



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Menter a Dysgu
The Enterprise and Learning Committee**

**Dydd Mercher, 13 Hydref 2010
Wednesday, 13 October 2010**

Cynnwys
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Peter Black	Democratiaid Rhyddfrydol Cymru (yn dirprwyo ar ran Jenny Randerson) Welsh Liberal Democrats (substitute for Jenny Randerson)
Christine Chapman	Llafur Labour
Jeff Cuthbert	Llafur Labour
Andrew Davies	Llafur Labour
Paul Davies	Ceidwadwyr Cymreig Welsh Conservatives
Nerys Evans	Plaid Cymru The Party of Wales
Brian Gibbons	Llafur Labour
Gareth Jones	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Chair of the Committee)
David Melding	Ceidwadwyr Cymreig Welsh Conservatives

Eraill yn bresennol
Others in attendance

Nia Davies	Swyddog Polisi Cymru, Ffederasiwn Busnesau Bach Cymru Wales Policy Officer, The Federation of Small Businesses Cymru
Leighton Jenkins	Cyfarwyddwr Cynorthwyol Polisi, Cydffederasiwn Diwydiant Prydain Cymru Assistant Director Policy, Confederation of British Industry Wales
Bill Peaper	Rheolwr Cenedlaethol—Cymru, Semta National Manager—Wales, Semta
Non Rhys	Rheolwr Polisi Cymru, Ffederasiwn Busnesau Bach Wales Policy Manager, The Federation of Small Business Cymru
David Rosser	Cyfarwyddwr, Cydffederasiwn Diwydiant Prydain Cymru Director, Confederation of British Industry Wales

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Dan Collier	Dirprwy Glerc Deputy Clerk
Siân Phipps	Clerc Clerk
Anne Thomas	Gwasanaeth Ymchwil yr Aelodau Members' Research Service

Dechreuodd y cyfarfod am 9.30 a.m.
The meeting began at 9.30 a.m.

Cyflwyniad ac Ymddiheuriadau Introduction and Apologies

[1] **Gareth Jones:** Bore da, bawb. Estynnaf groeso cynnes i bob un ohonoch i'r cyfarfod hwn o'r Pwyllgor Menter a Dysgu. Gwnaf un neu ddau o'r cyhoeddiadau arferol ar y cychwyn. Bydd y cyfarfod yn ddwyieithog, ac felly mae clustffonau ar gael i dderbyn gwasanaeth cyfieithu ar y pryd o'r Gymraeg i'r Saesneg, sydd ar gael ar sianel 1. Gellir chwyddleisio'r sain ar sianel 0. Bydd Cofnod o'r cyfan a ddywedir yn gyhoeddus.

Gareth Jones: Good morning, everyone. I extend a warm welcome to you all to this meeting of the Enterprise and Learning Committee. I will make one or two housekeeping announcements at the outset. The meeting will be conducted bilingually, with headphones available for interpretation from Welsh to English, which is available on channel 1. The sound can be amplified on channel 0. There will be a Record of everything that is said publicly.

[2] Hoffwn atgoffa pawb i ddiffodd ffonau symudol ac unrhyw ddyfais electronig arall. Nid oes angen inni gyffwrdd â'r meicroffonau yn ystod ein trafodaeth. Nid ydym yn disgwyl ymarfer tân; felly os bydd argyfwng, bydd yn rhaid inni symud o'r ystafell, ac o'r adeilad efallai, o dan gyfarwyddyd y tywyswyr.

I remind everyone to switch off their mobile phones and any other electronic devices. We do not need to touch the microphones during our meeting. We are not expecting a fire drill; therefore, if there is an emergency, we will need to evacuate the room, and possibly the building, following the instructions of the ushers.

[3] Gwelaf fod Peter Black yma. Estynnaf groeso cynnes i Peter, sydd yma heddiw yn dirprwyo ar ran Jenny Randerson. Dyma'r amser i Aelodau ddatgan unrhyw fuddiant. Os nad oes unrhyw fuddiannau i'w datgan, symudwn ymlaen at yr eitem nesaf ar yr agenda, sef y brif eitem.

I see that Peter Black is here. I extend a warm welcome to Peter, who is substituting for Jenny Randerson this morning. Now is the appropriate time for Members to make any declarations of interest. If there are no such declarations, we will move on to the next item, which is the main item on this morning's agenda.

9.31 a.m.

Gweithredu Rhaglen Adnewyddu'r Economi Implementation of the Economic Renewal Programme

[4] **Gareth Jones:** Dyma'r ail sesiwn i ni, fel pwyllgor, yn y broses o graffu ar ddulliau Llywodraeth Cymru yn ei bwriad i weithredu, monitro a gwerthuso ei rhaglen i adnewyddu'r economi. Dyna'r cefndir i'r gweithredu hwn ar y rhaglen. Mae'n bleser gennyf, ar ran y pwyllgor, estyn croeso cynnes i gynrychiolydd Semta, sef Bill Peaper, sydd yn rheolwr cenedlaethol Cymru yn Semta. Croeso cynnes ichi. Yn gyntaf, diolch yn fawr ichi am y dystiolaeth ysgrifenedig a gawsom eisoes gennych ac y cawsom gyfle i'w darllen. Eich penderfyniad chi ydyw, Mr Peaper, ond hoffwn eich gwahodd i roi cyflwyniad byr o ryw bum munud, os dymunwch. Yna, cawn gyfle, fel

Gareth Jones: This is the committee's second scrutiny session in assessing how the Assembly Government will implement, monitor and evaluate its economic renewal programme. That is the background to the implementation of the programme. It is my great pleasure this morning, on behalf of the committee, to extend a warm welcome to the representative from Semta, Bill Peaper, who is the Wales national manager for Semta. A warm welcome to you. First, I thank you for the written evidence that you have submitted. Members will have had an opportunity to read it. It is up to you, Mr Peaper, but I now invite you to make a brief presentation of around five minutes, if you wish to do so.

Aelodau, i ofyn cwestiynau. Os yw hynny'n dderbyniol, rhof yr awenau ichi. Members will then have an opportunity to ask questions of you. If that is acceptable to you, it is over to you.

[5] **Mr Peaper:** Thank you for inviting me along today. The role of Semta, the Sector Skills Council for Science, Engineering and Manufacturing Technologies, is to ensure that the right people are having the right training at the right time to help companies to improve productivity. We do this based on research that is done on a national and a Wales level. My role in Wales is to work with the Welsh Assembly Government to articulate that research and to help Assembly officials with policies and so on that would work for the sector.

[6] We have read with interest the economic renewal programme document, and we are very pleased with the aspects that it brings out. Again, the work that we have done with the manufacturing forum, although quite a new organisation, has brought together many senior industrialists who have helped out on that strategy. The sort of things that we are pleased with in the document includes skills, on which I will focus first because that is our main interest. We are really pleased to see things like the shared apprenticeship being highlighted. We are very proud of the fact that that is working very well despite the economic climate which, at one time, looked as if it would have a big impact on the small companies with that scheme taking young people on. However, those fears have subsided as the project has moved on, and there are some good results coming from that.

[7] We are also pleased that the sector priority fund was mentioned, because we have spent a lot of time over the past 18 months putting together a proposal for that fund. I am pleased to say, on behalf of the manufacturing sector skills councils, which are cogent and pro-skills, that we have been successful in securing a contract with the Assembly Government to look at delivering a programme that will improve providers. The programme will enable them to work a lot quicker, be more responsive to industry needs, and be able to put together new training programmes quickly, using the credit and qualifications framework for Wales, which will help things to move a lot quicker with regard to getting recognition for the individuals who have done training. The third strand of that will be to test out these new programmes with employers. So, in 12 months' time, we should have some really good information coming back on how that has worked with the training provision and whether it has made the providers more demand led.

[8] With regard to the more general area of the document, it is important that each company is unique and has its own culture. Some of the companies in Wales are small companies that have been formed in the past 20 years, some have been around for a long time, and others have come into Wales from other parts of the world. So, their cultures are different, depending on the way that they are managed, and we need to be mindful of that when we are putting policies together. Business support needs to take account of those differences in culture, so that we are ensuring that companies have got the right support, which will make a difference and help them to improve their business, which will create more jobs and a better situation for Wales. So, we are generally pleased with the document.

[9] **Gareth Jones:** Thank you, Mr Peaper, for the useful background information that you have provided. I now turn to Members to ask their questions, and Jeff Cuthbert has the first one.

[10] **Jeff Cuthbert:** Thank you for coming along today. I know this sector skills council quite well, because I have worked with you on a number of occasions, so much of what you have written and said is not new to me. However, I want to press you on a few points with regard to the skills agenda, which I am sure you will not be surprised to hear. We accept that if Wales is to come out of the recession well, it will depend, to a large degree, on the level of skills among the Welsh workforce. As you point out, nearly 82,000 people are employed in

the engineering industry in Wales, which accounts for just about 14 per cent of the total GVA. So, engineering, in its broadest terms, is an important sector.

9.40 a.m.

[11] In part 5 of your evidence, on broadening and deepening the skills base, you list some of the initiatives that are going on. However, you do not specifically mention the green jobs agenda, unless I have missed it, and, if so, I apologise. How well do the current training schemes, whether they are competency-based or knowledge-based, take account of these new developments, so that the skills that are going to be taught, by one means or another, are up to date and take account of other initiatives that we are keen to pursue? I do not doubt for a second Semta's commitment to being a leading force in engineering for developing new skills and seeing it through. You mentioned at the end of the first paragraph of section 5 in your paper:

[12] 'As evidenced by Semta's Sector Skills Assessment for Wales, the Sector Skills Councils are ideally placed to provide the labour market information'.

[13] I do not want you to snitch on others, but do you feel that that is generally true of sector skills councils across the whole network or are you referring to the engineering side and the partners that you work with? It is fair to say that we have concerns about how effective the overall SSC network is.

[14] To move on to my final point, which is on your relationship with employers, as we know, we have a few very large employers, but what characterises Wales is its high number of small businesses. What is your relationship as a sector skills council, and that of the other engineering sector skills councils, with smaller businesses? Is there a willingness to engage on skills development? Do they face barriers and how are you working well together to try to overcome them?

[15] **Mr Peaper:** I will start with the green agenda, what we are doing and what is going on with that. A couple of things quickly spring to mind. We have produced a set of occupational standards for the manufacture and assembly of electric vehicles and their components. We have worked with Toyota in north Wales and have managed to secure donations from it, so all the colleges in Wales that have an engineering department have brand-new engines for their students to work on. As part of that, 10 of those engines, which will be distributed shortly, are the new hybrid engines. It is difficult to get the lecturers and trainers in front of technology, but those are the sorts of things that we are doing. The other work that we are doing on our green agenda is producing occupational standards for composite and new materials. One of the issues that we face is the rigorous assessment of need before occupational standards are passed. With new technology and the green agenda, we have to ensure that the demand exists for those qualifications. This is where the credit and qualifications framework comes into play, because it is a way of getting new qualifications quickly accredited and able to be used.

[16] To go back to the sector priority fund, part of that is for working with providers, whether they are colleges or private training providers, to improve their capacity to work with companies and produce up-to-date training programmes that reflect new technology and the green agenda. It is a big area and we are working with it. We are also working with our other SSC colleagues in manufacturing to do that. That was your first point.

