

Council for Economic Renewal Meeting

Notes of meeting held at 10.30 a.m. on Monday 28 January 2013 in Conference Room 1 & 2 Welsh Government Offices, Cathays Park, Cardiff

Ministers in Attendance

First Minister
Minister for Business, Enterprise, Technology & Science
Minister for Finance
Minister Local Government and Communities (for Item 4)

Stakeholders in Attendance

Alex Bevan, Wales TUC
Ben Cottam, ACCA
Iestyn Davies, FSB
Heather Eason, WSPU
Ian Gallagher, Freight Transport Association
Ifan Glyn, FMB (Observer)
Richard Houdmont, CIM
Peter Hughes, CML
Leighton Jenkins, CBI
Richard Jenkins, FMB
Mark Judd, WSPU
Nigel Keane, WSPU
David Leron, ICAEW
Robert Lloyd Griffiths, IoD
Martin Mansfield, Wales TUC
David Morgan, RICS
Graham Morgan, Chamber Wales
Lowri Morgan, The Law Society
John Phillips, Wales TUC
Huw Roberts, IoD
Amarjite Singh, Wales TUC
Derek Walker, Wales Cooperative Centre
Emma Watkins CBI

Welsh Government Officials in Attendance

Permanent Secretary
James Price
Tracey Burke
Jeff Collins
Alistair Davey
Frances Duffy (Item 4)
John McClelland (Item 3)
Jonathan Price
Alison Standfast (Item 3)

Apologies: Paul Byard, Chair of Business Wales; Alex Jackman, Forum of Private Business; Nick Payne, Road Haulage Association; Richard Price, Home Builders Federation; Phil Orford, Forum of Private Business; Huw Thomas, NFU; Brendan Kelly, Wales TUC

1. Introduction & Opening Remarks

- 1.1 The First Minister welcomed attendees to the meeting and introduced the agenda items.
- 1.2 The First Minister said that there were three main items on the agenda:
 - Agenda Item 3: Procurement with the Minister for Finance
 - Agenda Item 4: Transport and Connectivity with the Minister for Local Government and Communities
 - Agenda Item 5: Draft report on the Review of the Implementation and Impact of the Welsh Ministers' Business Scheme
- 1.3 The First Minister explained that Item 4 would be moved to the end of the Agenda because the Minister for Local Government and Communities had been delayed.
- 1.4 The First Minister explained that there was also a paper to note on stakeholder engagement and timescale for the Planning Bill.
- 1.5 The First Minister introduced the Minister for Business, Enterprise, Technology and Science, the Minister for Finance and Derek Jones who was attending his first meeting of the Council as Permanent Secretary.
- 1.6 The First Minister provided a brief economic update and informed the Council of latest developments on Cardiff Airport and in particular the recent announcement of the intention of the Welsh Government to progress towards the purchase of Cardiff Airport.
- 1.7 The First Minister emphasised that the Airport is a major strategic asset, vital for economic development. The business community in Wales and beyond had consistently stressed the importance of a competitive international gateway. To this end the Welsh Government has been considering how best to develop the Airport to position it for the challenges ahead and purchasing the Airport is an option.
- 1.8 The First Minister made clear that any final decision to purchase would depend upon the outcome of a comprehensive financial and legal due diligence exercise which is currently underway. The First Minister made clear that the Welsh Government would not directly operate the airport. The intention would be that it would be operated on the Welsh Government's behalf by a suitably qualified specialist operator on a commercial basis.
- 1.9 The First Minister asked if anyone had any comments or questions – there were none and the meeting moved on to the next item.

