

Enterprise and Business Committee

Meeting Venue:
Committee Room 3 – Senedd

Meeting date:
30 January 2014

Meeting time:
09:00

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

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Committee Clerk
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Agenda

Pre-Meeting in private (09.00–09.15)

FORMAL PUBLIC MEETING (09.15)

1 Introductions, apologies and substitutions (09.15)

2 Inquiry into the Welsh Government's approach to the promotion of trade and inward investment – evidence session 4 (09.15–10.10)
(Pages 1 - 13)

Witnesses:

- **Iestyn Davies**, Head of External Affairs, Federation of Small Businesses (FSB)
- **Joshua Miles**, Policy Advisor, FSB

Supporting documents:

Private paper (Members' Brief for Items 2 and 3)
EBC(4)–03–14(p.1) – Evidence from FSB

BREAK (10.10–10.20)

3 Inquiry into the Welsh Government's approach to the promotion of trade and inward investment – evidence session 5 (10.20–11.10)

Witness:

- **Roger Pride**, Managing Director, Cardiff office, Heavenly

4 Papers to note (Pages 14 - 15)

De-Brief in private (11.10–11.30)

BREAK (11.30–13.00)

5 Financial Scrutiny session in private (13.00–15.00) (Pages 16 - 48)

Supporting documents:

Private papers:

- Module 2: Financial Scrutiny in Committee Inquiries
- Module 2: Financial Scrutiny in Committee Inquiries (Annex 1)
- Module 2: Financial Scrutiny in Committee Inquiries (Annex 2)
- Module 2: Financial Scrutiny in Committee Inquiries (Annex 3)
- Module 2: Financial Scrutiny in Committee Inquiries (Annex 4)

FSB Wales

Trade and
Inward
Investment

24th January 2014





Enterprise and Business Committee inquiry into trade and inward investment The Federation of Small Businesses Wales

The Federation of Small Businesses Wales welcomes the opportunity to present its views to the Enterprise and Business Committee on the Welsh Government's policies around trade and inward investment. FSB Wales is the authoritative voice of small businesses in Wales. With 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees; FSB Wales is in constant contact with small businesses at a grassroots level. It undertakes a monthly online survey of its members as well as an annual membership survey on a wide range of issues and concerns facing small business.

Promotion of trade and investment inquiry

What is the scale of Welsh Government resource and funding that is targeted at the promotion of trade and inward investment? Is it sufficient? Does it represent value for money?

The Welsh Government's approach to industrial policy is at present crowded and confusing for many businesses. FSB Wales has previously voiced concerns about the Welsh Government's sector-based approach which serves to carve out the economy on the basis of desirable sectors. This is further complicated by seven enterprise zones, two city regions and many other support mechanisms. In this context, it is difficult to see where resources are being targeted at the promotion of trade and inward investment.

How does the Welsh Government monitor and evaluate the effectiveness of its trade and inward investment activities?

The Welsh Government's key performance indicators are set out in the Growth and Jobs section of the Programme for Government. Unfortunately, there are no key indicators relating to inward investment or exports contained in the document, meaning accountability and transparency of performance is limited. This is further exacerbated by a lack of a policy setting the direction for inward investment and exports which progress could be measured against. The Welsh Government does collect and publish export data on its StatsWales website although not by size of firm which would provide added value. The UKTI also produces figures on Inward Investment that relate to Wales.

FSB Wales has previously commented on the need for greater statistics relating to economic development to be included in the Programme for Government such as business birth, death and survival rates, and would reiterate this call for trade and inward investment data.

Inward investment

Inward investment should be embedded in Wales as far as possible. This means the Welsh Government should pursue an active inward investment policy and complement it with strong supply chains of indigenous SMEs.



