

## **ECONOMY, INFRASTRUCTURE AND SKILLS COMMITTEE WRITTEN EVIDENCE – UPDATE ON THE ECONOMY AND INFRASTRUCTURE PORTFOLIO**

### **1. Purpose**

This paper updates the Economy, Infrastructure and Skills Committee on developments in the Economy and Infrastructure Portfolio.

### **2. Recent Highlights**

#### Advanced Manufacturing Research Institute (AMRI)

In July we announced funding for the first phase of the AMRI development. AMRI will operate as a single entity, split between a state of the art “hub” R&D facility in Broughton and a networking, training, business development and advice facility in close proximity to the Deeside Industrial Park. Earlier this month, we reached a significant milestone by announcing the appointment of Arup who will work with strategic partners to develop a full design specification for the first phase of AMRI at Broughton.

#### Enterprise Zone Performance

The latest results show since their inception in 2012, more than 10,000 jobs have been supported and more than £300m of investment has been secured from the public and private sectors.

Key targets for the eight Enterprise Zones in 2016/17 were all either met or exceeded with:

- 1,744 jobs created, safeguarded or assisted
- £123.2m of public and private sector investment secured
- 159 enterprises supported
- 7000 m<sup>2</sup> of land remediated/made available for development/floor space created or refurbished.

#### Automotive Technology Park

We have moved quickly with our announcement of a new investment of approximately £100 million over the next 10 years to support the creation of a new automotive technology park, supplemented by a programme of apprenticeships and improving skills of local people.

We will publish further details in the autumn, including a business case setting out short, medium and long term projects.

#### Inward Investment levels

Inward investment remains a driver of economic development in Wales and we work with overseas companies and those based in the UK to bring further investment and jobs into Wales.

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In July 2017, statistics published by the UK Department of International Trade show that Wales attracted 85 new projects creating, supporting and safeguarding over 11,500 jobs for the financial year 2016-17. This is the third highest number of projects recorded for Wales since records began more than 30 years ago.

Levels of investment into Wales from companies headquartered in other parts of the UK reached a record high last year. This is proof of Wales' growing reputation as a great place to do business and evidence that our approach is paying dividends.

Regional Entrepreneurship Acceleration Programme (REAP) – Be the Spark

In June we launched BeTheSpark - a Wales-wide movement aimed at unlocking the potential for greater collaboration between entrepreneurs, corporate leaders, risk capital, academia and government to support the creation of more home grown profitable businesses.

A high profile stakeholder launch event introduced the vision of REAP and BE THE SPARK and engaged 300 leaders from the five stakeholder groups. The event identified actions they might take forward to encourage linkage between innovation and entrepreneurship across their networks and spheres of influence.

A Community Interest Company has been formed by some of the REAP panel members to take forward these ambitions and will continue to build the movement through a digital platform, stakeholder engagement and a large scale event in Spring 2018. The event will engage 3000 stakeholders from across the entrepreneurial ecosystem to help create networks and instigate change.

Jobs supported

In 2017-18 we are on track to support over 36,500 jobs this year.

**3. Business**

UK Industrial Strategy

We have responded to the UK Industrial Strategy and I have recently written to Assembly Members enclosing our response.

There are a host of world class projects for the UK Government to support and we have set out a number of areas where the UK Government could work with the Welsh Government to make early progress.

Our response clearly shows that we are keen to work constructively with the UK Government. In doing so, we have called on the UK Government to play

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its part, while respecting the devolution settlement and providing the fair share of funding we need.

### EU Transition

Since the EU referendum result, we have introduced a number of measures to protect jobs and provide stability to Welsh businesses. These include expansion plans for Welsh exports, developing new campaigns to promote inward investment and introducing new ways to boost national competitiveness. We have also undertaken a series of trade visits to the US, Dubai, India, China, Japan and Doha to meet with potential investors and show them what Wales has to offer.

We remain committed to the priorities set out in our white paper, *Securing Wales' Future*, and we have been undertaking widespread engagement since the EU referendum with businesses of all sizes and sectors across Wales. This includes holding a series of workshops on EU Transition with the Anchor Companies and Regionally Important Companies (RICs). We have also held one-to-one meetings with companies and attended roundtable events with the Chamber of Commerce, CBI and EEF.