2. Notes and Actions from meeting held on 24 September 2012

- 2.1 The First Minister introduced this agenda item and asked Members if there were any issues regarding the accuracy of the notes. No points of accuracy were raised and the notes from the previous meeting were agreed.
- 2.2 He informed the Council that two action points had arisen at the last meeting. These were:-
 - 1) for the Minister for Business, Enterprise, Technology and Science to circulate a note to Members on Welsh export figures and
 - 2) for a special Council for Economic Renewal meeting to be convened covering the Independent Advisory Group on Planning, City Regions and the McClelland Report on Procurement.
- 2.3 Both of these actions had been completed. There were no other matters arising.
3. **Procurement**
 - 3.1 The First Minister invited the Minister for Finance and Leader of the House to introduce the paper and welcomed John McClelland to the meeting.
 - 3.2 The Minister for Finance reminded the Council that the issue of procurement was last discussed in February 2012. Significant activity had happened since then including John McClelland's review of the impact of procurement policies. The Minister for Finance invited John McClelland to update the Council on the review.
 - 3.3 John McClelland outlined the importance of maximising the impact of public procurement in Wales. He hoped the review would encourage the procurement community to think about its contribution to Wales in social, economic and environment terms.
 - 3.4 John McClelland advised that significant progress had been made and there was now a better model for how procurement in the public sector was conducted. He informed the Council that there had been some outstanding research and technical advice about procurement. The Welsh public sector now had a good understanding about the issues and challenges and there were some ambitious programmes supporting suppliers to fill the void in the market place. He stated that there had been improvements at a high level with 50% of the Welsh Public Sector expenditure conducted with companies based in Wales. Collaborative spend was running at 20% of the total spend in Wales. On procurement skills it was clear that Wales requires the development of a larger cohort of procurement specialists.
 - 3.5 He advised that while there are some good exemplars there is also room for improvement through further investment in procurement. The Review had made a number of recommendations which were now being taken forward and there was an opportunity to now build on this. Similarly through more collaborative procurement activity significant savings could be made.

- 3.6 The Minister for Finance thanked John McClelland and stated that this had been a valuable review. This was a priority for the Welsh Government which the Minister had expressed clearly in the Wales Procurement Policy Statement. The Minister reaffirmed that the adoption of the Wales Procurement Policy was not optional and that the potential of legislating to ensure progress would be considered.
- 3.7 The Minister advised the Council that the community benefit approach was integral to Welsh Procurement policy and thanked Martin Mansfield for chairing the Task & Finish Group which had been tasked with working to strengthen the policy and support to help delivery on the ground.
- 3.8 The Minister stated that capacity and capability was crucial and referred to the Home-grown Talent project which was supporting young trainees to attain professional qualifications, some of who were already moving into employment in the public sector.
- 3.9 The Minister stated that the issue of application of European procurement rules was an important one and Welsh procurement policy would be updated to take account of the changes that would be delivered through the exercise to modernise the EU Procurement Directives. The Minister also referred to current proposals to support the collaborative procurement policy in Wales with the establishment of the National Procurement Service. The Minister thanked those who had been involved and acknowledged that good progress had been made whilst noting that there was more to do.
- 3.10 The First Minister thanked the Minister for Finance and invited comments from the Council.
- 3.11 Martin Mansfield pointed out that there was a typographical error in paragraph 15 of the report as it referred to him as General Secretary of the TUC. This should read Wales TUC.
- 3.12 He then referred to discussions that had been held the previous week with the TUC General Secretary, Frances O'Grady on the approach of the devolved administrations and where procurement had been discussed in detail and good progress in Wales and Scotland had been noted. He said that the Task and Finish Group on Community Benefits would be meeting later that afternoon and that an update on the Task and Finish Group's work could be provided to the next meeting of the Council.

ACTION: Martin Mansfield to provide an update at the next Council for Economic Renewal on the work of the Task and Finish Group on Community Benefits.

- 3.13 Martin Mansfield commented that the positive approach and direction of travel of the Welsh Government was important and one that the private sector could also adopt, particularly in terms of considering the impact on people of how they source their goods.

