

**Date:** 31 October 2002  
**Time:** 09:00 to 12:30  
**Venue:** Committee Room 1, National Assembly for Wales, Cardiff Bay  
**Title :** Report on US visit

**Purpose of the Paper**

1. To report on the conclusions from the Committee's visit to the USA.

**Background**

2. Members are familiar with the background to the visit. The attached note summarises the main conclusions and is based on the views expressed by Members making the visit. These members will no doubt expand on these and answer questions at the meeting.

**Committee Secretariat**

**ECONOMIC DEVELOPMENT COMMITTEE**

**VISIT TO THE UNITED STATES OF AMERICA: 6-12 OCTOBER 2002**

**Background**

1. The Committee visited the United States to learn about experiences there in economic regeneration and broadband ICT. The Pittsburgh region has some 2.6 million population and, like Wales, is undergoing economic change following the decline of its coal steel and agricultural industries. This has led to major changes in the area and, for example, the outward migration of some 350,000 people looking for work.
2. The Committee observed a number of similarities and differences in the way these issues are addressed in the US and Wales. Obviously the impressions gained reflect the relatively small number of people and organisations met on the visit – and there are dangers in generalising from these. But, with that caveat, this note summarises the main conclusions from the visit.

**Partnership**

3. The clearest message to come out of the visit was the strong sense of partnership that existed between the public and the private sectors. This was accompanied by a 'can do' attitude. There were few (if any) instances of complaints that something did not happen because someone else had not done something or, the government had not done that. Rather, the attitude was one of finding a solution to a problem.

4. Behind this there seemed a clear perception of roles. The provision of infrastructure such as roads and water was in the long term a government responsibility, even if for a particular development they were constructed by the private sector. However, it was clearly the role of the private sector to invest in property and productive assets. This attitude was reinforced by a long tradition of private sector investment through charitable and industrial 'foundations' and a long standing corporate commitment to investing in social infrastructure. While there was a sense in which this might be seen as 'enlightened self-interest', it came across as part of a much broader message that it was good for everyone in a region to have a strong, vibrant economy.

5. This broad approach was reflected in the priority attached to the social and cultural fabric of the area. Investment in the arts, sport, and housing were just as important as investment in economic production.

6. Alongside the 'can do' attitude was a very clear pride in the Pittsburgh region and very little evidence of competition between areas within the Region. There seemed little objection to investment going to the City of Pittsburgh – people in outlying areas saw the centre's success cascading down to them and, indeed, said that to the outside world they might describe themselves as coming from Pittsburgh.

## **Financial Support**

7. At an early stage of the programme we met the Federal Economic Development Administration to talk about the schemes of assistance they have available for infrastructure and similar investment. Although there was some support available for small businesses, they saw funding for commercial investment as a matter for the financial markets.

8. At the local level, authorities had the powers to offer tax concessions in areas where they were seeking investment. These came across not so much as subsidies but more as a means of providing a competitive edge: 'a deal' to attract an investor. Such schemes were not underwritten from a higher level – and hence constituted a cost for an area already suffering from economic decline.

9. In addition, since they involved a loss of local revenue, it was necessary for them to be approved by the School Boards (education authorities) who were the main recipients of local taxation. The sense of partnership that we noted throughout the visit was reflected in the fact

that it was generally possible to obtain such approval.

## **Evaluation/Cost per job**

10. On various occasions the Committee asked people from public authorities about the cost per job of their various schemes. In most cases they simply did not know and, where figures were quoted, they did not seem to be based on any sophisticated analysis.

11. It was suggested to us that this was not surprising and that, in fact, very little evaluation was done on the schemes operated in the Pennsylvania. Moreover, where it was and it yielded unfavourable results they tended to get buried.

12. Few of the people met saw public sector money as critical to economic development – it was taken if it was available. But if not they simply looked elsewhere for funds. One might conclude that the lack of interest in cost per job or evaluation reflects the private sector lead to regeneration.

## **Areas of Decline**

13. We were told that the Pittsburgh region had seen some 350,000 people leave as a result of economic decline. In some areas there was a particular concern about the loss of young people because, if this was not checked, it would result in an increasingly dependent population. In Washington County we were told there was an active policy to retain young people – although we were not given any details of how this was pursued.

14. However, there seemed a willingness to abandon areas if in the long term they did not have an economic future. Reference was made also to the difficulties faced by farmers and again the response was that unprofitable farms were abandoned and neglected. There seemed little recognition of the role of farmers as guardians of the countryside – maybe there is too much countryside for this to be feasible.

## **Planning**

15. The Federal Economic Development Administration spoke about assistance they offered to 'economically distressed areas' and stressed that this needed to be consistent with the development plan for the area. The Department would also assist with the preparation of such a plan. However, we found very little evidence of such plans and, it was suggested to us that, in practice, there was very little planning of economic regeneration. In part, this seemed to reflect the organisation of local government in the US. The obvious level in terms of population size would be the County – but since they had very few powers in respect of economic development there was little incentive for doing this. What was done tended to be in the academic sector.

## **Prisons**

16. It was suggested on a couple of occasions that the location of a prison in an economically distressed area was a good way to create jobs. It offered direct employment in the prison as well as opportunities for suppliers of facilities and services - and a boost to tourism from visitors to the inmates.

## **Support Agencies**

17. We came across a large number of bodies involved in economic regeneration. Most of them involved a mixture of public and private financing and operated on a non-profit basis. The Committee's impression was that there was a confusing plethora of such bodies – but very few people in the US commented on this as a major issue. It was unclear as to whether the range of bodies was much different to those in Wales.

## **Wales' Image Abroad**

18. Prior to the main programme we had an informal briefing from the UK Embassy in Washington and the main message that came across was that Wales' image in Washington was not as strong as that of Scotland and Ireland. In part, this is not surprising and reflects the more widely-known history and longer standing links between these countries and the US. Nonetheless, it is something that the Embassy thought Wales needed to address. Their view was that the most effective strategy would be to build on our strengths rather than trying to market Wales 'generally' and to concentrate on areas of the US where there were existing or obvious links. There is also a need to consider Wales' involvement in schemes such as the Marshall programme. While this brings overseas visitors to the UK – the impression was that few of these come to Wales.

19. In the course of the visit, we asked various people about their image of Wales and although one or two claimed family links, it was clear that there was only a limited awareness of the country.

## **Broadband**

20. The main difference between the UK and the US was the large number of small telecommunications operators – and the much deeper integration between Broadband, telephone, cable television and other services. Successful marketing seemed to depend on 'packages' of supply with cross subsidies supporting less profitable elements. For example, we were told that (in one area) customers would pay around \$25 per month for broadband – but since the cost of providing it was \$35-40 it was only viable as part of a package of services.

21. The main message here seemed to be the need to keep options open. Cost considerations were critical and therefore using existing infrastructure and connections wherever possible was important providing the service standard could be maintained. Different technologies applied in different situations and, given the rate of change, too much investment in any particular technology could result in a business being left behind in the future.

**Committee Secretariat**

**October 2002**