

Enterprise and Learning Committee

EL(3) 20-10 (p2) : 6 October 2010

Enterprise and Learning Committee's inquiry into the implementation of the Economic Renewal Programme

CBI evidence

1. CBI Wales is pleased to respond to the committee's inquiry into the implementation of the Welsh Assembly Government's economic renewal programme.
2. The CBI is the UK's foremost business representative body dealing principally with cross-sector issues, which affect the business environment in which all companies operate. The CBI's strength lies in its breadth of membership, which includes companies of every size, including over 200 trade associations and academic institutions, and from all sectors of the economy – manufacturing, construction, retailing, financial services, e-commerce, leisure, transport and so on. The CBI represents companies employing about 40% of Wales' private sector workforce delivering over half of Wales' business turnover.

Consultation process

3. In order to formulate the CBI response to the economic renewal programme, we undertook a comprehensive consultation process with our members, lasting over five months, right across Wales to determine the CBI position.
4. The process included presentations from Assembly Government officials and special break-out sessions at each of the CBI's established forums including:
 - CBI Wales Council
 - CBI North Wales Committee
 - CBI Wales SME Forum
 - CBI Wales Environment Committee

We also consulted our wider membership via email and non-members via our website and liaised with other organisations that were submitting evidence.

5. A draft response was sent to our members for further comment and the final evidence was formally approved our Council in May as accurately reflecting the views of CBI members. A copy of that response is at annex a (also available at cbi.org.uk/Wales).
6. Our most recent Council meeting took place in September, some two months after publication of the economic renewal programme. Our Council members expressed strong support for the Welsh Assembly Government's recommendations and a commitment to work with them on implementation.

'Economic renewal: a new direction': our members' views

7. CBI members support the broad thrust of the 'a new direction'. Wales' economy can only grow if the underlying business environment is right. As Wales' economic recovery will be led by private sector growth, we are greatly encouraged by the whole-government approach. Growing the economy is too important a job to be left to the Department for the Economy and Transport alone. Only by marshalling the intention and resource of all departments of government can a real difference be made.
8. The new commitment to make Wales a more attractive place to do business is exactly what is needed. It is right that it includes actions to reform planning, regulation, procurement, skills and innovation. It is by focusing on the issues that matter to *every* business that we will make a real difference to the competitiveness of the Welsh economy and the size of our private sector.
9. Prioritising strategic infrastructure and setting out a roadmap of investment is the right approach. This should assist in achieving economies of scale, in allowing industry to plan for known demand, and will also permit evaluation of the government's delivery against its stated commitments. The commitment to deliver Next Generation Broadband will be key part of our infrastructure's contribution to economic growth, and should enable the development of business outside the main areas of population. However, infrastructure consists of much more than broadband, and the Plan needs to identify the key transport, including road, priorities and how they will deliver for the economy, as well as schools, hospitals, waste and utilities. The Assembly Government will also have to be flexible about the funding streams that it will be willing to access to ensure delivery. Understanding the scale of the challenge should help with this, and identifying the scale of the opportunity should attract external capital.
10. Taking forward innovation and focusing on commercialisation of research will deliver benefits to Wales. It is vital for future economic growth that the Welsh economy climbs the value added chain. Developing new products and services in sectors like the green economy and biosciences give Wales a stake in these fast growing markets.
11. Our members particularly support key commitments around planning, regulation and procurement.
 - **Planning:** planning is a major enabler of economic growth, but if we get it wrong can also act as a barrier. A supportive planning system would boost the competitiveness of virtually all businesses in Wales. Businesses need a more certain and consistent planning process and the new planning policy statement on economic renewal has the potential to deliver if sufficiently robust.

- **Better regulation:** The CBI has devoted a considerable amount of time making the case for a better, smarter approach to regulation. We are delighted that the government has now committed to instituting thorough regulatory impact assessments (RIAs) so that it understands the impact on business costs of proposed legislation at the earliest stage and the better co-ordination of the processes that lead to policies, regulations and legislation that impact upon business. This is long overdue. The scale of the challenge in ensuring delivery of quality RIAs should not be underestimated. This will require changed behaviour by both ministers and civil servants. We regard this as one of the most significant and critical commitments in the ERP.

12. For the great majority of CBI members, business support is at best a second order issue. It is worth noting that the great majority of Welsh businesses do not benefit from direct government business support services. Our business environment must take precedence. If the general business environment is not supportive then direct business services from government can only attempt to play catch up.
13. Our members agree strongly with the move towards a less interventionist business support policy and greater support for an improved business environment. Firm-level intervention can only ever reach a very small minority of businesses in Wales, and given constraints on public finances in the coming years CBI members feel that such economic development monies as are available should be focused on making the business environment more attractive for every business in Wales.
14. The CBI is not a great believer in the selection of individual sectors for special support. However, as the Assembly Government is planning to significantly reduce its spending on direct business support then we agree that it needs to focus that resource. The sectors identified seem sensible, but, as we say, we believe this type of direct intervention to be a second order issue after ensuring a supportive general environment.

Delivery

15. Delivery of the economic renewal programme is everything. We remain unsighted as to how much progress has been made since the July launch. We understand a major reorganisation of the Department for the Economy and Transport is being undertaken. However, as we have stated, we believe the exciting aspects of the ERP lie outside DET, and we therefore believe that perhaps the most significant role that can be undertaken by DET is to work with other government departments to champion business interests and ensure delivery.
16. We would particularly welcome clarification on:
 - **Planning:** how exactly how the planning system is being reformed to come into line with the ERP and the timelines involved;
 - **Infrastructure:** the timeline for consulting, developing, publishing and then implementing the Strategic Infrastructure Plan and how business will be involved in this;
 - **Regulation:** how thorough guidance for regulatory impact assessments will be developed, and how its introduction and delivery across all Assembly departments will be monitored and evaluated. We believe the Wales Audit Office could play a valuable role here;

- **Cross-government working:** whether and how government departments, other than DET, will be given duties for contributing to economic growth in Wales, and the role of Assembly scrutiny committees in evaluating delivery by ministers.

Conclusion

17. CBI Wales members believe that the ERP potentially marks a highly significant shift in approach to encouraging the growth of business in Wales, and the development of a more robust economy. For that reason we support the overall strategy, whilst we may not agree with every detail.
18. However, we have many years experience of seeking to develop our economy through interventionist business support, and this habit will be hard to break. There has also been a strong culture that the responsibility for companies and the economy is that of DET (in its various incarnations) alone. Other government departments have had their own, and unrelated, priorities. WAG is not alone, amongst governments, in this approach. There is a real challenge ahead in fostering a collective interest in sustaining our economy, which necessarily means businesses in Wales, but a real prize to be won if we are successful.

CBI Wales
October 2010