

Economic Development Committee

MINUTES

Date: 15 November 2000

Time: 2.00 – 5.00pm

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 & West Wales

Ron Davies

Caerphilly

Michael German (Economic
Development Minister)

South East Wales

Carmarthen West & South Pembrokeshire

Christine Gwyther

Alison Halford

Delyn

Brian Hancock

Islwyn

Dafydd Wigley

Caernarfon

Phil Williams

South East Wales

Officials

(Department)

Derek Jones

Senior Director, Economic Affairs

David Pritchard	Director, Industry Department
Stephen Phillips	Head of Economic Policy Division
John Clarke	Chief Executive, Wales European Funding Office
Gareth Edwards (item 5)	Economic Policy Division
Rod Hough (item 5)	Training, Skills and Careers Policy Division
Mike Phelps (item 5)	Economic Advice Division
Anne Stephenson (item 4)	Economic Policy Division
David Hobbs (item 4)	Economic Policy Division
Roger Bonehill	Office of the Counsel General

External contributors

Russell Goodway	The Rt Hon Lord Mayor of Cardiff
Byron Davies	Chief Executive, Cardiff Council
Howard John (item 5)	Disability Wales
Roger Dinham (item 5)	Employment Service

Secretariat

John Grimes	Clerk
Jo Trott	Deputy Clerk
Jo Glenn	Deputy Clerk

Item 1: Chair's opening remarks

1.1 The Chair welcomed the new members of the committee and reminded all members that they were

welcome to contribute in English or Welsh. She explained that the meeting would be followed by a joint meeting with the Environment, Planning and Transport Committee to consider the implications of the proposed Glas Cymru acquisition of Dwr Cymru. The Structural funds item had been taken off the agenda and the Chair and the Clerk were considering how to fit this, ONS and the Arts & Culture Review into future agendas. It was hoped to find time for an extra formal meeting for further discussion on the NEDS. **[Action: Chair and Clerk]** The Chair intended to hold meetings with party spokesmen to decide the priorities for future agendas up to Christmas and to discuss a suggestion that a sub-committee might deal with the scrutiny of structural funds. **[Action: Chair and Clerk]** The Chair announced that she had moved the minutes and action arising paper to the end of the meeting; this was standard practice in many other committees and she would welcome feedback from committee members. The Chair apologised for the lateness of some of the committee papers.

Item 2: Economic Development Minister's report

2.1 The Minister welcomed the Chancellor's pre-Budget announcement on tax incentives for business. This provided an opportunity for the introduction of fiscal variation and operating aids. He planned to go to Brussels to seek extra advice on this issue.

2.2 The Minister announced the establishment of a Task and Finish Group to review Objective One implementation, particularly the local/regional plans, following discussions with Christine Chapman the Chair of the Monitoring Committee.

2.3 The Minister informed the Committee of new labour market statistics which had been released earlier. Welsh claimant count unemployment had risen by 400 from September to October to a level of 4.6%. However year on year unemployment was down and, within Wales, claimant count unemployment had fallen over the year in all Travel to Work areas except Fishguard, St David's, Pembroke and Tenby. The Minister pointed out that changes to unemployment were the difference between substantial inflows to and out from unemployment. Over the last ten years in Wales monthly inflows to unemployment had never been less than 10,000 but monthly outflows had only been below 10,000 on three occasions.

2.4 Reporting on the Electronics Task Force, the Minister announced that a marketing exercise would be put together. He was pleased to announce that between 400 – 800 new jobs would be created at Pencoed by Lloyds Bank. Unilever intended to create 230 jobs at St David's Business Park in Ewloe.

2.5 The Minister introduced his Quarterly Report which the Chair had proposed should to be discussed at this point in the meeting. He apologised for the incorrect table in Annex 1 and distributed a correct version to members. He explained the main themes of the Report and added that although there was a short progress report on RSA, there would be a fuller discussion in the New Year.

