster, Cardiff and at Local Authority levels.

1.2 The WTA also acts as an intermediary between Government and all involved in tourism, disseminating information to the industry via our member organisations and we work with colleagues in organisations in other parts of the UK.

1.3 The membership of the WTA includes sectoral, national, regional and local representative bodies comprising accommodation (hotels, guest houses, bed and breakfast establishments, holiday home parks, touring caravan and camping sites, hostels and self-catering cottages), attractions, activities, training and skills, tourism guides and transport.

1.4 The Wales Tourism Alliance is a pan-Wales umbrella group with 13 member organisations resting within its general membership. This amounts to around 6,000 working operators and means WTA contacts and representatives are now found in every part of Wales. A full list of our current members can be found at www.wta.org.uk

1.5 The WTA therefore works with and on behalf of operators ranging from major players to the micro-businesses that make up so much of the tourism industry.

2. The Tourism Industry in Wales

The Visitor Economy and Employment

2.1 The total contribution (which includes impacts through the supply chain, of capital investment and Government expenditure) accounts for around £6.2bn of GDP, 13.3% of the total economy - compared to 8.6% in England, 10.4% in Scotland and 4.9% in Northern Ireland. The direct contribution is £2.7bn which equates to 5.8% of Wales GDP compared to 3.9% in England, 4.9% in Scotland and 2.1% in NI.

2.2 The importance of tourism to employment in Wales. The total contribution is around 0.17m jobs in Wales, 12.7% of the total workforce; this compares with 8.3% in England, 10.0% in Scotland and 4.7% in NI.

2.3 Although high levels of employment in the Visitor Economy can be found in cities, rural areas are more dependent on the sector as it plays a large role in local economies and indeed communities, enhancing the provision of facilities and amenities that are also extensively used by residents as well as visitors.

2.4 In Wales, the rural economy has a particularly strong link with the Visitor Economy with the share of employees in Conwy estimated to be circa 16.7% with 15.1% in Pembrokeshire, 13.2% in Ceredigion, 12.2% in Gwynedd and 12.0% in Powys. 25% of all VAT registered businesses in Wales are in the Visitor Economy.

2.5 As a stable and dependable industry, tourism also has a vital role in the regeneration of urban communities within Wales. Tourism has proven itself strongly resilient to the ravages of the economic downturn and this is especially relevant to rural Wales, where employment alternatives are limited. Tourism as an employer, as an economic driver and, perhaps just as significantly, as the custodian of community facilities & opportunities, is paramount and irreplaceable.

2.6 Tourism in Wales also has considerable potential for growth with Deloitte forecasting that the Visitor Economy by 2020 will provide a total contribution of 6.9% of the Wales GDP, supporting 188,000 jobs and accounting for 13.7% of total employment.

2.7 Overseas visitors account for less than 5% of tourism visits, but account for 10% of tourism expenditure giving each visit from overseas a higher value per visit than a domestic one. With the recent fall in the value of the pound the overseas visitor is and will be increasingly be attracted to holiday in the UK, we need more of those who visit to be drawn from London to visit Wales.

3. WTA Response to the Inquiry

WTA Response to the following tourism specific questions:

- How Welsh and UK Governments sell Wales to the World at present in terms of trade, tourism and skills/training;
- The role of the Welsh Government's overseas offices;
- The knowledge of 'Wales.Com' web site and in particular the help given by Business Wales;
- The clarity and strength of Wales's international tourism "brand";
- The success of Visit Wales' international marketing activities;
- How the Welsh Government can assist in attracting large international events to Wales;
- The use made of support from the EU and the impact of Brexit;

General Comments

The Committee has posed some intrinsically difficult questions because from the available data it is not easy to evaluate the performance of the Welsh and British Governments. The old adage that 'only a small % of marketing activity is effective, but the problem is which small %' has some relevance here. It is the problem of identifying action and effect.

What is the case, however, is that in recent years the official figures show growth in overseas visitor numbers and expenditure to both Britain and Wales and of domestic visitors to Wales from other parts of the United Kingdom. There will have been a number of determining influences including exchange rate movements, but arguably we recognise that the marketing campaigns of Visit Britain and Visit Wales will have had an impact.

It would be easier to evaluate the performance of the two Governments, if there was more published information about what Government interventions were expected to achieve and how these were to be measured, with scheduled published annual reports. In this context the annual reports of Visit Scotland are to be commended as exemplars.

The Committee's inquiry embraces a number of different types of Government interventions in the interest of improving the marketing of tourism to the UK and Wales and the tourism 'brand'. One of the really difficult questions is the relative effectiveness of these different types of activity e.g. the impact of Wales' overseas offices as compared with additional marketing activity by Visit Wales itself or additional expenditure on promoting major international events in Wales.

