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

Llywodraeth Cymru
Welsh Government

Russell George AM
Chair
Economy Infrastructure and Skills Committee

17 November 2016

Dear Russell,

I am writing following my attendance at the Economy Infrastructure Skills Committee meeting on 3 November.

At the meeting I said I would write to you with a note to provide additional information for number of areas within my portfolio. The additional information is outlined in the attached annex.

Yours sincerely,

Ken

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

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ADDITIONAL INFORMATION
ECONOMY INFRASTRUCTURE & SKILLS COMMITTEE
BUDGET SCRUTINY

1. Welsh Language Impact Assessments

The approach taken by Economy and Infrastructure has involved:

- Engagement over the past three months with all senior management teams outlining the legal obligations that underpin the Welsh Language Measure 2011.

- The Equality Support Unit providing support, advice and guidance on meeting the new Welsh Language Standards to the divisions within the portfolio. The advice will help to ensure that the Welsh Language standards are embedded in all future contracts, grants and framework agreements.

- A high level prioritisation and impact assessment of the Programme for Government commitments that fall within E&I's portfolio. This will form the basis of more detailed Welsh language impact assessments as the budget is developed towards delivery.

2. National Botanic Garden for Wales

Funding for the National Botanic Garden for 2017-18 is being retained at the same level as for the current year, being £581k revenue and £95k capital.

3. Programme for Government

At the Committee I outlined the key commitments within my portfolio. At **Appendix A** I have provided an alignment to the budget expenditure lines and provision.

4. Zip World Investment

Regarding our discussions on Visit Wales return and investment evaluation, I gave the example of Welsh Government support for Zip World. In terms of the £255,000 (Titan at Llechwedd site) provided through the Tourism Investment Support Scheme this was conditional on creating 20FTE jobs with a total investment of £510,000.

We monitored delivery throughout the process, all grant conditions have been met and we continue to monitor outputs. As promised, I also attach a link to the evaluation report "Assessing Zip World's Impact on the North Wales Economy" which was independently commissioned by Zip World from North Wales Tourism.

5. Visit Wales' marketing campaigns

Officials are currently working on the figures and these will be provided in due course.

In relation the campaign evaluation work, my officials are currently working on this and I will write to you again once I have further information.

6. Comparison of procurement processes in relation to rail franchises

A key driver of the difference between our approach and the Department for Transport's is our requirement to integrate the provision of rail services with delivery of the Metro infrastructure. The Department for Transport's procurement of a rail franchise is most commonly governed by Regulation (EC) No. 1370/2007 on public passenger transport services by rail and road ("Passenger Services Regulation"). However, our intention to procure rail passenger services alongside significant infrastructure works means that the Passenger Services Regulation cannot apply.

The complexity of our procurement and our desire to see innovation that leads to transformational change with the Metro means that we have a need to discuss potential solutions ahead of the final tender, refining solutions to meet our requirements and ensure that all potential solutions are explored properly. It is likely, for instance, that a bidder might propose some technical innovation that will require discussion with us. Without the opportunity to discuss it with us it would be high risk for a bidder to propose (and therefore fix) this solution in their tender, which could stifle innovation.

This has required the development of an innovative approach, and one we have used successfully elsewhere: we are using the Competitive Dialogue route under the Public Utilities Regulations (2016). The Department for Transport have been supportive of our approach.

The main commercial differences between our approach and the Department for Transport's are:

- We can vary the approach to revenue risk to better suit the way rail services are funded in Wales.
- We do not need to prescribe in detailed input terms how rail services will be delivered.
- We can develop a specification in conjunction with bidders leading to better understanding of requirements.
- We can encourage innovation before a tender is provided.
- Bidders will consider a whole system approach, putting infrastructure delivery alongside passenger service provision
- Ancillary contracts (such as advertising/car parking) do not need to be controlled by the franchisee.

7. Funding for Transport for Wales

Transport for Wales was established to provide expert support and advice on our procurement of an Operator and Development Partner for the Wales and Borders rail services and delivery of Metro. The procurement takes place over 2016/2017 and 2017/18. Transport for Wales is supported by a budget of £8.5m in 2016/17. Resource capability has been recruited to provide support and advice. Its remit and budget for 2017/18 is in the process of being determined.

