

Economic Development Committee**MINUTES****Date:** 13 September 2000**Time:** 2.00 – 5.30pm**Venue:** Committee Room 2, National Assembly for Wales Building**Attendance**

Members	(Constituency)
Val Feld (Chair)	Swansea East
Alun Cairns	South West Wales
Ron Davies	Caerphilly
Michael German	South East Wales
Brian Gibbons	Aberavon
Brian Hancock	Islwyn
Rhodri Morgan (Assembly Secretary)	Cardiff West
Phil Williams	South East Wales

Officials (Department)

Derek Jones	Senior Director, Economic Affairs
David Pritchard	Director, Industry Department
Michael Cochlin	Director, Economic Development Group
Steve Phillips	Head of Economic Policy Division
John Clarke	Chief Executive, Wales European Funding Office
Michael Trickey	Financial Planning Division
Jonathan Price	Economic Advice Division
Simon McCann	Office of the Counsel General

Secretariat

Andrew George	Clerk
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Jo Trott	Deputy Clerk
Jo Glenn	Deputy Clerk
Jim Driscoll	Expert Adviser

Apologies and Substitutions

Dafydd Wigley substituted for Helen Mary Jones.

Item 1: Chair's Opening Remarks

1.1 The Chair welcomed the Committee and members of the public to the first meeting since recess. In particular she welcomed Dafydd Wigley who was substituting for Helen Mary Jones, and Andrew George who was acting as temporary Clerk. She also welcomed John Grimes who would be taking up post as the Clerk to the Committee at the end of the month.

1.2 Members agreed that the Chair should attend the CBI Conference on behalf of the Committee. It was agreed that the question of Committee representation at such events should be kept under review.

1.3 The Chair said that the Committee's trip to Ireland had been extremely useful and she would be writing on behalf of the Committee to thank those involved for their efforts. Particular thanks were extended to Conor O'Riordan, the Consul General of Ireland. **[Action: Chair]**

1.4 The Chair explained that the running order for the Agenda had been revised because of the close correlation between the Committee's review of business support and development, the WDA Quinquennial Review and the National Economic Development Strategy.

Item 2: Minutes of Meetings of 6th and 20th July 2000

2.1 Accuracy

Minutes of 6th July:

- Paragraph 3.3 should refer to the "WPD" not the "WPB".

Minutes of 20th July

- It was agreed that the third bullet point on page 2 should identify the Assembly Secretary's commitment to making extra resources available should the spending profile require.

[Action : Committee Secretariat]

1. Action Outstanding

- Concern was expressed about the length of the agenda. In particular, some members felt that more time should be available for the Assembly Secretary's report. Members asked the Chair to consider the formulation of the agenda to ensure adequate time for reporting current issues in the report.
- On item 1, the Chair expressed the hope that it would have input into planning the proposed seminar and stressed the importance of the Committee having the opportunity to discuss its role and the National Economic Development Strategy with the Programme Monitoring Committees. **[Action: Assembly Secretary]**

Item 3: Assembly Secretary's Report

1. The Assembly Secretary's report included the following points:

- the most recent statistics indicated that the employment rate, based on claimant count, had increased. The consequent unemployment rate had fallen from 5% to 4.5% between August 1999 and August 2000. It was noted that claimant count methodology did not reflect the key issue of long-term unemployment.
- 180 new jobs had been announced at SBX Contech and 150 at Ubiquity Software in Newport.
- negotiations with BAE Broughton were still being conducted in a constructive atmosphere. He hoped that a conclusion would be reached soon. Members expressed concern that the issue was taking so long to resolve.
- on Corus, prospects had improved but there would continue to be uncertainty until the blast furnace at Llanwern had actually been re-lined. He undertook to provide members with information on the deliberations of the All Wales Task Force on the Steel Industry. **[Action: Assembly Secretary]**
- on Hyder, the Assembly Secretary indicated that the Assembly would probably have a role to play in the context of OFWAT's need to modify the licence. In response to a question about the degree of influence which the Assembly had brought to bear on the DTI with respect to repatriation, he explained that legal advice sought by the DTI on the definition of "material influence" had meant that there was no case for referral.
- It was noted that action points 18 and 19 on WIDAB had not been resolved. The Assembly Secretary would provide further advice shortly.
- on Hitachi in Hirwaun, the possibility of alternative products was being explored, although whether any outcome would be reached in time to avoid redundancies was uncertain.

