

Economy, Transport and Rural Affairs Committee

Welsh Government's evidence paper – Tourism, Hospitality and Retail Inquiry

Introduction

The *Economic Resilience and Reconstruction Mission*, published in February 2021, established the fundamental recovery principles and direction for our economic policies. The Programme for Government 2021-26 includes a commitment to progress the Mission.

As part of that progression process, in October I held an Economic summit and subsequently gave an oral statement on Moving the Welsh Economy Forward. I set out a progressive economic policy that focusses on better jobs, narrowing the skills divide and tackling poverty so that we create genuine fairness in how the economy grows. The tourism, hospitality and retail sectors have a key part to play in that ambition.

Despite the return, and subsequent easing, of Covid protection measures following the emergence of the Omicron variant, progress has been made on wide range of economic ambitions and I will make a further Oral Statement on progress on 22 March.

The aim of this paper is to outline the progress that has been achieved over the course of the pandemic and to look ahead to the way we are looking to support and enhance these sectors over the coming years.

Context

Tourism and hospitality plays an important role to the Welsh economy, representing 11.8% and 9.6% of the Welsh workforce, respectively. Meanwhile, the retail sector is the largest private sector employer in Wales, with 120,000 employees and accounting for 5.9% of Welsh GVA.

We recognise that, beyond Covid, there are continuing challenges and our focus and commitment will require an effective response. There are short-term and long-term challenges facing the sectors, such as rebuilding consumer confidence, inflation, cost of living crisis, energy costs, skills and recruitment, over-tourism challenges, and so on. We are fully aware that further action is required over the course of the next few years to help these vital sectors return to sustainable operation and contribute to Wales's recovery.

However, these are sectors with positive prospects due to the nature and quality of the Welsh product offer and strength in the domestic UK market. Funding and support is not solely a means of supporting a challenged industry, but can also an investment in the long-term prosperity of many parts of Wales. We also need to equip the sectors to meet the commitments in our exciting Programme for Government and future-proof the sectors, enabling them to take advantage of opportunities presented in a post-Covid world.

Covid support and recovery

The tourism, hospitality and retail sectors have been severely impacted by the Coronavirus pandemic. Businesses have faced significant and unprecedented challenges from the outset and despite extensive Welsh Government and UK Government financial interventions the downturn of the sector stands to have a longer-lasting impact – economically, socially and culturally - on our communities.

The most immediate priority for us in the short-term is to continue with the recovery of the tourism, hospitality and retail sectors and build, with our partners, their strength and resilience for the future in a sustainable way.

As we approach what we hope is the tail-end of the pandemic it is important to acknowledge the scale and breadth of the support provided. Financially, we have made unprecedented levels of funding available to support businesses through the pandemic, including through the Economic Resilience Fund (ERF) and the non-domestic rates linked grants and discretionary grants which were delivered by local authorities. Since April 2020, through the ERF we have provided a total of £2.6bn to support nearly 300,000 applications across Wales which include the sub-sectors of tourism, hospitality and retail. Many businesses in these sectors have also benefitted from the £108m Cultural Recovery Fund that has been supporting cultural events and individuals throughout the pandemic.

We have also provided recovery plans and support to these sectors throughout the pandemic. In March 2021, we published a recovery plan, *Let's Shape the Future*, for the visitor economy that provided guidance and wider support to the sectors through the pandemic with the aim of bridging back to our longer-term strategic plan, *Welcome to Wales: priorities for the visitor economy 2020-25*. We consider the recovery plan as having reached its conclusion at the end of the 2021-22 financial year. A progress report will be published shortly, which can be shared with the Committee in due course, and we are now effectively bridging back to our long-term strategic plan.

A key feature throughout the pandemic has been the very positive engagement that has taken place with these sectors. A Ministerial-led Visitor Economy Forum has been in place throughout the pandemic covering tourism, hospitality, events, and the night-time economy. In addition a range of specific sectoral groups including, for example events, weddings, retail, and hospitality, have been important mechanisms to engage regularly with stakeholders, communicate important messages and listen to feedback. It is our hope that we harness this enhanced engagement as we continue on our path to recovery and engage on new themes that involve these sectors.

