

Council for Economic Development Meeting Note

Time: 9.30 am – 11.30 am

Date: 12 October 2017

Venue: Conference Room 6, CP2, Cardiff

Ministers in Attendance

Rt. Hon Carwyn Jones AM	First Minister
Ken Skates AM	Cabinet Secretary for Economy and Infrastructure
Mark Drakeford AM	Cabinet Secretary for Finance and Local Government
Dame Shan Morgan DCMG	Permanent Secretary

Stakeholders in Attendance

Leighton Jenkins	CBI
Lloyd Powell	ACCA
Martin Warren	ICAEW
Robert Lloyd Griffiths	IoD
Ifan Glyn	FMB
Ben Cottam	FSB
David Morgan	RICS
Elgan Morgan	South Wales Chamber of Commerce
Nigel Keane	Wales Social Partners Unit (WSPU)
Derek Walker	Wales Cooperative Centre
Martin Mansfield	Wales TUC
Julie Cook	Wales TUC
Alex Bevan	Wales TUC

Apologies

Chris Sutton	CBI (Vice Chair)
Ian Price	CBI
Julie-Ann Haines	CML
Paul Byard	EEF (Chair of Commerce Cymru)
Ian Gallagher	Freight Transport Association
Mark Harris	Home Builders Federation
Huw Thomas	NFU
Lowri Morgan	The Law Society
Heather Myers	South Wales Chamber of Commerce
Heather Eason	Wales Social Partners Unit (WSPU)
Mark Judd	Wales Social Partners Unit (WSPU)

Welsh Government officials

James Price	Deputy Permanent Secretary
Tracey Burke	Director, Economy & Infrastructure Strategy
Huw Morris	Director, Skills, Higher Education & Lifelong Learning
Jonathan Price	Chief Economist
Paul Harrington	Agenda Item 2
Nick Sullivan	Agenda Item 3
Peredur John	Agenda Item 4
Rhodri Griffiths	Agenda Item 5
Jane Anstee	Note taker
Derek Goode	Note taker

1. Introductions & Opening Remarks

- 1.1 The First Minister welcomed members and set out the four main agenda items:
- EU Transition update
 - National Procurement Service and Value Wales
 - Prosperity for All: The National Strategy
 - Update on Rail.
- 1.2 The First Minister added there were six papers to note: five Annual Reports on the Implementation of the Welsh Ministers' Business Scheme; and the EEF's paper 'Making Sector Deals work for industry'.

2. EU Transition Update

- 2.1 The First Minister said the EU Transition paper updates the Council on developments since the last meeting. The First Minister said he had written to the Rt Hon David Davis MP, Secretary of State for Exiting the European Union, following the last Council meeting, inviting him to the Council. The First Minister expressed his disappointment that the Secretary of State was not able to attend.
- 2.2 The First Minister explained the Welsh Government had published amendments to the EU (Withdrawal) Bill jointly with Scotland¹. As currently drafted, the Bill would impose new constraints on devolved powers and enable UK ministers to amend devolved legislation. He added the amendments were not about blocking the decision to exit the EU, but about protecting Welsh interests.
- 2.3 The First Minister highlighted the Welsh Government's latest EU Exit paper, which sets out a fair approach to future migration to the UK². He added the paper proposed a system which would ensure future migration to the UK is linked to employment.
- 2.4 The First Minister said the UK Government published two papers in the recess: future customs arrangements³; and Northern Ireland and Ireland⁴. He explained there had been no consultation with the Welsh Government about either paper and only minimal advance notice of their publication. On 18 August, the First Minister issued a Written Statement on the two documents, setting out the Welsh Government's concern about both the content of the documents and the UK Government's process⁵.

