

**Economic Development Committee****MINUTES****Date:** 18 October 2000**Time:** 2.00 – 5.30pm**Venue:** Committee Room 1, National Assembly for Wales Building**Attendance**

<b>Members</b>	(Constituency)
Val Feld (Chair)	Swansea East
Ron Davies	Caerphilly
Michael German (Economic Development Minister)	South East Wales
Brian Gibbons	Aberavon
Brian Hancock	Islwyn
Phil Williams Dafydd Wigley	South East Wales Caernarfon
Peter Rogers (item 6)	North Wales

**Officials** (Department)

Derek Jones	Senior Director, Economic Affairs
David Pritchard	Director, Industry Department
Steve Phillips (item 4)	Head of Economic Policy Division
John Clarke (item 8)	Chief Executive, Wales European Funding Office
Gareth Edwards (item 4)	Economic Policy Division
Hugh Rawlings (items 6 & 7)	Head of European Affairs Division
Dr Caroline Turner (item 6)	European Affairs Division
Mike Pollard (item 7)	European Affairs Division
Barbara Morris (item 5)	Training, Skills and Careers Policy
Roger Bonehill	Office of the Counsel General

**External contributors (item 5)**

Brian Connolly	Chair, Wales SkillsTask Force
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Ian Rees Member of Task Force

Sheila Drury Member of Task Force

## Secretariat

John Grimes Clerk

Jo Trott Deputy Clerk

Jo Glenn Deputy Clerk

## Apologies and Substitutions

- Glyn Davies substituted for Alun Cairns

## Item 1: Chair's Opening Remarks

1.1 The Chair welcomed the Committee and members of the public to the meeting. She offered the Committee's congratulations to Mike German on his appointment to the Cabinet, welcomed Glyn Davies who was substituting for Alun Cairns, and John Grimes, the new Committee Clerk. She invited members to contribute in English or Welsh and reminded them of the need to make any declarations of interest.

1.2 She reminded members that the funeral of Donald Dewar was currently taking place. She invited those present to stand for two minutes' silence to remember him, and the key role which he had played in devolution.

## Item 2: Minutes of Meeting of 13<sup>th</sup> September 2000

### Accuracy

- Paragraph 7.2 It was agreed that the minutes should be amended to indicate that clarification had been sought on the case for splitting the WDA. **[Action: Committee Secretariat]**

### Action Outstanding

- On item 1, the Chair indicated that she had written to the Assembly Secretary requesting a discussion. The Economic Development Minister indicated that he was keen to see the proposed seminar take place and would report on progress at the next meeting. **[Action: Economic Development Minister]**
- Item 3 was covered in the Minister's written report.
- On Item 5, the Minister indicated that fiscal variation was an important part of the coalition agreement. He would provide members with a paper on the issue. **[Action: Economic Development Minister]**
- Items 11 and 12 were covered in the Minister's written report.
- On item 13, the Minister indicated that an example of a package which might be offered to an inward investor would be circulated shortly. Members were assured that it would be received well in advance to allow proper scrutiny. **[Action: Economic Development Minister]**
- On item 22, the Minister agreed to provide a further report on the Task Force's deliberations. **[Action: Economic Development Minister]**
- On item 25, the Chair indicated that a letter from the First Secretary had been circulated to members.
- On item 30, the Chair indicated that she had now received comments on a draft letter from members and the final version would issue shortly. **[Action: Chair and Clerk]**
- In addition, there was a call for action on paragraph 4.3 of the minutes of 13 September, in respect of mobilising the economically inactive. It was agreed that the Minister would provide a paper on it shortly. **[Action: Economic Development Minister]**

## Item 3: Assembly Secretary's Report

3.1 The Chair introduced the item, indicating that, under the circumstances of his recent appointment, the delay in members

receiving the Economic Development Minister's written report was understandable. However, she sought and received assurances that in future the paper would be circulated at least a day in advance, allowing members an opportunity for proper consideration.

