

Valuing the Welsh Historic Environment

Economic Impact Technical Report



Commissioned by:



Cefnogwyd gan
Y Loteri Genedlaethol
trwy Gronfa Dreftadaeth y Loteri



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1.0 Introduction

In February 2010, ECOTEC Research and Consulting Ltd (ECOTEC) was commissioned by the Valuing our Environment Partnership to undertake research to value the Welsh historic environment.

1.1 Impetus for the Study

The Valuing our Environment Partnership works together to reveal hard economic evidence that the environment is fundamental to prosperity in Wales. Its work over the past 10 years has been led by the National Trust Wales, with core partners: the Countryside Council for Wales, the Environment Agency, the Heritage Lottery Fund, and the Welsh Assembly Government - specifically Visit Wales and the Department for the Economy and Transport.

The Heritage Minister's Historic Environment Group, which was established to advise the Welsh Assembly Government on action to benefit and promote the historic environment, identified that Wales lacked up-to-date evidence that fully captured its economic, social and environmental benefits. In addition, it lacked a consistent methodology for ongoing data capture. The Valuing our Environment Partnership agreed to lead on this research via a special working group led by the National Trust comprising: the Welsh Assembly Government (Cadw, Visit Wales and the Department for the Economy and Transport), Countryside Council for Wales, the National Park Authorities for the Brecon Beacons, Pembrokeshire Coast and Snowdonia, and the Heritage Lottery Fund.

Research into the economic value of the historic environment in Wales was undertaken in 2002¹. It estimated that the historic environment supported over 22,500 jobs and had a total impact of around £780 million. However, this research was undertaken over seven years ago and therefore is considered to be very out of date. What is more, the study largely sought to capture a purely economic assessment of the value of the historic environment. In reality, as supported by a range of research, the historic environment's contribution to much wider and softer benefits is significant and should not be underplayed.

It can be argued with some conviction that a lack of appreciation of the socio-economic and environmental benefits of heritage has led to under-funding of the historical environment. This is particularly pertinent as public sector budgets are tightening. Given that the historical environment is competing with other assets for resources and the use of these resources imposes an opportunity cost, identifying and more accurately quantifying the value of the sector to Wales is therefore a critical step towards acceptance of the need for regular investment if heritage assets are not to deteriorate.

1.2 Study Aims

This study aims to value the Welsh historic environment. There are three key outputs from the research:

An assessment of the value of the Welsh historic environment in strict economic terms;

¹ Estimating the Economic Value of the Historic Environment in Wales, 2002, University of Glamorgan

- An assessment of the value of the Welsh historic environment in its wider sense of social value, such as social cohesion, community pride and educational benefits;
- Development of a monitoring framework that proposes a consistent methodology for ongoing data capture by partners in the sector.

Overall, the study helps to make the case for investment in the Welsh historic environment by demonstrating the public value of heritage assets across Wales and the need for adequate protection, investment and access provision.

1.3 Defining the Welsh Historic Environment

Defining the historic environment is a key challenge for this research, particularly as its activities do not fit neatly into traditional economic disaggregations. Specifically, the historic environment is not conducive to conventional economic approaches that subdivide the economy according to industry or sector (the Standard Industrial Classification or SIC) or by the nature of employment / self employment (the Standard Occupational Classification or SOC). What is more, by its very nature many organisations that are not directly engaged in the historic environment in Wales, often consider heritage as a cross cutting theme or an implicit, rather than explicit, consideration in their work.

There are a number of definitions of the historic environment that have been previously adopted. As an example, the research that estimated the value of the historic environment in Wales in 2002² noted the following definition....*"the elements of human activity which have left traceable evidence in the modern landscape...whether visible or not, and which are ascribed value today"*. However, definitions such as this provide plenty of opportunities for inclusion but little operational guidance. Therefore, in order to measure the economic contribution, this previous research adopted the following definition....*"monuments and historic buildings, artefacts, ancient habitats and the historic landscape, and those activities designed to protect, manage, display and enhance these."*

Building on these definitions, for the purpose of assessing the economic contribution of the Welsh historic environment, the historic environment sector 'inner cog' (further information on the 'inner cog' is presented in Chapter 2) has been defined for the purpose of the study to comprise those organisations that can be considered to be at the core of the historic environment sector, as defined on the following page:

² Appreciating Assets: Estimating the Economic Value of the Historic Environment in Wales, 2002, University of Glamorgan

Table 1.1 Defining the historic environment sector 'inner cog'

Defining the historic environment sector 'inner cog'
Organisations that are active in conserving, maintaining and managing and/or creating access to Wales' historic environment. In particular, this research focuses on the following assets:
<ul style="list-style-type: none">• Scheduled ancient monuments / archaeological sites• Listed buildings• Conservation areas• Registered historic gardens/designed landscapes• Registered historic landscapes• Marine historic landscapes• Museums / heritage centres, where they are located within a historic building/ asset

It is important to note that this definition will not capture all historic environment assets, for example a significant proportion of the historic environment are not designated assets. However, by adopting the definition above the methodological approach is transparent, clear and easily replicable in the future.

For the purpose of capturing the wider contribution and softer benefits of the historic environment, the study will also consider non-designated / registered historic assets that are of particular importance to the local community. The findings from this element of the research are principally demonstrated through case studies and are reported in a separate document.

1.4 Research Approach

The overall research approach for this study is as follows:

1.4.1 Inception and scoping

An inception and scoping meeting was held with representatives of the Valuing our Environment Partnership.

1.4.2 Document and data review

Secondary documents and data were reviewed to understand the scope and scale of the historic environment sector in Wales. Other economic impact studies of aspects of the historic environment were also reviewed in order to understand the key findings and methodological approaches adopted.

1.4.3 In depth consultations

A mixture of face to face and telephone consultations with 38 individuals, from 24 organisations operating in the historic environment sector was conducted. ECOTEC also attended the Historic Environment Group (HEG) meeting in May 2010, which was attended by around 30 individuals that work in the historic environment sector. These consultations provided important sources of data and knowledge into the value of the sector.

1.4.4 Technical analysis

The findings from the desk research and consultations provided the essential basis for inputs directed at establishing the economic value, in terms of GVA and employment, of the historical environment in Wales. The research also establishes estimates in terms of direct employment, procurement spend and multiplier effects.