Transport for Wales' operating budget beyond 2018 is being identified, and will depend on the extent of its remit. It is currently envisaged that Transport for Wales will be responsible for managing the Wales and Borders rail services and for the operation and maintenance of the infrastructure in the Core Valley Lines on our behalf. The exact nature of Transport for Wales' duties and responsibilities will depend on the successful Operator and Development Partner bidder's solution and the degree to which we assign statutory and contractual responsibilities to Transport for Wales to act on our behalf.

8. Rail franchise tender specification information

The Welsh Government's policy consultation - Setting the Direction for Wales and Borders Rail - was published earlier this year as part of our ongoing commitment to engage with all concerned.

In the consultation document, we presented the high level outcomes for rail which the Welsh Government is seeking to achieve by 2030. These included:

- Reduced overall journey times by providing faster and more frequent services, and better interchanges between modes.
- Increased people using public transport through the provision of new and improved passenger services.
- Reduced operating and maintenance costs by making greater efficiencies, and by greater use of services.
- Having the capacity to meet demand during peak periods and special events.
- Improved accessibility and compliance with the Equalities Act 2010 by coordinating services and improving station design.
- Reduced emissions through lower road vehicle use.
- Direct services between main residential areas and economic centres.
- Improved service quality by providing newer vehicles and better integration between services.
- Improved punctuality.

These, along with the summary of consultation responses, have been provided to Transport for Wales.

At this stage in the process the Welsh Government policy priorities have been incorporated into the invitation to participate in dialogue, which has been provided to all bidders on the same terms and subject to the same conditions.

The purpose of the invitation to participate in dialogue was to launch the dialogue phase of the competition. It provides bidders with information on our requirements and detail on the structure of the competition and the evaluation process.

Detailed specification will be developed through competitive dialogue. This will be done by populating contractual schedules to meet Welsh Government policy priorities, outcomes and outputs within the affordability envelope.

Economy & Infrastructure

Appendix A

2017/18 Draft Budget - Programme for Government - Budget Provision

Commitments	BEL	Budget	Revenue	Capital				
			2017/18 £’000	2017/18 £’000	2018-19 £’000	2019-20 £’000	2020-21 £’000	Total £'000
Create a Wales Development Bank.	3758	Business Finance Funds	**0**	17,750	7,000	18,000	3,000	**45,750**
Drive forward inward investment, innovation and the creation of new jobs through a Business Accelerator Scheme for home-grown businesses with global potential designed to improve marketing, advertising, networking and skills investment.	3901	Business Information	**618**	-	-	-	-	**-**
Promote tech hubs, especially in towns and cities where there are colleges and universities.	3744	Innovation Centres & R&D Facilities	**2,553**	-	-	-	-	**-**
Provide tailored support for co-operatives and mutuals.	3894	Social Enterprise and Economy	**814**	-	-	-	-	**-**
Promote Green Growth to create sustainable jobs for the future.	Cross cutting budget provision							
Support the development of our successful Creative Industries and Tourism businesses and build on our record of success in hosting major cultural, sporting, business and other events.	3762	Creative Industries	**851**	2,949	1,070	5,000	2,500	**11,519**
	4231	Major Events	**3,918**	-	-	-	-	**-**
	6250	Tourism & Marketing	**15,762**	4,000	4,000	4,000	1,000	**13,000**
Promote Wales for investment from within the UK and around the world, while helping to stimulate exports to new and existing markets.	3754	Trade & Inward Investment	**1892**	-	-	-	-	**-**
Establish a National Infrastructure Commission to provide increased certainty and sustainability for investment in the future.	Cross cutting budget provision							
Work alongside the UK National Infrastructure Commission to ensure key investment decisions recognise the needs of Wales.								
Deliver an M4 relief road, and improvements to the A55, the A40 in West Wales and other trunk roads.	1888	New Road Construction & Improvement	**-**	155,562	50,354	44,294	106,615	**356,825**
Create a South Wales Metro and advance the development of a North Wales Metro system.	1891	Rail Investment	**-**	20,463	55,080	88,500	117,500	**281,543**
Develop a new, not-for-profit company, rail franchise and deliver a more effective network of bus services once powers have been devolved.	1890	Rail Franchise	**183,283**	-	-	-	-	**-**
Ensure seamless ticketing arrangements and improved marketing as part of the new travel arrangements for Wales.	1881	Smart cards	**2,000**	1,000	1,000	1,000	1,000	**4,000**
Ensure better access to active travel for all.	2030	Sustainable Travel - Walking & Cycling	**850**	6,650	6,650	6,650	6,650	**26,600**
Maintain a policy of free access to the National Museums.	5540	National Museums	**22,960**	5,258	435	1,086	697	**7,476**

