

Council for Economic Renewal Meeting

Notes of the meeting held at 14:30 on 25 July in Conference Room 6, Welsh Government Offices, Cathays Park, Cardiff.

Minister in Attendance

Carwyn Jones AM	First Minister
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Stakeholders in Attendance

Alex Bevan	Wales TUC
Paul Byard	Chair of Commerce Cymru
Ben Cottam	FSB
Heather Eason	WSPU
Robert Lloyd Griffiths	IoD
Lowri Morgan	The Law Society
Martin Mansfield	Wales TUC
David Morgan	RICS
Elgan Morgan	South Wales Chamber of Commerce
Derek Walker	Wales Cooperative Centre
Martin Warren	ICAEW
Ifan Glyn	FMB
Mark Harris	Home Builders Federation
Nick Ireland	Wales TUC
Emma Watkins	CBI
Leighton Jenkins	CBI
Mike Jenkins	Wales TUC
Lloyd Powell	ACCA

Apologies

Ken Skates AM	Cabinet Secretary for the Economy and Infrastructure
Alun Cairns MP	Secretary of State for Wales
Ian Gallagher	Freight Transport Association
Julie-Ann Haines	CML
Mark Judd	WSPU
Nigel Keane	WSPU

Welsh Government special advisors and officials attending

Sir Derek Jones	Permanent Secretary
Tracey Burke	
Des Clifford	
Paul Harrington	
Andrew Jeffreys	
Darryn Lewis	
Toby Mason	
Andrew Mathias	
Huw Morris	
Mick McGuire	
Damien O'Brien	
James Price	

Jonathan Price	
Marion Stapleton	
Huw Griffiths	Note taker
Julian Carpanini	Note taker

1. Introduction and opening remarks

- 1.1 The First Minister opened the meeting by welcoming Members to a specially arranged meeting of the Council to discuss the European Union referendum result. The First Minister set out the main agenda items.
- 1.2 The First Minister commented on the impact of the result on business and working people during this challenging and uncertain time. He said that the role of Government is to provide stability and protect Welsh interests. He said it is important that he hears the views of Council Members.
- 1.3 The First Minister delivered the apologies of the Cabinet Secretary for Economy and Infrastructure who could not attend the meeting and then introduced the two substantive items and a paper to note.
- 1.4 The first paper set out the Welsh Government's position. The second paper sets out the perspectives of (a) the Wales TUC and (b) CBI Wales, FSB and IoD.
- 1.5 The First Minister informed the Council that neither the Secretary of State nor other Wales Office Ministers were able to attend the meeting. The Secretary of State had written to the Council conveying his apologies and his immediate thoughts on the challenges posed by EU withdrawal. The letter was circulated to members prior to the meeting.

2. Welsh Government position

- 2.1 The First Minister set out the Welsh Government's position and explained some of the measures the Welsh Government is taking to maintain business confidence. The First Minister noted that his Oral Statement in Plenary following the EU Referendum had been circulated.
- 2.2 He added that the result had created a lot of uncertainty as it was unclear what the intention to exit the EU would mean in practice. The First Minister identified six priority areas of action:-
 - a) Protecting jobs
 - b) Full involvement for the Welsh Government in discussions on UK withdrawal
 - c) Continuing access to the single market for goods and services
 - d) Security of funding budgeted under EU programmes until 2020
 - e) Long term revision of the Block Grant from the UK Government
 - f) A new post-Brexit relationship between Devolved Governments and the UK Government.

