

Economic Development Committee EDC 10-01 (draft min)

MINUTES

Date	27 June 2001
Time	2.00-5.30pm
Venue	Committee Room 1, National Assembly for Wales Building.

Attendance

Members

Ron Davies (Acting Chair)
Alun Cairns
Christine Chapman
Glyn Davies
Mike German (Economic Development Minister)
Alison Halford
Brian Hancock
Dafydd Wigley
Phil Williams

Constituency

Caerphilly
South Wales West
Cynon Valley
Mid and West Wales
South Wales East

Delyn
Islwyn
Caernarfon
South Wales East

Officials

David Pritchard	Director, Economic Development Department
Emyr Roberts	EPD
John Clarke	Chief Executive, WEFO
Phil Gray	WEFO
Allan Moss	EPD
Roger Bonehill	OCG

In Attendance

Glenn Massey	PriceWaterhouseCoopers
--------------	------------------------

Secretariat

John Grimes	Clerk
Sian Wilkins	Deputy Clerk

Apologies: Apologies were received from Chris Gwyther and Val Feld.

Item 1: Chair's opening remarks.

1. The Chair welcomed all and reminded visitors that headsets were available for translation or amplification. He advised Members that he had written to Chris Gwyther as agreed at the last meeting.

Item 2 Minister's report

1. The Chair asked the Minister if the written copy of his oral submission made at the last meeting was now available. The Minister said that it would be issued shortly. He agreed that he would provide a written copy of his oral updates as a matter of course after this and all future meetings. **[Action: ED Minister]**
2. The Minister introduced his report with an update on the latest developments on foot and mouth. He said that there had been a meeting the previous day of the UK Rural Task Force and that the issue of providing additional matched funding for the rural hardship funds had been raised with Treasury. The Wales Rural Partnership was meeting on 24th July after which further support measures would be announced.
3. Several Members were concerned that this was too far away, and with the existing funding running out soon, businesses needed help now. The Minister responded that those affected in Wales have had better support than those elsewhere in the UK, but he acknowledged that the latest outbreak in Powys would require reflection on what was done next. He expressed concern that none of the Local Authorities in Wales had taken up money from the Bellwin scheme but hoped that some applications would be received in the final month. He agreed that timing was important, particularly to tourism businesses, but pointed out that the Rural Recovery Plan was designed to consider long term recovery and that additional measures will need to be in place to help tourism through this coming season.
4. He said that following the discussion at EDC last time, he had issued an amended version of the papers giving the Cabinet's response to the Business Support Review. These would be posted on the Intranet for the forthcoming debate in Plenary.
5. In response to a question regarding matched funding for initiatives to mitigate the job losses in Ebbw Vale and Llanwern the Minister confirmed that this would be provided by Corus.
6. The Minister advised Members that following the closure of Faurecia in Tredegar, RSA funding was being repaid for the South Wales operation. Members were concerned that providing further support for their operation in North Wales had policy implications but the Minister said that he was confident that if this had not

been available the company would have moved out of Wales altogether. The measures approved were within current guidelines and had been approved by WIDAB.

7. In response to a Member's question the Minister said that the loss of jobs at AIWA in Newbridge would allow them to introduce a new manufacturing system which would provide the company with a stronger base from which to expand.
8. In answer to a question about the Small Grants Task and Finish Group the Minister said that this differed from the Committee's work on the Review of Business Support in that they would be focussing on meeting the needs of businesses within Tier 3 only. The Minister confirmed he would provide Members with the terms of reference and details of the timescale. **[Action: ED Minister]**
9. A number of members commented on the costs associated with Cardiff Bay and the Minister agreed to prepare a note giving the cost of maintaining the Bay and explaining why they differed from the original estimates. The note would also explain the reason for the increased spend on dredging. **[Action: ED Minister]**
10. The Minister confirmed that part of the underspend in the EDD budget last year had related to LG. This money had been ring-fenced in anticipation of phase 2 of the project. When it had become clear that this would not go ahead immediately it was decided to retain the money as a reserve until LG's final position became clear.

Item 3: Budget discussion

3.1 Introducing the Budget issues paper, the Minister drew attention to the last two paragraphs, which set out his priorities:

- To help tourism recover from the impacts of Foot and Mouth Disease and move towards the *Putting Wales First* target of 10% of GDP;
- Additional support for innovation and technology transfer;
- Achieving the full implementation of the Entrepreneurship Action Plan and the Business Birth-Rate Strategy; and
- Ensuring access to broadband communications technology across Wales and promoting its wide and effective use.