- 3.14 Richard Jenkins said acknowledged the positive steps taken by the Welsh Government. He referred to concerns regarding the electronic availability of the SQuld and its ability to make an impact and commented that Scotland was already up and running. With regards to community benefits he stated that there was a need for common ground and contractors wanted reassurance that procurement professionals understood the community benefits that they were asking for.
- 3.15 John Phillips referred to Article 17 of the new European Directive relating to disadvantaged persons and asked what thoughts the Welsh Government had regarding reserving contracts for disabled and other disadvantaged workers when this came into force. This was a particularly important issue given ongoing issues with regard to Remploy.
- 3.16 Iestyn Davies commented that there was a welcome degree of consensus. On the issue of the National Procurement Service there is a need to ensure good co-working and collaboration going forward, particularly in addressing key issues like supplier voids and exploiting 'quick wins'.
- 3.17 Ben Cottam referred to the Sustainable Development bill which was currently out for consultation and asked for clarity as to how Welsh Government would wish to address SD principles in its approach to procurement.
- 3.18 The Minister for Finance responded to the points made and commented that there would be an opportunity to consider further opportunities around community benefits. She also informed the Council that work to develop an electronic SQuld could move forward as the new sell2wales contract had been awarded.
- 3.16 The First Minister thanked the Minister for Finance and John McClelland
4. **Draft report on the Review of the Implementation and Impact of the Welsh Ministers' Business Scheme**
- 4.1 The First Minister introduced this item. He explained that it had been two years since the last review and that the Terms of Reference for the review had been agreed at the meeting in September 2012. He informed the Council that the review had been undertaken jointly by the Wales Social Partners Unit and Welsh Government officials representing the various portfolios and that this was an opportunity for Ministers to consider the review and to discuss the recommendations with Council members. He asked Members for their views taking each recommendation in turn.
- 4.1.2 Recommendation 1: Richard Jenkins asked that the reference to 'new' in the second sentence be amended to read 'all'. It was agreed that the sentence should therefore read 'Consideration of the means by which *all* structures established by Welsh Government are considered within the consultation architecture should be included in any update'.

- 4.1.3 The Minister for Business, Enterprise, Technology and Skills informed the Council that a review of the Sector Panels would be concluded shortly and that an announcement could be expected in March 2013.
- 4.1.4 Recommendation 2: The First Minister asked the Minister for Business, Enterprise, Technology and Science for her comments. The Minister confirmed that she was content with this recommendation. Iestyn Davies also commented that it should be a shared responsibility between Welsh Government and the Social Partners.
- 4.1.5 Recommendation 3: The Minister for Business, Enterprise, Technology and Science said that this recommendation could be enhanced and proposed that lead officials could engage with business to gain a better understanding of how they operate. Emma Watkins stated that the CBI would support this proposal.
- 4.1.6 Recommendation 4: This was agreed without further comment.
- 4.1.7 Recommendation 5: David Leron commented on the fact that the WSPU's contract was for a time-limited period and would be due for renewal in 12 months. He suggested that for clarity reference should also be made to any potential successor.
- 4.1.8 Recommendation 6: This was agreed without comment.
- 4.1.9 Recommendation 7: The Minister for Business, Enterprise, Technology and Science said this was a useful recommendation. It would be helpful for the Working Group to look at specific issues. Martin Mansfield agreed with this approach, adding that he would like to see the Business Scheme to contain a flavour of the Economic summits in terms of considering wider, strategic issues. He said it was not possible to cover the whole range of Welsh Government business in depth at the Council meetings. He added that the role of the Council was not only to note papers but to look at things strategically and to take action.
- 4.1.10 Recommendation 8: The Minister for Business, Enterprise, Technology and Skills supported this recommendation and referred to SQuID as a case in point. There was an opportunity to have a more effective look at the effect on business with a view to removing unnecessary bureaucracy and red-tape. Iestyn Davies added that red tape was an issue and whilst it may be a natural imperative to legislate it was not always necessary. The Minister for Business, Enterprise, Technology and Science commented that the review was a very useful way of developing the work of the Council in terms of considering economic impacts not just within the BETS portfolio but across the piece.
- 4.2 The First Minister thanked everyone for their comments and invited the Permanent Secretary to say a few words.
- 4.3 The Permanent Secretary welcomed the review and recognised the messages and feedback underpinning its recommendations. He explained

that the Welsh Government's priorities were to secure growth and jobs and through those, to tackle poverty. It was imperative that civil servants look at what they can do to help business to meet those priorities. He reaffirmed that the support was there to ensure that the recommendations were implemented thoroughly.

- 4.4 Emma Watkins added that it is important that the Welsh Government continues to show leadership. There is a good level of engagement with parts of the Welsh Government – but this needs to be made more consistent across all parts of the Welsh Government.
- 4.5 Iestyn Davies commended the work of the WSPU. The Permanent Secretary asked that he meets with the WSPU to discuss their role.

Action: Officials to arrange meeting with Permanent Secretary and WSPU.