[17] **Jeff Cuthbert:** Thank you for that. I asked about your comment relating to sector skills councils being ideally placed. Were you talking about the engineering and

manufacturing councils, or the lot?

[18] **Mr Peaper:** In the main, the engineering SSCs and the alliance of manufacturing SSCs.

[19] You asked a question about labour market information. To talk about Semta to start off with and how we operate, over the past three or four years, my team in Wales has made big efforts to work closely with our research team to ensure that we get the data that we require on Wales and to ensure that the research is carried out with as many employers as possible. We are also working with the Welsh electronics forum to question its members on future skills requirements. We are bringing in different areas of research so that we can check from different angles. In May this year, we produced the Wales sector skills assessment, which has provided many of the stats shown in the annexes.

[20] The other sector skills councils work quite closely on labour market information, and the Alliance of Sector Skills Councils has produced some reports on their performance. You may therefore wish to refer back to the alliance.

[21] **Gareth Jones:** Jeff also referred to small businesses and barriers to co-operation.

[22] **Mr Peaper:** That is the third point about our relationship with employers. We are a small team in Wales. There are four of us, but we have built up a network of the people we work with to help us to deliver some of our projects. Since April, we have managed to visit 115 companies that we had not visited before, so they are brand-new companies to Semta. We make a list of their needs when we visit them, and we make them aware of some of the initiatives that are going on. Their needs are fairly different, and I think that I have noted in the paper that the journeys that these companies need to make are quite different, because they all come from a different base. To generalise, the majority of our companies are fairly small, and they have fairly short order times and short order books, and although those order books might be full, they will not run beyond a few years. So, because of the situation with their short order books, they do not always look at the strategic workforce planning for the long term. There are barriers to getting some of the employers whom we work with to be forward thinking, by looking at their age profile, for example, to see that they have a good plan for keeping skills in the company.

[23] **Gareth Jones:** I believe that Christine has a follow-up question.

[24] **Christine Chapman:** It is just a brief question. You talk about the small companies that you visit. What sort of barriers do they face with regard to the Government's economic programme? Some of the small employers I speak to, such as account managers, feel sometimes that they need a response of some sort from the Government. What is your experience with those, to lock them into the Government's strategic programme?

9.50 a.m.

[25] **Mr Peaper:** When we visit, if they do not have a relationship with a human resource development adviser, we point them in the direction of one. Quite often, I think that the barriers are that they do not know what is available to them. Sometimes, the amount of paperwork that is required can be a bit daunting. They need a lot of help and support to take them through the necessary paperwork, and we could do a lot more to help with that.

[26] **David Melding:** To follow on from that point, in your paper, you make an assumption that only 2 per cent of manufacturing companies are ahead of the game and are top performers, internationally; others are getting there, but that is a small percentage. In the

appendix, you say that there is a real challenge in improving management and leadership skills. I think that most people would agree with you, and it has been identified before. We are looking at the economic renewal programme. What is in there that will lead to better-quality management and leadership for small and medium-sized enterprises in particular, which are the overwhelming majority in this sector, given that one of the profound decisions taken in the ERP is to move away from business support, dramatically? How do we reconcile these apparently flatly contradictory aspirations?

[27] **Mr Peaper:** That is a difficult question, because we are talking about these companies as though they are all the same, but they all have different cultures and needs. Where management and leadership are concerned, a lot of the managers in that group of companies have other jobs to do as well as their management duties—for example, they may also be the buyers and the technical experts. So, it is very difficult to say that a particular person needs training in this or that. These companies require examples of how other companies have changed their way of working and have received benefits in return. They need to be convinced in that way.

[28] **David Melding:** The Government has decided that it is going to move away from these mentoring schemes—well, not all of them, but, broadly speaking, it is not going to emphasise that part of the programme as much and there will be a substantial shift towards ensuring that the general business environment is appropriate, especially through infrastructure. I am not quite sure how that gets around your point that it is difficult to increase the skills level of some of these people in SMEs who are running around doing three jobs at once.

[29] **Mr Peaper:** The important thing is to remember that, apart from business support, we have good training providers and deliverers from colleges. There is no reason why they should not be giving some help and advice on these sorts of things as part of their roles in upskilling the workforce. As part of our sector priority fund, we want to change how providers work with companies on off-the-shelf training. If the training is not relevant, they should be able to work with an employer to produce a programme that suits them down to the ground. We must not forget the resources that we have in the colleges and other training providers that are visiting companies to give advice on training and development. They could also give a fair bit of advice on senior management training and issues.

[30] **Gareth Jones:** That is a very important point about the support. There is concern, as David has spelled out, and I accept the point that you made about the institutions, and so on. Can that relationship be improved in any way?

[31] **Mr Peaper:** It needs to be improved, and part of our research shows that the colleges particularly are where companies are not particularly pleased with the service that they get. Over the past 12 to 18 months, we have worked closely with ColegauCymru and the colleges to help them to get more involved with companies. That has been done on the back of schemes such as Pathways to Apprenticeship. When we put the proposals to the Assembly for a pathways in engineering scheme, we made a big point of the fact that young people start on the road to a career in engineering without an employer behind them, and so we really need to ensure that employers are involved in that training. As part of that programme, all the colleges have had to work with employers to place these young people. We call it ‘work experience’, but I do not want it to be confused with the work experience that students in school have, because these are young people who have more or less done a mirror image of a first year apprenticeship in college. They are going into companies with full knowledge of the foundation of an apprenticeship and a foundation of a career in engineering. From the start, they can add a lot of value to what a company does. So, we started to build those relationships with the colleges to encourage them to work closer with companies that they may not normally have worked with. We need to be doing a lot more of things like that with the

colleges particularly.

[32] **Nerys Evans:** Yr ydych yn sôn yn eich papur eich bod yn croesawu'r weledigaeth o newid cyfeiriad yn rhaglen adnewyddu'r economi. Mae gennyf ddau gwestiwn cyffredinol iawn yn holi eich barn am y rhaglen. Mae'r rhaglen yn nodi pum blaenoriaeth allweddol er mwyn canolbwyntio gwaith y Llywodraeth. A ydych yn cytuno â'r blaenoriaethau hynny? A yw'r Llywodraeth wedi dewis y blaenoriaethau cywir er mwyn gwireddu'r nod? Mae'r rhaglen hefyd yn sôn y bydd y Llywodraeth yn cyhoeddi fframwaith ar gyfer mesur perfformiad yn yr hydref. Mae mesur llwyddiant yn un o'r pethau mwyaf sylfaenol mewn unrhyw raglen neu strategaeth gan y Llywodraeth. Beth sydd angen ei wneud i fesur llwyddiant y rhaglen? Mae'n amlwg ei fod yn hawdd mesur llwyddiant rhai elfennau, megis isadeiledd a band eang, ond pa elfennau eraill ddylai fod yn y fframwaith i fesur llwyddiant y rhaglen?

Nerys Evans: You mention in your paper that you welcome the vision in the change of direction in the economic renewal programme. I have a couple of very general questions on your opinion of the programme. The programme identifies five key priorities on which to focus the Government's work. Do you agree with those priorities? Has the Government chosen the correct priorities to realise its aims? The programme also mentions that the Government will publish a framework for measuring performance in the autumn. Measuring success is one of the most fundamental aspects of any Government programme or strategy. What needs to be done to measure the programme's success? There are obviously some elements for which it is easy to measure success, such as infrastructure and broadband, but what other elements should be in the framework to measure the programme's success?

10.00 a.m.

[33] **Mr Peaper:** We commend 'Economic Renewal: a new direction' and we think that those five areas are the right areas to tackle. Measuring success has not happened too much over the past few years, because measuring the impact is always difficult. I see it quite often with companies that undertake training to improve their skills, but do not plan the training properly: they do not look at the objectives properly, and then, once the training is completed, there is nothing to measure against. So, the key is to have real clear objectives that are measurable. Again, those sorts of issues for industry are probably of the economic type—looking at whether GVA is improving—but setting realistic timescales as to when it happens is key.

[34] **Gareth Jones:** Andrew, did you have a follow-up point?

[35] **Andrew Davies:** Yes. You mentioned GVA, and I do not know if you are talking about that at a Wales level or a relative position. I am not sure that it is easy to measure performance. What would you and the manufacturing sector broadly see as the key performance indicators by which Government actions can be measured?

[36] **Mr Peaper:** From our point of view in Semta, we would be looking for the number of hard-to-fill vacancies to decrease, for some of the issues with management and leadership to be removed, and, by measuring against those sorts of things, to see an improvement in productivity as well.

[37] **Andrew Davies:** Would you see changes in productivity for the company or the sector as being a measure of success? When you talk about measuring vacancies, I am not sure what you mean by that.

[38] **Mr Peaper:** I was thinking of the hard-to-fill vacancies. It is one of the areas that we research, and the hard-to-fill vacancies always seem to be at the higher level of skills. Again,

if we could try to get that right, that would also have a big impact on how a company performs.

[39] **Andrew Davies:** Would you expect Government to consult with Semta and the sector about establishing those benchmarks of performance criteria?

[40] **Mr Peaper:** Yes, and I would also like to think that, with the Welsh manufacturing forum working with Semta and its other partners, and linking with higher education, this sort of data could be found and could be reliable.

[41] **Andrew Davies:** You would expect and want to be consulted.

[42] **Mr Peaper:** We would, yes.

[43] **Brian Gibbons:** I come at this from the Port Talbot end of things, and I assume that you are quite busy there—hopefully you are; if not, I suppose that my key question would be, ‘Why not?’ From a historical perspective, where would you say we are now, compared with where we were 10 years ago? Do you feel that you are still treading water, trying to make your way upstream? On the awareness of business with regard to developing the skills of the workforce, do you feel that we have made progress over the last 10 years?

[44] **Mr Peaper:** There has definitely been progress over the last 10 years. We have to bear in mind that industry has changed considerably over the last 20 years, but, in the last 10 years, it has changed greatly, with more competition from, initially, eastern Europe—and it is a global competition there.

[45] **Brian Gibbons:** In what areas?

[46] **Mr Peaper:** I am talking about manufacturing. In Wales, we have moved from being a high-volume manufacturing country to doing more research and niche-market-type work. To do that has meant big change. We need to ensure that we have got the infrastructure right for that higher level skill base and for the productivity and competitiveness training required to ensure that we keep pace—

[47] **Brian Gibbons:** Yes, that is the aspiration, but what is the practice? Compared with 10 years ago, are colleges more proactive in going out to meet companies, asking them what they want and saying what they provide? Are companies beating a track to the providers? My guess is that we are pretty much where we were 10 years ago. I do not really see any qualitative or dramatic change. I would be absolutely delighted if you were to say that that is completely wrong. If you think that it is completely wrong, could you give examples of how things have changed?

[48] **Mr Peaper:** I think that the point is that we may not have moved forward in terms of the manufacturing that we had in the past, but we have been able in Wales to react to the change to invest in things such as business improvement techniques, productivity and competitiveness and some of the higher level skills training. Again, I go back to what I said earlier: from the further education perspective and, to a certain extent, from the higher education perspective, a great deal of work is still needed to move into a demand-led system.

