

Economic Development Committee EDC 18-00

MINUTES

Date: 29 November 2000

Time: 2.00 - 5.30pm

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 and West Wales
Ron Davies	Caerphilly
Michael German (Economic Development Minister)	South East Wales
Christine Gwyther	Carmarthen West and South Pembrokeshire
Alison Halford	Delyn
Brian Hancock	Islwyn
Dafydd Wigley	Caernarfon
Phil Williams	South East Wales
Officials	(Department)
Derek Jones	Senior Director, Economic Affairs
Carolyn Williams	Work shadow

David Pritchard	Director, Industry Department
Stephen Phillips	Head of Economic Policy Division
Gareth Edwards (items 1-4)	Economic Policy Division
Anne Stephenson (items 1-4)	Economic Policy Division
Lisa Dobbins (Item 4)	Sustainable development Unit
Rachael Clancy	Office of the Counsel General
Helen Usher (Item 5)	Former Clerk

Special Adviser

Jim Driscoll (Item 5)

External contributors

Sir David Rowe Beddoe	Chair, WDA
Graham Hawker	Chief Executive, WDA
Graham Moore	Executive Director, Strategic Policy, WDA

Secretariat

John Grimes	Clerk
Gareth John	Supporting Officer

Item 1 - Opening Remarks

1.1 The Chair opened the meeting by welcoming members and reminding them that they could speak in Welsh or English as they wished. She hoped that everyone who needed headsets, for translation or amplification, had them available. She reminded members that if in doubt they should declare any possible interests in items under discussion.

1.2 The Chair reminded members that, again, in line with practice in most other committees, she had put the minutes and action outstanding at the end of the agenda. She would be pleased to know whether members had any views on this and whether they wished this

practice to continue.

1.3 The Chair referred to a recent article in the Western Mail about proposals for economic development put forward by the Conservative Party. She said she had written to the party spokesperson expressing concerns about overlap between these and the Committee's draft report on business support. She said that while it was recognised that members wore their party political hats while working within the Committee, it was also important that when the Committee reached conclusions they were accepted by all members - or a member should declare explicitly that they were not in support. She felt it inappropriate for one party to make political capital by pre-empting the work of the Committee.

1.4 This led on to a discussion about the status of the Committee's emerging conclusions and the extent to which, bearing in mind that some of the discussion had so far been undertaken in informal meetings, they could be considered as the agreed view of the Committee. Some members emphasised the dangers of informal discussions which were not recorded.

Item 2 - Economic Development Minister's Report

2.1 In speaking to his report the Economic Development Minister noted the following additional points:

- The next meeting of the Steel Task Force was on 18 January.
- He had heard that the sale of Hyder Business Services Sales to Nomura, which involved 1,850 jobs in the UK - 250 of which were in Wales, was likely to involve the current management team remaining in place.
- He had visited LGE this week. He referred to the current merger of the company with Philips and said that the expectation was that CRT production in Newport would increase.
- At the previous meeting he had referred Ledwood Engineering which had gone into receivership. Since then, the company had been the subject of an MBO which had led to the formation of Ledwood Mechanical Engineering Ltd and the protection of over 100 jobs.
- The Finance Wales Partnership was to make a case to the Monitoring Committee for a revised proposal of £20.8m its meeting on 15 December. He said they were looking for EC clearance for the programme of measures.
- He said that the recently announced 'task and finish' group for Objective 1 had now been established. He was confident it would come up with a system for overseeing the success of the Objective 1 programme.

2.2 Another member referred to a paper previously put to EDC (on 1 December 1999) which indicated that an Operating Aids scheme would need to be put to the EC at the same time as the SPD. He questioned whether this meant we had now missed the deadline. The Minister

said that this was not the case.

2.3 A question was asked, in connection with Operating Aids, as to whether it was realistic to expect the Treasury to relax its policy against differential tax rates. If not, it was questionable whether the Minister's visit to Brussels had any realistic possibility of success. In response, the Minister said that he fully recognised the hurdles he would need to overcome if he were to be successful. Nonetheless, he had not found total opposition within the Treasury and the Chancellor's pre-budget statement had contained promising indications. But he fully recognised that the matter was not cut and dried and that he had a battle ahead. To his mind this was such an important issue that he had to do everything he possibly could and he hoped he would have the full support of the Committee for this.

