

**Council for Economic Renewal,**

**Date:** 6<sup>th</sup> July 2011.  
**Venue:** Ty Hywel, Cardiff Bay  
**Time:** 09:30 – 11.30.

In attendance:

**Ministers**

First Minister  
 Minister for Business, Enterprise, Technology and Science  
 Deputy Minister for Skills (left after agenda item 3)

**Stakeholders**

John Bennett	Welsh Social Enterprise Coalition
Paul Byard	Engineering Employers Forum
Katy Chamberlain	ICAEW
Julie Cook	Wales TUC
Ben Cottam	Chair of Business Wales
Nia Davies	FSB
Heather Eason	WSPU
Allan Garley	GMB
John Harper	RICS
Richard Houdmont	CIM
Richard Jenkins	FMB
Colin Lewis	CML
Bob Macey	IoD
Martin Mansfield	Wales TUC
David Morgan	RICS
Graham Morgan	Chamber Wales
Non Rhys	FSB
David Rosser	CBI
David Russ	Chamber Wales
Derek Walker	Wales Coop
Sir Adrian Webb	Chair of WESB
Gareth Williams	IoD
Mark Judd	WSPU
Nigel Keane	WSPU

**Welsh Government Officials**

James Price	Owen Evans (for agenda item 3b)
Clive Bates	Teresa Holdsworth
Tracey Burke	Alistair Davey
Lynne Hamilton	Jonathan Price
Jeff Collins (for agenda item 4)	Rosemary Thomas (for agenda item 6)
Ron Loveland (for agenda item 5)	

Apologies

Peter Hughes, CML	Leighton Jenkins, CBI
David Leron, ICAEW	Robert Lloyd Griffiths, IoD
Phil Orford, Forum of Private Business	Lowri Morgan, The Law Society
Mary James, NFU	Huw Thomas, NFU
Richard Parry-Jones, Chair of MAG	Nick Payne, Road Haulage Assoc
Ian Gallagher, Freight Transport Assoc	Richard Price, Home Builders Fed
Andy Richards, Unite	

**1. Introductions and Opening Remarks**

- 1.1 The First Minister welcomed everyone to the first meeting of the Council since the election and the establishment of the Welsh Government. He noted the full agenda and welcomed his colleagues the Minister for Business, Enterprise, Technology and Science Edwina Hart and the Deputy Minister for Skills Jeff Cuthbert.
- 1.2 The First Minister described the Council as an opportunity for substantive, formal talks about the problems faced by Welsh business and the solutions. He discussed the current way that Wales is financed, the Barnett Formula, noting that it is long out of date and will lead to ever-greater, unacceptable underfunding of Welsh public services. He confirmed that he was meeting with the Chancellor of the Exchequer later that day to press for a new and fairer system to fund Wales in the future, which would include the ability to borrow money to invest in infrastructure projects.
- 1.3 The First Minister noted that Council members had asked to focus on four areas in this meeting that are essential for the Welsh economy; Jobs and Skills; Energy; Planning and Transport.

**2. Notes and Actions from meeting held 9 March 2011**

- 2.1 The First Minister then moved on to discuss the minutes of the last meeting. He asked whether there were any issues of accuracy. No issues were raised and the minutes were accepted.
- 2.2 The First Minister noted a number of issues arising from the last meeting:

Two requested papers were noted:

- Jonathan Price, Chief Economist; Explanatory note – Different Economic measures
- Tracey Burke, Director Strategy and Operations; Update on Home Building Task and Finish Group actions

Social enterprise was raised; the First Minister noted that it was on the agenda for this meeting.

The First Minister provided an update on the Olympics, noting that he had written to John Armit for feedback on Welsh companies' relative poor performance in securing contracts. He was awaiting a response and confirmed that he would circulate it to the Council when received.

- 2.3 The First Minister then asked for any comments on the action grid arising from the last meeting.
- 2.4 Richard Jenkins noted that Tracey Burke has provided an economic explanation about the multiplier for the construction sector but there may still be issues on process. Jonathan Price responded that we understand why the multiplier may be smaller for a smaller area and that it may decline over time, but there may still be sectoral issues to be considered. **ACTION POINT:** The working group will consider further the impact of sectoral issues on the multiplier for the construction sector.

### **3. Government Commitments – Jobs and Skills**

- 3.1 The First Minister then turned to the next item, Government commitments on jobs and skills. There were two papers to be presented.
- 3.2 The First Minister invited the Minister for Business, Enterprise, Technology and Science to present the first paper, on Government commitments related to her Ministerial portfolio.

