

**DRAFT CORPORATE PLAN**  
**2001/2002 - 2003/2004**

**The mission of the Wales Tourist Board is to improve the economic and social prosperity of Wales through the effective marketing and development of tourism.**

## **EXECUTIVE SUMMARY**

### **1. Introduction**

This Corporate Plan describes how the Wales Tourist Board (WTB) intends to fulfil its statutory role over the medium term period 2001/2002 - 2003/2004. The plan explains how WTB's strategic priorities link with those of *Achieving Our Potential*, the national tourism strategy for Wales and with '**Betterwales.com**', the first strategic plan of the National Assembly for Wales (NAW).

### **2. Resource Allocation**

The NAW has allocated £20.086 million grant-in-aid to WTB in 2001/2002 which represents an increase of £4.650 million (+30%) over the previous year.

A summary comparison of the main grant-in-aid funding variations between 2000/2001 and 2001/2002 is shown below:-

	<b>2000/2001 (£000s)</b>	<b>2001/2002 (£000s)</b>
Programme Costs	7,829	12,479
Running Costs	4,457	4,457 <sup>(1)</sup>
Capital Costs (Section 4)	3,150	3,150 <sup>(2)</sup>
<b>TOTAL GRANT-IN-AID</b>	<b>15,436</b>	<b>20,086</b>

<sup>(1)</sup> Currently under review. WTB is seeking authorisation to increase running costs to £4.700 million.

<sup>(2)</sup> WTB intends to transfer £100,000 from Programme to Capital Costs in 2001/2002.

WTB's remit is defined by statute and refined by strategic guidance received annually from the NAW. The central role of WTB is to support the tourism industry and to provide the appropriate strategic framework within which private enterprise can achieve sustainable growth and success, so improving the social and economic well being of Wales. WTB will use its grant-in-aid to fund essential activities in collaboration with private and other public sector partners to help achieve its strategic priorities.

A large proportion of the increase in grant-in-aid will be designated for specific projects.

£1.633 million will be ‘ring-fenced’ for the development of a Destination Management System. Up to a further £1.1 million may be required to support the operations of four new Regional Tourism Partnerships who will have responsibility for implementing the regional tourism strategies. Although the majority of WTB’s total marketing budget will still be directed towards the core UK market, an increasing proportion of funds is being directed towards overseas markets which show greater wealth creating potential for Wales. Table 3 indicates how WTB will allocate it’s grant-in-aid budget between its main programmes.

### 3. WTB Strategic Priorities

WTB has identified a series of strategic priorities which will form an essential reference point to guide its resource allocation for specific activities. In turn, WTB’s programme of activities will deliver performance outputs which will support the achievement of targets set by the NAW and those contained in *Achieving Our Potential* and ‘*Betterwales.com*’.

WTB’s main strategic priorities for 2001/2002 are outlined below:-

Priority	Commentary
<ul style="list-style-type: none"> <li>• <b>Strategic Leadership</b></li> </ul>	WTB will take the lead in planning/programming the implementation of <i>Achieving Our Potential</i> and the four regional tourism strategies in collaboration with the Regional Tourism Partnerships.
<ul style="list-style-type: none"> <li>• <b>Develop Partnerships</b></li> </ul>	WTB will establish effective links with the tourism industry, local authorities and other organisations involved in tourism to achieve sustainable growth through shared action. A major commitment is the establishment of four RTPs based on the four economic regions of Wales.
<ul style="list-style-type: none"> <li>• <b>Maximise Tourism Resources</b></li> </ul>	The availability of EU and match funding provides important opportunities for tourism. WTB will seek to work in partnership to secure additional funds and apply them within a clear strategic framework to maximise their economic benefits.
<ul style="list-style-type: none"> <li>• <b>Enhance Wales’ Image</b></li> </ul>	WTB will work with partners to promote a consistent and distinctive image for Wales in target UK and international markets to improve its profile and influence.
<ul style="list-style-type: none"> <li>• <b>Market the Product</b></li> </ul>	A key commitment is the development of a Destination Management System for Wales on behalf of the tourism industry. WTB will also devote more resources to promoting distinctive Welsh products (eg heritage, culture, activities, motor touring) and develop

<ul style="list-style-type: none"> <li>• <b>Improving Quality</b></li> </ul>	<p>new approaches to events and business/conference marketing.</p> <p>WTB will assume direct responsibility for the administration of quality grading schemes to demonstrate its commitment to quality.</p>
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#### 4. Bids for Additional Resources

WTB has submitted two applications under the Objective 1 programme. One application relates to an Integrated Business Support project, the other to a Tourism Promotion and Marketing Scheme. At the time of preparing this Corporate Plan, WTB has received confirmation that its fast-track bid for £6.3 million in relation to an Integrated Business Support scheme for tourism SMEs has been successful. WTB awaits confirmation on the status of its marketing bid for £14.9 million which is being considered within Priority 1 Measure 3 of the Objective 1 programme.

WTB also awaits confirmation of the availability of any Pathway to Prosperity match funding in respect of either of these schemes. In theory, if the marketing bid was approved in full and match funding was also available for both schemes, WTB's total budget for 2001/2002 (including grant-in-aid) could total more than £30.0 million. Such a significant increase in funds would have a major potential impact, particularly in respect of WTB's marketing activities. WTB is currently preparing a detailed marketing strategy to ensure that any increase in funding from EU and match funding sources is used effectively to achieve tangible benefits for the Welsh economy. Appendix ii outlines how WTB would propose to allocate additional EU funds to specific programme activities.

#### 5. Corporate Plan Targets

The following table summarises forecast out-turn against the strategic targets set for WTB by the NAW in 2000/2001 and the revised targets which have been set for 2001/2002.

Performance Measure	2000/2001 Forecast Out-turn	2001/2002 Target
1. Private Sector Investment Generated	£10.0m	£13.5m
2. Total Investment Generated	-	£25.0m
3. Leverage Ratio	1:6.0	1:5.0
4. No of Jobs Created/Safeguarded	410	500
5. Annual Share of All UK Spend (Oct-June)	51%	51%
6. Return on Investment - UK Campaign	30:1	30:1
7. Increased Spend - Primary Overseas Markets	+5.3%	+5%
8. Running Cost Limit	£4.457m	£4.457m

## 1.0 INTRODUCTION

### 1.1 Background

The Wales Tourist Board (WTB) was established under the Development of Tourism Act 1969 which gave WTB specific statutory responsibility:-

- to encourage people to visit Wales and people living in Wales to holiday there;
- to encourage the provision and improvement of tourist amenities and facilities in Wales.

The Tourism (Overseas Promotion) (Wales) Act 1992 subsequently gave WTB increased independence to market Wales overseas.

This Corporate Plan has been prepared in the context of the tourism strategy for Wales, *Achieving Our Potential*, which was launched in March 2000 and which provides a strategic framework for co-ordinated action to support the sustainable growth of tourism in Wales over the ten year period 2000 - 2010.

The purpose of this plan is to describe how WTB intends to fulfil its statutory role over the medium term period 2001/2002 - 2003/2004 and how its activities, undertaken in pursuit of its priorities, link with the strategic priorities of *Achieving Our Potential* and those contained in the first strategic plan of the National Assembly for Wales (NAW) '**Betterwales.com**' and the partnership agreement 'Putting Wales First'.

The activities of WTB will also reflect the evolving strategic priorities contained in the National Economic Development Strategy for Wales, the Single Programme Documents and the Strategic Guidance for 2001/2002 received from the First Minister and Economic Development Committee.

### 1.2 Resource Assumptions

In finalising this Corporate Plan, WTB has worked on the basis of the following grant-in-aid budget which has been confirmed by the NAW for 2001/2002 and indicative estimates supplied for 2002/2003 and 2003/2004:-

**Table 1 : National Assembly for Wales Grant-in-Aid Budget - Wales Tourist Board**

	<b>2001/2002 Confirmed (000's)</b>	<b>2002/2003 Indicative (000's)</b>	<b>2003/2004 Indicative (000's)</b>
Programme Costs	12,479	12,629	13,979
Running Costs	4,457 <sup>(1)</sup>	4,457	4,457
Capital Costs	3,150 <sup>(2)</sup>	3,150	3,150
<b>Total Grant-in-Aid</b>	<b>20,086</b>	<b>20,236</b>	<b>21,586</b>

<sup>(1)</sup> Currently under review. WTB is seeking authorisation to increase running costs to £4.700 million.

<sup>(2)</sup> WTB intends to transfer £100,000 from Programme to Capital costs in 2001/2002

In line with current arrangements this plan was submitted to the NAW in draft form in September 2000 in time to inform the annual public expenditure survey. The draft plan made a case for additional funds to support the effective implementation of *Achieving Our Potential* and to provide adequate match funding to maximise draw down of available EU funding for tourism.

The grant-in-aid allocation of £20.086million to WTB in 2001/2002 represents an increase of £4.650 million or 30% over the previous year. These additional funds will be used to facilitate WTB's applications for further funding from Objective 1, 2 and 3 and to secure Pathway to Prosperity match funding for successful EU bids.

A large proportion of the £4.650 million will need to be allocated to key project specific initiatives. £1.633 million will need to be 'ring-fenced' to support the development of an integrated Destination Management System for Wales. Up to a further £1.1 million could be required to support the establishment and operation of the four new Regional Tourism Partnerships which we are seeking to set up, at least in shadow form, by September 2001. Appendix I outlines how the additional £4.650 million will be allocated between WTB's main programme activities.

