

Date: 28 November 2001

Venue: Committee Room 1, National Assembly for Wales

Title: A Winning Wales – Update Paper

Introduction

1. This paper gives the Committee a summary of the responses and proposals received so far to the current consultation exercise on A Winning Wales.

Background

2. The consultation period for A Winning Wales commenced on 24 October. To date we have had a limited number of formal responses. We expect more before the closing date of 28 November.
3. The responses we have had to date have been useful and constructive. In addition to the formal responses we have also included the views of the Business Partnership Council from their meeting on 23 November and the Task & Finish Group which is advising on A Winning Wales (21 November). These views are summarised on the attached paper. The full responses can be found on the internet site at <http://www.wales.gov.uk/themesbudgetandstrategic/content/neds/responsesindex2-e.htm>
4. The issues raised during the consultation period will be considered as part of the final version of A Winning Wales.

Discussion

5. The Committee is invited to note the responses and proposals we have had to the consultation paper.

Rhodri Morgan

Annex 1

A Winning Wales – Summary of Responses and Proposals

Task & Finish Group

- Need high value added jobs as well as lower value-added types of employment as well. This follows what happened in Ireland where the initial employment growth came in low skill jobs.
- The responses of the CBI and WTB (summarised below) were discussed.
- Targets need to be meaningful, relevant and set in order to change behaviour. Some of the targets need to be reviewed and linked to key growth drivers. There was little or no support for sub-regional targets - local flexibility within a national framework was the preferred option.
- Research is all-important but there was a lack of capacity in Welsh academic institutions. Crucially, this needed to be developed so that research commissioned by the Assembly into the Welsh economy could be carried out by Welsh academic institutions.
- There was a need to recognise that ability of the public sector to produce demand but this must be seen against European Union competitiveness rules.
- It was thought that innovation was not sufficiently recognised. Whilst it features it could do so more prominently.
- The perceived lack of an 'entrepreneurial culture' in Wales could just as easily be due to a lack of opportunity in the Welsh economy rather than some flaw in Welsh attitudes.
- It was suggested that parts of the document could be recast under the four OECD drivers for growth - innovation, entrepreneurship, human capital and use of ICT.

CBI Cymru/Wales

- Provides a good analysis of current programmes and initiatives.
- Does not adequately address areas which underpin a successful, growing economy – transport, education, R&D and planning policy. These will achieve the best long-term results – not property and business support measures (though many of these are good).
- The vision is clearly stated and the CBI supports it. But the objectives are not clearly linked to the vision in the first two sections of the paper
- Some useful proposals for 'Encouraging Innovation' – particularly R&D tax credits. But concerns about the basis on which incubators will be established. Cluster development

is about people and ideas not buildings.

- Lack of demand within the Welsh market is a key inhibitor to growth. Must provide better access to potential customers, both consumer and business to business, expanding local market opportunities as well as national and international one. Transport crucial to expanding markets.
- Developing our ability to take advantage of increasing market opportunities in environmental goods and services is an interesting idea. But we must be clear about the advantages we have to offer. The document should spell out its rationale here and point out what expertise we have to drive the idea forward.
- The 'Supporting Rural Communities' needs to be strengthened to address fundamental issues for long-term rural diversification such as availability of employment sites and access.
- We should focus on a few specific targets. GDP and household incomes are favoured. Targets should be challenging but must be based on reasoned analysis of what is possible. Investment in education and key infrastructures will take some time to 'pay off': in the meantime, we must not lose sight of the crucial contribution made by 'lower value-added' activity.
- Advise against targets for new start ups. If business advisors are under pressure to meet start up targets, there is a danger that unsustainable businesses will be encouraged. Sometimes, it is important to advise against start up if survival prospects are poor.
- Political tone is important. The Assembly must establish itself as a pro-business body beyond any doubt.

Economic Development Officer Wrexham County Borough Council

- Entrepreneurship and new business formation is mentioned at several points but it's so important, it should be one of the clear objectives.
- Wales needs far more new businesses but, while this is acknowledged to some extent, the focus is really on the provision of infrastructure whereas a cultural shift is necessary.
- If Wales is to succeed, there has to be a cultural shift 'upstream' in the process i.e. in the schools and amongst those who influence young people, teachers and parents. Probably a greater role for ELWa than the WDA here.

Private Individual

- The National Assembly has limited powers. Its essential role is to manage economically the expenditure for which it is responsible.
- Targets pursued must create profits. Goal: to increase profits in the rural and industrial sectors by 7.5% per annum compound for each of the next ten years. In some areas target-setting is hampered by lack of data or relevant measures. These difficulties should be addressed as part of a research programme. The Strategy should seek to collate information from existing businesses, to learn about any restrictions that impede their ability to grow by at least 7.5% pa. Seek how the causes can be removed.
- The Strategy should seek to reduce all public costs in Wales by 7.5% pa. Schemes like LANDMAP that are not expected to make a profit should be scrapped.
- It would be beneficial to know why companies are not locating to Wales. Businesses will come when the Assembly and ASPB's allow local authorities and businesses to get on with their work. It may be necessary to curtail or abolish certain quangos.

