

Economic Development and Transport Committee

Minutes EDT(2) 02-05

Meeting date: 19 January 2005

Meeting time: 9.00 - 12.30

Meeting venue: National Assembly for Wales, Cardiff Bay

Attendance

Assembly Member	Constituency
Christine Gwyther (Chair)	Carmarthen West and South Pembrokeshire
Alun Cairns	South Wales West
Christine Chapman	Cynon Valley
Andrew Davies (Minister for Economic Development and Transport)	Swansea West
Janet Davies	South Wales West
Lisa Francis	Mid and West Wales
Elin Jones	Ceredigion
Huw Lewis	Merthyr Tydfil and Rhymney
Jenny Randerson	Cardiff Central

Officials

Name	
David Pritchard	Director, Economic Development and Transport Department
Emyr Roberts	Chief Executive, WEFO
Caroline Turner	WEFO

Janine Pepworth	Broadband Wales Programme Manager
Rob Halford	EPD

Committee Service

Name	
Sian Wilkins	Clerk
Sarah Bartlett	Deputy Clerk

Item 1: Introduction, Apologies, Substitutions

1.1 Huw Lewis substituted for Lynne Neagle who sent her apologies.

1.2 The Chair noted that changes to Committee membership had been proposed and Christine Chapman would no longer be a member of EDT Committee. The Chair wished her well in her new position as Deputy Minister and thanked her for all her hard work in the Committee over the last 4 years.

Item 2: EDT Minister's Report

Paper: EDT(2) 02-05 (p1)

2.1 The Minister introduced his report and gave an oral update, which is attached to the report.

2.2 One Member referred to an on-going issue about his repeated requests for details of all communications between the WDA and the Minister and Officials on the appointment of the WDA Chief Executive. The Member commented that the Minister had chosen to treat his original request, made in Committee, as a request under the Freedom of Information Act (FOI), which consequently delayed his receipt of the information. He originally requested the information, in writing, via a Written Assembly Question in October and subsequently the Clerk to the Committee had followed up his oral request made in EDT Committee on 10 November. He had only, that morning, received the information and asked the Chair for clarification on the matter.

2.3 The Chair agreed to seek clarification on this issue from the Panel of Chairs and the Presiding Officer about the impact of FOI on requests for information made in Committee [Action: Chair]

2.4 A Member referred to the response in the Minister's report to a previous request for details of the

WDA proposal to underwrite rental as a new funding mechanism. The Minister agreed to provide more detail in his next report. [Action: EDT Minister]

2.5 Reference was made to the policy that seemed to exist in Ireland to actively recruit science professionals to work in industry. The Minister said that he shared responsibility in this area with the Minister for Education and Lifelong Learning and the First Minister. Their objective was to increase science technology and to build on existing sectors and higher education institutions and to work with global companies such as IBM who had recently set up the Institute of Life Science (ILS). This was a key step in delivering the recommendations set out in the Nexus Report. He hoped that this report would be central to the Committee's forthcoming Science policy review.

2.6 On the introduction of the proposed Batteries and Accumulators Directive the Minister said that he continued to lobby on behalf of affected Welsh companies. The 4 year exemption to the directive that had been agreed for Cadmium batteries used in power tools, provided time to look at ways of ameliorating the situation. He noted the possibility of developing a new process to compensate for the directive such as a battery recycling initiative, similar to the car recycling plant set up in Newport as a result of the End of Life Vehicle Directive. The Minister said it was important for the Committee to be aware that Cadmium in batteries only made up 1% of Cadmium pollution and that fertilisers used in farming contributed to around 30 - 40 % of pollution. The Minister agreed to take this matter up with the Minister for Environment, Planning and Countryside and report back to Committee. [Action: EDT Minister]

2.7 Members expressed concern about the recent job losses in Mid Wales, specifically in Newtown where there had been 4 major announcements relating to job losses in the last 4 months. Many of these jobs had been in the manufacturing sector and Members asked that the Minister look at creative policies to lessen the cumulative effect of job losses in the area. Responding, the Minister said that he regretted the loss of jobs in Mid Wales. He did not accept the argument that the manufacturing industry was in decline, but more that it was changing to include higher value added jobs. He said that policies were in place to deal with these issues such as the Skills Employment Action Plan which focused on skills and training. The Chair said that she hoped to hold a Committee meeting in Mid Wales next term to discuss the subject in more detail.

2.8 In response to a specific question officials outlined the WASP (Welsh Application Service Provider) Scheme which had recently received a second round of funding under ERDF and ESF. The scheme had been successful in assisting SMEs but would be difficult to replicate outside the Objective 1 area.

