

MINUTES

Date 10 July 02
Time 2.00 – 5.30pm
Venue Committee Room, 1 National Assembly for Wales, Cardiff Bay

Attendance

Members

Mick Bates
Alun Cairns
Andrew Davies (Minister for Economic Development)
David Davies
Ron Davies(acting Chair)
Brian Gibbons
John Griffiths
Alison Halford
Elin Jones
Dafydd Wigley
Phil Williams

Constituency

Montgomeryshire
South Wales West
Swansea West

Monmouth
Caerphilly
Aberavon
Newport East
Delyn
Ceredigion
Caernarfon
South Wales East

Officials

David Pritchard Director, Economic Development Department
David Hobbs ICM3
Ron Loveland ISG
Reg Kilpatrick EPD 1
Keith Parsons EPD 2

In attendance

David Bryce MicroGen
Graham Hawker Chief Executive, WDA
Gareth Hall Executive Director of Strategy, WDA
Jonathan Jones Chief Executive, WTB
Steve Webb Director of Strategy, WTB

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 Chair of SBARD; Mick Bates who is the Director of a farming business and Phil Williams who is currently involved with an Objective 1 application.
2. Apologies were received from Christine Gwyther and Christine Chapman. John Griffiths substituted for Christine Gwyther and Brian Gibbons for Christine Chapman.

Item 2: Energy Efficiency and CHP, Micro CHP

1. David Bryce introduced the item by outlining the development of MicroGen's CHP system. They were currently working with DEFRA on field trials. He said it was important that there was sufficient support from Local Authorities, other social landlords and energy providers to support production of units in such numbers to ensure that costs remained competitive. MicroGen were aiming for the installation of 8000 units in the first year.
2. He identified that there were currently no funds available for schemes to encourage the installation of micro CHP for the majority of consumers and suggested that if the VAT level was reduced to 5%, as happened under the 'warmfront' scheme, this would reduce the payback time and lead to an increase in take-up from consumers. He said that one of the barriers in the market for micro CHP was consumer acceptance of new technology, it had taken 20 years for a 5% take-up of condensing boilers.
3. In discussion members questioned the use of micro CHP in rural areas that had no Natural Gas supply. David Bryce said that the boilers could be used with LPG but they would be 50% less effective due to the increased cost of the gas. He added that Transco were lobbying the UK Government regarding provision of gas to rural areas as there was currently no incentive to suppliers to invest in the infrastructure. The industry were suggesting that any supplier prepared to provide a gas supply needed to have a guaranteed level of customers for a period of 5 years.
4. Micro CHP was not designed to contribute to the National Grid so the NETA arrangements were not necessarily a problem but the relationship between gas and electricity prices could affect the cost effectiveness of the units. David Bryce pointed out that the units could give grid independence and another important

factor to consider was that they continued to work during power-cuts providing both heat and electricity.

5. David Bryce concluded by saying that once the results of the DEFRA field trials were available the production line would take between 12 –18 months to develop. The Chair thanked him for his contribution, which would be considered as part of the Committee's next report.

Item 3: Renewable Energy – Progress Report on Consultation

1. The Clerk said that since the paper had been prepared they had had received a number of additional submissions and these currently totalled around 120. In addition a further 250 'Friends of the Earth' postcards had been received. He said that the initial submissions tended to be from private individuals and the more recent ones, perhaps not surprisingly, from organisations. He said that they felt it appropriate not to give the Committee an analysis of the responses received 'so far' but to wait for them all to come in and then analyse them carefully. Members were keen to have sight of all representations made and the Clerk said these would be available on the Intranet and, in due course, on the Internet except where respondents had specifically asked for their comments not to be made public. The intention was to do this by the end of August.

Item 4: Minister for Economic Development's Report

1. The Minister handed out a copy of an announcement made to employees of ASW Holdings PLC that morning concerning the Company's decision to ask their banks to appoint receivers. The Minister expressed his disappointment at the announcement and said that he had been in touch with the receiver, KPMG, to offer support. He said that he had been working with the Company for some time and referred to the recent Assembly Government's meeting held with ASW, its bankers, credit insurers and the DTI. There had been a further meeting between ASW and its bankers the previous day, which had reached no agreement and had resulted in the appointment of receivers.
2. Members noted the recognition from ASW of the Welsh Assembly Government's support and appreciated their involvement so far. They were concerned over the future of steel production on the site particularly given the obvious value of the site for development, given its location. The Minister said that it was a major priority to maintain steel production on the site. ASW had been confident that given recent improvements in trading conditions they could have traded their way out of their current position with the support of their bankers. It was KPMG's intention to dispose of the Company as a going concern and they were meeting with employees and their unions that day.
3. A Member suggested that the Assembly considered buying the land and leasing it back to the Company to ease their current trading position. The Minister referred

to the extremely limited direct financial assistance that the Assembly could consider under EU state aid rules but said that they would consider the option with the receivers. Officials noted that any bid made by the WDA or other agency would have to be on a commercial basis in competition with others.