It has to be borne in mind that the private sector of the tourism industry, is overwhelmingly made up of small family run businesses and carries out its own marketing using its own resources. However, the disparate nature of the industry means it cannot achieve national (UK) or international impact to achieve its growth potential. Hence the vital importance of the work of Visit Wales and Visit Britain.

How Welsh and UK Governments sell Wales to the World at present in terms of trade, tourism and skills/training:

It is not possible to give an accurate assessment as to the Welsh Government's progress in relation to the current strategy for the development of the Tourism Industry, 'Partnership for Growth' overseas. The WTA understands that there has been an internal review of the Plan, but arguably for this and successor plans a thorough and open analysis and assessment by an external organisation should undertake this important task.

Whilst top level ONS figures point to an overall trajectory of positive growth, it is not possible to estimate the precise impact of Welsh and UK Government marketing activity. Ideally it would be possible to isolate factors affecting the progress of the industry that were only related to Welsh and UK Government activity in order to arrive at a realistic evaluation of Governmental impact., Noting that the amalgamated spend on domestic and overseas marketing by the private sector in the UK is vastly larger than that by the public sector and that many factors outside the control of Governments will affect outcomes, a degree of circumspection in claiming the success or otherwise of marketing campaigns is in order.

It is therefore argued that sufficient resources are allocated and marketing campaigns planned in a way that will ensure proper evaluation. This is a point that the industry raised previously with the UK and Welsh Governments.

The role of the Welsh Government's overseas offices;

We believe that annual spending on 14 premises rose from just over £700,000 in November 2013 to nearly £2.5m by April 2014. These offices have an integrated role covering the promotion of inward investment and furthering the international profile of Wales. In 2012, prior to this increase, there were 824,000 international visits for all activities to Wales. 325,000 for holiday visits. In 2014 International Passenger Survey results showed a 7% growth in visits to Wales compared with 2013. Then between October 2015 and September 2016 there was a 1.5% drop in all visitor numbers. This sort of variability which as it has been said may be for a host of factors, casts no light on the impact of Wales' overseas offices on visitor numbers, so again we cannot assess effectiveness or not on the raw figures alone.

Overseas visits are currently dominated by two EU markets, the Republic of Ireland, and France. Brexit may of course change this. The latest IPS results for May show that visitor numbers from Europe are only up marginally while visitor numbers from long-haul destinations are up significantly. The value of the pound has resulted in much larger savings for long-haul visitors who spend much more on a holiday to the UK. Whatever happens we

will need to work harder to encourage our traditional and emerging markets, if significant barriers to travel emerge. It would be tempting to put less into encouraging EU countries, but the WTA maintain that we will, if anything, require even more effort.

Looking at the wider picture, we have to continue to encourage visits out of London, only 3% of all visits to the UK involve a visit to Wales (a country with 5% of the UK population). The visitor journey has to start overseas. It has to be well targeted, resourced and the visitor has to be given a route to follow, from the raising of awareness to the return journey. Brexit has forced a new set of circumstance on us and now is probably not the time to be withdrawing resources, Instead we need to encourage activity that is being undertaken by the Wales' and Visit Britain overseas offices in markets with growth potential for Wales. For example New Zealand or South America where we already have strong connections. The WTA would encourage the tourism businesses to support this work. Visit Britain research suggests the targeting of selective, key audiences within specific markets, for example; the emerging middle class Chinese around Beijing. The WTA endorses this focused approach.

The knowledge of 'Wales.Com' web site and in particular the help given by Business Wales;

The Wales.com is a great looking contemporary website. Websites in their own right, however, are no longer suitable as a one stop shop. They require large amounts of dedicated staff time, which is expensive in order to drive traffic to the site, usually using electronic social media (or extremely expensive conventional lifestyle campaigns). Once at the site the visitor needs to be able to instantly access information which enable them to book. Whilst we recognise the site cannot contain actual bookable product due to the constraints imposed on Government, it may be helpful to inform visitors about Wales once they have either booked a visit or are staying in Wales. We could also do with clarity in relation to state aide rules once the UK leaves the EU.

We suggest research is needed to establish the real impact of the site and a threshold agreed below which consideration should be given as to whether the spend might be better placed with alternative tourism industry support.

The clarity and strength of Wales's international tourism "brand"

'Wales in the World' The Welsh Government's International Agenda makes little mention of an international brand, so we assume the question refers to the application of the brand and brand values as utilised in the UK.