North Wales Tourism
Twristiaeth Gogledd Cymru

Assessing **Zip World's** Impact
on the North Wales Economy

Contents Page

Zip World is responsible for bringing at least £121,172,258

The average spend of a **Zip World** visitor in North Wales is £251 - £500

Zip World acts as a driver for tourism from North Wales' key markets

Introduction

An assessment of Zip World's impact on the North Wales economy has been undertaken. The assessment will review the attraction's economic impact by examining the value of visitor spend and employment opportunities made available. **(For the purpose of this report the participant who took part in the Zip World activity is referred to as visitor)**

The research has a number or purposes. The main purpose is to form an understanding of the attraction's impact to the North Wales economy. The secondary purpose is to understand the importance of the economic benefits it brings. Tertiary, to examine the economic trends for forecasting purposes.

To ensure of a compressive assessment, three indicators have been examined closely. These include a visitor analysis, value of Zip World and employment. By analysing these three areas, a complete review of Zip World's economic impact will be gained.

Also included in the report is headline figure chart, which shows the stand-out data from the primary research. The reports main findings from the assessment will then be summed up in the conclusion.

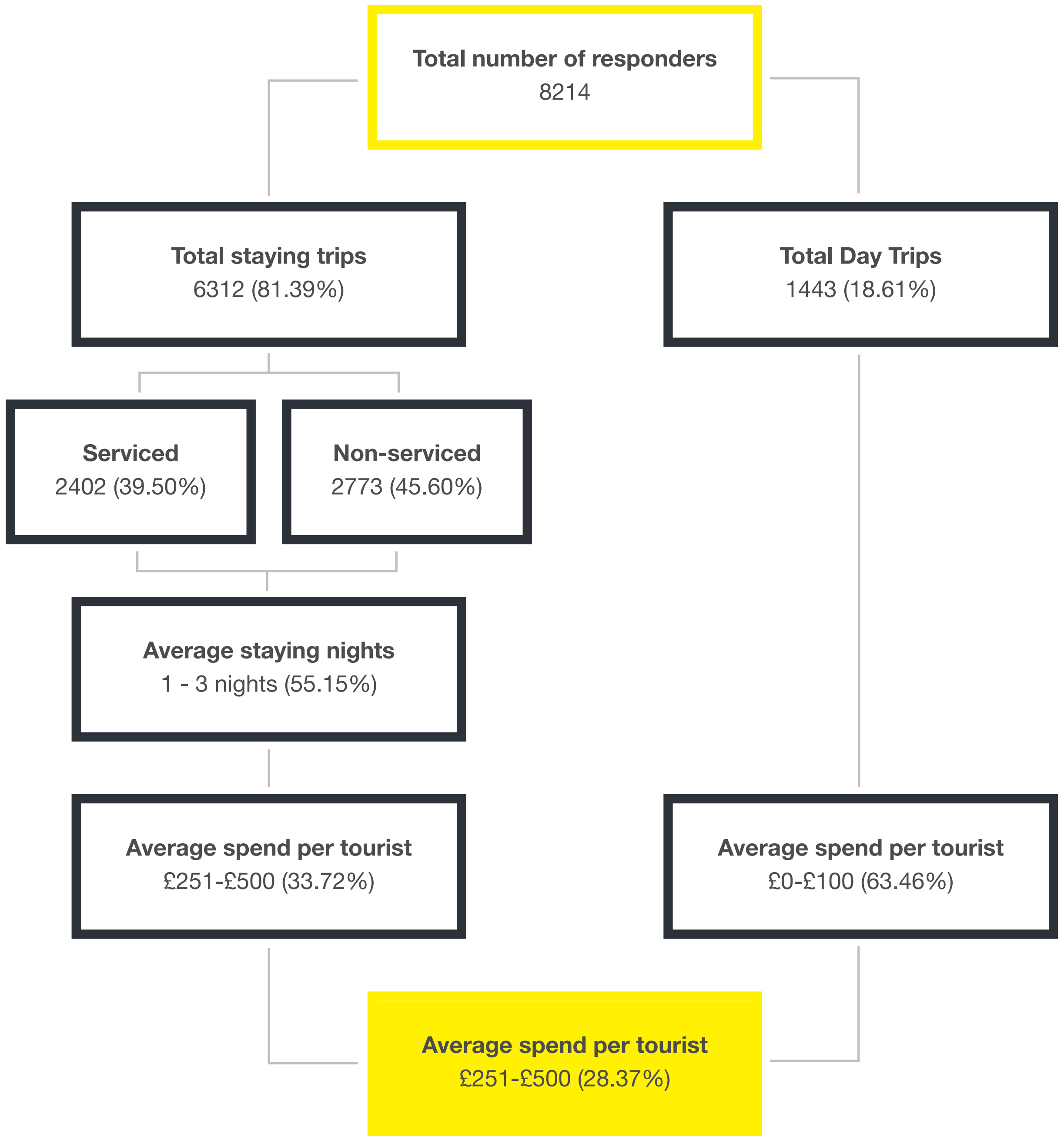
Research Methodology

The work has two stages, the first stage involved carrying out primary research using Zip World's visitor database. North Wales Tourism sent a survey to Zip World's database of 147,926 previous visitors. From this, 8214 people responded.

The data was collected using Survey Monkey; a reliable data collection tool. The data was then put into tables and charts using Survey Monkey's software.

The second stage involved desk analyse using North Wales Tourism's economic measuring approach. This involved analysing the factors effecting the economy. To draw conclusions, primary and limited secondary data were used. The secondary data was carried out by Visit Wales.

Zip World Economic Impact Headline Summary Chart



Visitor Analysis

Introduction

It is important to carry out continued research into the changing visitor behaviours. Tourists are notoriously prone to change, more so than other buyers. Understanding visitors, particularly their motivations, will enable us to understand the visitors better which will have significant implications to future economic growth.

Date visited

Research into the dates visited shows the relevance of the study. We can evaluate this data to see economic trends overtime.

Table 1 gives a breakdown of the visitor's surveyed responses.

The table shows that a high percentage of respondents (48.81%) stated that they had visited Zip World less than a year ago. Followed by 1 year ago (29.83%) and 2 years (15.67%).