#### **3a) Business, Enterprise, technology and Science**

- 3.3 The Minister for Business, Enterprise, Technology and Science thanked the First Minister for his introduction and went on to make the point that it is important to understand exactly what we can and cannot do as Welsh Government to impact on economic growth. This is the reason that the Minister had already met with many of the Council's members, along with other with business and social enterprise leaders across Wales; these were positive, realistic discussions. The Minister explained that she was now reflecting on current policies before making key decisions soon on the way forward.
- 3.4 The Minister explained that she has decided to consider agriculture, tourism and construction as possible, additional key sectors, recognising the impact that an effective construction sector can have in terms of boosting many other parts of the economy.
- 3.5 The Minister then invited comments from Council on the paper.
- 3.6 Non Rhys welcomed the opening up of sectors, noting that 65% of FSB members are outside the existing six key sectors but many are in tourism/agri-food. She went on to say that the paper focuses on anchor

companies and micro-businesses but the support offer for SMEs, including access to finance, is less clear; a commitment to support SMEs would also be welcome.

- 3.7 Martin Mansfield also welcomed paper, including the focus on anchor companies and their supply chains. He stated that the Welsh Government should focus on supporting businesses that can have the greatest impact, citing anchors companies and their supply chains as accounting for most employees if not most employers. He also noted that more work is needed on procurement issues, with more detail required on social clauses.
- 3.8 Ben Cottam welcomed the approach and analysis provided in the paper and also appreciated that the Minister had “hit the ground running”. He said that detail was needed on how the Welsh Government will support business sustainability and growth, along with clarification about expectations that businesses will sign up to Corporate Social Responsibility (CSR) and sustainability commitments. He also welcomed the reference to the legislative programme but wanted more detail on the expected impact.
- 3.9 The Minister for Business, Enterprise, Technology and Science stressed the importance of consultation and the need to consider business views before moving forward with the legislative programme. On sustainability principles she made the point that anchor companies understand this has a direct impact on cost reduction and they could share good practice with SMEs. The Minister noted that micro-businesses need specialist business support to suit their needs and committed to setting up a group to consider this. She described Wales as an entrepreneurial nation, recognised that entrepreneurs sometimes have difficulty accessing the right support and stated that the Welsh Government would look to overcome this by drawing the support offer together. The Minister agreed with Martin Mansfield's comments on procurement and supply chain issues, noting that framework contracts sometimes restrict the number of people who can bid, possibly mitigating against the participation of small firms when this was not the original intention; she agreed to look at how this could be addressed. **ACTION POINT:** The working group will consider this, in consultation with Value Wales.
- 3.10 Gareth Williams welcomed the announcement of three additional key sectors. He identified regulation as a potential barrier for business and would look for the Welsh Government to minimise regulation. He further welcomed the intention to ensure a level playing field for social enterprise and noted that success will depend on joined-up working across departments, especially with regard to transport and the environment.
- 3.11 Sir Adrian Webb made the point that the approach outlined also has an important crossover with the skills agenda. A large proportion of skills programmes are currently generic, not necessarily aligned with what is

needed to grow Wales. He made the point that we need to consider how to make this activity more bespoke, citing leadership and management skills as an example. Sir Adrian stated that we can't simply and suddenly drive this upwards across Wales, we will need a considered approach. He noted that the anchor company/supply chain/sectors approach will provide us with much of the Labour Market Intelligence (LMI) that we need, but we also need to capture data on ambitious, growing companies outside the key sectors so the Workforce Development Programme will be an important tool.

- 3.12 Non Rhys made the point that the funding criteria set out in public-sector procurements need to allow small companies to compete and to benefit.
- 3.13 The Minister for Business, Enterprise, Technology and Science agreed with Non Rhys that more needs to be done on procurement. On regulation the Minister stated that a balance needs to be struck between the needs of business and the issues important to unions representing Welsh employees. She noted that social enterprise is a key part of her Ministerial brief, recognising it as a genuine, competitive business environment. The Minister welcomed support from the Institute of Directors on this issue. She further noted that the sectors are pleased with the generic skills programmes which are available but they do want key skills improvements too, highlighting a key role for anchor companies in developing the right leadership skills offer for Wales. The Minister stated that she will promote even closer joined up working between BETS and DfES to understand skills needs on the ground and also noted that we need to do more horizon scanning in order to spot trends and fill skills gaps early.
- 3.14 Derek Walker welcomed the move of social enterprise and co-ops into the BETS portfolio, agreeing with the Minister that these are businesses not charities. He also welcomed thinking on specialist business advice for the sector and supported concerns about signposting to appropriate support and advice; we do need to get this right.
- 3.15 Julie Cook expressed concern that women will be especially impacted by public-sector job cuts, as the majority of public-sector workers are women. She noted that this could be a double-whammy, as many of these women could have difficulty accessing the private sector where flexible working may not be available.
- 3.16 Allan Garley welcomed the paper and the Minister's comments on an overhaul of procurement strategy and CSR. He said that progress has been made via the manufacturing forum and the Business Taskforce in recent years, but more is needed. Mr Garley made the point that contracting authorities still spend a significant proportion of their overall budgets with companies outside Wales and this needs to be looked at. He was very worried by comments from others on the need for de-regulation, citing the impact of this on the banking sector as a good

