

## Economic Development Committee EDC 03-01 (min)

### MINUTES

<b>Date</b>	14 February 01
<b>Time</b>	2.00-5.30pm
<b>Venue</b>	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
Mike German (Economic Development Minister)	South East Wales
Christine Gwyther	Cardiff West and South Penarth
Alison Halford	Delyn
Brian Hancock	Islwyn
Dafydd Wigley	Caernarfon
Phil Williams	South Wales East

### Officials

Derek Jones	Senior Director, Economic Affairs, Transport, Planning & Environment
David Pritchard	Director Economic Development Department
Michael Trickey	FP2
Ron Loveland	Director C&ID
Rob Holt	C&ID
Phil Gray	WEFO
Neil Hortop	Competitiveness & Infrastructure Division
Rachel Clancy	OCG

**External Contributors**

Graham Hawker	Chief Executive WDA
Dr. Ruth Morgan	WDA
Gilbert Lloyd	KPMG
Bernadette Daly	KPMG
Iain Alexander	KPMG – on secondment to the Advisory Committee on Business and the Environment

**Secretariat**

John Grimes	Clerk
Sian Wilkins	Deputy Clerk

**Apologies:** None received.

**Item1 - Chair's opening remarks**

1. The Chair welcomed all to the meeting and invited people to speak in either Welsh or English.
2. She reminded Members that the Business Support Review had now gone out to consultation. She asked whether consideration had been given to reducing the consultation period to 8 weeks, but officials confirmed that 12 weeks was appropriate as it would then coincide with the NEDS consultation.
3. The Chair asked Members to consider what further involvement was appropriate on NEDS. Members agreed that whilst it was ultimately an Executive document they did still wish to be involved in discussions with other organisations, and presentations to EDC by certain sectors, such as WLGA and Wales Wildlife and Countryside Link, were already planned. These will feed into the NEDS process. Although the Minister is planning a series of consultation meetings the Chair was anxious that the committee retains a role in this process and asked officials to provide a paper giving specific details on the consultees so that the Committee could consider whether further consultation by them would be appropriate. **[Action Clerk]**

In discussion Members raised the following additional points concerning NEDS:

- It is essential that the Committee is involved in the consultation and there should be regular progress reports to Committee during the consultation period.
  - There was a suggestion for a discussion with someone from Finance Division of the Assembly to discuss the merits of an alternative to the Barnett Formula.
1. The Chair stated that she had received a request from a Committee Member for an additional meeting to discuss issues arising from the Corus announcement. The Member confirmed that he felt the principle for an additional meeting had been established and was happy for this to be considered again once the final outcome is clearer. The Chair proposed that if the worst were to happen it might be appropriate to hold a joint meeting with ELL given that a substantial part of any assistance package will involve education and training initiatives.

A Member added that part of any contingency package should also include the work of EPT with regard to improved rail services from the valleys to Cardiff, land reclamation and other environmental issues. This highlighted the need for the involvement of other committees on this issue and the Member suggested that maybe this should take priority over normal Committee process.

## **Item 2 – Economic Development Minister’s Report**

1. In addition to his written report the Minister made the following points:

- Labour Market figures announced that morning showed no major substantial changes. The number of unemployed fell by 900 which reduced the percentage figure to 4.4% from 4.5%. The stock of unfilled vacancies rose slightly. He also announced a revised figure for December 2000, which showed a fall in the number of unemployed by 400.
- Referring to Structural Funds, he said that in excess of £100m had now been committed. This was some 2/3 of the first year's commitments on ERDF and EAGGF which was well in line with profile.
- He was not able to move beyond the statement he made to Plenary last week regarding Corus, at least until after the meeting between Corus and Unions taking place that afternoon. He did however, want to provide clarification following the announcement of the EXi Telecoms and AEEU initiative. This initiative has been ongoing since last summer and it concern's EXi's drive to find new sources of skilled workers. The Minister made clear that this was not an agreed Assembly package and there is a danger that it raises false hopes. The jobs announced are primarily in SE England and this should not be seen as a solution to the loss of jobs in the Steel Industry.
  1. In further discussion some Members expressed concern regarding the EXi/AEEU announcement and criticised the role of the union in falsely raising hopes of employees. The announcement sounded definitive regarding Welsh jobs and a Member questioned the background. Officials confirmed that they had not had any discussions with the AEEU and this announcement was not specific to Corus. They were not aware of any involvement by either the DTI or DfEE in so far as the link to Corus was concerned.
  2. Whilst hoping that the Corus issue would be resolved positively a Member voiced concerns about contingency plans and asked the Minister what the current position was. The Minister re-iterated that he could add nothing to his statement made in Plenary. He was however prepared to confirm that discussions are ongoing. A Member asked for clear details regarding funding once any package was announced and the Minister confirmed that full information would be given at the appropriate time.
  3. A Member stated that there are rumours that Corus is trying to buy docklands in Newport, as well as a local private steel company in an attempt to import steel slab and if true will have an even greater effect on the Welsh economy. He added also that the environmental effects of Corus' actions would provide an opportunity for Wales to demonstrate how we set up innovative projects.
  4. A Member welcomed the recent Ford announcement and asked how much Assembly money had been provided. Officials confirmed that it is normal procedure for the amount of RSA granted to be announced after the first instalment had been drawn down.
  5. In response to a question the Minister confirmed that the appropriate agencies