3.2 The Assembly Secretary reported that Wales was receiving modest deliveries of fuel, most of which were restricted to use by the emergency services. The Assembly had set-up an emergency co-ordination centre which was currently responsible for identifying priorities. As far as industry was concerned, it was acknowledged that if the blockade continued until the end of the week the situation could become very serious. Members expressed grave concern about the situation. There was a call for information to be made easily available to the public. The Assembly Secretary confirmed that there was no 'hotline' available in Wales via the National Assembly for the public to ring regarding the fuel situation. It would have been difficult to organise a public information telephone line in the time available but the public were able to contact the emergency co-ordination centre in Cathays Park via the switchboard. The number of the co-ordination centre had been given to health trusts and the emergency planning units of local authorities. Welsh industry dealt directly with the DTI. Members expressed their concern at the lack of information available to industry, particularly the food industry. The Assembly Secretary announced that a website would be up and running in the next 24 hours which would list the petrol stations which were available for the emergency services.

3.3 The Assembly Secretary was questioned about the amount of time he spent on his role as First Secretary compared with that spent on Assembly Secretary duties. It was acknowledged that there was a good deal of overlap in these functions, and all members experienced difficulties with diary clashes. Mr Morgan said that he had been unable to accompany the Committee on its visit to Ireland because he was on a very important trade mission to Japan. He had already conducted a similar visit to Ireland and was familiar with arrangements there. If any member had more specific questions with respect to his diary, they should write to him.

Item 4: Budget Priorities

4.1 The Chair introduced this item, drawing members' attention to her letter of 17 August to the Assembly Secretary which had identified the Committee's key concerns about the budget. She thanked the Assembly Secretary for his paper and asked him to address the issues in her letter, including:

- analysis of the economy and evaluation of the relative effectiveness of different programmes in achieving progress towards these priorities.
- the link between increases in budget and outcomes against *Better Wales.com* priorities.
- the allocation of pre-match funding.
- measures to combat inactivity.

4.2 The Assembly Secretary responded by clarifying the roles of the parties involved in the budget process. The Committee and the Assembly Secretary were together responsible for setting policy priorities, but it was for the Cabinet to determine the actual figures. He offered assurances that he would be seeking substantial sums to go to the main agencies to support their role in delivering the Structural Funds programmes. A bid would also be lodged for increased resources to provide baseline data. No decision had yet been reached on the question of pre-match funding,

4.3 The Chair thanked the Assembly Secretary for his introduction and opened the floor to members. The following points were made:

- the spend profile for Objective 1 was discussed. Michael Cochlin explained that the issue was still being considered. Previous profiles had been based on the advice of the European Commission, and identified a slow build-up of spend over the funding period. The Programme Monitoring Committee was more ambitious but was awaiting the submission of strategies and projects. It was acknowledged that it was difficult to set budgets in the absence of the spend profile. More information would be available by the time the Committee discussed the draft budget in November.
- in the light of concern expressed by a number of members, the Assembly Secretary agreed to revisit the issue of related budgets in other MEGs (paragraph 26 of EDC-14-00 (p5). In this context, the Committee expressed concern that economic activity issues had been confused with skills issues. The activities identified in paragraphs 20 and 22 did not get to the heart of the problem of inactivity. Thought needed to be given to public transport issues, carer strategies, part-time working policies etc. This was an issue which the Committee also needed to revisit in the context of the National Economic Development Strategy. **[Action: Assembly Secretary and Chair/Clerk]**
- the Assembly Secretary confirmed that the draft budget paper would include estimated measures of outcomes in relation to different inputs. **[Action: Assembly Secretary]**
- the Assembly Secretary confirmed that the estimated commitments in paragraph 11 of EDC-14-00(p5) were current, rather than end-year. Phase 2 of the LG project was included in the WDA line, other RSA was not. The Assembly Secretary agreed to confirm that the figure identified for Cardiff Bay had decreased from £23 million because it was expressed in net rather than gross terms. **[Action: Assembly Secretary]**

