

## **Council for Economic Renewal Meeting**

Notes of the meeting held at 10:30am on 1 February 2016 in Conference Room 6, Welsh Government Offices, Cathays Park, Cardiff.

### **Ministers in Attendance**

Carwyn Jones AM	First Minister
Edwina Hart AM	Minister for Economy, Science and Transport
Jane Hutt AM	Minister for Finance & Government Business

### **Stakeholders in Attendance**

Alex Bevan	Wales TUC
Tony Brady	Unite Wales Steel Industry Officer
Paul Byard	Chair of Commerce Cymru
Ben Cottam	FSB
Heather Eason	WSPU
Rob Edwards	Community Union Wales Secretary
Steve McCool	Community Union Steel Industry National Officer
Robert Lloyd Griffiths	IoD
Mark Judd	WSPU
Nigel Keane	WSPU
Lowri Morgan	The Law Society
Martin Mansfield	Wales TUC
David Morgan	RICS
Keith Palmer	South Wales Chamber of Commerce
Ian Price	CBI Wales
Huw Roberts	IoD
Derek Walker	Wales Cooperative Centre
Martin Warren	ICAEW

### **Apologies**

Steven Crabb MP	Secretary of State for Wales
Ian Gallagher	Freight Transport Association
Ifan Glyn	FMB
Julie-Ann Haines	CML
Mark Harris	Home Builders Federation
Emma Watkins	CBI
Anthony Walters	ACCA
Jonathan Price	Welsh Government

## Welsh Government special advisors and officials attending

Derek Jones	Permanent Secretary
Andrew Bold	
Tracey Burke	
Jarlath Costello	
Carys Evans	Agenda Item 5
Paul Harrington	Agenda Item 6
Ron Loveland	Agenda Item 3
Huw Morris	
Mick McGuire	
James Price	
Kerry Stephens	Agenda Item 4
Julian Carpanini	Note taker
Huw Griffiths	Note taker

### 1. Introduction and opening remarks

1.1 The First Minister opened the meeting by welcoming members and proceeded to set out the main agenda items.

1.2 There were two papers to note listed in section 8.

1.3 The First Minister explained that Item 4 - Better Jobs Closer to Home - would appear ahead of the Item 5 - Wales Bill discussion as the Minister for Finance needed to leave to attend another meeting.

1.4 The First Minister noted apologies from Members and welcomed attendees from the Community Union for the Steel Industry discussion (Item 3). He expressed regret at the absence of the Secretary of State for Wales who had been unable to attend.

### 2. Notes and actions from meeting held on 5 October 2015

2.1 The First Minister sought comments on the notes of the previous meeting and whether there were any issues of accuracy – none were reported. The notes were therefore accepted as an accurate record.

2.2 The First Minister identified one action from the last meeting concerning Welsh Government support for supply chain development which was included as a paper for Members to note.

### 3. Steel and wider UK issues

3.1 The First Minister explained that this item had been requested by several Council Members.

3.2 The First Minister stated the recent news from TATA in respect of its operations in Wales was a blow to the immediate workers and families there plus those throughout its supply chain. He explained that the Welsh Government had a strong relationship with TATA and was working with trade unions to help mitigate the impact of this announcement. A formal process of consultation with staff was underway with preparatory work to support any displaced workers in train.

3.3 The First Minister referred to the Minister for Economy, Science and Transport (MEST) having chaired a high-level Task Force meeting with the remit to consider mitigating actions and local economic and supply chain impact and that the Minister would provide the Council with feedback.

3.4 The First Minister confirmed Welsh Government officials were in regular contact with TATA and spoke about a range of matters being considered, including support for research and development, business rates, environmental aid and training.

3.5 There were two papers for the Council to consider – one produced by the Welsh Government and one provided by the EEF. There were several key areas:

- European-wide issues including the dumping of cheap steel;
- Strength of the pound affecting UK trade;
- Energy costs in the UK compared with some other European countries.

3.6 The First Minister invited contributions from MEST, Unite and Community Unions and Paul Byard, EEF.

3.7 The Minister for Economy, Science and Transport updated the Council on the first Task Force meeting. The Minister confirmed that the Task Force would be working constructively in reviewing options. The next Task Force meeting would be attended by Lord Bourne on behalf of the Wales Office and DECC. Discussions were ongoing with Treasury in respect of the establishment of the TATA site as an Enterprise Zone.