- 2.3 The First Minister said there were some areas where there was no UK regional jurisdiction / responsibility as they were devolved, citing the examples of agriculture and fishing. These were Welsh responsibilities but Wales needs the UK as the Member State to represent our interests. He said that devolved areas will need the four Governments' ratification.
- 2.4 The First Minister spoke about recently hosting the British-Irish Council meeting. He informed the Council that it was a good meeting at which he made the Welsh position clear. A discussion point was the border between Northern Ireland and the Republic of Ireland. Finance Ministers had also met and discussed the implications of the Referendum. He mentioned the resource of the Brussels Office and that an advisory group would be put in place drawing on experience in Wales. The First Minister had also set up a small team of senior officials.
- 2.5 The First Minister invited questions and Robert Lloyd Griffiths asked who would provide the lead in these arrangements, to which the First Minister responded that he would lead, bringing in experience as needed.
- 2.6 The First Minister stated that Wales is open for business and steps are being taken to support the economy. The First Minister then invited questions on what he had said so far.
- 2.7 Ben Cottam commented on the importance of the interface with business so that business organisations have engagement directly on the EU agenda. The First Minister agreed, saying that engagement will need to reach beyond the Council.
- 2.8 The First Minister explained that his red line was unfettered access to the Single Market. David Morgan said his organisation's staff in Brussels could offer support. Emma Watkins agreed unfettered access to the Single Market was important and provided an example of a company involved with Horizon 2020.
- 2.9 Martin Warren said that there is a risk the University sector could cease to be at the forefront of product development if funding is affected by exiting the EU.
- 2.10 The First Minister said there is a lot of uncertainty at the moment and it might be some time before matters become clearer.
- 2.11 Martin Mansfield asked about the advisory group stating that there is a need for social partners to come together in a Welsh summit on this matter and the TUC could help deliver a Welsh national plan. The First Minister said Wales should have a seat at the negotiating table to ensure that we approve of what is proposed to be implemented for Wales. The First Minister stated he preferred the Council for now rather than a summit. Martin Mansfield clarified that he wanted to have the opportunity of being part of negotiations where the experience of the TU movement can be given, whichever form of gathering was adopted.

- 2.12 Derek Walker referred to the First Minister's statement of 28 June, specifically the part on social cohesion and the view about communities left behind. He asked about the Welsh Government's response.
- 2.13 The First Minister said that people voted for a variety of reasons and added that people do not feel as secure as their ancestors and this was reflected in the referendum result.

3. Business Confidence

- 3.1 The First Minister moved on to the next agenda item on Business Confidence. He said Wales had a good reputation for business and needed to maintain it. He reported that he and the Cabinet Secretary for Economy and Infrastructure had been working with businesses and inward investors to provide reassurance.
- 3.2 The First Minister emphasised that we need to actively promote the message that Wales is open for business in order to steady the economy in these uncertain times. His message to business is clear – keep investing as Wales is a great place to do business.
- 3.3 The First Minister said the Cabinet Secretary had drawn up a plan to boost business confidence and this was being made public today. It will include:-
- a) A Growth and Prosperity Fund for SMEs to support business projects with jobs, growth and investment at their heart;
 - b) A pro-active plan for export support;
 - c) Pro-business messaging through communications platforms;
 - d) A programme of business engagement;
 - e) Plans to launch an all-age apprenticeship programme;
 - f) Infrastructure development. The First Minister expanded on this saying the proposals for the Metro are still ongoing but the current scale and speed might not be possible if we do not get the right resolution on European Union funding;
 - g) Reducing barriers to Welsh suppliers and SMEs;
 - h) An autumn campaign promoting Wales as a destination for start-ups, growth and investment;
 - i) Supporting tourism businesses. The First Minister used the example of success in European football which had given the opportunity to boost Wales's image which is business critical going forward; and
 - j) Developing competitiveness plans across Government.
- 3.4 The First Minister said that we have a comprehensive action plan in place and maintaining business confidence underpins our ambitions for Wales. He then asked the Council:-
- What is their take on business confidence?
 - What do companies need?
 - What can Government do?