4.4 Summing-up, the Chair identified the following issues for further consideration/action:

- the Structural Funds' spend profile
- the link between inputs and outcomes
- economic activity

Item 5: Structural Funds Issues

5.1 The Chair invited the Assembly Secretary and Phil Williams to update members on the recent meeting of the Programme Monitoring Committee (PMC). During the course of their update and associated questions from members, the following points were made:

- the new index of deprivation, to which the PMC had been given access on 23rd August had caused some concern, particularly in Pembrokeshire, with regard to the question of whether it had the effect of disqualifying areas which had previously qualified under Objective 3.
- the PMC had approved the Fast Track package in July and fast track schemes had received conditional approval at the end of that month. Approval was conditional on completion of work on the Programme Complement. It was envisaged that this would be completed in October. It was stressed that the PMC did not become involved in the approval of individual projects. Members remained concerned that sponsors of fast track projects had expected to be able to start work in the Autumn and that this was now unlikely to happen. It was felt that work would inevitably be delayed until December at the earliest. John Clarke, Chief Executive of WEFO, undertook to report on the impact of this delay on the expenditure profile. **[Action: John Clarke]**
- the issue of overlap/gaps between regional and local action plans was ongoing and required more work. Members sought assurances about the process for integrating local and regional plans. John Clarke explained that the plans were due to be submitted to WEFO at the end of September, at which point WEFO would have a better picture of overlaps and gaps. The issue would then be discussed by the PMC in October. John Clarke undertook to report to the Committee on the outcome of these discussions. **[Action: John Clarke]**
- WEFO had introduced a scoring system for applications which was generating some concern about the Partnerships' role in the prioritisation process. This required some clarification.
- concern was expressed about an apparent delay in publishing minutes of the PMC. John Clarke agreed to look into it. **[Action: John Clarke]**

5.2 The Chair invited Mike German to update the meeting on progress with Objective 3, during the course of which the following points were made:

- the closing date for Objective 3 applications had been 8th September and 152 projects had been submitted.
- application packs had been issued late because of difficulties with software, as a result of which the deadline for applications had been extended.
- project approval was expected at the end of the month

- the next PMC meeting would take place on 3rd October
- the PMC had approved the proposals for evaluation and had received a letter from the European Commission commending the approach adopted. It was suggested that the Objective 1 PMC might consider pursuing a similar route.

5.3 The Chair noted the Committee's concern about progress with implementation and said that more time would be allocated to the issue at the next meeting. She summarised the issues on which the Committee would like to be covered in a longer report to the next meeting:

- the relationship between local and regional action plans and the process for integration
- assistance for the private sector
- technical assistance
- Priority 3 eligibility
- Evaluation
- The rural development plan

Item 6: Review of Business Support and Development

6.1 Jim Driscoll, the expert adviser, gave a presentation to the Committee summarising progress to date. The key themes which had emerged were:

- the need for a strategic economic framework
- the potential to improve partnership working
- the effectiveness of the delivery network

6.2 The need for an economic vision and strategic framework had also come across strongly from the comparable reviews in England and Scotland. For historical reasons there was no single overview of the Welsh economy. However, he estimated that around £120 million a year (including RSA) was currently being spent on business support. An accurate figure would be available following the completion of the mapping exercise. As an economic framework NEDS was a good start but it is too ad hoc and it was difficult to get business people involved in the process.

6.3 There were a number of key relationships which could benefit from improved partnership working, the obvious one being that between the WDA and the National Assembly. Jim Driscoll also pointed out that co-ordination could become excessive and inhibit constructive action. A clear understanding of each other's roles and responsibilities was essential for effective partnership.

6.4 It was accepted that the WDA was the lead organisation within the delivery network for economic development. There was concern that Team Wales was not always as effective as it could be and that Wales' share of UK inward investment had declined. There was a particular need to increase investment from the USA and in the new knowledge economy. He drew the Committee's attention to the generalised nature of much support to indigenous business, which could lead to confusion for the business user. It was suggested that a rationalisation of existing services, improved team working and an improved focus could lead to much greater efficiency. A gateway to business support for indigenous business had been identified as critical by the Scottish and English reviews. The Welsh review needed to decide whether to improve the existing gateway or replace it with a different model.