- The refreshed Wales brand and sub-brands are undoubtedly stronger and easier to rally behind. However there is still work to be undertaken for tourism businesses to be able to fully engage with the sub brands.
- The brands have attempted to address what was one of the prime barriers 'there is not enough to do in Wales'. This is particularly true of North Wales, although much of the 'to do' is still very much outdoor activity focused and needs to re-focus to some of the smaller attractions.
- There still needs to be more specific reasons to come to Wales showing product that all visitors can relate to that will encourage them to book and visit. There is a need presents a greater selection of reasons to come to Wales based around the 'year of'

campaigns. Reasons that are consistently presented every year. This can only be done via engagement with the industry and their representatives.

- We believe that the brand has and is demonstrating a range of existing activities that reflect excellence. This will inevitably help to change perceptions and encourage visits.

Whilst we believe a more cohesive stronger brand is being presented to our markets, than that prior to the current strategy, this needs to be achieved in true partnership with the industry utilising a detailed knowledge of the structure of our micro-business dominated industry. We are certain that there would be many in our industry, if questioned, who would feel disengaged from the current presentation of the brand and sub brands.

In relation to previous activity and in that regard Visit Britain's (VB) responsibility, Wales has a seconded manager posted to London to work with the Visit Britain team 'embedded at VB London offices with the aim of maximising the opportunities for Wales within VB work'. VW were also going to work with VB to define targets for joint working and on a joint marketing programme, prioritising Germany and the US. We appreciate that information on the progress of this work may be included in the VW/VB's evidence to the Committee.

In addition, both Visit Wales and Visit Britain have been working to promote inbound tourism via Manchester, Liverpool and Birmingham Airports. Also we acknowledge a great deal of work has been undertaken in Cardiff to encourage new carriers and work up regional partnerships.

We are concerned that the growth market for the cruise ship product may be adversely affected if the border issues in Ireland are not resolved satisfactorily in order that a customs union that benefits all is not achieved as this could potentially leave our ports disadvantaged in that market.

The success of Visit Wales' international marketing activities;

Whilst we can use the term marketing for much of Visit Wales activity, the activity which Government really engages in is 'awareness raising', i.e. rather than marketing of a specific product to a consumer at a defined price.

The impact of that 'awareness raising' of the Wales 'product' whilst difficult to ascertain is extremely important. 95% of Welsh Tourism businesses are very small and find it extremely difficult to project their marketing on the World stage or in UK markets without Government support. However there is a need for closer association with our micro-businesses in the devising and execution of awareness raising campaigns so that it leads to customer referrals to actual bookable products.

Visit Britain is charged with promoting Wales on the international stage. The GREAT brand and campaign currently dominates and although Wales has a presence and people who see the GREAT brand and promo are more likely to take trips in Britain, as previously mentioned, London continues to dominate. GREAT should be open source, there are significant rules that partners need to follow to be able to engage and use the brand, partly due to big sponsors (of which Wales possesses few). What is required is continuous messaging to sustain changes in perception. This can only be done via engagement with our businesses whether large, SME or micro.

How the Welsh Government can assist in attracting large international events to Wales;

Since 2010 the Major Events Unit in the Welsh Government has been following the Major Event Strategy 'Event Wales'. We recognise that major events provide significant economic benefits to the hinterland around venues and regions. There will always be the need to seek out 'growth' events and explore opportunities for creating new events, however whilst the focus has and will need to remain on major international events, they only tend to benefit a small number of areas or locations, particularly Cardiff. Therefore spreading the benefit of events and getting the industry behind providing direct and indirect support may mean adjusting what constitutes a major event and putting more resource into medium sized events that push benefit out across the whole of Wales. This is where an up to date assessment needs to take place to establish whether there is actually further market capacity to enable expansion of the number of major events or is time to change focus and look toward niche markets. There has been suggestion that there are too many major venues in a relatively small market.

Obviously, the key to gaining business from this activity is gaining the right contacts and putting our product in front of those contacts. This is a specialist activity which involves the right staff being able to make contact; present our venues to those contacts and close a deal. We suggest an open review of that market and an assessment of our ability to grow our market share and roll out any benefits across Wales.

The use made of support from the EU and the impact of Brexit;

EU Structural Funds in total have been worth around €2.4bn to Wales over the period 2014-2020. The tourism industry in Wales has utilised relatively small amounts of that funding in comparison to the agricultural industry, despite the Tourism industry's larger size in employment and contribution to GDP terms. Nevertheless the support which has been made available has been important in helping with the development of individual tourism businesses (some of cutting edge innovation), with marketing and with the provision of tourism infrastructure by local authorities. At a time of significant reduction of local authority resources, the latter has been especially important.

