

WELSH GOVERNMENT CONSULTATION

For the attention of the Economy, Trade and Rural Affairs Committee

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1. *To what extent has the Welsh Government embedded support for the foundational economy into its overall approach to economic development? What further steps should it take to do this?*

Tourism is an explicit part of the Foundational Economy in Wales. However whilst the Welsh Government has made progress to support the foundational economy in some sectors, only two grants from the Foundational Economy Challenge Fund could be considered to be tourism-related (Cwmni Cymunedol Bro Ffestiniog and Ramblers Cymru).

Whilst many in the tourism industry recognise they have a strong role to play in the wellbeing and enhancement of their local communities, they are less likely to see themselves as part of the Foundational Economy. We would welcome the opportunity to engage with the Welsh Government to raise this issue. This would require engagement with Cabinet Secretaries in different departments in addition to the Minister for Tourism, as will be explained in answers below.

Visit Wales sits within, rather than outside, the government and is unique in this sense – being the only one of the home nations' tourism bodies to have this governmental position.

We recognise and appreciate the funding offered by Visit Wales such as Brilliant Basics but note that this fund is only available to National Parks and Local Authorities. However the only funding available outside of this is in the form of loans and project contracts with Welsh Government. This means that there is limited opportunity for supporting wider, strategic economic development that could be led by larger regional tourism destination management/marketing such as Visit Pembrokeshire, Mid Wales Tourism and North Wales Tourism.

This approach means that delivery at a local level is largely dependent upon the efforts of local authorities which are already under significant funding and resourcing pressures. There is a wide divergence of the perceived contribution and importance of tourism between local authorities, as well as patchy expertise in destination management. We believe that if tourism is truly seen as part of the foundational economy, funding would be better targeted if opportunities were shared with more openness to private sector leadership in partnership arrangements with local authorities and other public bodies, community organisations, housing associations etc

We feel that this imbalance would benefit from attention so that tourism can flourish and form a more effective contribution to a prosperous foundational economy. Further steps should be taken to support the tourism sector particularly in areas which are reliant on tourism and where other employment opportunities are less available.

2. *Given the cross-portfolio nature of the foundational economy, how should the Welsh Government create a co-ordinated approach to mainstreaming support for foundational economy sectors across government?*

AND

3. *Which of the Welsh Government's foundational economy policy initiatives have been most successful, and why? Which have worked less well, and why?*

We feel that the Welsh Government's approach to the foundational economy would benefit from a more joined up approach. As mentioned above tourism is an important sector in the foundational economy. It supports local communities and employs local people particularly in rural, coastal and remote areas of Wales where industry and other sectors provide little employment.

Tourism industries account for more than 11% of employment in Wales and generate over £3 billion for the Welsh economy. For those reasons alone, involving the tourism sector in policy discussions makes sense. We can help to inform important decisions to keep this industry flourishing and growing so that it continues to contribute locally and nationally.

We would appreciate the opportunity to provide input into the impact on tourism of Welsh Government policies. We would particularly welcome the opportunity to meet and be included in discussions with the ministers for finance, transport, planning and the economy. Policies in these areas can have a significant impact on tourism and its capacity to offer work, training, local supply chain and secondary spend opportunities, all of which ultimately play their part in financing public services through taxation and reducing the need to turn to benefits support.

At a local level, tourism operators are inherently members of their own communities and keen to work with other sectors; even larger corporates contribute through providing skills and employment, enabling people to make their own contribution locally through their own council tax and spending within their community. This holistic approach in which tourism enhances and contributes to both the local and national economies is often overlooked in the narrative on "extractive activities": This should not drown out significant inward investment, innovation, employment and wellbeing it delivers to local communities.

We cite, for example, the 182 day rule for holiday lets, the ability for councils to set up to 300% premiums on second homes and the withdrawal of funding for road building – all of which are impacting the tourism sector without necessarily realising the aim of making life better for local people. Indeed in some cases where steps have been taken in the past to improve the foundational economy, those who used that support now face significant unforeseen challenges – for example farmers previously encouraged to diversify into holiday let tourism are now penalised if they cannot meet 182 days occupancy.