were working together to try to bring new jobs to the areas affected by the recent Dairy Crest job losses as well as West Wales and the Valleys in general.

6. The Chair advised the committee that Sir Brian Moffat was attending the Trade and Industry Select Committee today and the Welsh Affairs Committee on 1 March 01. She confirmed that they had suggested we may wish to send a briefing or list of questions for inclusion in the latter meeting and that it would be possible for a Committee Member to be present, albeit as a member of the public. She advised that the Clerk would draft some questions and circulate them to Members for consideration. A Member suggested that it may be possible for the Select Committee to invite either the Chair or the Minister to give evidence at this meeting. The Chair thanked the Member for that very helpful suggestion, and in further discussion, it was decided that the Committee should invite Sir Brian Moffat to attend a future meeting of EDC. **[Action Clerk]**
7. The Chair drew to the Minister's attention the fact that there was still no resolution regarding the Welsh Tourism Partnerships and the fact that there was a plan to withdraw funding, which may lead to redundancies. The Minister confirmed that this is a restructuring and does not necessarily mean a loss of jobs. It is hoped that staff in regional tourist companies will be assimilated into other offices. The Chair stated that the Committee could have a report on this for their discussion with the WTB at their next meeting. **[Action: Economic Development Minister]**
8. Another Member raised the issue of the Bid for the Golf Ryder Cup in 2009 and asked what work is being put into improving infrastructure such as road, rail, seaports, air, telecoms etc. The Chair suggested this be carried forward for discussion at the next EDC when tourist issues were on the agenda. A Member confirmed that the Culture Committee was looking at this issue also.
9. One Member said that it would be useful if the Minister could include in his report the numbers of job losses and gains in particular sectors so that it was easier to see the movement of jobs between sectors. The Minister advised that the Monthly figures do not break down into sectors but he would explore this further. It was suggested that if the Economic Policy Board is set up this is an area that they should be addressing.

### **Item 3 – WDA Quinquennial Review**

1. The Chair outlined the background to the Quinquennial review of the WDA on which the committee had commented earlier in the process. Michael Trickey said that the review was nearing its conclusion and that KPMG's final report was close to completion. The final report would go to the Minister alongside views from the Committee. This was likely to lead onto an opportunity for discussion in plenary and ultimately would lead to an action plan being drawn up.
2. Gilbert Lloyd of KPMG introduced the report and outlined the thinking behind their analysis and their recommendations. He said they had identified a number of key issues. On strategic and corporate planning they had concluded that there was a

need for the National Assembly to continue to clarify its role in order to strengthen its relationship with the WDA. He said that the Agency in turn should introduce an inclusive approach to consultation to inform its planning. They had looked at structures within the WDA and considered there was a need to develop procedures to assist the future effectiveness of the Board and to clarify the balance between the Regions and the Centre. On communication, they considered there was scope for this to be more effective. He said that there were a number of specific issues raised also in the report which were of lesser significance. He said he would be happy to discuss any of these with Members.