**[Action: Economic Development Minister]**

3.2 The Economic Development Minister summarised the key issues in his written report and invited questions from members. He indicated that he was happy to answer questions on the issues raised. During the course of this item the following points were raised:

- Members asked whether there were any other cases where, after WIDAB had refused an application for RSA, assistance was given under another scheme. In response, officials said they could not indicate any such cases off hand, but that it was quite common for support from a number of schemes to be used to attract investment.
- There were questions raised about the use of RSA for safeguarding existing jobs and the availability of disaggregated data. A question was raised about some recently announced redundancies and whether an RSA application had been made by the company in respect of the jobs. Officials stated that there was no recent application. The Minister agreed that if members were having difficulty in accessing regional figures on this, they should write directly to him. During the course of this discussion concern was expressed about references to individual companies. It was noted that the Assembly owed a duty of confidence to those companies involved in the RSA process and that it was inappropriate to discuss their individual applications for grant in Committee. It was also agreed that there would be a full discussion of RSA, to include the issue of repeated use of the grant for safeguarding jobs, at a future meeting. **[Action: Chair and Clerk]**
- On the All Wales Steel Task Force, officials explained that the group was looking at options for using Objective 1 funding, but that the EC conditions on use of Objective 1 funds in this context were extremely rigorous. In terms of the extent to which individual steel companies were working alongside the NAW to safeguard jobs etc, members recognised that all such negotiations took place within the context of an extremely competitive global marketplace. Progress had been made, however, through work with the Employment Service and related organisations, on identification of those most likely to lose their jobs. This lessened uncertainty and meant that work on local action plans was now underway. In addition, members were assured that the Assembly was exploring all options for retraining/upskilling etc within the confines of the EC state aids rules.
- In the context of the fuel crisis, there was a call for an inventory to be drawn up of those companies which operated on a 24 hour cycle. It was acknowledged that this, and questions over associated health and safety and environmental concerns, were essentially for the Emergency Planning Committee.
- There was some discussion of the recent court ruling on Severn Trent, which confirmed the Committee's original view that the DTI ought to have handed the matter over to the Monopolies Commission.

3.3 Summing-up, the Chair thanked the Economic Development Minister for his comprehensive report.

**Item 4: Review of National Economic Development Strategy**

4.1 The Chair welcomed Steve Phillips and Gareth Edwards to the meeting. She invited them introduce the item, during the course of which the following points were made:

- The Economic Development Minister was keen to hear the views of the committee on the paper, and would be taking them on board in firming-up what was essentially a working document.
- The paper would form the basis of the first chapter of the National Economic Development Strategy (NEDS). Further chapters would be put to the Committee over the course of the next few meetings.
- The timetable for producing the NEDS, this was extremely tight. The aim was to have the strategy in place before the start of the next budget cycle, with a view to its forming the basis of budgetary decisions. In order to achieve this, bearing in mind the First Secretary's commitment to wide public consultation, it would be necessary to agree a first draft of the NEDS by early December.
- Annex A of the paper included a list of 9 individuals who were currently considering the document. They would be feeding their views into the Assembly.
- The starting point for the paper had been the discussion in a previous committee meeting on the budget, during the course of which there had been a call for sound economic analysis of Wales to form the basis of this exercise.

4.2 The Chair thanked the officials for their introduction and opened the floor to discussion, during the course of which the following points were made:

- In the light of difficulties experienced when circulating the paper, it was agreed that, in future, papers would be issued under a version number. **[Action: Committee Secretariat]**
- There was significant discussion of handling of the process. Members felt that whilst the document needed focus, it was essential that it should also include plans for delivery, as well as targets etc. The need for flexibility and ongoing review was

also noted.

