

MINUTES

Date 26 June 2002
Time 1.30 – 4.30pm
Venue Principality House, National Botanic Gardens, Llanarthne.

Attendance

Members

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

Constituency

North Wales
Cynon Valley
South Wales West
Swansea West

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

John Griffiths

Newport East

Officials

David Pritchard
John Clarke
Caroline Turner
Phil Gray
Sheila Maxwell
David Howarth
Clive Rees

Director, Economic Development Department
Chief Executive, WEFO
WEFO
WEFO
WEFO
WEFO
ISG

In Attendance

Gareth Hall
Evelyn Thurlby

WDA
National Botanic Garden of Wales

Secretariat

John Grimes
Sian Wilkins

Clerk
Deputy Clerk

Item 1: Chair's opening remarks.

1. Declarations of interest were made by Dafydd Wigley who is a director of a small company and recently appointed Chair of SBARD; and Phil Williams who is currently involved with an Objective 1 application. Andrew Davies declared that he was a member of the National Botanic Garden of Wales.
2. Apologies were received from David Davies and Mick Bates. Eleanor Burnham substituted for Mick Bates.
3. The Chair wanted to record the Committee's thanks to Mike German for his valuable service to the Committee during his membership. She also thanked Ron Davies for chairing the previous meeting.

Item 2: Minister for Economic Development's Report

1. The Minister introduced his report with a brief oral update, a copy of which is attached to his report.
2. Reference was made to a Bangor University report by Prof. Dylan Jones-Evans which identified a fall in investment in R&D in both the public and private sector. Members said that the absence of special tax credits for R&D in Wales was a major failing and questioned whether Objective 1 funds could be moved to provide further funding for this sector which was vital to the success of the Welsh economy. The Minister said that he had not read the report yet and that he would respond once he had had an opportunity to consider it. **[Action: ED Minister]** He added that he regarded an increase in R&D activity in Wales as a key priority and he had recently commissioned an audit of companies in Wales who currently had R&D capacity, with a view to maximising Objective 1 funding. He said that the Welsh Assembly Government continued to make the case to the Treasury for regional R&D credits. The Chair agreed to return to the subject of support for R&D in the autumn term and agreed a member's suggestion that Prof. Dylan Jones-Evans be invited to talk to the Committee. **[Action: Clerk/Chair]**
3. A member identified the problems that the tourist industry was experiencing in finding skilled employees and asked what steps were being taken to encourage the economically inactive back into further education to gain the necessary skills. The Minister said that the key players in the industry recognised the need to raise the status of the sector and that a strategic approach was necessary. He added

that a lot of work was currently being carried out in the South Wales Valleys to promote Industrial Heritage and to encourage the economically inactive into the industry.

4. On the subject of Dewhirst the Minister confirmed that efforts to save the jobs had not been successful and that Team Wales had been working with the affected employees to help them find new jobs. He added that he had asked officials to look at the implications for the other Dewhirst operations in Cardigan and Fishguard and was happy to discuss the matter further with individual members if they wished.
5. A member asked whether, given the current growth in the retail sector, any research had been carried out to measure the effect of new supermarket developments on small businesses in the local area. Officials said that no figures were available but that this was a consideration in the planning process. They believed that there was normally a net increase in jobs.
6. Concern was expressed that some SMEs believed they would be ineligible for AIG assistance if the jobs concerned were off-site. Officials confirmed that it was acceptable for jobs to have an off-site element, as long as they were based in Wales and that AIG grants followed the existing RSA criteria in that regard. The Minister took the opportunity to congratulate the staff who had been involved in the application process for AIG grants.

Item 3: Structural Funds Quarterly Report

1. Oral reports on the latest PMC meetings were given by Christine Chapman (Objective 1), John Griffiths (Objective 2) and David Howarth (Objective 3). Copies of these reports are attached to the Structural Funds paper.
2. There followed a lengthy discussion on the risk of de-commitment to the Structural Funds Programmes. Members felt that the current patterns of commitments and spend identified a serious risk of funds being lost to Wales and suggested that there was now an overwhelming case for a policy of over-commitment with the Welsh Assembly Government undertaking to underwrite any over-commitment, should it occur, at the end of the programme. WEFO officials said that whilst they could make no guarantees they felt that they could achieve the necessary level of spend to avoid de-commitment at the end of 2002. Members also felt that virement within programmes and measures should be considered but WEFO said that the time to consider that would be at the mid-term evaluation.
3. It was noted that the Welsh Affairs Committee had made a recommendation in its recent report to simplify match-funding arrangements. WEFO said that there was no evidence that the ability to find match funding was affecting application levels. They expected to complete, within a few days, an exercise to upgrade information on their website about the sources of match funding. They agreed that Key Funds were a useful way forward and more of these were under active consideration.

