

**MINUTES**

**Date** 17 October 02  
**Time** 9.00 – 12.30am  
**Venue** Committee Room, 1 National Assembly for Wales, Cardiff Bay

**Attendance**

**Members**

Mick Bates  
Alun Cairns  
Christine Chapman  
Andrew Davies (Minister for Economic Development)  
Ron Davies  
Christine Gwyther (Chair)  
David Ian Jones  
Elin Jones  
Dafydd Wigley  
Phil Williams

**Constituency**

Montgomeryshire  
South Wales West  
Cynon Valley  
Swansea West  
  
Caerphilly  
Carmarthen West and South Pembrokeshire  
North Wales  
Ceredigion  
Caernarfon  
South Wales East

**Officials**

David Pritchard Director, Economic Development Department  
David Hobbs ICM3  
Emyr Roberts EPD  
Ron Loveland ISG  
Francois Samuel  
Reg Kilpatrick EPD 1

**In attendance**

Graham Hawker Chief Executive, WDA  
Sian Lloyd-Jones WDA  
Gareth Hall WDA  
Jake Chapman Expert Adviser

**Secretariat**

John Grimes  
Sian Wilkins

Clerk  
Deputy Clerk

## **Item 1: Introduction, apologies, substitutions and declarations of interest.**

1.1 Declarations of interest were made by Christine Gwyther whose partner owns a consultancy business; 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 partner in a farming co-operative and Phil Williams who is currently involved with an Objective 1 application.

1.2 Apologies were received from Alison Halford and David Davies. David Ian Jones substituted for David Davies and was due to replace him shortly as a Committee Member. The Chair took the opportunity to thank David Davies for his work on EDC.

## **Item 2: Economic Development Minister's report including a Business Support Review progress report.**

### **EDC 14-02 (p1)**

2.1 The Minister introduced his report with a brief oral update a copy of which is attached to his report.

2.2 It was suggested that the Minister's report had focused only on good news and whilst it was recognised that employment figures for the whole of Wales had improved his report failed to recognise the position in West Wales. This area had suffered the loss of more jobs in a recent 4 month period than the Corus redundancies had caused in S.E. Wales and comparisons were made with the task force and financial assistance that had been made available following the loss of jobs in Newport and Ebbw Vale. Members also questioned the progress being made in replacing jobs at the Cleddau Bridge call centre and suggested that the Minister was showing a different approach in supporting economic development in SE Wales.

2.3 The Minister said he deplored the way Dewhirst had withdrawn from Cardigan and confirmed that there had been no discussions between the company and the Welsh Assembly Government. This was in stark contrast to the situation with Corus where the Government and Local Authorities had had 12 months to plan for the job losses. The Minister agreed that some parts of West Wales and the Valleys had relatively high levels of unemployment and inactivity but unemployment was falling faster in those areas and earnings were rising faster in West Wales than in other areas. He said that negotiations were continuing with at a high level with a number of organisations to replace jobs at Cleddau Bridge. Whilst he could not go into detail, he was confident that one or more new organisations would be moving to the area. He added

that he was using all possible levers through Objective 1, RSA and AIG to attract new jobs to the Valleys and to improve the quality of life of those living there.

2.4 The Minister confirmed that whilst the amount of funds offered under the Assembly Investment Grant exceeded the current budget allocation, the Welsh Assembly Government were committed to ensuring this scheme was demand led. Any additional payments over and above the current allocation would be met through end of year flexibility.

2.5 Members questioned the reference in the Minister's report to 'Establishing Wales in the World' and asked how this role was shared with the Minister for Rural Development and Wales Abroad. The Minister said that the economic agencies working in this area such as the WDA/WTI/WTB were within his remit though there were obvious shared Ministerial responsibilities when it came to capitalising on these agencies' presence abroad to raise Wales' profile in the world.

2.6 Members asked what steps the Minister had taken to revise his policies in the light of the revised downward forecasts from the Treasury on the British economy. The Minister said that since the Chancellor's forecasts related to the UK economy as a whole the relative performance measures in A Winning Wales remained as relevant as ever and did not need to be revised. He saw no reason at all to change his policies.

2.7 It was suggested that the targets for broadband contained in the Minister's report were unambitious given the investment of £100m. The Minister said that the total budget included an element to make up for private sector gaps for delivery. He said that he had taken a 'technology neutral' approach and that it was important to work with the Private Sector and Local Authorities to provide broadband for communities. Members were keen to look at the Ministers policies regarding the provision of broadband in greater detail and the Chair agreed to allow for a scrutiny of these in the agenda later in the Autumn term. **[Action: Clerk]**

2.8 A Member questioned what the Wales International Centres would provide that wasn't being provided by the agencies already working abroad. He questioned the criteria used for deciding on the location of the Centres and the potential return of renting premises in expensive locations such as the Chrysler Building in New York. The Minister said that it was important to raise the profile of Wales abroad and that the choice of locations had been based on market analysis. In all cases, the Assembly Government would work closely with embassies and FCO posts abroad. The US provided a huge market for Wales both in terms of business and tourism and it was an effective use of resources to have the agencies involved in these activities operating from one location. The location of future centres would be market driven.