[49] **Brian Gibbons:** Would you say that our colleges and the other training providers are much more market savvy, much more aware and much more proactive in getting out there and identifying the needs?

[50] **Mr Peaper:** Yes, I think that they are. For our sector, the engineering departments are all of those things. There are some really good examples of work that has gone on. On

Pathways to Apprenticeships we have had some fantastic results, and we will be publishing the figures on that with the Assembly Government shortly. There are some great examples of where colleges have formed employer groups, and they are working closely with those groups. We need to get more colleges working in that way with employer groups. Employer groups have really made a difference to the way that those colleges that have them operate.

[51] **Brian Gibbons:** I do not know whether it is possible for you to do this—I am not sure how many colleges there are in Wales; 20 or 25 perhaps—but it would be interesting if you were able to quantify how many colleges are taking that approach.

[52] **Mr Peaper:** I can provide that information.

[53] **Brian Gibbons:** We know that there are innovators out there, such as Coleg Llandrillo Cymru, that are absolutely first class and leading the gang. However, the trouble is that there are not enough of them. In my view—I think that you have touched on this a few times—the wariness of business about moving back towards apprenticeships is almost tangible. It is not a political point, but, up until 1997, apprenticeships and so on were in danger of extinction. Over the past 10 or 12 years, they have had to be almost reinvented. Do you agree that there is a momentum building up?

10.10 a.m.

[54] **Mr Peaper:** I definitely agree with that. We are getting a lot of enquiries from employers about apprenticeships and we are looking at new ways of offering apprenticeships that meet people's changing needs.

[55] **Brian Gibbons:** I have one last question. One of the most controversial aspects of the ERP is identifying sectors, and whether you can successfully identify sectors or whether you identify companies and then the infrastructure. Are you seeing demand building up proactively from companies in the six identified sectors? Do you feel that people are knocking on your door from these sectors, wishing to be the leading edge of the future in Wales? Linked to that, a significant amount of investment is going to be put into broadband by the business support programme. From a training and skills point of view, are you conscious that there is a pent up demand out there to use this broadband? Are you responding to that demand? Where would you expect to be in three, four or five years' time in meeting this demand?

[56] **Mr Peaper:** A lot of work needs to be done with companies. I know that Swansea University has done a fair bit on the composite side of things, helping companies to investigate the use of different materials other than metal, for example, to make components that are more cost effective and ensure that things are more economical to run once they are made. There is a fair amount of interest in those sorts of things among automotive companies; with green technology and so on, it is key that they take these things on board.

[57] Broadband is an important area for our sector. We may have toolmakers making tools and equipment for companies outside Wales and the UK; they need good broadband connections to have drawings sent through quickly so that they can get on and price jobs and so on, so it is very important to the sector.

[58] **Gareth Jones:** We are approaching the end of this part of the meeting now, but Paul Davies and Christine Chapman have follow-up questions.

[59] **Paul Davies:** I do not have a follow-up question, just a general one. You have commended the economic renewal programme document and made it absolutely clear that you agree with what is in it. Is there anything that you would want to include that has not

been included in the document? Is it missing something?

[60] **Mr Peaper:** We need to be sure of the point that each company is unique. We have to be careful that we do not try to have a one-size-fits-all blueprint for success. We need to be aware of getting flexibility in the way in which the programme is implemented.

[61] **Paul Davies:** Do you think that you can get that flexibility from the document as it stands?

[62] **Mr Peaper:** By working together with the various stakeholders and partners, I am sure that we can do that.

[63] **Christine Chapman:** When we were talking about colleges, Brian mentioned the innovators. Obviously, they are there, but I am concerned about the colleges that are not innovating as far as employer engagement is concerned. From your perspective, Bill, what do you think are the barriers? We know that, sometimes, there is a lack of trust between employers and FE colleges. I think they are well placed to pick up local information and demand. What do you think is going wrong with those that are not innovating and engaging with employers?

[64] **Mr Peaper:** Perhaps it is the way that the engineering departments are managed by the senior management teams. The heads of department at the more innovative colleges seem to have a lot more autonomy to innovate. It goes back to the culture of the college.

[65] **Christine Chapman:** Is it geographical as well? I am thinking particularly of the Heads of the Valleys, where we have fewer people employed but where we want to do more.

[66] **Mr Peaper:** No, I would not say that.

[67] **Christine Chapman:** It is just down to the individuals.

[68] **Mr Peaper:** Yes.

[69] **Gareth Jones:** Finally, Andrew.

[70] **Andrew Davies:** Following up on Brian Gibbons' question on broadband, it is self-evident that broadband is extremely important for some companies in terms of transmitting data. What evidence do you have that such companies are unable to access broadband? I do not think that anyone would dispute that broadband is important, but what evidence, other than anecdotal evidence, is there that they are failing to get broadband at the moment?

[71] **Mr Peaper:** For me, it is anecdotal, from comments that people have made. It is not something that we have researched from Semta's point of view. I will check on that point as well.

[72] **Gareth Jones:** This has to be the final question, and it is from Brian.

[73] **Brian Gibbons:** I am worried about the answer that you have given. If, as suggested by Andrew's question, there is a real bottleneck in broadband requirement, as a sector skills council, from the research that you are doing and the intelligence that you are gathering—when trying to contact an extra 100 firms during the last year—I would have thought that you would have picked up on that.

[74] **Mr Peaper:** It has not cropped up very much in our visits.

[75] **Gareth Jones:** We are drawing to the end of the first part of the meeting. On behalf of the Members, thank you, Mr Peaper. You have had to sit there and face all these questions, which, I am sure, is quite daunting at times, but I think that you have highlighted key issues for us. We are getting important feedback on this programme. You referred to follow-up information and to further research and so on. Any information that you can share with us or communicate to us would be very welcome. I know that this is a challenging area, but I have been heartened by this morning's discussion and I am very grateful to you.

[76] **Mr Peaper:** If you think of anything else, please contact me and I will see whether I can help you.

10.20 a.m.

[77] **Gareth Jones:** Diolch yn fawr. Symudwn ymlaen yn awr at ail ran eitem 2. Ar ran y pwyllgor, mae'n bleser gennyf groesawu cynrychiolwyr o Gydffederasiwn Diwydiant Prydain yng Nghymru, sef David Rosser, y cyfarwyddwr, a Leighton Jenkins, sy'n gyfarwyddwr cynorthwyol polisi. Croesawaf hefyd gynrychiolwyr Ffederasiwn Busnesau Bychain Cymru, sef Non Rhys, rheolwr polisi Cymru, a Nia Davies, swyddog polisi Cymru.

Gareth Jones: Thank you. We now move on to the second part of item 2. On behalf of the committee, it is my pleasure to welcome representatives of the Confederation of British Industry Wales, namely David Rosser, the director, and Leighton Jenkins, the assistant policy director. I also welcome representatives of the Federation of Small Businesses Cymru, namely Non Rhys, who is the Wales policy manager, and Nia Davies, who is the Wales policy officer.

[78] Ar ran y pwyllgor, diolchaf ichi am eich tystiolaeth ysgrifenedig. Yr ydym wedi cael cyfle i'w darllen, ac wedi cael budd o hynny. Fe'ch gwahoddaf i wneud cyflwyniad byr o tua tri munud, ac yna caiff Aelodau gyfle i ofyn cwestiynau.

On behalf of the committee, I thank you for your written evidence. We have had an opportunity to read it, and have benefitted from that. I invite you to make a brief presentation of around three minutes, and members will then have an opportunity to ask questions.

[79] **Mr Rosser:** Thank you for the invitation to come here today. The CBI engaged wholeheartedly with the consultation process ahead of the economic renewal programme. We are supportive of the broad thrust of the outcome. CBI members have been concerned for some time that a greater priority should be given to improving the general business environment in Wales, with less emphasis placed on direct intervention in business support, which seems to be the outcome of the Government's statement. Therefore, we welcome that. CBI members are probably more concerned about what the Government as a whole does that impacts on the business environment, rather than necessarily the detailed actions of the Department for the Economy and Transport. Therefore, we welcome the fact that this appears to commit the whole of the Welsh Assembly Government to looking at the business environment, and to thinking about how its actions and policies affect the climate within which businesses in Wales have to operate. We look forward very much to working with all arms of Government in the coming years to deliver that.

[80] **Ms Rhys:** Mae Ffederasiwn Busnesau Bychain Cymru yn croesawu'r ffaith bod cynaliadwyedd yn egwyddor graidd o'r broses hon. Y peth pwysicaf i ni yw bod gwir gydweithio effeithiol ar draws y Llywodraeth, a bod strwythurau yn bodoli i sicrhau ymgynghori cynnar a rheolaidd gyda ni, i sicrhau bod busnesau bach a chanolig

Ms Rhys: The Federation of Small Businesses Wales welcomes the fact that sustainability is a core principle of this process. The most important thing for us is that there is real, effective collaboration across Government, and that structures are in place to ensure early and regular consultation with us, to ensure that small and medium-

wedi eu llwyr ymgorffori. Efallai fod hyn yn golygu newid mewn meddylfryd o fewn y Cynulliad hefyd. Yr ydym yn gobeithio, felly, y gallwn weithio gyda'r Cynulliad ar y manylion i wneud yn siŵr y gall busnesau bychain fwydo i mewn i'r broses er mwyn targedu'r gefnogaeth i wneud y gwahaniaeth mwyaf effeithiol i economi Cymru.

sized businesses are fully integrated. This may also mean a change of mindset within the Assembly. We therefore hope to work with the Assembly on the details, to ensure that small businesses can feed in to the process, so that support is properly targeted to have the greatest impact on the Welsh economy.

[81] **Gareth Jones:** Diolch. David Melding sydd â'r cwestiwn cyntaf.

Gareth Jones: Thank you. David Melding has the first question.

[82] **David Melding:** I wish to concentrate on something that is common to both your written submissions. I realise that there is a big difference in emphasis around the question of business support; your positions are crystal clear, and I will not follow that up—I do not need any further clarification on that. However, there is an important principle in the economic renewal programme to see the whole of Government having a role in economic development. That statement has been made. However, do you believe that we will shortly get the action plan to turn those good intentions into practice or do you fear that there will still be some contradictions?

[83] For example, in its submission to the consultation, the CBI emphasised the need for effective public service delivery. We do not need such a sharp distinction between the private and public sectors, because they can intermingle, and it seems to me that there is some contradiction on issues such as capital financing, which is important for our infrastructure in general, but Edwina Hart says 'No private finance initiative in health', and then Leighton Andrews is apparently opening the door to it. Incidentally, there is an issue about which PFI model there should be. Everyone would accept that the early projects were not brilliant at getting the maximum out of the Welsh pound or the UK pound. However, are they working together? Do they have common objectives? Are you confident that we will see a more enterprising approach to the way that we use public expenditure, which is a vast part of our economy, so that it generates more private sector involvement and wealth?

