

MINUTES

Date 12th December 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
Elin Jones	Ceredigion
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
Ron Loveland	ISG
David Hobbs	ICM3
Martin Williams	ISG

In Attendance

Roger Jones	Chair, Entrepreneurship Action Plan, Implementation Panel.
Iain Willox	WDA

Phil Williams
David Herbert
Adam Brown

Managing Director, Grosvenor Waterside
Grosvenor Waterside
AEA Technology

Secretariat

John Grimes
Sian Wilkins

Clerk
Deputy Clerk

Apologies

Apologies were received from David Davies and Brian Hancock. Elin Jones substituted for Brian Hancock.

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.
2. The Minister disagreed with the view that the latest labour force survey figures on unemployment indicated a widening of the gap between the more prosperous and the poorer parts of Wales. He did not believe that this was evident from the figures. On activity rates he agreed to provide a paper to the Committee showing the trends over the past year. **[Action: E.D. Minister]**
3. Concern was expressed by Members over the recent announcement of job losses by Consignia and the recent poor relationship that appeared to exist between Consignia management and staff in Wales. Members said that they were also concerned about the effect the Consignia announcement would have on rural postal services and the knock on effect for rural post offices and their suppliers. The Minister said that the rules relating to increased competition did not affect letter services, only parcel post, but that over time they could lead to "cream skimming" which in turn could affect rural services.
4. Some Members questioned whether the Minister had any prior knowledge of the announcement, given the rumours that had been circulating for some time. They said that officials needed to be more pro-active and develop some sort of "early warning system" which would allow discussion with companies at an early stage

where problems arose. Officials pointed out that it was good practice and normal procedure for the WDA and themselves to be aware of potential job losses and to discuss options with the companies concerned.

5. The Minister said that in respect of Consignia the losses had resulted after the new Chair had held a crisis board meeting and any "early warning system" would not have been able to foresee the outcome of this.
6. Some members were extremely concerned that in the final version of "A Winning Wales" the reference to EDC receiving regular reports on progress had been removed. The Minister gave an assurance that it was not his intention to cut EDC out of future monitoring of the strategy
7. Members questioned the Minister on the lack of a response from the Welsh Assembly Government on the EU Cohesion report. The Minister said he hoped to provide a response before Christmas and would endeavour to let EDC members see the response before it issued. **[Action: E.D. Minister]** Some Members said that this identified a need for the Welsh Assembly Government to have closer regular contact with the European Commission.
8. A Member questioned whether there would be consequentials arising from the £20m available for manufacturing that the UK government had announced at the Manufacturing Summit in Birmingham. The Minister confirmed that this was not new money and that small consequentials from it had already been received.
9. Reference was made to the recent study carried out by the Institute of Personnel Management and their call for companies to look at alternative ways of reducing labour costs in the short term. The Minister said he had not seen the report but questioned whether existing systems were flexible enough to cope with temporary drops in orders. He said that initiatives such as short-term working seemed to be more acceptable in countries such as Spain, France and Germany. He drew attention to good practice at Airbus.
10. There was concern from Members that some private sector companies did not appear to be aware of the products on offer from Finance Wales. It was felt that they should be working pro-actively with local authorities and other networks that provide assistance to business.
11. Members expressed concern, following the DTI decision to allow the wind farm at Cefn Croes, that the people of Wales appeared to have no say in decisions concerning wind farms over 50MW. They questioned the lack of a Public Inquiry in this case and said that it highlighted the need for more discussion between the DTI and the Welsh Assembly Government in cases like Cefn Croes. The Minister said that this had been the first wind farm in Wales to exceed 50MW which made it something of a test case. As the Assembly Government was not a statutory consultee it was not in a position to call for a Public Inquiry and any reference to this in the submission that was made would have effectively 'fettered the discretion' of the UK Minister. He said that discussions were underway concerning a potential transfer of functions order but that these were still in the preliminary stages. The Chair asked that clarification on the role of the Assembly in the

approval process be circulated to Members. **[Action: E.D. Minister]**

12. Members were not content with the information provided by the Minister regarding Match Funding. Officials explained that whilst the information was available concerning individual projects, aggregation of the information at the moment would be a major excersise. WEFO were currently installing a system that would allow this information to be provided once the system was fully implemented. The Minister said that it was important to remember that the main consideration was that adequate match funding was available, and in this regard he said that he was unaware of any shortage of match funding which would prevent projects going ahead.