Looking to the future

There is scope to be confident about the rebuilding of the sector. The most recent Tourism Barometer (November 2021) found that the sector enjoyed an extended busy season in to the autumn. Around a quarter (27%) of operators are 'very confident' about running profitably, and about half (49%) are 'fairly confident'. This level of confidence is comparable to pre-Covid autumn periods. However, this

confidence is fragile - as it is not consistent across sub-sectors and competition is likely to be strong. There is a positive intent to take more holiday trips in the next 12 months with trips intentions higher for domestic overnight trips, whilst many remain uncertain about overseas holidays. 7% of those planning a UK trip between January to March 2022 intend to visit Wales, rising to 9% between April and June, both slightly lower than the level in 2021.

Draft Budget 2022-23

The draft Budget published in December provides an allocation of £11.962m revenue and £5m capital per year over the next three year period for tourism. Tourism development and marketing investment is aligned to activity post the recovery plan, *'Let's Shape the Future'* period. It will support the sector as it emerges from the pandemic and bridges back to our overall longer-term strategy, *'Welcome to Wales: priorities for the visitor economy 2020-25'*.

The capital investment of £5m will continue to support high quality visitor experiences and a Brilliant Basics fund for small scale tourism infrastructure improvements. Visit Wales will continue to support innovators in the industry who come forward with high quality, reputation-changing products. Our primary product gap is high-quality accommodation in many parts of Wales, so in line with our move to value over volume, we will work with current businesses to increase their occupancy levels and yield.

We need to continue to invest in the basic tourism infrastructure around Wales, as well as in high quality visitor experiences. Brilliant Basics is a £2.5m capital fund that will deliver basic small-scale tourism infrastructure improvements, and ensure that all visitors to Wales have a positive and memorable experience throughout their stay. Our £50 million Wales Tourism Investment Fund, delivered in partnership with the Development Bank for Wales, will continue to help finance capital investment in projects that grow the sector and have a positive impact on the Welsh economy.

Visit Wales is responsible for delivering activity that supports the sustainable development of the visitor economy across Wales with business marketing, activity to build Wales' reputation and performance as a place to visit, invest, work and study.

Our Transforming Towns programme is providing £136 million and continues to further support the economic and social recovery of town and city centres across Wales. Towns and city centres and their high street businesses are at the heart of our communities. One of our priorities is to secure their long-term sustainability by working with partners to make them more diverse with a wide ranging offer which serves the local community and encourages people to use their local shops, businesses and services.

Furthermore, there will be an additional £116m package of non-domestic rates relief for retail, leisure and hospitality ratepayers in Wales. They will receive 50% non-domestic rates relief in 2022-23. The Retail, Leisure and Hospitality Rates Relief scheme will be capped at £110,000 per business across Wales. Our approach

means that businesses in Wales will receive comparable support to that provided in other parts of the

Our Cymru Wales brand and campaigns also position our language as central to our culture, and project Wales as an outward facing, bilingual nation. In building an economy based on the principles of fair work, sustainability and the industries and services of the future, the business approach will deliver skills/recruitment campaigns, marketing and business support conditions.

Tourism is vital in making our cities, towns and villages even better places in which to live and work by funding schemes and place making activity that put community benefits alongside visitor benefits to “grow tourism for the good of Wales”. Visit Wales will continue to include activity that encourages those from further afield, who may have visited Wales for the first time in the last two years, to pay a return visit as well as making sure that the benefits of taking a holiday at home in Wales is front of mind for our citizens.

Visit Wales’ focus is on spread of business, encouraging higher spend per head and extending the traditional tourism season. Across the UK and in-Wales, activity has been running throughout the Autumn and Winter on digital channels, TV and Video on Demand (VoD) as well as in the press/media.

We are also targeting international visitors that are considering Britain by different activity strands, e.g. utilising digital partnerships to get Wales in front of those already searching for future UK holidays and our relationships with tour operators as well as promoting Wales as a world-class business events destination. We continue to work with VisitBritain to build Wales' position on the international stage.