The model for the assessment of economic impacts of the historic environment is based around an income expenditure framework where the focus is on the flows of expenditure associated with the assets themselves, with the visitors they attract and on the way these flows work through the local/national economy, generating incomes and employment in the process. The key elements of the technical analysis are:

- Employment and incomes associated with the Welsh historic environment sector.
- The additional expenditure within the economy by visitors.
- Indirect effects down the supply chain associated with procurement spend and purchases from other businesses by the historic environment sector.
- Induced effects associated with the spend of all those who derive additional incomes from the historical environment sector whether directly or indirectly.

Application of economic multipliers to identify those other sectors supported by direct historic environment activity are also closely rooted in the results of our primary research, together with secondary data analysis – including reference to the Welsh Input-Output Model.

1.4.5 Case studies

Nine case studies that demonstrate the qualitative value of the Welsh historic environment have been developed and are detailed in a separate report.

1.4.6 Monitoring framework

A monitoring framework that will facilitate the ongoing assessment of the value of the Welsh historic environment has also been developed.

1.5 Research Considerations

There are a number of contextual and methodological issues that have been instrumental to undertaking a robust assessment of the value of the Welsh historic environment. Key considerations include:

Defining the historic environment: As previously discussed, there is no clear definition of the historic environment sector. For the purpose of valuing the economic impact of the historic environment, a relatively narrow definition has been adopted. However, it will be important to note that in light of this, the valuation will be transparent and robust but is likely to under-estimate the true value of the sector. For example, there are a range of organisations that are not directly involved in the sector but do recognise and contribute to its value and importance. Building on this, the assessment of the wider social value of

the historic environment will utilise a much wider definition, for example by including non-designated assets.

Establishing attribution: A crucial element of the economic impact assessment will centre on establishing a robust set of values in relation to the 'attribution' of any identified impacts to the historic environment – in other words, establishing the extent to which economic benefits are a principal consequence of the existence and operation of the historic assets themselves, as opposed to other potential contributory factors and influences.

Obtaining primary data inputs: In light of the challenges associated with defining the historic environment, there is a lack of available secondary information that enables a value to be assigned to the sector. The research has therefore gathered primary data from key organisations operating in the historic environment. However, the level of data available from organisations operating in the historic environment varies considerably due to differing information gathering and recording processes adopted by the organisations. For example, in some cases organisations were unable to provide a breakdown of their output and expenditure specific to the historic environment.

Considering wider benefits: There needs to be careful consideration of the role of the historic environment in terms of attracting visitors and tourists, particularly as previous research has identified that overall tourism and leisure-related effects account for the most significant share of impact³.

Considering comparability: Due to differing methodological approaches and operational definitions, the findings from this research are not directly comparable to other studies. In particular, it is important to note that in light of these issues, these findings cannot be directly compared to those of the research into the economic value of the historic environment in Wales that was undertaken in 2002.

1.6 Structure of the Report

This research has produced the following reports:

- Valuing the Welsh Historic Environment
- Valuing the Welsh Historic Environment: Summary
- Valuing the Welsh Historic Environment: Economic Impact Technical Report (this report)
- Valuing the Welsh Historic Environment: A Monitoring Framework

This document is the Economic Impact Technical Report, which sets out the full research for assessing the value of the Welsh historic environment in strict economic terms.

³ Economic Impact of the Historic Environment in Scotland, 2008, ECOTEC Research and Consulting

This report is structured as follows:

- Chapter Two: assesses the economic contribution of the historic environment in Wales.
- Chapter Three: summarises the conclusions of the research that values the economic value of the Welsh historic environment.

The report is also supported by the following annexes:

- Annex One: Glossary
- Annex Two: Consultee list
- Annex Three: Briefing note and topic guide to facilitate discussions with consultees

2.0 Economic Contribution of the Historic Environment in Wales

2.1 Introduction

The economic analysis presented in this section brings together and synthesises the results of the primary and secondary research in order to examine the contribution of the historic environment sector to the Welsh economy. The evidence and analysis relates to economic activity attributable, in turn, to those organisations comprising the 'inner cog' of the historic environment sector, plus the built heritage construction sector, together with expenditure resulting from tourists attracted to Wales principally because of the historic environment.

An important input to the analysis is the results of our consultations with a wide range of historic environment organisations in Wales. However, due to some difficulties in respect of gathering data that is specific to the historic environment (as highlighted in section 1.5), they currently only afford a partial, albeit valuable, view of the sector. For the purposes of the economic analysis the consultations have been combined with a range of published data sources and evidence.

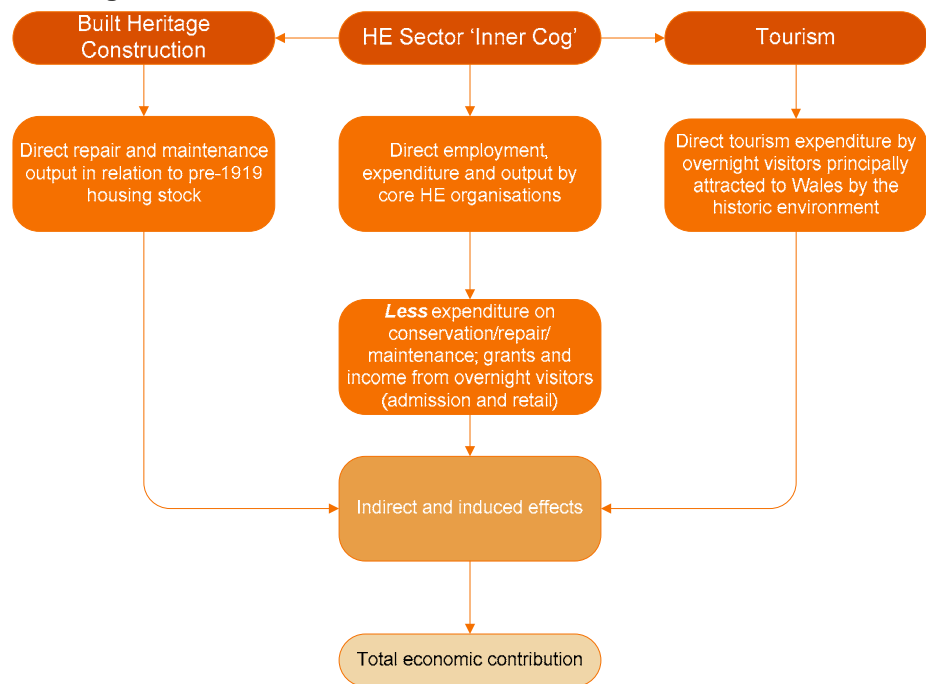
2.2 Modelling Framework

A principal aim of the study is to estimate the total economic contribution of the historic environment sector in Wales by measuring the level of economic activity that can be attributed to the sector across the Welsh economy. This has included developing estimates of the direct (initial) contribution as well as indirect and induced contributions. For the historic environment sector the direct, indirect and induced contributions may be defined as follows:

- The **direct contribution** includes direct employment, expenditure, and output by organisations within the 'inner cog' of the historic environment sector, built heritage construction output, and expenditure by tourists who have been attracted to Wales primarily because of its historic environment.
- The **indirect contribution** includes purchases of inputs made by firms that are supplying goods and services to the 'inner cog' of the historic environment sector, the built heritage construction sector and organisations associated with tourism, including hotels and restaurants.
- The **induced contribution** comprises benefits to the Welsh economy as a result of increased income and spending by people who work in the 'inner cog' of the historic environment sector; the built heritage construction sector; and tourism sector; plus in those businesses that supply goods and services to these sectors.
- The **total economic contribution** is the sum of direct, indirect and induced contributions.

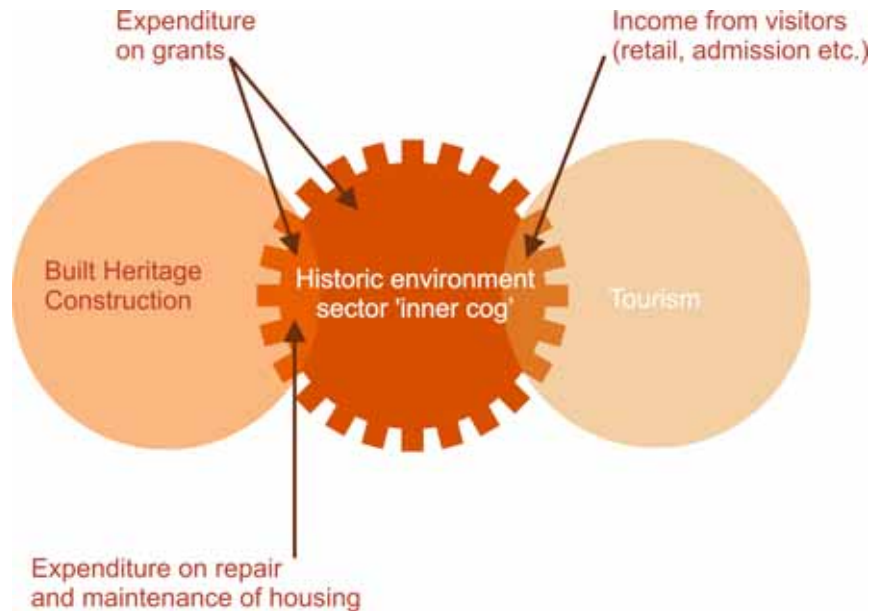
A schematic representation of the modelling framework adopted for the analysis is presented overleaf:

Figure 2.1 Modelling framework



The evidence and analysis is presented individually for each of the three historic environment sector 'components', as well as for the historic environment as a whole. However, it is important to recognise that on account of overlaps and inter-dependencies occurring within the sector that the individual contributions for each of the three 'components' do not readily sum to represent the total economic contribution of the historic environment. Rather, simply aggregating component contributions would result in elements of double counting with respect to the sector's economic footprint. Such overlaps and inter-dependencies are illustrated in figure 2.2.

Figure 2.2 Welsh historic environment sector



Conceptually, economists make a distinction between the terms economic contribution, impact and benefits. Whilst we recognise these technical distinctions, and as this report is intended principally for the non-economist, we have used the terms in a manner which is most appropriate to the context and in ways comparable to their use in other studies throughout the report. Notably, tourism-related effects have technically been assessed as an impact (i.e. an attempt has been made to estimate the difference between the economic benefits currently generated from tourism in Wales and what these would have been if Wales' historic environment had no visitor appeal). Other figures associated with the historic environment should generally be regarded as economic contributions (i.e. the money spent on maintaining historic buildings etc. would otherwise have been spent in other ways that would also have generated impacts).

2.3 Direct Contribution

The following sub-sections set out the evidence in relation to the direct contribution of the historic environment. As described above, direct effects have been derived and calculated from a number of complementary sources, including consultations and published data sources and evidence.

The direct contribution and the total economic contribution are expressed in terms of three key measures:

- **Output (turnover)**, which is the total value of all the goods and services produced in an economy.
- **Employment (full time equivalents (FTEs))**, which measures the extent to which a worker is involved in the historic environment. A full time equivalent of 1.0 means that the person's involvement in the historic environment is equivalent to a full-time worker. If an employee dedicated 18.5 hours per week on the historic environment this would represent 0.5 full time equivalent employees, based on a 37 hour week ($18.5/37 = 0.5$).
- **Gross value added (GVA)**, which is the difference between output and intermediate consumption for any given sector/ industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production.

2.3.1 Historic environment sector 'inner cog': Direct contribution

The 'inner cog' of the historic environment sector has been defined for the purpose of the study to comprise those organisations that can be considered to be at the core of the historic environment sector (i.e. activities concerned with the protection, enhancement and conservation of the historic environment sector): (1) large employers and grant bodies, such as Cadw, the National Trust, the Countryside Council for Wales and the HLF, (2) smaller organisations, such as trusts and societies, all of whose principal raison d'être is the preservation and conservation of the historic environment, (3) relevant sections of the Welsh Assembly Government and local authorities, and (4) organisations providing specialist archaeological and architectural services.

Evidence from the consultations indicates that the total number of FTE employees working in the 'inner cog' of the historic environment sector is approaching 1,500 (including some 250 seasonal FTEs). However, to the extent that this estimate represents only a proportion of known historic environment related organisations, the results should be interpreted as very conservative.

The consultations also provided data in relation to output (income/ turnover) and expenditure. However, some of the organisations have not been able to provide a breakdown of output and expenditure (i.e. wages and salaries; rent and utilities; conservation, maintenance and repair; etc). The results should therefore be viewed as an indicative baseline assessment of the sector.

Notably, in order to avoid double counting within the historic environment 'inner cog', we have subtracted grants expenditure from the total value of output on the assumption that these grants will be included in other organisations' output. For example, the output of many civic societies and trusts tends to be funded (in part, at least) by public bodies, such as Cadw.