4. *What examples of best practice exist in different foundational economy sectors and places within or beyond Wales? How could the Welsh Government better support partners to deliver best practice, and to scale it up where appropriate?*

Other countries including Japan and Spain focus on providing the infrastructure to support tourism in rural areas. This is because good infrastructure is critical to bringing tourism income into and across regions that may otherwise have limited employment opportunities for local people.

This impact is felt particularly in rural, coastal and remote communities where tourism is often the backbone of the local economy but recent policy decisions are hitting hard. Reductions in bus services (eg as a result of the 20mph policy) and a ban on new road infrastructure (eg the third Menai crossing) are just two examples of how these policies are impacting tourism in rural areas.

If the proposed Visitor Levy is to succeed, how the income from the levy is used will be critical. It will be important to those communities more reliant on tourism that the income generated is spent strategically as well as on specific local priorities to improve critical local infrastructure. This would support the tourism industry and reduce the tension with local communities where demand is outgrowing provision.

As mentioned previously, we would welcome the opportunity to represent our industry in discussions with Cabinet Secretaries around the wider direction of the Welsh Government's policies.

5. *What progress has been made in using procurement to strengthen the foundational economy since [our predecessor Committee looked at this issue in 2019](#)? What further actions are required to deliver greater progress, and what innovative examples of best practice could be built on?*

By way of example, much effort has been put into developing the food and drink sector in Wales. We are now starting to see the sector reaching out more collaboratively with tourism – notably with accommodation services when previously the main focus was on hospitality.

The focus on artisan food and drink producers is welcomed but we need to ensure that we do not overlook large companies like Harlech Foods and Castell Howell. These are a very important part of the tourism and hospitality supply chain and champion Welsh produce.

Similarly with the bus and coach industry such an important part of our tourism infrastructure we would welcome a greater emphasis on support for this sector. While we recognise not every economic activity would necessarily benefit from including tourism in the thinking during its development phase, opportunities are being missed.

6. *How effective have the Welsh Government's actions to deliver fair work in foundational economy sectors been? What further steps should it take within its devolved powers to progress this agenda, and how can it work with the UK Government to drive improvements in non-devolved areas?*

As mentioned previously the foundational economy includes tourism and there are parts of the country where tourism is critical – keeping local people in work and keeping the Welsh language alive. In order to embed this, “fair work” must take account of practicality and balancing needs in contrasting areas of Wales. It is important also to note that just because work is seasonal or flexible, this is not a reason for it to be lower paid, subject to poorer working conditions or viewed as less important. Security and certainty do not have to mean a 9 - 5, 5 days a week work pattern and ‘portfolio’ work arrangements allow - for example - anyone with caring responsibilities, disabilities, continuing education or limited transport to remain economically active. (We have seen an impact on rural and coastal communities, for example, where bus timetables have changed due to 20mph law which has made access to work even more challenging.)

Tourism is not represented on the Social Partnership Council, despite it being part of the foundational economy. Whilst the FSB does represent small businesses it does not necessarily represent the unique needs of rural, coastal and more remote communities. We would be pleased to be included in the Local Partnership Council to represent the tourism sector, especially as responsibility for this industry is specifically retained within government.

We recognise and appreciate the work that has been carried out in Wales on skills development which adds kudos to roles in the tourism sector. However, it is important that we do not focus solely on skills development at the coalface of hospitality and ownership. There is an important piece of work to be done around destination management and the structure of tourism provision. We feel that this is a missing part of the structure.

Tourism is one of the key industries for developing face to face, personal and practical problem-solving skills. These skills will be needed in the long term, even in a world becoming increasingly digital. They are an important part of the foundational economy. They are needed in the care sector, in health and in education but we see fewer young people coming out of our schools with these critical interpersonal skills. The tourist sector offers our young people a place to learn, develop and hone those skills – it is the soil in which they can be grown.