

**MINUTES**

**Date** 17<sup>th</sup> October 01  
**Time** 2.30-5.30pm  
**Venue** Committee Room 1, National Assembly for Wales Building.

**Attendance**

**Members**

**Constituency**

Alun Cairns	South Wales West
Christine Chapman	Cynon Valley
Glyn Davies	Mid and West Wales
Ron Davies	Caerphilly
Christine Gwyther (Chair)	Carmarthen West and South Pembrokeshire
Brian Hancock	Islwyn
Alison Halford	Delyn
Rhodri Morgan (as ED Minister)	Cardiff West
Dafydd Wigley	Caernarfon
Phil Williams	South Wales East

**Officials**

Derek Jones	Director, Economic Affairs, Transport, Planning & Environment.
David Pritchard	Director, Economic Development Department
Emyr Roberts	EPD
John Clarke	Chief Executive WEFO
Phil Gray	WEFO
Caroline Turner	WEFO
Gareth Edwards	EPD5
Ron Loveland	ISG
Simon Moss	OCG

**In Attendance**

John Griffiths AM	Chair PMC Objective 2
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## Secretariat

John Grimes  
Sian Wilkins

Clerk  
Deputy Clerk

**Apologies:** No apologies were received.

### Item 1: Chair's opening remarks.

1. The Chair welcomed members to the first meeting of the new term and confirmed that a motion had been tabled for plenary next week to elect a Liberal Democrat Member to the committee. Some Members were concerned that the absence of a Liberal Democrat Member left the meeting without party balance and questioned the validity of the meeting. The Chair and Clerk confirmed that they had checked the position and that the meeting was properly constituted.
2. Declarations of Interest were made by Christine Gwyther, whose partner runs a consultancy business; Brian Hancock, who is the Director of a small firm specialising in Health and Safety and Dafydd Wigley who is a non-executive director of a small company in Gwynedd, involved in the medical diagnostic sector.

### Item 2: Minister's report

1. Concern was expressed at the lateness of the Minister's report and which, it was claimed, demonstrated the fact that carrying out the role of First Minister and Economic Development Minister was proving to be too onerous for him. The Minister offered his apologies for the lateness of the report and said that his carrying out the two roles was not the reason for the delay.
2. The Minister introduced his report with a brief verbal update a copy of which is attached to his written report.
3. Some Members again raised the issue of the First Minister carrying the Economic Development portfolio and recalled that in July he had indicated that at some stage the position would change. Reference was made to his absence from the Committee's recent visit to North Wales as part of the review of energy policy. It was suggested that the Committee might wish to take a view on this matter and the Chair was asked to take a vote. The Chair declined to take the matter to a vote and quoted Standing Order 8.17 and the Presiding Officer's Guidance on this.
4. The Minister confirmed that whilst the manufacturing industry was in decline, the current growth in the service industries was compensating for jobs lost in this area. He expressed regret at the closure of Corning Optical Fibre on Deeside but said that it was his understanding that the main reason for the closure was a massive fall in the market for there was optic fibres.
5. In answer to a member's question the Minister and officials confirmed that the

- contract for ADAS Digital Mapping had gone to India. This was regrettable but EU tendering rules had to be applied and the contract had to be given to the best bid.
6. Concern was expressed over the loss of jobs in the aerospace industry. The Minister highlighted some of the reasons for this and said that he thought that Wales was well placed to regain these highly skilled jobs once the industry improved.
  7. In response to a request for more information on the jobs quoted by the Minister on his return from California he said that it would be at least 6 months before evidence of those jobs emerged.
  8. The Minister agreed to provide further details of the source of funding for both the Corus and Rural Recovery plans at the next meeting. Specifically a member asked for a report detailing where the £66m and £65m had come from, how much was Assembly money and how much had been provided externally. He also asked over how many years the financial programme would extend. The Minister added that end year flexibility was important to allow the Assembly to respond to crises. **[Action: E.D.Minister]**
  9. On the Harbour Authority, a member requested more detailed information. In particular concern was expressed at the lack of information regarding the variations in cost and the maintenance costs for water quality. The Minister agreed to provide a note to all Members. Concern was also expressed concerning the continued delay in the production of the Harbour Authority Business Plan. **[Action: E.D. Minister]**
  10. In response to concerns over funding for the WTB the Minister reminded members that the WTB had received large increases in funding over the last two years. In the light of some areas of Wales still remaining closed due to foot and mouth it was felt that the time was not right to mount a large marketing campaign. Once the time was right the Assembly would be providing assistance to the WTB. He also said that it was too soon to start marketing Wales as a golfing destination and work would start on this next year to take advantage of the successful bid for the Ryder Cup.

### **Item 3:Structural Funds**

1. Chris Chapman gave an oral report on the Objective One PMC meeting on 17 September outlining the progress made on a range of issues and good progress in terms of commitments. She said the PMC had again considered EDC's request to have PMC papers at the same time as PMC members, but had confirmed its original view that this was not appropriate.
2. John Griffiths gave an oral report on the Objective 2 PMC meeting on 24 September. He outlined the work that had been done in order to progress the programme, which was starting slightly slower than other programmes. He spoke in particular about the draw down of cash and said that he believed they were on course to meet the target. Nonetheless, it was important not to be complacent

and they would continue to monitor progress on projects and the draw down of cash closely in order to ensure that it did not go adrift.