example of the need to be extremely careful. He made the point that one person's regulation is another person's protection.

- 3.17 The Minister for Business, Enterprise, Technology and Science acknowledged concerns about the level of contracts that are currently awarded to local businesses, especially as this seems to be less of an issue in other, comparable nations such as France and Germany. She agreed that we can look to see what might be done on regulation, but stated that the Welsh Government will be careful to avoid action that would have a negative impact on workers across Wales. The Minister noted that flexible working is now available across much of the private sector, where attitudes have changed substantially in recent years and care needs are now better understood and appreciated. On support for social enterprises the Minister said that it is not yet clear who is best placed to provide appropriate advice but successful businesses will have a role to play.
- 3.18 Richard Jenkins welcomed a review of procurement, as a method of instilling confidence across Welsh business. He noted that the Top 10 most active construction companies in Wales come from outside Wales; increased confidence will help to redress this and encourage businesses to export more.
- 3.19 David Rosser welcomed the report, stating that the relationship between anchor companies and the Welsh Government must be a genuine, two-way partnership if it is to succeed. He agreed that Welsh Government must look to boost Foreign Direct Investment (FDI) and trade, supporting indigenous businesses to export more. He made the point that many businesses are reluctant to invest unless they will be able to access a large market. On regulation he stated that what we need is good-quality regulation that we can all sign up to.
- 3.20 Katy Chamberlain asked how the sector panels will integrate with this Council, stating that it is important for the Council to receive feedback on their progress.
- 3.21 Nia Davies noted that the Procurement Supplier Board (PSB) has now been set up and asked whether a mapping study is being done to support the Board work with its work on supply chain issues, looking for procurement data to input into the study.
- 3.22 The Minister for Business, Enterprise, Technology and Science agreed to discuss data to support the Procurement Supplier Board with officials, noting that there is work we can bring together on this. **ACTION POINT:** Value Wales will collate and provide data to the PSB.
- 3.23 The Minister stated that she has yet to decide how or if the sector panels will integrate with this Council. She made the point that they are BETS panels and that a sharp focus is required from them; they are also very busy individuals. The Minister agreed to consider this and to agree a

mechanism with the First Minister if appropriate. The Minister agreed that a two-way relationship with anchor companies is important and expressed confidence that anchor companies are keen to play a full role in building the Welsh economy. She also made the point that she had been impressed at a recent CBI event in North Wales on exports, noting that it is a myth that small Welsh companies don't export; they do but they need help to find agents in other markets. Finally, the Minister reiterated her intention to consider issues discussed earlier around the Framework contract approach and its possible effect on smaller businesses.,

- 3.24 The First Minister thanked everyone for their contributions.
- 3.25 The First Minister then invited the Deputy Minister for Skills to present the second paper, on Government commitments related to his Ministerial portfolio.

### 3b) Education and Skills

- 3.26 The Deputy Minister for Skills thanked the First Minister for his invitation to the Council meeting. He stated that the importance of skills was highlighted in Welsh Labour's manifesto "Standing Up for Wales" and by the Welsh Government's creation of a separate Deputy Minister for Skills, prioritising investment in skills over the next Assembly term. He identified three priorities for the skills agenda: Firstly, helping people back into work; Secondly, raising youth engagement and employment; And third, releasing the full potential of skills as a driver for economic progress and renewal and helping businesses to grow and survive.
- 3.27 The Minister noted that the paper before the Council picks up on key commitments in the forward work programme; he then went on to highlight some areas where we are already delivering against the three priorities.
- 3.28 Firstly, on Helping People Back into Work, the Minister noted that we are working with the Department for Work and Pensions to maximise their financial commitments across Wales to tackle worklessness – being clear that Welsh Government spending will not substitute for or duplicate UK Government investment. He said he is acutely aware of the continued economic difficulties faced by employers and the fallout of continued redundancies, which is why the wage subsidy available to employers to take on redundant workers through our React II programme has been raised from £2,080 to £3,000 per person. He also noted the introduction of the Adapt programme in support of public sector workers.
- 3.29 Next, on the need to Raise Youth Engagement and Employment, the Minister stated that he is conscious of the particular difficulties faced by