2.6 The Chair invited questions and the following points were made:

- Members expressed their concern at the difference between the numbers of RSA applications in the South East and in the rest of Wales. The Minister explained that the RSA figures related to offers accepted and payments made which had been influenced by the delay in finalising the new Assisted Areas map. In fact, the number of applications this year was significantly up on

previous years. Commenting on the spread of applications across Wales, the Minister emphasised that the important issue was to convey to companies across Wales that RSA was a crucial lever which could be used to develop the economy throughout Wales.

- Some Members expressed their regret that there were no RSA applications from Pembrokeshire and Mid Wales. The Minister explained that it was necessary to encourage people to work in different locations. He hoped to develop the economies of these areas by developing indigenous business and attracting knowledge-based industries into the area. The Entrepreneurship Action Plan would also bring forward new opportunities for these areas. The Minister confirmed that money would be found for any worthwhile RSA project.
- The Minister explained that there were references to changes in the pre-budget statement which might assist the Assembly to bring forward operating aids. This was a major opportunity for Wales and he would use the time between now and the budget to derive the best deal possible for Wales.
- The Minister explained that the Task and Finish Group had been formed as a result of the anxiety about implementation of Objective 1 and the nature of local and regional partnerships. The next meeting of the Monitoring Committee would have to discuss this issue and take it forward quickly. Representatives of the Partnership would work with WEFO to enable decisions to be taken speedily. The Minister clarified that the report of the Task and Finish Group would go to the Monitoring Committee not to him. As Economic Development Minister he would not be a member of the Monitoring Committee or interfere with its work but the Monitoring Committee needed to ensure that local and regional partnerships were progressing in the right direction. One member commented that the formation of the Group underlined the lack of clarity in the process. The relationships between the Committee, the Monitoring Committee and the Minister had not been properly worked out.
- Members welcomed the decision to focus on regional and local partnerships. This was something that the Committee had long been concerned about and had been pressing for over many months
- A member pointed out that the money allocated to WEFO from the end of year flexibility was more than the previous three year ERDF budget . This suggested that money had been taken from the underspend of other headings. The Minister agreed to issue a note explaining the situation. **[Action: Economic Development Minister]**
- All Objective 1 fast track projects listed in a recent press release had received letters confirming that they had been allocated funding. Finance Wales had not had a letter of approval as they had been told that they could either have 50% of money requested or they could apply again later. Finance Wales were currently consulting on this.
- In response to a question on the funding earmarked for LG, the Minister explained that there were two distinct allocations - one for the former LG Semicon, currently owned by HEI, and one for the second phase of LG Electronics. Coincidentally both allocations of grant-in-aid amounted to sums of £21.5 million. The £21.5 million allocated for HEI/LG Semicon was being held by the Finance Minister under the end-of-year flexibility arrangements. The £21.5 million allocated for LGE phase 2 was included in the WDA's 'capital' baseline for the current year. The committee had already received papers in which this amount was being identified as a potential underspend, since the projected expansion of LGE had been postponed. Further allocations of £10 million were ring-fenced within the WDA's baseline for the following two financial years. There were contractual commitments in place covering both projects, preventing the money being reallocated elsewhere at this stage.

Item 3: Cardiff Bay Succession

The Chair introduced the item, welcoming Councillor Russell Goodway, Rt Honourable Lord Mayor of Cardiff, and Byron Davies, Chief Executive of Cardiff County Council. She reminded members that since Councillor Goodway's previous attendance at Committee on 1 March, Cardiff Bay Development Corporation (CBDC) had ceased to exist and responsibility had transferred to the County Council. She understood that work on the development plan was ongoing and asked Councillor Goodway to bring members up to date with progress. She then invited him to make a brief presentation, during the course of which the following points were made:

- The Council had two distinct responsibilities, as defined under two separate memoranda of understanding. The first was signed in April 1999 and related to the non-developable assets of CBDC. Good progress had been made on projects that were unfinished following the wind-up of the Corporation. Widowlands will be completed before Christmas with an anticipated overspend of some £300,000; the Graving Docks Flood Prevention scheme has been completed; Landsea Square has been completed on time and on budget; and the Oval Basin is also completed.
- The Hamadryad Park project is going according to plan. Planning consent has been obtained for an access road and the Wetlands Reserve. Countryside Properties' planning application for the development of 1.8 acres for housing has been approved, subject to Council planning conditions. The relocation of the Cardiff Yacht Club is progressing and work has commenced on site.
- The second memorandum related to Harbour Authority responsibilities. The Authority had received the Council's Business for the Bay the previous week, and they were currently out for consultation. The Council had in place a team of 59 Harbour Authority staff. Progress had been made with regard to health and safety concerns about the barrage. The impoundment licence had been extended to 6 months up to 31 March 2001, which in itself represented progress as the licence had previously been limited to 3 months. The relationship between the Council and the Environment Agency was very good.
- On dredging, the Council had let the contract to Ham Dredging, the cost of which had been some £900k more than CBDC's previous estimates due to market forces and inflation. On the aeration system, the Council had thoroughly assessed the alternative options available and had chosen a "pipe" system, which had represented best value and saved the tax payer some £2million on CBDC's projections.
- In all, the Council considered it had secured some £3million of savings over three years under the transfer arrangements that included the Thames Water contract, which had previously been proposed by CBDC.

3.2 The Chair thanked the Council for its presentation and opened the floor to discussion, during the course of which the following points were made:

- Members expressed disappointment that, given the detailed nature of its presentation, the Council had not provided more written information for members to consider in advance of the meeting. In particular, there was a request for more details of the changes in costs identified by the Council. In response, the Council explained that officials held all the details of cost variations

and that it felt that it would be more appropriate for the Committee to seek advice on those variations from the Minister for Economic Development. In the light of this, it was agreed that the Minister would provide the Committee with a paper setting-out cost variations. It was also noted that the Committee would have the opportunity to consider the Council's Development Plan for the Bay once it had been submitted to the Assembly [**Action: Minister for Economic Development**]

- There was some discussion of the Council's plans for public access to the bay. The Council explained that it had a clear strategy for 60% public: 40% private transport. However, it felt that other Assembly agencies had not supported the Council in this aim, particularly with regard to attracting businesses into the area.
- A number of members expressed concern about the situation with regard to New Employ, based in Bute Town, which was closing that day. Councillor Goodway explained that no resources had been transferred to the Council either for educational community-based activities generally nor for New Employ specifically. Rather, he said, the WDA had received funding in respect of that organisation. The Council had formerly jointly funded New Employ but, in the light of recent events, did not consider it an appropriate use of public funds to invest further in an organisation which was unable to meet its financial liabilities. The Council was seeking to put in place alternative provision.
- In response to a question on community regeneration, the Council had now appointed a community regeneration officer. In order to maximise effectiveness, the officer's role would be integrated into the Council's other related responsibilities. Councillor Goodway also stressed that deprivation was one of the Council's key target areas.

Chair's Summary

3.3 The Chair thanked Councillor Goodway and Byron Davies for their time. Summing-up, she confirmed that the Committee would consider the Council's proposed Business and Annual Plans for the Bay in January/February, and looked forward to discussing them with Councillor Goodway in Committee at that stage. The Committee would at that point consider whether there was a continued need to speak directly to the Council, or whether it would deal with Council-related issues through the Minister for Economic Development.

Item 4: Draft Budget

4.1 The Minister for Economic Development introduced the papers, drawing attention in particular to the overall year on year increases in funding. He indicated that the budget aimed to address all of the Committee's priorities, as set out in the Chair's letter to the then Assembly Secretary. He explained that he would be discussing the budget in Cabinet early next week and would therefore need the Committee's comments on this stage of the budget by lunchtime tomorrow.