- 4.4. Richard Jenkins asked if a matrix of all major infrastructure projects could be provided. This would also fit with the procurement agenda as it would help develop understanding of major projects in the pipeline.
- 4.5. The First Minister said a matrix of major projects, in terms of those that the Welsh Government funds does exist and can be made available. The Minister for Business, Enterprise, Technology and Science added that what would be useful in this context is an entire list of all major projects (including Local Government projects). The Minister said that her officials would work with Local Government officials to see if a complete list was available.
- 4.6. The Minister for Local Government and Communities agreed that more work could be done on this issue and that his officials will work with BETS officials in taking this forward.

ACTION: Officials in LGC and Finance to consider whether a complete list of major infrastructure projects in the pipeline could be compiled and made available.

- 4.5 The First Minister thanked the Permanent Secretary and as there were no further comments introduced the next item.

5. **Transport and Connectivity**

- 5.1 The Minister for Local Government and Communities joined the meeting and the First Minister asked him to introduce this item.
- 5.2 The Minister for Local Government and Communities referred the Council to the paper which provided an overview of the developments and highlighted key issues coming up. He said that electrification had been a major achievement and also referred to the Heads of the Valleys dualling project

which was progressing well. He emphasised the role of transport in supporting the economy and said that he works closely with the BETS Minister on cross-cutting issues.

- 5.3 The First Minister emphasised that connectivity means digital as well as physical infrastructure and therefore next generation broadband access must also be considered. He commented on the need to ensure that as many businesses were provided with access to broadband and referred to the Broadband Wales roll-out and the work to improve speeds. He then opened the item up for discussion.
- 5.4 Alex Bevan asked if it would be possible to seek clarification on the recent announcement by the Finance Minister regarding an £11.5 million investment in transport schemes in the Heads of the Valleys. He also enquired about the timescales for developing Port Talbot Harbour.
- 5.5 Iestyn Davies referred to paragraph 18 of the issues paper and explained that the business community was keen to see progress on the south east Wales Metro. He said the Metro could be a high-profile win for the business community and for tourism, not least in helping to speed-up travel times. He suggested that the social partners were keen to see progress being made but that many of the media reports are focussing upon delays in the project. He asked how the business community could get engaged to maintain momentum and support progress being made.
- 5.6 Richard Jenkins and Robert Lloyd Griffiths both referred to the enhancements to the M4 around Newport. In their view M4 enhancements should be an immediate priority and not long term as referred to in the paper (paragraph 40).
- 5.7 Huw Roberts commented on the rail service between South Wales and London. He said that travel times between Wales and London were critical and were a key measure of competitiveness. The flagship service in the 1980's was for a travel time of 101 minutes. It is currently 123 minutes. Rail electrification would shave only 12 minutes off the journey.
- 5.8 Huw Roberts added that the UK Government does not appropriately consider the impact of its actions in England on all parts of the Union. To illustrate this he said that infrastructure improvements in the south east of England had an impact on the long-term competitiveness of Wales. He asked what the business community can do to help address this.
- 5.9. The Minister for Finance advised that full details of the £11.5 million funding for transport schemes had been provided in her recent statement which it was agreed to circulate to the Council.. The Minister for Local Government and Communities also offered to send the Council an update on the A465 Heads of Valleys dualling scheme.

**Action: Officials to circulate a copy of the statement on additional £11.5m capital allocations to the Council.
Officials to provide an update note on A465 scheme for Council members**

- 5.9 The Minister for Local Government and Communities added that there were several issues around the development of Port Talbot Harbour. Some of these concerned the Trans European Networks (TEN) agenda and officials were looking closely at that.
- 5.10 The Minister for Local Government and Communities added that there were a number of good news stories and that money was being invested in Wales on a range of opportunities. The Minister noted that a number of points were raised about business community engagement. In this context the Minister referred to the recent announcement regarding the South Wales Transport Taskforce and the Minister said he would welcome a discussion if the Council felt there were specific issues that the Taskforce should address.

Action: Update on TENS to be an agenda item for the next meeting of the Council.