This data could be interpreted in a number of different ways. The data of a visitor who visited Zip World less than a year ago, will be more up-to-date than someone who visited 3 or more years ago. Therefore, this data should be treated with caution.

Table 1 also shows that 304 responders haven't visited Zip World. For the relevance of the study, these respondents' answers have been removed from the research.

When did you visit Zip World?		
	%	Response
Less than a year	48.81%	3996
1 year ago	29.83%	2442
2 years ago	15.67%	1283
3 years or more	1.98%	162
Not visited	3.71%	304

Location

Segmenting visitors by location is important to understand key and growth markets to further stimulate the North Wales economy.

Table 2 gives a breakdown of the visitor's surveyed responses.

The main markets for Zip World are the Midlands (21.96%) and the North West (21.31%). As key domestic markets for North Wales, Zip World acts as a major pull factor, supporting the marketing efforts of North Wales Tourism and Visit Wales.

The North Wales market (11.22%) is the 4th largest. This market can certainly be seen as a growth market. Providing less economic leakages and with fewer barriers to entry, the North Wales market has potential for growth.

Your location		
	%	Response
Scotland	1.14%	90
North West	21.31%	1667
North East	4.26%	335
East Anglia	4.55%	358
Midlands	21.96%	1728
South West	7.48%	589
South East	11.74%	924
London (Inside M25)	4.63%	364
North Wales	11.22%	883
South Wales	6.73%	530
Other	4.98%	392

NB – popular "other" locations included Mid Wales and USA (no specific location)

Further data was analysed to monitor growth markets. Significant increase was noticeable in the South East (+.64), South Wales (+.34%) and London (+.33) over the last year. Other locations fluctuated only slightly.


go
north wales
www.gonorthwales.co.uk
Zip world has created over 218 paying jobs
74.74% of visitors stayed at least one night
93.3% of **Zip world** employees were local to the area
ZIP WORLD

Visitor Influences

Evaluating the influences of visitors will determine the most effective means of communicating. Finding the most effective communication methods will ultimately improve awareness and bring more visitors to North Wales.

From table 3, word of mouth is the most effective form of marketing communication (34.99%). This is followed by website (20.31%) and TV (18.44%).

At 8.48% “other” was a popular choice for this question. Noted on the table is that “gift” was cited a number of times. This could also be considered “word of mouth”. Other factors that scored high were television shows such as Blue Peter and search networks like Google.

Table 3: How did you hear about Zip World?

	%	Response
Word of mouth	34.99%	2751
TV	18.44%	1450
Website	20.31%	1597
Social media	12.68%	997
Publication	2.01%	158
Flyer	3.09%	243
Other	8.48%	667

NB – High percentage of “other” quoting gifts

Pull Factors Overtime

Table 4 shows the effectiveness of the communication overtime.