4. The Minister continued his report with a brief oral update, a copy of which is attached to his report.
5. In response to a Members concern regarding the recently announced job losses at Kwik Save in Newport the Minister said that the Team Wales approach was triggered whenever a significant number of job losses were announced.
6. Members welcomed the recent announcement from British Midland concerning their decision to base their low-cost airline, BMIBaby at Cardiff International Airport. They did, however, express concern about the transport links to the Airport. The Minister said that a report from Sue Essex was due to be issued shortly on the options for improvements to access to the Airport and reminded Members that a new rail and bus link was due to open next year to remove some pressure from the roads. He confirmed that there had been no direct Assembly funding for British Midland but that the WTB were working with them to look at ways of promoting Wales to visitors.
7. Members expressed several concerns regarding the announcements in the Minister's reports on job gains. They questioned their validity, given that many of the jobs referred to were no more than aspirational, and emphasised the need for accuracy. They also asked for a split of the cost of jobs safeguarded and jobs created quoted in the table at paragraph 3 of the Minister's report. The Minister said he would consider the request but reminded Members that there needed to be a balance between using resources to providing information for the Committee and actually processing grant applications. **[Action ED Minister]**
8. A discussion followed on the general content of the Minister's report which did not give a clear strategic view of the Welsh economy. The Chair suggested that the Minister include an element within his report to allow Members to take a more considered strategic view, particularly relating to 'A Winning Wales' and suggested that the Minister discuss this further with Christine Gwyther. **[Action: Chair/ED Minister]**
9. A Member questioned the decision to merge the Mid Wales Export Association with WTI and asked whether the existing infrastructure was being retained. The Minister said that the WTI had been extremely successful and that the Mid Wales Export Association had agreed to the merger. He confirmed that the local employees of the Export Association would be retained as part of WTI.
10. A Member highlighted the effect that free entry to National Assembly controlled museums had had on privately owned visitor attractions and asked the Minister to review the strategic changes that had taken place following the decision. The Minister said that he recognised that the 'free entry' policy may have had an adverse effect on some attractions but said that the policy should increase the visitor market overall. He highlighted the fact that grants were available to visitor

attractions through the WTB and said that the Museums of Wales had helped other visitor attractions with publicity.

11. Members were deeply concerned that EDC had not been consulted on the proposals contained within the Finance Minister's Policy Statement 'Freedom and Responsibility in Local Government' concerning Business Rates. The Minister said that the business community had been consulted on the proposals and that he had discussed them with the CBI and FSB. Members were concerned that any decision would have a huge impact on business in Wales and they agreed to write to the Finance Minister asking that any announcement made would not be final and that EDC would have time to contribute to the process. They also asked the Minister to make representations to the Finance Minister **[Action: Clerk/ED Minister]**

Item 5: Budget Final Discussion

1. This was the final discussion in the Committee's consideration of the 2002 budget planning round and followed the Chair's agreement to 'a brief further discussion' of more detailed financial information to be provided by the Minister. This had been provided as part of his Report for EDC on 26 June.
2. Members reiterated their concerns about the level of match funding available for the Structural Funds and, in particular, that delays in earlier years might mean that the original estimates for match funding in later ones were inadequate, with the consequent loss of EU monies.
3. There was also a need to look carefully at the rural agenda, which had been recognised by the Welsh Assembly Government as a priority and which required adequate funding to be provided.
4. Looking at the overall provision, a number of members expressed concern that the total funds available were insufficient to meet the aims in A Winning Wales. Concern was also expressed about the effects of the Barnett formula and members were pleased that information on 'consequentials' was to be made publicly available.
5. Concern was also expressed about the level of funding for broad band, which the Committee considered to be a priority. While they recognised that this programme would extend over a number of years, they emphasised the importance of adequate funds being provided in future years.
6. Responding, the ED Minister noted that much of what the Committee had said reflected his own priorities and highlighted the significant increases in expenditure in the ED MEG since 2000-1. He also noted that there was a significant amount of expenditure in budgets other than his, e.g. on Transport and Education, which had benefits for the economy in Wales.
7. Summing up the discussion, the Chair said that the Clerk would consider the comments expressed by members at this and previous discussions on the 2002 budget round and would draft a letter for them to consider and agree by e-mail.