[84] **Mr Rosser:** If I map the ERP statement against what the CBI called for in its submission, the one glaring omission from our perspective is public service delivery and the role of the private sector in that, not necessarily through PFI, but the wider agenda of contestability and competitiveness. That is not in the ERP in any meaningful sense that we can track. That is a disappointment; nonetheless, there is plenty in there that we wanted, so we support it. Overall, on the ERP and delivery, we strongly support the sentiment and the declarations of intent that are included in the document, but we now need to see delivery. It has been three months since it was outlined. We have started to see one or two tangible steps, the working group that developed the planning statement for economic development meets for the first time tomorrow, if not this afternoon, so we are starting to see the first trickle of activity towards delivery.

[85] However, a lot of the big wins in the ERP are about changing mindsets. It is about changing the mindset within the civil service and it is about changing the mindset of Ministers and politicians. That is hard. It is a lot harder than an ERP that is just focused on business support, in which you can put measurable outputs in place and track them. So, it will take a renewed effort by business organisations such as the FSB and the CBI, working with well-intentioned civil servants and politicians, to keep reminding them what they have committed to, to help to change habits and behaviours, if that does not sound too arrogant. However, we must keep the pressure on, and that is what we are committed to doing. As I said, we can only applaud the intent, and now try to focus on delivery.

[86] **Ms Rhys:** Y peth pwysicaf i ni yw'r cydweithio ar draws y Llywodraeth. Un o'n negeseuon clirïaf dros y blynyddoedd diwethaf yw bod angen rhoi strwythurau mewn lle i wneud hynny. Yr ydym wedi gweld, hyd yn oed ers ysgrifennu ein papur ar gyfer y pwyllgor hwn, bod newidiadau wedi bod, gyda phobl o'r Adran dros yr Economi a Thrafnidiaeth yn eistedd ar bwyllgorau sydd yn edrych ar gynllunio ac yn y blaen—pethau sy'n bwysig iawn i fusnesau bach. Nid yw'r cyswllt hwnnw wedi bodoli o'r blaen. Felly, yr ydym wedi eistedd ar nifer o bwyllgorau sydd yn edrych ar faterion sydd tu hwnt i gyfrifoldeb yr Adran dros yr Economi a Thrafnidiaeth ond sydd weithiau yn bwysicach i fusnesau bach ac yn gallu eu helpu i dyfu ac i newid. Dyna un o'r pethau yr ydym yn gobeithio eu gweld yn digwydd mwyaf. Yr ydym wedi gweld symudiadau yn barod ar hynny, ond yr ydym eisiau sicrhau bod y cydweithio o'n tu ni yn y strwythuro yn gadarn fel ein bod yn cydweithio gyda Llywodraeth y Cynulliad i sicrhau ei fod yn iawn a'n bod yn cael y cyfle i ddweud os oes rhywbeth nad yw'n gweithio, fel y bydd adnoddau, a fydd yn dynn dros y blynyddoedd nesaf, yn cael eu targedu yn y ffordd iawn ac yn y lle iawn. Nid yw hynny wastad o fewn Adran yr Economi a Thrafnidiaeth ychwaith.

10.30 a.m.

[87] **Ms Davies:** Enghraifft arall yw ardoll y bagiau untro. Ni ddylai hynny byth fod wedi dod i mewn heb edrych ar yr effaith ar fusnesau. Nid yw'r mater wedi dod gerbron adran yr economi i'r swyddogion allu edrych arno. Mae'n rhywbeth mawr a fydd yn effeithio ar fusnesau, yn enwedig busnesau bach. O ran unffurfiaeth yn y Llywodraeth, ni ddylai'r sefyllfa honno byth fod wedi codi.

[88] Hefyd, o'r hyn yr wyf wedi ei weld hyd yma, mae pobl o'r adran yn mynd i adrannau eraill, neu'n ceisio cysylltu ag adrannau eraill, ond nid wyf yn siŵr a yw adrannau eraill eto'n ddigon bodlon i gysylltu o ran eu meddylfryd.

[89] **David Melding:** There are two approaches to getting Government to work as a whole to improve economic development. You could try to have a 'super business Minister' to deal

Ms Rhys: For us, the most important thing is collaboration across the Government. One of our most clear messages over the past few years has been that structures need to be in place to make that happen. We have seen, even since writing our paper for this committee, that there have been changes, with people from the Department for the Economy and Transport sitting on committees that are looking at planning and so on—things that are very important to small businesses. That linkage has not always existed in the past. So, we have sat on a number of committees that are looking at matters that are outside the remit of the Department for the Economy and Transport, but which can occasionally be more important to small businesses and can help them to grow and to change. That is one of the things that we most hope to see happening. We have already seen some movement in that direction, but we want to ensure that our collaboration in the structures has a firm foundation, so that we collaborate with the Assembly Government to ensure that it is right and that we have an opportunity to say if something does not work, so that resources, which will be tight in the coming years, are targeted properly and appropriately. That is not always within the Department for the Economy and Transport, either.

Ms Davies: Another example is that of single-use bag levy. That should never have been brought in without first considering the impact on businesses. That issue has not been presented to the department for the economy for its officials to look at. It is a major thing that will affect businesses, especially small businesses. With regard to uniformity in the Government, that should never have arisen.

Also, from what I have seen so far, people from the department are going to other departments, or are trying to contact other departments, but I am not sure whether other departments are prepared for that contact with regard to their mindset.

with everything—planning, infrastructure, and all sorts of issues relating to PFI—all in one ministry. That would leave the culture elsewhere unaffected, which can create its own problems, although you would have one person who you could go to.

[90] The other thing would be to use mechanisms such as the business partnership council, which was a great innovation of the Labour Government. That seems to me more practical, but, at the moment, there is nothing to suggest what will happen to the business partnership council. Are you disappointed about that? Perhaps you have been told, behind the scenes, that we are to get the promised statement very soon. What kind of model would you like to see, particularly in terms of accountability and holding to certain targets as we hope to achieve various milestones in future?

[91] It seems to me that the business partnership council could be receiving reports from each Government department on relevant business activities. So, something such as the carrier bags issue would have gone to the business partnership council. I do not know whether it did in the past, incidentally. Is that the sort of innovative body that you would like to see?

[92] **Ms Rhys:** As far as we are concerned, the business partnership council was the way forward rather than the economic summits, but it needed improving and it needed to take on board certain lessons, some from the economic summits, and some from our experience of the last BPC, where there was not a way of driving things forward. One of the things that we want is a driving mechanism behind the business partnership council—a working group, or something like that—that will, between business partnership council meetings, look at how we will action ideas. That would provide some continuation as well.

[93] With regard to the single-use bags, we found that the issue did not come up from the Government side to the BPC. The CBI and the FSB put a joint paper together and brought it to the BPC, after which nothing happened. That is what happened after every paper. We would write a business Wales paper, put it forward, and then there would be no continuation. That is essential, really. So, as far as we're concerned, it really does need a working group behind it, working and meeting regularly. Also, that working group needs to bring the forward work agenda to us early, so that something like the bag tax does not happen again, because we will be engaged right from the start.

[94] As far as business organisations are concerned, and I am sure that the CBI would agree, we have heavy workloads, and if we are to engage thoroughly, we need the forward work plan so that we can build it into our work and form a social partnership that works. As David was saying, we can take the lessons from the private sector to the Assembly and we hope that there will be a culture change, not just in the Department for the Economy and Transport, but in the other departments that are essential to the economy as well.

[95] **Mr Rosser:** I am not in favour of parking all business issues at the door of one 'super Minister'. I think that that lets the others off the hook. The big prize is getting all parts of Government thinking about their role in fostering a good business climate. Therefore, I am with Non. A mechanism, a re-energised and rather more effective business partnership council is the way forward. I entirely agree with her that some working mechanism in between the formal meetings to move forward actions is needed. I would like to see each Minister come to the business partnership council on an annual basis, perhaps, setting out their forward legislative programme so that we have early sight of it and therefore, hopefully, contribute to making that legislation better for everyone and take out some of the wrinkles and battles at the earliest possible stage. Co-production is probably too grand a term for it, but the earlier that we get sight of it and can input and suggest ways in which Ministers' policy ambitions can be achieved, minimising the effect on or maximising the opportunities for the business community, the better. That is what we would like to see.

[96] **Ms Rhys:** We do not feel that the business scheme has been implemented. A lot of this is covered in the business scheme, but we have not had a report from each department as to how they will embed it throughout their departments. Early on in the business partnership council we would like to see a report from each department as to how they will integrate the business scheme into the department.

[97] **David Melding:** Thank you. That is very helpful and clear.

[98] **Andrew Davies:** Having experienced or suffered the business partnership council over many years, I do not share David's commendation of it. It was very much a talking shop. It was not very strategic and neither did it hold Government or the public sector to account. The Deputy First Minister has announced groups that will follow the sectors. The other day, he announced the creative industries group, chaired by Ron Jones of Tinopolis; I think that, frankly, that is the way to go. There is an obsession in the Government and the public sector with structures. I gave a wry smile when you talked about changing culture and attitudes, David, because you will remember, post the abolition of the WDA, or the WDA merger, that you and other business organisations were consulted quite extensively on how the new structure would be assessed in terms of its performance. You were also involved in establishing the benchmarking criteria. Can you tell me what has happened to those?

[99] **Mr Rosser:** No.

[100] **Mr Jenkins:** I am not aware that anything has happened.

[101] **Andrew Davies:** The reason why I make that point is because there is a profound sense of déjà vu all over again.

[102] **Mr Rosser:** I think that sector groups will be very useful for the sectors on which WAG intends to focus its business support. To pick up the example raised by the Federation of Small Businesses, I am not sure which of the sector groups would track legislation on carrier bags, for example. Therefore, I think that there is a need for some mechanism, but I do not think that I was extolling the virtues of the business partnership council—I think that I mentioned that it had to be re-energised and for it to be rather more effective.

[103] **Andrew Davies:** I meant the other David. [*Laughter.*]

[104] **Mr Rosser:** There are too many Davids.

[105] **David Melding:** Andrew Davies, who was the Minister for the economy for four or five years or whatever it was, said that it was a talking shop. Who was responsible for that?

[106] **Andrew Davies:** The reason why I asked the question of David Rosser was that the ministerial advisory group, chaired by Richard Parry-Jones, recommended three years ago, in 2007, as Brian will remember, a sectoral focus. Simon Gibson and another group that was set up to advise on the commercialisation of knowledge also reported three years ago. Neither of those reports has been implemented in three years and neither, as I said, has the benchmarking or the performance criteria by which the Assembly Government would be assessed. None of it was put into practice. That is my point about changing culture and attitudes within the civil service.

[107] **Gareth Jones:** Okay. We are looking back slightly there, and quite rightly so, I suppose, but this is about the future; it is about changing things for the better. Let us learn from all the mistakes of the past, as it were.

[108] **David Melding:** You are a good Chair. [*Laughter.*]

[109] **Gareth Jones:** Thank you, David, for that. That got me off the hook there. However, I have a question, but I will save it until the end. I now turn to Nerys Evans.

10.40 a.m.

[110] **Nerys Evans:** Mae gennyf gwestiwn penodol i'r Ffederasiwn Busnesau Bach, neu i'r ddau, os ydyw'n bosibl. Soniasoch yn eich papur am yr angen am fwy o ymgynghori ar raglen adnewyddu'r economi a'r ffaith nad oeddech efallai wedi llawn ystyried y newid sylfaenol a fydd yn digwydd yn yr adran a dros y Llywodraeth, fel y gobeithiwn. A allwch chi egluro paham y credwch fod angen mwy o ymgynghori? Pa ffurf ddylai hynny gymryd a beth yr ydych yn gobeithio ei ennill gan fod y rhaglen wedi'i chyflwyno ac wrthi'n cael ei gweithredu?