### **1.3 EU/Pathway to Prosperity Funds**

WTB has submitted two applications under the Objective 1 programme. One application relates to an Integrated Business Support project, the other to a Tourism Promotion and Marketing Scheme. At the time of preparing this Corporate Plan, WTB has received confirmation that its fast-track bid for £6.3 million in relation to an Integrated Business Support scheme for tourism SMEs has been successful. £5.3 million of these additional £6.3 million funds will supplement WTB's existing Section 4 budget and will be specifically employed to target resources towards the more rural, peripheral and economically fragile areas of West Wales and the Valleys. WTB awaits confirmation on the status of its marketing bid for £14.9 million which is being considered within Priority 1 Measure 3 of the Objective 1 programme.

WTB also awaits confirmation of the availability of any Pathway to Prosperity match funding in respect of either of these schemes. In theory, if the marketing bid was approved in full and match funding was also available for both schemes, WTB's total budget for 2001/2002 (including grant-in-aid) could total £35.6 million. Such a significant increase in funds would have a major potential impact, particularly in respect of WTB's marketing activities. WTB is currently preparing a detailed marketing strategy to ensure that any increase in funding from EU and match funding sources is used effectively to achieve tangible benefits for the Welsh economy. Appendix II outlines how WTB would propose to allocate additional EU funds to specific programme activities.

## 2.0 STRATEGIC PRIORITIES FOR TOURISM IN WALES

### 2.1 Achieving Our Potential

WTB has long accepted the value of preparing medium-term (ie five to ten year) strategies which provide a framework for clarifying future direction, establishing priorities and stimulating effective working relationships within a fragmented industry over a specified timescale. *Achieving Our Potential* is intended to cover the strategic period 2001-2010. It provides a sound basis for co-ordinated action to help secure long term prosperity and sustainable growth for the industry and increase its contribution to a more diverse Welsh economy. While WTB seeks to take the lead in planning the implementation of *Achieving Our Potential*, it does not have the resources or the capability to be singularly responsible for its implementation. The private sector and many other organisations will have a significant role to play in helping to achieve sustainable growth in tourism.

### 2.2 Key Objectives

*Achieving Our Potential's* vision for tourism is:-

***A mature, confident and prosperous industry which is making a vital and increasing contribution to the economic, social, cultural and environmental well being of Wales by achieving sustainable growth through effective co-ordination and collaboration at all levels in the industry.***

This vision is supported by the following strategic objectives:-

- 1. To market Wales more effectively as an attractive all year round tourism destination;**
- 2. To exceed the expectations of visitors to Wales by providing high standards and ensuring that investment in tourism is responsive to their changing needs;**
- 3. To improve professionalism and innovation by raising the profile of the industry and by enhancing skills, training and motivation within the industry;**
- 4. To embrace a sustainable approach to tourism development which benefits society, involves local communities and enhances Wales' unique environmental and cultural assets.**

These four key objectives are not independent of one another. Sustainability, for example, is a common theme which runs through all aspects of the strategy. Similarly, the principles of partnership, quality and competitiveness are cross-cutting themes which apply to all parts of the strategy.



## 2.3 Strategic Challenges

No less than any other part of the economy, tourism will need to adapt and change in response to the many challenges ahead to ensure its future success. *Achieving Our Potential* deliberately concentrates on identifying the most effective response to the main strategic challenges which will face the tourism industry in Wales over the next ten years. Some of the principle strategic challenges which WTB, the tourism industry and other partners will need to confront include:-

- **Creating a distinctive image / brand for Wales:** Awareness of Wales in many overseas markets remain low. Even within the UK, perceptions are often outdated and based on stereotypical images of a fictional Wales. The lack of a clear identity for Wales will act as a barrier to growth, constraining attempts to sell Wales as an attractive tourism destination. The challenge is to develop a more positive and credible image for Wales as an attractive holiday destination. Consolidating a distinctive tourism brand for Wales will require a general commitment by all levels of the industry to communicate consistent messages over a sustained timescale. WTB will seek to work with the NAW and other bodies to develop a strategic branding framework for Wales which can be applied to a wide range of products and services associated with Wales.
- **Strategic approach to tourism investment:** Additional funding of approximately £2 billion for Objective 1, 2, 3 Programmes will be available to Wales over the seven year period 2000 - 2006. Approximately 65% of total funding will be allocated to West Wales and the Valleys under the Objective 1 programme. These additional funds will be used to increase GDP per capita in Wales and to close the gap in GDP with UK and EU averages. Potentially, tourism has a crucial role to play in helping to reshape the economy of Wales. Adopting a strategic approach to tourism investment where development priorities are identified on the basis of market need will maximise the economic and social benefits for Wales, assisting indigenous business growth and acting as a catalyst for inward investment.
- **Increasing the value of overseas tourism to Wales:** Currently, spending by overseas visitors to Wales represents 19% of total spending by all overnight visitors to Wales. At the UK level, the overseas share is closer to 50%. Wales will need to increase the share of overseas spending as a proportion of all tourism spending. Although Manchester International airport is developing a strong incoming schedule of international flights and has good access to North Wales, the majority of inbound air traffic into the UK is still routed via Heathrow and Gatwick airports. Only a relatively small proportion of international visitors to Wales currently enter the country via Cardiff International Airport which has only a limited range of international scheduled services into Wales. The presence of a major international gateway airport for Wales with high speed road links to the capital city will be essential to ensure that significant international tourism growth can be achieved.

- **Growing short holidays to Wales and maintaining long holidays:** Relative to competing destinations in the UK, Wales is more heavily dependent on holiday visitors and particularly the declining long-holiday market whereas greater growth is forecast in the short and additional holiday sectors. Wales, therefore, is strong in declining markets and weak in growing markets. Wales will need to attract a greater volume of domestic short breaks traffic, including niche, specialist markets, which will bring positive benefits as these type of visitors tend to be less seasonal and spend more per visit. There is an increasing tendency for the British to take more of their main holidays abroad. Consequently, the long (4+ nights) holiday market in the UK is in gradual decline. It still accounts, however, for 68% of all domestic holiday spend in Wales and represents a core market which is of major importance to many areas and sectors of the industry. Wales must seek, therefore, to retain its share of the longer holiday market.
  
- **Extending the tourism season:** 78% of spending by UK visitors to Wales is by holiday visitors which exaggerates reliance on a relatively short tourism season. Wales will need to grow its share of less seasonal and high yield business and conference traffic. WTB will also seek to work with other organisations to develop a co-ordinated approach to the staging of cultural and sporting events in Wales to help spread tourism over a longer season.
  
- **Clarifying roles and responsibilities:** Tourism is a fragmented industry and many people and organisations in both the public and private sectors in Wales have a role in the marketing and development of the industry. It is important to avoid duplication of effort to increase the competitiveness of tourism in Wales. During 2001/2002, WTB will seek to establish four Regional Tourism Partnerships to facilitate effective partnership working at the local, regional and national level.
  
- **Maximising benefits from technological change:** In general terms, the tourism industry in Wales has yet to take advantage of the marketing opportunities available through new forms of Information and Communication Technology (ICT). The development of integrated systems which can combine information provision with an instant booking facility will become a key part of the future marketing of Wales. This will require a co-ordinated, planned approach and significant additional resources to develop and evolve suitable systems which can be accessible to all tourism operators in Wales. During 2001/2002, WTB will continue its development of a Destination Management System on behalf of the tourism industry in Wales in line with business plan priorities.
  
- **Improving training and competitiveness:** It will not only be necessary to invest in new and improved facilities. It will be equally important to invest in people and to ensure high levels of professionalism and business acumen. The clear challenge facing the industry is to improve the quality of skills and business expertise of those working in the tourism industry to strengthen viability and profitability. Developing the necessary skills will need to be achieved through collaborative action.

### 3.1 Strategic Leadership

WTB has long accepted the value of preparing medium term strategies which provide a framework for the development and marketing of a fragmented industry. WTB has prepared, on behalf of the tourist industry in Wales, a strategy for tourism in Wales which will cover the period 2000 - 2010. This new strategy, *Achieving Our Potential*, was based on wide consultation with the tourism industry. Discussion centred on the key strategic challenges that will need to be faced by tourism over the next ten years to ensure future prosperity for tourism in Wales. This national strategy is supported by four regional tourism strategies which were commissioned by the four Regional Economic Forums in Wales. WTB will take the lead in planning and programming the implementation of *Achieving Our Potential* and the four regional strategies in collaboration with the Regional Tourism Partnerships. The overall strategic aim is to create a mature, confident and prosperous tourism industry which supports more and better quality jobs and which generates a higher contribution to Welsh GDP.

### 3.2 Enhancing the Image of Wales

WTB will seek to work closely with the NAW and other agencies to promote a consistent and distinctive image for Wales in key domestic and overseas markets to develop the profile and influence of Wales in Europe and internationally in line with 'Betterwales.com' priorities. WTB has made significant progress in developing a new, motivating, credible and distinctive brand positioning for Wales in target markets in the UK and overseas. It will be important to ensure that WTB's image building activities are applied over a prolonged period to increase awareness and improve perceptions of Wales as a tourism destination, building on the success of the Rugby World Cup in 1999 and potential opportunities which will arise from the staging of the FA Cup Final in Cardiff.

### 3.3 Developing Partnerships in Tourism

Effective partnership working between the public and private sectors will be crucial if the long term benefits of tourism are to be realised in full. WTB will continue to encourage strong and effective links with the tourism industry and with those organisations which have a clear responsibility for marketing, developing and managing tourism in Wales. The aim is to improve the competitive position of the industry through effective, shared action. 2001/2002 will be the first year of WTB's Tourist Destination Area initiative where WTB will seek to work with willing partners to secure comprehensive improvement of the tourism product and higher skill levels in specific tourism destinations which have clear growth potential. WTB will also introduce a specific initiative to help realise the tourism potential of the South Wales Valleys through capital grant incentives and integrated business support.