Item 6: WDA Corporate Plan

1. Members were sorry to hear about Emyr Roberts' absence due to a car accident involving his father. They agreed that the Chair should write to him expressing the Committee's sympathies.
2. Graham Hawker introduced the WDA's Draft Corporate Plan/Annual Report highlighting their strategy to build on the work of the previous year and to move forward in conjunction with their partners and reflecting the needs of their customers. Members asked about the purpose of the Corporate Plan, which at its level of generality seemed to serve little useful purpose. Graham Hawker said that this reflected the requirements of the Assembly Government and that their annual Business Plan provided the more detailed basis on which they operated. On the question of the geographical distribution of performance, Graham Hawker said they had outperformed their target number of jobs created or safeguarded and 62% of the higher figure were located in the Objective 1 areas. He thought that the target of 67% for this might need to be reassessed. Graham Hawker said that none of the WDA's money went to the Cardiff Bay Harbour Authority but confirmed that the Agency did spend significant sums in the Cardiff Bay area. Members were concerned about the extent to which this benefited the whole of Wales but acknowledged that some companies would only locate in a capital city location and that a significant number of people from neighbouring areas, such as the Valleys, worked in Cardiff. Graham Hawker agreed to provide a note on the expenditure incurred by the WDA in the area formerly the responsibility of the Cardiff Bay Development Corporation. **[Action:G Hawker/Clerk]**
3. Graham Hawker said that the Agency had no firm view on the future of the Wales European Centre (WEC). The Agency required a presence in Brussels but with the opening of the Welsh Assembly Government office there the value of the services currently provided by WEC was reduced. The Agency's board would in due course make a decision on this issue on the basis of a careful analysis of the costs and benefits.
4. Members asked about the efforts being taken by the WDA to close the wealth gap between Wales and England, which they said was widening. Graham Hawker said that the factors behind this included a low level of business start-ups, a high failure rate, and the need to upgrade skills. He said it was a long term process and there was a need to overcome cultural factors. The Agency's move to being supply led, reflecting more closely their customers' needs and wishes, should have the required effect. However, this would not be achieved overnight. He agreed to let the Committee have a paper for information, in perhaps around 6 months' time, reporting on the progress being made in implementing these structural changes. **[Action:G Hawker/Clerk]**
5. Gareth Hall reiterated the Agency's commitment to rural Wales and referred to a document: "The Agency: A Commitment to Rural Wales" which would detail their

plans and past performance and outcomes. This was to be launched at the Royal Welsh Show.

6. On the question of the business gateway, Graham Hawker said that their first objective had been to map the existing provision of services and to ensure that they were not disrupted in the organisational changeover. The next stage would be to develop the improved services that were needed.
7. On the question of Farming Connect, Gareth Hall said that the first strand of this, the provision by the WDA of money for consultancies, was proceeding well. However, he was not able to comment on the second strand, the provision by NAFW of money under FIG and FEG. The Minister said he was not in a position to comment on this and would provide a note on it in his next report. **[Action: ED Minister]**
8. Summing up the discussion, the Chair thanked the WDA for coming to EDC to discuss their progress. He reiterated the Committee's strong support for the work that the WDA was doing.

Item 7: WTB Corporate Plan

1. Jonathan Jones introduced the WTB's corporate plan and performance report and identified some of the important developments that had affected the tourist industry over the past year. In general discussion members raised the following issues.
2. Jonathan Jones accepted that Wales did not get a fair proportion of total visitors to the UK. He agreed with a Member's suggestion that shared targets between the WTB and BTA for increases in regional visitors was a way forward.
3. The WTB were taking forward the results of a recent study involving the National Trust, Industrial Trust, WDA, National Assembly Museums and Galleries and Local Authorities to promote Industrial Heritage within the South Wales Valleys.
4. On the subject of compulsory registration the WTB said that they believed there was a need and that this was supported by a large majority of operators. The Board would be meeting the following week to finalise their recommendations to the Welsh Assembly Government. Members expressed concern that large parts of the industry were not in favour, including the British Hospitality Association, but the WTB said that the BHA were not as strongly against the proposals in Wales as they were against the English system.
5. The WTB were confident that the target within their corporate plan to achieve 22,000 new jobs within the tourist sector by 2010 was achievable as long as Section 4 funding remained available.
6. Members questioned the 10% charge made by Tourist Information Centres for arranging bookings. Jonathan Jones explained that this was an administrative charge made by Local Authority run centres. He said that in theory the WTB could pay a grant to TIC's to offset these charges but he did not consider this the best use of WTB resources given that their core activity was to promote Wales.

7. Whilst the WTB had their own branding images for promoting Wales both within the UK and abroad, they were working with the other Government Agencies in Wales to ensure that a coherent brand strategy existed.
8. A Member questioned the WTB's recently stated position on wind farms. They said that they would ask that planners consider the impact on tourism but that there was currently no research available in Wales to suggest that they were either detrimental or had a positive effect. They had evidence from Denmark, which suggested that it had no impact on tourism.
9. The WTB agreed with Members that there was a potential for attracting visitors from the USA via Ireland and said that the Chair of the WTB and the ED Minister were due to visit Ireland shortly.

Item 8: Minutes of Previous Meetings

1. The Minutes of 26 June were agreed as a true record of the meeting.

Committee Secretariat