- 3.5 Ben Cottam commented that ensuring business confidence is an imperative and key messages need to be reinforced. He would like more detail on intensifying tourism and encouraging exports. The low pound will rebalance so there is only short term benefit in this. He said that some businesses see opportunities, however, the information flow to SMEs is important eg via Business Wales. He suggested that the 'Brexit' team could signpost businesses so they can capitalise on opportunities.
- 3.6 James Price said engagement with companies is happening around the European angle and he will provide a note explaining what is being done.
- 3.7 Paul Byard said the current level of business confidence is shown through a slowdown in recruitment and exports. To restore business confidence in Wales, the approval of the Swansea Lagoon could put Wales on the map, drive jobs and growth. Alignment of the Lagoon project with e.g. European funds, the Wellbeing of Future Generations Bill, could address many issues in one go. Innovation in tidal energy could show Wales is open for business globally.
- 3.8 David Morgan indicated his support for the tidal lagoon which was a key ask in his organisation's manifesto request to all parties. He reported that when he was at the Royal Welsh Show he heard 'certainty' many times as a request from business so it is important to take steps to achieve this as soon as possible.
- 3.9 On the lagoon point, the First Minister answered that the Welsh Government has been pressing the UK Government for a decision on this for some time.
- 3.10 Paul Byard commented that in the broader context of the UK's energy policy, every possible benefit will be sought from new nuclear infrastructure. The First Minister said that in the UK our investment policy for energy infrastructure is to defer to foreign investors.
- 3.11 Paul Byard queried whether Wales has the capacity and capability for the Lagoon. He commented the lagoon project addressed many aspirations and it would have a positive multiplier effect on the economy. It is important to get the first right as it would serve as a useful precedent for subsequent lagoons.
- 3.12 David Morgan said that with the Commission withdrawing from engagement, this makes matters more difficult to progress.
- 3.13 Emma Watkins commented that the level of business confidence and the effects of Brexit have not been fully felt at this stage. Some suppliers are pushing up costs overnight, some are asking about moving their headquarters out of the UK. She reported that some companies are not investing in the UK and welcomed the Business Confidence plan. The UK Government is working on an industrial strategy and developing trade through UKTI. She suggested Welsh Government departments need to work together to ensure that their departmental work does not conflict with the wider drive to improve the Welsh economy. Effective access to the Single Market is important.

- 3.14 Martin Mansfield welcomed any engagement to keep business in Wales. He cited his concerns about business confidence, particularly if the process of EU withdrawal led to an economic downturn. If European Union funding is lost this would have an impact on Welsh Government finances. This is why he calls for a whole Government approach to prioritise interventions that will make the biggest impact on the economy. This should focus on the Valleys, Metro and disadvantaged people. What the TUC is interested in is for a strategy for the Welsh economy to focus on priority outcomes.
- 3.15 The First Minister said connectivity and skills are important. Anything that lessens the sense of distance, such as broadband, is good for Wales. Companies ask him about skills they need – companies come to an area if they think they can get appropriately skilled people. We need to be clever in attracting companies and our skills policy is one lever.
- 3.16 Martin Mansfield suggested that connecting individuals to jobs and market failure is an area where Government can make direct interventions. Martin Mansfield referred to the Better Jobs Closer to Home approach, procuring jobs through Government contracts.
- 3.17 The First Minister said that if it transpires that there can be more flexibility over procurement with the EU referendum result then this could provide opportunities.
- 3.18 Robert Lloyd Griffiths commented on his members delaying investment decisions, reporting instances of lost contracts and considering moving operations. He was encouraged by the news of the First Minister's group and James Price as the lead official in the team. Robert Lloyd Griffiths suggested that he meet James in his role as the Chair of Business Wales Strategic Board to discuss how Business Wales could disseminate information and support businesses on the wide range of concerns and opportunities.
- 3.19 Elgan Morgan raised the point that if businesses leave then what companies would replace them. He referred to the Growth and Prosperity Fund and business expectations and asked about the timescale for further information. The First Minister responded that there would be details available later. Tracey Burke added that it was hoped the information would be available later that day.
- 3.20 Derek Walker knew of examples of big businesses squeezing suppliers and banks making it more difficult for businesses in his sector to access funding. He welcomed the fund if it is open to his sector and said work could be done to increase opportunities around public sector contracts. His sector is reliant on European funds so this resource is crucial as banks do not always understand social funding models.
- 3.21 Ben Cottam suggested there could be better monitoring of economic indicators so we are aware of what is happening. Otherwise, evidence needs to be obtained in other ways like asking the hospitality community about their experiences to assess the situation.

- 3.22 Martin Warren said that some of his members are making negative decisions. He said that the longer there are delays with exercising Article 50 the more damaging it will be to business.
- 3.23 Jonathan Price's view was that protracted uncertainty is negative for the economy as it can lead to the postponement of investment decisions. Most information we have is anecdotal and it is useful to hear delegates' experiences today. There is some systemic evidence such as the Purchasing Managers' Index. UK data has taken a negative turn post-referendum which will reflect through GDP later in the year. UK CBI confidence survey is similar. If these were considered again later this month then the outcome would be similar.
- 3.24 David Morgan said that two of the biggest EU members have elections next year so that has to be borne in mind during talks.