2.4 A number of points were made in discussion:

- It was important that LGE should move into the production of flat screen televisions if it was to remain in the forefront of its technology.
- Fears about the risk of job losses at St Athan were a major concern but the Minister was more comfortable about the position than he had been previously.
- The increase in R and D was welcome although the baseline figure quoted of 1.2% seemed too low. It was noted that a major part of this expenditure came from Government funding and that very little of this had been devolved to the National Assembly. The Economic Development Minister agreed to provide a note clarifying the figure of 1.2%. [**Action: Economic Development Minister**]
- A member noted that the task and finish group on Objective 1 was to report to the Monitoring Committee on 15 December - 2 days after the next EDC meeting. It was agreed that this report could be available for EDC on 13 December but, since it would not have been discussed by the Monitoring Committee, it could be provided only for information.
- The importance of the Steel Task Force was emphasised not just because of the number of jobs employed directly in the sector but for the 'multiplier' effects in other companies. The Economic Development Minister wholeheartedly agreed with this and added that this demonstrated the importance of seeking to diversify the economy so as to reduce the impact that problems in a particular sector might have on the economy more generally.
- The launch of Envirowise Wales was noted and a member wondered whether, if it was necessary to re-launch and re-badge it, this was really money well spent.

Item 3 - WDA Half-year Review and Corporate Plan

3.1 The Chair welcomed Sir David Rowe Beddoe and congratulated him on his knighthood which had been received since his last appearance at the Committee. She welcomed Graham Hawker, who had just joined the Agency as Chief Executive.

3.2 Sir David Rowe Beddoe said that they were on schedule to meet all the targets for the year except that for PSI for which latest forecasts suggested that they will be behind by about 10%. He said he was particularly pleased to note that they were on target to meet the 35:65 spatial target, which had required a significant amount of effort by his staff. He said that the quinquennial review was now well in hand. Given the successful year, the Corporate Plan had built on that for the previous year. In particular, he referred to the 4 priorities that they had set themselves: increasing participation, adding value, internationalisation, and increasing enterprise.

3.3 Members welcomed the considerable success by the WDA in achieving against targets. In the discussion it was noted that:

- The total level of PSI is vulnerable to changes in the mix of investment - for example call centre projects generally had a low capital intensity. Sir David Rowe Beddoe noted that whatever the final figure against their particular target, in practical terms an investment of over £500m was very satisfactory.
- There was some discussion of the way the Agency's budget operated when it took over new functions. It was noted that while in the short term funds were often ring-fenced for the new activities, this tended to end fairly soon after the transfer and the funding incorporated within the overall budgetary allocation for the Agency which was negotiated with officials.
- Graham Hawker said that while after only 8 days in post he had not come to any firm views on the management of the Agency, he was not keen to instigate too many changes. He felt it important to provide clarity in roles between the centre and the regions and felt that the ideal was to have an organisation which was not subjected to radical disruptions but which went through a process of continual co-ordinated change.
- In response to the question of how proposals to bring Business Connect into the WDA would link to its 5 yearly review, Mr Hawker said that to his mind the key was to identify what the client wanted. If the client saw the organisation as complex then it needed to be changed. Sir David Rowe Beddoe said that if new functions were passed to the Agency he hoped that the National Assembly would tell the Agency what it wanted them to do but leave it to them to decide how to do it.
- In response to a question on the organisation of the promotion of international trade, Mr Hawker said that whatever one's feelings on the decision that had recently been taken, the important thing now was to make it work.
- Mr Hawker said that he was comfortable with the proposal to establish an economic policy board providing it was a policy board and did not involve itself as an executive body.
- In response to a question about the perception amongst businesses of the WDA, Mr Hawker said that inevitably in the course of a year they could support only a few of the total number of businesses in Wales. Inevitably they had to select where they could get maximum benefit for their money. It was not surprising, therefore, that in the course of the year the vast majority of businesses had no contact with them.