- 5.11 The Minister also emphasised the importance of the M4. The short-term priority is to invest around M4 resilience to ensure that the M4 works as best as it can. He also referred to the M4 CEM (Corridor Enhancement measures) project which was currently out for consultation. On the issue of the rail service between South Wales and London he informed members that he had recently met with the UK Minister for Transport. He stated that there could be opportunities around Silk in terms of how franchises operate and referred to potential opportunities using borrowing powers going forward.
- 5.12 The Minister for Business, Enterprise, Technology and Skills added that the issue of Port Talbot Harbour in relation to Tata. The issue of port developments more generally are also of relevance to enhancing the Haven Waterway Enterprise Zone. The Minister emphasised the importance of considering the unintended consequences of actions taken in London and their knock on effect in Wales and suggested that the Council could consider this as part of its agenda.
- 5.13 The First Minister referred to discussions on the issue of devolution for railways but cautioned that experience has shown that where devolution of powers occurs the budget does not always follow. Devolution over railways would therefore have to be accompanied by appropriate transfer of budget so that there is no financial shortfall in the Welsh Government's budget.
- 5.14 The First Minister referred to the Severn Bridge and advised that the current contract was due to expire in 2018. As things stand the Department for Transport set the tolls and benefit from revenue raised. The Welsh Government's view is that it should control the tolls.

- 5.15 Iestyn Davies shared the concerns expressed by the First Minister and added that whilst tolls should not be seen as a solution to over-capacity or as a means of income generation, business organisations would be content to consider proposals that were seen to be fair and where proceeds were invested in wider improvements.
- 5.16 David Leron referred to the planned electrification of the mainline between London and Swansea and the importance of ensuring connectivity with Swansea in a timely manner. His concern was that electrification should start at both Swansea and London concurrently in order for this to be fair.
- 5.17 The First Minister said this was an important point and something that officials will look into and report back upon.

ACTION: Officials to look into the specifics of how rail electrification will be deployed – and report back to the Council for Economic Renewal.

- 5.18 Ben Cottam suggested that where there was strength of feeling for the need for action and if the Council were in agreement around the table, then the Council could make a resolution to support Welsh Government actions. Such an approach could add weight to discussions.
- 5.19 The First Minister agreed to bring this item back formally to the next Council meeting to seek agreement on the way forward.
- 5.20 Richard Houdmont asked whether Wales can use the UK Guarantee Scheme to target what it wants to get out of it. Minister for Finance responded by saying that this is an agenda item for the next meeting with the Chief Secretary to the Treasury.

Action: Paper on Welsh Government position on regard to the Severn Bridge tolls for consideration by the Council.

6. Any Other Business

- 6.1 The First Minister asked if there was any other business.
- 6.2 Graham Morgan asked about the armed forces and whether any impact assessment had been undertaken on the opportunities of skills coming back to Wales. The Minister for Local Government and Communities advised that he was Chair of the Group for the Armed Forces and offered to prepare a paper on this item at the next meeting.
- 6.3 The First Minister added that the main engagement with the Minister of Defence is on St Athan and how it can be used as an economic driver.

Action: Paper on the role of the armed forces as an economic driver in Wales.

- 6.4 Iestyn Davies raised the question over the future of the National Occupational Standards as a UK-Wide basis for skills development as this had previously been raised at the Wales Employer and Skills Board. He asked whether it would be possible to have an update on the development of skills and education policy as it impacts economic growth and if a consideration of the issue of the proposed changes by the Department for Business and Industry to National Occupational Standards would be welcomed by the members of the CER. Huw Roberts welcomed steps to improve literacy and numeracy and would welcome a proposal to consider this item in the future and suggested that it consider core skills as well as skills for the work place. He considered that there was a clear role for the social partners in helping to take this issue forward.

Action: A paper on skills to be considered at the next meeting which will include current issues WESB are considering such as post 14, apprenticeships, GCSE and the proposal to scrap National Occupational Standards (NOS).

- 6.5 Peter Hughes asked what help the Welsh Government could do for business to raise finance with the banks. The Minister for Business, Enterprise, Technology and Science referred to the work of Professor Dylan Jones and it was agreed to provide an update paper for the next meeting.

Action: Paper updating the Council on the work of Dylan Jones Evans' review in to access to finance

- 6.6 There were no further items. The First Minister thanked everyone for their attendance and contributions and reminded members that the next meeting would be held on 3 June 2013 in Cathays Park. The First Minister then closed the meeting.