Does the Welsh Government’s current in-house approach to encouraging trade and inward investment represent an improvement on the organisations that previously existed to perform the same functions? (i.e. the Welsh Development Agency, Wales Trade International, and latterly International Business Wales)

The state of trade and inward investment policy following the closure of the WDA is a vexatious issue for many in the private sector. While the merits or demerits of this decision can be debated at length, many agree that the visibility of the Welsh inward investment offer, in particular, has suffered. Subsequent organisations such as Wales Trade International and International Business Wales failed to rectify this issue. At present, the Welsh Government’s inward investment functions are opaque and unclear; there is a lack of visibility and brand awareness that has yet to be resolved. The creation of a campaign for the promotion of Wales to inward investors, Just Ask Wales, is a step in the right direction. It is now vital that the Welsh Government can back up its claims around low levels of bureaucracy and fast decision making to provide an attractive offer.

How strong is the Welsh inward investment ‘offer’?

FSB Wales would like to see the Welsh Government highlight the role of SMEs in the supply chain for inward investors more in its inward investment strategy. In order to maximise the benefit to Wales of inward investment, FSB Wales believes there should be an express focus on embedding the supply chain of significant inward investors in Wales. This would reinforce the vitality of indigenous SMEs and would also reinforce the inward investment offer for re-investment and location decision making.

FSB Wales believes the creation of a supply chain strategy could be linked to other areas of Welsh Government policy, such as procurement, and would include an element of support for firms identified as having the potential to fill supply chain opportunities.

Exporting

Wales’ export base should be diverse in nature and not over reliant on a small number of large exporters.

While Wales has on the whole a healthy level of exports compared to other parts of the UK, it is clear from recent data that Wales relies heavily on a small number of large exporters. For instance, the shut-down of blast furnace number 4 at Tata Steel in Margam is reported to have significantly contributed to a 29% drop in exports during Q4 of 2012¹. This therefore makes the sustainability of Wales’ export base a key issue moving forward.

In the UK, SMEs currently account for over half the value of UK exports (53 per cent of goods exports and a much higher proportion of services exports)². This is reflected in our membership with around

¹ WalesOnline. 2013. *Welsh Exports Plunged by 29 % at the end of 2012* [Online]. Available at: <http://www.walesonline.co.uk/business/business-news/welsh-exports-plunged-29-end-2494266> (accessed 24th January 2013)

² HMG Trade and Investment Written Evidence to the Lords SME Exporting Committee inquiry (2012).



21 per cent of our UK membership actively involved in exporting³. This reflects a shift in emphasis from UKTI as part of a five-year strategy to support and focus on SMEs. As a result of this, the UK Government has set challenging targets of 100,000 new exporters by 2020, or roughly 10,000 new exporters per year. This highlights a growing UK Government strategy to create a diverse business export base. FSB Wales sees very little in the way of similar objectives from the Welsh Government.

As a first step, the Welsh Government should analyse what proportion of exports relate to SMEs in Wales and set out targets and goals for improving the diversity and value of SME exports, as part of its export strategy.

What are the main barriers faced by potential exporters? How effective is the support offered by the Welsh Government (and UK Government) in reducing these barriers (e.g. trade missions, export finance support)?

FSB data relating to firms across the UK highlights that there are a number of barriers to exporting. The most significant barriers identified by our members were fluctuating exchange rates, difficulty in finding customers, finance and payment issues and dealing with different regulatory regimes⁴. Targeted signposting of support and guidance to small and micro businesses in these areas could go a long way to helping them deal with the barriers to exporting.

The Welsh Government's Business Wales is therefore an important player in this regard, and the success or failure of Business Wales to promote or signpost firms to high-quality export advice will have a large impact on Wales exporting potential.

Around half of FSB members that export across the UK are aware of UKTI's services and feedback overall is good with 73 per cent finding the contact useful⁵. Where criticism has been raised from FSB members, it is usually around the lack of tailoring of products to suit the needs of the businesses' circumstance.

FSB Wales would like to see the Welsh Government proactively map potential exporters, particularly those already engaged in the supply chains of domestic businesses. This could then be followed-up with package of support by either the Welsh Government or UKTI.