Nerys Evans: I have a specific question to the Federation of Small Businesses, or to both, if possible. You mention in your paper the need for greater consultation on the economic renewal programme and that you may not have taken full account of the fundamental change that was to happen in the department and, hopefully, across Government. Can you explain why you believe that there is a need for greater consultation? What form should that take and what do you hope to get out of that as the programme has now been published and is being implemented?

[111] Y mae'r cwestiwn nesaf i'r ddau fudiad, sef yr un cwestiwn a ofynnais yn flaenorol ynglŷn â'r targedau. Soniasoch, David, ynglŷn â'r angen i weithredu ac mai newid meddylfryd oedd y prif nod, ond bod angen mesur llwyddiant hefyd. Mae'r rhaglen yn sôn y bydd y Llywodraeth yn cyhoeddi fframwaith ar gyfer mesur perfformiad yn yr hydref. Beth a gredwch ddylai fod yn y fframwaith hwnnw, a sut y credwch y dylid mesur llwyddiant? Mae'n anodd iawn mesur newid mewn meddylfryd o fewn y gwasanaeth sifil neu'r Llywodraeth, felly mae'n bwysig iawn fod pethau mesuradwy o ran targedau mewn unrhyw strategaeth. Felly, beth ddylid ei gynnwys yn y fframwaith hwnnw?

The next question is for both organisations, and it is the same question that I asked earlier about targets. David, you mentioned the need to take action and that a change in mindset was the main aim, but we also need to measure success. The programme mentions that the Government will publish a performance assessment framework in the autumn. What do you believe should be contained in that framework, and how do you think that success should be measured? It is difficult to measure any change of mindset within the civil service or the Government, so, it is crucial to have yardsticks such as targets in any strategy. So, what should be included within that framework?

[112] **Ms Rhys:** Credwn fod ymgynghori yn rywbeth sylfaenol a ddylai ddigwydd. Dylai fod gwahanol fathau o ymgynghori, a'r math gorau o ymgynghori yn aml yw ymgynghori anffurfiol. Yr ydym yn teimlo, unwaith y mae dogfen ymgynghori yn bwrw'n desgiau, ei bod hi'n rhy hwyr i gael unrhyw fath o ddylanwad neu wneud unrhyw newid sylfaenol. Felly, yr ydym eisiau bod yn rhan o ddatblygu'r ffordd y mae'r Cynulliad yn gweithio gyda busnesau, a chredwn mai dyma'r ffordd fwyaf effeithiol o wneud hynny.

Ms Rhys: We believe that consultation is a fundamental thing that should happen. There should be different kinds of consultation, and the best kind of consultation is frequently informal consultation. We believe that, once a consultation document hits our desks, it is difficult to have any kind of influence or to change things fundamentally. So, we want to be part of the development of the way in which the Assembly works with businesses, and we believe that this is the most effective way of doing that.

[113] Mae angen strwythurau mewn lle hefyd, fel pwyllgor gwaith y cyngor

Structures are also needed, such as a working group of the business partnership council, to

partneriaeth busnes, i yrru'r gwaith yn ei flaen. Mae angen gwella'r cydweithio rhyngom ni a'r Llywodraeth, ac ar lefel unigol hefyd, er mwyn newid meddylfryd. Gellid adeiladu ar y berthynas honno drwy gwrdd yn rheolaidd i drafod agendau penodol, gan fwydo'n syniadau i mewn i'r broses, oherwydd nid yw'r Llywodraeth yn casglu'r wybodaeth sydd ei hangen ar gyfer paratoi polisiau a monitro. Fodd bynnag, gan ein bod cynrychioli 10,000 o fusnesau yng Nghymru, ac yn siarad â hwy ac yn eu harolygu, ac mae gennym grwpiau ffocws, mae'r wybodaeth gennym eisoes. Mewn ffordd, felly, gallem wneud y gwaith ar ran y Llywodraeth o ran lle mae angen targedu'r adnoddau ar gyfer busnesau bach, ac o ran adnabod y cyfleoedd i fusnesau bach i dyfu, a fyddai'n fuddiol i'r economi gyfan, drwy greu mwy o gydbwysedd.

[114] O ran targedau, un o'r pethau yr hoffwn weld ar agenda cyntaf y cyngor partneriaeth busnes yw sut y bydd yn cael rhyw fath o berchnogaeth dros raglen adnewyddu'r economi, ac iddo drafod y targedau a sut y byddant yn cael eu monitro. Dylai hynny fod ar yr agenda oherwydd wedyn bydd yr atebolrwydd yno, a'r ymdeimlad hefyd fod busnes a'r Llywodraeth yn cymryd perchnogaeth ohono ar y cyd i wneud i'r rhaglen weithio. Pan ddaeth y ddogfen ger ein bron gyntaf, nid oeddem wedi disgwyl y byddai cymaint o bethau'n mynd, ac nid yw'n glir beth fydd yn dod yn eu lle. Mae nifer o bobl wedi dweud hyn, gan ein cynnwys ni: mae angen trafod y manylion yn gyntaf. Nid oes gennym ddigon o fanylion i ddatgan sut y bydd y rhaglen yn cael ei monitro, oherwydd nid ydym yn gwybod beth fydd y strwythur newydd na'r hyn fydd ar gael. Yr ydym yn gwybod pa bethau sydd wedi mynd, ond nid yr hyn a fydd yn dod yn eu lle i roi cefnogaeth i'r economi ac i fusnesau bach.

[115] **Nerys Evans:** Mae'n fwy na hynny mewn ffordd. Beth ydych chi eisiau ei weld fel modd i fesur llwyddiant, nid o ran monitro'r ddogfen yn unig ac asesu a yw adrannau'n siarad â'i gilydd? Pan fyddwch yn edrych yn ôl mewn ychydig flynyddoedd, beth yr hoffech ei weld a fyddai'n eich arwain i ddweud, 'Mae'r rhaglen hon wedi delifro achos mae hwn a hwn wedi

drive the work forward. There is a need to improve the collaboration between us and the Government, and on an individual level as well, in order to change mindsets. That relationship can be built on by regular meetings to discuss particular agendas, and by feeding our ideas into the process, because the Government does not gather the information necessary for policy development and monitoring. However, given that we represent 10,000 businesses in Wales, and speak to them, monitor them and have focus groups, we have that information already. In a way, we could do that work on behalf of the Government with regard to where resources need to be targeted at small businesses, and with regard to identifying opportunities for small businesses to grow, which would benefit the economy as a whole by generating a greater balance.

With regard to targets, one of the things that I would like to see on the first agenda of the business partnership council is how it will take some ownership of the economic renewal programme, and for it to discuss the targets and the way in which they will be monitored. That should be on the agenda because accountability will be in place as a result, as will the feeling that business and the Government are taking joint ownership of the programme with regard to making it work. When the document first came before us, we had not expected that so many things would go, and it is not clear what will replace them. A number of people have said this, including us: we need to discuss the details first. We do not have adequate detail to state how the programme will be monitored, because we do not know what the new structure will be or what will be available. We know what has gone, but not what will replace that to support the economy and small businesses.

Nerys Evans: It is more than that in a way. What would you like to see as a means of measuring success, not just in terms of monitoring the document and assessing whether departments are speaking to each other? When you look back in a few years' time, what would you like to be seeing that would lead to you saying, 'This programme has delivered because so and so has

digwydd'? Hynny yw, beth yw'r nod yr hoffech weld y rhaglen yn ei gyflawni?

happened'? That is, what is the aim that you would like to see achieved through this programme?

[116] **Ms Davies:** Mae'n anodd iawn mesur llwyddiant yn y lle cyntaf. Nid ydym yn gwybod faint o fusnesau sydd yng Nghymru, oherwydd nid oes gan y Cynulliad yr ystadegau. Hoffem weld cynnydd yn cael ei fesur drwy edrych ar nifer y busnesau a'u trosiant. Mae trosiant ein busnesau ni yn y ffederasiwn yng Nghymru £50,000 yn llai na throsiant busnesau yng ngweddill Prydain. Mae hynny'n broblem. Hefyd, mae Cydffederasiwn Diwydiant Prydain wastad yn tynnu sylw at y ffaith bod 69 y cant o drosiant busnesau yn nwylo 1.8 y cant o fusnesau. Yn ein barn ni, nid yw hynny'n iawn. Byddem yn hoffi gweld mwy o gydbwysedd ac yn gweld trosiant busnesau bach yn cynyddu.

Ms Davies: It is very difficult to monitor success in the first place. We do not know how many businesses there are in Wales, because the Assembly does not have the statistics. We would like to see progress being measured by looking at the number of businesses and their turnover. The turnover of our businesses in the federation in Wales is £50,000 less than that of businesses in the rest of Britain. That is a problem. In addition, the Confederation of British Industry always points out that 69 per cent of businesses' turnover is in the hands of only 1.8 per cent of businesses. In our view, that is not right. We would like there to be more of a balance and we would like to see smaller businesses' turnover increases.

[117] **Ms Rhys:** O ran yr economi, mae 99 y cant o fusnesau yn rhai bach a chanolig eu maint. Nid ydym yn meddwl bod hynny'n iachus; mae angen inni dyfu'r busnesau bach hyn a sicrhau eu bod yn cyflogi pobl. Os ydym yn creu mwy o swyddi mewn busnesau bach, bydd mwy o swyddi ledled Cymru, ac nid dim ond yng Nghaerdydd ac Abertawe. Er mwyn cael gwir gynaliadwyedd, mae angen economi gynaliadwy. Gobeithiwn y bydd hynny wrth wraidd y broses hon a'r newidiadau.

Ms Rhys: With regard to the economy, 99 per cent of businesses are small or medium sized. We do not think that that is healthy; we have to grow these small businesses and ensure that they employ people. If we create more jobs in small businesses, there will be more jobs throughout Wales, and not only in Cardiff and Swansea. In order to achieve true sustainability, we need a sustainable economy. We hope that that will be at the heart of this process and the changes.

[118] **Ms Davies:** Er mwyn rhoi hyn yn ei gyd-destun, gallaf ddweud wrthyhych pe bai busnesau bach yn cyflogi un person arall yr un, ni fyddai diweithdra yng Nghymru.

Ms Davies: To put this point in context, I can tell you that if small businesses were to employ one more person each, there would be no unemployment in Wales.

[119] **Gareth Jones:** David, do you have anything to add to that before Andrew comes in?

[120] **Mr Rosser:** I am happy to give an answer to the question. On the point about consultations, I feel that I ought to say, because I am on record in committee meetings here as having criticised the Assembly Government on its consultations, that I think that the consultation this time, certainly with the CBI, was exemplary.