EU funds are going to disappear. The industry needs reassurance that there will be a continuation of support for investment and marketing. DCMS is very keen for the tourism industry across the UK to develop a deal under the Government's new Industrial Strategy. These industry deals are aimed at providing sectors with the best possible policy environment in order for them to be able to provide growth for the UK economy post-Brexit. As a deal could address a number of the main issues facing the sector in a coordinated way, it is important that Wales engages with Whitehall. The Welsh Government has established a Trade and Supply Chain Working Group which has been established to identify many of the issues all sectors face, but more needs to be done and quickly as time is running short.

The development of a tourism deal is being undertaken under the auspices of the Tourism Industry Council with VisitBritain providing the administrative support to pull the document together. The deal will focus on four key areas

1. Creating an Industry of Choice (i.e., skills related issues)
2. Connectivity (i.e., issues related to visitors coming to the UK and getting to their final destination within the UK)
3. Industry of the future (i.e., digital issues and resilience)

4. Regulation (i.e., post-Brexit regulatory opportunities and taxation)

A word on skills training. Bearing in mind the shortages reported across the industry in Wales (and the UK as a whole) of skilled labour in the hospitality industries especially of qualified chefs, arguably the industry and Governments have some way to go to meet the needs of the industry. The issues of wage levels, working conditions, industry reputation and the adequacy of suitable training provision have all got to be addressed. In addition the dependency of the industry on EU nationals now and into the foreseeable future must be recognised as must the damaging effect of the current uncertainty over their future status. The future health of the tourism industry depends on this uncertainty being resolved at a very early date.

We are aware that there is going to be impacts in all of the above areas, some will be felt with greater impact in Wales. The concern is that we are nowhere near identifying the detailed impacts let alone being able to establish the best means of mitigating those impacts.

What lessons Wales can learn from similarly sized countries?

We do not have to look to far, Visit Scotland's 'Annual Report and Financial Statement: Year-end 31st March 2016' makes for interesting reading. Spend from overnight visitors to Scotland is worth £4.6bn, with 36% of that spend coming from overseas visitors. The value to the Scottish economy in terms of GDP is almost double that of the Welsh Tourism Economy, standing at £12bn, even though it only roughly supports 15,000 additional extra jobs to those in Wales 190k as opposed to 175k in Wales. Visit Scotland has been better resourced, better placed and tourism appears, at least, to be more highly valued in Scotland than in Wales, there are many lessons we can learn from one of nearest competitors.

Finally, The WTA as the representative body of the industry is anxious to continue to play its part in the development of policy to enable the sustainable growth of the tourism industry in Wales post Brexit. We would like to be part of any future work of the Committee towards this end. Please place us on your mailing list in future so that we can continue to make our contribution

Adrian D. Greason-Walker
Wales Tourism Alliance



30 August 2017

Cardiff Airport, Vale of Glamorgan, Wales CF62 3BD
Maes Awyr Caerdydd, Bro Morgannwg, Cymru CF62 3BD

The Clerk
Economy, Infrastructure and Skills Committee
Third Floor
Tŷ Hywel
Cardiff Bay
CF99 1NA

NATIONAL ASSEMBLY FOR WALES ECONOMY, INFRASTRUCTURE AND SKILLS COMMITTEE – SELLING WALES TO THE WORLD

I am writing on behalf of the Board of Cardiff International Airport Limited in response to the invitation from the Chair of the Economy, Infrastructure and Skills Committee to contribute towards the inquiry into 'Selling Wales to the World.'

Cardiff Airport is the national airport of Wales and the country's gateway to the world. Being 100% owned by the Welsh Government, we have a very keen interest in the work of the Committee, particularly those areas relating to trade and tourism including international marketing.

Currently Cardiff Airport plays a significant role in stimulating inbound travel to Wales with a route network that connects to over 50 direct and over 900 indirect routes worldwide. Passenger numbers are currently 1.425 million per year (to end July 2017) which is an increase of 7% on the previous 12 months. Currently;

- 1 in 4 passengers using Cardiff Airport are visitors to Wales
- of which international visitors contribute an estimated £58million¹ to the Welsh economy.