The Welsh Government could also explore businesses to business support, via Business Wales, to provide more practical support in the supply chain from big businesses for exports.

³ FSB. 2013. *Enabling small businesses in the drive for more UK exports*. P.8

⁴ FSB. 2013. *Enabling small businesses in the drive for more UK exports*. P.15

⁵ FSB. 2013. *Enabling small businesses in the drive for more UK exports*. P.19-20

**Contact:**

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The Federation of Small Businesses

The FSB is non-profit making and non-party political. The Federation of Small Businesses is the UK's **largest campaigning pressure group** promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it now has **200,000 members across 33 regions and 194 branches**.

Lobbying

Our lobbying arm - led by the Westminster Press and Parliamentary office - applies pressure on MPs, Government and Whitehall and puts the FSB viewpoint over to the media. The FSB also has Press and Parliamentary Offices in Glasgow, Cardiff and Belfast to lobby the devolved assemblies. Development Managers work alongside members in our regions to further FSB influence at a regional level.

Member Benefits

In addition, Member Services is committed to delivering a wide range of high quality, good value business services to members of the FSB. These services will be subject to continuing review and will represent a positive enhancement to the benefit of membership of the Leading Business Organisation in the UK.

Vision

A community that recognises, values and adequately rewards the endeavours of those who are self employed and small business owners within the UK

The Federation of Small Businesses is the trading name of the National Federation of Self Employed and Small Businesses Limited. Our registered office is Sir Frank Whittle Way, Blackpool Business Park, Blackpool, Lancashire, FY4 2FE. Our company number is 1263540 and our Data Protection Act registration number is Z7356876. We are a non-profit making organisation and we have registered with the Information Commissioner on a voluntary basis.

Associate Companies

We have two associated companies, FSB (Member Services) Limited (company number 02875304 and Data Protection Act registration number Z7356601) and NFSE Sales Limited (company number 01222258 and Data Protection Act registration number Z7315310).

This paper has been deemed not suitable for publication in line with the Commission's rules for conduct of business.

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Agenda Item 4

Enterprise and Business Committee

Meeting Venue: Committee Room 3 – Senedd

Meeting date: Wednesday, 22 January 2014

Meeting time: 09:00 – 12:01

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This meeting can be viewed on Senedd TV at:

http://www.senedd.tv/archiveplayer.jsf?v=en_400000_22_01_2014&t=0&l=en

Concise Minutes:

Assembly Members:

Nick Ramsay (Chair)
Byron Davies
Keith Davies
Dafydd Elis-Thomas
Rhun ap Iorwerth
Julie James
Eluned Parrott
Joyce Watson

Witnesses:

Geoff Harding, Expert in International Trade Support
David Long, Expert in International Trade Support
Graham Morgan
Professor Max Munday, Cardiff University

Committee Staff:

1 Introductions, apologies and substitutions

1.1 Apologies were received from David Rees AM and Mick Antoniw AM. There were no substitutions.

2 Inquiry into the Welsh Government's approach to the promotion of trade and inward investment – evidence session 1 (09.15–10.10)

2.1 The Committee took evidence from Professor Max Munday, Director of Welsh Economy Research Unit, Cardiff University.

3 Inquiry into the Welsh Government's approach to the promotion of trade and inward investment – evidence session 2 (10.20–11.10)

3.1 The Committee took evidence from Graham Morgan, Director, South Wales Chamber of Commerce.

4 Inquiry into the Welsh Government's approach to the promotion of trade and inward investment – evidence session (11.10–12.00)

3.1 The Committee took evidence from David Long and Geoff Harding, International Trade Support Consultants.

5 Papers to note

5.1 The Committee noted the following supporting documents:

EBC(4)-02-14(p.4) – Letter to the Chair - Ten-T follow-up
Minutes of the previous meeting

Agenda Item 5

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