4. It was identified that EAGGF carried the greatest risk of de-commitment but it was acknowledged that the effect that foot and mouth had had on the programme could not have been predicted.
5. Members expressed concern that WEFO staffing was not at full complement and specifically questioned the lack of private sector facilitators, which was affecting the level of private sector bids. WEFO said that staffing levels had not had a significant effect on the processing of applications. The appointment of Private Sector Facilitators was the responsibility of the Social Partners Unit who had not yet submitted an application to WEFO for the technical assistance funding which had been allocated for this purpose. Members also made reference to Cornwall's use of project officers to visit projects in the field. Officials said that they were not convinced that visiting a project once in its lifetime would constitute value for money and they made quarterly calls to all projects to check on progress. It was Members' understanding that the project officer calls in Cornwall were in addition to quarterly telephone calls and they urged the Minister to give further consideration to this proposal.
6. Members were also concerned that the Business Assets Partnership meeting for July had been cancelled due to a lack of projects to approve. Officials said that there were a number of projects in the pipeline but that they considered these would be better discussed at the August meeting. If projects were rushed through it often resulted in the partnership having outstanding questions resulting in further delays.
7. Officials confirmed that they had looked closely at the Objective 1 bid by Cardiff University and were satisfied that the money was benefiting SMEs in the Objective 1 area.
8. In concluding the discussion Christine Chapman, Chair of the Objective 1 PMC said that there had been a lot of progress in the private sector and that the PMC was looking at the impact of the programme. She agreed that there was a need to develop a more strategic role.

Item 4: Techniums – policy discussion

1. The Minister introduced the discussion outlining his personal involvement with the Technium project in Swansea and highlighting the partnership that existed between Swansea University, the WDA and the private sector.
2. Gareth Hall outlined the strategic priorities that had led to the development of the Technium concept and said that through the Swansea Technium they had identified the key criteria for development of future Techniums which were detailed in the paper. He said that it was important that they worked with the private sector in key sectors which were industry led. An unexpected advantage of the project had been 'spin-ins' from large multi-national companies looking for a home for their R&D functions. The whole Technium concept had a good multiplier effect. The WDA were now rolling out the Technium programme across Wales

and across a range of sectors.

3. Members welcomed the success of the Swansea Technium, but said that this had been based on clusters reflecting local 'strengths' and did not necessarily mean the concept would work throughout Wales. Gareth Hall said that the clusters had evolved from talking to economic and sectoral forums and Universities and this approach could be replicated. He also acknowledged that Techniums were ideally placed to take advantage of convergence of sectors.
4. Independent panels existed to scrutinise business plans for each Technium and successful businesses were those that could show the potential for fast growth in the first three years. It was also noted that the key criteria had to be strictly adhered to, to avoid watering down the Technium concept.
5. The Minister confirmed that the issue of specific match funding to provide incentives for industry in Techniums had been considered as part of the current budget planning round.
6. Gareth Hall stressed the need for Techniums to have links to first class expertise in Universities and said that it should be recognised that not every Higher Education establishment in Wales would have the expertise to support a Technium. He confirmed that they were currently talking to Glamorgan University and hoped that a project could be taken forward in the South Wales Valleys which would have the added advantage of improving broadband connectivity in that area.

Item 5: National Botanic Garden of Wales

1. Evelyn Thurlby outlined the progress made to date at the Garden and identified their core activities of science, education and tourism. She said that tourism was the main driver behind the success of the Garden with the money from visitors forming the largest part of their income. Their spend per visitor exceeded that of other Millennium Commission project. The project's aim was to create a world-class, internationally recognised visitor destination. The effect of overnight stays by visitors would bring real economic benefits to the area. She was pleased that the value of tourism on economic development seemed finally to have been acknowledged.
2. Rhodri Griffiths explained that the science centre at the Garden housed the Garden's own science R&D and the new BioTechnium project. He said that the sector was under represented in Wales and this highlighted the need for further investment. He said that they were trying not to concentrate on niche markets but to encourage as many companies as possible from across the bioscience sector.
3. Members made reference to the success of the Eden Project in Cornwall and the need for a large hotel close to the Garden to accommodate coach parties. Evelyn Thurlby said that comparisons were difficult as they were completely different types of projects. They had carried out a feasibility study for a green hotel which had proved that it would not be viable and they were hoping to look at other

options. The Minister said that he had previously taken up this issue with hotel chains and that a sound business case needed to exist with visitor numbers justifying investment in a large hotel.

4. Members asked whether there was a need for further funding at the Garden. Rhodri Griffiths said that there was a general need in both Wales and the UK for more funding for science in general and that to create a scientific foundation for the garden further funding would be necessary.
5. Through the Science Centre the Garden was trying to encourage people who had studied in Wales to come back and work here, as well as Welsh born students who had moved away either to study or to work. They were using the Alumni Societies of the Welsh Universities to attract people.
6. They acknowledged that they could do more to attract students to the Garden and whilst they did take students on various placements they did not take anyone studying tourism and would need to talk to Higher Education establishments in this regard. They had taken over 60 post-graduate science students to date and were recognised horticulturally as a world player. The Garden also ran a programme for teachers to encourage them to use the Garden as a resource.
7. A member said that UK government funding for Kew Gardens was 'non-comparable' expenditure and so the case could be made for the National Botanic Garden of Wales to receive a sum equal to 6% of Kew Gardens' total funding. He asked the Minister to consider raising the issue of a consequential for the Garden with the Finance Minister. The Minister agreed to do this. **[Action: ED Minister]**

Item 6: Minutes of Previous Meetings

1. The Minutes of 12 June were agreed as a true record of the meeting.

Committee Secretariat