Events are a vital part of the visitor economy, we have a full programme of supported events and are working in conjunction with the sector to develop a new event strategy for Wales. This will inform our ongoing work to develop indigenous events, attract international events and support the sector more widely.

The skills and recruitment issues will continue to be a key part of our activities. In partnership with the industry-led Wales Tourism and Skills partnership, a campaign was launched in August 2021 to support the sector by raising awareness of the high numbers of vacancies and of the variety of career opportunities available. The campaign is being delivered in partnership with Working Wales – which offers information, support and advice to individuals on training and employment - and will continue into 2022. We continue to highlight the variety of different opportunities for careers by telling real stories of people working in the sector – and we will shortly be adding more case studies. The additional £10m for Personal Learning Accounts announced last year will ensure more trained chefs, waiting and front of house staff to work in the hospitality sector.

Retail

In terms of the retail sector, the Deputy Minister for Social Justice and I will publish a Position Statement in readiness for the new financial year. It will be followed by a Strategic Vision following the Local Government elections. The Strategic Vision will

be refreshed, as the sector evolves and to reflect the outcomes of the Committee's inquiry.

The vision will be the start of a conversation and will set out the short, medium and longer-term challenges for a successful, sustainable and resilient retail sector that delivers fair work and speaks to the employers, and employees alike.

The vision is being led by Government, but developed with and for the retail sector as a whole – its employers and workers. It will be informed by dialogue engagement with the sector and will dovetail with complementary activity, such as those in relation to town centre regeneration and the future of business rates in Wales.

It will further embed social partnership as a way of working and will reflect values such as those set out in the four pillars of the Welsh Government's Economic Contract. It will be a strategy that takes into account the ever-changing dynamics of the sector and the changing face of our high streets.

Programme for Government commitments

There are significant Programme for Government commitments that will be important considerations for tourism, hospitality and retail sub-sectors with joined-up working across government and the Cooperation Agreement with Plaid Cymru. The Programme for Government includes investing in major projects, including the redevelopment of Theatr Clwyd, establishing the Football Museum in Wrexham, the National Contemporary Art Gallery and developing a Museum of North Wales. These projects will play a significant role in the visitor economy over coming years.

Building on the commitment in the Programme for Government we have already confirmed a consultation on proposals for a local visitor levy will launch in autumn 2022. Tourism levies are a norm for popular international tourist destinations. We are aware of many different approaches – in cities, regions and on national basis – and part of our work will be to explore best practice from across the world that would work in a Welsh context. Tourism provides a substantial economic contribution to Wales with tourism-related expenditure reaching more than £5bn annually in 2019. A tourism tax would raise revenue for local authorities enabling them to manage services and infrastructure which makes tourism a success. We will actively engage the tourism sector, local authorities, delivery partners and the people of Wales to help shape policy design and content of the consultation.

We recognise that in some parts of Wales affordable housing is beyond the reach of some because of a combination of rising house prices and a disproportionate number of second homes and short-term holiday lets. We are a welcoming nation and we recognise that tourism is a major part of our economy bringing jobs and income to many parts of Wales, but we also want to support young people to have a realistic prospect of buying or renting affordable homes in the places they have grown up, so they can live, work and support their local communities. We have already set out the government's three-pronged approach which referred to how we can use our regulatory framework to better manage additional second homes and short-term holiday lets.

A short, closed consultation has been completed on the feasibility and potential shape of a statutory licensing or registration scheme for all holiday accommodation, including short-term lets which will inform next steps. We have committed to establishing a voluntary registration scheme in Dwyfor, to draw lessons and to inform the operation of a statutory scheme.

Conclusion

As we approach the two-year point since the start of the pandemic it is an opportunity to reflect on an extremely challenging period for these sectors that they ultimately survived. There are certainly lessons to be learned from the experience, opportunities to harness and exciting proposals for the future. I look forward to working closely with the Committee as it progresses its inquiry.