

MINUTES

Date 28th November 01
Time 2.00 – 5.30pm
Venue Committee Room 1, National Assembly for Wales, Cardiff Bay

Attendance

Members

Constituency

Alun Cairns	South Wales West
Chris Chapman	Cynon Valley
Ron Davies	Caerphilly
Mike German	South Wales East
Christine Gwyther (Chair)	Carmarthen West and South Pembrokeshire
Alison Halford	Delyn
Brian Hancock	Islwyn
Rhodri Morgan (Economic Development Minister)	Cardiff West
Dafydd Wigley	Caernarfon
Phil Williams	South Wales East

Officials

Derek Jones	Senior Director, Economic Affairs, Transport, Planning & Environment
David Pritchard	Director, Economic Development
Emyr Roberts	EPD
David Powell	EPD2
Keith Parsons	EPD2
Rachael Clancy	OCG

In Attendance

David Rosser	Director, CBI Wales
Rudi Plaut	Chair, CBI Economic Trends Panel

Secretariat

John Grimes
Sian Wilkins

Clerk
Deputy Clerk

Apologies

Apologies were received from David Davies.

Item 1: Chair's opening remarks.

1. Declarations of interest were made by Christine Gwyther whose partner has a consultancy business and Dafydd Wigley who is the director of a small company.

Item 2.: Minister's Report

1. The Minister introduced his report with a brief oral update, a copy of which is attached to his written report. In the update he made reference to the Task and Finish Group he was setting up to look at the proposed Community Investment Tax Credit. He agreed to circulate the Terms of Reference and list of members to Committee members. **[Action: E.D. Minister]**
2. Members welcomed the announcement in the Chancellor's pre-budget report regarding stamp duty and in particular the principle it set in terms of treating wards separately for taxation. Several Members questioned whether the principle could be applied to business rates. The Minister said that the principles were not quite the same, as stamp duty was applicable to fixed assets. Also, other forms of taxation relief were more difficult to apply geographically, though it was a useful precedent in terms of fiscal variations. He confirmed that the R&D tax credit for SME's would be extended to large companies. The Minister confirmed that the Enterprise Management Incentives mentioned in the Chancellor's report only applied to England..although there would be 'consequentials' arising from it.
3. Members expressed concern regarding the progress made on fiscal variations and the lack of detail in the Minister's report regarding the actions that had been taken by the Welsh Assembly Government. The Chair confirmed that she would agenda a further discussion after Christmas. Members asked that PriceWaterhouse Coopers be invited to attend at the same time. **[Action: Clerk]**
4. The Minister explained that fiscal variations involved complicated three way negotiations with both the Treasury and the European Commission. For this reason it was often difficult to explain where a particular initiative had failed and often there was more than one reason for an initiative not being carried forward.

Officials added that 9 of the 19 initiatives outlined in the action plan had been agreed or were about to be implemented. On a further 7 initiatives, discussions with the Treasury were ongoing and details of the Rate Relief Scheme for small businesses were being considered by the Minister for Finance and Local Government.

5. Members referred to the Chancellor's announcement regarding additional funding for Health and the 'consequentials' that would follow for Wales which once again raised concerns over the Barnett Formula. Because of the higher spending per head on health in Wales it was suggested that this would mean that the Assembly would have to find an additional £7.5m to ensure that the Health Service in Wales received comparative increases of additional money, and the losers in this seemed likely to be Education and Economic Development. Several Members called for a discussion on the changing patterns in public expenditure and a revision of the Barnett formula.
6. Members welcomed the Steel Communities Action Plan which had been issued by the Minister. The associated South East Wales Regeneration Framework had the potential to provide a broad template for tackling similar problems in other parts of Wales. It was suggested that the Committee might discuss this further in the future. Officials said that the full regeneration plan would be available in December.
7. A Member questioned whether the Motorola contract would lead to more jobs at IQE but the Minister said that it was too early to tell given the problems that had affected the high-tech sector this year. He referred to the comments from Members concerning the job losses and gains contained in his reports to Committee and urged that these were not used to calculate 'net' gains/losses over time. He said that there was always a large 'churn' in the jobs market and the details in his reports only captured information on a proportion of these.
8. The Minister confirmed that the £9m available under the Business Start-Up Strategy would be used to foster high-growth businesses and was to be made available to the WDA.
9. The Minister said that he did not feel that the Climate Change Levy had had a major impact on jobs. He said it was more realistic to suppose that job losses announced over the past 6 weeks had more to do with the consequences of September 11th.
10. Members made reference to the Quarterly Economic Report from the Minister and the comment that the UK was expected to fare better in terms of GDP growth than the Euro-area. They noted however, that the forecast for Wales was to perform only as well as the UK average. Noting the conflicting views contained in recent surveys relating to Wales, officials confirmed that in production of the report they had taken a view based on the forecasts from a wide range of surveys. A Member asked that they considered including the Bangor University survey. Officials said that they would investigate the possibility but that it may be too narrow to be of significant use.