our young people in accessing work, which is why the Welsh Government is stepping up and strengthening a number of programmes. A further 2000 places have been made available this year on our Pathways to Apprenticeship programme to help 16-24 year olds on the road to accessing an apprenticeship place and our new Apprenticeship Matching Service, now rolled out across Wales, will help match these and other applicants to apprenticeship vacancies. For those young people facing the biggest hurdles we are introducing a new programme this August - Traineeships for 16 -17 year olds, which will offer a range of training and work experience routes. The Minister then commented on help for graduates, some of whom are facing difficulties in gaining work and experience. GoWales will continue to be supported to give graduates the work experience and employability skills needed to meet Wales' need for high level skills. Finally the Minister noted that we are busy developing proposals for a Welsh Jobs Fund which will create 4,000 jobs per year for 16 -24 year olds. He stated that we are exploring the potential to deliver a small pilot this Autumn and that he is pleased to see that the third sector will have a key role in delivering the Fund.

- 3.30 The Deputy Minister for Skills then turned to Skills as a Driver for Economic Success. He stated that a continued economic recovery in Wales will require strong, sustainable and dynamic private, public and third sectors; to support business we will need to raise the confidence of businesses and provide an environment conducive to growth. He reiterated the Welsh Government's ongoing support of a sectoral approach to economic renewal, noting that we will continue to prioritise some aspects of programme funding towards key sectors and anchor companies. However, he recognised that investment in skills needs to support jobs and growth across the whole economy and stated that we shall be providing support to high performing companies across all sectors and across all parts of the economy which have potential to create employment, wealth and a sustainable Wales. Our Workforce Development Programme, for example, will not limit support to specific sectors or anchor businesses.
- 3.31 The Minister noted that training and the availability of skilled labour is a big issue for employers, stating that we will continue to work with business to help them understand the value of employer investment in skills, as well as to help us understand businesses needs and provide them with access to the right mix of skills support to drive up their performance. He went on to say that we want ever closer and more effective relationships to be built with employers and other partners on workforce development and apprenticeships but also to make sure that the suppliers of skills are equipped to respond. He concluded by saying that he values the Council for Economic Renewal's role in advising on how best to achieve this, and supporting us in our endeavours, and then invited comments on the paper.
- 3.32 Martin Mansfield identified a crossover with the previous paper on the BETS portfolio. He accepted that there has to be a distinction between



education and the economy but stated that officials must work together closely, not just the Ministers, as they are all dealing with the same companies. He went on to say that wherever companies receive business support they should also access skills support in a seamless, joined up way. He welcomed the Welsh Government's commitment to the Wales Union Learning Fund (WULF), noting that it has a good impact on the hardest to reach learners. He would want to explore further the role of trade unions in delivering support to people with basic skills needs where perhaps an employer cannot or where people are reluctant to tell their employer. He also welcomed REACT2 and ADAPT but stated that the Welsh Government needs to do enough to mitigate the scale of Welsh public-sector job losses as well as to maintain current private sector employment. Turning to engagement with representative organisations, he made the point that the working group is very useful but he wanted to know what role representative organisations might play at that level to ensure the required two-way information flow and to facilitate access to their wider stakeholder groups? Mr Mansfield then went on to say that we need to be more responsive to major employers, saying it is vital that they receive the right support. He also made the point that we could ask anchor companies to over-supply skills, as was done by the National Coal Board (NCB). Finally he welcomed ProAct and especially its continuation as Skills Growth Wales, noting that this approach should be embedded in the Workforce Development Programme

