# WTA_brand001 main cmyk

# WTA Policy Issue Briefing: October 2016

The purpose of this brief is to highlight issues of concern to the Tourism Industry in Wales so that they can be taken into account by the Welsh and UK Governments, by Assembly Members and Members of Parliament and by all who have an interest in the contribution tourism makes to the Welsh economy and the life of the community.

Since we published our pre National Assembly Election Brief ‘Tourism Matters’, the prospective conditions in which the industry will operate in the future have changed quite radically. The decision of the UK government following the referendum in June to leave the European Union will bring new challenges and opportunities for the Tourism Industry in Wales.

# Working together

Anecdotally we understand that many businesses have had a good summer season (we await confirmation from the Welsh Government’s post season survey and there are also reports that some businesses have shared in the increase in overseas visitors to the UK following the fall in the exchange rate after the Brexit decision. However the full impact of Brexit on the Industry in Wales will only become apparent after some years and in the light of the decisions taken by the UK and Welsh Governments. Hence it is vitally important that both Governments act in the best interests of the Industry and are supported to this end by Assembly Members and Members of Parliament working together.

Tourism businesses must also help both Governments to understand the issues of concern to the Industry and the appropriate action to be taken and the WTA stands ready to act as a coordinating body for the industry in that process. To that end we have set up a ‘contact group’ of businesses in the various sectors of the Industry whom we will consult with regularly and highlight issues of concern. We will also maintain close contact with the Industry bodies in the other countries of the UK to benefit from their work. This is not likely to be an exercise which will be completed quickly, but rather it will last some years as the complications of leaving the EU unfold.

# The Importance of the Tourism Industry to Wales

One thing which will not change with Brexit is the importance of the industry to Wales. Indeed, arguably it will have even greater potential. Currently the industry employs in the region of 117,000 with a further 89,000 indirectly, and accounts for a Gross Value Added of over £3billion and the total contribution including impacts through the supply chain, capital investment and government expenditure nears £7billion or almost 14% of the total economy of Wales. There are in the region of 10 mn overnight stays involving 34 mn bed nights and 89mn day visits.

The industry is multi faceted including day and staying visitors, accommodation providers in hotels, B&B, farmhouse, holiday parks, camping and self catering, tourist attractions, activity holidays and cultural and sporting events. Its 18,000 businesses are mostly small and medium size and family run with some larger national and international companies represented in city centre hotels and holiday parks. The National Museum and National Trust are big players through their branches as are local authorities in the provision of key infrastructure services and in some cases tourism attractions too. The holiday market predominates driven by the high regard visitors have for our land and seascapes, with 25% being National Parks and AONBs.

90% of the GVA is spending by visitors from the UK but spend per head is greater by overseas visitors at £680 per person compared with £280 from the UK staying visitor.

The industry has been stable and resilient and has been at the forefront of Wales’ recovery since 2008. It contributes far more to the exchequer in taxation than it receives by way of support in marketing and in investment, which by comparison is modest. It is important throughout Wales, but for many rural and coastal communities it is the mainstay of the economy. But its importance goes beyond its economic contribution. The industry enhances the identity of the nation and helps maintain its cultural and built heritage by attracting visitors to its cultural facilities and events.

# Investment in the Development of the Industry

One of the immediate concerns is the ongoing availability of investment to support development in the industry. There are projects in the pipeline which may not come to fruition until after Brexit has occurred and which could be jeopardised. Where commercial sources of funding are not available, we look to the Welsh and UK Governments (via the Block grant) to support investment in new market driven tourism schemes. This facility is particularly important for the micro businesses which dominate the industry in Wales. The level of support currently available through TISS (£1mn) is insufficient.

# Marketing Wales

The industry has got behind the theming by Visit Wales of its yearly marketing campaigns, although there is a need for earlier delivery of guidance from Visit Wales on the thrust of these campaigns and for more consideration of the appropriate period for each theme and the transition from one to the next. Arguably however there are concerns about whether sufficient resources are going to be made available for the yearly campaigns to be effective and the need for tactical regional marketing budgets to support the national campaigns. Neither should encouragement of Welsh residents to holiday in Wales be ignored; after all the move in the exchange rate which is making it more attractive for overseas visitors to come here, is making it more expensive for Welsh people to go abroad and we do have a fabulous range of holidays to offer.

One aspect which requires immediate action to capitalise on the fall in the exchange rate is close work with Visit Britain to attract overseas visitors to Wales. Visit Britain still has responsibilities for this alongside Visit Wales. The merger of Visit Britain and Visit England earlier this year coupled with the setting up of a £40mn Discover England Fund have clouded these responsibilities and Visit Wales needs a set of performance indicators to ensure we are getting a fair share of Visit Britain’s attention.

The task of improving tourism statistics to measure the performance of the industry is ongoing. However it is a particular concern to develop a research and forecasting capability which the industry can reliably use. Tourism businesses must be prepared to play their part in this.