2. The Minister also stressed the importance of a cross-cutting approach to economic development and emphasised that he would support any bids made by the Ministers for Education and Life-Long Learning and Transport Planning and Environment that further the economic development agenda in Wales.
3. Members commented that the paper was primarily a descriptive document and that it was difficult for them to express clear views on priorities without more detailed figures. They could not ignore the fact that additional resources for one programme would be at the expense of another - unless the overall level of funding was to be increased. It was therefore important to be able to quantify all

of the elements.

4. The Minister recognised that priorities would need to be set. The Budget Planning Round called for the debate at this stage to focus on big issues and broad priorities and not the detail. What he would find helpful now would be advice from the Committee on the big issues so that he could then move on and work up detailed cases. There would be plenty of opportunities later in the round for the Committee to comment on specific spending proposals.

5. In the discussion members emphasised the following:

- the continued need to create jobs in the South Wales Valleys;
- the need for skill training, and developing wider links with Higher Education. On this point, the Minister noted that Research and Development fell within the Education budget and he hoped that EDC would support his efforts to secure more money for this.
- The importance of taking a holistic approach to economic development – and not losing sight of the need for investment in related areas such as childcare;
- The need to help companies take advantage of developments such as the availability of broad band communications technology.

2. On a related matter, a concern was raised about clean energy and the requirement placed by the Assembly on the WDA to establish partnerships. Concern was expressed that this was not happening and the Minister agreed to provide a note on this for the next meeting. **[Action: ED Minister]**
3. A number of members stressed the importance of decisions on the budget being in the context of the National Economic Development Strategy and the Minister confirmed that it was his intention that conclusions emerging from it would inform the budget round.
4. Members noted that a great deal of EDC's work had been based on NEDS and that a number of good ideas had figured in the discussions. The challenge now was to link these together and to devote sufficient resources to enable the objectives to be delivered. The Minister said that it was important to recognise that in order to secure resources to progress NEDS he needed to put forward soundly based bids. He had a battle ahead and considered it important that he had the full support of EDC in this.
5. Members noted the high percentage of very small companies in Wales and concern was expressed that the number surviving for 52 weeks was falling. The Minister said that while the failure rate was disappointing it was important to see this against an increase in the number of business starts. It was clearly important to try and improve the survival rate for these companies. While this was one aspect of the Entrepreneurship Action Plan, members expressed concern that this programme was specified as one of the Minister's priorities when it had been endorsed only 'in principle' by the Committee. There was a concern that the Committee had received only broad information about it and yet it was a

programme involving large amounts of public money. The Minister agreed to provide further information for Members to discuss the plan in more detail at the next meeting. **[Action: ED Minister]**

6. Summing up the discussion, the Chair said that the Committee clearly endorsed the general thrust of the Minister's priorities subject to some reservations on the Entrepreneurship Action Plan. He said that the major concern of the Committee was the overall size of the ED budget bearing in mind the significant changes that needed to be made to the Welsh economy.

Item 4 Fiscal Variations

1. The Minister introduced the item, explaining that this was a 'work in progress' and that he was rigorously pursuing the scope for fiscal variations. He did not intend to publish the PriceWaterhouseCoopers report at this time as he did not wish to jeopardise the negotiations currently in hand. He added that any success would depend on Treasury and EU consent.
2. Some Members were concerned that they had not been provided with a copy of the Report, but the Minister explained that he was not seeking Members' views on this issue but simply providing a progress report.
3. Glenn Massey of PWC explained the backdrop of the report by summing up the current problems in Wales and explaining that present structures were not always effective. He said that unless there is a coherent policy on fiscal variations any other support given to businesses would merely be dressing.
4. He categorised aid into the three areas: investment aid such as RSA, employment aid, such as schemes like New Deal and operational aid such as rent free periods. What was emerging was that any significant changes to operational aids were increasingly unlikely to be acceptable to the European Commission. Whilst employment packages were the responsibility of both UK Government and the Assembly, it was in the area of investment aid that we had the biggest opportunity for change.
5. Some ideas would be relatively easy to get agreement on and these were the areas that should be concentrated on in the short term. Other ideas, which would be more difficult to pursue, should be seen as longer term, although no less important.
6. Members generally welcomed the work that the Minister had commissioned in this area although some felt that it should have happened sooner. They questioned whether the report had been prepared in an entirely Welsh context and urged the Minister to seek appropriate allies for specific measures. Glenn Massey confirmed that in preparing the Report he had taken advice from the PWC network in Member States in Europe, which included those in Objective 1 areas.
7. The Minister thanked members for their contributions and encouraged them to engage with him during this process. He added that in the most recent UK Budget speech there were clear indications from the Chancellor concerning the route he