- 3.33 Richard Houdmont said that the role of Continuing Professional Development (CPD) in upskilling needs to be more explicit, especially with regard to the role that professional bodies will be expected to play.
- 3.34 Graham Morgan welcomed the paper, saying that the detail needs to be translated into simple messages for business leaders. He noted that a survey for Chamber Wales due to be published next Monday underlines the issue of confidence, so this must be addressed. He then asked what we are doing for 14yr olds, to prepare them to find jobs in 5-7 years time.
- 3.35 The Deputy Minister for Skills said that he appreciated issues raised about apprenticeships. He noted that he himself was an apprentice with the NCB and that the engineering skills he acquired were transferrable, enabling a move into the civil side after a few years. He said that we do need to replicate this for the current generation of apprentices. He welcomed the opportunity to work with the sector panels in a joined up approach to this and noted that the issue of Skills cuts across all departments, so partnership working would be essential in order to get the best results. The Minister agreed about the value of WULF, noting his specific responsibility for improvement of basic skills. He made the point that this is not just focussed on the young so it would be wrong to ignore adults with basic skills needs. He underlined that this is a crucial piece of work. On public-sector job losses the Minister stated that the Welsh Government can only work to reduce the impact of these; ADAPT is there to anticipate needs and to help to mitigate them. He agreed that

the unions have an important learning role and said that we will continue dialogue with unions in Wales on this. The Minister noted that there is clearly a role for professional bodies to play on skills and that he will be looking to them to contribute as appropriate. He stated that he will also be looking to FE and HE to tailor bespoke courses which address the needs of anchor companies. **ACTION POINT:** Working group to progress dialogue on the trade unions' learning role, the professional bodies' role in skills development and FE/HE bespoke course to address anchor companies skills needs.

- 3.36 The Minister also agreed on the need for simple clear messaging about our priorities and said he would consider this. On 12-14yr olds he made the point that we have had to accept the poor showing for Wales in the PISA report, which looked at the application of knowledge by 15 yr olds. The stated that he will be leading a review of qualifications on offer to young people over the next year, in light of the Wolf Report, and will look to consult widely as part of this review.
- 3.37 Ben Cottam welcomed the Minister's comments on ADAPT, noting that the Welsh Government must not lose sight of the need to facilitate discussion across sectors. He also made the point that professional skills are vocational skills and we need to remember this when considering what vocational skills really mean for the Welsh economy.
- 3.38 Sir Adrian Webb said that proper cross-departmental working will give Wales a competitive advantage. He noted that at the UK level DfE is moving away from a vocational approach whilst BIS appears to be promoting one; Wales has an opportunity to do better. He went on to discuss STEM, stating that from a business perspective there is a clear need to focus on higher math skills specifically; there is a real need for higher numeracy and math skills across the workforce and in his view this should take precedence over the wider STEM agenda. He went on to say that he had argued last year for a youth engagement strategy, that the recession has been especially hard on young people and that it may have a long-term impact if large numbers fall into entrenched joblessness. Therefore a focus on youth engagement is now even more important. He then moved on discuss a report that WESB had just produced on skills requirements, noting that while supply side issues can be addressed demand is also an issue. Sir Adrian said that demand for skills by employers lower here than the OECD average, in the UK and especially in Wales; in his view this reflects the limited ambition of Welsh companies, which must be addresses by a cross-departmental approach.
- 3.39 Non Rhys said that more detail is needed on the apprenticeship matching service, on shared apprenticeships and on ICT skills in rural areas. She went on to say that we should also prioritise communication skills and customer service as part of the basic skills agenda; these are vital in sectors like tourism.

- 3.40 The Deputy Minister for Skills agreed about the vocational nature of professional skills he re-iterated that he will not ignore the role of qualifications. He also said that he will look to the Sector Skills Councils to support the Welsh Government's aims. The Minister also agreed that cross-departmental and cross-partnership working is vital. On STEM the Minister acknowledged the importance of maths but maintained that our focus on STEM is very much about how young people learn, noting that maths is already key across all aspects of this approach. He further agreed that it is vital for young people to avoid worklessness and lack of work experience; the impact of this would be even worse for young people than for adults who lose their employment. He said that within the resources available to us our programmes are sound and will be regularly reviewed and updated to ensure they remain simple, straightforward and effective. The Minister noted that shared apprenticeships are already proving successful in small companies, where an individual business would not have been able to afford to do this alone, noting that the matching service is available online, enabling employers looking to offer apprenticeships and those seeking them to come together. He agreed that basic skills are a crucial issue, linked with key skills and communication skills in terms of providing the skills needed by business.
- 3.41 Gareth Williams expressed support for Sir Adrian's comments but stated that employers know best what skills are required, although a focus on STEM is required from schools, FE and HE.
- 3.42 Allan Garley noted that the points raised demonstrate how vital it is to successfully deliver a Welsh Jobs Fund.
- 3.43 Katy Chamberlain made the point that there is also a role for improving the financial literacy of school leavers.
- 3.44 The Deputy Minister for Skills agreed that it is vital employers engage with us about what is needed to deliver the right skills for Welsh business, saying that they will have an opportunity to do so during the forthcoming qualifications review but making it clear that this will inform thinking rather than dictate the outcome. He also said that it is incumbent on HE to offer courses which are relevant to employers in Wales; employers must therefore highlighted what is needed. The Minister confirmed that the Welsh Government is looking at the possibility for a Welsh Jobs Fund at present. He also agreed that improving financial literacy is vital, saying that this is part of the STEM approach we are already driving forward.
- 3.45 The First Minister thanked everyone for their contributions and moved to the next agenda item.