### 3.4 Maximising Resources in Tourism

Tourism in Wales is predominantly a private sector activity comprising over 6,000 small and medium sized businesses, the vast majority employing less than 10 people. One of the principal roles of WTB is to provide the support necessary to allow private enterprise to achieve growth and success. The availability of EU funding and additional match funding for Wales provides a unique opportunity to boost capital investment in the tourism product and to support more specialised business advice and training during the period 2000 - 2006. It will be important to apply these additional funds carefully within a clear strategic framework to enable the tourism industry to respond effectively to the many structural changes which are occurring in the market place.

## **3.5 Marketing the Tourism Product**

### **3.5.1 Destination Management System**

The tourism industry at all levels will need to better understand and acknowledge the business opportunities which are available through the application of new and emerging technologies. During 2001/2002, WTB will continue the development of an integrated Destination Management System for Wales to provide opportunities for the tourism industry to reach more visitors via traditional and modern means. This system, which will be available in time for the 2002 tourism season, will enable Wales to remain competitive by enabling active bookability of the tourism product. WTB will seek to encourage all levels of the industry to benefit from the opportunities it will offer to reach new markets.

### **3.5.2 Product Marketing**

The landscape, heritage and distinctive Welsh culture remain clear tourism strength for Wales which have lasting appeal in UK and overseas markets. As the demands of visitors become more sophisticated, however, personalised products and service provision will become increasingly important. WTB will work with the tourism industry to improve the way that specialised products are matched and sold to their markets.

### **3.5.3 Events Marketing**

There is a need to extend the tourism season in Wales. Festivals and events can play a key role in attracting larger numbers of overseas visitors and in developing new markets in the UK throughout the year. WTB will develop a 'Framework Events Strategy' during 2001/2002 to stimulate new and help sustain existing events in order to spread the tourism benefits geographically and seasonally.

### **3.5.4 Business and Conference Tourism**

Business tourism and particularly the meetings, incentives, conferences and exhibitions market is a good complement to leisure traffic which can help to improve seasonal demand in resort, city and rural areas. During 2001/2002, WTB will work with partners to consider a more effective integrated approach to marketing Wales as a business / conference destination.

## **3.6 Regional Tourism Partnerships**

Following a detailed review of roles and responsibilities within the tourism industry in Wales, WTB is proposing the establishment of four Regional Tourism Partnerships (RTPs) based on the four economic regions of Wales. There are strong reasons why decisions on product development, marketing and training needs should be taken at the sub-national level within the context of a national strategic framework. The devolution of functions and funds lies at the core of these proposals to ensure that adequate resources will be available to enable the RTPs to take central responsibility for the implementation of the four regional tourism strategies. WTB proposes to allocate a Regional Development Fund to support the delivery of services and activities which are in line with national and regional strategic priorities. WTB currently provides approximately £900,000 annual core funding to the three Regional Tourism Companies. During 2001/2002, WTB is proposing that devolved funding to the four RTPs could total £2.0 million. In future years, when RTPs are more firmly established, WTB would expect its Regional Development Fund to increase even further to exceed £3.0 million subject to NAW funding support.

### 3.7 Improving Quality

One of the key themes of *Achieving Our Potential* is the need to provide the right mix and quality of facilities and service delivery to meet the needs of the market. Every industry must adapt its product to meet the needs and expectations of its existing and potential customers. Since 1992, the administration of the various quality assurance and grading schemes for all sectors of the industry has been operated by an external agency. During 2001/2002, WTB will demonstrate its commitment to quality by assuming direct responsibility for administering these schemes in-house.

WTB will also consult widely with the industry on the implications for introducing a statutory registration scheme for accommodation linked to minimum standards. WTB will report the outcome of these discussions to the NAW and will recommend a preferred approach which is in the best interests of the tourism industry in Wales.

## 4.0 CORPORATE PLAN TARGETS

### 4.1 Achievement Against 2000/2001 Targets

Table 2 summarises forecast out-turn against the strategic targets set for WTB by the NAW and the revised targets which have been set for 2001/2002.

**Table 2 : Key Performance Targets**

PERFORMANCE MEASURE	1999/2000 OUT-TURN	2000/2001 TARGET	2000/2001 FORECAST	2001/2002 TARGET
1. Private Sector investment generated	£12.5 m	£12.0 m	£10/16m <sup>(1)</sup>	£13.5 m
2. Total investment generated	-	-	-	£25.0 m
3. Leverage ratio WTB grant: total project cost	1:6.0	1:5.0	1.6/1.7 <sup>(1)</sup>	1:5.0
4. No of jobs created/safeguarded	432	400	410/498 <sup>(1)</sup>	500
5. Wales' share overseas visitor spend in UK	-	-	-	-
6. Wales' share of all UK spend <sup>(2)</sup>	7.4 %	-	-	-
7. Annual share of UK spend in Wales (Oct-June)	49 %	51 %	51% <sup>(1)</sup>	51%
8. Running cost limit	£4.047 m	£4.457 m	£4.457m <sup>(1)</sup>	£4.457 m
9. WTB domestic (UK) marketing campaign Return on Investment	-	30:1	30:1 <sup>(1)</sup>	30:1
10. Increase spend from primary overseas market <sup>(2)</sup>	-	+5%	+5.3% <sup>(1)</sup>	+5%

<sup>(1)</sup> See Commentary

<sup>(2)</sup> Based on a three year rolling average

**NOTE :** Targets 5, 6 and 7 in Table 9 were previously used to provide a measure of the performance of WTB's marketing activities. It is important to acknowledge, however, that although WTB may have some influence over tourism demand in Wales, many other external factors such as variations in exchange rates the weather and the price of petrol are beyond its direct control. The NAW has accepted that it would be more appropriate for targets to be identified against which WTB can be held to be more directly accountable - hence the revised targets 9 and 10 for 2000/2001 and 2000/2002.

## Commentary

This section considers forecast out-turn performance against target for 2000/2001 and provides a reasoned explanation of the factors which have given rise to significant variation:-

TARGET	COMMENTARY
<b>Private Sector Investment</b>	Forecast out-turn for 2000/2001 is dependent on the outcome of a decision awaited by the NAW on funding eligibility for a major project located in North-East Wales. If the project proceeds with WTB/NAW funding support the target for private sector investment will be boosted by £6.0m from £10.0 m to £16.0 m
<b>Leverage Ratio</b>	The leverage ratio of 1:5.0 is expected to be comfortably exceeded. A minimum ratio of 1:6.0 will be achieved which would indicate that the level of financial assistance by WTB towards capital projects averaged 16% of total project costs in 2000/2001. If the major project referred to above proceeds, the leverage ratio is likely to increase to 1:7.0.
<b>Number of jobs created/safeguarded</b>	A minimum of 410 jobs are forecast which will exceed the target of 400 jobs. A further 88 full time equivalent jobs will be created if the major project proceeds.
<b>October - June share of UK spend</b>	Wales has a highly seasonal tourism spend. One of the strategic priorities of WTB is to help the tourism industry support a longer seasonal spread of tourism benefits. WTB awaits findings from the United Kingdom Tourism Survey to confirm performance against this target.
<b>Running Cost Limit</b>	It is forecast that this target will be achieved.
<b>Marketing Campaign Return on Investment</b>	Wherever possible, WTB seeks to quantify the net impact of its marketing activities. Research surveys determine the proportion of respondents to the marketing campaign who were induced to holiday in Wales as a result of WTB marketing activity. The research methodology was amended in 2000/2001 to be consistent with the approach adopted by the British Tourism Authority.
<b>Increase in primary overseas spend</b>	WTB's five principle overseas markets are the USA, France, Germany, Netherlands and the Republic of Ireland. This target is measured by reference to results obtained from the International Passenger Survey, administered by the Office for National Statistics. Final results for 2000 will not be available for Wales before September 2001. In 1999, spending from the primary markets (excluding ROI which was surveyed in a different way in this year) grew by 5.3%.

## 5.0 CORPORATE OBJECTIVES AND KEY ACTIVITIES 2001/2002 - 2003/2004

### 5.1 Corporate Objectives

WTB's strategic priorities are described in its four corporate objectives which are drawn from its mission statement and strongly reflect the strategic objectives described in *Achieving Our Potential*. They have been carefully chosen and form a strategic framework for WTB's operational programme. The rationale to support each of the objectives is shown below. These high level objectives are supported by a range of secondary objectives described in Business Plans prepared for each WTB Department which set out the operational activities and targets for each Department in more detail.