3.8 Paul Byard welcomed the Welsh Government's proactive stance and acknowledged the Task Force would benefit from Roger Evans' participation given his experience with Murco. He explained that the paper highlighted the key issues impacting on the industry, citing specifically energy and steel costs. The steel sector would benefit from co-ordinated action to future proof the industry through a co-ordinated industrial strategy.

3.9 Martin Mansfield introduced Steve McCool of the Community Union. Steve referred to Unions' previous engagement on Task and Finish Groups associated with shaping the steel agenda in the North East of England and Scotland. Whilst welcoming moves such as the extension of business rate relief, these he believed were relatively superficial in the bigger scheme of things. He believed the solution existed in a UK wide procurement strategy that would favour the adoption of UK steel in UK projects.

3.10 Steve McCool suggested a UK-wide steel strategy would be a progressive move. He highlighted the consequence of conferring market economy status on China which was ultimately leading to the loss of thousands of EU jobs. He urged that lobbying at the highest levels within UK Government to secure a commitment to the future of the industry be undertaken. He reported that TATA appreciated the Welsh Government's commitment to the industry but doubted the UK Government's.

3.11 Tony Brady sought suggestions on the range of issues to submit before the UK Government and registered that the absence of the Secretary of State meant Council Members could only discuss key issues amongst themselves rather than pose questions to key UK decision makers.

3.12 Rob Edwards referred to the EU's 13% levy on 'rebar' steel products which failed to go far enough. A more robust response was needed given that steel production represented 3% of Wales' GDP - a significant economic contribution.

3.13 The First Minister commented the EU, UK and Wales could all undertake actions reflecting their own levels of responsibility. A measure like Business Rates had modest impact compared with something such as a reduction in energy costs. The UK steel industry needed a clear indication of Government commitment at the highest levels to instil confidence in future investment.

3.14 Steve McCool believed action was needed now to sustain the industry and pointed to a future time when steel would be required for major UK capital investment schemes yet there would not be a UK steel industry to reap economic benefit. He too believed that a procurement and manufacturing strategy would be a key component of any plan.

3.15 Ben Cottam stated this was an opportunity to consider the robustness of the local community as a diversified economy would be one more resilient to fluctuations.

3.16 The First Minister referred to the Tidal Lagoon and the huge opportunity for Port Talbot to supply raw product. He commented that delays on the Lagoon and other large projects (like rail electrification) were harming the steel industry and impacting on job creation, procurement, tourism and energy creation opportunities.

3.17 Steve McCool commented that steel communities never fully recover from major restructurings and highlighted the risk of Port Talbot becoming an unemployment blackspot. Only two steel plants of their kind remain in the UK – Scunthorpe and Port Talbot and it was important to fight for their future.

3.18 MEST referred to actions underway to diversify the local economy which would be stimulated by the new Enterprise Zone status. The Minister said there was work underway with TATA's supply chain and TATA staff were valued highly as a resource should any be released. The Minister believed steel communities can recover and cited the example of the regeneration of Ebbw Vale.

3.19 Rob Edwards concurred with the point about using UK steel in UK projects and referred to the existence of evidence of substandard steel being imported to the UK. He highlighted the risk of that being used in projects such as the new nuclear plant in North Wales.

3.20 Martin Mansfield stated the UK Government needs to act given its Member State status, as applications for EU funding, such as the European Globalisation Fund, can only be made by Member States.

3.21 The First Minister suggested a note be drafted for Council sign off urging the UK Government to register an application for assistance under the European Globalisation Fund. That was unanimously agreed by Members. The Minister for Economy, Science and Transport stated the Task Force had identified this potential funding source too.

#### **4. Update on Better Jobs Closer to Home**

4.1 The Minister for Finance introduced the paper as a progress report on the previously agreed strands of delivery following the Wales TUC proposal.

4.2 The Minister stated momentum was building on existing community benefit work in relation to procurement policy and how a whole-Government approach was required and there is a role for social partners in this.