#### **4. Government Commitments – Transport**

- 4.1 The First Minister introduced the options paper on Transport, making it clear that some major transport projects can only go forward if we as the Welsh Government have the powers needed to borrow responsibly. He explained that he would be meeting the Chancellor of the Exchequer that afternoon and that he would raise the issue that by 2014 England, Northern Ireland and Scotland will have the ability to borrow to finance major infrastructure projects but Wales will not, putting us at a severe competitive disadvantage. He would make the case that we too need and indeed deserve powers analogous to Scotland.
- 4.2 The First Minister went on to say that the paper before the Council highlights progress so far on some of the key infrastructure issues we face and discusses the way forward. He then invited comments on the paper.
- 4.3 David Rosser said that he found the paper disappointing from a business perspective. He noted that section 3.1 (context) does not identify any economic outcomes required of transport policy and that section 3.2 (vision) doesn't mention of any focus on the capacity of our transport systems. He went on to say that in section 3.5, where enhancing international connectivity is mentioned, it is unclear whether this includes with England and the UK. In his view it needs to. Overall he felt that the paper doesn't put forward a vision for driving the strategic infrastructure of Wales forward. He went on to say that he agreed with the First Minister that we need to prioritise borrowing powers; he also felt that we should debate road charging in this forum and could look at the next round of EU funds and local government borrowing. He also sought reassurance of a greater commitment on strategic transport, over and above the contents of the paper.
- 4.4 Allan Garley welcomed the paper but agreed that more is needed and it could be improved. He noted that it does recognise the needs of rural areas but also that there is no mention of deprived communities. He accepted that there are serious budgetary constraints but made the point that many deprived areas face significant transport difficulties. He referenced the north-south debate around transport but said that we should actually focus on the need for east-west commercial links. He suggested that taking these issues into account in a revised version of this paper would allow it to better compliment the preceding papers already discussed.
- 4.5 John Harper expressed support for David Rosser's remarks on the paper. He made the point that he felt the paper reduces everything to Local Authority level and doesn't address strategic transport systems; to address this he said that we actually need to look 5, 10 or even 20 years ahead, especially when considering issues like a possible M4 relief road around Newport.

- 4.6 The First Minister made the point that we now have the ability to bring local authorities together to create joint transport authorities where LA areas are too small. On air transport he expressed concern about the current situation at Cardiff airport. The First Minister then noted that the M4 issues at Newport are a good example of where we would need borrowing powers to finance a solution, citing a bypass as one possible example. He explained that we would not have the capital resources to build one at present and, even if tolling was put in place, we would still need to borrow to raise the capital required. The First Minister then moved on to consider rail electrification, noting that there was clearly a missed opportunity in 1993 when the second Severn crossing was built without an accompanying rail deck, as would happen routinely nowadays. This has added significantly to the complexity and the cost of electrification of the existing rail route, which runs through a tunnel that requires continuous pumping of water. The First Minister then invited Jeff Collins, Director Transport, to respond in more detail to some of the other points raised.
- 4.7 Jeff Collins apologised if the strategic context of the paper was not evident. He went on to say the first step now is to re-check the priorities in the NTP. Previously local and strategic transport silos have developed; this must be avoided in future and he intends to achieve this via regional collaboration to identify priorities across Wales. He explained that in the meantime we are pushing ahead with Heads of the Valleys delivery by 2020 and on the M4 corridor enhancement measures we are engaging with the community to ensure tangible delivery; hence, for example, the focus on opening up Llanwern. He acknowledged that the rural context is difficult; he then noted that we have had some success in enabling urban centres to work more efficiently. 72,000 people commute into Cardiff from the Vale of Glamorgan and the surrounding area; we are aware of ongoing issues here and will look to address these. He further explained that a strategic approach, taking a locus view of employment centres, will be embedded in the NTP; we must ensure the locus defining the 45 minute travel to work journey time captures as many as possible.
- 4.8 The Minister for Business, Enterprise, Technology and Science said that we will explore the potential for European Structural Funds to support delivery of transport projects and we will also consider the City Region approach to strategic decision making in this area. The Minister made the point that we need industry to tell us how it would like to feed into the NTP.
- 4.9 Non Rhys welcomed the comments from Jeff Collins and the Minister. She explained that infrastructure was the 3<sup>rd</sup> important priority for FSB members, although east-west access less important as most members are rural; local routes are key for them, especially local bus routes. Road maintenance and Winter road measures are also vital. She noted that 7 out of 10 FSB members lost money over the last winter because of

