

## Economic Development Committee EDC 04-01 (draft min)

### MINUTES

**Date** 7 March 01  
**Time** 2.00-5.30pm  
**Venue** Committee Room 1, National Assembly for Wales Building.

### Attendance

<b>Members</b>	<b>Constituency</b>
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	Carmarthen West and South Pembrokeshire
Alison Halford	Delyn
Brian Hancock	Islwyn
Phil Williams	South Wales East
Jocelyn Davies	South Wales East

### Substitutions

Jocelyn Davies AM South Wales East substituted for Dafydd Wigley AM Caernarfon who sent his apologies.

### Officials

Derek Jones	Senior Director, Economic Affairs, Transport, Planning & Environment
David Pritchard	Director Economic Development Department
Emyr Roberts	Economic Policy Division
Ron Loveland	Director C&ID
Anne Stephenson	Economic Policy division
Keith Parsons	Economic Policy division
Rachael Clancy	OCG

### External Contributors

Graham Moore  
Philip Evans  
Jonathan Jones  
Steve Webb

Executive Director Strategic Policy WDA  
Chair WTB  
Chief Executive WTB  
Director of Research & Corporate Planning WTB

## **Secretariat**

John Grimes  
Sian Wilkins

Clerk  
Deputy Clerk

## **Item1 - Chair's opening remarks**

1. The Chair welcomed all to the meeting and invited people to speak in either Welsh or English. She welcomed Jocelyn Davies AM who was substituting for Dafydd Wigley AM.
2. The Chair reminded members that at the previous meeting they had discussed inviting Sir Brian Moffat to EDC. She said that following the meeting, and before any approach had been made to Corus, the company had contacted the Committee. They had proposed that senior managers from the company, including a board member, rather than Chief Executive Sir Brian, met EDC. While members would welcome a meeting of this kind, they were concerned that the meeting should be with people who were able to discuss the company's decisions. The view was expressed that such a meeting should not be seen as simply giving Corus a 'grilling' but as an opportunity to ask questions about what the company needed.
3. The Chair said that before any such meeting took place she would circulate for members' consideration some possible questions and some ideas on how the session might be carried out.
4. The Chair suggested, and Members agreed, that if such a meeting were to take place they might also invite representatives of the unions to the discussion. She reminded members that negotiations with the company were still ongoing and that the deadline for these was towards the end of March. The timing of any meeting would need to have regard to this; they would also need to consider whether a separate meeting should be arranged for this discussion.
5. The Chair said this meeting did not preclude the proposed separate discussion on support measures, in the event that the company went ahead with their proposed action.

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

1. Updating the information contained in his report, the Minister said that Alpha Steel in Newport, was shutting down one half of its operation with the loss of 88 jobs. This was due to market conditions and over-capacity. The company hoped to restore the jobs in due course.
2. He said that the Secretary of State for Trade and Industry had agreed not to refer Glas Cymru's bid for Dwr Cymru to the competition authorities and that the regulator had agreed the changes in licence required for the acquisition. Sue Essex will be circulating a copy of the notice to EDC members. Details of the financial transfers will be circulated before the matter goes to plenary.
3. On the foot and mouth outbreak, he said that officials were trying to assess the economic impact of the disease, which affected not just primary food producers but a wide range of industries from processors to hauliers to the tourism industry. He said they had concluded it was not possible, at present, to produce a meaningful cost estimate of the overall impact. He said that he was receiving regular reports on developments and was in close touch with the Ministry of Agriculture.
4. The Minister said that it was important to continue to encourage tourists to Wales and to tell them that the main highways were open although remote rural areas should be avoided. He was writing to the banks asking for sympathetic handling of businesses affected by the outbreak. He said that Barclays Bank had offered 3 months loan holidays to farms and hoped that others would follow suit and that this would be extended to the tourism sector.
5. On work to investigate the scope for fiscal variations, Price Waterhouse Coopers had been appointed and the Minister hoped to have an initial report from them by the end of March. He also confirmed that the level of approved Objective 1 projects had risen to £131m.
6. Finally the Minister expressed his sadness at the untimely death of Ian Spratling, who had made a major contribution to public service in his life. He hoped that the committee would join him in expressing their sympathy to the family.
7. The Chair endorsed the Minister's tribute. She said that Mr Spratling had made a major contribution to economic development in Swansea and South West Wales. He had a unique ability to work with others in the private, public and voluntary sectors. The meeting agreed with her suggestion that she should write on behalf of the Committee expressing their condolences to his family.
8. A Member raised concerns about an article in The House Magazine written by the Economic Development Minister. The Chair ruled that since this was not on the Agenda and not all Members had seen the article in question, it was inappropriate to discuss it at this time. It was suggested that if the matter had not been resolved it be put on the agenda for the following meeting. The Chair agreed that her ruling should not be seen as a precedent which precluded discussion of urgent items which were not on the agenda for a particular meeting, as long as they were agreed with her in advance.
9. In further discussion of the Minister's report a number of points were made:

- Members commented that recent development had highlighted the importance of the rural and agriculture sectors to the economy in Wales. It was noted that there was an overlap between the remits of EDC and the Agriculture and Rural Development Committee and that there may be a need for joint meetings from time to time.
- Reference was made to the recent announcement of job losses at Llanidloes and the Minister confirmed that this was a major blow to the community and that he was receiving regular progress reports on the action being taken to mitigate events. He added that the WDA were very active in this area and a multi-stranded approach has been adopted. Senior assembly officials would be taking stock of the position with the Company – WDA in the near future.
- A number of members commented on the launch of ‘Wales World Nation’ which was described as an historic event because of the wide range of countries represented. The Minister confirmed that this was linked to the earlier ‘Branding Wales’ programme and he would arrange to circulate notes of the meeting to Members. **[Action: Economic Development Minister]**
- In answer to a question concerning offshore consents the Minister advised that the mechanisms involved were very complex. He added that it is important for the National Assembly for Wales to take a lead in the consultation process. He is seeking further clarification regarding what can be drawn down but identified that this might require significant resources.
- A Member referred to paragraphs 3 and 4 of the Ministers report concerning ERDF scoring and the appeals system for Objective 1. This related to action arising from previous EDC meetings. He asked for further clarification on these matters. **[Action: Economic Development Minister]**

### **Item 3 – WDA Strategic Guidance Letter**

1. The Chair reminded Members that they had been sent the WDA Business Plan as a paper for information and the discussion today was on the draft Strategic Guidance Letter.
2. The Minister explained that the Letter is the framework under which the WDA formulates its corporate plan. In a change from previous years, the WDA would be presenting its corporate plan in July to allow the plan to feed into the budget round in the late summer.
3. Anne Stephenson then clarified the process using the Model Planning and Reporting Cycle included in the paper.

- The first stage is the issuing of the Strategic Guidance Letter, which the Minister sends to the WDA - March/April.
- The WDA formulates its Corporate Plan - May/June.
- This feeds into the budget round in the autumn.
- The Agency uses this to develop its Business Plan -Nov/Dec.
- EDC will then have sight of the following year's Business plan ( EDC currently has this years plan April 2001-2002 as a paper for information) - Jan/Feb
- Targets are then agreed for the following year i.e 2002-2003

1. The Minister added that this Strategic Guidance Letter is for the year commencing April 2002. Because the Review of Business Support, NEDS and the WDA Quinquennial Review are still ongoing he proposed that this be an interim letter with the possibility of a further letter being issued once the outcomes of these reports are known. He invited Members to forward additional comments to him by 9am Monday 12 March.**[Action: Committee Members]**
2. Some Members were concerned that the recommendations in the Review of Business Support, especially relating to the Business Support Gateway and work with partnerships, had not been included and a member suggested that para 16.4 be amended to ensure the WDA is aware of the proposals that have gone out to consultation. The Minister confirmed that the WDA is mindful of the content of the report but he did not wish to pre-empt what may happen during the consultation process. He said that an amendment to the letter would be issued to take account of the final recommendations.
3. Several Members felt that the letter was too long and in particular felt that listing 12 priorities was too prescriptive. It should give strategic guidance and allow the Agency to interpret this in its Corporate Plan. A Member commented that if the way the WDA is funded currently is considered to be acceptable and provides the flexibility they need, then they should be allowed to get on with the job.
4. A Member questioned the status of EDC in this process and stated that one of the most important developments ever mandated to the Agency (encouraging them to set up objective 1 partnerships) was never discussed at Committee or Plenary. The Chair said that her understanding is that it is up to the Minister what guidance he gives to the WDA. The Committee is empowered to give advice to the Minister and if he chooses not to follow it then they have the right and opportunity to question him at a later date.
5. In discussion there were several additional priorities that individual Members felt should have been included in the letter:

- Mention should be made of the WDA's evolving role in the Objective 1,2 &3 schemes, and the WDA needs to identify where the need for funds is greatest, in particular, developing a strategy for the Valleys.