International visitors to Wales, using Cardiff Airport have travelled from the following top 10 destinations²:

1. Ireland 28%
2. Spain 13%
3. France 12%
4. USA 8%
5. Germany 6%
6. Netherlands 6%
7. Australia 3%
8. Italy 3%
9. Canada 2%
10. India 2%

What has been done to date:

Route development strategy

Since the change in ownership, Cardiff Airport has coordinated its route development strategy with core markets for Wales, focussing on establishing direct links to Germany, the Middle East and North America:

- **Germany:** Cardiff Airport has established routes to Dusseldorf (2013), Munich (2015) and most recently Berlin (2017) all operated by Flybe.
- **The Middle East:** In April 2017 Qatar Airways announced a frequent service between Doha and Cardiff, due to start in 2018.
- **North America:** USA and Canada remain key priorities for new routes and discussions are ongoing with a number of potential airlines. Currently connections to over 20 North American routes are available via links to key hub airports on the Cardiff Airport network.

The Airport has maximised links to 11 hub airports to drive global connectivity from Wales to the World, and the World to Wales. The most significant of these is Amsterdam; with 60% of KLM traffic currently inbound to Wales via Amsterdam Schiphol Airport.

International Marketing

Cardiff Airport and the Welsh Government work together to leverage the opportunity presented in promoting Wales internationally with Cardiff as the gateway to the country. The complimentary objectives of the two organisations aim to promote the country and drive airline passenger traffic through route marketing.

The Welsh Government used Cardiff Airport as a showcase of its new brand in 2016 by working collaboratively to welcome international visitors to Wales, promoting tourism, trade and food & drink.

The UK Government led 'Great' campaign has also used Cardiff Airport to showcase tourism, trade and invest messages during major events such as the Wales NATO Summit and more recently during the 2017 Eisteddfod.

Cardiff Airport also engages with other key institutions with an international marketing focus to develop opportunities for airlines to drive inbound visitors e.g. Visit Cardiff, Universities, Sports clubs, and Hoteliers.

Routes conferences

Cardiff Airport and Visit Wales have jointly attended the annual Routes Conferences since 2013 alongside Visit Britain. This is a collaborative effort to promote Wales and the Cardiff Airport market area to airlines looking to add new routes and/or grow existing capacity.

Route marketing - Airline campaigns

Cardiff Airport has initiated marketing partnerships between our airlines and Visit Wales to drive bookings and inbound visitors to Wales.

The partnerships have included joint campaign activity; advertising; working with online travel agents, promotions, familiarisation trips for the trade and media, sharing content across owned communication channels with agreed campaign objectives.

- Flybe – focussed on UK, Ireland, Germany, Italy and France
 - UK stimulating approx. 42% inbound traffic³
 - Ireland stimulating approx. 38% inbound traffic³
 - German stimulating approx. 42% inbound traffic³
 - Italy stimulating approx. 14% inbound traffic³
 - France stimulating approx. 30% inbound traffic³
- Vueling – Spain stimulating approx. 40% inbound traffic³
- KLM – Germany stimulating approx. 160% increase in German traffic³

As with all new airline partners, there is an opportunity to develop an inbound marketing plan with Qatar Airways for the launch of the new service in 2018. This will focus on attracting inbound visitors from Australia, New Zealand, Asia and the GCC. The campaign activity will drive business, tourism and education visitors to Wales.

Large international events

Cardiff Airport works closely with 'Team Wales' to ensure major events in Wales are delivered safely and successfully. Most recently, the UEFA Champions League Final in Cardiff saw over 21,000 extra passengers and 380 aircraft movements using Cardiff Airport, including both finalist teams and VIPs.

Past events which Cardiff Airport has played a key role include; The Ryder Cup, NATO Wales, Rugby World Cup, Heineken Cup Finals and 6 Nations Championships.

Overseas offices

Cardiff Airport has actively engaged with the Welsh Government offices in China and Dubai while developing new route opportunities to identify; trade links and key businesses, tour operator contacts within the region, embassy links and local market intelligence.

Future activity:

International Marketing

Cardiff Airport will build on the partnership approach with the Welsh Government and in particular Visit Wales on international marketing; both to airlines as investors into Wales and to stimulate inbound visitors to Wales via the airport's route network. The Airport would encourage further collaboration with other institutions where there is a direct benefit to increasing inbound passengers through the airport route network.

There is an opportunity to make better use of wales.com as part of the Wales digital gateway initiative due to launch in 2018 to ensure prominence of the Airport and route network on the new portal.

The new Qatar Airways service also provides additional global opportunities to further engage with Visit Britain on promoting Wales and Cardiff Airport as a gateway to the UK from key Australian and Asian markets.

Overseas offices and large international events

The Airport will also continue close dialogue with overseas offices and continued involvement with large international events.