Through our Business Wales channels we have engaged extensively with SMEs, highlighting key issues arising from EU Transition which they may need to consider.

### City Regions/City Deals/Growth Deals

In addition to the successful signing of the £1.2bn Cardiff Capital Region City Deal and the Swansea Bay City Region Deal, we are working closely with the North Wales Economic Ambition Board to consider how a North Wales Growth Deal can best support their ambitions to bring further economic growth.

Powys and Ceredigion are developing 'Growing Mid Wales', which draws together local business, academic leaders and national and local government to create a vision for the future growth of Mid Wales.

### Development Bank of Wales

The Development Bank of Wales will be a core component part of the Welsh Government's economic policy and delivery, and is included in the Programme for Government - Taking Wales Forward.

When launched in October 2017, some of the key impacts and outputs of the DBW will be to:-

- Drive up investment levels to £80m per annum within five years. Finance Wales invested £56m in Welsh SMEs in 2016/17.
- Achieve a minimum target of 1:1.15 Private Sector Leverage (PSL).

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- Increase jobs created and safeguarded to over 5,500 per annum by 2021/22.
- Improving the integration of the provision of advice and support through Business Wales.

#### **4. Infrastructure**

##### Rail

##### South Wales Metro

We are delivering the Metro in tandem with the development of the new Wales and Borders rail services contract which will transform the way we provide and plan for integrated public transport across Wales. At peak times, the current road and rail network is increasingly at capacity and there is a clear need for a system which improves the overall travelling experience in the South East Wales area.

The Metro will be a modern, high-quality, multi-modal and integrated transport system. It will not only act as a link between our communities but also support the Welsh economy by enhancing connectivity across Wales into the rest of the UK and Europe.

We are currently in the process of procuring the operator and delivery partner for Wales and Borders rail services and Metro (Metro Phase 2). Metro Phase 2 will focus on modernising the core Valley Lines and the wider South Wales rail network. This infrastructure work will be integrated with the provision of Wales and Borders rail services.

##### North Wales Metro

The North Wales and North East Wales Metro Steering Group is developing a programme of work to bring together a package of interventions that reflect local, regional and national improvements. The programme will also include cross-border improvements.

Very early scoping work has been undertaken to consider the scope of a North Wales Metro scheme centred around North East Wales and providing connectivity to Holyhead and cross border into the North of England. The initial scope of that work has focussed on an integrated hub concept in the Deeside area encompassing rail, bus, active travel and road enhancements.

Work is also ongoing with Wrexham County Borough Council to consider the potential for integrated transport hubs at Wrexham General Station and other rail stations in the Wrexham area.

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Rail Franchise

The rail franchise we inherited from the UK Government is not fit for purpose for the needs of passengers today. It is now essential that the transfer of rail franchising functions to Welsh Ministers from the UK Government (promised by the UK Government in 2014) is progressed in a timely manner. This is important to enable us to introduce our own vastly improved contract, service and system for rail users across Wales to commence at the start of the next Wales and Borders franchise from 2018.

Delivering our ambition for the next franchise is dependent on the UK Government meeting our expectations on the following:

- The UK Government transferring the powers on time and as agreed.
- The UK Government and Network Rail agreeing our Metro plans for the Valley Lines, which are currently being discussed.
- The Department for Transport agreeing suitable financial arrangements for the Valley Lines infrastructure.

The Cabinet Secretary met with the Secretary of State for Transport on 7<sup>th</sup> of September to discuss a constructive way forward for the procurement process. We agreed, subject to completion of the relevant documentation, that we can progress with issuing tender documents at the end of September 2017. Discussions on the financial arrangements will continue with the UK Government.

The procurement to secure an operator and development partner to operate the Wales and Borders rail services contract from 2018 and deliver the South Wales Metro from 2023 is the largest single procurement the Welsh Government has ever undertaken. By reinvesting funds into the services that need it most and delivering a fairer, improved transport system, we can help support economic growth and build the stronger communities and stronger Wales we all want to see.