Table 2.1 sets out the estimated direct impact of the 'inner cog' of the historic environment sector:

Output (£m)	Employment (FTEs)	GVA (£m)
£84.5	1,476	£51.1

Source: ECOTEC analysis based on consultations. Headline figures are presented in 2009 prices.

In summary:

- It is estimated that the 'inner cog' of the historic environment sector directly contributes approaching £85 million of economic output.
- It is estimated that this level of economic activity directly supports the equivalent of some 1,500 FTE jobs, representing £51 million in GVA. This has been calculated on the basis that GVA accounts for 60.5% of total output, which is based on the average GVA effect of the Recreation and Other Services sectors in the Welsh Input-Output table.

2.3.2 Built heritage construction sector: Direct contribution

Wales is home to a rich heritage of historic sites and buildings, many of which are designated and/ or listed. Substantial amounts of money are spent every year on maintaining and conserving these buildings.

Based on data available from the Office for National Statistics (ONS)⁴, it is estimated that approximately £1.4 billion of the total Welsh construction industry output related to the repair and maintenance of buildings in 2008, a substantial part of which relates to built heritage. This figure has been derived from the total output related to repair and maintenance (£1,838 billion on housing and £786 billion on other works). For the purpose of the analysis, and in the absence of further evidence, it has been assumed that only 50% of the total output in relation to other works is on buildings, with the remaining share relating to other infrastructures, such as roads. Indeed, a recent study by the National Heritage Training Group⁵ suggests that some 43% of repair and maintenance expenditure on buildings in Wales relates to pre-1919 buildings, which can be classed as the historic environment, even though the majority of these buildings are not listed. Consequently, it can be estimated that the Welsh historic environment accounts for approximately £620 million of repair and maintenance output in Wales.

⁴ Construction Statistics Annual, 2009, ONS

⁵ Traditional Building Craft Skills – Assessing the Need, Meeting the Challenge: Skills Needs Analysis of the Built Heritage Sector in Wales, 2007, National Heritage Training Group

In line with the above estimate, the following table sets out the estimated direct contribution of the built heritage construction sector. The employment estimates have been based on previous analysis, which estimated 14.7 FTE jobs per £1 million construction output⁶. The estimate below has been adjusted for inflation and is based on 12.1 FTE jobs per £1 million output. The GVA estimates have been calculated on the basis that GVA accounts for 38% of total outputs in the construction sector as set out in the Welsh Input-Output table.

Table 2.2 Built heritage construction sector: Direct contribution

Output (£m)	Employment (FTEs)	GVA (£m)
£621.3	7,504	£236.5

Source: ECOTEC analysis; the value of repair and maintenance expenditure has been adjusted for inflation. Headline figures are presented in 2009 prices.

In summary:

- It is estimated that the built heritage construction sector directly supports some 7,500 FTE jobs.
- In terms of GVA, the sector directly contributes some £240 million to Wales' economy, with this representing some £620 million in respect of economic output.

2.3.3 Historic environment related tourism expenditure: Direct contribution

In addition to the direct contribution of the historic environment sector 'inner cog' and the built heritage construction sector, the historic environment also has a significant impact on visitors choosing to come Wales.

Visit Wales hold much valuable information on visits to tourist attractions in Wales. According to a recent report⁷, the historic environment (defined here as historic properties) accounts for no fewer than 4 of Wales' top 10 pay-to-enter attractions. Notably, when including museums located within a historic building/ asset, the historic environment accounts for no fewer than 3 of the top 10 free admission attractions and 5 of the top 10 paid attractions. It is important to note, however, that this is only based on those tourist attractions that provided information on their visitor numbers (46% of the 525 identified attractions). Overall, the historic environment (historic properties) is estimated to account for 20% of all visits to attractions in Wales, and 12.5% of total spend. The comparatively low level of expenditure compared to the proportion of visitors is likely to reflect the relatively shorter stays at historic properties, compared with themed leisure parks and country parks. As stated above, these figures are based on the 46% of tourist attractions that provided information on their visitor numbers and consequently, the figures in the table represent conservative estimates.

Table 2.3 sets out the number of visits and expenditure associated with the historic environment.

⁶ Based on estimate provided in Traditional Building Craft Skills – Assessing the Need, Meeting the Challenge: Skills Needs Analysis of the Built Heritage Sector in Wales, 2007, National Heritage Training Group.

⁷ Visits to Tourist Attractions, 2009, Visit Wales

Table 2.3 Visitor numbers and expenditure, 2009

Attraction Category	Visitor numbers				
	Free admission	Paid admission	Total	Average spend/person	Total spend
Historic properties	546,032	2,058,822	2,638,935	£3.70	£9,762,062
All visitor attractions	6,544,387	6,593,254	13,137,641	£5.95	£78,168,964
Historic environment % of all visitor attractions	8.3%	31.2%	20.1%	62.2%	12.5%

Source: ECOTEC analysis based on *Visits to Tourist Attractions, 2009, Visit Wales*

As the above analysis shows, historic environment attractions (historic properties) directly attracted more than 2.6 million visitors in 2009, with an associated expenditure of approaching £10 million.

While this expenditure directly associated with historic environment attractions is in itself highly significant, the historic environment is also a central motivating factor for wider tourism to and within Wales. It is therefore legitimate to credit some part of the total expenditure of tourists/ visitors on hotels, food, transport, etc to the historic environment. According to the findings of the United Kingdom Tourism Survey (UKTS), Wales attracted approximately 8.5 million visitors from the UK in 2008 (accounting for 7% of the UK total).

Tourism expenditure is spending incurred whilst away from home overnight on a tourist trip and on advance payments for such items as fares and accommodation. Expenditure by day visitors is therefore not included in the above estimate. However, it can be argued that the displacement effect is relatively high for day visitors and therefore these visitors may not incur additional expenditure. In total, UK visitors to Wales spent approximately £1.4 billion, which represents an average expenditure of £166 per trip⁸.

Further to the UK tourism, Wales also attracts a significant number of overseas visitors. Based on research by Visit Wales⁹, approaching one million (987,000) overseas visitors visited Wales in 2007 (accounting for 3% of the UK total). The expenditure associated with overseas visitors was estimated at £339 million, which represents an average spend per trip of £344.