Word of mouth has consistently been the most powerful way to communicate with visitors. Visitors are more susceptible to visiting somewhere based on the feedback from others. Success models include TripAdvisor and more recently Facebook reviews. As Zip World’s product has matured, more people are recommending the attraction, as presented in table 4. Word of mouth was responsible for 37.51% of the trips made by our respondents last year.

Other significant increases were flyers. The influence of flyers have risen over the last three years. Social media has become more influential overtime, increasing by 4.73% from 3 or more years ago.

Decreases were noted in almost all other communication methods. Websites influence decreased by over 6.53%. TV also decreased, with the percentage falling by 5.06%.

Table 4: Communication effectiveness over time

	Less than a year ago	1 Year ago	2 years ago	3 years ago or more
Word of mouth	37.51%	33.47%	30.47%	31.25%
TV	20.56%	21.64%	23.05%	25.62%
Website	14.72%	19.96%	20.08%	21.25%
Social media	12.86%	12.32%	13.36%	8.13%
Publication	1.68%	2.09%	2.73%	3.13%
Flyer	3.51%	2.67%	2.73%	1.88%
Other	9.15%	7.84%	7.58%	8.75%

Value of Zip World

Introduction

This section covers the value of Zip World to the economy of North Wales. The data is of both primary and secondary research. Examined in this section is the average visitor spend and the change overtime. The assessment then looks at the influence of Zip World and how this effects the economy.

Visitor Spend

Research into the visitor spend was carried out.
Table 5 shows that the average visitor spend is £251 - £500 (28.37%).
Only 10.32% of responders answered that they spent more than £1,001 during their visit. This number is lower than the top 4 grades (£0 - £1000).

Zip World has attracted over 482,758 visitors since 2013. Combining this with the average spend, we are able to calculate that Zip World has brought in excess of £121,172,258 to the North Wales economy.

Table 5: What was your spend in North Wales during your visit? (Including accommodation)

	%	Response
£0-£100	17.31%	1328
£101 - £250	26.35%	2022
£251 - £500	28.37%	2177
£501 - £1,000	17.66%	1355
£1,001 - £1,500	4.89%	375
£1,501 - £2,000	2.41%	185
£2,000 - £3,000	0.93%	71
£3,001 +	2.09%	160

Visitor Spend Overtime

Table 6 shows that visitors to Zip World's average spend in North Wales is increasing. 12.77% of visitors who went to Zip World less than a year ago spent more than £1,001. This is a 4.46% increase from the year previous.

Also encouraging is the increase in the minimum spend. Visitors spending £0-£100 has decreased by 7.8% from 3 years ago and 3.27% from the previous year.

Factors influencing the growth in spend include more accommodation on offer. More products in the glamping and self-catering markets have supported this development. Our research shows that 45.03% of visitors choose to stay in self-catering accommodation when visiting Zip World compared to 39.67% serviced and 15.29% family and friends.

North Wales' strong occupancy growth rate for serviced accommodation has been supported by Zip World's product (Visit Wales, 2016). Occupancy has increased year-on-year to 68% for hotels (+1% YoY) and to 37% for B&Bs & guesthouses (+2% YoY).

Another factor in the visitor spend is the increase in visitor attractions. New additions like Surf Snowdonia and investment in Greenwood have helped boost the tourism product in North Wales. Visitor numbers for attractions in North Wales grew by at least 5.4% last year (Visit Wales, 2016).

Table 6: Visitor spend over the years

	Less than a year ago	1 Year ago	2 years ago	3 years ago or more
£0 - £100	15.77%	19.04%	18.01%	23.57%
£101 - £250	23.83%	28.51%	29.70%	29.30%
£251 - £500	27.54%	29.31%	29.62%	24.84%
£501 - £1,000	20.09%	14.84%	15.77%	15.29%
£1,001 - £1,500	6.05%	4.03%	3.04%	3.82%
£1,501 - £2,000	3.09%	1.68%	1.92%	0.64%
£2,000 - £3,000	1.34%	0.63%	0.24%	0.64%
£3,001 +	2.29%	1.97%	1.68%	1.91%

Influence

Zip World's direct effect on the North Wales economy has been measured. This is calculated by examining the primary motivation for visiting North Wales. The primary motivation acts as the instigator and main pull reason to North Wales. Therefore, we can assume that these visits wouldn't have taken place without Zip World's influence.