3. In the following discussion a number of points were made:

- Members noted the ambiguity within the report between the term Assembly relating to the Government in Wales, to elected members and to officials.
- There were concerns about the reported breakdowns of communication. Graham Hawker commented that any organisation had problems of this kind to some degree but he recognised that they needed to do better. He said that the issue was not necessarily one of formal procedures but merely of people being better at talking to each other.
- Members welcomed the proposal to transfer Business Connect to the WDA, which echoed the committee's business review. Graham Hawker said that he felt it was important for this not to be seen as an isolated activity. If they were to obtain maximum benefit it should be integrated with the rest of the Agency's activities.
- The balance between the centre and regions within the Agency was critical. Members recognised that it was something which moved back and forwards over time and emphasised that it was important to get this right. The review also recommended the retention of RSA and WTI within the National Assembly. While this was also a recommendation of the committee's report the view was expressed that this needed more justification.
- It was important for the WDA and the National Assembly to work closely together, but it should not be forgotten that the reason for setting up the Agency was to enable it to act in a different kind of way. Its purpose was to be an organisation for 'judicious risk taking' and it was important to ensure that this could continue. Members were concerned that the WDA had flexibility to vire under-spending in order to facilitate this.

- The committee noted the comment that there was some uncertainty in the relationship between the WDA and EDC. They recognised that this needed resolving but said it was to some extent inevitable for a relatively new committee.
- It was agreed that the Agency needed to work in close partnership with other organisations. It was noted that this was not about establishing committees but about actually working together. Graham Hawker acknowledged that in some areas they could do better in this respect - although he did not think they were much worse than many other organisations of their size.
- Members endorsed the report's emphasis on streamlining the operation of the Agency and noted Graham Hawker's view that a number of the delegations needed simplifying. He commented that in many cases these were not really about maintaining control of the Agency, which he accepted was appropriate, but more about merely checking.
- Some members felt that the report did not fully address the issues raised by the Committee on performance measures, including the need to reflect net effects and to avoid double-counting the number of jobs created by different bodies and programmes. They hoped that the final text would address this.
  1. The economic development Minister said that he very much welcomed the important role played by the staff of the WDA and wished to thank them and the Chief Executive for their achievements. He noted that in implementing the report some recommendations would need to be deferred pending the outcome of the consultation on NEDS and the Business Review but he was anxious to move as quickly as possible to an action plan for the remainder. He reiterated that the WDA was a key arm of the National Assembly.
  2. Summing up the discussion, the Chair noted that the report was a very positive one and that the bulk of the issues raised were not a surprise to the committee and were issues of which the Chief Executive was aware. The key pointers for the future were:
    - effective partnership working;
    - the WDA was the lead economic development organisation in Wales and was expected to work in partnership facilitating not dominating other organisations;
    - the importance of the WDA's work in respect of land use;
    - the need for better targets and performance measures to drive forward action.

## Item 4 Carbon Trust.

4.1 The Chair welcomed Ron Loveland and Rob Holt from the Competitiveness and Infrastructure Division and introduced Iain Alexander who is on secondment to the Advisory Committee on Business and the Environment. She advised Members that the paper outlines and identifies the proposals for a Carbon Trust for Wales. Annex 3 in particular outlines the potential use of money in Wales and it was on this area she felt the Committee should comment.

4.2 In introducing the paper the Minister said that he took very seriously the UK's Kyoto commitments, and the role that Wales has in cutting emissions of greenhouse gases. He also recognised the major business opportunities that this initiative represents. He asked for views on the activities detailed in Annex 3, rather than a debate on the Climate Change Levy, as the latter is something that the Assembly cannot change. He confirmed that Ian McAllister had been appointed as Chair of the Carbon Trust, with Ian Stephenson as vice-chair.

3. In providing further information to the Committee Rob Holt said that a lot of ground had been covered since the Prime Minister announced the proposals for the Carbon Trust in Oct 2000. In principle agreement had been secured, from Ian Stephenson, for the establishment of an office for Wales and a service delivery plan for Wales in return for the Assembly funding the Trust at a UK level. However there was still a long way to go over the next 6 weeks to ensure the Trust in Wales was up and running on 1 April 01. He confirmed the funding of £33m for the Carbon Trust throughout the U.K. This includes funding from the National Assembly for Wales of £1.5m in the first year and £1.75m in the following 2 years. The Enhanced Capital Allowance scheme (ECA) budget of £100m will be held by the Treasury, but be administered by the Trust. One of the key activities of the Carbon Trust Wales, in the first instance, will be to pursue other funding options, including European Programmes such as Objective 1, and to encourage companies to apply for the funds available under the ECA scheme.