[121] On targets, the ERP is a complex document. To my mind, the real prize is changing mindsets, working practices and attitudes in the Assembly Government at official and political levels, but that is very hard to measure, so it is a tough one. However, there are some key strands in the ERP for which one could start to put measurables in place. In relation to infrastructure, for example, we need to see a strategic infrastructure plan being developed that maps out where we will need to invest in our infrastructure in Wales over the next 30 years, and that has the mechanisms for funding that, as well as a timescale for seeing meaningful progress in developing that plan. We need the planning statement to be delivered in short

order, and one would hope that one could then measure better performance in determining non-domestic planning applications, to make them simpler and more straightforward to get through. We need to see the planning system working better, and you could have measures for that.

[122] A key part is the Assembly Government's understanding, appraising and, to be frank, being bothered about the impact of its legislative plans on business, and so we need to see regulatory impact assessments being developed at the earliest stage, and they have to be meaningful and proper, so that I do not have to come to these committees to shout about them. There is a clear statement in the plan about broadband roll-out, so one could put timescales and measurables for that. So, there is a number of things that you could do.

[123] The overall target is that we want to see the Welsh economy performing better, and that comes down to a number of factors. The aim of the document is to re-energise the business community so that one would hope to see a turnaround in overall business performance in Wales and business growth overall leading to economic growth. It is not straightforward. As I say, if the ERP were all about business support, it would be much easier to put key performance indicators and measurables in place. It is not, I hope, and so that will be harder to do. However, hopefully, we will know it if we see it.

[124] **Andrew Davies:** Nerys's point goes to the heart of this issue. You have referred on several occasions, David, to changing attitudes and culture. I come back to the point that there was extensive consultation some years ago on a performance framework, which has never been implemented. The ERP says that the Assembly Government will publish a framework for measuring the performance of the programme this autumn. Have you, or would you, as organisations expect to be involved in drawing up that framework?

10.50 a.m.

[125] **Mr Rosser:** We have not been approached yet, but we would welcome the opportunity to do so.

[126] **Ms Rhys:** I agree with what David has just said.

[127] **Gareth Jones:** Yes, that is in the report.

[128] **Brian Gibbons:** Non, Nia and David have just talked about the move from consultation to co-production. Co-production is a terrible piece of jargon, so it is probably damned before it gets out of the cradle. However, the idea behind that is absolutely the way to go, and some effort has been made to try to develop a co-productive way of working. However, my concern is that you do not have the capacity to respond to that. Theoretically, it is fantastic, but, in practice, you will be run ragged. You cannot cope with the demands placed on you already. You may think that you have the capacity to engage creatively in a co-productive exercise, but that is just not going to happen, simply because you do not have the capacity to do it.

[129] **Ms Rhys:** If engagement is early enough, we can work that into our schedule, and we can choose and advise on the most important things, what will impact, benefit and support business most. So, early engagement is crucial for exactly that reason.

[130] **Ms Davies:** We have been saying this for years. We do not have the capacity to respond to everything. Even though there are only two of us, I would be doing consultation responses. However, the main point is about that whole-Government approach, so that people from the Department for the Economy and Transport could go to the other department, and say, 'This could be the effect on businesses'. That is also true for other departments, which

may not necessarily think that they have an effect on business, Then, they would become more aware of their impact. Our main point is that we cannot do everything, but there should be a greater awareness of business throughout Government.

[131] **Mr Rosser:** You are right to say that, to achieve true co-production, the capacity within business organisations would struggle. We hope that we are about to renew the contract for the Wales social partners unit, which gives us more capacity that we could use jointly. We need to be smarter about using that. If this is a meaningful process, we will find it easier to tap into our membership, where the expertise lies. If businesspeople are to take time away from their businesses, they need to be assured that that time will be well used and meaningful, and will deliver a difference. We have found members to sit on the Sustainable Development Commission, and I am putting a member on the review group for the planning changes that are coming along—the policy statement on economic development. From my experience, good-quality businesspeople will find the time to do this if they think that it is important enough and that it will make a difference. So, there is extra capacity there for different business organisations to draw on.

[132] **Ms Davies:** I wish to make a point on the back of that. A bigger business could perhaps afford to release someone from their business, but owner/managers would find it harder. So, we need to ensure that there is an SME voice if someone from an SME cannot afford the time out to do that.

[133] **Mr Rosser:** The CBI will pick up the baton.

[134] **Mr Jenkins:** Stakeholder mapping by officials is also important. We represent around 50 per cent of the private sector, so there is another 50 per cent out there that perhaps will not be represented by any of us around this table. Officials too easily see us as an easy port of call for a business view. However, we should be in addition to feedback. We should not be the only business view; there should be a detailed analysis in the early stages of the kinds and ranges of companies impacted on. The Assembly Government, with its many officials, should seek to contact them directly. On the carrier bag charge, for example, I was the first person contacting many multinational businesses, and they were not members of ours.

[135] **Brian Gibbons:** I must say that I think that answer was very positive. Linking into the business partnership council, everything that Andrew has said about it has given David Melding an open goal to make his point, but I think that it was—

[136] **Andrew Davies:** That was why we formed it.

[137] **Brian Gibbons:** Let us compare it with the economic summit. The approach of the economic summit meant that you felt that there was a definite work programme, and although many of the same people were around the table, it just seemed to have a different dynamic. If you are saying that you will get front-line businesspeople to be involved in co-production—although we need a better term for that—that is very positive. There is more than a kernel of an idea for really changing the way in which we approach many of these things here in Wales.

[138] **Mr Rosser:** The key distinction between the economic summits and the way in which the BPC has operated in the past is that, in the economic summits, we started off with a programme of work and it was then a case of measuring how it was being delivered. The BPC has singularly lacked that in the past, and that is what we need to get right in future.

[139] **Christine Chapman:** To follow on from that, we have talked a great deal about individual businesses, and you represent those, but, at the end of the day, you have a businessperson who is out there doing a job of work and just getting on with their day-to-day

lives. I am concerned about those who, for whatever reason, do not feel a connection with Government and what it wants to do strategically. How do you feel the Welsh Assembly Government is responding to those people today? What are the barriers? This inquiry is all about ensuring that those people who are doing the work out there are getting the right support.

[140] **Mr Rosser:** Most businesspeople want no connection with the Government, I am afraid. I am sorry to say that. The figures that I get from WAG indicate that, last year, it probably advised 5,000 or so businesses through call centres and different mechanisms, and provided financial support to probably 1,500 of them. However, there are 190,000 businesses in Wales. The overwhelming majority of businesses do not get, have not had, and probably never will get direct business support from the public sector. That is really why we have supported the thrust of the economic renewal programme, because it is to try to make the fundamentals of the business environment better for the huge majority of businesses that will never benefit from direct support. We need to make the support that continues better, more effective and better targeted—absolutely, but the great majority of businesses do not want any connection with Government. In fact, they want Government out of the way, which is why we are focusing on better regulation. They want the processes of officialdom to work better. They want the planning system to work better, they want the roads fixed and improved, and better broadband would be great, but I am afraid that this notion that every company in Wales is somehow—‘reliant’ is too strong a word—benefiting from Government intervention is just not borne out by the statistics.

[141] **Christine Chapman:** I speak to quite a lot of businesspeople and, sometimes, they want that support. Perhaps they want to grow. They may be doing okay, but they want to do a bit better, and that is where they sometimes seem to get a bit stuck. They get some support, but it is about the next stage.

[142] **Mr Rosser:** That is straying onto FSB territory.

[143] **Ms Rhys:** It is probably our members who are in that position. If they have a growth period of 18 to 24 months, they are either going to continue to grow, which is where they need that support, or they will stay like that for 30 years. Government intervention has had a bad reputation in the past because it has not been done in the way that business needs it to be done. It is about need and putting that support and intervention in the right place. A lot of the time, it is not about financial support through grants, but about practical support. With regard to the planning system, many small businesses cannot afford consultation fees, so the planning system is a minefield for them. Sometimes, they get stuck for years trying to get planning permission to enable them to diversify or grow. Planning advice would be very welcome, as would be advice on other things such as preventing crime. A lot of the time, they just want to know where they can go to get the advice that they need and go back to their business, knowing that it will not use up a whole day. They just want to be able to ask a question and know that it is being answered by the right person.

11.00 a.m.

[144] On intervention, a lot of the time, a business simply needs someone to come in when it is looking to employ someone, but might be a bit wary of being able to do that, in not wanting to push the business too far. It could just be about sitting down with another business or a mentor, someone objective, to review its business plan, to get practical advice on how to go about it.

[145] **Christine Chapman:** Do you think that that is happening effectively now, or should it improve?

[146] **Ms Rhys:** It has been improving. At the beginning of September we had statistics on what our businesses think about FS4B, and six in 10 said that the service provided to them was good. That is because of the change from a business having to go and fit itself into a grant, to there being more flexible support provided according to what the business needs. That change has started. We need to keep what worked well and we are more than happy to sit down with the Government and say, ‘This is what businesses need, this is where to target it, and that does not work, so forget it’.

[147] **Ms Davies:** We are singing from a different hymn sheet to the CBI on this, because direct business support does not really affect its membership. However, it is vital for our membership; businesses are always coming to us and saying that they want somewhere to go for support. That is why we are quite disappointed. We are coming back to consultation here, and probably having a bit of a dig, but we were quite disappointed that, as the biggest business organisation in Wales, we had no idea that FS4B was being scrapped until the general announcement was made.

[148] **Mr Rosser:** I can understand the value of advice on planning in a complex system for the 5,000 companies who might receive it during a year. However, for the other 185,000 companies, surely what we need is a simpler planning system that works better, and on which you do not need advice. To me, the big prize is in fixing the fundamentals.

[149] **Ms Davies:** It is not an either-or option in my opinion.

[150] **Gareth Jones:** I want to ask a question on what I regard as the crucial aspect of our discussion. I base my question on what I have heard, not only today, but from previous witnesses. I understand that practical intervention support might be useful in certain aspects, as you have exemplified, and that some businesses would benefit from that. I also understand what the CBI is saying about creating the right environment and letting businesses get on with it. We all want this opportunity for growth. You have mentioned that, and it goes for the one-man band as well as all the major industries. From the evidence that we have heard, one way of creating those opportunities and leading to economic growth is to have an early identification of demand. You need to identify where the demand is going to come from and get your product in there first. That was spelt out to us by the manufacturing sector and Simon Gibson last week. David mentioned earlier a more enterprising kind of Government support—not interference, but support. Could Government help businesses to identify demand—not taking over, but helping in that way? If it was to do that, if you identify demand, you pave the way for opportunities. Should we be looking at a different approach to the whole concept of Government support? It is just a question.

[151] **Ms Rhys:** At the moment, one of the things that we are looking at is opportunities for small business. As Nia mentioned earlier, I do not think that the Government has the information to make those decisions and identify those demands. I think that there is a space for Government to put mechanisms in place to support the economy, especially, when you are talking about demand, with regard to supply chains in Wales. There is a space for it to map the supply chains, identifying the gaps, looking at where the demand is, and perhaps incentivising in the right places. There is an opportunity for Government there. For us, that would be business support. It is that kind of intervention that would be welcome. Therefore, I think that there is an opportunity there.

[152] **Gareth Jones:** I do not mean it in terms of interfering; it would be supportive rather than a matter of telling businesses what to do. What do you think, David?

