

Economic Development Committee EDC 11-01 (min)

MINUTES

Date 11 July 2001
Time 2.00-5.30pm
Venue Committee Room 1, National Assembly for Wales Building.

Attendance

Members

Alun Cairns
Glyn Davies
Ron Davies
Brian Gibbons
John Griffiths
Christine Gwyther (Chair)
Brian Hancock
Rhodri Morgan (as ED Minister)
Dafydd Wigley
Phil Williams

Constituency

South Wales West
Mid and West Wales
Caerphilly
Aberavon
Newport East
Carmarthen West and South Pembrokeshire
Islwyn
Cardiff West
Caernarfon
South Wales East

Officials

Derek Jones	Director, Economic Affairs, Transport, Planning & Environment.
David Pritchard	Director, Economic Development Department
Emyr Roberts	EPD
Julie Hanley	ICM
Anne Stephenson	EPD
Mike Phelps	EcAD
Jonathan Price	EcAD
Michael Trickey	FP2
Roger Bonehill	OCG

In Attendance

Graham Hawker	Chief Executive, WDA
Gareth Hall	Executive Director Strategic Planning, WDA

Secretariat

John Grimes
Sian Wilkins

Clerk
Deputy Clerk

Apologies: Apologies were received from Alison Halford, Chris Chapman and Val Feld. John Griffiths substituted for Chris Chapman; Brian Gibbons substituted for Val Feld.

Item 1: Chair's opening remarks.

1. The Chair welcomed all to the meeting and thanked Ron Davies for chairing the last two meetings in her absence. She welcomed Rhodri Morgan, First Minister, who had taken temporary responsibility for the Economic Development portfolio.
2. Some Members were concerned that the absence of a Liberal Democrat Member left the meeting without party balance and questioned the validity of the meeting. The Chair and Clerk confirmed that they had checked this point. It was necessary for Plenary to elect a new member but this could not be achieved by this meeting without breaching the normal Standing Order deadlines. The Chair also confirmed that no representations had been made by the Liberal Democrats following the resignation of Mike German. The First Minister said that on the resignation of a Minister the responsibility for the relevant portfolio reverted to him.
3. Declarations of Interest were made by Christine Gwyther, whose partner runs a consultancy business; Brian Hancock, who is the Director of a small firm specialising in Health and Safety; and Phil Williams declared his background in education in relation to the discussion on the HE review

Item 2: Minister's report

1. The Minister introduced his report with a brief verbal update a copy of which is attached to his written report.
2. In discussion the Minister agreed that it was difficult at present to identify a pattern in the economy and, following Wales' transition in the past from coal and steel to manufacturing, it was now undergoing a further transition to a more commodity/brand based economy.
3. He confirmed that officials were due to visit Friction Dynamics shortly. The unions were keen to let them have access as they were concerned that machinery had been moved from the premises.
4. The recent announcement of the joint venture between LG Electronics and Philips complicated the picture, with there now being three separate companies on the site. The £21.5 m ring-fenced for the Hynix facility was still available and he hoped to have news shortly on this. Officials confirmed that the underspend was being discussed with the Finance Minister and if this was not needed for LG there

was a strong case for this to be released for other Economic Development projects.

5. Some concern was expressed about the First Minister covering the job of Economic Development Minister because it was felt that the latter was itself a full-time commitment. While members were anxious that the summer recess should not be seen as a time of low activity, they recognised the Minister's intention to review the position in the autumn.
6. A study had been commissioned as part of the Corus Response Programme to develop a strategic framework for the relevant parts of South East Wales. This would inform decisions on the recovery package, including a decision on the future of the freight rail line from Ebbw Vale to Llanwern. The Minister said that he wholeheartedly supported the use of this as a passenger line but reminded Committee members that any decisions regarding this would, in the main, be the responsibility of the Minister for the Environment.
7. Several Members expressed concern at the results of the latest Index of Production figures and questioned whether, with the gap between Wales and the UK widening, the targets within NEDS were now even more difficult to achieve. The Minister commented that the economy in Wales was vulnerable to fluctuations in currency. The overall strategy within NEDS to move to a more knowledge-based economy would be far less prone to cyclical shifts.
8. On the Entrepreneurship Action Plan, a Member said he had received a briefing from officials and was now more satisfied about the procedures in place to monitor the Plan. The £235m had not yet been allocated to the budget and projects still had to be submitted to WEFO, and subjected to the tough scrutiny that exists under Objective 1. Officials confirmed that the figures in the Plan were to some extent aspirational to initiate a step change in entrepreneurial activity in Wales. The Chair asked the Clerk to prepare a paper on the plan over the summer to allow a full discussion at Committee at a future date. **[Action: Clerk]**
9. Officials confirmed that the increased spend on dredging for Cardiff Bay had arisen as the original figure was based on an estimate. When the final tenders came in there had been a hardening in prices for dredging which had resulted in the increase. The next National Audit Office report would cover this.
10. Concern was voiced over the financial support made available to Local Authorities for Foot and Mouth. The Minister said that he hoped to be able to comment further on this at the Rural Partnership meeting on 24th July. He recognised however that Powys, in particular, would have a strong call on any re-allocation of funds.

