

INDUSTRIAL COMMUNITIES CROSS PARTY GROUP

Minutes of the Meeting held on Wednesday 13th June at the Pierhead Building, Cardiff Bay

1. Present

Vikki Howells AM (Chair); Cllr David White, Bridgend CBC; Peter Slater ICA Wales; R Lewis (Office of Vikki Howells AM); Cllr Jayne Brencher, Rhondda Cynon Taf CBC; Adil Pirmohamed, Neath Port Talbot CBC; Cllr Gareth Jones, Rhondda Cynon Taf CBC; Ryan Fiske (office of Mark Rekless AM).

2. Apologies

Apologies were received from: Ieuan Sherwood, Bridgend CBC; Cllr Graham Thomas, Rhondda Cynon Taf CBC; Ioan Bellin (office of Simon Thomas AM);

3. Minutes

The minutes of the Cross Party Group held on the 17th January 2018 were confirmed.

4. Introduction

Vikki Howells welcomed everyone to the meeting and introduced Tim Williams, Chief Executive, Welsh Automotive Forum. She went on to outline the challenges facing the automotive sector in Wales, including new emissions standards and Brexit, adding that the sector employed some 18,000 people in Wales

5. Tim Williams, Chief Executive, Welsh Automotive Forum

Tim Williams thanked the Chair for the opportunity to address the CPG and began with a reference to the recent press reports of Jaguar Land Rover's decision to move 'Discovery' production to Slovakia. He went on to describe how the relocation had in fact been planned since 2015 and suppliers had had time to plan for the eventuality. The headlines were, therefore, a little misleading.

Turning to the current position of the UK car industry, the meeting was informed that 1.67m vehicles were produced in 2017, down 3% on the previous year whilst diesel production had fallen by 9.8%. Tim Williams went on to say that the expected 2020 target of 2m vehicles was unlikely to be met for a variety of reasons, including the take over of Vauxhall by Peugeot, Brexit and the continuing issues surrounding diesel emissions.

Regarding the situation in Wales, it was noted the Forum represents 163 automotive companies including Ford, Toyota and Aston Martin, and includes 40 international Tier 1 companies. The strength of the sector in Wales, which employs 19,000 people and has a turnover of £3.5bn and pay roll value of £0.5bn, was attributed to the commitment of the parent companies and the supportive efforts of the Welsh Government. Reference was made to the strong research links with Welsh universities, although some wider concerns over the disconnect between education and industry, and the challenge of attracting new 'talent' to the sector, remained.

Concerning future challenges for the sector, reference was made to the impact on consumer confidence arising from changes in vehicle excise duty, the introduction of more stringent MOT emissions' tests and the negative anti-diesel message emanating from government. In this respect Tim Williams stressed that the industry needed time to adjust to mobility transition and that this also required the support of a consistent approach towards investment, innovation and tax.

Referring to the Government's Industrial Strategy, and its five supporting pillars of *'ideas, people, infrastructure, business environment and places'*, Tim Williams went on to describe how together with future mobility developments, such as connected autonomous vehicles, the industry could be faced with a massive impact. He also emphasised that whilst the Forum welcomed the overall approach of the strategy with its focus on improving productivity and innovation, the competitive nature of Industrial Challenge Programme could make it difficult for some companies in Wales to access funding. As a result, the sector deals, such as the Faraday Challenge, were more likely to benefit larger companies such as Jaguar Land Rover in the Midlands. Tim Williams made reference to the new Chair of the Welsh Automotive Forum, Professor Richard Parry-Jones CBE and that Richard is the Chair for the Faraday Battery Challenge. It is hoped that the proposed competition for the funding of autonomous vehicle development might be of benefit to research being undertaken at Cardiff and Swansea Universities, linked to the Welsh Government's investment of £100m in the Tech Valleys initiative.

Continuing with the theme of transition, references were made to the ongoing development of hydrogen fuel cell powered vehicles and the role of technology road maps in assisting companies to move into new product lines. The Wales Economic Action Plan was also commended for its focus on decarbonisation, innovation, skills and research and development, as was the Welsh Government's support for the Toyota Lean Management Course.

Tim Williams concluded with an assessment of the impact of Brexit on the automotive sector. He stated that whilst the industry had considerable leverage in terms of imports and exports, no one knows what is going to happen as a result of leaving the EU, other than that

Brexit will have an impact. Examples of the likely consequences include increased administration costs, issues over rules of origin, increased time delays, increased stock holding and addressing conformity codes etc. Reference was also made to the Welsh Government's £50M EU Transition Fund, aimed at helping companies plan for Brexit, and the proposal for a £0.5m bid for support for the automotive sector. It was also agreed to circulate a copy of an earlier paper (2016) written by Tim Williams and Professor Garel Rhys on *'Brexit? Cool Heads will see the way to Prosperity.'*

There followed a wide-ranging discussion on some of the far-reaching issues arising from the presentation. These included: the impact of AI; the impact of changes to the rules of origin and what will qualify as a British car; how local authorities can secure some of the economic benefits of new developments in the sector; issues surrounding the installation of charging infrastructure for electric vehicles; the consequences of falling government tax revenues with the onset of electric vehicles.

The meeting concluded with a discussion on the Welsh Government's SMARTcymru initiative, designed to support R&D initiatives, and the difficulties faced by companies in meeting the criteria. In this respect, the meeting was informed that in Neath Port Talbot, for example, not one company had been able to match the SMARTcymru profile. Arising from the discussion, it was agreed that the matter would be raised with Cabinet Secretary for Economy and Transport.

The meeting thanked Tim for his informative and thought-provoking presentation.

6. Next Meeting

Suggested topics for the next meeting (September 2018) included the A465 Heads of the Valleys Strategy, the Welsh Aerospace sector and the impact of AI.

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