6.5 Mr Driscoll explained the next steps of the review. Meetings were planned with ordinary business users in four regions in early October to identify their concerns and explore options for change. A detailed draft report would be prepared in the light of these meetings and it was hoped to issue a final report on 29 November.

6.6 In discussion, members accepted Mr Driscoll's assessment of the situation and endorsed the emerging key themes. The following points were made:

- support to small businesses with growth potential was crucial. It was noted that the National Assembly could encourage local authorities to work in the context of an agreed framework.
- the review had demonstrated that the private sector could play a greater role in Team Wales. Private companies were often in a unique position to offer specialist support.
- there were no business support mechanisms in England or Scotland which did not already exist in Wales.
- the ideal gateway organisation would provide a simple route to the services available. It would not necessarily provide any of

these services itself.

- in addition to the local authorities, TECs, WDA and Business Connect, there were a large number of other public sector organisations who offered business support, many of whom had secured European funding to do so.
- it was suggested that Jim Driscoll could give his presentation to the regional Objective One partnerships so that action plans could be developed along the lines of current thinking.

Item 7: Quinquennial Review of the WDA

7.1 Michael Trickey introduced paper EDC 14-02(p.2) which sought the Committee's comments on the draft interim report before it was considered by Assembly Secretaries. The report had been issued on an interim basis because of the need to resolve the appointment of a new Chief Executive of the WDA and the crucial role which the WDA was playing in Objective 1 funding. He emphasised that although he was a National Assembly official, Jonathan Price was acting as an independent reviewer and the report represented his personal views. Members were invited to comment on the report's basic recommendations that there was a continuing need for all of the functions which the WDA performed; and that in broad terms the Agency was the most appropriate organisation to deliver them. The Committee was also asked to give its views on the proposals for the second stage of the review.

7.2 The Chair invited comments from members. The following points were made:

- *Option 10 – abandon self-funding requirement on Land Division* – there was a need to allow the Agency flexibility to involve itself with entrepreneurial action. This was a useful tool inherited from the Land Authority.
- *Option 14 – Transfer of Assembly-provided business support services to WDA* – members would like to see a more detailed case made on the basis of the individual services in question. On the recommendation not to transfer the operation of RSA to the Agency, the Committee understood that WIDAB made a decision on RSA cases, and that it was not a political process. However, paragraph 7.55 described the process as "having a political dimension". Some members wanted to see greater autonomy for the Agency as was the case with its Irish counterpart.
- it would be helpful to receive more information about possible links between export promotion and business development. There could be a positive loop if the WDA was responsible for export promotion and could then feed this expertise back into business support.
- some members felt that a separate agency was needed to promote the social economy. Others felt that it was important that responsibility for community enterprise should remain with the WDA, although another arm might be needed to drive it forward. Jonathan Price said that the report was intended to suggest that the Assembly's social remit went much wider than that currently dealt with by the WDA. The Agency would need a clear focus for its activities in the social economy.

7.3 The Committee fully endorsed the recommendations A-D that the functions provided by the WDA should continue and that the WDA was the most appropriate organisation to deliver those functions. It was agreed that the Chair would collate members' further comments on the report and send them to the Assembly Secretary **[Action: Chair and Clerk]**

Item 8: National Economic Development Strategy

8.1 Introducing the paper, the Chair reminded the Committee that they were invited to approve the outline framework of the Strategy and the proposed timetable for its production. Steve Phillips informed members that he was setting up a series of meetings with individual bodies which they could attend as observers. The core chapter on economic analysis would come before the Committee in due course.

8.2 The Chair invited comments on the paper. The following points were made:

- it should be clear who would deliver programmes and how they would be monitored and evaluated.
- there had been a lot of debate with external bodies over Objective 1 so it might not be necessary to engage in a great deal more consultation.
- it was suggested that members could write direct to Steve Phillips with any comments about the structure of NEDS.

Chair's Closing Remarks

On behalf of the Committee, the Chair thanked Brian Willott, the outgoing Chief Executive of the WDA for all his hard work. She also thanked Michael Cochlin, who was shortly to retire, for his contribution to the work of the Committee. She would write to him on behalf of the Committee. **[Action: Chair/Committee Secretariat]**