Table 7 shows the main influence to visit North Wales. 60.79% of the visitors who responded cited Zip World as their main motivation to visit.

Table 7: Main motivation		
	%	Response
Visit Zip World	60.79%	4775
Visit attractions	9.98%	784
Take part in adventure activities	17.58%	1381
Visit family or friends	7.27%	571
Other	19.01%	1493

NB – popular answers included "visiting Snowdon" and "holiday"

New Visits

Table 8 shows the amount of respondents whose main motivation was to visit Zip World and if they had visited North Wales before. This will show the exact amount of visits Zip World is directly responsible for.

Table 8: Main motivation Zip World / never been to Wales before		
	%	Response
Been to Wales before	74.90%	3566
Haven't been to Wales before	25.10%	1195

The data shows that Zip World is directly responsible for 25.10% visits to North Wales based on the responses from the survey. Further research shows that the average spend of these tourists average spend is £101 - £250.

Length of stay

The length of stay indicates the amount of visitors Zip World converted into tourists.

Citing their main motivation to visit North Wales as Zip World, 74.74% of responders stated that they stayed for at least one night, and by definition, became tourists. This provides strong reason to believe that Zip World is a strong tourism generator for North Wales.

Table 7: Main motivation		
	%	Response
Day Visit	25.26%	1,200
1-3 Nights	53.40%	2,537
4-7 Nights	16.78%	797
8 Nights or Longer	4.57%	217

Employment

Introduction

The focus of this section is to review the job opportunities made available by Zip World. A strong economy relies on an abundance of jobs for local people. The model reviews the type of employment created by Zip World and the locality of the employee. From this, we can accurately review the economic leakages and job creation.

Type of employment

Table 10 shows the type of employment of the Zip World Staff who replied.

Table 10: Type of Employment		
	%	Response
Part-time	63.33%	19
Full-time	36.67%	11

In a highly seasonal industry, Zip World provides a high amount of part-time jobs. 63.33% of responders stated that they were in part-time employment with Zip World.

A trend that developed was the progression of employment that was responsible by Zip World. 30% of employees who came from no income previously (student, unemployed and volunteer) were in paying jobs at Zip World. 14% of employees who were previously in part time jobs are now in full-time jobs in Zip World.

Local Jobs

Research was carried out into where the member of staff lived before their employment with Zip World. This was to show the local job creation the attraction is responsible for. As of September 2016, Zip World employed a total of 218 people.

Our study has shown that Zip World hires locally. 60% of responders indicated they were from Gwynedd - whilst 33.3% stated they were from neighbouring Conwy. From the results of the study, we can see that 93.3% of employees were local to the area.

Table 11: Where did you live before your employment with Zip World?		
	%	Response
Gwynedd	60%	19
Conwy	33.3%	11
Anglesey	0.00%	0
Denbighshire	0.00%	0
Flintshire	0.00%	0
Other	6.67%	2

The locality of the employee shows that Zip World employs very few people from outside of the area - only 6.67%. Because of this, there are fewer leakages, with the money ultimately being made and spent in the local economy.

Conclusion

The report shows a number of key findings. These have been summarised below:

Zip World is responsible for bringing at least £121,172,258 into the North Wales economy.
Based on amount of visitors vs. average spend.
The figure above does not include non participants on Zip World products.

Zip World acts as a driver for tourism from North Wales' key markets.
The Midlands and North West were the most popular locations.

The average spend of a Zip World visitor in North Wales is £251 - £500.
Higher than the UK average, £161.

Minimum and maximum spend have increased over the last 3 years.
Attributed to the rise of adventure tourism and development of attractions.

Zip World is a strong pull factor.
Zip World was the main factor to visit for 60.79% of responders,
with over 25.10% stating that they hadn't been to North Wales before.

74.74% of visitors stayed at least one night.
Zip world's pull further boosts the amount of tourists in North Wales.

Zip World has created over 218 paying jobs. A major employer in Gwynedd.

93.3% of Zip world employees were local to the area.
Majority employed from Gwynedd and Conwy.

The findings above show the importance of Zip World to the North Wales economy. The attraction stimulates the wider tourism industry, generating additional business for the accommodation sector.

From an employment prospective, the attraction creates jobs, supports progression and employs local people. 30% of Zip World's staff had no income previously (student, unemployed or volunteer) were now employed by Zip World. Whilst 14% went from part-time to full-time jobs.

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