4.2 The Chair thanked the Minister for his papers and introduction. She indicated that the Committee was being asked to comment on the draft budget and on the proposed changes to the Better Wales

targets. She suggested that at this stage the Committee was not in a position to address the second issue properly because of the lack of adequate baseline data. She then opened the floor to discussion, during the course of which the following points were made:

- There was much discussion of the issue of match funding, during the course of which the Minister reaffirmed the Finance Secretary's commitment that no worthwhile project would fail for lack of match funding. The Committee agreed a form of words for inclusion in its letter to the Minister on the budget, as follows: "The Committee recognises the gradual build-up of European funding in the draft budget and requires that if the actual spending of grants from Europe on worthwhile projects exceeds the level envisaged in the budget the Government of Wales will press the Treasury for the appropriate additional resources to be drawn down".
- There was lack of clarity on access to and dispersal of this match funding. The Minister explained that this was an ongoing issue and that very delicate negotiations were currently underway. He would update the Committee on progress with this at its next meeting. **[Action: Minister for Economic Development]**
- It was also noted that a significant amount of this funding was outwith the Committee's budgets. For example, the Local Regeneration Fund and voluntary sector funds, LEADER+, etc. Members considered that these would impact on the Committee's role with respect to the structural funds programmes as a whole. In particular the Committee was concerned about who would access funds and how priorities would be determined. It was agreed that it would be helpful to have a comprehensive list of all match budgets. The Minister pointed out that not all budgets were under his control. He agreed to provide a generic paper on the issue. The Chair stressed the Committee's role to lead on structural funds and that it might wish to make recommendations thereon to those other committees which had an interest. **[Action: Minister for Economic Development]**
- In response to a question on the increase in the Carbon Trust Wales line, officials explained that it reflected a 'consequential' increase in DETR
- The budget for research and had increased significantly. The increase was included in the Environment, Innovation and Evaluation line and amounted to some £300k although £100k of this was to restore the baseline to maintain existing activity
- On the budget for Euro Coordinators, officials explained that this was intended to fund capacity building for organisations wishing to put together proposals. No guidelines had yet been agreed, but the Minister noted the Committee's call for private sector involvement, and agreed to report on progress. **[Action: Minister for Economic Development]**
- Concern was expressed about the adequacy of the budget for international relations.
- Concern was expressed about the apparent decrease in the RSA line. Officials explained that the decrease was based on a complex, front-loaded profile resulting from a drop in approvals over previous years. The Minister stressed that the budget was entirely demand-led and that there was no question of applications being restricted. He noted a call by some members of the Committee for the programme to be more proactive.
- Annex 6 of EDC-17-00 (p3), which identified the initiatives the Assembly wished to take forward under the Partnership, was received by the Committee for information. The Committee was not in a position to endorse it at this stage because of lack of baseline data. It was noted that for the purposes of drawing-up the draft National Economic Development Strategy the Committee would need to consider the Better Wales targets. In view of the timetable for consulting on the draft NEDS, it was suggested that this exercise might be conducted in the context of NEDS. Members indicated that they had reservations about taking such an important issue forward

outside Committee. It was agreed to schedule future consideration which would include baseline data on the current position in Wales.

Chair's Summary

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

- The Committee had no significant difficulties with priorities identified in the papers.
- The Committee remained concerned about the question of match funding. Questions around sufficiency, availability, eligibility etc remained, and the Committee would be discussed further.
- The Committee considered the Better Wales targets to be of critical importance and would return to the issue in the context of its discussions of the National Economic Development Strategy and with the benefit of baseline data..

Item 5: Review of NEDS – Economic Activity

5.1 Introducing the paper, the Chair commented that the key statement about economic inactivity was to be found at the end of the first paragraph of EDC-17-00 (p6). This said that if sufficient people moved from economic inactivity into jobs in Wales, so that the proportion of the working age population who were inactive fell to a similar level to the UK, and if those people were as productive as those currently employed, then somewhere between a third and a half of the GDP per head gap between Wales and the UK would be closed. Tackling economic inactivity was a key part of the economic strategy.