- There was a need to have a clear vision of where Wales wanted to be in 5 – 10 years time. This and subsequent discussions would provide the committee with an opportunity to feed-in its views on the vision. The process would also identify choices.
- Concern was expressed about the validity of some of the statistics included in the document, which might lead to false conclusions. For example, the figures did not recognise that the gap between England and Wales was widening significantly. It was noted that if the figures were adjusted to reflect a lower GDP, in line with previous discussions, every sector except manufacturing and health was performing at a lower level than England. In the light of this discussion, it was agreed that officials would revisit the figures, bearing in mind the points raised by members. **[Action: Economic Development Minister]**
- Concern was also expressed about the continuing reference to low skill levels in Wales. It was noted that up until the 1980s, Wales had had a much higher skill level. The problem was that those with the skills had had no opportunity to use them in Wales, which had led directly to the problem of out-migration. It was suggested therefore that Wales could generate a skilled workforce, but could not retain it. Officials explained that the intention had been to highlight the fact that Wales had a higher than average proportion of individuals with no skills. It was agreed that these points would be developed further in the draft. **[Action: Economic Development Minister]**
- The document needed to include a clear comparison with other countries and regions, including those which had faced similar economic challenges and had overcome them.
- The NEDS had to be, to some extent, about picking winners. In the light of this concern was expressed that there was no reference in the paper to sector selectivity. Officials explained that the intention was to develop this theme fully, including analysis of sectoral survival rates. Initial figures indicated that Wales had a higher proportion of GDP generated in the lower growth sectors.
- Geographic differentiation and regional targeting should be built into the strategy. This was a theme which had come through strongly in the recent private sector roadshows.
- Table 2 was merely a snapshot and did not analyse trends or similarities between Wales and the UK. In addition, the suggestion in paragraph 2.8 that Wales was substantially different from the rest of the UK needed to include significantly more analysis of how such a conclusion had been reached. In this context, it was agreed that addressing skills shortage was not the only answer and that other interventions were also required.
- The central objective/target should feature in the first chapter of the strategy. The detailed route map should follow in the rest of the document.
- It was important not to lose sight of the need to get the economically inactive into work.
- The paper did not include reference to a number of key issues such as tourism, sustainable development, infrastructure (ICT/transport etc).
- More emphasis should be placed on innovation and enterprise.

## Chair's Summary

4.3 Summing-up, the Chair made the following points:

- This initial discussion indicated that there was a wide range of issues which the committee wished to see within the strategy. These included sectoral selectivity, infrastructure, economic activity, links with education, etc.
- It was important to acknowledge that the Welsh economy was not a self-contained unit and that any strategy for economic development needed to be placed firmly in the global context. At the same time the people of Wales and their individual needs, including the needs of those who had never been in work, must be clearly addressed.
- In order to take the issue forward within what was acknowledged to be a very ambitious timetable, the committee needed to consider the strategic choices, supported by thorough analysis.
- It was not enough merely to present a high level strategy document with no indication of delivery. It was essential to identify not only where the economy was now and where it should be going, but also how it would get there.

## Item 5: Report of the Wales Skills Task Force

5.1 The Chair introduced the item, welcoming Brian Connolly, Chair of the Task Force, Sheila Drury and Ian Rees (members of the Task Force) and Barbara Morris, an executive official.

5.2 Brian Connolly made a presentation to the committee (copies of slides attached at Annex 1 of these minutes). During the course of the presentation the following additional points were made:

- The figures on which the report was based were now two years old. There may well have been some improvement in the situation since then.
- "Level 3" was the equivalent to A'Level.
- GDP was not the only measure of the economic situation. Employment levels were also crucial.
- The last few years had seen a significant change in the emphasis placed on basic skills, which were now embedded in

school-based education from the age of 5. Although no formal study had yet been conducted, initial evidence indicated that this new emphasis on literacy and numeracy was working.

- The key recommendations in the report related to those outside school.
- The rewards for introducing free education to level 3 were likely to be tremendous. However, the proposal had not been costed.
- Summing-up, Brian Connolly extended his thanks to all the members of the Task Force and to those which had administered its business. This was endorsed by the Chair on behalf of the Economic Development Committee.