transport disruption. She also made the point that electrification of the line to Swansea is also seen as very important by FSB members.

- 4.10 Derek Walker said the proposal to look at the feasibility of a Wales and Borders franchise is very important; this could deliver a collaborative or mutual solution with stakeholder ownership. It is important to work closely with trades unions on this.
- 4.11 Ben Cottam stated that Business Wales members are very concerned about transport issues and they are keen to contribute further, and more strategically, to the development of the NTP.
- 4.12 Nia Davies stated that Wales is effectively paying towards the cost of rail upgrades for England and will suffer economically as a result; High Speed Rail 2 (HS2) will bring disbenefits for Wales. She expressed the view that the UK Government expected the Welsh Government to lobby harder on this, but now expects Wales to use Convergence funding if we want the proposal extended further.
- 4.13 The First Minister noted that the rail budget is not a devolved matter. He explained that the department for Transport (DfT) made the business case for HS2 itself, although this is often overlooked by DfT. He stated that we will continue to press on this as if it stops at Cardiff this will leave Wales at a serious disadvantage.
- 4.14 Jeff Collins said that he would welcome further views from the Council on the NTP. He noted that we are working on HS2 and continue to make the case for electrification through to Swansea.
- 4.15 The First Minister made stated that the NTP delivery plan will be an agenda item for discussion at the next Council meeting. **ACTION POINT:** Jeff Collins to provide NTP delivery plan for discussion at the next Council meeting.
- 4.16 The First Minister thanked everyone for their contributions and turned to the next item on the agenda.

## **5. Government Commitments – Energy**

- 5.1 The First Minister introduced the paper on energy, saying that we will prioritise the opportunity for Wales to major on the making and maintenance of energy equipment. He noted that onshore we have responsibility for infrastructure up to 50MW but offshore only up to 1MW; both of these limits are fairly low so the bulk of the responsibility for energy projects still resides with the UK Government. With this in mind the First Minister said that we need to consider how best to ensure that Welsh jobs are created as we address energy issues and energy production here. He asked whether we can we develop expertise in wind power generation, noting that France is already ahead of us in terms of

wave/tidal power and has already highlighted issues with technologies which we should avoid as we move forward. He made the point that there is a real opportunity for clean energy and clean energy jobs in Wales.

- 5.2 The First Minister announced that the Welsh Government will make a high-level energy statement in the near future. This will build on the low-carbon statement made by the previous Minister and will include views on the UK Government's electricity market reform proposals. He then invited comments on the paper.
- 5.3 Non Rhys said that the majority of FSB members support renewables; wind, tidal and micro-generation. However local authorities are not always aligned with Welsh Government priorities on this and infrastructure upgrades are needed to support businesses that are keen to take this forward.
- 5.4 David Rosser welcomed the paper, saying that the cost and supply of energy is a key issue for large companies and energy market reform must be a top priority. He said that the Welsh Government should play a strong role, pushing the UK Government to avoid getting energy reform wrong; we want low carbon transformation but without damaging industry. He made the point that most large companies are looking at energy generation on site, so we need a planning system which properly balances the needs the companies with the needs of the surrounding communities and the environmental impact. Large energy companies want consistency of policy, so if Wales has different intentions to the UK Government then dialogue with energy companies will be crucial.
- 5.5 Martin Mansfield welcomed the emphasis on jobs in the paper, especially as Welsh Government now has increased powers and is pushing for more. He stated that this power must be used effectively; for example, a Severn barrage project will help to provide jobs and there is a role for nuclear here too. Such a barrage would be vital for the future energy self-sufficiency of Wales but the Welsh Government will never be able to afford this alone; you will have to work with the UK Government to make it happen.
- 5.6 John Harper said he was surprised by the omission of solar energy from the paper and asked why this had occurred. He also made the point that retro-fitting is important, to create jobs as well as to drive sustainability.
- 5.7 The First Minister stated that we will take forward the Arbed project. He went on to say that solar panels won't add enormous amounts of electricity to the grid as Wales has limited solar irradiation, noting that micro-generation is fine in principle for individual buildings but it has a lower priority in the Welsh Government strategy as there are no economies of scale. He agreed that reform is crucial as currently the energy "market" does not function properly at the moment. He said that we need the UK Government to make this heavily regulated and