Whilst existing evidence does not precisely reveal what proportion of tourism expenditure that can be attributed to the historic environment, a number of surveys highlight the importance of the historic environment sector to tourism in Wales. For example, a recent survey of staying visitors in Wales noted that approaching a quarter of visitors mentioned elements of the historic environment as the main reason for visiting Wales; scenery, landscape and countryside (15%); attractions (5%); and history/ heritage (4%)¹⁰. Notably, for overseas visitors approaching a third of visitors mentioned these as the main reasons for visiting Wales.

⁸ The UK Tourist: Statistics 2008, 2009, UKTS

⁹ Overseas Tourism to Wales: Factsheet, 2008, Visit Wales

¹⁰ Wales Visitor Survey 2009: Staying Visitors Report, 2009, Visit Wales

Table 2.4 Main reasons for visiting Wales

	Main reason for visiting Wales (% of respondents)			
	Total	Wales	Rest of UK	Overseas*
Visiting friends/ relatives	20%	14%	17%	29%
Scenery/ landscape/ countryside	15%	17%	16%	14%
Previous leisure visit	11%	9%	14%	3%
Visit new place	9%	6%	8%	14%
Coast/ beaches/ seaside	5%	7%	7%	0%
Sightseeing/ attractions	5%	5%	5%	7%
Peace and quiet	5%	8%	6%	1%
History/ heritage	4%	2%	3%	8%

Source: Wales Visitor Survey 2009: Staying Visitors Report, 2009, Visit Wales; *Overseas visitors represent a weighted average of European and other international visitors.

The survey also showed that 89% of overseas visitors and 70% of UK visitors (excluding Wales) visited castles, historic sites and stately homes during their visit to Wales¹¹. Notably, visiting castles, historic sites and stately homes was the most frequent activity among overseas visitors and the second most frequent activity among UK visitors.

Table 2.5 Types of tourist attractions visited

	Types of tourist attractions visited (% of respondents)			
	Total	Wales	Rest of UK	Overseas
Nature attractions	73%	73%	74%	70%
Castles/ historic sites/ stately homes	72%	51%	70%	89%
Leisure/ theme park	40%	44%	43%	26%
Museum/ art gallery	38%	21%	37%	50%
Historic slate/ coal mine/ industrial heritage	37%	24%	38%	40%
Steam railway	23%	21%	23%	27%
Place of worship	23%	28%	18%	37%

¹¹ Ibid.

	Types of tourist attractions visited (% of respondents)			
	Total	Wales	Rest of UK	Overseas
Festival/ theatre/ arts centre	16%	33%	15%	14%

Source: Wales Visitor Survey 2009: Staying Visitors Report, 2009, Visit Wales

Other survey evidence, published by Cadw¹², shows that an interest in castles/ historic sites is the most significant factor influencing the decision to visit Wales – mentioned by 64% of peak season visitors and 68% (autumn) and 58% (spring) of off peak visitors. Furthermore, an interest in Welsh culture and history was mentioned by approximately a third of peak and off-peak season visitors. The relatively higher importance placed on the historic environment in these surveys is perhaps unsurprising; the survey focuses on individuals visiting Cadw's staffed sites rather than other tourist attractions and therefore these individuals have already demonstrated an interest in visiting historic assets.

Whilst we recognise that it is unlikely that single influences determine the decision to visit Wales, we have, for analytical purposes, and in recognition of the above findings, assumed that one-fifth (20%) of total tourism expenditure represents a reasonable, if perhaps conservative, estimate of the importance of the historic environment sector in attracting visitors to Wales. Notably, this allocation of tourist expenditure to the historic environment sector should be interpreted as follows: without an appealing historic environment, Wales' other attractions would not be enough for 20% visitors to choose Wales over other destinations. This assumption is consistent with previous research on the historic environment in Wales¹³. However, given the uncertainties surrounding this estimate we also provide alternative estimates in the table below based on a higher and lower estimate of tourism expenditure attributable to the historic environment sector – 10% and 30% respectively.

Table 2.6 Historic environment related tourism expenditure: Direct contribution

	Output (£m)	Employment (FTEs)	GVA (£m)
Base (20%)	£362.3	10,337	£217.4
Low (10%)	£181.1	5,168	£108.7
High (30%)	£543.4	15,505	£326.1

Source: ECOTEC analysis; the value of tourism expenditure has been adjusted for inflation. Headline figures are presented in 2009 prices.

In summary:

- Of total tourism expenditure of £1.8 billion, it is estimated that some £360 million can be attributed to the historic environment sector.
- It is estimated that this level of expenditure supports in excess of 10,300 FTE jobs, and generates some £220 million in respect of GVA (the GVA effect represents an approximation based on evidence from the Scottish tourism sector).

¹² Visitor Survey Peak Season 2008, 2008, Cadw; and Visitor Survey 2008/09 Off-Peak, 2009, Cadw

¹³ See, for example: Appreciating Assets: Estimating the Economic Value of the Historic Environment in Wales, 2002, Hill and O'Sullivan in Welsh Economic Review, Volume 14.2 Autumn 2002

- If 30% of Wales' tourism expenditure were to be attributed to the historic environment sector, the direct employment effect would be approximately 15,500 FTE jobs, and more than £540 million in economic output and some £330 million in GVA would be generated.
- Even if only 10% of total tourism expenditure were attributable to the historic environment, then the direct effect would still be highly significant, supporting an estimated 5,200 FTE jobs and generating some £110 million in GVA.

Notably, the estimates above do not include expenditure attributable to day visitors – as it can be argued that displacement is relatively high for day visitors (i.e. the expenditure is not additional within Wales). This is, however, a conservative assumption as (1) the alternative on the day for some Welsh residents will have been a visit over the border to England, and (2) some visits will be by English residents or overseas visitors staying in England.

Importantly, part of the expenditure by tourists will generate income for organisations represented in the 'inner cog' of the historic environment sector. Consequently, when totalling the economic impact of the historic environment sector we have excluded income from overnight visitors, including admission and retail, for organisations that are included in the 'inner cog' in order to avoid double counting. For example, Cadw and National Trust income from overnight visitors is assumed to already be included in the overall value of tourism expenditure and therefore is excluded when totalling the economic impact.

