

MINUTES

Date 24 April 2002
Time 2.00 – 5.30pm
Venue Committee Room 1, National Assembly for Wales, Cardiff Bay

Attendance

Members

Alun Cairns
Chris Chapman
Andrew Davies (Minister for Economic Development)
David Davies
Ron Davies
Mike German
Christine Gwyther (Chair)
Alison Halford
Elin Jones
Dafydd Wigley
Phil Williams

Constituency

South Wales West
Cynon Valley
Swansea West

Monmouth
Caerphilly
South Wales East
Carmarthen West and South Pembrokeshire
Delyn
Ceredigion
Caernarfon
South Wales East

Officials

Derek Jones Director, Economic Affairs, Transport Planning and Environment
David Pritchard Director, Economic Development Department
Allan Moss EPD
Caroline Turner WEFO
Emyr Roberts EPD
Jackie Brown EEAD
Steve Marshall SD
Jake Chapman Expert Adviser on Energy Review
Mike Clancy ICM

Secretariat

Item 1: Chair's opening remarks.

1. In the absence of Christine Gwyther for the first part of the meeting it was agreed that Ron Davies temporarily chair the meeting.
2. He asked that the declarations of interest made at the last meeting were noted and asked that members only declared any new interests.

Item 2: Assembly Investment Grant

1. The Minister introduced the paper by saying that the Assembly Investment Grant (AIG), which had recently been launched, was specifically aimed at a gap in the market for assistance offering capital grants of between £5000 and £50000. It was designed to complement other support available via the WDA, ELWa and Local Authorities and was important as it provided help for companies across Wales and not just those in assisted areas. He said that it had received a very positive response and had generated a high level of enquiries.
2. Members questioned the timing of the launch and suggested that it had merely added an additional funding scheme in an already confused marketplace. They also suggested that it might have been prudent to consider all of the recommendations within the PWC report on fiscal variations and the work currently being undertaken by the WDA on rationalising business support before launching this new initiative.
3. Officials confirmed that they were trying to simplify the number of grant schemes available and the current work by the WDA in this area was expected to be completed shortly. They added that part of the overall strategy was to ensure that all agencies working in this field worked closely together. They were committed to discussing with Local Authorities proposals to develop schemes with common standards but pointed out that the AIG was a national scheme and felt it was important to fill the gap in funding to SMEs without delay.
4. Members asked what influence they could now have on the scheme as it had already been launched. The Chair concluded that the timing of the discussion and the launch were not satisfactory and said that it was not a situation the Committee would wish to see repeated. He also suggested that the Minister might have provided an update for this meeting to the paper that had originally been sent to Committee in December 2001.
5. Members questioned progress on several of the recommendations made in the PWC report and the Minister agreed to provide an additional paper on this to be included in the item on fiscal variations scheduled for 8 May. **[Action: ED Minister]**
6. Concern was expressed at the disparity in grant funding between local authorities

but officials said that local authorities had powers to run their own schemes and they hoped that they would now tailor their schemes to complement the AIG and address local needs. It was hoped that local authorities would re-direct their funding to below the £5000 starting level offered by the AIG.

7. A member highlighted the problems faced by individuals who had invested their own money in developing an idea and then found that they were ineligible for further assistance. The Minister said that this highlighted the importance of marketing schemes effectively but said that he would ask officials to consider the member's comments.
8. It was suggested that there should have been more small business representation on the task and finish group. The Minister said that Roger Jones had represented the Institute of Directors and that the Federation of Small Businesses had also welcomed the grant scheme.

Item 3: EU Cohesion

1. Introducing the paper, officials referred to the Seminar on Cohesion attended by EDC members in May 2001. They noted that, while relatively little 'political' progress had been made since then, technical discussions had continued. A technical workshop was shortly to be held in Brussels. The Welsh Assembly Government would be represented at this by an official and the Minister agreed that EDC members would be given feedback on the outcome.
2. Members noted the previous UK Administration's expressed views on the future financial scale of structural funds and the proposals from some other EU countries in response to the Second Report on Economic and Social Cohesion which in some cases would result in no assistance coming to Wales. Members asked whether the Welsh Assembly Government had its own position on the future of the structural funds. The Minister said that the First Minister had previously written to Commissioner Barnier, his letter having been copied to members, and had said that decisions about the future should be based on the most thorough analysis possible of the structural funds to date. The First Minister's letter had included the comment that Wales had concerns about any abrupt ending of structural funds support outside a framework which recognised the continuing needs of Wales.
3. Members asked about the figures in Annexes A and B of the paper and noted that the comparisons between regions varied depending on whether they were based on population by place of residence or place of work. They were concerned that this could lead to incorrect comparisons with other parts of Europe. Officials agreed that the different bases would yield different results but said that the Labour Force Survey information was on a consistent basis across the whole of Europe.
4. Members were concerned to identify the basis which presented the best picture for Wales and asked for a paper showing GDP per head for regions in the UK, and the rest of Europe, on the basis of resident population, working population