4. TUC paper

- 4.1 The First Minister moved onto the TUC paper.
- 4.2 Martin Mansfield informed the Council that in the Valleys and other areas there are structural issues because of the loss of former industry there. Brexit could deepen issues in these areas. He said that social partners' engagement is needed in the approach. There should be a focus of government interventions to deliver and achieve outcomes to best effect. He suggested Government to engage with companies in these areas and seek the best outcomes in investments.
- 4.3 The First Minister said part of the budget process is to prioritise. Brexit could cost Wales three per cent of the budget. Some programmes will continue and others may continue at a different pace. He spoke about the Valleys needing to be more connected. In his view, some parts of the Valleys are doing well such as Merthyr and the southern parts of the Valleys. Some are hubs for job creation citing Merthyr again as an example. Manufacturing is important which is why we are working with TATA. On procurement it is important to share the policy ambitions through supply chains and to subcontractors such as the payment of the minimum wage. He commented on a delivery structure adding the Cabinet Secretary for Economy and Infrastructure is looking at advice groups with a view to rationalising them. The First Minister said that we need to ensure the skills that people have are the ones that are needed by employers.
- 4.4 Martin Mansfield asked for real time discussion to inform the setting of priorities. The TUC is interested in outcomes. He emphasised the need for a structure that enables on-going engagement with social partners.
- 4.5 The First Minister said that the Working Group might be the vehicle for real time engagement and agreed the Council is too large for that frequency of function.

5. Joint paper by CBI-FSB-IoD.

- 5.1 The First Minister moved on to the joint paper of the FSB and CBI. This paper stated that there is a need for business organisations to collaborate for real time discussion and data. A common theme is leadership. There is an expectation from business that UK and Welsh Government will work together. A jointly convened summit involving Welsh Government, Social Partners and the Secretary of State would get the right voices around the table to work through thematic areas. However, there is more work to do before this can happen.
- 5.2 The Council reflected that collaboration is needed for a Brexit-proof approach and that a Wales-based economic strategy could complement a UK strategy. There was welcome for the First Minister's approach that Wales is open for business. A comment was made that Assembly Members promoting this to companies in their constituencies will build a sense of confidence and stability to demonstrate Wales' capabilities.
- 5.3 The Council highlighted the importance of the M4 relief road and that business agrees this is an issue that needs to be resolved. Regular meetings with the Working Group are considered to be useful.
- 5.4 The First Minister commented on current uncertainty about the UK industrial strategy. TATA shows the importance of working together on key issues even through an election campaign. In terms of agriculture, EU money is eighty per cent of its budget.
- 5.5 Robert Lloyd Griffiths concurred with what the First Minister said adding that the summit could provide a clear demonstration that something significant is happening.
- 5.6 The First Minister said that it is difficult to see what a summit could achieve at this early stage.

6. Areas of Council agreement

The First Minister asked Members if there were any other areas for discussion. The First Minister took the Council's agreement to the areas he had outlined:-

- a) A message that Wales is open for business, underpinned by a new strategy for the economy;
- b) Collaborative working to understand the implications and opportunities presented;
- c) Wales's full involvement in the negotiations; and
- d) Continued, unfettered access to the Single Market.

7. Next steps and actions

7.1 The First Minister covered next steps and actions.

7.2 The next steps are:-

- a) Cabinet Secretary to meet CfER Working Group to discuss their role in the development of economic priorities;
- b) The First Minister to meet Working Group to discuss EU and CfER more generally;
- c) Officials to provide more information on international trade support and tourism campaigns;
- d) Officials to provide a note on Business Wales activity in respect of EU withdrawal;
- e) James Price to meet Robert Lloyd Griffiths in respect of Business Wales;
- f) Provide follow up information on the Growth and Prosperity Fund and Business Confidence Plan;
- g) Further consideration to a joint summit with the UK Government when discussions have developed in respect of a financial settlement;
- h) PR at the appropriate time in respect of areas of agreement;
- i) On procurement, officials to provide a paper to Council on 'Better Jobs Closer to Home'; and
- j) Next CfER meeting towards the end of September with a Working Group meeting prior to that.

8. Close

8.1 The First Minister said the next scheduled meeting is mid October and early to mid September for the Working Group. He wants to meet as a full Council in September.

8.2 The First Minister reported no other business and that the full Council will meet before the end of September.