2.4 Total Economic Contribution

In addition to the direct contribution, the economic activity and employment associated with the historic environment sector also have indirect and induced impacts. The indirect and induced impacts relate to: (1) the purchases of inputs made by firms that are supplying goods and services to the 'inner cog' of the historic environment sector, the built heritage sector and organisations associated with tourism, including hotels and restaurants (indirect); (2) benefits to the Welsh economy as a result of increased income and spending by people who work in: the 'inner cog' of the historic environment sector; the built heritage sector, the tourism sector; and those businesses that supply goods and services to these sectors (induced).

Indirect and induced impacts are calculated by applying multipliers, usually derived from input-output tables, to the estimated direct impact. Where appropriate, we have made use of the Welsh Input-Output table to estimate indirect and induced effects, complemented with a range of previous research relevant to the historic environment sector in Wales.

2.4.1 HE sector 'inner cog': Total effects

Indirect and induced effects accruing from the direct economic activity within the 'inner cog' of Wales' historic environment sector are presented in the table below. In the absence of any specific research on supply chain linkages and spending patterns within the 'inner cog' of Wales' historic environment sector, we have made the following assumptions based on the best available evidence: output multiplier (1.60), employment multiplier (1.45) and GVA multiplier (1.51).

Table 2.7 Total economic contribution: Historic environment sector 'inner cog'

	Direct	Indirect and Induced	Total
Output (£m)	£84.5	£50.7	£135.2
Employment (FTEs)	1,476	664	2,140
GVA (£m)	£51.1	£26.1	£77.2

Source: ECOTEC analysis; the survey results and other inputs have been adjusted for inflation. Headline figures are presented in 2009 prices. The sum may not add up to the total due to rounding.

In summary:

- Including indirect and induced effects, it is estimated that the 'inner cog' of the historic environment sector supports over 2,100 FTE jobs in Wales.
- The 'inner cog' of the historic environment is estimated to contribute some £80 million to Wales' national GVA, with approaching £140 million in respect of output.

2.4.2 Built heritage construction sector: Total effects

Indirect and induced effects accruing from the direct economic output within the built heritage construction sector of Wales' historic environment are presented in the table below. The output multiplier of 1.79 has been based on the Welsh Input-Output table, whilst the employment and GVA multipliers (1.79 and 1.88 respectively) represent an approximation based on construction sector multipliers developed for Scotland, as outlined below.

$(\text{Output multiplier in Wales} / \text{Output multiplier in Scotland}) * \text{GVA multiplier in Scotland}$

$(\text{Output multiplier in Wales} / \text{Output multiplier in Scotland}) * \text{employment multiplier in Scotland}$

Notably, these are likely to represent conservative estimates as it can be argued that the labour input and the use of Welsh materials is higher in the built heritage construction sector than for the construction industry as a whole.

Table 2.8 Total economic contribution: Built heritage construction sector

	Direct	Indirect and Induced	Total
Output (£m)	£621.3	£659.7	£1,112.1
Employment (FTEs)	£7,504	7,969	13,433
GVA (£m)	£236.5	£273.4	£445.6

Source: ECOTEC analysis; the value of repair and maintenance expenditure has been adjusted for inflation. Headline figures are presented in 2009 prices. The sum may not add up to the total due to rounding.

In summary:

- Including indirect and induced effects, it is estimated that the built heritage construction sector supports approaching 13,400 FTE jobs in Wales.
- The built heritage construction sector is estimated to contribute some £450 million to Wales' national GVA, with this representing approximately £1.1 billion in respect of output.

2.4.3 Tourism expenditure: Total effects

The indirect and induced effects from tourism expenditure attributable to Wales' historic environment sector are presented in the table below. Based on previous research¹⁴, the output and employment multipliers are estimated at 1.69 and 1.44 respectively. The GVA multiplier (1.51) represents an approximation based on tourism multipliers developed for Scotland, as outlined below.

(GVA multiplier / Output multiplier in Scotland) * Output multiplier in Wales

Table 2.9 Total economic contribution: Historic environment tourism expenditure

	Direct	Indirect and Induced	Total
Output (£m)	£362.3	£248.5	£610.8
Employment (FTE)	10,337	4,543	14,880
GVA (£m)	£217.4	£111.2	£328.6

Source: ECOTEC analysis; the value of tourism expenditure has been adjusted for inflation. Headline figures are presented in 2009 prices. The sum may not add up to the total due to rounding.

In summary:

- Including indirect and induced effects, it is estimated that tourism expenditure attributed to the historic environment supports approaching 14,900 FTE employees in Wales.
- The tourism expenditure is estimated to contribute some £330 million to Wales' national GVA, and in excess of £610 million in respect of output.

2.5 Total Economic Impact: Welsh Historic Environment

The aggregate economic contribution of Wales' historic environment sector is summarised in the table below. (N.B. as noted previously, the individual contributions from all three aspects of the historic environment do not readily sum to represent the total economic impact of the historic environment, on account of overlaps and inter-dependencies occurring within the sector, as highlighted in Figure 2.1).

¹⁴ Appreciating Assets: Estimating the Economic Value of the Historic Environment in Wales, 2002, Hill and O'Sullivan in Welsh Economic Review, Volume 14.2 Autumn 2002

Table 2.10 Total economic contribution: Historic environment sector

	Direct	Indirect and Induced	Total
Output (£m)	£1,055.0	£951.0	£1,837.1
Employment (FTE)	19,317	13,176	30,453
GVA (£m)	£497.1	£406.6	£839.4

Source: ECOTEC analysis; the value of output and GVA has been adjusted for inflation. Headline figures are presented in 2009 prices. The sum may not add up to the total due to rounding.

In summary:

- Including indirect and induced effects, it is estimated that the historic environment sector supports approaching 30,500 FTE jobs in Wales.
- The historic environment sector is estimated to contribute approximately £840 million to Wales' national GVA, which is equivalent to 1.9% of Welsh GVA.
- The historic environment also contributes some £1.8 billion in respect of output.