wished to pursue and it was the Minister's intention to take maximum advantage of this.

Item 5: Structural Funds update.

1. Chris Chapman outlined the action agreed at the most recent Objective 1 PMC meeting. (A copy of her oral report is attached to paper EDC 10-01(p4)).
2. The Minister thanked the PMC and all the partners for their work. He introduced Dr Susan Denham who would be joining WEFO with a specific responsibility for monitoring. He was now pleased to see that Objective 1 approved projects were starting to get off the ground and quoted several examples of projects where jobs had been saved.
3. A Member highlighted the need to close the gaps in partnership groups now apparent in areas such as energy, transport and ICT. WEFO confirmed that they felt it was vital to set up a new infrastructure partnership and this was progressing.
4. Concern was expressed regarding final clearance for Finance Wales and that if it was not cleared by 27th July nothing would happen until the autumn. The Minister confirmed that he was due to visit Brussels next week to ensure they understand the current position.
5. In answer to a question the Minister confirmed that the structure for a private sector unit would be agreed once the private sector had put forward their proposals. It was intended that the regional facilitators would then work for them.
6. Some Members expressed concern that large sponsors were in danger of dominating the programmes. The PMC Chair said that it was the responsibility of these sponsors, such as WDA, to ensure they were working with the private sector and small companies.
7. At the recent PMC meeting members had considered the proposal that EDC members should have PMC papers at the same time as PMC members. The PMC had felt that all partners should be treated equally and declined to allow preference to the Assembly. EDC members did not accept this and considered that the Assembly was not simply another partner. Members asked that the Chair make further representations and ask the PMC members to reconsider.
8. The Committee then considered the proposals from WEFO for revised reporting procedures on structural funds as outlined in their paper. WEFO explained that they were concerned that the Committee were getting a great deal of detailed information but not the analysis that they really wanted, which they now proposed to provide on a quarterly basis.
9. Members generally agreed with the proposal that EDC received a quarterly report from WEFO based upon latest available data on commitments, payments, match funding and outputs comparing actual performance with the planned profile. This would be reported by Priority or, for Objective 1 grouped by the four strategic elements of Business Assets, Community Assets, Rural Assets and Human Resource Assets. Information would also be provided showing the extent of

private sector involvement in the programmes and the sources of match funding.

10. The aim should be to provide a short, sharp report from which Members could easily identify the extent to which the programmes were moving in line with their objectives and avoiding large amounts of detailed information. It was agreed that a detailed format would be worked up on the arrival of Dr Susan Denham
[Action: John Clarke]
11. Members agreed that this report would be provided quarterly and were content with WEFO's other proposals, namely, oral reports from the PMC Chairs, headline data via the Minister's reports and other reports and advice as and when appropriate.

Item 6: Minutes of previous meeting.

1. The minutes were agreed as a true record.
 2. Members raised the following items of Action Outstanding.
- Cardiff Bay – The Minister agreed to ascertain when the Cardiff Harbour Authority Business Plan would be available for the Committee. **[Action ED Minister]**
 - On the business support review, concern was expressed that while the Minister had corrected the error in relation to the WDA's position, he had not explained how this had occurred. It was a matter of great concern that the Committee had been given false information and that this had been identified only because a member had spotted it. Had this not happened, it could have significantly affected decisions taken by the Committee.
 - The view was expressed that the Minister had not answered the underlying question of why at one point in time veterinary advice had led to footpaths being closed when later this action was reversed. It was of particular concern because the closure of footpaths had had such a major impact on businesses. The Minister pointed out that veterinary advice did not fall within his area of responsibility and said he would draw it to the attention of other Ministers.

Committee Secretariat