¹ <http://gov.wales/newsroom/firstminister/2017/170919-fms-call-on-pm-to-work-with-devolved-nations/?lang=en>

² <http://gov.wales/newsroom/firstminister/2017/170907-brex-it-and-fair-movement-of-people/?lang=en>

³ <https://www.gov.uk/government/publications/future-customs-arrangements-a-future-partnership-paper>

⁴ <https://www.gov.uk/government/publications/northern-ireland-and-ireland-a-position-paper>

⁵ <http://gov.wales/about/cabinet/cabinetstatements/2017/ukgovdocsbrexit/?lang=en>

- 2.5 The First Minister explained although the Prime Minister's Florence speech⁶ was a step in the right direction, in many ways reflecting the position set out in the Welsh Government's White Paper⁷, the more recent talk on "no deal" was concerning.
- 2.6 The First Minister said the UK Government had published its paper on preparing for future UK trade policy on Monday⁸. He was disappointed this had been done with minimal advance notice, and was concerned about any greater customs burden falling on Welsh businesses involved in exporting to the EU. He said he had already raised this at the JMC EN⁹ and would raise it again at its meeting next week.
- 2.7 The First Minister informed the Council about the meeting he and the Cabinet Secretary for Finance and Local Government had had with Damian Green, First Secretary of State and Minister for the Cabinet Office. The First Minister pressed for more regular meetings involving the same participants. The First Secretary agreed with this.
- 2.8 The First Minister invited the Cabinet Secretary for Finance & Local Government to comment.
- 2.9 The Cabinet Secretary for Finance and Local Government highlighted how the economy and jobs were the foremost priorities in a jobs first EU exit. He then set out the main messages the Welsh Government would continue to feed into this process.
- trade and the economy must be the first priority
 - continued full and unfettered access to the single market and continued participation in the Customs Union with the EU
 - credible and evidence based ideas on policy areas such as fair movement of people.
 - oppose any notion of "No Deal" which would be catastrophic for Wales.
- 2.10 The Cabinet Secretary for Finance and Local Government explained the good working relationship on EU transition issues between Welsh Ministers and counterparts in Scotland. He emphasised the role of the EU in the negotiations and highlighted the part he was playing through engaging constructively with key influencers in the Commission and European Parliament.
- 2.11 The Cabinet Secretary for Economy and Infrastructure said he had hosted the first EU Exit Working Group Meeting last week¹⁰ where Professor Max Munday talked about his recent report, looking at the impact of a harder EU exit on large and medium sized firms in Wales.

⁶ <https://www.gov.uk/government/speeches/pms-florence-speech-a-new-era-of-cooperation-and-partnership-between-the-uk-and-the-eu>

⁷ <http://gov.wales/newsroom/firstminister/2017/170123-brex-it-plan/?lang=en>

⁸ <https://www.gov.uk/government/publications/preparing-for-our-future-uk-trade-policy>

⁹ JMC(EN) - Joint Ministerial Council (European Negotiations)

¹⁰ <http://gov.wales/newsroom/businessandconomy/2017/59303794/?lang=en>

- 2.12 The Cabinet Secretary explained the Welsh Government had commissioned Cardiff Business School to produce this report. He added further work would be undertaken including:
- identification of any EU exit opportunities and communicating those to business
 - aligning the different 'strands' of work taking place on EU exit
 - drawing out the particular impacts of EU exit on SMEs
 - further scoping of EU exit scenarios, including some of the 'softer' EU exit scenarios
 - improving our understanding of the impacts of non-tariff barriers
 - how best to support businesses to increase trade in the UK's internal market.
- 2.13 Ben Cottam said the FSB had published a Report, "Wales' missing Middle" which finds common cause with Welsh Ministers thinking on EU exit. Ben added the report focuses on medium-sized firms in Wales and how the growth in the number of medium sized firms could be supported¹¹.
- 2.14 Ben expressed concern at the lack of progress in negotiation, and the need for the UK Government to work with the Welsh Government and other devolved administrations. He explained FSB members were particularly concerned about:
- tariff and non tariff barriers
 - export activity
 - access to skilled EU workers.
- 2.15 Ben also highlighted there had been a slide in the business confidence and he was disappointed David Davis had not accepted the invite to this meeting.
- 2.16 Robert Lloyd Griffiths pointed to a dip in confidence and increased confusion amongst members. He welcomed Professor Munday's report which in his view highlighted the impact of uncertainty on Anchor companies and RICS. He added businesses needed clarity and agreed the needs of the economy must be at the forefront of EU exit negotiations.
- 2.17 Julie Cook said she was pleased with the Welsh Government's Migration White Paper and it covered the need for better enforcement of legislation to tackle exploitation of workers. She emphasised the importance of fair work and the role collective bargaining plays in this.
- 2.18 Leighton Jenkins said recent UK Government announcements had been concerning. He explained how businesses needed certainty as they had a duty to their shareholders to run as usual, and they did not want additional trade barriers within the UK. He said businesses were being forced to take decisions in an uncertain environment.