4.3 The National Procurement Service (NPS) can be used as a strategic vehicle for delivering all Wales contracts. The NPS had provisionally identified two potential contracts for delivery by 2017/18; one for uniforms and one for flooring. Both contracts are in the current NPS pipeline although there is further scoping to be undertaken. In the delivery of these contracts there would be possible supply voids offering opportunities for local suppliers and for skilled work.

4.4 The Wales Cooperative Centre was very supportive of this work and had worked with officials to develop an options paper for employment centres. To maintain momentum Value Wales was seeking a dedicated project manager.

4.5 Martin Mansfield was pleased that the Welsh Government was taking up this agenda, and he was looking forward to the delivery challenge. He cautioned that boundaries relating to EU legislation would need to be pushed. He referred to the wider UK benefit associated with the success of this initiative as it could enable UK Government to also look at supporting disadvantaged industries, not simply individuals.

#### **5. Wales Bill**

5.1 The First Minister explained that the UK Government's proposed Wales Bill would involve major changes to our devolution settlement and it was important for the Council to be aware of the fast moving debate on the issues.

5.2 The paper outlined the Welsh Government's position and the First Minister commented that in its current form the Wales Bill was unworkable. It introduced new restrictions on the Assembly's ability to legislate on devolved matters which were incompatible with the 2011 referendum result.

5.3 New restrictions include obtaining the consent of the UK Government before Welsh Ministers can legislate in areas which did not previously require consent. If the Bill was enacted, as drafted, it would actually push back Welsh devolution, increase uncertainty and introduce a risk of frequent legal challenge in a way that does not impact Scotland or Northern Ireland.

5.4 Comparisons were drawn with Scotland which enjoyed far greater autonomy. In the legal field, Wales was a distinct jurisdiction with a distinct body of Welsh law, but that did not require an alteration to processes as courts, for example, were a shared resource.

5.5 The Council supported the First Minister's position that the Bill should not complicate the settlement or reduce powers relative to the current position. Key comments were:

- **IoD** – its members wanted simple, transparent and effective government. The settlement being proposed was significantly more complex as it increased uncertainty about which Government to turn to and would incur increased administration costs.
- **Law Society** – said Wales deserved better because the Wales Bill as currently drafted would impede Wales' future development as a nation and an economy.
- **Wales TUC** –was supportive of the reserved powers model and the Secretary of State needed to find a workable solution to the problems identified by the Welsh Government.
- **FSB** – urged caution not to undermine the economic confidence of Wales especially in the competitive intra-UK context and needed to utilise the powers available to us as effectively as possible.
- **CBI** – For many the importance of this debate will be recognised too late in the game.

## 6. Wales' Place in the EU

6.1 The First Minister commented that Wales' political parties would be focussing on the Welsh election and outlined the difficulty of fighting another campaign if the EU referendum was to take place in June. This whole issue deserved better timing to facilitate appropriate political campaigning.

6.2 Ian Price commented that the CBI favoured a reformed Europe and commented the UK Government wanted the referendum at the end of June but that could change.

6.3 Ben Cottam stated the majority of FSB members would say the UK should stay. However, business wanted to hear the benefits of membership and the timing of the referendum might mean that we would not benefit from a proper campaign.

6.4 The First Minister said that polls suggested the UK should remain in the EU. He said there was need to reform the EU as, in some respects, it was not totally transparent. If the UK left, it would need to negotiate many tens of free trade agreements. He also added that half of our exports were to the EU so we were very much reliant on existing relations.

6.5 Robert Lloyd Griffiths stated that IoD members were slightly more ambivalent saying that the EU needed reform and the subject matter of this referendum was different to the previous one.

6.6 Martin Mansfield indicated a supportive position for the EU saying it would be disastrous for the UK and Wales if the UK withdrew.

## **7 Update paper from the Executive Working Group**

7.1 Tracey Burke presented a paper that served to update the Council on the work of the Executive Working Group (EWG). The main proposals were for members to feed in their views on the operation of the EWG; that a date for the Council to meet early in the new Government term be agreed; and that early decisions would be needed on how the Council can assist the new Government and the need for an industrial strategy.

7.2 There was unanimous Council agreement to proceed on that basis.

## **8 Any Other Business**

8.1 The First Minister introduced the two papers to note providing updates on Economic Conditions and Major Project Supply Chain Opportunities and invited comments – there were none.

8.2 The First Minister closed the meeting and thanked Council members for their contribution and attendance.