5.2 The Chair introduced the external contributors: Howard John from Disability Wales and Roger Dinham from the Employment Service. She explained that although there was a paper from Chwarae Teg, the organisation was not represented as the meeting clashed with its conference. Due to administrative difficulties, there was no one to talk about ethnic minorities and economic inactivity. The purpose of today's meeting was to develop thinking about this component of the economic strategy and to consider ways in which it might be tackled.

5.3 The Chair invited comments and discussion on the Economic Development Minister's paper and the following points were made:

- The paper was welcomed and considered to be a useful route map of all the relevant organisations working to increase activity. However overlaps appeared to exist and members felt further information would be useful to show how many staff worked in this field and how uniform the coverage was within Wales. Members suspected that coverage was patchy.
- It was pointed out that people suffering from long-term illnesses found it difficult to get back into work. The welfare system operated against them. The Assembly should encourage the DHSS to make it easier for people to get back into work.
- Members called for benefits to be made to work for the people for whom they were intended. For example women who did not work did not receive the working families' tax credit because it was paid through their husbands' salaries.

- Members felt that although economic inactivity was a national problem caused by a lack of skills, motivation and confidence, it was also a particular Welsh problem caused by Wales' historical and industrial legacy.
- It was felt that specific Welsh research was needed to better understand the problems of inactivity.
- Chwarae Teg's paper was welcomed as it placed childcare as a central issue at the heart of economic activity policies.
- Howard John from Disability Wales spoke of the reasons why disabled people were prevented from working. Often work places themselves were inaccessible or offices within them were difficult for disabled people to negotiate. The benefit system did not allow disabled people whose conditions periodically eased to dip into the world of work as their condition allowed. He described the process of obtaining benefits as difficult and demeaning. No one got through the system who did not deserve it. However because it was such a hurdle to obtain benefits, people were reluctant to let go that level of security. Most data on disability in Wales was taken from UK statistics and surveys. It was difficult to draw down accurate Welsh data. Asked to comment on how Wales should address economic inactivity, Howard John suggested that there should be adequate, accessible training and life-long learning available. He also suggested that grants should not be available to companies unless they had adequate facilities for the disabled.
- Roger Dinham explained how the Employment Service eased people through the transitional period from benefits to work. He explained that although people were asked to ring a telephone number to talk through their claim, they then had a face to face an interview about going back to work. He emphasised the importance of the transitional period and how there needed to be greater acceptance of flexibility during this period.

5.4 The Chair invited questions and comments from the Committee and the following points were made:

- It was hoped that structural funds could be used to put money into increasing the accessibility of work for disabled people and to encourage research into economic inactivity.
- 20% of people registered on the New Deal 'disappeared' from records. In some cases incentives such as free driving lessons or a mentoring system were used to increase people's motivation to be looking for work.

Chair's summary

5.5 The Chair explained that as part of NEDS, it was vital that the Assembly should talk further to organisations working on race, disability and gender and those providing services in the field in order to take a systematic approach to reducing the level of inactivity. Economic inactivity was a substantial cost to the Welsh economy and reducing levels would be a positive way of closing the GDP gap as well as being very worthwhile to the people concerned. The only budget relevant to economic activity was currently within the Employment portfolio. The Chair asked if the Economic Development Minister could investigate if the responsibility for the strategic side of the development programme and the budget could be moved to Economic Development. **[Action: Economic Development Minister]**

Item 6: Minutes of meeting of 1 November

6.1 Accuracy

- Item 3, paragraph 3.2, bullet point 2 – LEPS to be changed to LEDS
- Item 6, page 9 Insert between the 3rd and 4th bullet points: "The numerical relationship between the "Total Business Births" in any year and the change in the total number of businesses from that year to the next, as listed in Table 8.1, seemed totally erratic, ranging from a retention rate of 32% in 2003/4 to 85% in 2002/3. This posed a question mark over the validity of the numbers in the Table."