- The absence of a regional partnership for energy should be addressed.
- Reference should be made to the Cardiff Bay area and the need for the WDA to take a lead to ensure the whole project does not lose momentum. Investment into the Capital is seen as important for the whole of Wales. Some Members registered disagreement and felt it was time that resources were spread across Wales and that this was not a matter for the strategic guidance letter. The Minister said that it is an important issue but this could be covered later when discussing the Audit Report on Cardiff Bay.
- The issue of the marketing of Finance Wales should be addressed, ensuring that funds reach the people who need them the most.
  1. The Minister stated that he noted the matters raised, with broad agreement and he would reflect on these issues. He agreed that it was the role of the Assembly to develop the overall strategy within which the WDA would decide operational matters.
  2. In summing up the Chair said that there was agreement that the letter should be strategic. Consideration should be given to the issue of a partnership for energy and a strategy for the valleys. On the view offered on Cardiff Bay she noted the comments of some members but registered her personal disagreement. She also asked that the Minister consider reviewing the letter to include more specific reference to the recommendations made in the Review of Business Support.

#### **Item 4 - Wales Tourist Board Corporate Plan**

1. The Chair welcomed the members of the Wales Tourist Board and advised Members that the item was to comment on the Board's Corporate Plan and to consider the Remit letter from the Minister.
2. The Minister highlighted that this procedure was different to the new procedure adopted for the WDA but he would like to move to a similar approach for the WTB. He asked for views on the draft remit letter.
3. Philip Evans Chair of WTB gave a brief introduction. He said that the draft corporate plan and remit letter had not been signed off and indeed may be affected seriously by the effects of the foot and mouth outbreak on the tourist industry. He was delighted to see the increase of funds to £30m and advised Committee that they were asking for a small re-allocation of costs within budgets.
4. He was pleased to advise Members that as approved in March 2000 there would be more focus on business support and a new team of twelve advisers, based in the field would be operational from September 2001. This would make a saving of £100,000. The team's responsibility would be to encourage improvements to improving gradings and they were not there to act as policemen.
5. He added that the foot and mouth outbreak has had a critical effect on the tourist

industry with job losses being reported daily and the industry losing millions of pounds each week. He would report back through the Minister on a regular basis.

6. Some Members expressed the view that the WTB has had a bad press regarding the tourism partnerships. There is a lot of unhappiness in the regions and some real fears that WTB do not appear to be addressing. Some felt that it is taking some time to get people on side and there is a lot of anxiety regarding job losses both in the RTC's and from the ending of the TQS contract. Other Members reminded the Committee that the WTB is doing what politicians asked it to do and the Assembly should be giving strategic direction. There will always be difficulties with change but the Committee should offer their full support for the changes.
7. In answer to more general questions from Members the Board gave clarification on the following points:
  - The Board had been charged by Alun Michael to clarify existing structures. The restructuring has meant that there will now be improved representation from within the industry and the local authorities. There are now 22 LA representatives and 22 tourist representatives who will be in a position to bring forward regional issues.
  - Whilst the Board was not able to give a clear guarantee regarding the loss of jobs in the Regional Tourist Companies, it was the belief of the Board that the creation of the Regional Tourist Partnerships would lead to a net increase in jobs not a loss. Funding for the Regional Tourist Companies is planned to continue until September and transitional funding will mean that it will be almost a year before funding stops. It was also possible that the Regional Tourist Companies could provide services to the Partnerships and if any staff were transferred to do the same job they would be covered by TUPE regulations. The huge problems for the sector created by the foot and mouth epidemic may lead to an extension of this timetable
  - On the issue of TQS and the fact that this work was now being brought in house there was concern from Members about the cost issue and the loss of jobs. The Board commented that this was not purely a cost exercise but was felt necessary to enhance the level of business support. The TQS contract was coming to an end and the Board have decided not to renew it.
  - In answer to a question concerning running costs the Board confirmed that they are keen to place the cost of the business support team into programme costs rather than running costs. The quinquennial review of the WTB is due to start in September and it is hoped that this will support that view. There has been no re-organisation of the Board since 1983 and there was scope for this and the need for flexibility. As an example the WTB only has one representative overseas and the Board is keen to develop this area of its work.