Private Individual

- Better than the consultation paper but lacks a full and reasoned analysis of the current and future economic climate, the response of competitor regions and countries and the likely impact on Wales.
- The levels of prosperity we are looking for need new prosperous businesses and the managers to run them. The implication is that given the skills jobs will appear.
- Existing schemes need to be rationalised.
- Stop pussy footing around with Cardiff Airport - tell them that if they don't encourage lower cost airlines you will not help them in any way.
- Targets must be backed by reasoned logic and credible action plans if they are to be tenable.
- Need to have a contingency plan - if the world doesn't work out as we think/hope.

Council of Mortgage Lenders

- Limited attention given to housing and financial services. No mention is made of *Better*

Homes for People in Wales – the Assembly's National Housing Strategy.

- The contribution of housing to the economy both directly and indirectly is understated in most economic analyses and NEDS appears to follow that trend. NEDS fails to recognise how the weakness in housing and indeed the broader built environment in Wales are inhibiting the development of the Welsh economy and vice versa.
- In spite of the reference to increasing employment from financial and business services in the preface to NEDS, financial services receive little mention in the document.

Wales Tourist Board

- Tourism features more strongly in the final draft strategy.
- Pity that one of the objectives of the original draft ("Marketing Wales as a world-class location for businesses and as a destination for tourism, and to develop new markets for our products") does not feature as strongly (now part of internationalisation).
- Closing the GDP gap, increasing average earnings and spreading prosperity will not be delivered via the manufacturing and business service sectors alone. Tourism should no longer be regarded as a sector of the economy whose growth is largely dependent on the goods producing sectors. Increasingly, the economic links run in both directions.
- The role of tourism in sustaining a prosperous rural economy has been under played.
- With the emphasis in the document on skills development, could the Assembly not consider incentivising employers to undertake basic skills training through a training tax credit system.
- Support: the need to develop the full strategic potential of Cardiff International Airport and that the Assembly will seek to review national planning policy to underpin the promotion of sustainable economic development.
- The report should specifically mention the WTBs Destination Management System – an exemplar of public sector intervention to ensure that tourism businesses have the opportunity to promote themselves to a global market.
- The strategy should acknowledge the importance of long-term public sector infrastructure investment to provide a stable platform for economic growth.

- A better document than earlier drafts, with a welcome recognition of sustainable development principles in the introductory sections. But orthodox economic thinking in the main body of the Strategy, will fail to deliver genuine sustainability.
- The continued use of GDP as the main indicator (despite the acknowledgement of its deficiencies) is the single biggest obstacle to progress. Far better would another imperfect indicator (ISEW) which then shows Assembly policies to be succeeding.
- Rural development is primary, and agriculture should follow. The rural economy must diversify if it is to survive.
- Setting a Fresh Direction - The word "clean" to describe sources of energy is unacceptable, since it is a subjective term and is clearly included so as to encompass nuclear power. Replace "clean" with "renewable." Also increase the target to 30%, as 10% is the rather unambitious UK target.
- If GDP is retained as a target, its weaknesses can be addressed by always publishing as one of three headline indicators; the others being social (such as IMD) and environmental (footprint is the obvious one). Economic progress will then be evident when all three indicators move in a positive direction.

Business Partnership Council

- Insufficient attention is paid to housing and financial services (see comments of CML above). The possible benefits of the Community Mutual model of housing stock transfer could unlock investment in the most deprived areas; community development financial initiative could also generate significant investment opportunities.
- Make it more evidently a 10 year strategy with milestones to measure achievement.
- Need to take account of changes to the external environment. e.g. changes to Structural Funds arrangements.
- Policies need to be joined up, and effectively monitored and evaluated.
- There is a need for better and more consistent branding of Wales.
- Need to draw out the role of market towns in promoting the image of rural areas.
- Need to draw up a co-ordinated strategy for international events.

- The realism of some of the targets was questioned; there is a need to focus on a few important targets.
- There was some discussion of regional targets. The sophistication of regional targets needs to be investigated and any local targets should be owned locally.
- The analysis of issues needs to be followed through more convincingly in terms of proposals, resources and targets.
- The importance of knowledge-based industries as the driver of economic growth was stressed but low activity must also be addressed. One role of the public sector is to help people move from inactivity to activity - a key role of ELWa.
- There was some concern over the funding of the higher education sector in Wales.

Economic Policy Division
November 2001

-----7d1c23981fe0284 Content-Disposition: form-data; name="add_id_1"