

Economic Development Committee EDC 19-00 (draft min)

MINUTES

Date	13 th December 2000
Time	2.00-5.30pm
Venue	Committee Room 1, National Assembly for Wales Building.

Attendance

Members	(Constituency)
Val Feld (Chair)	Swansea East
Alun Cairns	South Wales West
Christine Chapman	Cynon Valley
Glyn Davies	Mid and West Wales
Mike German (Economic Development Minister)	South East Wales
Christine Gwyther	Carmarthen West and South Pembrokeshire
Brian Hancock	Islwyn
Dafydd Wigley	Caernarfon
Phil Williams	South East Wales

Officials

Allan Moss	Economic Policy Division
Steve Phillips	Economic Policy Division

Gareth Edwards

Economic Policy Division

Helen Usher

Former Clerk/EDC

External Contributors

Prof. Steven Hill

University of Glamorgan

Hillary Hendy

WDA

Ken Poole

PricewaterhouseCoopers

Secretariat

John Grimes

Clerk

Sian Wilkins

Deputy Clerk

Apologies

Apologies were received from Ron Davies AM.

Item1 - Chair's opening remarks

1.1 The chair welcomed members to the meeting. She apologised that some of the papers had been sent out very late and particularly EDC-18-00(p12) from the Economic Development minister on match funding. She said that she considered this to be a very important paper and felt the committee would be anxious to see it before Christmas rather than wait. Members concurred with this view.

2. She also raised the question of the timing of the Economic Development Minister's report. She said that this was prepared later than other papers in order to be as up to date as possible. However, this meant that there was no possibility of it being issued four working days before the meeting and she would like members' confirmation that they were content with this. Members indicated that they were happy to have this paper issued shortly before the Committee meeting so that it could be up to date.

Item 2 - Economic Development Minister's Report

2.1 The Economic Development Minister introduced his report. He commented that the release of unemployment figures coincided with the committee meeting and he could therefore now add, orally, that unemployment, seasonally adjusted, had fallen by five hundred between April and October this year. Employment was also down by four thousand between May and July. Neither of these was statistically significant.

2.2 He referred to the recently announced job losses at Vauxhall in Luton and said that he was investigating the impact that this would have on the suppliers in Wales. In particular, he was concerned about the effect on steel production at Shotton and Port Talbot. He referred to Accelerate Wales which had been set up to keep track of supply issues in the motor vehicle sector of Wales. He said that he was investigating all these issues and would report back to the committee after Christmas. **[Action Economic Development Minister]**

2.3 Further to his report, he said that he was meeting ALCAN after Christmas.

2.4 In discussion, a number of comments were made:

- Members regretted the supply-chain impact of the job losses at Vauxhall and were concerned that everything possible to help should be done. The Economic Development Minister reiterated that he was investigating the issue very carefully, in the context of Accelerate Wales, and would report back as soon as possible. **[Action:- Economic Development Minister]**
- Concern was also expressed about the effect of this closure on Corus, particularly given the reports about over capacity in the steel industry. The Economic Development Minister said he would also be looking at both the UK and European Markets. He would report further to the committee when he had results. **[Action:- Economic Development Minister]**
- There was also concern about ALCAN and it was suggested that efforts should be made to help protect the jobs of younger people there. One way to do this might be by making any redundancy packages more attractive for older people.
- There was some discussion about the development of tourism in the valleys in response to Blaenafon's being awarded world heritage status. Members commented that in order to maximise the benefits it would be necessary to consider wider issues such as accommodation in the area and eating facilities. Members also expressed the view that other areas across Wales could equally benefit from greater interest in industrial heritage. It was commented that what was needed was an all Wales strategy for exploiting the tourism potential.
- Members referred to the Better Regulation Workshops and asked whether these were

based on the same partnerships as Business Connect. Officials said that they were quite separate and had been set up some time ago to assess the overall level of regulation faced by business and how business felt about this. A consultant had been appointed to help quantify the position. The partnerships had so far not been very successful and it was hoped that they could be revamped and regenerated. It was noted that the partnerships were local authority run and had been established to assist consultation with business. Officials also said that they were working on a web site to provide information on regulatory issues to business which will in due course be linked to Business Connect. Members welcomed the efforts to reinvigorate this initiative but commented that it was important to structure workshops of this kind in order to get constructive feedback from businesses. It was suggested that Chamber Wales and business clubs would be important participants in the process.