OBJECTIVE	RATIONALE
1. To increase tourism expenditure all year round by marketing Wales more effectively.	<p>Tourism demand in Wales is highly seasonal, 60% of all holiday spend occurs in the three months of July, August and September. An extension to the tourism season would provide important economic benefits for Wales. More full-time job opportunities would improve the status of employment in the industry, stimulate the need for more comprehensive training in essential skills and strengthen career structures. Business viability in the industry would be improved and an over dependency on a gradually declining peak season long holiday market would be reduced.</p>
2. To improve visitor satisfaction by encouraging improved quality and standards in tourism facilities and services.	<p>At a time of ever increasing competition between destinations, providing a quality experience for visitors is a key to success, encouraging people to stay longer, return in the future and recommend Wales to others. Visitors are becoming more discerning in their requirements. Customer satisfaction, safety and assurance are also important objectives in their own right. Delivering quality is a key theme of <i>Achieving Our Potential</i>.</p>
3. To increase the contribution of tourism to the economy of Wales by encouraging higher levels of competitiveness, innovation and profitability in the industry.	<p>A prime objective of WTB is to optimise tourism's contribution to the economic prosperity of Wales through the generation of added wealth and long term job creation. There is good potential for further tourism growth in selected non-seasonal markets including the additional UK holiday sector where Wales can gain competitive advantage by offering accessibility and a close match with market needs. The clear challenge facing the industry is to improve the skills, to strengthen profitability and to enhance the competitiveness of individual businesses. WTB will seek to concentrate on those businesses who demonstrate a commitment to improving their competitive position by achieving higher standards of quality, service and value for money. This concept of "working with winners" seeks to direct funding and advice to those businesses which are likely to benefit most from such support and which will set higher standards for the industry.</p>
4. To encourage the sustainable growth of tourism through effective partnership making.	<p>A principal role of WTB is to provide leadership and strategic direction to a diverse and dynamic industry. Tourism in Wales is characterised by its fragmented structure and <i>Achieving our Potential</i> emphasises the need for better integration of effort and co-ordination between the public and private sectors to ensure that their resources are combined to good effect. WTB will seek to foster effective partnership at the local, regional and national levels and to encourage a strategic approach to product development, marketing and business support.</p>

#### • OBJECTIVE 1



***To increase tourism expenditure all year round by marketing Wales more effectively***

<b>Activities</b>	
UK Marketing	Develop and implement a co-ordinated approach to the direct marketing and image promotion of Wales through effectively targeted and niche marketing campaigns.
Overseas Marketing	Develop and implement a co-ordinated approach to product marketing (including new Motor Touring and Youth / Backpacker initiatives) and image promotion in key overseas markets to maximise visitor spending.
Product Marketing	Begin implementation of the 'Moving up a Gear' cycling strategy, finalise strategies for walking and fishing and continue to promote the culture and heritage of Wales to target markets.
Festivals/Events	Prepare and implement a national events/festivals strategy for Wales in partnership with other agencies to ensure a wider distribution of tourism activity throughout the year.
Business & Conference	Implement the findings of a current study examining the business/conference potential of Wales.
Development	Target financial assistance towards product development needs to ensure that the quality of the tourism product exceeds visitor expectations.
Destination Management System	Develop the DMS in line with Business Plan requirements to improve opportunities for the industry to promote itself on a global scale .

**Performance Measures**

- Improvements in positive perceptions of Wales as a holiday destination
- Growth in full-time job opportunities in tourism
- Growth in tourism expenditure outside the third quarter of the year
- Amount and quality of positive media coverage in UK/overseas markets

• **OBJECTIVE 2**

*To improve visitor satisfaction by encouraging improved quality and standards in tourism facilities and services*

Activities	
Quality Grading	Manage the effective transfer of functions of the quality grading scheme to in-house administration and, in consultation with the industry, review the case for introducing a statutory registration scheme for all accommodation sectors in Wales linked to minimum standards.
Development	Target capital grants/loans to stimulate public/private investment in priority industry sectors to meet the changing needs of the market. This will include the development of specific proposals for a Valleys Tourism initiative.
Tourism Training	Work in partnership to improve customer care skills in the industry.
Tourist Information	Develop and monitor standards for the tourist information infrastructure in Wales in partnership with the industry.
Research	Monitor consumer satisfaction and trends in market needs/product development.

**Performance Measures**

- Participation levels in quality assurance schemes
- Number of Welcome Hosts trained
- Customer satisfaction with quality/range of facilities and standards of service
- Quality standards in accommodation sectors
- Proportion of repeat visitors
- Leverage ratio - WTB investment: total capital investment
- Private sector investment generated
- TIC visitor numbers/bed bookings and customer satisfaction levels

- **OBJECTIVE 3**

*To increase the contribution of tourism to the economy of Wales by encouraging higher levels of competitiveness, innovation and profitability in the industry*

<b>Activities</b>	
UK Marketing	Develop and implement a strategic approach to marketing through effective targeting and pooling of resources.
Overseas Marketing	Develop and implement a co-ordinated approach to marketing with the BTA and other partners.
Destination Management System	Develop and implement in partnership with the industry a preferred Destination Management System for Wales.
Communication	Raise awareness of tourism's contribution to the economic, social and environmental well being of Wales.
Development	Target financial assistance effectively to maximise job safeguarding/creation and to improve the quality of the tourism product.
Business Support	Work in partnership with the regional business advice consortia and Team Wales by providing specialist business support to tourism businesses.
Research	Collect market and product intelligence and disseminate to the tourist industry.

**Performance Measures**

- Tourism expenditure from domestic, overseas and day visitors (absolute value and market share)
- Jobs created/safeguarded resulting from WTB investment (direct and indirect effects)
- Contribution of tourism revenue to Welsh GDP (Direct and indirect effects)
- Total jobs in tourism related employment (direct and indirect)

• **OBJECTIVE 4**

*To encourage the sustainable growth of tourism through effective partnership working*

Activities	
Development	Direct and co-ordinate the effective implementation of integrated investment programmes in selected Tourism Destination Areas.
Print Production/Distribution	Provide a suitable range of advertising opportunities for the industry.
UK/Overseas Marketing	Promote and co-ordinate a partnership approach to effective marketing activity in UK and overseas markets.
Communication	Encourage co-operation among the private and public sectors to improve the profile of tourism and increase awareness of its importance.
Resources	Encourage a strategic approach to the sourcing and allocation of external funding for tourism development and marketing.
Research	Encourage a partnership approach to the funding of research and dissemination of information/ intelligence.
Regional Tourism Partnerships	Manage the effective transfer of functions from the three Regional Tourism Companies to the four Regional Tourism Partnerships.

**Performance Measures**

- Number of advertisers/revenue generated in WTB family of print
- Investment generated in Tourism Destination Areas
- Effective establishment of Regional Tourism Partnerships
- Number of joint research activities



## **6.0 WTB RESOURCE ALLOCATION 2001/2002 - 2003/2004**

### **6.1 2001/2002 Grant-in-Aid**

The grant-in-aid budget settlement of £20.086 million represents an increase of £4.650 million (+30%) over the previous year. The additional funds will be used to support WTB's applications for further funding from EU sources and to secure Pathway to Prosperity match funding for successful EU bids. A large proportion of the increase in grant-in-aid will be designated for specific projects. NAW have informed WTB that £1.633 million will need to be 'ring fenced' to support the development of an integrated Destination Management System for Wales. In addition, up to a further £1.1 million could be required to support the establishment and operations of the four new Regional Tourism Partnerships during 2001/2002. A large proportion of this £1.1 million will support additional UK marketing activity. Of the residual increase in grant-in-aid, £1.292 million is to be allocated to WTB's marketing activities (£1.012 million to Overseas Markets; £280k to domestic markets) and £520k will be allocated to WTB's development activities to support the full implementation of the Integrated Business Support project in 2001/2002. Small, incremental increases have also been made to communications, research and production activities. Appendix I outlines how WTB proposes to allocate the additional £4.650 million between its main programmes.

The NAW have provided an indicative grant-in-aid budget for 2002/2003 (£20.236 million) and 2003/2004 (£21.586 million). NAW have also advised WTB, in preparing this plan, to identify outputs in 2001/2002 based on 90,100 and 105 per cent baseline expenditure.

- **WTB Financial Assistance Scheme**

Table 3 includes a separate element (£3.250 million) for WTB's Section 4 financial assistance scheme which seeks to stimulate capital investment in new and improved facilities for tourists. 2001/2002 will be the first year of implementation of the Tourism Destination Area (TDA) initiative to target financial assistance towards a hierarchy of geographical areas in Wales which have the potential to grow the market. The intention is to stimulate a comprehensive redevelopment of the tourism product in these TDAs.

- **Marketing**

£1.292 million of the £4.650 million increase in grant-in-aid for 2001/2002 will be allocated to marketing activities. 78% of these increased funds will be designated for overseas marketing to improve awareness of Wales in key target markets and to develop the 'internationalism' of Wales' distinctive tourism assets. In the past, WTB have been unable to allocate adequate funding to overseas markets. These additional funds will significantly enhance WTB's ability to influence primary overseas markets which offer high growth potential. In overall terms, the majority (63%) of WTB's total marketing budget will still be directed towards the core UK domestic market in 2001/2002. In overseas markets, the additional funds available will enable WTB to establish a more distinctive image for Wales in its primary markets, working closely with the British Tourist Authority and industry partners to achieve cost economies. WTB will also want to consolidate the awareness raising achievements of Rugby World Cup and staging of the FA Cup final at the Millennium Stadium for at least the next three years will create strong opportunities to work with partners to raise the international profile of Cardiff and Wales. During 2001/2002 WTB will also seek to promote the bid to stage the 1999 Ryder Cup in Wales - an event that would, over time, bring significant benefits to raising awareness of the quality and variety of the Welsh golf product.