Item 3: Entrepreneurship Action Plan

1. Roger Jones said that he was attending EDC in his capacity as Chair of the Entrepreneurship Action Plan Implementation Panel not as Chair-designate of the WDA.
2. Ian Willox introduced the paper by referring to the key need to change attitudes. He outlined the various actions they had taken to deliver the programme and referred to various targets which they had exceeded by a considerable margin. He concluded by saying he believed the foundations of the plan were in place.
3. In the discussion, members wondered whether the plan needed to be modified to reflect the publication of A Winning Wales. Reference was made to a recent report by Professor Dylan Jones-Evans which had concluded that any action to promote entrepreneurship would take at least a decade to have a full effect. It had emphasised that most SMEs had no desire to expand and that it was necessary to concentrate on businesses where there was potential. It had questioned the wisdom of supporting start-ups and questioned whether in fact key areas for growth were being missed.
4. Responding, Ian Willox stressed the difficulty of identifying growth companies and said that certain requirements such as access to capital, were always likely to be an issue. The Plan was flexible and was continually being reassessed. He commented also that there was a role for the public sector to help new businesses perhaps through their purchasing policies, particularly below the levels at which open tenders were required.
5. Members noted that while the targets for Key Actions 1-4 had been exceeded, these constituted only 24% of the budget. Performance against Key Actions 5 and 6, 76% of the budget, was substantially short. Ian Willox said that this reflected delays in the launch of the Objective 1 programme but also that it was important not to see new starts as the only measure of success. The programme's crucial role was to change attitudes. In addition, the targets within the programme were based on an assumption of closing the gap in GDP compared with the UK, and might take longer to achieve.
6. Roger Jones said that it was important to base evaluation on outcomes rather

than process and to start this early on. He said that they expected to complete the scoping study for an evaluation plan by January and that this would help to improve the monitoring of the Plan. Members commented that it was also important to try to achieve some measure of the qualitative outcomes, particularly changes in attitudes, but agreed this was difficult. The WDA were taking advice on the subject and they would report further to EDC in their next progress report.

7. In response to a question, it was confirmed that the evaluation would measure potential start-ups in terms of the number assisted, the types of assistance provided and the number of starts resulting. This information would be provided in future progress reports. It was also confirmed that the WDA supported the use of personal business advisors.
8. It was noted that the cultural change was required not just amongst people who might go into business but also in the business sector itself and amongst people who might wish to change the type of business they are in.

Item 4: Grosvenor Waterside

1. Phil Williams of Grosvenor Waterside introduced the discussion by outlining the activities of APB throughout South Wales. He pointed out that Grosvenor Waterside actively market Cardiff Bay and consequently the whole of Wales as a potential home for inward investment. Grosvenor Waterside were keen to encourage business in sectors such as ITC to the Bay as these traditionally provided well paid jobs. He identified the need for connectivity access to broadband to ensure opportunities were not missed.
2. He said that they were keen to see the completion of the new Assembly Building, the Wales Millenium Centre and the International Sports Village, which would make Cardiff Bay a truly international location.
3. David Herbert said that Members needed to recognise that whatever the desire to spread investment around Wales, some companies would only consider a location in Cardiff. Nonetheless, this should be seen positively in regard to raising the profile of Wales generally. Grosvenor Waterside were working closely with Cardiff City Council on a public/private sector initiative regarding bus services and they recognised that there were difficulties in getting workers in to Cardiff Bay.
4. In discussion some Members voiced concerns that funding made available for the Bay was to the detriment of the rest of Wales. Grosvenor Waterside re-iterated the view that investment in Cardiff raised the profile of Wales generally. They said that their investment in the Bay amounted to around £90m. They accepted that this was small in terms of the total package of expenditure on the bay but that there would not have been any commercial investment without public sector development. They said that it was important that public sector support was ongoing for the Bay to be successful.
5. Members questioned the development of the sports village. Grosvenor Waterside said that there was a development team in place and the site had been cleared. A

revised planning application was due to be submitted shortly which placed less emphasis on retail development than the previous application.