¹¹ http://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb_missing_middle_eng.pdf?sfvrsn=0

- 2.19 Martin Mansfield said a 'no deal' scenario would present a fundamental risk to the Welsh economy. He added fair work for working people was fundamental, and the Wales TUC opposed any 'power grab' by the UK Government.
- 2.20 The First Minister highlighted some of the issues around a 'no deal' scenario. For example the Gibraltar and Northern Ireland border issues would have to be settled. Customs structures at all border points would need to be set up and the UK Government is not ready to do this. The alternative is to put the burden on businesses which is clearly unacceptable.
- 2.21 The First Minister said failure to do a deal with our closest and biggest trade partners in the EU would pose a direct threat to the economy, business and jobs.
- 2.22 The First Minister explained the European Union (Withdrawal) Bill as drafted would take powers away from Wales, undermining devolution. He emphasised the need to arrive at common UK frameworks by consent. He added resolution of the border issue in Northern Ireland and participation in the customs union are key to Welsh interests.
- 2.23 The First Minister explained the steps the Welsh Government is taking both to strengthen trading relationships with the EU and also further afield, including North America and the Middle East.
- 2.24 The Cabinet Secretary for Finance and Local Government emphasised the Welsh Ministers want to work constructively with the UK Government, and were keen to have detailed discussions about agreed frameworks.
- 2.25 Leighton Jenkins agreed the UK frameworks had to be developed with the Devolved Administrations. He expressed an interest in signing a joint communique if Welsh Ministers considered it helpful.
- 2.26 The Cabinet Secretary for Economy and Infrastructure said he would reflect on Julie Cook and Martin Mansfield's comments about fair work. He added he thought it would be helpful to share Professor Max Munday's Report with all Council members.

<p>ACTION: Officials to circulate to members Professor Max Munday's Report which looked at the impact of EU exit on large and medium sized firms in Wales.</p>

- 2.27 The Cabinet Secretary for Economy and Infrastructure thanked the Council for their contributions. He said the work of the EU Exit Group would be important in helping Welsh businesses meet these challenges and the Welsh Government would continue efforts to get the Secretary of State for Exiting the EU to attend the Council.

- 2.28 Derek Walker said Professor Munday's Report was useful and he was pleased the Welsh Government would be circulating it. He said large businesses in Wales see few positives in EU exit. He also pointed out Wales had lots of experience on Regional Economic Policy that the UK should take advantage of in developing their own policies post EU exit.

3. National Procurement Service and Value Wales

- 3.1 The First Minister highlighted the importance of procurement in supporting our economic development ambitions. He highlighted the role procurement can play both in helping business growth and supply chains and also in supporting decent work and better jobs closer to home.
- 3.2 The Cabinet Secretary for Finance and Local Government said the public sector in Wales spends billions annually through the procurement of works, goods and services. He said he was committed to using procurement expenditure from across the public sector to promote Wales as a good place to do business and to provide mechanisms that allow suppliers of all sizes to flourish.
- 3.3 In developing a new programme for procurement, policy will drive maximum social and economic value for Wales. The Cabinet Secretary added that for maximum economic benefit we were aligning expenditure with legal and ethical practices in the supply chain.
- 3.4 Through the adoption of a Community Benefits approach 81% of the investment measured, some £1.4 billion, has been retained by Wales based business. This approach has meant over 2,000 people have been helped into employment and over 45,000 weeks of training has been provided from public sector contracts.
- 3.5 The Cabinet Secretary for Finance and Local Government said EU exit potentially provides an opportunity to do work in new and different ways.
- 3.6 Martin Warren pointed to variable procurement performance in different parts of the public sector.
- 3.7 Ifan Glyn pointed to Procurement Fitness Check reports that highlighted issues. He asked about action the Welsh Government could take to encourage or penalise those organisations or contractors missing targets.
- 3.8 Alex Bevan said the new regional approach would test whether procurement could deliver good jobs and pay in disadvantaged areas.
- 3.9 The Cabinet Secretary for Finance and Local Government said capability and capacity was critical to enable procurement to have the greatest impact for Wales. He added an investment in career pathways was needed so public bodies did not lose staff they had invested in as they advanced their careers.