and total population. Officials said that consistent information might not be available for all regions on all bases and suggested it would be more useful to members if they had an informal briefing on the subject. Members agreed to this but said they would probably need a more formal presentation to Committee afterwards. **[Action: Clerk/ED Minister]**.

5. Reference was made to the DTI's commissioning a feasibility study from Strathclyde University and the Fraser Associates referred to in paragraph 20 of the paper. Members hoped that the results of this would be made public and the Minister, noting that this was a matter on which DTI led, said he would find out what their intentions were. **[Action: ED Minister]**
6. The Minister noted that the negotiations on the future of the structural funds were the lead responsibility of the UK Government and said that Wales was closely involved in these and seeking to ensure the UK Government fully recognised Wales' needs.

Christine Gwyther chaired the remainder of the meeting.

Item 4: Energy Review – Energy Efficiency

1. The Chair outlined the Annex to the paper, which summarised the issues relating to energy efficiency and highlighted the barriers to the adoption of programmes of improvement. The expert adviser drew attention to 2 particular areas in which programmes to improve energy efficiency had been particularly ineffective. The one was domestic housing and the other commercial property. In both cases the cost of energy was relatively small as a proportion of outgoings and there was simply no incentive to incur the cost of making the savings.
2. In discussing the issues, members noted that there were a wide range of bodies involved in improving energy efficiency some of which fell within the National Assembly, but not necessarily within the remit of EDC, and some fell outside the Assembly. It would be important to have regard to these differences in formulating recommendations. It was agreed that a further paper should be put to the Committee identifying the action that could be taken by the National Assembly and by other bodies so that consideration could be given to including them in the Committee's recommendations. The Committee would need to consider in this process whether joint discussions with other parts of the National Assembly or further evidence taking was required.
3. Members commented that the Assembly could set an example in the promotion of energy efficiency through its public procurement procedures and those of other bodies with which it works.
4. While recognising it was outside the current terms of reference, members were concerned about economic considerations in relation to the development of new fuels for motor vehicles. It was suggested that consideration might be given to assistance for garages to install pumps to dispense LPG. The Minister referred to

the role of the automotive forum and work being undertaken by Cardiff University. He said that the University would be making a submission to the Committee as part of the consultation process on renewable energy.

5. The expert adviser agreed to find out details of eligibility of the WarmFront Plus scheme in Wales and whether this differed from the requirements in England.
[Action: Expert Adviser]
6. Members asked about the cost to business of the Climate Change Levy and how much of the proceeds of levy fed back into business. The Minister agreed to provide this information. **[Action: ED Minister.]**
7. Members agreed to the suggestion that rather than move to producing a report on energy efficiency now, it would be preferable to broaden this phase of the study to include Combined Heat and Power and to take further evidence on this. This would mean that the Committee's next report would probably not be ready for consideration until after the summer recess.
8. Summing up, the Chair said that:
 - the paper would now be revised and expanded to reflect the views expressed by Members;
 - the Review's brief and work programme would be altered to include, to a limited degree, consideration of issues relating to transport fuel;
 - consideration would be given to EDC's interaction with other Committees in this area of work;
 - this phase of the review would be broadened to include Combined Heat and Power to this stage of the review.
9. The Minister reported that he would shortly be reporting at Plenary on the Welsh Assembly Government's response to the PIU report.

Item 5: Minister's report.