2.9 In response to a specific question on the Creative Industries strategy the Minister agreed to provide further information on what proportion of income International Property was for Welsh media Companies. [Action: EDT Minister]

2.10 The Minister outlined the latest employment figures that had been released at 9.30 that morning. Members had not at that time seen the figures so were unable to discuss them in detail. They were also

surprised that the Minister had not made any reference in his report to the GVA figures which had been released in December.

2.11 On the WTB's latest marketing campaign, the Minister noted that the new campaign sought to build on the success of the 'Big Country' campaign which had increased visitor spend by a greater margin than the rest of the UK. The Minister said that the new campaign was innovative and presented a very positive image of Wales.

2.12 Members were concerned about the recent closure of the A470 following the landslide at Dinas Mawddwy and asked when the road would be fully operational. They were also concerned about what plans existed for the long-term investment in the road. The Minister agreed to provide Members with details on the latest position. [Action: EDT Minister]

2.13 The Minister commented on the new stretch of the A470 that he had recently opened. He noted that it was a major piece of engineering and would hopefully combat some of the environmental challenges that the road faced. Officials added that the Environment Agency were assessing the impact of severe weather on the transport structure and they noted that the A470 upgrade was a priority and that 24 individual upgrades were in place and were currently going through consultation.

2.14 On Broadband, the EDT Minister was pleased to launch the Broadband Wales Strategy 05-07. A Member welcomed the recent news that BT had introduced Broadband to a number of new exchanges across Wales but was not sure what plans the Minister had to support exchanges which would not be supplied by normal market forces. Officials said that they were working with the EC to identify how to put together a suitable scheme to provide first generation Broadband to anyone in Wales who wanted it. They were about to launch a brokerage scheme which would capture demand for both first and second generation Broadband in Wales. This would allow them to demonstrate to the EC whether or not the market would support that demand.

Item 3: Structural Funds Quarterly Report

Paper: EDT(2) 02-05 (p2)

3.1 The Chair paid tribute to the work Christine Chapman had carried out as Chair of the Objective 1 PMC now that she would no longer be carrying out this role. The Minister and officials added their own thanks for the work that she had done during her time as Chair. Dr Caroline Turner was also moving to a new role outside WEFO and the Minister thanked for her invaluable contribution to the running of the Structural Funds programmes.

3.2 Introducing the paper the Minister said that 2004 had been a successful year for the programmes, having achieved the N+2 targets for the year, thus avoiding de-commitment, and successfully completing the mid-term reviews, receiving Formal Decisions from the EC agreeing to the proposed changes.

3.3 Christine Chapman reported on the last two meetings of the Objective 1 PMC. She said that two-thirds into the programme Wales had received many positive evaluations from across the EU. In particular she highlighted Wales' award of the Performance Reserve in March 2004. She outlined some of the changes that had been made within the PMC, most notably the new Performance Sub-committee and said that across Wales tangible examples of the success of the Objective 1 programme were starting to be seen. She noted that more work needed to be done on spatial distribution as well as ensuring there was clear and effective communication right across the range of bodies involved in delivering structural funds. She concluded by thanking staff in WEFO and members of the PMC for their total commitment and vision.

3.4 In discussion a Member spoke in more detail about spatial distribution. The Member was concerned that in the Heads of the Valleys corridor in particular, spending from structural funds programmes was too low. The lack of spend in Priorities 3 and 4 indicated that capital was not being made of the programmes and he criticised the role of agencies such as the WDA, saying that they had not engaged successfully with communities or Local Authorities in this area. This was in stark contrast to Priority 5, which had had a clear strategic approach from the agencies involved. The Minister said it was true that there was fragmentation of programmes in some parts of Wales. He referred to the work he had started on the Heads of the Valleys initiative, which included key stakeholders such as the WDA and Local Authorities. He would be updating the Committee shortly on the Heads of the Valleys strategy. [Action: EDT Minister]

3.5 Officials explained that it had been difficult to bring projects forward in this area, especially under Priority 3. The spatial targeting in some of the Objective 1 measures made it difficult to match projects to the Communities First areas. There was also a need for further capacity building for community development projects. There was however a large retrospection project from 2004 which would have a significant impact on the Communities First areas. There were a number of other projects in the pipeline and the position was looking more positive. The Welsh Assembly Government had also provided substantial funding to support Communities First action plans. The Minister agreed to take up the issues raised with the WDA and to discuss issues concerning social enterprise with the relevant Minister. [Action: EDT Minister]

3.6 In response to a specific question officials said that they were currently reviewing project application times. They intended to have new procedures in place by the end of March.

3.7 Concern was expressed that Priority 1 Measure 2, which promoted entrepreneurship and SME birth rates was heavily under committed. Officials explained that following the mid-term review measures 2 and 3, which were very similar, were to be merged. This would be reflected in the next report to Committee. Measure 3 was presently over committed and the new combined measure would be subject to a bidding round. Officials also reminded Members that the Entrepreneurship Action Plan had also been funded through this measure. While the Action Plan had some short-term measures it was essentially a long-term strategy, which needed to address attitudinal and cultural changes.