11. It was noted that at a recent EDC meeting WalesTrade International had been very positive about the export situation in Wales but this seemed to be contradicted in the Quarterly Economic Report. Officials said that they felt the WTI comments reflected the position before September 11th.
12. At the end of the meeting the Minister said that the EU had now approved the Interreg IIIa programme which would have a total fund of €47.6m. This was intended to concentrate on people and skills development and Members commented that it was important to encourage good schemes.

Item 3: CBI

1. David Rosser introduced the CBI's paper highlighting the major priorities they saw for businesses in Wales to be successful. He said that the world's major markets had been slowing down for some time before September 11th, including the European export market. It was the CBI's view that the UK economy was performing well and it appeared likely that it would avoid recession. He said that the confidence of manufacturing companies in Wales was poor. A lot of business had been lost through the disadvantageous exchange rate, although improvements had been made to productivity over the same period which had gone some way to offset this.
2. He said that transport and economic development went hand in hand and identified road links that were of key strategic importance. These included the A40, the M4 at Newport and the link to Cardiff Airport. He added that if these issues were not addressed there would inevitably be a drift of business along the M4 corridor into England. He stressed the importance of clear planning guidelines and identified the length of time taken over decisions as a major constraint to economic development.
3. In discussion members questioned the CBI's view that transport was a fundamental lever to a successful economy. It was noted that there were conflicting opinions that building dual carriageways sucked economic development from an area. Some members felt that the CBI did not give enough emphasis to the use of IT and said that proper use of IT could reduce some of the need to travel.
4. The CBI said that as Wales was on the periphery of Europe, good transport links were essential to getting goods out quickly and cheaply. They cited the M4 at Newport as an example indicating the increased costs in terms of wages. They also said that whilst time was an important factor when talking about roads this equally applied to air transport and if people could not get to or from the Airport quickly they would simply use another. They agreed that the private sector had a part to play in the funding of roads.
5. Members questioned the CBI's view regarding "artificial clusters". The CBI said that whilst they disagreed with the concept of "creating artificial clusters" they supported appropriate cluster development but said that clustering should be

about relationships rather than buildings.

6. The CBI said that companies were decreasing their margins to remain competitive and that the National Assembly needed to ensure that the infrastructure was in place to support both existing Welsh business and attract new business.
7. On the subject of planning, they reiterated that the planning decision process was too lengthy and said that the CBI had produced a 10-point plan concerning planning issues which they would circulate to Members. **[Action: Clerk]** They confirmed that research they had carried out supported the view that high-tech companies were reluctant to locate on brownfield sites, preferring new locations.
8. On the issue of support through Business Rates the CBI voiced concerns regarding the Welsh Assembly Government introducing a different scheme to England, Scotland or Ireland. They said that they would welcome the opportunity to look at the detail of any scheme with the Government.
9. Concluding the discussion, the Minister said that he agreed with the vast majority of the points made. Also he was encouraged by what the CBI had said about clusters which was more positive than the detail contained in their paper. He felt however that their view of the use of brownfield sites by high-tech companies was pessimistic. He added that roads were seen as a priority for the Government but was not convinced that high quality road access was the only critical factor in the case of airports. He noted that Bristol Airport was growing at a faster rate than Cardiff but both locations had poor access.

Item 4: A Winning Wales – Consultation Responses

1. The Minister confirmed that up to 'close of play' the previous day he had received 19 responses to the final consultation. Further responses had been received since the paper was prepared for the Committee and he agreed to let members have a written report with the full responses.
2. Members had received copies of some of the responses direct and were therefore able to comment on more than was contained in the paper.
3. They highlighted the comments made by several environmental groups and individuals that there appeared to be some ambiguity between the definition of sustainable development and sustainable economic development. Members questioned whether a full sustainability appraisal had been applied to the draft document. Officials confirmed that the "Forum for the Future" team had been asked to consider how the document measured up from a sustainable development perspective. Every effort would be made to incorporate as many of their recommendations as possible. However, the technique had not quite been perfected and they said that it might take a few months for the document to be fully appraised, but that it was the intention to do so.
4. Members said that several respondents had felt that the clean energy target of 10% was not ambitious enough and a member suggested that Wales should be aiming for one nearer to 30%. The Minister said that the obligation for electricity

companies to buy 10% of their supply from renewable sources would guarantee a particular market. However, there was no guarantee, that it would be possible to sell at a level above this and the cost would be a factor. A member said that if a very large company undertook to buy all of its renewables capacity from Wales then this might exceed the 10% target anyway.

5. There was support from the Committee to include housing as an economic lever and members suggested that more work should be carried out in this area. The Minister agreed that this was an area that should have been given more consideration.
6. Whilst the report contained reference to the negative effects of EU enlargement, such as the loss of low paid jobs, it was felt that the positive aspects of enlargement had not been explored. The Minister agreed that this could have featured more in the report.
7. With reference to regional targets it was suggested that the Minister considered looking at "regional needs assessments" which might be considered less restrictive than targets. A member said that on recent visits to regional partnerships there was a lot of support for regional targets.
8. There was still some concern amongst some members that the strategy lacked economic analysis, policy proposals and planned outcomes and targets.
9. The Minister concluded by thanking members for their valuable contributions throughout the NEDS process. Officials said that in respect of targets the next draft would focus on the areas that they were happy with, with a commitment to develop the others as a priority. They confirmed that all Assembly Members would see the final draft prior to plenary on 13th December, in accordance with Assembly procedures.