- On the issue of compulsory registration the Board had planned a conference to discuss this further but the foot and mouth outbreak had meant that it had been cancelled. The take-up from companies for this had been extremely good, with over 500 signing up for it.
- Some Members raised concern regarding the foot and mouth outbreak and its effect of people visiting Wales. The Chairman confirmed that there is a £1m campaign ready to tell visitors that Wales is a safe place to come back to. The WTB is keen to change the marketing culture from one of promotion during January only.
- The Destination Management System – a "one stop shop" call centre will be up and running by the end of this year.
- The WTB is keen to encourage cultural tourism , meaning culture in its broadest sense and to develop an events strategy involving both cultural and sporting events.
- The WTB recognises that branding is not about a strapline, but must be multi-faceted and cover things such as heritage, technology etc.
- A Member asked the WTB to consider the view that Wales should be promoted as an international venue, rather than as a part of the UK. The question was also asked as to what links they have with education, both from the promotion of Wales overseas as a learning centre and also promoting tourism as a career within Wales.
- A Member commented that the Remit letter was far too long.
  1. The Minister added that there are two key areas for development. To improve the quality of the product and to market Wales strongly. He also took the opportunity to thank John Cory the finance director of WTB for his work in the past. He is retiring in the next few weeks after 31 years of service to the WTB.
  2. In summing up the Chair thanked the WTB representatives for their contribution She added that there was still work to do in the development of the tourism product and she would like to see this in the remit letter. She confirmed the committee's support for the WTB's work but added her concern that the new momentum in tourism should not be tarnished by bad press or problems with redundancies.

## **Item 5 - Draft Terms of Reference for EDC Policy Review**

1. The Chair said that in the discussions on the draft Forward Work Programme she had come to the view that members generally considered a study of energy policy



was the right subject for the Committee's next review. She and the Clerk had therefore worked up a more detailed proposal for members to discuss.

2. A member commented that he thought the Committee should first consider whether there were other issues which should be the subject of a review - such as the costs faced by business through the imposition of business rates and government-sanctioned levies, or the regulatory burden that falls on businesses. Members recognised that these were issues that caused genuine concern and that there might be justification for arranging to meet business groups to discuss these. Nonetheless, energy policy had figured in the Committee's Forward Work Programme since the previous year and it was generally agreed that this it was the right topic for the Committee's next review.

5.3 In the discussion it was agreed:

- to delete from 6f ",despite ... of Conservation, "
  - that a Steering Group should be established to facilitate the process of carrying out the Review but that responsibility for the Review would remain with the Committee as a whole and it would not be bound by decisions taken by the Steering Group.
  - that the Steering Group should include representatives of both the Environment Agency and the Countryside Council for Wales.
4. Members also agreed that they should engage in a dialogue with business about the issues facing it. Officials reminded members that they had a commitment to come back to the Committee with a progress report on Better Regulation [**Action: ED Minister**]

## Item 6 - Cardiff Bay

1. The Chair introduced the paper on the Audit Committee's report on the Cardiff Bay Barrage. She said that the Clerk had prepared this to draw the Committee's attention to the economic issues arising from the report. The Committee was invited to consider whether they wished to offer any advice to the Minister to assist Cabinet's response.
2. In the discussion members generally accepted that it was important to capitalise on the investment that had been made in the construction of the Barrage. A number of members considered that this should now be left to bodies such as the WDA and City Council so as not to suggest any weakening in the Assembly's priority areas of West Wales and the Valleys.
3. Members noted the recommendation that an economic appraisal should be taken of the development, although it was pointed out that a series of economic assessments had been undertaken over the life of the development going back as far as 1987. The view was expressed that the nature of this project, and its

history, meant that it would now be difficult to undertake any objective analysis of it. Given that the project had now been completed, it might be far more sensible simply to save the cost of undertaking such an analysis.

4. A number of members expressed their concern that the project had cost more than was originally forecast but noted the Audit Committee's positive note on it overall. Members were concerned about the continued cost and maintenance of the Barrage and the Bay, and particularly about the uncertainty attached to the potential future commitments and liabilities which might accrue to the Assembly in a number of worst case scenarios. They noted that the report highlighted a number of issues which the Assembly should take heed of in future projects.
5. The Chair said she would circulate a proposed draft letter to send to the Economic Development Minister for members to agree. **[Action: Chair/Clerk]**

## **Item 7 – Minutes of the Meeting held on 14 February 01**

1. Members agreed that the minutes were a true record of the meeting subject to the deletion of 'does not necessarily mean a loss of jobs' from paragraph 2.8

### **Action Arising.**

7.2 The Minister said that a statement was being made to Plenary the following day on the cost of securing the FA Cup Final for the Millennium Stadium.

### **Committee Secretariat**