# Investing in People and Quality Standards

No matter how attractive our scenery and interesting our historic environment and culture, it is the people in the industry and their skills and attitude, which will ensure that visitors will enjoy their stay, want to return and to tell their friends to visit. Another of the immediate concerns about Brexit is the position of EU nationals working in the tourism industry in Wales. For the UK as a whole between 15% and 20% of the tourism industry work force is from other countries of the EU and for some sectors in Wales they form a very important part of the workforce. There is no doubt they are currently feeling very unsettled by Brexit and urgent confirmation that they will be allowed to continue in their UK jobs is needed. This needs to be supported by more vigorous promotional activity of the skilled jobs and long term careers available in the industry and of the need for regular up-skilling of those working in the industry.

Most tourism businesses in Wales are run by owner managers whose need for ongoing training opportunities to maintain and increase skill levels is as great as for the staff they employ. Our Universities and Colleges and regional and local tourism organisations need to liaise to provide the sort of training at the sort of times that local tourism businesses owners can accommodate alongside their day to day work.

In common with other industries, many tourism businesses report a shortage of skills in their supply chains especially in respect of the construction industry. This is something which is common across the UK and will be made worse if the position of the EU nationals in those trades is not clarified urgently. However the demand for construction industry skills is also going to increase because of the impact of HSR2 and Hinkley point and any other new nuclear power schemes which may be commissioned. The tourism industry will share in the further supply pressures caused by these developments.

Our prospective visitors will be reassured of the standards they can expect by quality assurance schemes. Visit Wales has traditionally and correctly set a great deal of store by such schemes. However the development of Online Reviews has now also to be taken into account. The WTA considers there now needs to be an industry wide debate about the relationship between the two.

# Tourism Infrastructure

Top of the concerns under this heading is the need for reliable Superfast Broadband which helps even up the playing field for rural tourism businesses. Superfast Cymru began the roll out in 2013, but over a fifth of rural businesses still have concern about reliability. The roll out programme benefitted from EU funding. It needs to be completed and working well before Brexit takes place and the need for updating considered in the Government’s future resource planning.

The electrification of the London to South Wales line is much welcomed, but the possibility of North Wales benefitting from HS2 by better connectivity needs developing with Network Rail. In addition when allocating the new Wales and Borders Franchise to start in 2018, the WTA would urge the Welsh Government to pay particular attention to proposals by the applicants to provide services which will develop the tourism industry.

The above is particularly important for Mid and North Wales to realise the potential of the hubs of Manchester and Birmingham airports for incoming overseas visitors. Both of these airports have well established and extensive inbound services.

The infrastructure services provided by local authorities are a vital part of the visitor experience. They are under huge financial pressure with closure of facilities used by visitors including in particular public toilets. The financial pressures on local authorities are likely to increase. The WTA will seek discussions with the Welsh Local Government Association to see if there are ways in which local businesses might be able to help.

# Creating a Business Friendly Environment.

Brexit is likely to result in some changes to the regulatory framework in which businesses trade. There are some EU regulations whose removal would actually benefit the industry in Wales given the nature of its make-up. E.g. not having to adopt the revised EU [Package Travel Directive](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2015:326:TOC) (2015/2302/EU) would help our small businesses to create bespoke packages. (Arguably the greatest boost the UK Government could gives to the UK tourism industry would be to accede to requests which have been made for some years to reduce VAT on tourism accommodation.)

In addition the Welsh Government will be given new powers under the current Wales Bill which may also have an impact on the business climate in Wales. It is not possible to anticipate the outcome of the Brexit negotiations, but the WTA through its contacts with tourism businesses, who are likely to understand the detail of issues which apply to their sector, will do its best to help the Welsh Government in its involvement with the Brexit negotiations.

As for matters within its own responsibility, the WTA would urge caution on the Welsh Government in legislation which adversely affects the business climate in Wales and makes us uncompetitive with other destinations, particularly the English regions.

# Prospects

It is hard to predict the future of the industry post Brexit, so much will depend on the outcome of the negotiations. Certainly if the more favourable exchange rate continues, then with effective promotion to our key overseas markets by Visit Wales and Visit Britain, our overseas visitors should increase. Moreover the exchange rate will work to encourage more UK residents to holiday at home as will the ‘hassle’ factor if the EU imposes a visa requirement on UK travellers.

On the other hand we will face greater competition from English regions bolstered by the £40mn Discover England Fund and if the UK economy has a hard landing because of the Brexit decision and the economy slows, then that will depress the market for holidays generally. Moreover the effect may spin over into the size of the Block Grant the UK Government makes available to the Welsh Government and hence its ability to fund services generally and support the tourism industry in particular. In these circumstances the Welsh Government’s target to grow tourism earnings in real terms by 10% from 2013 to 2020 may be difficult to achieve.

So many imponderables! In the circumstances tourism businesses in Wales will as usual have to rely on their resilience and business acumen. The WTA will do its utmost to convey the concerns of businesses to Government and persuade then to adopt course of action which support the industry

# Commitment of the WTA

The WTA would be happy to discuss the above with Government Ministers, Assembly Members and Members of Parliament. We hope to arrange a discussion in the Cross Party Tourism Group of the Assembly, the All Party Group in Westminster and the Minister for the Economy and Transport’s Tourism Advisory Board. We shall be meeting at an early date to discuss it with Visit Wales.

The WTA is committed to working constructively with Government to help secure a Brexit which will benefit the Tourism Industry in Wales and help support the jobs and communities which depend on it.

# WTA October 2016