2.9 Some Members felt that there was a real need for Wales to have a higher profile abroad through the British Embassies and the Minister confirmed that he had discussed this with the British Ambassador in Washington on his recent visit to the US.

2.10 The recent increases in insurance premiums was having an adverse effect, particularly on small Welsh companies. The Minister said that Assembly Government Ministers had written to the UK Government and that meetings had been held with DWP, Treasury and the DTI on this particular issue.

2.11 Members asked whether the Minister for the Environment discussed with the Economic Development Minister planning issues affecting economic development. This followed her withdrawal of an objection to a planning application for a film studio near Bridgend. The Minister confirmed that it was not part of the planning process for him to be consulted.

## **Business Support Review progress report.**

### **EDC 14-02(p2)**

2.12 The Minister was joined by representatives from the WDA for the first of his regular 6 monthly reports on the developments following the transfer of responsibility for the Business Connect functions to the WDA.

2.13 Members said that the distribution of centres throughout Wales seemed uneven and varied from one office covering an area of population of 23,000 to another covering an area for 300,000. They felt it preferable to have very good quality centres covering a large area and also questioned why there were two centres in places such as Wrexham and Rhyl. They also questioned whether one call centre for the whole of Wales was the best approach and wondered whether a knowledge of regional patterns was necessary to provide an effective service.

2.14 The WDA said that when they went out to tender for the gateway services one of the key principles they set out was accessibility. The offices would all be offering common standards of service with identical training provision for staff in the centres. They would constantly monitor customer satisfaction. Where there were two centres within a town this had been suggested by the provider and was normally one main centre with an outreach centre.

2.15 There was some concern that the bulk of the contracted organisations were local authorities and members felt it important that customers did not just feel that the service had been re-badged with the same people providing the service. The WDA said that all staff working in the centres would be dedicated to the service and not have additional LA duties. All providers had had to demonstrate partnership working within the tender process. They also recognised the need for the gateway providers to work with other agencies such as ELWVa but said that in the short term WDA staff would not be able to negotiate with other agencies on the customer's behalf.

2.16 A Member requested a simple chart showing the current relationship between the various

organisations and schemes available for business support. Officials would consider with the Clerk the best way to present this information. **[Action: ED Minister]**

2.17 The WDA concluded saying that this had been a huge exercise and that they had provided more focus on account management whilst trying to maintain the current level of delivery, make the necessary changes and focus on the long term ambitions of the service.

### **Item 3: WDA half-yearly review**

#### **EDC 14-02(p3)**

#### **EDC 14-02(p3a)**

3.1 Graham Hawker introduced the report saying that the figures were for a 5-month period and based on performance against the remit letter and the business plan. He reminded members that the figures reflected the areas of the economy where the WDA was able to have an impact and were not a comment on all jobs in Wales. He also identified the large increase in responsibilities placed on the WDA in recent times.

3.2 Members highlighted the under performance of Finance Wales against the targets, quoting anecdotal evidence regarding the complexities of dealing with them and the time taken to process applications. The WDA said that Finance Wales had had a slow start but they were seeing positive improvements in performance over the previous year. Timing of applications would always be of concern but due diligence was necessary and this often took time. Their application procedures had been modelled on the banking sector.

3.3 Members were concerned that Finance Wales did not appear to have played a role in the micro sector as it had been the Committee's understanding that they would bridge the gaps in the business finance sector rather than duplicate existing provision. Graham Hawker said that they were having to review the role they played in the micro sector but that in other sectors they had been successful.

3.4 Graham Hawker confirmed that whilst they had not disaggregated the targets in the report regionally, the WDA did operate to their own internal regional targets where appropriate but he felt the publishing of these would mean that they became too rigid and would not allow for flexibility.

3.5 He confirmed also that the WDA did not have a specific target for the sale of premises but had a target for receipts which could include the sale of property. Whilst there was a lack of premises in parts of Wales proposals for any new building should be market led.

3.6 Some members were concerned at the level of proactivity in marketing certain parts of

Wales and stressed that gaps seemed to be emerging even within the Objective 1 area.

3.7 Members were concerned that the Small Firms Division proposed by the WDA had not materialised. The WDA said that their proposal for a small firms division was announced prior to the business support review and they did not now believe that it was necessarily the right approach. They were considering setting up a small group within Sian Lloyd Jones division to co-ordinate business support activities. Members asked for ongoing reports on this.

3.8 There was some concern that the provision of funds for R&D functions was very small. The WDA said that they did actively target R&D and were keen to make the best use of University spin-outs. They made the point that large corporations tended to site their R&D functions in their head offices and Wales had few of these.

#### **Item 4: Budget Final Proposals**

##### **EDC 14-02(p4)**

4.1 The Minister introduced his paper, outlining the key elements of it, which reflected his priorities and those indicated by the Committee. He referred to the additional provision for the structural funds, the extra £15m for the development of Broadband ICT and to the Innovation Action Plan, which was nearly finalised and he would share it shortly with the Committee. The Chair said that she would arrange for an early discussion of this at EDC. The Minister said that the date for the final budget was now 6 November and that Cabinet needed to have Committee's views in time for the final budget, which would be released in the week beginning 28 October.