**Table 3 : Allocation of Resources Between Main Programmes**

	<b>2000/2001 Net Budget £000s</b>	<b>2001/2002 Net Budget (Confirmed) £000s</b>	<b>2002/2003 Net Budget (Indicative) £000s</b>	<b>2003/2004 Net Budget (Indicative) £000s</b>
<b>UK Marketing</b>	<b>3,490</b>	<b>3,770</b>	<b>3,584</b>	<b>4000</b>
<b>Overseas Marketing</b>	<b>1,201</b>	<b>2,213</b>	<b>2,213</b>	<b>3,078</b>
<b>Communications</b>	<b>420</b>	<b>500</b>	<b>500</b>	<b>600</b>
<b>Development</b>	<b>720</b>	<b>1,240</b>	<b>1,240</b>	<b>1,240</b>
<b>Research</b>	<b>292</b>	<b>380</b>	<b>400</b>	<b>400</b>
<b>DMS</b>	<b>-</b>	<b>1,633</b>	<b>1,519</b>	<b>988</b>
<b>Production Services</b>	<b>359</b>	<b>400</b>	<b>400</b>	<b>400</b>
<b>Regional Development Fund</b>	<b>-</b>	<b>2,000</b>	<b>2,500</b>	<b>3,000</b>
<b>Strategic Reserve</b>	<b>403</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Regions</b>	<b>944</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>7,829</b>	<b>12,136</b>	<b>12,386</b>	<b>13,736</b>
<b>Running Costs</b>	<b>4,457</b>	<b>4,700</b>	<b>4,700</b>	<b>4,700</b>
<b>Section 4</b>	<b>3,150</b>	<b>3,250</b>	<b>3,150</b>	<b>3,150</b>
<b>TOTAL GIA</b>	<b>15,436</b>	<b>20,086</b>	<b>20,236</b>	<b>21,586</b>

- Running Cost Limit**

The NAW have advised WTB that, within the grant-in-aid settlement of £20.086 million, it should budget for a running cost limit of £4.457 million which represents a stand-still budget compared with the previous year. WTB have made it clear to the NAW that such a limit would severely impact upon its ability to deliver the enhanced range of activities which the additional grant-in-aid will support. We are recommending to the NAW that they consider the justification for increasing the running cost limit to £4.700 million for 2001/2002. Alternatively we are requesting for more flexibility between programme expenditure and running costs for certain specific activities - a principle which has been accepted in respect of the Quality Grading initiative, the administration of which will be brought back in-house during 2001/2002.

For the purposes of finalising this corporate plan, WTB are assuming that a running cost limit of £4.700 million will be agreed for WTB for 2001/2002 in order to deliver the range

of enhanced activities in an efficient and economical way.

## **6.2 EU / Pathway to Prosperity Funds**

WTB has submitted two applications under the Objective 1 programme. One application relates to an Integrated Business Support project, the other to a Tourism Promotion and Marketing Scheme. In December 2000, WTB received an offer of £6.3 million ERDF support towards the Integrated Business Support of tourism businesses. £5.3 million of these additional £6.3 million funds will supplement WTB's existing Section 4 budget and will be specifically employed to target resources towards the more rural, peripheral and economically fragile areas of West Wales and the Valleys. We await confirmation of the availability of any Pathway to Prosperity match funding in respect of this scheme. We also await confirmation of the outcome of the marketing bid which requested a total of £14.9 million ERDF over 2.5 years.

Appendix II explains the nature and status of the two bids and outlines the additional activities they would support.



## 1.0 ALLOCATION OF ADDITIONAL GRANT-IN-AID 2001/2002

### 1.1 Introduction

The additional £4.650 million in grant-in-aid will be used to fund a range of essential programme activities. Table 4 provides a summary breakdown of the allocation of these additional resources between the main programme areas and should be cross-referenced with Table 3.

**Table 4 : Allocation of Additional Grant Between Main Programmes**

	Net Budget Increase/(Decrease) (£000s)
UK Marketing	280
Overseas Marketing	1,012
Communications	80
Development	520
Research	88
Destination Management System	1,633
Production Services	41
Regional Development Fund	2,000
Strategic Reserve	(403)
Regional Support	(944)
Running Costs	243
Section 4	100
<b>Total Additional GIA</b>	<b>4,650</b>

The increased allocation of grant-in-aid will support the following main programme activities:-

### 1.2 UK Marketing

The UK Marketing budget will be increased by £280,000 (+8%) to fund the following additional activities:-

- **Event and Sports Tourism (£375k)**  
To underwrite to costs of the three proposed golf tournaments linked to the Ryder Cup bid.
- **Product Development (£100k)**  
To support progress in implementing the cycling, walking and other key product marketing activities.
- **Integrated Advertising/Direct Marketing (£50k)**  
To boost the fund for production costs associated with the new creative campaign.
- **Contributions (-£245K)**  
Regional resources (joint marketing schemes) will be shifted to Regional Development Fund.

### 1.3 Overseas Marketing

Overseas Marketing budget will be increased by £1.012 million (84%) to fund the following additional activities:-

- **Motor Touring initiative (£100k)**  
To develop a new scheme which will be integrated into the campaigns for key markets.
- **Youth/Backpacker initiative (£100k)**  
To develop new campaign targeting young travellers in partnership with YHA and backpacker sectors. The campaign will seek to integrate public transport links.
- **US Markets (£412k)**  
To support an enhanced integrated campaign and to capitalise on the Society of American Travel Writers conference.
- **Europe (+£400k)**  
To boost activity in key European markets including the integration of the motor touring initiative and profile raising through advertising and PR.

#### 1.4 Development

Gross expenditure on additional programme activities will total an estimated £877k in 2001/2002. Net expenditure following the receipt of EU grants will total £520k which represents a 72% increase over the 2000/2001 budget for Development. The main additional programme activities planned for 2001/2002 are outlined below:-

- **Implementation of Tourist Destination Area programmes (£124k)**  
To fund the preparation of action plans, project managers and implementation studies.
- **Management of Quality Assurance Schemes (£342k)**  
To fund TQS contract extension costs, set up and administration costs from 1 September 2001.
- **Operation of Integrated Business Support Scheme (£183k)**  
To fund activities to support WTB's successful £6.3 million Objective 1 'fast-track' bid.

#### 1.5 Destination Management System

£1.633 has been 'ring-fenced' by the NAW to continue the development of the DMS for Wales. In line with business plan projections, NAW have 'ring-fenced' allocations for the DMS in 2002/2003 (£1.519 million) and in 2003/2004 (£988 million).

#### 1.6 Regional Development Fund

The devolution of functions and funds lies at the centre of WTB's proposals to establish four Regional Tourism Partnerships in Wales which will be coterminous with the boundaries of the regional economic forums. The RTPs will have clear responsibility for the implementation of the four regional tourism strategies and in recognition of the need to make early, identifiable progress WTB is allocating £2.0 million in 2001/2002 to fund activities which are in line with strategic priorities. A large proportion of these activities will relate to marketing activities targeted towards key UK growth markets.

## 2.0 ALLOCATION OF ADDITIONAL EU/PATHWAY TO PROSPERITY FUNDS

### 2.1 Introduction

WTB has submitted two applications under the Objective 1 'fast-track' programme in respect of an Integrated Business Support project and a Tourism Promotion and Marketing bid. In December 2000, WTB received an offer of £6.3 million ERDF support towards the Integrated Business Support of tourism businesses. WTB awaits confirmation of the outcome of its Marketing bid.

The range of additional activities which WTB would propose to undertake with these additional EU funds are outlined below:-

### 2.2 Integrated Business Support project (Funding confirmed)

The ERDF grant will contribute towards a £12.6 million initiative, comprising financial assistance combined with specialist business advice and mentoring targeted at tourism SMEs in West Wales and the Valleys. The ERDF award effectively doubles the funding available to support tourism business within the Objective 1 area.

The level of assistance for individual tourism SMEs will continue to be determined by principles of 'minimum necessary grant'. The ERDF, however, will allow WTB to support West Wales and Valleys projects at a far more generous "cost per job" than projects in East Wales. In this way, it is anticipated that WTB would be able to fund riskier, more innovative projects within the Objective 1 area. As a result, it is considered that the average level of support for tourism SMEs within Objective 1 will, in fact be far higher than for those outside Objective 1.

The application was submitted in July 2000 and the bid indicated a project timescale of some 2½ years (ie July 2000-Dec 2002). The formal offer letter from WEFO, however, includes a condition that the project is completed within the life of the Single Programming Document.

WTB believes that the ERDF award for the project will help make a significant contribution to the SPD objectives for creating jobs and raising GDP within West Wales and Valleys.

	<b>TOTAL £m</b>	<b>Section 4 £m</b>	<b>Tourism Advice £m</b>	<b>Administration £m</b>
WTB	6.3	5.3	0.8	0.2
ERDF	6.3	5.3	0.8	0.2
<b>TOTAL</b>	<b>12.6</b>	<b>10.6</b>	<b>1.6</b>	<b>0.4</b>

The provision of tourism advice (eg. environmental/greening Your Business, business consultants and grading advice) will be linked with the financial assistance. The details of the advisory input are still being finalised.

It is anticipated that over 400 SMEs will be supported by the project. The job impacts are estimated to c760 net new jobs and c500 net safeguarded jobs.

## 2.2 Marketing bid (confirmation awaited)

The core objectives of the bid are:-

- to implement the key marketing action points in *Achieving Our Potential*;
- to help achieve the key performance targets in '**Betterwales.com**';
- to develop and strengthen the Wales tourism brand;
- to improve the packaging and bookability of the Wales tourism product;
- to improve the seasonal spread of tourism to Wales;
- to develop effective and profitable relationships with existing and potential visitors to Wales;
- to strengthen the competitiveness of tourism businesses in Wales;
- to deliver key marketing and promotional elements of the four regional tourism strategies through the creation of effective marketing partnerships.

WTB's application requested a total of £14.9 million ERDF over 2.5 years. If the grant were to be offered in full, effectively this would provide an additional £7.45 million per annum in 2001/2002 and 2002/2003. WTB match funding over these two years would be £5.17 million per annum and we could assume that these funds would be matched from the Pathway to Prosperity programme. Total additional resources, therefore, available to WTB would be £12.62 million (ie £7.45 million and £5.17 million) This additional funding would support the following provisional activities:-

	£million
<b>UK</b>	3.0
Extension of main UK campaign	0.5
New co-ordinated marketing area initiative	0.25
Advantage initiative	
<b>Overseas</b>	3.12
New response campaigns in primary markets	0.4
Extension of Tramor scheme	0.3
Secondary markets campaign	2.5
Joint marketing/implementation of Regional Strategies	
	1.0
<b>Multi-Market</b>	0.5
Product Marketing	0.5
Events initiative	0.2
Business tourism	0.2
Collateral material (digital video resource, uniforms)	0.1
Research and evaluation	0.05
Administration	
Travel and Subsistence	
<b>TOTAL</b>	<b>12.62</b>

### 3.0 OUTPUTS BASED ON 90 / 100 / 105 PERCENT BASELINE EXPENDITURE

#### 3.1 5% increase in baseline funding

A 5% increase in grant-in-aid would be equivalent to £1.004 million on the basis of a WTB budget of £20.086 million for 2001/2002. Table 5 shows how WTB would propose to allocate the additional resources between competing programme activities.