[153] **Mr Rosser:** To clarify our view on business support, there are companies that get support that they value. There is a role for targeted, quality business support. My reading of the economic renewal programme is not that that will be turned off completely. It is just that

the focus will be shifted and there will be more balance and a greater emphasis and more resources will be placed on improving the wider business environment, which I think is perfectly correct for the reason that I have given this morning.

[154] I would agree with Simon Gibson and the manufacturing forum that early identification of demand for your products and spotting market niches is exactly what good, successful companies will be about. I am really struggling to accept the idea that the Government is best placed to do that for companies. I am not sure whether it is capable of doing it, and, frankly, that is a company's role, surely.

[155] **Gareth Jones:** Yes, but I am thinking, David, in terms of how expensive it is for companies to try to visit abroad—

[156] **Mr Rosser:** Oh, okay. Well, that is something different.

[157] **Gareth Jones:** I was thinking in terms of determining some kind of demand there, looking at changing demand and listening to what is happening out in the world and coming back with some information to share with industry and so forth.

[158] **Mr Rosser:** In our submission to the ERP consultation process, we noted that there are some things that Government can do well that businesses cannot do by themselves, and we highlighted trade missions as being one example of exactly that kind of thing. If that is what you have in mind—

[159] **Gareth Jones:** That would be part of it.

[160] **Mr Rosser:** It is about where Government can do things that businesses cannot. In terms of access to key decision makers and opening doors, the Government, through its relationships, weight, and its position in society, might be able to do a bit of that, while individual smaller companies might not be able to do so. There is a role for that. Where Government can do something genuinely that businesses cannot, that is great. If that is what you meant by identification of demand, then, yes, we highlighted it. However, in terms of Government telling businesses where growth opportunities will be in general, and which products and technologies will grow, I am afraid that I am struggling a bit with that.

[161] **Ms Davies:** We would probably see it working better with regard to small and medium-sized enterprises, because, obviously, they do not have the size or ability to be able to do that work themselves. Saying, 'Make sure that the infrastructure in Wales is great, and it will give businesses the opportunity to flourish' is fair enough, but we must also look at the other side, in that there are many market failures in Wales, where there is a need to supply the opportunity, and that is why we are very keen, in terms of business support, on making sure that the people and the small businesses of Wales can take advantage of those opportunities. Look, for example, at the supply chains and the amount of gaps that exist in the supply chains. As you say, the Government should point out opportunities there. There is no point in increasing the amount of Government expenditure on procurement opportunities for smaller companies or Welsh companies if the supply chain breaks down.

[162] **Ms Rhys:** With regard to business support, for us keeping the flexibility is important. We are pleased to see that the local investment fund can now be used for things such as market research, instead of just capital investment, and that it is now a bit more adaptable to a company's actual needs. We have been calling for that since it was set up.

[163] **Brian Gibbons:** I think that the FSB agrees with this, and I will come back to that. However, I am very surprised at the CBI submission. You covered it a little bit in your response in May, but there is nothing—or very little, however—in your paper, for whatever

reason, on the international interface. I do not see very much in your paper about the future of Wales Business International and whether or not you take the view that we need to develop a single brand for Wales, looking outwards, and whether or not the sectoral approach for branding Wales internationally is a better approach and so forth. That is very important because—

[164] **David Melding:** It is a big question.

11.10 a.m.

[165] **Brian Gibbons:** Yes. The big export companies in Wales need that outward-looking support. The overwhelming bulk of the manufacturing sector and the exporting sector is not indigenous; a large number of those companies come here on the back of a financial package. It is all very well saying that we are all in favour of a level playing field, and that 99.9 per cent of businesses do not care about a business package. However, it is that 0.1 per cent that are the big employers—the Amazons that come in and create 2,000 jobs, the Intertissues that create jobs for 300 to 500 people, the Coruses that create jobs for 7,000 people, and so forth. In Port Talbot, around 45 to 50 companies have received some sort of Government support over the past five years. Most of those companies know who they are and what they are doing; they are, in fairness, probably the most dynamic companies in the area. They are the companies that are taking on people and delivering supply chains for others. So, the line that you are taking, in saying that we should not have a positive programme of financial support, does not seem to correspond with the reality or with what your own members are doing in practice. You say that you do not want it, but your most dynamic companies out there are in the door, looking for the money, as quickly as any others. In fairness, those companies are, in the main, probably delivering good value for money, delivering thousands of jobs and so forth.

[166] So, the CBI in particular is giving a rather confused, mixed message in relation to this. We know that about two thirds or three quarters of jobs created in Wales are not in the six sectors, so, if those companies need assistance—and they are providing the overwhelming bulk of new jobs—how are we going to do that? We know that the banks are very reluctant to lend, although the big companies will get risk capital, and, as Simon Gibson said last week, we should not lose the capacity for public sector money to lever in private sector support. So, how can all of this be brought together in a coherent package that sends out a clear message for Government as it develops the ERP?

[167] **Mr Rosser:** There are a number of points there. We believe that there is a continued role for inward investment in Wales; the Welsh economy would be in far worse shape if we abandoned support for our existing stock of inward investment companies, and we have been roundly abused for saying that in other quarters. We made the point in our initial submission to the ERP, and we have made the point publicly since, that the inward investment market has different dynamics to it, which are not controllable here in Wales. So, to a certain extent, if we want to keep our existing stock of inward investors investing in Wales, and potentially attract further new inward investment from other companies, then we must look at the overall market. The dynamics of that market generally include some kind of financial inducement, and we must therefore decide whether we want to play that game or not. It is not about the economic development policy being a one-trick pony; the CBI is not suggesting that we should base all our hopes on inward investment, but we do think that it has a value and is necessary until the longer-term outcomes of the ERP around improving the environment for business kick in. That is the medium-term approach. So, there is a need for the Welsh Assembly Government to keep financially supporting inward investors in Wales, through grants. When it comes to supporting lesser mobile companies, my understanding is that WAG is not saying that it will not provide funding that will help to lever in private funding, but that it will do so with different terms and conditions. It is likely to be repayable, through soft loans

rather than grants, or equity investment. Perhaps there will be a bigger role for Finance Wales, which we would support. That seems to me to be a coherent position going forward.

[168] The problem comes when you think of grant aid to inward investors as business support, which I do not think it is. It is about affecting location decisions and buying economic activity into Wales. We could be smarter at it and more selective about what we choose to buy in. We could also be more focused, and maybe the sectors will help with that focus, rather than chasing anything that moves, which I agree we have been tempted to do in the past. However, there is a role for it. If we were to look through the various regional economies of Wales, town by town, and imagine them without inward investment companies, I do not think that any of us would like what we saw. In the near term, we will have to continue supporting inward investors, and we will have to do it in relation to the competitive market in which we operate. Does that clarify the position?

[169] **Brian Gibbons:** The headline message was ‘End of grant culture is cold turkey for the grant junkies’, but you are putting forward a much more subtle position.

[170] **Mr Rosser:** CBI members strongly support the move away from grants, but there is a particular issue with inward investors.

[171] **Brian Gibbons:** In my constituency, 40 to 50 per cent of the most dynamic small companies have, without doubt, received financial Assembly Government support. What are they doing? Are they just pocketing the money? Do they need it or are they conning us?

[172] **Mr Rosser:** I do not know. I have no reason to believe that. There is an element of dead-weight. Companies have got good at structuring proposals in order to attract grant aid, but my understanding is that the Assembly Government is moving towards providing finance on a repayable basis.

[173] **Brian Gibbons:** I agree that soft loans and further financial mechanisms for companies should be part of a suite of measures, but it has worried me that the message going out, not from the FSB, but from you, and it is in the ERP to a certain extent, is that we are giving up our competitive advantage through our assisted area status. Four aces are being thrown onto the floor when that competitive advantage should be built on, with more subtlety and complexity, as you have put it now, but the headline message is ‘We don’t want this’. I do not think that that is helpful for Wales or for the indigenous, dynamic companies that are looking for business support to go to the bank saying that they have some leverage from the Assembly Government, which is what Simon Gibson said. We are throwing that away. Your position is not as black and white as that, but the headline message that is coming from organisations such as the CBI is that that does not matter. Your position is more qualified, but it would be useful if that more qualified position were articulated more clearly.

[174] **Mr Rosser:** I take the point.

[175] **Gareth Jones:** Okay, we have to move on, but do you want to come in now, Peter?

[176] **Peter Black:** No, the discussion has moved on.

11.20 a.m.

[177] **Andrew Davies:** Following on from what Brian pointed out, two thirds of Wales is within an assisted area, and we are competing globally for foreign direct investment. and this is one of Wales’s few competitive advantages—being able to offer the highest level of financial intervention. Going from a grant to an investment culture is not new; it started some years ago, as you know, David. In my experience as a Minister, there was little appetite

among many companies and potential inward investors for repayable loans or forms of financial support other than a grant. Obviously, the financial situation has changed, and credit and capital are much tighter. Do you feel that there is renewed interest? I hear what you say about your members supporting this, but in the market, do you feel that there is increased interest and demand for that type of financial assistance—that is, loans as opposed to grants?

[178] The other point I would like to make is that, in your paper, you say that you are not persuaded by a sectoral approach, but from the point of view of Government, how is it to identify support for businesses in Wales? That was my point about the business partnership council—it is one of the three partnership councils, along with those for local government and the voluntary sector. My experience of working with the sectoral fora, such as those in manufacturing, the automotive forum, and others, is that you have a much clearer idea of what industry and business wants from that form of dialogue rather than through the big-tent approach of the BPC.

[179] **Mr Rosser:** Access to finance is clearly the only issue over the last two years for pretty much all businesses. It is getting a lot easier. There is a particular problem at the small business end still, and I do not think that that will go away for a while. Again, it is a wide and diverse market, and you need to differentiate between access to finance—where repayable loans, soft loans and equity investment from Government might actually solve the problem—and grant aid for a project that is going to happen anyway, somewhere, because it is being financed by a large, global corporation, and it is a question of finding the location that offers the best return. It does not surprise me if you have found that there is less appetite for repayable loans from footloose inward investors, if other jurisdictions are offering money that is not repayable. We need to decide whether we want to play in that market on those terms and conditions or not, I guess. It is quite legitimate to say that we do not want to play in that market—it is unpalatable, and we do not like it. One just needs to understand the consequences, and that is all the CBI was trying to do in its submissions.

[180] As for the sectoral approach, I take Brian's point that the great majority of new jobs will be created outside the key sectors.

[181] **Andrew Davies:** What is the evidence for that?

[182] **Mr Rosser:** That is a very good question.

[183] **Brian Gibbons:** I have it in a written answer.

[184] **Mr Rosser:** I will ask Brian to send you a note. That is why we do not think that this is about the complete turning off of business support, but a rebalancing. We have spent decades trying to grow the Welsh economy by providing masses and masses of business support, and it does not look too great, from where I am sitting. Maybe it is time that we started looking at making the business environment a better place, and that is why the CBI is supporting the broad thrust of the economic renewal programme—because it is about creating a better business environment. The Assembly Government will continue to provide direct business support; we understand that. It will have less resource to do so, and that would have been the case even if it had not rebalanced, just because of the financial climate. So, it makes sense to focus. It has chosen to focus on sectors, and that is fine. It could have focused on the transition to low carbon, for example. There were other ways of looking at it, but we think that the business support side of things is a second-order issue. We are happy with that, and it does not surprise me that you are having more detailed conversations with sector panels on what sectors need, and more general conversations with the business partnership council. They should perform different functions.