Actions to stimulate further growth

For us to play an even greater role in "Selling Wales to the World", we would welcome the following actions that could directly stimulate growth in passenger numbers at Cardiff Airport, which will in turn have considerable impact on the Welsh economy:

1. The devolution of Air Passenger Duty (APD)

- APD is a punitive tax imposed by HMT that is widely agreed to be damaging to the UK economy. As the UK leaves the EU, it will need a competitive aviation sector to ensure British business can take advantage of the opportunities BREXIT will bring, both in existing and emerging markets APD hampers the UK's aviation industry's

ability to compete in a global market and has the effect of stifling growth, particularly for domestic flights (currently £23) and long haul (currently £73) connectivity

- Significantly reducing or abolishing the tax will encourage airlines to reconsider investment plans into our market as it will improve likelihood of viability, which will lead to an increase in choice for consumers in Wales, more tourism to Wales and circa 27% growth in jobs directly supported by Cardiff Airport, which has the potential to grow overall GVA impact by a further 28%⁴
- All major political parties in Wales support the devolution of this tax to Wales and it was a key recommendation of the Silk Commission to devolve it to Wales for Long Haul. The Welsh Government are pressing the UK Government on this issue and have indicated that they would lower or abolish the tax completely if it were devolved to the Welsh administration. It has already been devolved to the Scottish and Northern Irish administrations but there is currently limited appetite by the UK Government to devolve the tax to Wales, due primarily to opposition from airports and politicians in the South-west of England
- We consider this is a critical issue and we would recommend that the EIS Committee closely monitor the Welsh Government's progress with getting this tax devolved to the Welsh administration.

2. Connectivity and surface access to Cardiff Airport

- It is well documented that improving surface access to an airport can encourage growth and improve the opportunity for the region in which the airport provides services, to compete better in a global market. It is not just the last few miles that are important, but the whole journey that needs to be considered
- Easy access to an airport has the effect of widening an airport's catchment area, it will encourage airlines to invest in new flight routes – particularly long-haul – as it improves their opportunities to become viable. It also has the effect of improving consumer perceptions of the region, which in turn stimulates growth
- We recommend that the EIS Committee closely monitor the following local and strategic infrastructure projects, all of which would stimulate growth at Cardiff Airport:
 - Proposed improvements to the Newport/Brynglas Tunnels section of the M4 motorway
 - Planned reductions for Severn Bridge toll charges and the potential future conversion of the M4 Severn Bridges to free flow tolling
 - We would also like to see plans brought forward to create alternative access to the Airport from J34 of the M4
 - Improvements to the A4226 – 5 Mile Lane
 - Metro network for the Cardiff City Region
 - Improvements to Culverhouse Cross Roundabout to facilitate better access to the A48 Westbound and in turn the A4226

3. National Transport Strategy

- Previous iterations of the National Transport Strategy have focussed on surface transport, with emphasis placed on major road and rail projects. Considering the strategic importance of air connectivity to sell Wales internationally, we would encourage greater recognition of the importance of air transport in future strategy documents.

Thank you for the opportunity to input to the work programme of the EIS Committee and I look forward to attending the Committee's session on 21st September.



Deb Barber
Chief Executive Officer

¹Source: 2015 CAA Survey/Visit Britain – average spend of international visitors in Wales

²Source: 2015 CAA Survey/2015 IPS Survey

³Source: Cardiff Airport 2016 passenger traffic

⁴Source: Jobs and GVA figures based on York Aviation's associated impact formula (2012)



Office for National Statistics
Government Buildings
Cardiff Road
Newport NP10 8XG

Russell George AM
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

7 September 2017

Dear Mr. George,

It has come to the attention of the Office for National Statistics (ONS) that various statements have been made about our role in the decision by the Welsh Government against proceeding with the Circuit of Wales project. I thought it would therefore be helpful briefly to set out ONS's classifications processes to you and your Committee.

ONS routinely assesses infrastructure projects before they commence, in order to ensure they are classified in line with established international rules and guidance. In doing so, we work regularly with other government departments and administrative bodies, including the Welsh Government, who we have been working with closely on a range of different issues.

However, on this occasion ONS did not provide formal classifications advice in relation to the Circuit of Wales as it was not something we were asked to do. Additionally, ONS's role in respect of infrastructure projects is strictly limited to deciding the appropriate statistical classification, so does not extend to being involved in the decision as to whether or not a particular project should go ahead.

I hope this information clarifies our processes, however should you require further information on ONS economic classifications, you can find it on our [website](#).

Yours sincerely

Derek Bird
Head of Public Sector Division

CC: Glyn Jones, Chief Statistician, Welsh Government

Ken Skates AC/AM
Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith
Cabinet Secretary for Economy and Infrastructure



Llywodraeth Cymru
Welsh Government

Rt Hon Chris Grayling MP
Secretary of State for Transport

20 July 2017

Dear

My officials yesterday advised me that the Department for Transport is not in a position to support our intended tender issue date for the Wales and Borders rail service. Transport for Wales (TfW) will be ready to issue the tender to bidders on 18 August. Instead though, your officials' proposal is to slip the date until 26 September.