**Table 5 : Effect of 5% Increase in Baseline Funding**

<b>Additional Activity</b>	<b>Resource Allocation (£)</b>	<b>Performance Measures</b>
<b>1. Marketing</b>		
i) Shoulder season direct marketing campaign	254,000	Extend tourism season 30:1 ROI
ii) Overseas Marketing	500,000	Increase awareness and overseas spend
<b>2. Development</b>		
i) Section 4 financial assistance	250,000	£2.0 million capital investment and 75 f.t.e. jobs
<b>TOTAL</b>	<b>1,004,000</b>	

- **Marketing**

WTB would propose to allocate 75% of the additional funds to support two marketing priorities during 2001/2002:-

- i) **Spring/Autumn campaign extensions**

Extending the tourism season to spread the volume and value of tourism throughout the year is identified as an important strategic response to help achieve the goal of sustainability. Targeted campaigns directed at niche markets who are not confined to holidaying during the peak summer period will play an important role in extending tourism spend in Wales beyond the third quarter peak. This would provide important economic and environmental benefits for Wales. More full time job opportunities would improve the status of employment in the industry, stimulate the need for more comprehensive training in essential skills, improve business viability and reduce dependency on the declining long holiday market.

## ii) Overseas Marketing

Wales' share of international tourism business to the UK is low - it attracts 3% of all overseas visitors and 2% of overseas spending. Raising the profile of Wales and establishing its distinctive identity as a different country in the UK in target overseas markets remains a priority for WTB. There is clearly an opportunity to gain lasting benefits by capitalising on the success of Rugby World Cup 1999 and the opportunities presented by the FA Cup. With additional funds WTB would undertake targeted product campaigns in the USA and Germany, two of its primary overseas markets. The campaigns would seek to build awareness of Wales among specific segments and overcome the perception that Wales is currently an expensive destination to visit.

### • Development

£250,000 of additional funding would be used to supplement WTB's section 4 budget to stimulate investment in product upgrading in line with identified market needs.

## 3.2 10% decrease in baseline funding

A 10% decrease in grant-in-aid would represent a reduction of £2.008 million, equivalent to one-third of WTB's total allocation for UK and overseas marketing for 2001/2002. It would not be possible for WTB to absorb such a reduction while still achieving its strategic priorities in an effective way. There are no significant cost savings remaining to WTB to spread the impact of this scale of reduction equitably, without there being a consequent and serious disruption to its corporate range of activities. WTB would, therefore, have no alternative but to achieve the necessary savings though drastically reducing the level of funding for certain key activities. Table 6 describes the activities affected and where savings would be made. It would involve a severe cut-back in WTB's long term image building activity and WTB would have no alternative but to suspend its TV advertising campaign. Product marketing would cease and WTB would terminate attendance at national events including the Royal Welsh Show and National Eisteddfod. Our support for activities such as the Hay Festival would also cease. Savings would also need to be made to the Section 4 Scheme, specifically with regard to community and environmental projects including the Green Seas Initiative which has been a successful model for enhancing the quality of the coastline, a key natural resource in Wales.

**Table 6 : Effect of 10% Decrease in Baseline Funding**

Reduced Activity	Resource Saving £	Effect on Outputs
<b>1. Marketing</b>		
i) Cut TV advertising	1,000,000	Reduce awareness
ii) Cut product marketing	400,000	Lower volumes/value
iii) Non-attendance at national events	100,000	Reduce awareness
<b>2. Development</b>		
i) Section 4 - cut support	508,000	Reduce leverage/jobs
<b>TOTAL</b>	<b>2,008,000</b>	

#### 4.0 LINKS WITH NATIONAL ASSEMBLY FOR WALES STRATEGIC THEMES

**‘Betterwales.com’**, the first strategic plan of the NAW, sets out a long term vision for a better, more prosperous and confident Wales. The strategy embraces the three guiding themes of sustainable development, tackling social disadvantage and equal opportunities which will form a fundamental reference point for measuring success. WTB will seek to contribute to the achievement of the **‘Betterwales.com’** vision by fulfilling its statutory remit effectively and efficiently. The following explanation outlines how the activities undertaken and co-ordinated by the WTB relate to the **‘Betterwales.com’** strategic framework.

Guiding Theme	Wales Tourist Board Links
<b>Sustainable Development</b>	<ul style="list-style-type: none"> <li>Sustainability is a cross-cutting theme of <i>Achieving Our Potential</i> which sets out four strategic responses to achieve the goal of sustainable tourism:- <ul style="list-style-type: none"> <li>- extending the tourism season</li> <li>- spreading the benefits of tourism</li> <li>- improving business yield</li> <li>- minimising adverse impacts of tourism</li> </ul> </li> <li>WTB chairs the Green Sea Partnership, an all Wales partnership involving over 40 organisations, which works to improve the coastal environment.</li> <li>WTB has published jointly with the Countryside Council for Wales a “Greening Your Business” advisory publication to encourage individual tourism operators to adopt environmentally friendly practices.</li> </ul>
<b>Tackling Social Disadvantage</b>	<ul style="list-style-type: none"> <li>Two action points of <i>Achieving Our Potential</i> are specifically related to this guiding theme:-</li> <li>Action Point 47 states:- Undertake research among those sectors who do not currently holiday to understand the major barriers to holiday taking, their holiday needs and motivations and to identify effective marketing approaches for the industry.</li> </ul> <p><i>During 1999, WTB carried out joint research with the English Tourist Council to identify the major barriers to holiday taking. Further research will follow.</i></p>

<b>Tackling Social Disadvantage</b>	<ul style="list-style-type: none"> <li>Action Point 49 states:- Encourage the tourism industry to comply with statutory requirements to ensure adequate facility provision is made for people with special needs.</li> </ul> <p><i>WTB works closely with the other UK tourist boards in developing the National Accessibility Scheme which provides visitors with special needs with information about the suitability of access to tourist accommodation and tourist attractions.</i></p>
<b>Equal Opportunities</b>	<ul style="list-style-type: none"> <li>Action Point 48 of <i>Achieving Our Potential</i> states:- Encourage the tourism industry to adopt flexible and imaginative approaches to staff recruitment and training which provide equal opportunities for all sectors of society.</li> </ul> <p><i>WTB will continue to work with partners such as Springboard Wales and the Tourism Training forum for Wales to identify good practice advice for the industry.</i></p>



## 5.0 STRATEGIC GROWTH TARGETS - PERFORMANCE REVIEW

### 5.1 Tourism 2000 Growth Targets

*Tourism 2000*, the national tourism strategy for Wales which covered the 1994 - 2000 period set out a range of strategic priorities which have provided an essential reference point for the industry and have guided the activities of WTB. The corporate planning process allows WTB to annually review progress against the strategic targets defined in *Tourism 2000* and has provided an opportunity to revise targets to more accurately reflect performance to date and the effects of wider external influences.

Future Corporate Plans will monitor progress and review the strategic targets defined in *Achieving Our Potential* which covers the period 2000- 2010. It is important to acknowledge, however, that these are targets defined for the industry rather than targets for WTB. Many external factors, including variations in foreign exchange rates and the weather, will exert unpredictable influences. The expectation, therefore, is that growth towards the targets defined in *Achieving our Potential* will be uneven and much will depend on the successful implementation of the strategic action plan through effective partnership working. This, in turn, will largely depend on the availability of additional resources for the development and marketing of tourism in Wales.

Table 7 reviews the progress achieved by the industry towards the strategic targets defined in *Tourism 2000*.

**Table 7 : Tourism 2000 Growth Targets - Summary of Progress**

	1992 Actual	1999 Projected	1999 Achieved	2000 Target
UK Tourism Trips (m)	8.3	9.2	10.9 <sup>1</sup>	9.3
UK Tourism Spend (£m)	930	1309	1137 <sup>1</sup>	1375
Overseas Visits (m)	0.67	1.01	1.01 <sup>2</sup>	1.1
Overseas Spend (£m)	132	226	269 <sup>2</sup>	244
Day Visitors (m)	30	35	48 <sup>3</sup>	35
Day Visitors Spend (£m)	252	390	775 <sup>3</sup>	390
Tourism Related Employment (k)	95	-	-	105

<sup>1</sup> Source - United Kingdom Tourism Survey

<sup>2</sup> Source - International Passenger Survey

<sup>3</sup> Source - United Kingdom Day Visits Survey 1998

## 5.2 Review of Strategic Targets

### i) Domestic (UK) Tourism

*Forecast: 1.5% average annual rate of growth in the number of tourism trips taken in Wales by UK residents.*

*5% average annual rate of growth in domestic (UK) tourism spending at current prices.*

#### Trips

Year 1992 actual	=	8.3 million
Year 2000 target	=	9.3 million
Achieved by 1999	=	10.9 million