1. The Minister provided a brief oral update, details of which are attached to his report. Responding to questions regarding the health of the UK economy the Minister agreed to provide comparative information on business costs in the US, Taiwan, Czech Republic and the EU. **[Action: E.D.Minister]**
2. The Chair thanked the Minister and members of the Assembly for their continued support over the recent problems at ITV Digital in Pembroke Dock. The Minister confirmed that the Assembly Government, WDA, ELWa and other agencies were working closely with the company and he had also made contact with the Trade Unions. The First Minister had also visited the facility and had paid tribute to the

- attitude of the staff there. He added that he was confident that if ITV digital did pull out, the facility was well placed to attract interest from other companies.
3. Concern was expressed regarding the apparent increasing reliance of the Welsh economy on the call centre sector. The Minister said that only 2.5% of employment in Wales was in this sector and that it was important not to overreact to individual reports of job losses. A member also asked that the Minister took care not to report previously quoted job gains in his report.
 4. The Minister agreed to provide further information on the nature and depth of advice given to Welsh steel companies to apply for exemptions from the US Steel Tariffs. **[Action: E.D.Minister]**
 5. The Minister said he was confident that the position at Prestige in Rogerstone regarding provision for redundancy payments was legal. He agreed to provide a further note to members confirming the exact details. **[Action: E.D. Minister]**
 6. The Chair expressed dissatisfaction at the length of time it was taking for WEFO to quantify the amount of Objective 1 monies spent in Cardiff. The Minister noted the concern and said that he would be able to provide this information in the Summer term.
 7. A member asked what effect the increased rate of National Insurance would have on the EDD budget given the number of people employed both directly and indirectly through the WDA/WTB and other agencies. He asked the Minister to provide a paper to committee in the near future. **[Action: E.D.Minister]**
 8. Reference was made to the increased level of service that would result from the additional funding for the NHS in England. Concern was expressed that the cost of carrying out similar developments in Wales would require more monies than would be allocated to Wales under the Barnett formula. As a consequence, if Wales were to keep up it would need to divert resources from other programmes.
 9. Concern was expressed that the announcement in the Budget concerning R&D tax credits gave a disproportionate advantage to companies in South East England. The Minister said that he had been disappointed that provision for regional variations had not been introduced but would continue to press the UK government strongly.
 10. Several members asked whether further job cuts were likely at the Royal Mint in Llantrisant. The Minister confirmed that officials were in contact with them and that he would look into the matter further.
 11. A member raised the issue that small tourist businesses were concerned that they would be forced to pay a registration fee. Members noted that the development of a statutory registration scheme had figured in the remit letter to the WTB and that a recommendation from the WTB was expected later in the summer.
 12. A member welcomed the formation of the Urban Regeneration Company in Newport and said that it highlighted the need for more robust regional regeneration policies.
 13. Following the release of the Audit Committee Report 'Securing the Future of Cardiff Bay', the Minister agreed to provide further information concerning

- payments made by the Harbour Authority for flooding. **[Action: E.D. Minister]**
14. The Chair endorsed a member's concern that the Minister's oral report should be an update on latest developments and should not refer to earlier announcements that could have been covered in the written report. In response to a request for further details concerning negotiations with the UK Government on the Barnett Formula, the Minister said that he was unable to comment formally on negotiations that the Finance Minister may be having with the Treasury. He agreed to provide a paper to committee explaining how the Barnett formula and CSR impacted on the EDD budget and the relationship with Structural Funds. **[Action: E.D. Minister]**
 15. The Minister confirmed that it had been a Ministry of Defence decision to pull out of the apprentices scheme in Aberporth. He also agreed to confirm whether the First Minister had made a comment concerning Friction Dynamics being taken over by another company.
 16. Concern was expressed regarding the recent decision to consider lottery funding as public sector funding and the impact that might have on decisions being taken shortly by the WTB on specific projects. The Minister confirmed that DTI clarification had been obtained and this was not a state aids issue in the project under consideration. It would however impact on the WTB as their own regulations state that investment in any project which has more than 50% public sector funding has to be referred to the Assembly Government. The Minister agreed to ensure that all relevant organisation were informed of this situation.
 17. A member questioned whether the recent announcement by BA to withdraw some of its scheduled services from Cardiff International Airport had been influenced by the lack of investment by the Welsh Assembly Government in transport links. The Minister said that BA had made their decision on purely commercial grounds and a number of other regional airports had been affected. He was confident that other airlines would pick up these routes and agreed to provide further information on BA's decision to the committee as soon as possible. **[Action: E.D.Minister]** – A press notice was circulated to members the following day.

Item 6: Minutes of Previous Meetings

1. The Minutes of 20 March were agreed as a true record of the meeting.
2. The committee agreed to seek permission from Business Committee to have extra formal meetings on 30 May and 4 July.
3. The Chair advised members that she had received no comments on the Forward Work Programme from other Subject Committee Chairs and the Minister was content. She would shortly circulate the draft Annual Report to members out of committee for comment prior to clearance at the next meeting.
4. A discussion followed on the proposed visit under the US Gov't's Voluntary Visitor Programme. Members generally welcomed the proposal.