- There was some discussion of the definitions of 'created' and 'safeguarded' jobs and whether it would be more appropriate also to count jobs 'lost'. The WDA did collate information on jobs that it knew of as having been lost and, while these were not very precise, it felt they were reasonably meaningful looked at over a longer term.
- It was noted that the WDA considered its definitions for the purpose of assessing numbers of inward investment jobs and projects were better than those adopted by the IBB. However, it was necessary to count figures according to the latter's criteria in order to provide comparability with England.
- There was some discussion of the definitions of inward investors and indigenous companies and it was noted that due to changes in ownership a company could move back and forward between the categories. There was a need to work on developing these concepts and this was in hand with the National Assembly.
- There was some discussion of Wales' position vis-à-vis e-commerce and reports that gave conflicting views of Wales' position compared with the rest of the UK. This appeared to be a question of definition - Wales is developing the capacity to do e-commerce but was slow to take it up. Good progress is being made but Wales still lags behind the UK. The Chair noted that the Committee's forward work plan included a study on ICT.
- In response to a question, Graham Moore said that the WDA had plans to undertake some £7m of construction of advance factories in North Wales this year and next. Some part of this would be funded by Objective 1 money.

3.4 The Economic Development Minister said that he was pleased to hear that the Agency's latest figures showed some picking up in performance on PSI. He agreed that it was necessary to improve target setting and said that the first priority was to establish the National Economic Development Strategy. He agreed with Mr Hawker's comments on support for exports. The key thing was to get on with delivering services to business, not continually changing the way they were organised.

3.5 Summing up the discussion, the Chair said that it was very pleasing to see that the Agency had done well with its spatial targets and accepted the WDA's assurances that they were on course to meet the other targets. She noted that it was important to become more sophisticated at setting targets and hoped that NEDS and the economic board (if endorsed) would contribute towards this. She said the Committee clearly endorsed the approach of the Corporate Plan.

3.6 Finally, Graham Moore said that the WDA would almost immediately start on a process of consultation with the plan in order to finalise it as quickly as possible. The Chair noted that for various reasons the timing of the Committee's consideration of the Plan was later than ideal and said that they would endeavour to rectify this in the future.

Item 4 - NEDS - Sustainability and Sustainable Energy

4.1 On the first paper, on sustainable development and NEDS, the Committee noted its readability on what was a complex subject. It was noted that it did not say a great deal on action for the Committee to take because this was for them to judge in the context of NEDS. It was noted also that sustainable development should not be seen as a disconnected activity but one that needed to be addressed in the context of whichever policy one was considering. Moreover, it was just as important to traditional industries, such as coal and fossil fuels, as to the new industries.

4.2 Members commented that NGOs have an important part to play in the development of sustainable policies and the NEDS team was urged to ensure that they fully involved them in the development of the strategy. **[Action: NEDS team]**. The Chair said that she had received a request to present a paper from the Wales Wildlife and Countryside Link and that this would be arranged for early in the new year.

4.3 Phil Williams introduced his paper on sustainable energy and said that it addressed an issue that had concerned him for many years. He said that the key points were to establish targets and a spatial strategy leading to a timetable for implementation and action necessary to achieve this. In discussion, it was noted that Wales had a unique range of energy resources and was ideally suited to take a lead in the area of sustainable development. Members commented on the important co-dependency of the National Spatial Framework, NEDS and sustainable development and considered it was important to ensure that the work done on all three was co-ordinated. It was agreed it would be valuable to have Sue Essex at a future meeting to discuss these issues further. **[Action: Clerk]**

4.4 It was also important to convert thinking on this subject into action and the Assembly should set a lead where it could. It was noted also that in dealing with energy from renewable resources it was necessary to have regard to full range of wider environment issues such as SSSIs.

4.5 Summing up the Chair noted that there was a great deal of support for the principles in the papers: on setting targets, a spatial strategy, a timetable, and the procedural changes in planning necessary to achieve them. The Committee endorsed them and wished to ensure that they were developed within the NEDS. It was important in doing this that sustainable development was looked at not as an issue in itself but as one that informed and influenced thinking on other issues. She said the Committee endorsed the principles in the papers but noted that in order to make things happen it would be necessary to ensure that people understood why such action was necessary, particularly on issues such as renewable energy to overcome public opposition. She asked Steve Phillips and Gareth Edwards to take back the Committee's views in the context of NEDS. **[Action: Steve Phillips and Gareth Edwards]**

4.6. She also said that she would refer the paper to the chair of the Environment Committee and would consider how to link other committees into the NEDS work. **[Action: Clerk]**

Item 5 - Review of Business Support and Development

5.1 The Chair thanked Jim Driscoll for all his work in advising the Committee and in the preparation of the draft report. She also thanked Helen Usher, who had continued with this work for some time after leaving her job as Clerk to the Committee. She said that the Committee's aim should be to agree a final report at the meeting on 13 December and then for it to go out for formal consultation. This would be undertaken by the Economic Development Minister although the Committee might choose to be a party to this exercise.