3.8 A Member expressed concern about spending levels under Objective 2 (Transitional) programme and the risk of de-commitment, and asked how much spending had been used under retrospection rules. Officials said that it had been difficult keeping spending levels up but they were confident that they would not have to use retrospection again. They agreed to provide a comparison of retrospective projects for 2003 against those for 2004, detailing the nature of the project and the amount for the latest projects. [Action: EDT Minister]

3.9 A Member referred to the 37,500 new jobs that the Minister had reported had been created under the Objective 1 programme. Officials agreed to provide further information on how many of these were full-time/part-time, the gender balance, which sectors the jobs had been created in and how many involved training as a part of the job. [Action: EDT Minister]

3.10 Concern was expressed about the low spending levels in Objective 1 Priority 3 Measures 1 and 4. These measures impacted on businesses in the social economy and in areas that had capacity issues. The figures seemed to indicate that these issues had still not been addressed. Officials said that spatial targeting had not helped the management of these measures but these had now been removed, which should assist social enterprises. A number of projects were blocked at present as the EU regulations in this area lacked clarity and there were a number of State Aid issues that needed to be addressed.

Item 4: Policy Review - Final Draft of Economic Inactivity Report

Paper: EDT(2) 02-05 (p3)

4.1 Members agreed a small number of changes to the draft. The Chair agreed to circulate a final draft to Members for comment by e-mail.

Item 5: A Winning Wales progress Report

Paper: EDT(2) 02-05 (p4)

5.1 The Minister introduced the paper, which showed progress with A Winning Wales against its specific targets. The Minister noted that they were on course to meet all targets apart from one. Some Members disagreed with this view saying that data did not exist for a further three areas.

5.2 Some Members were surprised that the Minister had not made any reference to progress on achieving 90% relative GVA which they understood to be the key target that A Winning Wales was designed to achieve. They were concerned that if the individual targets in A Winning Wales were being met this did not appear to be having the desired effect on GVA.

5.3 The Minister said that achieving 90% relative GVA was not a 'target' within A Winning Wales, but an aspiration. He accepted however, that given the progress on most key indicators, i.e.: lower ILO

unemployment; higher earnings and higher GVA per capita, you would expect more progress to have been made on relative GVA. Officials had asked the ONS to review the anomalies that appeared to exist with these key indicators. They would report the results of this to Members in due course. [Action: EDT Minister]

5.4 Members requested a fuller report on analysis of the recent GVA figures in the next Minister's report and the Chair agreed to allow sufficient time for a more detailed discussion. [Action: EDT Minister/Chair]

5.5 In response to a question about overseas offices, the Minister confirmed that He was not pursuing the proposed office in Hong Kong at present given the effect the merger process was likely to have on it. He confirmed that the Welsh Assembly Government were looking at new accommodation for the Brussels office.

5.6 Members highlighted some of the very low local GVA figures in Wales. The Minister said that GVA at the lowest geographical level was a crude indicator. People lived more complex lives than in the past, which made it difficult to gauge accurate indicators. Members accepted that GVA figures at a local level were less reliable but suggested that more work should be done to identify other, alternative, indicators. The Minister agreed to provide further information on progress in this area. [Action: EDT Minister]

5.7 The Minister commented that while he was concerned with growth in prosperity, it was not his only concern. He was concerned with helping people back into work. Economic inactivity had a profound impact on Wales' GVA. He noted the large amount of study that had been done in this area by the Welsh Assembly Government, the policy review by the Committee and the Bevan Foundation, but that what was needed now was clear action on policy initiatives. He said that the number of jobs now being created in Wales was comparable to the rest of the UK, and agreed to provide further information for Members. [Action: EDT Minister]

5.8 A Member requested a progress report on the Corus Response Plan and asked whether the problem had been overcome on the apparent low spend in relation to ICT and the Learning Network programmes. The Minister agreed to provide a note clarifying the position. [Action: EDT Minister]

5.9 In response to a request for a league table showing comparable Broadband availability the Minister said that these were difficult to obtain as many of the internet service providers would not release commercially sensitive information. He agreed however, to look at the data that was available and report further to the Committee. [Action: EDT Minister]

Item 6: EDT: Secondary Legislation Programme

Paper: EDT(2) 02-05 (p5)

6.2 The Committee agreed to deal with this item by e-mail

Item 7: EU Legislation

Paper: EDT(2) 02-05 (p6)

7.1 The Committee agreed to deal with this item by e-mail

Item 8: Minutes of previous meetings

Paper: EDT2 16-04 Minutes of the meeting on 1 December 2004

Paper: EDT2 02-05 Action Outstanding

8.1 The minutes were agreed as a true record.