Item 3: Better Regulation

1. Members expressed concerns that in this area better progress had not been made. Only about 125 of the Westminster-sourced regulations imposed on businesses incurred a significant cost and it was felt that it would be a good idea

to start with these. Members were also concerned that discussions had not taken place with bodies such as the CBI, FSB etc.

2. Officials said that the exercise had certainly taken longer than anticipated but that the review would be concluded in October 2001. The review had so far been internally focussed, though there had been discussions on the paper with business organisations and they would be talking to these organisations about priorities before the review reached a conclusion. It was agreed that a further paper with conclusions from the review would be put to Committee in the autumn.
[Action: ED Minister]

Item 4: WDA Corporate Plan/End year review

1. Introducing the WDA Draft Corporate Plan, Graham Hawker said that they had tried to prepare a plan that focused on how the WDA operated. The emphasis was on their customers and on competitive business which simultaneously supported people and communities. The Agency was committed to supporting indigenous business and inward investors with a view to promoting activities where Wales could offer a competitive advantage. It wanted to take on the characteristics of a successful business - one in which they were responsive to change and did not have structures cast in stone. They were placing an emphasis on better performance measurement in order to maximise output wherever possible. In turn, it was important to ensure that resources were not too thinly spread to deliver results.
2. In the discussion, Graham Hawker recognised that sustainability did not figure large in the narrative but said that this was because it was built fully into the Agency's processes and approach. They were fully committed to the Assembly's sustainability principles and these were not merely "Add Ons".
3. Members noted that the targets shown in the plan were based on net numbers of jobs to be created and repeated their previous concerns that "Safeguarded" jobs should be separated out from "New" jobs to give a clearer picture. Members were assured that in future these two elements would be shown separately.
4. Concern was expressed that the discussion at EDC in March had placed an emphasis on the need for an energy partnership, to be led by the WDA, and yet this had not figured in the Minister's letter of strategic guidance to the WDA. Officials explained that this was not an oversight and that WEFO had formally invited the WDA to lead on this. The partnership would be meeting a few weeks time.
5. On the subject of the resources available to the WDA, Graham Hawker said that it was inevitably necessary to 'cut ones cloth' according to what was available and that it was the Agency's job to deliver the priorities set by Government. Members acknowledged this, and expressed the hope that the WDA would let EDC know if they felt that they were unable to meet their targets due to lack of resources. With regard to implementing the Committee's review of business support, Graham

Hawker said that he did not expect this to require additional resources, rather the reallocation of resources from elsewhere.

6. The Agency saw the development and implementation of the broadband ICT technology as a priority but recognised that from a business's perspective it was important that any such investment made commercial sense. They had commissioned a review on how to make this more accessible to businesses in Wales, in conjunction with the ICT Minister's Review, and were launching a road show to promote it.
7. The Agency recognised that it was important to maintain economic development in Cardiff because it was important to all of Wales that the capital was seen as a major city. While certain types of investment would, if they were to come to Wales inevitably go to Cardiff, others could be encouraged to consider locations across Wales.
8. Graham Hawker emphasised that the WDA was looking to develop both indigenous and inward investment because these were not mutually exclusive – each critically needed each other. He said that he wanted to see an end to the debate about whether one was preferable to the other as this discouraged inward investors. He recognised that support for business was important and that it was a priority to help develop and grow small businesses. It was noted that there was some 150,000 businesses in Wales and inevitably the WDA could not support all of these individually.
9. There was some discussion about "quality" jobs. There was general agreement that Wales should be seeking to move into higher-value sectors – but it was also recognised that to someone unemployed, or in an area of economic under-activity, almost any job was high quality. The aim should be, across all the agencies, to raise the overall skill levels of the Welsh workforce simultaneously with increasing the demand for higher skill levels.