Such a delay has a number of substantial risks and consequences. I understand that this delay is largely caused by the UK Government's decision to hold a General Election earlier this year and the consequent impact on your officials' ability to take decisions and move the process forward.

Your department agreed in November 2014 that the transfer of powers for rail franchising should be complete by January 2017. This has not happened and as a result we are not able to proceed to tender without your agreement. It is clearly important for the people of Wales and for the suppliers who we are working with that we maintain our programme. However, in the absence of these powers, and the lack of the necessary agency agreement, we must reluctantly re-profile our activities to deal with this delay.

As well as the disquiet that this may cause amongst bidders, and the potential threat of their withdrawal, I would like to set out the other consequences of this delay, which when Christmas and other factors are now taken into consideration, will cause a material delay of over two months to our plans:

1. Potential loss of European Union ERDF funding. The programme for drawing down structural funds is already tight, and is contingent on the appointment of our Operator and Development Partner (ODP) to start design and mobilisation works for the South Wales Metro. I will consider starting this in parallel with the procurement by third parties, although recognising that, in part, it may result in abortive work. This action is likely to increase our expenditure by £1-2m, and I would welcome your proposals for compensating Welsh Government for this expenditure if it becomes abortive.

Bae Caerdydd • Cardiff Bay
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Gohebiaeth.Ken.Skates@llyw.cymru
Correspondence.Ken.Skates@gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

2. Alternative re-procurement. Should the current procurement be challenged, the programme delay will remove the opportunity to run a new procurement based on a standard franchise without extending the existing contract. As well as huge inconvenience for passengers resulting from a lack of capacity enhancement, renewed rolling stock and new services, we estimate that the financial inefficiency of such an arrangement will cost us tens of millions of pounds if an extension is put in place for a sustained period. I would welcome your proposals for how you intend to compensate Welsh Government for this additional cost, if incurred.
3. Increased costs. The delay to the programme will result in additional costs being incurred by Transport for Wales, Welsh Government and the bidders as our teams and advisers will need to be paid to effectively stand still. We also run the risk of some of these resources migrating away from the procurement at a critical time. TFW will attempt to mitigate the worst of this, but I anticipate that this could add up to £1.5m to the process. I would welcome your proposals for how you intend to compensate Welsh Government for this additional expenditure.
4. Mobilisation. The programme delay will reduce the mobilisation period, which could result in the ODP not being ready to operate the service in October 2018 and take over the Core Valley Lines in 2019. More worrying still is the looming deadline for Persons with Reduced Mobility (PRM) compliance. All of our bidders have reinforced the importance of an early award decision to allow rolling stock to be ordered to allow them to comply with your January 2020 deadline. Whilst Welsh Ministers fully support the ambition of the regulations, until franchising powers are fully transferred PRM compliance remains an issue for you. I would therefore welcome your proposals, as a matter of urgency, on how you intend to address this issue.

It is my intention to instruct Transport for Wales to issue the tender documents to the bidders in final draft form on 18 August, following the incorporation of comments from your officials. From that time on the documents will be frozen. There will be no opportunity for any party to influence their content from that point until your department's delayed tender issue date. This is partly to allow the bidders to get on with the task of preparing their tenders, and partly to try to mitigate some of the costs that will be incurred by your department's delay.

I understand that your officials are attempting to resolve a franchise related financial matter in parallel with the tender approval process. This is an important issue and needs to be properly addressed. However, given the criticality of meeting our programme, I am prepared to de-couple these issues (because they are not co-dependent) and continue to discuss this matter and seek to address the financial matter in the period before contract award if we are unable to agree it before 26 September. In view of the position your department has put us in, I hope that you will act reasonably on this request.

Any further slippage to the tender issue date will significantly magnify the above risks, and will be completely unacceptable. I therefore request your assurance that your officials will be instructed and empowered to ensure that the date of 26th September is achieved in collaboration with my officials and Transport for Wales.

I am copying this letter to the Secretary of State for Wales, the Chair of the National Assembly for Wales' Economy, Infrastructure and Skills Committee and to members of the National Assembly for Wales.

Yours ever,
Ken

Ken Skates AC/AM

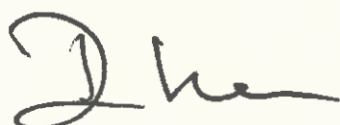
Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith
Cabinet Secretary for Economy and Infrastructure

Item 7.3


Department
for Transport

From the Secretary of State
The Rt. Hon. Chris Grayling

Great Minster House
33 Horseferry Road
London
SW1P 4DR



8 August

Thank you for your letter of 20th July about the change to the timings of the tender process for the Wales & Borders franchise.