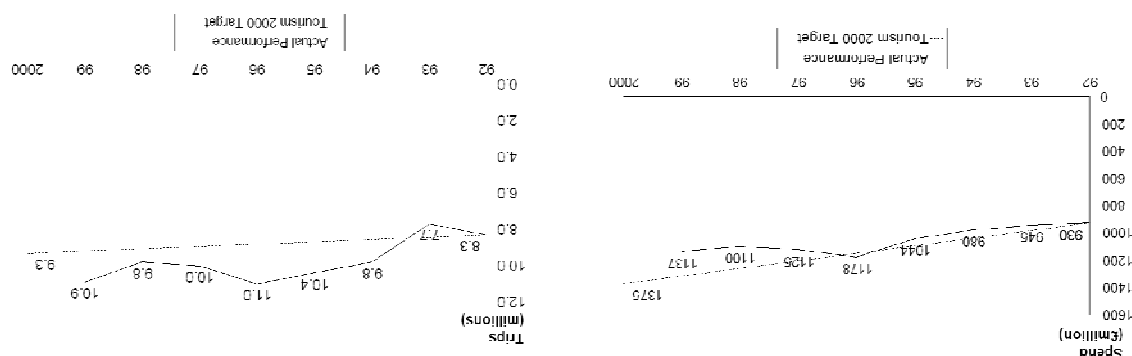
#### Spend

Year 1992 actual	=	£930	million
Year 2000 target	=	£1375	million
Achieved by 1999	=	£1137	million

#### Commentary

The domestic (UK) market remains the biggest source of tourism business for Wales and in 1999 generated an estimated 93% of overnight visits and 84% of all overnight spending. The UK holiday visitor is the mainstay of the domestic market and is, in relative terms, much more important to Wales than to the rest of the UK. For Wales to achieve its strategic target for domestic tourism growth, therefore, it needed to perform well in the UK holiday market. Since 1992, however, Wales has performed relatively poorly in terms of the UK holiday market overall but this general picture conceals marked variations between trends in short (1-3 nights) and long (4+ nights) holidays. Wales has increased its UK market share of short holiday spend but its share of UK long holidays, a core market for Wales, has steadily declined. The 2000 target for domestic (UK) tourism trips to Wales has been exceeded already but the domestic tourism spend target of £1375 million may not be achieved given the trends which have been observed in recent years. The target represents a severe challenge for the industry at a time of severe competition and structural change in tourism demand.

**Figure 1: Domestic (UK) Tourism Trends**



## ii) Overseas Tourism

*Forecast: 6% average annual growth rate in the number of overseas visitors to Wales.  
8% average annual growth rate in spending at current prices.*

### Visits

Year 1992 actual	=	670,000
Year 2000 target	=	1,100,000
Achieved by 1999	=	1,010,000

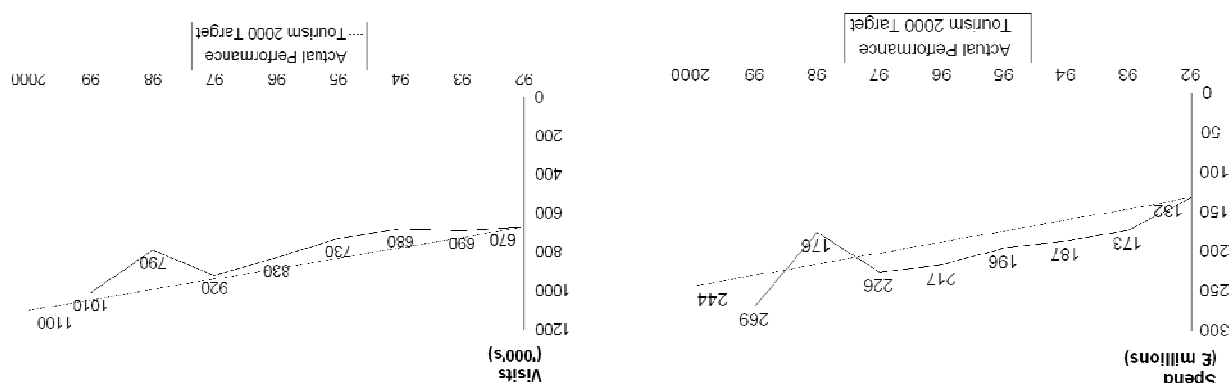
### Spend

Year 1992 actual	=	£132 million
Year 2000 target	=	£244 million
Achieved by 1999	=	£269 million

### Commentary

The growth targets in *Tourism 2000* were slightly higher than BTA forecasts for the UK overall. Results from the International Passenger Survey, which monitors the level of overseas tourism in the UK, indicated that by 1997 Wales was well ahead of its interim target for both overseas visits and spend. Overseas visits to Wales during 1992 - 1997 increased by an average annual rate of 7% and overseas spend by 11% - well ahead of the forecast rate of growth. Despite disappointing results for 1998, the IPS findings for 1999 (which for the first time surveyed the detailed travel patterns of visitors from the Republic of Ireland) indicate continued growth for Wales. The overseas spend target for 2000 has already been exceeded and there are positive indications that the target for overseas visits will also be achieved.

**Figure 2: Overseas Tourism Trends**



### iii) Leisure Day Visits

**Forecast:**     *2% average annual growth rate in the number of leisure day trips spent in Wales.*  
                  *5% average annual growth in spending at current prices.*

#### Visits

Year 1992 actual	=	30 million
Year 2000 target	=	35 million
Achieved by 1998	=	48 million

#### Spend

Year 1992 actual	=	£252
Year 2000 target	=	£390 million
Achieved by 1998	=	£775 million

#### Commentary

There has been no consistent national survey to monitor trends in leisure day trips. Changes in survey methodology and definitions prevent a reliable analysis of trends. On the basis of the most up to date statistics available from the UK Day Visits Survey in 1998, the targets set for 2000 for both trips and spend have been well exceeded.

### iv) Tourism Related Employment

**Forecast:**     *10,000 new jobs (direct and indirect) to be supported by the industry by 2000.*

#### Commentary

This was recognised as an ambitious target, when set in 1992, but was based on a measured increase of 22,400 in tourism related jobs over the previous ten years. National employment statistics suggest a decline of up to 10% in tourism related employment in Wales between 1991 - 1995 but changes in the definition of “tourism related employment” since 1993 preclude accurate comparisons with previous years. It is too early to monitor final progress against this target and national employment statistics for the year 2000 will probably not be available before 2002 - 2003. The recession of the early 1990's affected all parts of the economy in Wales including tourism which resulted in an overall shrinkage in employment. Since 1992 it is important to note that WTB's schemes of investment support have helped to create or safeguard over 3600 full-time equivalent jobs in tourism and a further 550 full-time equivalent jobs in the construction industry. These figures do not include additional jobs created indirectly through the multiplier effect. Independent research commissioned by WTB confirmed that in 1996 tourism spend in Wales was estimated to support, directly and indirectly, 100,000 full-time equivalent jobs in the Welsh economy, equivalent to 1 in 10 jobs in the workforce.

## 5.3 Achieving Our Potential Growth Targets

*Achieving Our Potential* covers the strategic 10 year period 2000 - 2010. The strategy sets volume and value growth targets for tourism performance during this period which are based on low and high estimates of annual average growth rates. The low estimate is based on BTA forecasts for tourism growth for the UK overall and assumes that Wales will match this growth. This is a challenging assumption because, on the basis of tourism performance recorded for the preceding period 1990 - 1998, tourism growth rates in Wales were up to two percentage points less per annum than those recorded for the UK overall. The high estimate indicates what could be achievable given additional resources being made available to ensure the full implementation of the strategic action plan. *Achieving Our Potential* strategic growth targets were set from a base year of 1998. It is possible, therefore, to review projected against achieved performance in 1999 against the main volume and value targets for UK and overseas tourism to Wales.

Table 8 reviews the progress achieved by the industry towards the strategic performance targets defined in *Achieving Our Potential* for the period 1998 - 1999.

**Table 8 : *Achieving Our Potential* Growth Targets 1998/1999**

	1998 Actual		1999 Projected	1999 Achieved		2010 Target
<b>UK</b>						
	<b>m</b>		<b>m</b>	<b>m</b>		<b>m</b>
All Tourism Trips	9.8	High	10.1	10.9	High	13.9
		Low	10.0		Low	13.2
Holiday Trips	6.8	High	7.0	7.0	High	10.3
		Low	7.0		Low	9.7
	<b>£m</b>		<b>£m</b>	<b>£m</b>		<b>£m</b>
All Tourism Spend	1100	High	1171	1135	High	2342
		Low	1166		Low	2213
Holiday Spend	910	High	973	895	High	2049
		Low	969		Low	1937
<b>OVERSEAS</b>						
	<b>m</b>		<b>m</b>	<b>m</b>		<b>m</b>
Visits	0.79	High	0.82	<b>1.01</b>	High	1.26
		Low	0.81		Low	1.15
Spend	<b>£m</b>		<b>£m</b>	<b>£m</b>		<b>£m</b>
	176	High	188	<b>269</b>	High	396
		Low	187		Low	366

## 6.0 MARKET TRENDS

### 6.1 Global

Estimates from the World Tourism Organisation indicate that international tourist arrivals reached 657 million in 1999, an increase of 3.1% over the previous year. Earnings from international tourism rose by 3.2% in 1999 to reach \$455 billion following no growth in the previous three years. Forecasts predict that international tourism will continue to grow, both in the UK and worldwide. The World Tourism Organisation forecasts that Europe will receive a declining share of world tourism over the next few years. In contrast, Britain's share of European arrivals is expected to increase.

### 6.2 UK

In the UK, tourism is one of the five largest industries, worth £60 billion per year and accounting for 11% of all consumer spending. Over the last ten years, tourism has accounted for one sixth of the net increase in employment in the UK. 1.75 million people are now directly employed in tourism - 7% of all people in employment.