Item 5 – Cardiff Bay

1. The Minister opened the discussion by referring to the latest estimates of the Harbour Authority's outturn expenditure for 2000-01. He said that he thought the overall gap of 2% between outturn and budget was reasonable. He added that it was important for EDC not to get into a debate which should more properly be held in the Audit Committee.
2. Members expressed concern about the long delay in receiving the Harbour Authority's Business Plan. Reference was made to the Committee's discussion with the Lord Mayor in March 2000 at which this had been promised. Since then the Committee had received just a single sheet of A4 from him. Reference was made to the version of the Plan which had been approved by the Harbour Authority in April 2001, subsequently printed and issued, but immediately withdrawn due to printing/production problems. A revised version had been promised two months previously. Members wondered how the Minister could justify making payments to the Authority without the Plan. Responding, the Minister said that while he very much regretted the long delay in receiving the final

Business Plan, the Welsh Assembly Government had received the information on the Authority's plans and budgets to fulfil the terms of the Section 165 agreement with them.

3. In the discussion, members expressed concern about the costs associated with a Christmas tree 'water feature' in the oval basin and whether this was to be met by the Assembly. Reference was made to the handling of VAT and about the £3m saving over 3 years promised by the Auditor General. The point was made that expenditure in the Cardiff Bay area was, inevitably, at the expense of expenditure in other authorities in Wales.
4. On VAT, officials said that they had been taking legal and financial advice. The issue had not yet been fully resolved but the hope was that overall expenditure would nonetheless remain within existing ceilings. On the savings, officials said that these would be identified within the accounts for the Cardiff Bay Development Corporation, which when finalised would be presented to the Committee.
5. The Minister said that the Authority's budget was set for a 5-year period and the Assembly would agree a change only where it was clear that this was the result of savings, additional costs or slippage. He emphasised that at every stage officials checked that all elements of a claim fell within the agreement and would not make payments unless they were satisfied of this. Nonetheless, he reiterated his commitment to receiving the Business Plan.
6. Concern was also expressed about the cost of maintaining the quality of the water within the Bay, for which the estimates had risen from £6m to £12m. The Minister said he would provide a note explaining why this had happened and pointed out that the increase had occurred prior to the winding up of the Cardiff Bay Development Corporation. **[Action: ED Minister]**.
7. Concern was also expressed about the ongoing responsibility which fell to the National Assembly to underwrite the costs in the event of flooding and any costs of complying with new, perhaps European, legislation. Officials noted that the latter was speculative, but pointed out that any such responsibilities would have fallen to the Assembly even if responsibility had not been passed to Cardiff County Council.
8. Summing up the discussion, the Chair noted that the Committee eagerly awaited the Harbour Authority's Business Plan and the Audit Report, which should throw light on a great many of their concerns. She also said that she had arranged for Grosvenor Waterside to present a paper to the Committee's 12 December meeting which would allow a broader debate on the development of Cardiff Bay.

Item 6 – Letter to Culture Committee

1. The Chair opened the discussion by referring to the draft prepared following the Committee's previous discussion on 16 November.
2. Members agreed that it needed to present more strongly the role that the language could play in presenting a positive image of Wales to the outside world.

They also asked for reference to be made to the negative effects on Welsh-speaking communities of job shortages which lead to outward migration.

3. Members considered that references to costs for business associated with the language should be excluded because there were no statutory obligations falling to businesses, other than for certain services which previously were in the public sector. Consequently, any costs associated with the language arise solely on the basis of commercial considerations. However, some members expressed concern that there were nonetheless perceptions of additional costs and fears that they might flow from future legislation. It was agreed to make reference in the letter to the need for careful consultation should there be any prospect of such requirements being imposed.
4. Members noted that problems arising from non-Welsh speakers moving into Wales stemmed largely from Welsh-speakers moving out because of a lack of jobs and career opportunities suitable for their level of education and skills. It was agreed that the Committee's letter should stress the importance of the creation, or relocation, of more high-quality public sector jobs in rural areas as a means of preserving Welsh-speaking communities. Members noted that the need extended to all skill levels and that the Welsh Assembly Government was already considering ways to devolve employment around Wales. They also noted that the development of ICT provided opportunities for people within Welsh-speaking communities to remain and work in those areas.
5. Members agreed the sectoral themes within the letter should be re-ordered with cultural issues coming first, followed by tourism and then translation services.
6. The Chair said that she and the Clerk would prepare a revised draft of the letter reflecting members' views for circulation and agreement, if possible, out of committee. **[Action: Clerk/Chair]**

Item 7: Minutes of Previous Meetings

1. On the minutes of 14th November a member requested that the minutes be amended to include the list of topics agreed for consideration under the energy review.
2. The minutes of 16th November were agreed as a true record.

Committee Secretariat