I would like to firstly assure you that we remain committed to devolving rail powers, as agreed in 2014. Like you, I want to see improved services for passengers in Wales. We will continue to support the Welsh Government to progress the procurement of the next Wales & Borders rail franchise and an infrastructure provider for the South Wales Metro.

I am, however, unable to accept your assertion about the cause of the change in timing and would suggest that it has been largely caused by cumulative delays in the process over the last few months. The general election was not the cause of this changed timing and therefore no compensation will be paid by the Department. My officials first informed yours on 26th May that they did not believe the 18th August date could be achieved which was considered a sufficient timeframe for your team to adjust the programme in a controlled way.

It is worth placing on record what remained to be done on the various workstreams that underpin the successful launch of the Invitation to Submit Final Tenders (ITSFT) on the date of your letter. At that point (and still at the date of this letter) we still:

- Had yet to receive a written document setting out how the proposed asset transfer of the Core Valley Lines (CVL) will work, which was most recently promised for 19th July. A partial proposal was finally received on 25th July but significant gaps remain and indeed we understand there are still items of disagreement between yourselves and Network Rail including on how risk is allocated;

- Had yet to agree Agency Agreement 2, which sets out the terms on which you are able to exercise Railways Acts powers on my behalf with regards to services and stations in England, both during the procurement and in life (and on which work only started last October when we were able to agree the combination of statutory (within Wales) and agency powers through which the franchise would be procured and managed by Welsh Ministers);
- Had yet to reach agreement on your franchise funding demands (see below);
- Had yet to receive the legal advice your officials say they have been given explaining why they are unable to make the payments in dispute;
- Had yet to agree a Funding and Outputs principles document (reflecting agreements reached on all relevant matters including the funding of England-only services and CVL transfer)
- Had yet to complete our review of the relevant parts of the tender documents and understand whether and how comments already offered have been incorporated by your officials;
- Had yet to finalise how Welsh Ministers will undertake their Section 30 (Operator of Last Resort) responsibilities having only received a written proposal from your officials on 19th July.

Once agreed and finalised, this will then be subject to appropriate governance within the Department, HMT and presumably within the Welsh Government. The scale of the challenge for us all is clear.

You are free to issue whatever documents you want to bidders. However, as Secretary of State, I reserve my right to require amendments to those documents until such time as I formally authorise that they are the final documents to be released. They can never be 'frozen' until issued in final form following my authorisation.

I also wish to make clear that my authorisation for this will only be forthcoming once we have reached agreement on the funding claim your officials have made - a claim which would commit my Department to finding an additional £1bn over the franchise term compared with today, and for which I see no basis. These issues therefore cannot be de-coupled.


In addition, until I consent to you specifying and procuring English services within a Wales & Borders ODPGA, your bidders are on risk in responding to any ITSFT. Similarly, the Welsh Government are at risk in issuing any procurement documentation before we reach agreement on the principles underpinning a Funding and Outputs Agreement.

In conclusion, I recognise your concerns regarding the timings of the tender process but I hope you will understand that I cannot cut corners on the level of information or assurance required to recover time that has been lost from

earlier in the process before allowing you to exercise Railways Act powers on my behalf. To do so would present significant risk to Network Rail, taxpayers and most importantly the passengers served by the Wales & Borders franchise.

I will ensure my officials will continue to do all they can to support the process and enable the necessary agreements to be concluded as quickly as possible to ensure we deliver a satisfactory arrangement for passengers.

I am copying this letter to the Secretary of State for Wales and the Chair of National Assembly for Wales' Economy, Infrastructure and Skills Committee.

With best wish


Rt Hon Chris Grayling MP

SECRETARY OF STATE FOR TRANSPORT

Eitem 7.4

Ken Skates AC/AM
Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith
Cabinet Secretary for Economy and Infrastructure



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Russell George AM
Chair
Economy, Infrastructure and Skills Committee

Committee.Business@wales.gov.uk

30 August 2017

Dear Russell

At the Economy, Infrastructure and Skills Committee meeting on 13 July, we said we would also share the business plan for the Development Bank of Wales (DBW).

Accordingly, Finance Wales has published the Strategic Overview of the DBW on its website, and it is available via this link. <http://www.financewales.co.uk/about-us/development-bank-of-wales.aspx>.

This link will also be placed on to the Access to Finance section of the Welsh Government website.

Yours sincerely

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.