4.2 Members noted the Finance Minister's commitment that no project approved for support from the Structural Funds would be lost for want of PES cover or match funding. There was a concern that current levels of project approvals may not be sufficient to avoid decommitment in the future. It was suggested that WEFO should be encouraged to forward commit the programme and consider over commitment whilst recognising that such action may need to be underwritten by the Assembly. The Chair advised that this could be discussed in more detail at the next meeting when the Committee would be considering the quarterly report from WEFO.

4.3 Members noted that the figures showed the Assembly receiving Structural Funds over and above those which would be covered by the Barnett formula but felt that it was slightly disingenuous to include these in the presentation of the overall baseline.

4.4 Members noted that the increase for the ED MEG was 8% and that this was the lowest increase for all MEGs. If one excluded monies from Europe then this was effectively no increase at all. The view was expressed that the major part of the Assembly's expenditure was going on programmes to mitigate the effects of economic failure. A better strategy would be to

invest in the programmes necessary to ensure economic growth thereby reducing the demand on the other programmes. It was noted nonetheless that certain social programmes did currently contribute to economic development by assisting people into the labour market.

4.5 Responding, the Minister commented that it was essential to look more broadly at the investment in economic development because other programmes, e.g. those providing support for transport, training and childcare contributed significantly to the development of a strong and sustainable economy, but were not reflected in the Economic Development MEG. While acknowledging this, Members expressed concern that the Committee had little control of these other programmes and that they could not scrutinise the Ministers who were responsible for them. A particular concern was the Knowledge Exploitation Fund currently operated by ELWa. It might be more appropriate for this to fall within the remit of the Economic Development Minister and EDC.

4.6 The point was made that it was important to look beyond the end of the Structural Funds and to ensure that Wales developed to a point where it did not need external funding to support its economic development.

4.7 Reference was made to the increased funding for ASPBs, which barely kept up with inflation. Members were concerned that no provision had been made for the additional cost of NI contributions which were to rise in the spring. The Minister said that the Finance Minister was in discussion with her Cabinet colleagues about running costs in ASPBs and planned to address this as part of the final budget or in a supplementary budget.

4.8 A question was asked about the UK Statement of Funding rules relating to the comparability factor for tourism. Officials said that part of this related to the British Tourist Authority (which was a UK programme) and it was understood that there was an offsetting adjustment elsewhere for the comparable English programme. They agreed to provide a note on this for a future meeting. **[Action: ED Minister]**

## **Item 5:Energy Review – Report on consultation on Renewable Energy**

### **EDC 14-02(p5)**

5.1 Introducing the summary of the consultation responses, the Chair said the key question was whether the Committee wished to adopt a target for the production of renewable energy and if so its level.

5.2 Members considered that the paper overall gave a fair and balanced view of the views expressed in the consultation.

5.3 Members agreed that it was important to set a level at which Wales should aim but felt it

better to see it more as a 'benchmark' than a target. They felt it was important to choose a figure which they might realistically expect to be achieved on the basis of existing plans and that it might therefore be considered as a minimum. Members agreed that a figure of 4TWh for 2010 was appropriate.

5.4 The view was expressed that the resolution of delays in the planning system was the key to delivering this.

5.5 There was some discussion of the impact of wind power on tourism. Members noted that they had seen no evidence that wind turbines had an adverse effect on tourism – but some noted that this in itself did not prove that no such impact existed.

5.6 It was noted that the number of turbines this implied could easily be accommodated in sites remote from tourism areas and SSSIs etc.

5.7 Members agreed that it was important, whatever target was adopted, to establish a mechanism to monitor and report on performance towards achieving it.

5.8 In establishing a benchmark it would be valuable in the report to give a picture of what that level of output meant in practical terms.

## **Item 6: Energy Review – draft report on Energy Efficiency (including CHP)**

### **EDC 14-02(p6)**

6.1 Members broadly endorsed the draft report. It was indicated that there were essentially 3 classes of recommendation:

- those that needed to be pursued at the UK level and on which Wales could only make representations;
- those that represented action that could be taken at the Wales level but which could not because the National Assembly did not have the powers. This might be something to pursue with the Richard Commission;
- things that can be done now.

6.2 It was noted that, unlike the report on renewable energy, many of the recommendations would fall into one of the first two categories.

6.3 Members endorsed the thrust of the report and that Wales and the National Assembly should become an exemplar in energy efficiency. It should also seek to encourage local authorities and other bodies to do the same.

6.4 Members emphasised the importance of providing incentives to people to invest in energy efficiency measures and for these to be available not just to the energy pool but to all people. They considered it unlikely that there would be any significant increase in home energy efficiency until this was done.

## **Item 7: Minutes of previous meeting**

### **EDC 13-02 Minutes (Draft)**

### **EDC 14-02 Action Outstanding**

7.1 The minutes were agreed as a true record of the meeting.

## **Committee Secretariat**