2.6 A member referred to the WTI trade mission to China with which she had been involved. She said that she hoped it would be possible for the trade mission to build on the links that had been already established. The Economic Development Minister commented that Rhodri Morgan was going on this trade mission and if the member were to let him have details he would pass these on.

2.7 Finally, concluding his report, the Economic Development Minister noted that Stephen Phillips would shortly be moving on to other work within The National Assembly and wished to place on record his thanks to him for his work as head of the Economic Policy Division. The Committee then thanked Stephen Phillips for his work and offered best wishes for his new position.

Item 3 - Operating Aids

3.1 Introducing his paper, the Economic Development Minister said that developing operating aids for use in Wales was no easy task. He said that at best the response from the European Commission would be lukewarm and it was necessary to convince them that aid of this kind, rather than grant assistance, was essential to regenerate the Welsh economy. In his view, the first priority was to construct sound defensible arguments to put to the Commission and, having done this, seek to make progress in reaching an agreement on a programme as quickly as possible.

3.2 He emphasised that as well as the European Commission, it would be necessary to convince the Treasury where application of the measures involved levers outside the direct control of the Assembly. He emphasised that getting the right case was absolutely critical to success and in order to do this it would be necessary to work with other Objective 1 regions of the UK as well as take advice from consultants. He felt there were grounds for optimism because he believed there were indications from the UK Government that some flexibility in fiscal policies might be possible.

3.3 A member expressed concerns that delays in putting forward proposals for Operating Aids meant that we had missed the opportunity. The Minister said that this was not the case – the key requirement was to develop a sound case on which to argue for their introduction.

3.4 Members expressed their support for the Minister in his efforts to secure operating aids for Wales although concern was expressed by one member about the time it was taking to achieve results. Summing up the Chair stressed the importance of aid to support Research and Development for which, current figures indicated the gap between Wales and the UK was widening. It was also commented that a priority should be reducing employment costs. In conclusion, members reiterated their whole-hearted support for the Minister in this area.

Item 4 – Review of National Economic Development Strategy.

Sector Selectivity

4.1 The Chair welcomed Prof. Stephen Hill from the University of Glamorgan who introduced his paper on Sectoral Selectivity. He said that while, in his view, it was not possible to pick winners, it was possible to identify the kinds of characteristics and environment that can be expected to lead to success. These will include things like, world class communications, competitive suppliers, knowledge based organisations and outward-looking and flexible employees. However, economic structures will always need to change due to factors such as technology, changing customer preferences etc. and changes will always carry a cost. Structural change has a large part to play in any plan for re-growth but it is then essential to turn the ideas into action.

4.2 In discussion the following points were noted:

- We must look at our strengths based on our culture, geography and history and use these as a starting point in any move towards sectoral selectivity. Research and development is crucial to any success and Wales falls behind in this regard. As a small country we have to be prioritising and using resources wisely. One approach is to ask where is the expertise in Wales and where is the market potential. We must then find the marriage between these to identify the sectors to focus on.
- In Ireland, and many other successful small countries, economic success was built on identifying growth sectors on which to focus.
- One member voiced concern that if investment is limited to particular sectors it will exclude the ideas of the future which come from 'blue sky' research. Only part of the strategy must encourage sectoral selectivity. We need a two track approach supporting

both potential growth sectors and innovation more generally. It was important that any strategy is reviewed on a regular basis.