5.2 There was a general discussion about the way in which Business Connect should figure in the final report. The concern was expressed that Business Connect was viewed as an amorphous, ephemeral and unproven organisation with patchy performance around Wales. The view was expressed that responsibility for providing the gateway to business support should be undertaken by a new body and one which was responsible to established organisations such as the WDA, WTB, CETW and business people. Some members noted that Business Connect did not appear to be used a great deal by businesses and that the 'brand' lacked credibility.

5.3 Others expressed reservations about reorganising support services so soon - particularly when changes had already been put in train by Business Connect itself. Some members considered that Business Connect was working to a significant degree in most parts of Wales and that if the 'brand' was not well known it was because the providers were advertising their own services and name rather than that of Business Connect. Even if it were to be re-branded under a new name there would still be a need to address the underlying problems and, in that case, one could retain the existing name. There was also a suggestion that an 'ombudsman' should be appointed in order to oversee the working of the gateway organisation. Others argued that this was not appropriate since the organisation would not operate under statute. However, some members considered that the issue was not primarily one of regulation but one of providing confidence for the public that there is some oversight of its activities.

5.4 There were different views as to the appropriate number of regions into which the new organisation should be organised. There was a general feeling that 22, one for each local authority, was too many but views were split as to whether the existing 4 regions was the appropriate number or whether more was needed. One possibility was to allow some smaller groupings within the 4 main regions.

5.5 There was discussion about the status of the overall policy board and whether it should be a Quango or not. The conclusion after some discussion was that it would not be appropriate to set up a new Quango at this time.

5.6 There was also a discussion of the extent to which the National Assembly should be involved in the delivery of services. In particular, the location of Wales Trade International was discussed. The argument for locating this within the WDA was based principally on the premise that the National Assembly should not be involved in service delivery. Conversely, having recently undergone a major reorganisation, some members felt it was unfair on staff to subject them to further uncertainty about their jobs by considering this question again. A further argument was that Wales Trade International had very close links with British Trade International, its UK equivalent, and through this linked into the UK Government and to embassies and posts abroad. Locating WTI within an external organisation would make it very difficult for it to maintain these links.

5.7 There was some discussion about the location of RSA and it was agreed that this should be left until after the Committee had looked in more detail at that scheme.

5.8 On the question of renaming Business Connect, it was agreed to leave this until after the discussion with business organisations arranged for the following day and return to it at the meeting on 13 December.

5.9 On the question of establishing an ombudsman, Mike German agreed to look into the issues associated with doing this. **[Action: Economic Development Minister]**

5.10 Brian Hancock declared an interest, having been a small businessman himself who had sought support services from various public sector bodies.

5.11 It was agreed that the Committee needed to refer the report to the Agriculture and Rural Development Committee, the Education and Lifelong Learning Committee and the Local Government and Housing Committee for views. The Economic Development Minister would enter into the consultation process after the committees had expressed their views.

5.12 Summing up, the Chair asked for confirmation that the Committee had accepted the draft report subject to the specific points which would need to be considered further. This was agreed.

Item 6

6.1 Members were told that it looked likely that this report would now not be considered at the plenary session on 11 January and therefore it was necessary for it to be considered by EDC as urgently as had been thought. In view of shortage of time at the present meeting members agreed to consider this again.

Item 7 - Minutes of the Meeting held on 15 November

7.1 These were agreed as a true record subject to amending the 2nd sentence of the 2nd bullet point of para 2.6 to read "The Minister explained that it was necessary to encourage the creation of jobs in the areas that needed them."

Matters Arising

7.2 The Chair referred to the proposal to establish regular meetings between Monitoring Committee representatives and the Assembly in order to monitor carefully progress with Objective 1. A letter was going from her and Mike German to Committee Chairs requesting an initial discussion to include a small number of PMC members. Christine Chapman offered to provide regular reports to EDC on progress with Objective 1. **[Action: Christine Chapman]**

Action Outstanding 18

7.3 A member asked whether this meant that the National Assembly could now decide whether to use its end year flexibility in determining whether additional money went to ERDF or whether, in fact, it was obliged to put the money into this. David Pritchard agreed to investigate. **[Action: David Pritchard]**

Committee Secretariat