3.0 Conclusions

The key findings to emerge from the economic analysis that assesses the contribution of the historic environment sector to the Welsh economy are outlined below. It is important to note, however, that in order to ensure that the results of this economic assessment are robust, a very conservative approach has been taken to arrive at these estimates:

- The historic environment is a highly significant contributor to the Welsh economy, directly supporting more than 19,000 FTE jobs.
- Including indirect and induced effects, it is estimated that the historic environment sector supports over 30,000 FTE jobs in Wales.
- Overall, the historic environment sector is estimated to contribute approximately £840 million to Wales' national GVA, which is equivalent to 1.9% of Welsh GVA.
- The historic environment also contributes some £1.8 billion in respect of output.
- The inner cog of the historic environment sector supports over 2,100 FTE jobs in Wales, which is estimated to contribute some £80 million to Wales' national GVA, with approaching £140 million in respect of output.
- A considerable share of economic impacts relate to tourism expenditure attributable to the historic environment. The research states that one-fifth (20%) of total tourism expenditure represents a reasonable, if perhaps conservative, estimate of the importance of the historic environment sector in attracting visitors to Wales.
- Tourism expenditure related to the historic environment is estimated to supports some 14,900 FTE jobs in Wales, with this representing some £330 million in respect of GVA and more than £610 million in respect of output.
- The built heritage construction sector also accounts for a substantial share of the total economic impact. Notably, a significant proportion of this overall impact is as a result of grants and/ or expenditure by core historic environment organisations, including Cadw and the National Trust, for example to conserve or repair historic assets in their guardianship.
- Including work funded by grants and expenditure by core historic environment organisations, the built heritage construction sector supports over 13,400 FTE jobs in Wales, and generates approximately £450 million in respect of GVA and £1.1 billion in output.

Annex One: Glossary

Term	Definition
Attribution	Establishing the extent to which economic benefits are a principal consequence of the existence and operation of the historic assets themselves, as opposed to other potential contributory factors and influences.
Direct contribution / effects	Direct employment, expenditure, and output by organisations within the 'inner cog' of the historic environment sector, built heritage construction output, and expenditure by tourists who have been attracted to Wales primarily because of its historic environment.
Full time equivalent (FTE)	Measures a worker's involvement in the historic environment. A full time equivalent of 1.0 means that the person's involvement in the historic environment is equivalent to a full-time worker. If an employee dedicated 18.5 hours per week on the historic environment this would represent 0.5 full time equivalent employees, based on a 37 hour week – $18.5/37 = 0.5$.
Gross Value Added (GVA)	The difference between output and intermediate consumption for any given sector/ industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production.
Historic environment sector 'inner cog'	Comprises those organisations that can be considered to be at the core of the historic environment sector, i.e. activities concerned with the protection, enhancement and conservation of the historic environment sector.
Indirect contribution / effects	Purchases of inputs made by firms that are supplying goods and services to the 'inner cog' of the historic environment sector, the built heritage construction sector and organisations associated with tourism, including hotels and restaurants.
Induced contribution / effects	Benefits to the Welsh economy as a result of increased income and spending by people who work in the 'inner cog' of the historic environment sector; the built heritage construction sector; and tourism sector; plus in those businesses that supply goods and services to these sectors.
Multiplier effects	Further economic activity associated with additional local income and local supplier purchases. Two types of multipliers are often considered: a supply linkage multiplier - due to purchases made by the historic environment sector and further purchases associated with linked firms along the supply chain; an income multiplier - associated with local expenditure as a result of those who derive incomes from the direct and supply linkage impacts of the historic environment sector.
Output	The total value of all of the goods and services produced in an economy.
Standard Industrial Classification (SIC)	Classification of business establishments by the type of economic activity in which they are engaged.
Standard Occupational Classification (SOC)	Classification of workers into occupational categories.
Total economic contribution	The sum of direct, indirect and induced contributions.

Annex Two: Consultees

Organisation	Consultee
Architectural Heritage Fund	Ian Lush
Brecon Beacon National Park	Tracy Nettleton
British Waterways	Andrew Stumpf Nigel Crowe
Cadw	Marilyn Lewis Jean Booker Gwilym Hughes
Civic Trust Wales	Matthew Griffiths
Clwyd-Powys Archaeological Trust	Bill Britnell
Countryside Council for Wales	Richard Kelly Russell Elliot Jill Bullen
Davies Sutton	Michael Davies
Department of Economy and Transport, Welsh Assembly Government	Steve Spode Andrew Osborne
Dyfed Archaeological Trust	Louise Austin
Glamorgan-Gwent Archaeological Trust	Andrew Marvell
Heritage Lottery Fund	Jennifer Stewart
Historic Houses Association	Sir Brooke Boothby
Institute for Historic Building Conservation	Richard Dean
National Library	Avril Jones Fred Farrow
National Museum Wales	Judith Ingram
National Trust	Ruth Williams Emma Plunkett-Dillon Grahame Jones Susan Roberts
Newport City Council	Wyn Mitchell Bob Bowler Mike Lewis Rob Frowen
Pembrokeshire National Park	Phil Bennett
Regeneration Department, Welsh Assembly Government	Chris Ashman
Royal Commission on the Ancient and Historical Monuments of Wales	Peter Wakelin
Visit Wales	Nigel Adams Robert Lewis
Welsh Local Government Association	Heledd Bebb
Wrexham County Borough Council	Alan Watkin

Annex Three: Briefing Note and Topic Guide to Facilitate Discussions with Consultees

Topic Guide: Valuing the Welsh Historic Environment Study

ECOTEC Research & Consulting has been commissioned by the Valuing our Environment Partnership¹⁵ to undertake new research directed at valuing the historic environment, both in strict economic terms and in its wider sense of social value. This research will be central to developing a stronger appreciation of the size and scope of impacts which accrue as a result of the historic environment and the work of organisations operating within the sector.

Given the paucity of official data sources the collection of key information from those organisations which have a role, either directly or indirectly, in conserving, maintaining, managing, or creating access to the historic environment is of fundamental importance to the research, and will allow us to better identify the full impact of the historic environment.

We would, therefore, be most grateful if you, or another appropriate person in your organisation, could spare some time to have a discussion with one of ECOTECs research consultants. The discussion will be facilitated by this topic guide. We appreciate that some organisations may not have access to all of the information we have requested, therefore we will ensure that our discussion is flexible and appropriately tailored to each organisation.

The study will focus on those organisations that are active in conserving, maintaining and managing and/or creating access to Wales' historic environment. On this basis, the study will include the following assets:

- Scheduled ancient monuments / archaeological sites
- Listed buildings
- Conservation areas
- Registered historic gardens/designed landscapes
- Registered historic landscapes
- Marine historic landscapes
- Museums / heritage centres, where they are located within a historic building/ asset

For the purpose of capturing the wider contribution and softer benefits of the historic environment (sections seven and nine of this topic guide), the study will also consider non-designated / registered historic assets that are of particular importance to the local community. As the study progresses, there will be consideration as to whether some of these assets should be included in the economic impact assessment but it will be largely dependent on data availability and the ability to measure and quantify performance.