5.3 The Chair thanked Brian Connolly for his presentation and opened the floor to questions, during the course of which the following points were made:

- There was a general response from members that they welcomed the recommendations in the report.
- The view (expressed in the report's recommendations) that the economic strategy should identify key sectors for growth was welcomed by the Economic Development Minister. The group had not been tasked with identifying individual sectors.
- The Task Force explained that issues around gender segregation in education and training and women's earnings had been beyond the closely defined remit of the group.
- There were proposals to enlarge the number and range of modern apprenticeships and to lift the age barriers.
- There was some discussion of the role of the trade unions in encouraging upskilling in basic skills in the workplace. The TUC unit responsible was identified in the report and it was agreed that it would play a critical role in any campaign to raise awareness of opportunity etc.
- It was acknowledged that the US was not the only model for an entrepreneurial economy. For example, Sweden had a fairly low level of conventional entrepreneurs and yet its economy was successful. It was important also to consider these different patterns.
- On the issue of the relationship between CCETs and the regional arms of CETW, it was agreed that the regional role was crucial. The Task Force explained that CCETs were essentially a provider network, whilst the regional arms of CETW were more strategic in nature, furnishing links between the WDA, the private sector, the National Assembly etc. In term of funding, it was noted that under the TECs, funding had been regionally ringfenced, where as under the new arrangements, funding was centralised enabling a closer link between cash and regional/local needs.
- It was noted that the proposals in respect of client management/centre of excellence for business start-ups etc, had strong implications for the committee's review of business support and development. In response to a question on the extent to which the Task Force was committed to CETW as the central co-ordinating body, they indicated that the provision of integrated support was the key issue. This was essentially an issue for the Assembly to determine.

## Chair's Summary

4. Summing-up, the Chair:

- extended the Committee's thanks to the Task Force and commended them on their work.
- said that although skills were not directly within the remit of the committee, they were nonetheless a crucial element of economic development and the committee therefore had a strong interest in the outcomes associated with this report which would also feed into NEDS.
- said that the report's recommendations would be taken into account in the committee's report on business support and development in Wales.

## Item 6: LEADER+ Draft Single Programming Document

6.1 The Chair welcomed Peter Rogers from the Agriculture and Rural Development Committee. As the Agriculture and Rural Development Committee had already examined LEADER+, Peter Rogers was present to feed in the views of his Committee and take back the views of the Economic Development Committee.

6.2 Dr Caroline Turner introduced the covering paper and draft SPD. She explained that LEADER+ was part of the structural funds programme. Unlike the previous LEADER programmes which focused on generic programmes, LEADER+ focused on themes. Improving the quality of life (which focused on community development) and adding value to local products (which focused on business development) had been agreed as themes and a third theme of the environment would be added. LEADER+ placed a strong emphasis on innovation, previous LEADER programmes had focused on local partnerships but these were no longer innovative as they were now used throughout structural funds programmes. Funds would be distributed according to the quality of the bid and all rural Wales was eligible. Target groups were women and young people, farming families, the underemployed and micro-businesses. Other suggestions for target groups would be considered.

6.3 There were two implementation options: an operating programme and (the preferred option) global grants. These had worked

well in Wales under the LEADER 1 programme. Dr Turner explained the timetable for the programme. The draft SPD had been sent to 85 organisations. Responses would be received by 23 October. The SPD would be redrafted and put before Plenary on 14 November. It would be sent to the European Commission on 17 November. Following negotiations, it was expected that the programme would be approved next April so that it could start in the summer. People who had expressed an interest in forming partnerships would be invited to discuss their proposals without any obligation on them or the Assembly.