- 3.10 The Cabinet Secretary for Finance and Local Government said in relation to Fitness Checks, the Welsh Government worked with local authorities and also provided advice. He added he was looking to create a situation where public authorities learn from each other across Wales. He also pointed to the National Procurement Service which is there to bring consistency and innovation into procurement in Wales.

4. Prosperity for all: The National Strategy

- 4.1 The First Minister highlighted the need to ensure activity is focussed in priority areas. He added the Strategy set out the priorities which would only be delivered if all parts of the Welsh Government work together. The First Minister said the Strategy would be followed by a small number of Action Plans, which would provide more detail.

- 4.2 The Cabinet Secretary for Economy and Infrastructure was asked by the First Minister to introduce work being done on the Economic Action Plan (the Plan).

The Cabinet Secretary explained the Plan would look across Government to support inclusive growth, spread opportunity and promote well-being. He explained the Plan would drive three key changes:

- an economic contract - to deliver public investment with a social purpose
- focus on a fewer number of National Sectors and support for a limited number of foundation sectors
- regionally focussed economic development.

- 4.3 Ben Cottam said there was little for him to disagree with regarding the Strategy and he looked forward to more detail in the Plan. He added he welcomed the trade and investment set out in the Strategy. He said the FSB had suggested the setting up of a new Rural Task Force and a Rural Challenge Fund. He said he looked forward to the Welsh Government's interpretation of a smarter regulatory framework.
- 4.4 Martin Mansfield said he understood the challenges of developing strategy against the uncertainties of austerity and EU exit. He welcomed the approach in the Strategy and said social partners would help to deliver priorities. He said fair work was fundamental, and the Welsh Government, in conjunction with UK Government, should apply Fair Work principles to all it does.
- 4.5 Robert Lloyd Griffiths said he broadly supported the Strategy. He asked the Plan be communicated effectively, and that it delivers a long term approach.
- 4.6 Leighton Jenkins highlighted the role of the National Infrastructure Commission and pressed the case for faster decision making. He cited the M4 relief road as an example of a major infrastructure project where he would wish to see quicker and more responsive decision making.

He said there were many priorities in the Strategy and suggested the Welsh Government followed CBI's example of using a traffic light approach and confirm what it was and was not doing.

He also suggested the public sector could learn from private sector businesses to improve the effectiveness, efficiency and impact of actions.

- 4.7 Martin Warren said he supported the Strategy and looked forward to the detail of the Action Plans. He added he was keen to learn how the Welsh budget would support the delivery of the priorities.
- 4.8 Martin Mansfield explained the difficulties in comparing the private sector with the public sector – given that the latter is responsible for many public services whose provision is not market driven or profit-making. Leighton Jenkins recognised this and suggested best practice can be looked at.
- 4.9 The First Minister highlighted how regional economic development would feature in the Plan. He added the Local Government Bill would make it easier to develop regional partnerships, and it would make it mandatory for them to focus more on co-operation and economic partnerships.
- 4.10 The First Minister said as EU funding was withdrawn, new ways of funding would need to be developed including rural and urban areas working together on common issues. He added the National Assembly would vote on the budget before Christmas. The First Minister said the Assembly's budget had been decreasing since 2009 and it was clear they had to ensure best value for every pound spent - innovative ideas would be considered.
- 4.11 The Cabinet Secretary for Economy and Infrastructure said fair work would be a priority within the Economic Action Plan. He added improving skills would also feature, and Business Wales would continue to be an important first point of contact in offering advice and support to the economy of Wales.
- 4.12 The Cabinet Secretary for Economy and Infrastructure said the Development Bank for Wales had doubled the finance that was previously available to businesses, and its location strategy ensured that it covered the whole of Wales.
- 4.13 The Cabinet Secretary highlighted the opportunity for social businesses as part of the foundation economy and confirmed the Plan would be long-term in its approach, retaining the ability to be flexible in responding to short term pressures in the economic cycle.
- 4.14 The Cabinet Secretary for Economy and Infrastructure suggested there was a role for the public sector to contribute towards productivity, and referred to Be the Spark initiative as an example. He said he was also in conversation with the Cabinet Secretary for Health and Social Services on innovation in the Health Service.