- The Minister commented that it was vital not to be too specific. Sectors needed to be defined in broad terms, such as Renewable Energy, and it will be important to be brave in any decisions. A member commented that there are two choices, either identify sectors or don't. As there is no selection policy at present choosing to identify sectors can be no worse than the present situation. We must not shy for fear of failure, but at least have a go.
- Another member noted that the best people to identify winning sectors were the private sector investors. They could identify market trends and needed the support to allow them to pursue them. The role of the Assembly is to create the right conditions in which business can operate successfully.

Call Centre Review

4.3 The Chair then invited Hillary Hendy from the WDA and Ken Poole from PricewaterhouseCoopers to introduce their paper on Call Centres. This paper had been requested by the Committee in response to concern about the rapid growth of this sector.

4.4 Hillary Hendy talked about the perceptions that surround call centres, especially regarding poor pay and conditions. She said there are many variations from this to the higher level call centres which deal in diagnostics, legal advice, financial services etc, and it is these which are the growth area.

4.5 Ken Poole outlined the model used for the Call Centre Audit and said they had worked closely with the Call Centre Association. Whilst the industry has plans to invest further, an impediment would be skills availability. As Wales came into this sector at a late stage we have tended to pick up some of the more sophisticated industries such as telecoms and financial services. He added that a key objective of these companies was less cost than customer retention which made them generally more stable. Also whilst some call centres do have a high 'churn' rate, the training provided by the company means that employees go back into the workforce with good customer service and IT skills.

4.6 In general discussion the following points were raised:

- The call centres which are the most likely to grow are those that use Web enabled technology and Wales has a high percentage of these. Technology should not be seen as a threat and companies are investing now to overcome this.
- Call centres locate according to demographics firstly, and then skills availability.

Multilingualism is seen as an important skill to attract Pan-European companies and we do fall behind in this area.

- Employment distribution by gender is approximately 40% male to 60% female. The new generation of employers are keen to have a spread of both gender and age.
- Recruitment and accommodation initiatives are important, Cable & Wireless and Manpower were attracted to Wales because the right premises were available at the time.
- Concerns were raised over Health and Safety issues and the fact that low labour costs at the outset could lead to companies pulling out when costs rise. The HSE is currently looking at this relatively new area. However as the calibre of new companies is now higher, they are more aware of standards. The issue of labour costs applies inside sectors and the WDA are confident that the current call centres are not likely to disinvest on labour costs alone.

4.7 In summary the Chair thanked the WDA and PricewaterhouseCoopers for the paper which had stimulated a very interesting discussion. The Committee was pleasantly surprised that this was a sector that appeared to be bringing good jobs to Wales. It was important to recognise that this has been influenced by the existence of a strategy for training and accommodation provision. In the future development of a strategy to attract call centres, the Committee should recommend that the Wales TUC and HSE are involved, it is important that we are attracting industries in the higher end of the market.

Creative Industries

4.8 The Committee then considered the Post 16 Education and Training Committee's report A Culture in Common .

4.9 A brief discussion focussed on the wider implications of the report, with particular regard to NEDS. The following points were made:

- In many parts of Wales arts and culture is an important element of the economy and there is an acknowledgement of the need to look at the broader benefits of this.
- For tourism areas culture was important for economic development as it helped attract people into Wales. The arts do play an important part in community regeneration.
- The Committee endorsed the broad recommendations of the report and the importance of creative industries on the Welsh economy. It was acknowledged that further discussion is needed on this sector.

4.10 Summing up the discussion on sector selectivity, the Chair said that in principle the committee agreed with targeting sectors stressing the need to build on our strengths in order to take a competitive edge. It would be important to build sector specific strategies whilst still allowing new ideas and sectors. It was proposed that in order to consider NEDS in more detail, and ensure it was ready for plenary on 7th Feb 2001, a sub-committee be set up to deal with the process. This would consist of Val Feld, Mike German, Phil Williams and Alun Cairns. Members endorsed this and were content to have only one member from each party present. A meeting has been arranged for 19th December 2000 to consider the substantive points and bring them back to committee.**[Action Clerk]**

Item 5 - Review of business support and development

5.1 Introducing the item, the Chair said that she hoped that following this meeting they would be able to finalise the report and, if all went well, have it translated by the end of the second week in January. This would lead on to publication, circulation to other committees, and a debate in Plenary prior to launching a consultation exercise of two months.