Item 5: HE Review

1. The Chair explained that the purpose of this Agenda item was to discuss the paper provided by the ELL Committee and the ED Minister's response. It was agreed that the Committee would then provide a memorandum to ELL summarising their views.
2. She highlighted the three key headings in the paper and asked the Committee to consider whether they agreed with ELL that these were the priorities in terms of Economic Development.
3. Members agreed that Higher Education was the key to economic prosperity and that it was important to continue to develop the relationship between HE and economic development.
4. They referred to the ED Minister's letter and the reference to "third mission" economic development activities. The role of Stanford University USA in the development of Silicon Valley was quoted as an example of how "third mission"

college activities can lead to economic development. Members felt it was important to explore how we encourage both the HE and FE sector to contribute in this way.

5. A Member said that it was often areas of pure research that produced industrial spin-offs and with this in mind care needed to be taken before considering polarisation of any education system.
6. Members agreed with the ED Minister's comments on funding and were concerned that in Wales the resource budget figures for HE look set to increase by between 2% -2.5% whereas in the rest of the UK the increase is closer to 8%-9%. Unless a priority was given to the Education budget any economic plans would remain just aspirations. This would also lead to difficulties in retaining good quality staff and research students.
7. The Minister commented that technium projects were a way of spending ED funds in this way and cited as examples some of the WDA centres of excellence. However some Members expressed concern over duplicity of funding in this respect.
8. Members felt that at the core of any success in the role between HE and economic regeneration was the need to retain those people who train in Wales as well as attracting back Welsh students who have studied elsewhere. There was a need to examine what would facilitate this. There should be more dialogue between the private sector and the HE sector and lessons could be learnt from the relationship between the FE sector and local businesses.
9. It was agreed that a summary of the discussion should be circulated to Members for further comments before it was forwarded to the ELL Committee. **[Action: Clerk]**

Item 6: Energy Review

1. Members discussed ways in which the Committee might obtain expert advice. It was suggested that it might be difficult to find an individual who could cover the full range of expertise required, and that there was considerable merit in looking to attract the involvement of, perhaps, a university department. Nonetheless, the role of an expert adviser was to assist the Committee in drawing up its work programme and evaluating evidence and was not a function that could simply be subcontracted to an outside agency. The Chair said that an important first task would be to draw up a programme for the first phase of the study.
2. The Minister offered to provide an analysis of the UK database of persons and groups which might have the expertise to carry out the adviser role. **[Action: ED Minister]**
3. Members agreed the job and person specifications subject to the advertisement making it clear that applications from groups of individuals would be welcome.

The Chair said that she would circulate a draft along these lines for members' approval by email. It was agreed that the selection panel would comprise the Chair, Phil Williams and John Griffiths. **[Action: Clerk]**

4. Members agreed to add to Section 7 of the Study of terms of reference "measures" to reduce energy costs to "business" and that the Chair could clear any final details by email.

Item 7: Wales Tourist Board Quinquennial Review – Terms of Reference

1. Members agreed that this review was extremely important, particularly in light of the problems currently being encountered in the tourist industry. They offered the following observations for officials to consider.
 - It was felt that not sufficient importance had been given in the past to the measurement of performance.
 - More attention should be given to the wishes of WTB's customers.
 - It was important that the tourist board carries all sectors of the market with them. It was felt especially important that small businesses feel a part of the service.
 - Consideration should be given to the best delivery of business support, taking into account the findings of the Committee's own report in this respect.
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2. The Minister concluded by saying that one of the major problems the Tourist Board had was the lack of understanding of its role within the sector. They did not exist to represent members, rather to market the tourist industry in Wales and to help raise standards. He hoped that the review would resolve concerns held by the industry.

Item 8: Minutes of previous meeting.

1. Members agreed that the Minutes were a true record of the meeting.
2. A comment was made that the items in paras. 3.1 and 3.2 did not seem to be reflected in the draft letter to the Minister concerning budget priorities. The Chair said she would amend the letter accordingly. **[Action: Clerk]**
3. The Clerk confirmed that he had circulated by e-mail the terms of reference for on the Tier 3 Task and Finish Group and read out a note concerning the current timing of the Group's work. He said he would circulate this to Members. **[Action: Clerk]**
4. The Minister confirmed that the Cardiff Harbour Authority Business Plan had still not been received and it was agreed that if it had not been received shortly the Chair would write to the Local Authority. **[Action: Chair]**

Committee Secretariat