5. Update on Rail

- 5.1 The Cabinet Secretary for Economy and Infrastructure explained the vision for a modern and integrated network. He added that on 28 September, the bidders were invited to submit final tenders by 21 December. He said the current franchise let in 2003 was not fit for purpose because it had not factored in any growth in passenger numbers. Passenger numbers over that period had almost doubled to 32 million.
- 5.2 The Cabinet Secretary for Economy and Infrastructure said through the procurement process, bidders had been incentivised to develop high-quality bids. He added that alongside the Wales and Borders franchise, the Welsh Government was also responsible for delivering the Metro, which contributes to its objective of delivering modern and connected infrastructure.
- 5.3 The Cabinet Secretary for Economy and Infrastructure said he had had helpful discussions with the Trade Unions. He added that last week he had reached agreement with the Trade Unions about having a guard on trains. He said he would send the new rail franchise brochure to members of the Council. This would help provide the broader vision for public transport in Wales.

<p>ACTION: The Cabinet Secretary for Economy and Infrastructure said he would arrange for the brochure on the new Rail franchise to be issues to Council members.</p>
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- 5.4 The Cabinet Secretary for Economy and Infrastructure said over time he intended to secure the necessary powers to enable Transport for Wales to take on a wider range of transport functions.
- 5.5 Martin Mansfield said he welcomed the social partnership with the Welsh Government to deliver a world class railway for commuters, the economy and communities. Whilst falling short of public ownership, the Welsh Government's proposals were significantly better than those in England and he welcomed the more social and customer orientated approach.
- 5.6 Derek Walker said the franchise was a great opportunity for a new direction and stressed the importance of maximising the procurement opportunities.
- 5.7 David Morgan and Ben Cottam said they were disappointed with the UK Government's decision not to electrify the Great Western main line between Cardiff and Swansea.
- 5.8 Ben Cottam said he welcomed the Transport for Wales model.

- 5.9 Lloyd Powell commented upon the age of the rolling stock and the lack of capacity at key pinch points. He welcomed anything that could improve this.
- 5.10 The Cabinet Secretary for Economy and Infrastructure commented upon the procurement and wider opportunities. He added he would be meeting the Secretary of State next Monday to discuss some of the issues raised, including rail franchises, electrification, and the £700m saving to the UK Government for not electrifying the line between Cardiff and Swansea.
- 5.11 Robert Lloyd Griffiths said the abolition of the tolls at the Severn Bridge would create a bottleneck at the Bryn Glas Tunnels, and the Welsh Government needed to start the M4 improvements.
- 5.12 The Cabinet Secretary for Economy and Infrastructure said there will be a predicted 20% increase in the volume of traffic each way once the tolls are abolished.

6. (6a) Notes and (6b) Action from meeting held on 19 July

- 6.1 The First Minister said a note of the meeting of the 19 July 2017 had been circulated. Members were asked for comments and to agree the note.
- 6.2 The meeting note was agreed and there were no actions outstanding.

7. Next Meeting

- 7.1 The First Minister said the next Council meeting would be on 1 February 2018. He added a special meeting would be called if the Secretary of State for Exiting the European Union could attend to discuss latest developments.

8.0 Any Other Business

- 8.1 The First Minister asked if there was any other business. None was raised.
- 8.2 The First Minister closed the meeting and thanked the Council members for their contribution and attendance.

9.0 Close