Note: where possible, information should be based on the last financial year, i.e. 2009/10.

¹⁵ The members of the Valuing our Environment Partnership that are funding this study are the National Trust (chairs the partnership); Countryside Council for Wales; Welsh Assembly Government – Cadw; Welsh Assembly Government – Visit Wales; Welsh Assembly Government – Department for the Economy & Transport; and the National Park Authorities for the Pembrokeshire Coast, the Brecon Beacons & Snowdonia.

Name of organisation: _____

Name of individual: _____

Section One: Organisational Information

- 1 How long has your organisation been established for?
- 2 Which of the following best describes your organisation (identify all that apply)?

Public sector organisation	
Private sector organisation	
Voluntary sector organisation	
Representative / membership organisation	

- 3 What particular aspect(s) of the historic environment would you say the work of your organisation most closely relates to (identify all that apply)?

Listed and / or historic buildings	
Archaeology	
Conservation areas	
Gardens / designed landscapes	
Historic landscapes	
Marine historic environment	
Natural environment	
Museum	

- 4 Can you describe your core activities?
- 5 How many historic environment venues / attractions is your organisation responsible for? (if available, obtain a list of assets)

	Number
Number of heritage assets	
Number of visitor centres	
Other (please specify)	

Section Two: Employment

- 6 How many **permanent** full time equivalent employees does your organisation directly employ as a result of work focussed on the historic environment?

(if an employee dedicated 18.5 hours per week on the historic environment this would represent 0.5 full time equivalent employees, based on a 37 hour week – $18.5/37 = 0.5$)

- 7 How many **seasonal** full time equivalent employees does your organisation directly employ as a result of work focussed on the historic environment?

(if a seasonal worker dedicates 18.5 hours per week over three months this would represent 0.125 FTEs - $18.5/37 \text{ hours} / 3/12 \text{ months} = 0.125$)

- 8 Please identify the number of full time equivalent employees (as identified above) who are engaged in the following activity areas:

	Permanent	Seasonal
Construction, maintenance and repair (including archaeologists and architects)		
Conservation professionals		
Research, recording and policy		
Management and support services (including marketing)		
Education, training and outreach		
Visitor services and facilities (including interpretation and access)		
Other <i>(please specify)</i>		
Total		

- 9 What percentage of your employees is resident in Wales?

- Permanent employees?
- Seasonal employees?

Section Three: Volunteers

- 10 On average, how many volunteers per year are connected to your organisation's work on the historic environment?
- 11 On average, how many hours per year are provided by volunteers connected to your organisation's work on the historic environment? Is this input seasonal or all year round?

- 12 Can you estimate the proportion of time per year attributable to volunteers that are resident in Wales?
- 13 Could your organisation continue to operate at the current level without any voluntary input?

Section Four: Expenditure

- 14 What is your organisation's approximate current annual expenditure specifically related to the historic environment?
- 15 How is this expenditure distributed across the following categories? For each category, what percentage of this expenditure would you estimate is received by Welsh companies / individuals resident in Wales?

(information should be provided for the latest financial year or if this year is atypical an average of the last three years)

	£	% to Welsh companies / individuals
Operating expenditure		
Wages and salaries		
Rent and utilities		
Conservation, repair and maintenance of historic environment assets		
Education, promotion and interpretation of historic environment assets		
Grants (for operating purposes)		
Other <i>(please specify)</i>		
Total operating expenditure		
Capital expenditure		
Conservation, repair and maintenance of historic environment assets		
Grants (for capital purposes)		
Other <i>(please specify)</i>		
Total capital expenditure		

Section Five: Income

16 What is your organisation's total annual income?

17 What are the sources of this income?

(information should be provided for the latest financial year or if this year is atypical an average of the last three years)

	£	%
Commercial services / products		
Donations and bequests		
Membership fees		
Visitors (admissions and retail)		
Property and land transactions		
Grants		
Other <i>(please specify)</i>		
Total		100%

18 Based on the last financial year, for every £1 of public sector funding, how much private sector funding does your organisation secure?

Section Six: Visitors

19 What is the current annual number of visitors / tourists to the historic environment assets managed by your organisation? *Identify whether this is an actual or estimated figure*

20 If possible, what proportion (%) of these are:

- a. On a day trip from home?
- b. Staying overnight?

21 Can you provide an estimate of the breakdown by geographical origin for these visitors? *Identify whether this is an actual or estimated figure*

	On a day trip from home	Staying overnight
Origin within Wales		
Origin within the rest of the UK		
Origin outside of UK		

Total	100%	100%
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- 22 In your opinion and to the best of your knowledge, what proportion of visitors to Wales would you say are attracted to the country **principally** because of its historic environment?
- 23 Do you gather any other information relating to visitors? How is this collected and what frequency is it collected?

Section Seven: Wider Benefits

- 24 Which of the following wider benefits does your organisation contribute to? Please explain how and reference how these support wider strategies e.g. economic strategy, tourism strategy? *Where available, gather supporting data.*
- a. Economic (e.g. indirect support for hospitality sector)
 - b. Regeneration (e.g. links to wider regeneration programmes)
 - c. Learning / education (e.g. number of educational visits)
 - d. Environment (e.g. climate change, environmental quality)
 - e. Community (e.g. community cohesion, capacity and inclusion)
 - f. Other
- 25 Do you have any methods in place for monitoring these benefits? How is this information collected and what frequency is it collected?

Section Eight: Monitoring

- 26 In relation to measuring the impact of your work related to the historic environment, how effective do you think your monitoring practices are (very effective, effective, ineffective, very ineffective)? Why?
- 27 What are the main challenges you face in relation to monitoring impact?
- 28 Are there any significant gaps in monitoring information relating to the historic environment:
- a. Within your organisation?
 - b. Across Wales?
- 29 Is there any additional data / information you think you should / could gather?

Section Nine: Further Information

- 30 As part of this study, we are going to develop ten case studies. To help us identify a good cross section of case studies, could you recommend three case studies from your organisation that you think would effectively demonstrate the benefits of the historic environment?

Case Study	Location	Type (e.g. visitor centre, building, conservation area)	Key benefits (e.g. economic, regeneration, learning, environment, community)
1			
2			
3			

- 31 Any other comments