5.2 She said that since the previous meeting she had taken on board views expressed. In view of the fact that the report was too bulky she and the Clerk had expanded the 'executive summary' in order to enable this to stand on its own as the committee's main report. This was the basis of the draft they had before them. There was still work to be done on finalising the annexes and the main report would be available as a supplementary paper on request.

5.3 There was some discussion of points raised following the recent meetings with outside bodies and the following conclusions were reached:

- Members felt that in order to allow for a possible change of name it would be helpful if the term Business Connect was used within the report only in connection with the existing organisation and a different phrasing, such as Business Action Bureau, used to refer to the "common gateway" to business support.
- The reference in paragraph 5.32 to consultation should make it clear that this needed to be "at regional level". The appropriate geographical level for this should be a question in the list of points for consultation.
- The WDA, as the key agency for economic development in Wales, was the right organisation to oversee the common gateway, but it should not seek to provide the services itself.

- The regional structure for the common gateway organisation should also incorporate representation from the agriculture sector.
- The question of establishing an Ombudsman to investigate problems in the delivery of business support should figure within the list of issues for consultation. Members noted that while intuitively this should fit within the monitoring part of the proposed new system, it was important that it was not so embedded within it that it lost its independence.
- One member had reservations about whether, having established the role of the assembly as focused on policy, it was appropriate for it to retain responsibility for Wales Trade International which provided exports advice. After discussion, members agreed that the recommendation to leave this within the National Assembly should remain, with the proviso that there would be a commitment to review WTI in due course. It was agreed that one of the questions to be included within the consultation exercise should be that of what precisely business needed by way of support for exporting.

5.4 Summing up the Chair said that she would now amend the report to take on board the comments made. She said that if members had any further comments by they should let her have them by Monday 18 December. **[Action: Committee Members]**

Item 6 - Structural Funds

6.1 The Chair thanked the Minister for the papers on structural funds and presented the late paper on the Objective 1 match funding. She advised members that a copy of the Objective 1 Task and Finish Group report had been forwarded to them but was not for discussion until after the PMC. Christine Chapman offered to make a formal report, as Chair of the Monitoring Committee at the next EDC. This will be alongside regular reports on WEFO from John Clark. **[Action: Christine Chapman, Clerk]**

6.2 The paper on Match Funding was introduced by Dr. Hugh Rawlings, who invited questions from the Committee.

6.3 The discussion then centred around the paper on match funding with clarification being given on the following points:

- Para 4.2 of the paper referred to the priorities for match funding and the bodies which had first call on resources. This was expressed in terms of the sponsoring body rather than the organisation carrying out the project.

- There was an implication in para 5.5 that Match Funding would be equal to the WEFO funds. This was not necessarily the case because the match funding element could be drawn from a number of sources with only a small amount from the Assembly match funds budget. The total could be equal to the amount in the original proposal, but it was stressed that it could not be increased to compensate for any reduction in WEFO funds.

6.4 A Member referred to Annex A of the Objective One update and asked when the committee would know that the spend has occurred. John Clark advised that reports will be made to PMC regularly and will be in the public domain.

6.5 Summing up, the Chair reiterated that Members welcomed the ongoing monitoring and evaluation within the Research and Development group, and looked forward to ongoing reporting in this area. Future reports to the Committee will cover all 3 structural funds programmes and cover progress on expenditure and more generally.

Item 7 - Minutes of the meeting held on 29 November

7.1 Members agreed that these were a true record of the meeting.

7.2 Christine Gwyther said she wished to place on record her thanks to the Economic Development Minister for assisting in the rescue of Ledwood engineering and the saving of jobs..

7.3 Members asked when further information would be received on expenditure at Cardiff Bay (action outstanding point number 2. Officials agreed to prepare a paper for the committee in January. **[Action: Economic Development Minister]**

Committee Secretariat