4.4 In general discussion the following key points were identified.

- In setting up the Carbon Trust in Wales the Assembly has tried to adopt the "nationally managed, locally delivered" approach successfully achieved with the UK Energy Efficiency Best Practice Programme. This involves local delivery of a U.K. wide initiative, through a co-ordinator for Wales. The co-ordinator provides companies with advice and directs them to the right body when necessary.

- The proposals for the Trust had been discussed with various interested parties and had been broadly welcomed. The aim was to work with the related service deliverers and one example was that agreement had been reached to co-locate the Energy Savings Trust co-ordinator for Wales in the same office as the Carbon Trust.
- Of the £33m available U.K.wide to set up the Carbon Trust, £27m had gone to the DETR and £6m to the devolved administrations.
- A member commented that Wales has a high proportion of manufacturing companies who would pay significant amounts under the levy and more than the £1.5m the Assembly was receiving to recycle to the Trust. Officials stated that no figures have been produced relating to levy costs in particular areas. Officials confirmed that it would be the responsibility of the Carbon Trust to encourage Welsh companies to access their share, or more, of the £100m fund for Enhanced Capital Allowances. Local service delivery arrangements should also address this. Iain Alexander noted that as the Trust's focus is the reduction of Carbon emissions, it would spend both its time and funds where the greatest effect can be made. Initially, this is likely to be mainly in the manufacturing sector and this should mean that the value of service delivery in Wales would exceed the Assembly's £1.5m contribution.
- Several Members commented that the National Insurance flat rate does not benefit Wales but benefits areas with a higher proportion of employment in the service delivery industries.
- A Member also highlighted the need for there to be coherence between all service deliverers in this area, and for the organisations involved not to cross over in delivery as had happened with business support. Officials stated that they had taken into account the Business Support review, and that the Trust would streamline services in this field by bringing together a number of existing deliverers.
- A Member also highlighted that the EEBPP programme was well used by those who know about it and the challenge for the Carbon Trust is to reach a wider audience.
- It was confirmed that Carbon Trust money can be used to match objective 1 funds. There is a list of 8 eligible areas of technology under the ECA Scheme and one of the key areas for the Carbon Trust is to look at objective 1 and employ lateral thinking to maximise the use of these funds.

3. In summing up the Chair thanked everyone for their contribution and offered the broad support of the Committee for the proposals.

## **Item 5 – Draft of EDD’s Equal Opportunity policy**

1. Due to time-constraints the Chair proposed to leave this item for comment by e-mail and discussion at a later date. She asked Members to forward any comments on the policy to David Pritchard and asked him to report to EDC on implementation of the policy in due course. **[Action David Pritchard, Committee Members]**

## **Item 6 – Objective 1 report and Match funding**

1. Christine Chapman opened the discussion by running through the key points of the Report which followed the PMC meeting on 5 February.
2. There was some discussion of the recently appointed Policy Group and concerns were expressed about whether it had an appropriate political balance. It was noted that this sub-committee was not established on political lines. The Minister said that he thought the principles that applied to the Civil Service would be appropriate in this situation and that if members had any concerns about members’ impartiality they should write to him.
3. Officials reported on current expenditure levels which amounted to £46.844m to the end of January on the 3 schemes ERDF, EAGGF and FIFG. It was forecast that expenditure by the end of the year would be £75m against a budget of £78.5m. However, the forecast included a figure of £21m for Finance Wales which would fall into the following year if EC approval was not received in time.
4. Members also asked about the availability of technical assistance and the small technical assistance budget that had been allocated. Officials were surprised if local authorities had not applied to draw this down.
5. There was some brief discussion about staffing in WEFO which was some 60-70 people short of its total establishment - although it was not expected to reach this until activity levels rose further. It was noted that these levels were significantly higher than had originally been envisaged and that this was the consequence of a scheme which was demand-led.
6. There was some discussion of match funding and concern was expressed that this might be available at the expense of other programmes. This might be happening at both the National level through the Assembly, and at local level through local authorities’ budgets. The Chair said that this was an issue to which the Committee would need to return. She said that she had discussed with the Finance Minister the preparation of a paper for information on this for a future meeting. **[Action Clerk]**

## **Item 7 – Minutes of the Meeting held on 31 January 01**

1. Members agreed that the minutes were a true record of the meeting.

**Committee Secretariat**