6.4 The Chair invited questions and discussion on the draft SPD and the following points were made:

- Areas covered by LEADER+ should not have a population of less than 120 inhabitants per square kilometre. Both tables listed in the draft SPD in the section 'Definition of the area eligible under LEADER+' were eligible for the programme.
- Partnerships would have their attention drawn to the 1/3:1/3:1/3 principle and would be expected to achieve a balance of public and private sectors.
- The global grant was the preferred method of implementation because one of the problems of the previous LEADER programmes was cashflow. The WDA would work with partnerships, giving guidance to avoid future cashflow difficulties. It was pointed out that although the draft SPD presumed that the global grant would be used, this still had to be approved by the Commission.
- It was acknowledged that an important part of LEADER+ would be to encourage young people to stay in rural areas.
- Wrexham had expressed an interest in forming a local action group with areas of Cheshire and north Staffordshire as they had shared economic and social concerns. However the Assembly felt that there were administrative, legal and political reasons which needed to be considered before local action groups could be formed with English authorities.
- Just before the programme was agreed with the Commission, formal bids would be invited from the 85 organisations on the Assembly's list.
- Each partnership would have to decide how its local action group would be formed ie should it be based on local authority or existing LEADER group.
- It had not yet been decided if bids would be approved by WEFO or European Affairs Division. However, as soon as bids were approved, business plans would be produced. If the global grant method of implementation was agreed, the WDA would work with groups to set up networking, discuss the detail of the business plans, arrange payment of money up-front and arrange match-funding with the Assembly.
- Eligible areas should be cohesive both socially and economically and fit in with the population levels proposed by the Commission.
- European Affairs Division proposed to write to every local authority in Wales and every rural organisation to publicise the LEADER+ programme.
- Concern was expressed by members that different criteria was used to define rural areas in Objective 1 and 2 programmes and LEADER+ programmes. They agreed it was vital to get early co-ordination between the programmes and achieve a common membership of monitoring committees so that there was a degree of cross-over.
- Dr Turner confirmed that the LEADER+ programme used the same definition of rurality as the Rural Development Plan. Chapter 2 of the draft SPD was largely based on the economic analysis in the Rural Development Plan. It was proposed that the monitoring committees of the Rural Development Plan and LEADER+ should have an overlapping membership to ensure co-ordination. WEFO had the same team working on the EAGGF elements in the rural Development Plan, LEADER+ and Objective 1 to ensure consistency. It was pointed out that the pattern had been laid down by the EU, not the Assembly.

## Chair's Summary

6.5 The Chair expressed the Committee's approval of the draft SPD and in particular its aim of improving the situation of the under-employed, one of the target groups. She commented that that the way partnerships were formed, particularly in respect of local authorities, should be monitored to ensure fairness. It was important that there should be effective use made of LEADER+ money so that incrementalism was put into the programme.

## Item 7: INTERREG IIIA– Draft Single Programming Document

7.1 Introducing the paper, Mike Pollard explained that it built on the INTERREG II programme. It was an ERDF programme which would be run by WEFO in co-ordination with Objective 1. Its priorities were to facilitate cross-border co-operation between neighbouring authorities and to enhance sustainable growth. 48 million euros would be spent on the programme – 28 million euros in Wales and 17 million euros in Ireland. The area covered by the programme was the same as for INTERREG II and this explained why Swansea was not included. It was thought more appropriate for Swansea to be included in the Strand B programme. Copies of the consultation document for Strand B had been placed in the Library. Members requested a paper and accompanying map to explain the range of programmes for each area. **[Action: Economic Development Minister]**

7.2 The Chair invited questions and discussion on the programme and the following points were made:

- The draft operational programme had been produced by drafting groups from both Ireland and Wales.
- Although there was uncommitted money left from the previous programme, it was not possible to run this into the current programme.
- In 1994-99, INTERREG was taken out of the existing PES allocation but for the 2000-2006 programme there would be extra money for INTERREG on top of the existing PES allocation.
- It was confirmed that Wales was receiving an increased share of the INTERREG A allocation. In the 1994-99 programme Wales received 12% of the UK allocation but in the 2000-06 programme Wales would receive 17% of the allocation. Wales's share of strands B and C would depend on the quality of bids received.
- Bids for INTERREG III B and C would be sent to Whitehall but the Assembly will be involved in assessment. However European Affairs Division rather than WEFO would be involved in the B and C bids as WEFO would be precluded by its involvement in INTERREG IIIA.
- The value of the euro in the draft operating programme was set for exemplification purposes.

## Chair's summary

7.3 The Chair expressed the Committee's interest in the smaller European funds and concern to see coordination between the programmes. She welcomed the proposed paper on the additional strands of the INTERREG programme.