[185] **Ms Davies:** Looking at other sectors, we would not be happy if they were all doing

the same thing. I think that the sector panels will be looking at something different to the BPC. I come back to the issue of the carrier bag charge, which will be cross-cutting. That is very important to us, and not just in terms of sectors. Also, if you envisage the sector panels having a greater role than the BPC, that would exclude thousands of our members who are outside the sectors. We would be quite worried if that was to be the main chunk, with less of a lead from the BPC.

[186] **Ms Rhys:** We have been calling for the move to repayable loans for years, and truly soft loans at that, because of the access to finance, and other ways of leveraging equity also need to be looked at. With regard to the partner sector panel work, one of the first things that we would like to see them do is to look at the potential for SMEs within those sectors, especially with regard to the supply chain sector. How are they truly to understand the economy in that sector if they do not do that work? For example, when you look at inward investors, if a mapping exercise has been done of the supply chains for the businesses that you have here, it is a form of leverage above just a financial package to draw in inward investment. Looking at what SMEs we have here to work with investors and supply them, that is an attraction, too. It is about more than the financial package that you offer; it is about the environment and the innovative small companies that we have here in Wales. That also would bring benefits to the Welsh economy from inward investment and building sustainability into any concept of inward investment to ensure that companies are levered in, so that, if they move because another country is more attractive, the departure does not leave a big void in the supply chain. It is important that the Assembly does this mapping work and looks at SMEs within the sector panels before, as David said, they can use inward investment in a smart way.

[187] **Mr Rosser:** We should be expecting more of our inward investors around supply chains in relation to, for example, skills, and working with higher education and further education. It is about challenging customers.

[188] **Gareth Jones:** We are running out of time. David is next, and then Jeff.

[189] **David Melding:** The real first-order lever that we could get would be some control over corporation tax. Holtham gives us a plan for that. Those powers will more likely than not go to Scotland and Northern Ireland. How seriously should we be looking at that?

[190] **Mr Rosser:** When I talk to the CBI's SME members about what they really want, the replies centre on taxation and employment legislation. There are bigger-order issues that we have not discussed here today. The CBI needs to go through a formal process with its members.

[191] **David Melding:** Give us a hint of what they want. [*Laughter.*]

[192] **Mr Rosser:** We need to go through that process, and we plan to do it. It would really help if all the political parties in Wales could come out with some clear indications of how they would use those powers because, fundamentally, this is going to be a trust issue.

[193] **Gareth Jones:** Jeff, you have the final question.

[194] **Jeff Cuthbert:** Thank you; I will try to be brief, Chair.

[195] The first point is directly to the CBI, although the FSB might have comments on this issue. Where you talk about regulation in your submission, you refer to a valuable role for the Wales Audit Office. Would you like to expand on that? I know that the new auditor general is keen to have a broader role than the one exercised to now, so I would be grateful to know why you make that point.

[196] My main issue—and I will be brief—is to do with skills and the skills gap. Just before you came in, we had an interesting discussion with Semta about how the sector skills council sees it. In your submission—this is to both organisations—you refer to a desire for Welsh companies to be able to access money for skills training more directly. While I can see the attraction in that, there is a danger that the money will just be used for short term or more immediate needs as opposed to a longer-term strategic view—at least on a regional basis—of which future skills may be needed. So, I do not quite see how your comments can be correct in that regard, although I can understand where we are.

11.30 a.m.

[197] Finally, you rightly mention the need for greater education and training in the STEM subjects—science, technology, engineering and mathematics—with which we would all agree; indeed, we will be undertaking an inquiry into that. However, on further education, would you say that the relationship between employers and the FE sector as a key deliverer of skills is improving, has remained the same, or has deteriorated over the past five or six years?

[198] **Mr Rosser:** I will pick up the point about the Wales Audit Office and then hand over to my colleague. Our call related specifically to regulatory impact assessments. It is about the way in which the Assembly Government goes about it at the earlier stage, understanding the consequences and costs of its legislative proposals, and where they fall. We have been very disappointed by the efforts and standards of the regulatory impact assessments that have been conducted so far by the Welsh Assembly Government, and so we are delighted to see a commitment to doing it better in the economic renewal programme. There is probably a role for an external organisation with a bit of clout to bring some rigour to appraising those, and the Wales Audit Office was one example that we thought of.

[199] **Mr Jenkins:** That is true. The National Audit Office in England has a marshalling function of Government departments, where it proactively goes in to look at the quality of regulatory impact assessments and to judge them. I do not think that the Wales Audit Office has ever done that. It recently did an analysis of the public sector in Wales, which was helpful to map potential problems and issues. The audit office tends to do that strategic analysis quite well. That is the kind of impact that we wanted, so there has been some progress.

[200] On education, the economic renewal programme contains a wide range of recommendations covering a large part of what our businesses say they want, such as better skills for employability, better basic skills, shared apprenticeships and a greater focus on STEM subjects. It sounds great, but I am not yet sure what that will deliver because we have not had sight of the updated ‘Skills That Work for Wales’ programme that was supposed to be coming out. The FSB may have had a different experience. So, it all sounds as though it is going in the right direction.

[201] There is an issue of demand, and you have to look at what the sector skills councils are there for. Principally, they are there to see what the demand is from employers, and also to try to feed in to the further education in schools. In many cases, employers are the best placed to do that, especially our members. That is why we call for direct access to skills funding, because many of our employers provide apprenticeship places for young people to get access to the work that they do. At the beginning of the process, BT seemed to be working with the Department for Children, Education, Lifelong Learning and Skills to get direct access to skills funding, so that is an early sign of progress on the economic renewal programme.

[202] **Ms Rhys:** On regulation, one thing that we want, as David was saying, is to have the regulatory impact assessment carried out early on as part of the early consultation that we were referring to. As we have already used the example of the carrier-bag tax today, I will use

it again. There was no real consideration of the impact of that. It was announced, and then it was realised that it could not be regulated. So, the fear is that legislation is not thought through at an early enough stage to see what its impacts and consequences will be, and also how the Assembly Government itself will regulate the legislation that it produces.

[203] On the issue of skills, we have not had as good a relationship with DCELLS as we have had with others, or the sector skills councils either, which we do not feel have been representing small businesses. Only a couple of them have engaged with the FSB and our members. So, on the whole, we do not feel that there has been that engagement. It is only recently that we have started to have contact with the alliance itself. However, there is a great deal of training going on in small businesses. At the moment, much of it is in-house and is not accredited. We want to see the framework incorporating that and recognising what is being done. There needs to be that flexibility about what business needs as well. We would like to see more engagement on the skills. If you are to map demand and so on, you need to link that to skills and to the upskilling that will be necessary as we develop new research and development and technologies. The ability of small suppliers to react to that and take advantage of that is absolutely crucial.

[204] **Jeff Cuthbert:** I acknowledge the points that you make, but one reason I asked about FE in particular is because I am hosting a dinner with colleges in Wales tonight and I want to put these issues to them, if, indeed, they are live issues for you. The FE sector is perhaps the primary publicly funded sector for skills delivery and meeting the needs of industry, broadly speaking, whatever occupational area we are talking about. So, I would value your opinion on whether the relationship is as good as it could be. Relationships work in both directions: it is for them to work with you and for you to work with them. Is there a convenient arrangement that enables you to say that you have solicited views and, having analysed the needs of your members, you have found what your employers need to be delivered in the area, whether in Caerphilly borough or wherever? Does that sort of relationship exist?

[205] **Mr Jenkins:** In our original ERP submission, we identified some best practice within colleges. We tend to look at Deeside College in this instance as a really good, well-established hub for understanding the needs of local industry. It helps if one of your industries is Airbus, of course, which has this outsized—

[206] **Jeff Cuthbert:** That is not a typical example.

[207] **Mr Jenkins:** No, it is atypical, and that is a problem, is it not?

[208] **Mr Rosser:** It is improving, and the consolidation in the FE sector should help that.

[209] **Ms Rhys:** Typically, our membership works with FE a lot more than higher education, which also needs to change. However, I think that our members' feedback on their experience depends on where they are and what sector they are in. The picture is patchy, and I do not think that the engagement is consistent. There has not been that much engagement with the FSB. It is important that, as part of the ERP process, it ensures that engagement and consultation are a core part of how people work. It is about a culture change. It is about keeping business in mind when frameworks and so on are being set. We would like to see entrepreneurship being a part of relevant further education training courses. There has been talk of entrepreneurship being part of the curriculum in schools, but I think that it is also important for it to be a part of further education courses as well. Something that comes up consistently in feedback from our members is the need for not just technical skills to be taught in further education, but skills for employability, such as communication, customer service and so on. Consistently, that is what comes in at the top of surveys of what training businesses feel their staff need.

[210] **Mr Jenkins:** There is an experience gap. We have talked to businesses that come over from Bristol and the south west, and they say that the colleges there tend to be more proactive on average. I am sure that there is some best practice in Wales for some employers, but they do not tend to get the flexibility from some colleges in Wales that they get in England. It tends to be about what the college can provide and not what the employer wants. I guess that that is the process. Looking at key performance indicators, it comes back to the importance in general of comparative analysis. We should not just compare how well Wales was doing a few years ago with how well it is doing now; we need to compare it with the situation in England and Scotland, because employers have a choice about where they do business.

[211] **Jeff Cuthbert:** I suggest that we need both.

[212] **Mr Jenkins:** Yes, absolutely.

11.40 a.m.

[213] **Gareth Jones:** With that final comment, I apologise that we have gone beyond what we had planned, but it has been an interesting discussion. On behalf of Members, I can tell you that we appreciate that you give of your time and we value your observations and your comments. Our discussion has been somewhat retrospective, which is sometimes inevitable, but we have also had a look to the future. We share the concerns that you have expressed, which will be noted, and let us hope that we can make some positive use of what has been an interesting and helpful discussion for us, as Members. I wish you all the best.

[214] You referred to capacity, and we know that we are very demanding, but we want to hear your opinions. We value them, and we wish you all the best in your work. Diolch yn fawr iawn.

[215] Mae un papur i'w nodi, sef There is one paper to note, namely the cofnodion y cyfarfod blaenorol. minutes of the previous meeting.

11.41 a.m.

Cynnig Trefniadol Procedural Motion

[216] **Gareth Jones:** Mae angen inni ddod â rhan gyhoeddus y cyfarfod i ben. Gofynnaf i Aelod gynnig y cynnig perthnasol. **Gareth Jones:** We need to bring the public part of the meeting to an end. I ask a Member to move the appropriate motion.

[217] **Nerys Evans:** Cynigiaf fod y pwyllgor yn penderfynu gwahardd y cyhoedd o weddill y cyfarfod yn unol â Rheol Sefydlog Rhif 10.37(vi). **Nerys Evans:** I move that *the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37(vi).*

[218] **Gareth Jones:** Gwelaf fod y pwyllgor yn gytûn. **Gareth Jones:** I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

Daeth rhan gyhoeddus y cyfarfod i ben am 11.41 a.m.
The public part of the meeting ended at 11.41 a.m.