Four bidders have been invited by Transport for Wales to participate in open dialogue following submission of the outline solutions. The next steps for the procurement process are:

- Early 2018 – approve contract award.
- Spring 2018 – rail service mobilisation commences.
- October 2018 – new rail service contract begins.

We welcome the Economy, Infrastructure and Skills Committee's very thorough report and the priorities outlined in the Committee's report are in line with Welsh Government's own policy priorities for the new rail service. We will give full consideration to its detailed recommendations and respond in due course.

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### Roads

We are updating the National Transport Finance Plan periodically to reflect developments over time and the changing profile of need across Wales and ensuring the safety and reliability of the strategic road network is our primary transport concern.

We have previously announced £24 million for pinch points on our trunk roads. This will provide an opportunity for us to do more to tackle junctions, which are causing congestion and to look at improving overtaking opportunities on key routes from North to South. We are currently undertaking feasibility work.

In addition to this, another £15 million will be allocated through our local transport network fund, aimed at increasing safety, resilience, and movement along the local road network.

### Ports

The ports sector has raised strong concerns around the importance of maintaining the efficient movement of goods, using as seamless a customs arrangement as is possible.

We have an ongoing dialogue with the Welsh Ports Group and individual ports on these issues. We have made clear to the UK Government that it would be unacceptable for Welsh ports to be damaged by Brexit arrangements or be disadvantaged in any way compared to other UK ports.

Customs arrangements, tariffs, and the wider fiscal regime are reserved matters for Her Majesty's Revenue and Customs (HMRC), and we – alongside other key partners - will continue to press the UK Government to ensure border arrangements do not in any way disadvantage Welsh ports.

### Cardiff Airport

The rolling annual passenger figure in August was 1,437,954 passengers using the facility – an increase of over 90,000 passengers compared to the previous 12 months.

Exciting new routes have recently been announced; for example, the long haul route from Cardiff to Doha in the Middle East; flights are expected to start in 2018. Potential new air links will provide important prospects for the Welsh economy including inbound tourism, inward investment and foreign trade. As we prepare for a future outside the EU, it is more important than ever to sell Wales to the world and meet with potential investors and corporate partners across the globe to show them exactly what Wales has to offer.

The First Minister also announced recently the continuation of the Cardiff-Anglesey air link for another 4 years; the service provides an important and

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convenient way of travelling between north and south Wales and is vital for our economy.

The devolution of Air Passenger Duty to Wales is a matter we also continue to pursue. Consumers and businesses need choices for how they can connect with the rest of the UK, Europe and the world. Air Passenger Duty effectively stifles this choice. The devolution of Air Passenger Duty we hope will enable the introduction of further new routes, including long haul destinations.

Broadband/Digital infrastructure

Superfast Cymru is making good progress. At the end of March over 645,000 premises across Wales were able to access superfast broadband as a result. BT has confirmed it expects to deliver 30Mbps download speeds to around 690,000 premises before the programme closes at the end of December 2017.

Whole counties such as Gwynedd, Conwy and Anglesey would have no superfast broadband at all without the intervention of Superfast Cymru. The most recent Ofcom report showed that Wales has the best superfast broadband availability amongst the devolved nations, with over eight out ten premises with access. This compares with just over half in 2014.

We are currently consulting on the next stage where we are looking at the final few percent of premises not covered by the Superfast Cymru rollout or by the telecommunications companies' own plans. The consultation is the result of detailed research and includes a list of potential premises without superfast broadband. We would urge those currently without access to take part in this consultation.

**5. Prosperity for All Strategy**

On 19<sup>th</sup> September, we will be publishing a simple, cross-government national strategy, Prosperity for All. It will cover activity over this term, and lay the foundations for further action over the longer term.

The national strategy will provide the framework and form the basis for all that we will do. A single national strategy is needed because the issues that Wales faces can only be tackled through working differently, in particular by joining-up programmes and working across boundaries to deliver Government priorities. The national strategy will include twelve whole of government objectives under each of the four areas of *Prosperous and Secure, Ambitious and Learning, Healthy and Active; and United and Connected*. These will be our well-being objectives and our contribution to the long term well-being goals for Wales.

To support this strategy and to provide further detail on the business, skills and infrastructure actions in the strategy, I will be publishing an Economic Development Plan later this autumn.