#### 6.2.1 International Tourism

Provisional estimates from the International Passenger Survey indicate that in 1999 overseas visits to the UK decreased by 1%. Visits from Europe, which account for 67% of all visits, declined by 1% (263,000 visits). Long haul markets held up well and in most cases recorded increased visits to the UK. Although the number of overseas visits to the UK have more than doubled since 1980, the number of UK residents travelling overseas has trebled (Figure 3). An even greater disparity in growth rates has occurred in tourism spending. Figure 4 shows that whereas the UK has benefitted from an annual average growth of 18% in overseas visitor spending since 1980, UK residents expenditure abroad has grown much more significantly at an annual average rate of 38%.

Figure 3. Overseas visit to the UK compared with visits abroad

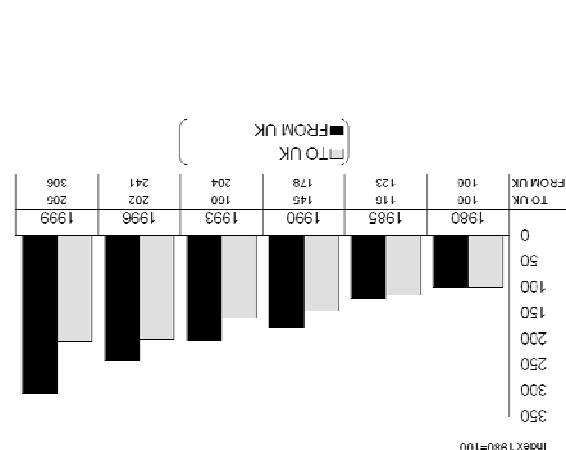
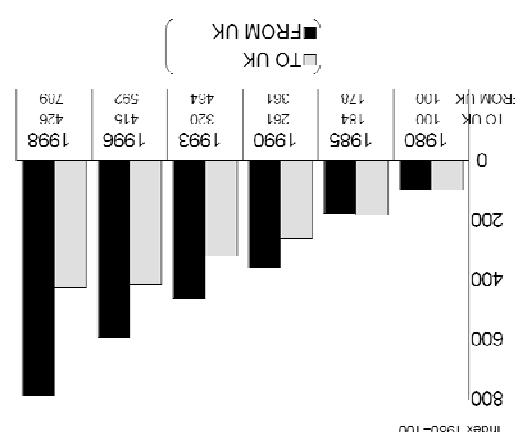


Figure 4. Overseas visitor spending in UK compared with spend abroad by UK residents



A £9.5 billion balance of trade deficit for tourism in the UK in 1999 contrasts sharply with a £0.57 billion surplus as recently as 1985. In recent years, the UK's growth rate in international tourism arrivals and receipts has lagged behind the European average and the UK will face intense competitive pressures in the future as new destinations emerge and established destinations invest more in tourism.

## 6.2.2 Domestic Tourism

Most tourism trips by the British are still to destinations within the UK. Domestic tourism contrasts sharply with international tourism out of the UK, involving on average fewer nights away and a lower level of spending. Although domestic tourism expenditure has grown in recent years, there is a clear trend for British residents to take their holidays abroad.

**Table 9: Summary of Holidays Taken by the British, 1990-99**

	All holiday trips (mn)	UK holiday trips (mn)	UK as % of all holiday trips %	All holiday spend (£mn)	UK holiday spend (£mn)	UK as % of all holiday spend %
1990	74.5	58.4	78.4	16,745	7,350	43.9
1999	106.8	75.3	70.5	34,900	11,095	31.8

The British took a total of 106.8 million holiday trips away from home in 1999, of which the great majority were taken in the UK. The domestic (UK) share, however, is steadily declining and the value of holiday spending is weighed heavily towards foreign holidays. Domestic holidays now account for only 31.8% of UK consumer spending on holidays despite their 70% market share. There are, however, important differences in the trends affecting short (1-3 nights) and long (4+ night) holidays. Table 10 shows that the short breaks market in the UK continues to grow at a significantly faster rate than that observed for long holidays. Short breaks now account for more than half of all UK holiday trips but only a 32% share of holiday spending, although total spend in this sector has increased by an average annual rate of 11% since 1990.

**Table 10: Long and Short Break Holidays Taken by the British in the UK 1990-99**

	1990		1999		1990-99
	(m)	(%)	(m)	%	% change
<b>Trips</b>					
Long holidays	31.7	54	34.0	45	+7%
Short breaks	26.7	46	41.3	55	+55%
<b>TOTAL</b>	<b>58.4</b>	<b>100</b>	<b>75.3</b>	<b>100</b>	<b>+29</b>
	(£m)	%	(£m)	%	% change
<b>Spend</b>					
Long holidays	5,610	76	7,550	68	+34%
Short breaks	1,740	24	3,545	32	+104%
<b>TOTAL</b>	<b>7,350</b>	<b>100</b>	<b>11,093</b>	<b>100</b>	<b>+51%</b>

## 6.3 Wales

Wales' dependence on tourism is scarcely matched elsewhere in Europe. Overnight visitors to Wales contributed an estimated £1.3 billion in direct visitor spending to the Welsh economy in 1999 - equivalent to 5% of GDP. An important additional source of income is derived from day trips to and within Wales, which generated expenditure of £775 million. In total, therefore, spending from overnight and day trips is worth over £2 billion, the equivalent of more than £5 million a day.

### 6.3.1 International

On the basis of findings from the International Passenger Survey, 1998 was a year of decline for overseas tourism to Wales but the upward trend observed between 1990 - 1997 has been revived in 1999.

**Table 11 : Overseas Tourism to Wales 1990-1999**

	<b>Arrivals</b> (‘000)	<b>Annual Change</b> %	<b>Bednights</b> (m)	<b>Average Length of Stay (nights)</b>	<b>Receipts</b> (£m)	<b>Average Spend / Visit (£)</b>	<b>Share of All Tourism Receipts</b>
1990	680	6.2	5.4	7.9	130	191	12.6
1991	650	-4.4	5.0	7.7	133	204	12.9
1992	670	3.1	4.8	7.2	132	197	12.4
1993	690	2.9	5.2	7.5	173	250	15.4
1994	680	-1.4	4.9	7.2	187	275	16.0
1995	730	7.3	5.2	7.1	196	268	15.8
1996	830	13.7	6.1	7.3	217	261	15.5
1997	920	10.8	6.4	6.9	226	245	16.7
1998	790	-14.1	5.5	6.9	176	222	13.8
1999 <sup>(p)</sup>	1010	27.8	7.2	7.1	269	266	19.1

The overseas market, which is relatively high spending with a wide seasonal spread, is one in which Wales has been traditionally under represented compared with its share of domestic UK business. Wales attracts an 8% share of all UK tourism spend but only a 2% share of total spend by overseas visitors in the UK. Overseas visitors tend to stay longer in Wales than UK visitors, travel more widely, spend more per visit and are more likely to stay in serviced rather than self-catering accommodation. Fluctuations in the strength of the £ will continue to exert a fundamental control over the scale of overseas tourism. Wales is not yet a favoured destination for overseas visitors to the UK. Less than 4% of all overseas visitors entering the UK actually choose to visit Wales during their stay and there remains a lack of awareness of Wales in many overseas markets and an absence of strong image creating icons.

The relative importance of different international markets to Wales has fluctuated quite widely since the beginning of the decade, but the USA remains of crucial significance. Germany, France and the Netherlands are key primary markets in mainland Europe and Wales' six cross-channel ferry links with the Republic of Ireland have led to a steady rise in the relative importance of its nearest international market.



**Table 12 : Wales' Major International Markets, 1990 and 1999 (% share)**

	Arrivals		Bednights		Receipts	
	1990	1999	1990	1999	1990	1999
USA	21	15	19	11	23	13
Germany	14	10	13	13	11	8
France	7	8	7	12	4	7
Republic of Ireland	7	22	6	15	5	21
Australia	11	8	12	10	12	10
Netherlands	5	7	4	5	4	5

### 6.3.2 Domestic

The UK market is still the biggest source of tourism business for Wales and in 1999 generated 92% of visits and 81% of tourism spend. North-West England, West Midlands and the South-East are particularly important regional markets for Wales with almost 70% of all overnight tourism spending in Wales being generated by visitors from England.

The UK holiday visitor is the mainstay of Wales' domestic tourism market accounting for 78% of domestic expenditure in 1999. At the UK level, this figure is closer to 68% confirming the relatively high dependency of Wales on the holiday market and explaining to a large extent the seasonal nature of tourism in Wales. 60% of all domestic holiday expenditure in Wales occurs in just three months - July, August and September compared with 50% in the UK overall.

Within this broad dependence on the holiday market, there are other trends apparent. Similar to the UK, the short holiday market has grown at a significantly faster rate than the traditional long holiday. Short breaks in Wales accounted for 32% of all domestic holiday spend in 1999 compared with 18% at the start of the decade and for 52% of all holiday trips compared with 38% in 1991. This has resulted in a reduction in the average length of holiday from 5.3 nights in 1991 to 4.5 nights in 1999. Although holiday visitors are tending to stay for shorter periods, in real terms, the average spend per night has remained relatively constant during the 1990'

**Table 13 : Holidays by UK residents to Wales, 1991-1999**

Year	Short Holidays 1-3 nights		Long Holidays 4+ nights		Short Holiday Share	
	Trips (m)	Expenditure (£m)	Trips (m)	Expenditure (£m)	Trips %	Expenditure %
1991	2.5	140	4.1	630	38	18
1992	2.5	148	4.1	675	38	18
1993	2.1	165	3.3	580	39	22
1994	3.2	242	3.5	546	48	31
1995	2.7	174	4.0	691	40	20
1996	3.3	217	3.9	762	46	22
1997	3.4	258	3.6	659	49	28
1998	3.5	255	3.3	655	51	28
1999	3.7	283	3.4	610	52	32