3. A copy of both these reports is attached to Paper EDC-12-01 (P2). In the discussion it was agreed that payments under Objective 1 (Table 5 of the report) had been slow to start but officials said all the forecasts indicated that the December 2002 drawdown target would be met. Members emphasised the importance of decisions on project applications being made quickly – even when it was to be a rejection.
4. There was concern about delays in establishing partnerships on energy, integrated public transport and IT infrastructure. It was considered that not only was the delay itself deeply regrettable, there was a risk that the EC would conclude that Wales did not consider these a priority. WEFO confirmed that the Infrastructure Regional Partnership was now in place. Officials said that £1.8m had been added to the WDA budget in order to assist them in managing the partnerships.
5. Questions were asked about the cost of administering the structural fund programmes. Officials commented that it was not easy to provide a figure because the programme involved expenditure by not just WEFO but also 10 regional partnerships and 15 local partnerships and their support. However, Members were concerned that the wide-ranging nature of the processes increased the danger of the costs spiralling out of proportion. Officials said they were concerned that undertaking a full costing exercise might divert WEFO staff from the task of operating the schemes and the ED Minister agreed to provide the Committee information that was readily available on running costs. The Committee could then consider whether this was sufficient to answer their concerns or whether further analysis was required. **[Action: ED Minister]**
6. There was a brief discussion of progress on Operating Aids. The Minister asked members to bear in mind the difference between operating aids and fiscal variation and agreed to provide a note on their dealings to date with the EC and the Treasury. **[Action: E.D. Minister]**operating
7. Members broadly endorsed the format of the ‘quarterly’ report prepared by WEFO. They asked if information might also be provided on the sums available for match funding, by individual Assembly budget heading, and the draw down of these funds against targets, again by budget heading. It was noted that this was not information that should come from WEFO and the ED Minister agreed to provide the figures. **[Action: ED Minister]**
8. Reference was made to discussions earlier in the year and concerns expressed at that time that budgetary provision would prove insufficient to meet all the commitments in the year. The ED Minister agreed that this was a valid concern but said that at this stage of a year it was difficult to forecast outturn for the full year. More reliable forecast would be available in December.

#### Item 4: NEDS – Consultation responses

1. Before the Minister introduced the paper the Chair commented that whilst the consultation responses were available on the website, she would have liked to see a matrix summarising the responses. She had also identified that some respondents would have liked to have copies of the presentations made at the roadshows to take back to their members.
2. The Minister said that the consultation process had drawn out a wide variety of views especially from special interest groups. He had tested the draft strategy on a working group involving the WDA, CBI, TUC and WLGA. He said that one of the most challenging issues was the fact that it needed to deal with Economic Development as identified by the remit of the Economic Development Committee as well as addressing in a broader way issues such as Education, Transport etc.
3. The Minister confirmed that following consultation the draft report was now very different from the report the Committee had seen initially and that the concerns raised by EDC members had been taken into account.
4. Concern was expressed that expressed that the report had not previously offered detailed plans for implementation. Some respondents to the consultation had said that the consultation paper was aspirational and it was important that the resources were there to back it up. The point was made that whilst EDC had called, in their response on the budget, for extra funds for Education, there did not seem to have been an increase, in real terms, particularly in the field of Higher Education.
5. The Minister said that it was not the purpose of the strategy to detail the funding, though the issue of resources would feature prominently in the revised strategy. It was not possible for a 10-year strategy to commit detailed resources across the full period as the Assembly did not have a 10-year budget.
6. On the subject of regional targets, the Minister said that he was not sure that it was sensible to break the targets down to this level. It was necessary to have hard targets and to recognise boundaries and the movement of the population.

## **Item 5: Energy Review**

1. The paper was introduced by Ron Loveland who began by referring to the recent renewables workshop and the general consensus that a target of 1000mw of energy from renewable sources by 2010 was realistic. He referred to the Committee's recent visit to power stations and the general comments made towards the current planning process. He added that the signals that came from EDC would be important to providers of finance, particularly of new renewable projects. In this respect he highlighted the need for EDC to link with EPT on planning issues.
2. He added that it was becoming increasingly difficult to gain approval for any new project and cited as an example the recent rejection of the plan to build a gas fired power station at Ebbw Vale. Any new project needed both general and local

public consent and inevitably dissent will be focussed through the Assembly. Thus whether supporting or assuaging the dissent, the Assembly needed to exercise leadership. Ron Loveland concluded by suggesting that the vision produced by this exercise, assuming it was adopted by the Assembly as a whole, could very much influence the achievement of NEDS targets.

3. In general discussion concern was expressed that authorities did not hold back on providing consent for new projects waiting for the outcome of the review. It was suggested that the Committee publish interim reports. In agreement with this suggestion another member said that in this respect Scotland were giving clearer signals to the industry and so would attract new investment.
4. Concern was expressed that the problem was not necessarily the environmental arguments but simply delay in making decisions. It was important to take all objections seriously but not to ignore them in the hope that the project would go away from lack of response. An example of a wind farm project was quoted and the Minister agreed that if the member provided him with the details he would investigate the matter.
5. Reference was made to evidence gathered on the Committee's visits to power stations as to the uncertainty companies face in the choice of fuel supply. The Minister agreed that the rise in gas prices coupled with declining electricity prices, in particular, had meant that it was currently unprofitable to produce electricity from gas unless companies had longstanding contracts for gas supply. This was mainly due to the opening of the inter-connector between the UK and Europe which had led to an increase in gas prices of between 30%-40%.
6. In conclusion the Chair said that the Committee's views at this stage would be taken to the Reference Group and that she felt it would be important to produce interim reports. The Committee also agreed that the 2010 timescale referred to in the terms of reference was not long enough and agreed that a 2020 or perhaps even a 2030 timescale was more realistic.

#### **Item 6: Minutes of previous meeting.**

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

#### **Committee Secretariat**