6. Grosvenor Waterside said that investment in infrastructure and in transport in particular was essential to the ongoing development of the Bay and they were committed to £1/2m transport investment.
7. Members said that the original vision was to re-unite the Bay with the City Centre and, whilst Lloyd George Avenue did that physically, any further development had not been carried forward after the winding up of the Development Corporation. The Minister said that Cardiff Bay presented a new challenge in terms of planning and public transport as it was neither a City Centre or campus location. A Member reminded the Committee that in the original CBDC plan space had been left for a light railway to the City Centre and this land was still available.
8. Members were concerned that the Assembly did not have sufficient funds within the transport budget to put more infrastructure into the Bay and asked whether Cardiff City Council should be doing more. Grosvenor Waterside said that there seemed scope for PFI projects but that they could not see any other solution to this problem. Members agreed that the Committee should write to the Transport Minister concerning the issue of transport to the Bay as it was considered a fundamental factor in its future success. **[Action: E.D. Clerk]**

Item 5 – Background to Renewables

1. Adam Brown introduced his paper, referring to the advances made in the renewables sector and how the emphasis had moved from developing technology to applications. He said that renewables offered an important way to reduce carbon dioxide emissions and, with the technologies now well proven, energy costs were coming closer to those from fossil fuels. He referred to the efforts being made to encourage the exploitation of renewable energy sources and to ramp-up to the target of 10% - and beyond. He noted that Wales was "rich" in renewables and that the current challenge was to balance the environmental benefits that they could offer with concerns about the physical impact they could have on a locality.
2. Members said how very much they welcomed and appreciated the paper which they felt had very clearly outlined the issues and provided a sound background for their review.
3. It was noted that grid connectivity was a key factor in exploiting the advantages of renewable sources and that these could be of significant benefit to rural areas. There was an Objective 1 measure to assist with grid connectivity. A critical environmental factor in energy generation was in the way waste products were dealt with and that these were not incinerated but dealt with through waste management.
4. The feeling was expressed that the 10% renewables target was an unambitious level to aim for - although achieving it by 2010 was likely to be challenging.

5. Dr. Brown said that it was relatively easy to undertake a straight financial analysis of the costs of generating electricity by different renewable means but it was difficult to take the cost-analysis much further. This was not a well developed science and ultimately any such analysis depended on a range of valued judgements.
6. He said that photovoltaics had potential in certain areas although in the UK, due to the climate, these were unlikely to be a cost effective investment. Nonetheless, costs were coming down and they could be cost effective particularly if delivering power at the point of use.
7. There was some discussion of vehicles which could switch between petrol and electrical operation and it was noted that the main benefit of the latter was in the reduction of emissions from the vehicle rather than any reduction in the amount of energy consumed.
8. There was also reference to futuristic plans in which individual households generated electricity consuming what they needed and supplying the balance to the grid. Potentially this seemed a possibility but there was little work being done on it at present.
9. One of the problems with renewable energy sources was that they tended to deliver energy 'in the wrong place' and very often in a dilute form. In theory, it might be possible to generate electricity in areas of the world where climatic conditions offered high levels of output but there would be practical limits on how far one might transport such energy.

Item 6: Minutes of Previous Meetings

1. The minutes of 28th November were agreed as a true record.
2. In response to a request from a Member, the Chair agreed to place on the agenda an item to discuss the -paper EDC 17-01(p3) Enterprise Support Grant Task and Finish Group – Report and Action. She said that it might have to wait until later in the spring term. **[Action: Clerk]**

Committee Secretariat