## Item 8: Structural Funds Update

8.1 Phil Williams AM updated the meeting on the Monitoring Committee meeting held on 16 October:

- It had been decided that the whole meeting would be open to the public.
- A 'team Wales' approach had been evident throughout the meeting which augured well for the future.
- The Monitoring Committee was informed of a ruling that the proportions of money fixed in each priority in the SPD were legally binding. This meant that there was less flexibility than had previously been thought.
- The Programme Complement was approved and this signalled the approval of projects.
- The Monitoring Committee still had to confirm their definition of rurality in urban areas. This would not delay approval of projects.
- Most fast track projects were approved. Two were not approved in full. Priority 1 Measure 1 which dealt with financial support to SMEs (including the Finance Wales proposal) was not approved in full because it applied for 70% of the total programme funds. A decision was made that all applications would be capped at 50%. After December this would be reviewed in the light of the Assembly's decision on a strategy for support of SMEs.
- Agri-food proposals were also capped at 50% as it seemed a large commitment to be made at the fast track stage.
- There were discussions on Priority 4.4 (HRD). Although the Monitoring committee supported the flagship proposal under this priority, it would over-commit the priority for September's spending round. WEFO would lead discussions on this.

8.2 The Chair then invited questions to John Clarke, the Chief Executive of WEFO and the following points were made:

- There was a problem with the proliferation of regional action plans which overlapped on some issues and left other issues untouched. A decision had been made to set up six priority action plans. An over-arching body would be put in place for next January and it might take on accountable body status.
- The overlapping of regional and local action plans would be dealt with in a pragmatic way, project by project. This was a way of involving the partnership in making decisions and part of team playing. This was criticised by some Members as lacking a strategic overview and using week by week decisions to cover up for the lack of strategy.
- John Clarke argued that the strategic direction of WEFO took its lead from national strategies. It would have been very useful, for example, for the approval of fast track projects if there had been a business support strategy in place.
- John Clarke confirmed that the approval of fast track projects was broadly in line with the plan. He commented that earlier reports that their target was to approve bids received in July by the end of July were inaccurate. He said that what they had committed to was approvals *in principle* by the end of July and they had broadly achieved this. John Clarke assured the Committee that beneficiaries of the bids were not confused by the timing of the fast track projects.
- Fast track projects could not be approved until the Programme Complement had been approved. With its approval on 16 October a large number of projects had been agreed.
- John Clarke assured the Committee that in comparison with English regions, Wales was ahead in the implementation process. Wales was the first region to obtain ERDF project approval.
- The spending profile had not been altered since the last Monitoring Committee. WEFO was on track with its commitment profile. The delay in approving the Programme Complement was not significant and had not affected the commitment profile.
- The Economic Development Minister confirmed that it had not yet been identified who would carry out the independent audit of European funding. The audit would examine all the actions carried out during programme implementation.
- Questions were raised about a letter from Peter Hain to the First Secretary. John Clarke pointed out that the local authorities

which had been in contact with Peter Hain would have anticipated taking on the role of Accountable Body which would have resulted in accruing a large amount of money to be spent on local action plans. He refuted the suggestion that the system was log-jammed. 250 applications had been received for the September round. Next year a rolling programme would make the process of appraisal easier. He was unable to comment on the question of a lack of political direction for WEFO as this was for politicians to answer. The application form, referred to in the letter, was longer than for previous programmes because it asked questions about equal opportunities and sustainability. However plans were in hand to refine the application form.

8.3 The Chair drew attention to the difficulties of accessing papers from the WEFO website. John Clarke confirmed that papers were not available until after the monitoring committee meetings. He was reminded that it had been agreed at an earlier meeting that Members should have access to Monitoring Committee papers. **[Action: John Clarke]** It was confirmed that minutes of the Monitoring Committee should be available on the internet 48 hours after the meeting.

#### **Item 9: Other business**

9.1 The Chair asked for and obtained the Committee's approval for her to replace Ann Jones as the Labour party representative on public appointments panels for the time being. A replacement would also be needed for Mike German.