subsidised market far more accountable, delivering benefits to consumers and businesses. He noted that some energy companies seem sceptical of our approach, but it is not clear that the UK Government's statements on consents devolution are in the best interests of the people of Wales. The First Minister went on to say that energy/grid are important for Wales but whatever happens they must support job creation and economic growth.

- 5.8 Ron Loveland, Deputy Director Energy, confirmed that we are already involved in discussions with the UK Government on Energy Market Reform (EMR) and this dialogue is set to continue; there are further EMR talks next week. This is the start of the process and Wales will play its full and proper part.
- 5.9 Rosemary Thomas, Head of Planning Division, speaking about possible changes to the planning system in relation to micro-generation, noted that the Welsh Government was grateful for consultation responses received last year on possible relaxation of planning controls for commercial buildings where such projects are proposed. She noted that there are real RADAR and flight path issues and that we are working with UK regulators for a consistent UK solution. New regulations will come forward in due course,.
- 5.10 Clive Bates, Director General, Sustainable Futures, endorsed Rosemary Thomas's comments. He stated that these issues are part of a strong dialogue we have with CBI on environmental permitting.
- 5.11 The First Minister thanked everyone for their contributions and moved to the next agenda item.

## **6. Government Commitments – Planning**

- 6.1 The First Minister introduced the paper on planning, stating that there will be a planning bill included in the legislative programme which we will announce next week, to be delivered between the middle and the end of this term. He explained that the bill will be designed to enable a more efficient and effective planning system in Wales but would not to create a radically different approach to the rest of the UK, which could disadvantage Wales. He then invited comments on the paper.
- 6.2 David Rosser said he was pleased to note that the Minister for Environment and Sustainable Development identified planning as a short-term and long-term priority for this government in response to a question from Ieuan Wyn Jones AM in Senedd recently. He went on to say that the Welsh Government needs to play a greater co-ordinating role, to ensure a consistent approach across Wales. He welcomed the proposed planning bill, asking for wide consultation on this. He said it is important not to just look at the planning process but to look at the whole system, making the point that poor delivery agents will undermine any



improvements to the bureaucracy alone. He also said that in the short term better training for Planning Officers would be helpful.

- 6.3 Gareth Williams welcomed the paper, but said that the key issue is to urgently and substantially reduce the number of planning authorities.
- 6.4 Non Rhys welcomed the commitment to town centre regeneration, noting that business crime also needs to be brought into the discussion. The FSB would welcome a meeting to discuss this further. She made the point that this issue should be considered alongside thinking on the retail sector and also said that it is important to look at support for micro/small businesses. She also said that reductions in pre-application support would be of concern.
- 6.5 John Harper made the point that members of planning committees are free to go against the recommendations of planning officers, despite not always having the background or expertise necessary to question the conclusions of professionals. He asked that the Welsh Government consider what it can do to make sure that people with the appropriate skills and experience are appointed to these committees.
- 6.6 The First Minister accepted that the availability of pre-application advice can be limited; he said that we will consider the capacity issue in the run up to the forthcoming Planning Bill. He made the point that the current planning system contains some anomalies but that we now have the powers to address some of these. For instance, there is a requirement for LAs to bring forward Local Development Plans but there has been no sanction if they do not. We also need to consider the future for Section 106 of the 1990 Town and Country Planning Act, given that it is 21 years old and in the context of the Community Infrastructure Levy. On town centres the First Minister made the point that we need to consider what they are for. The internet and out of town retail centres now provide much that town centres used to, so our challenge is to make town centres useful and lively while avoiding the outdated 1970s blueprint.
- 6.7 Rosemary Thomas made the Council aware that a consultation was launched the previous week on draft guidance for pre-application advice<sup>1</sup>, asking anyone with an interest to please respond. She also noted that we have recently commenced a review of the delivery of planning services within National Parks and Areas of Outstanding Natural Beauty, with a view to improving such services. Any lessons with wider application will be implemented across Wales.
- 6.8 The First Minister thanked everyone for their contributions and turned to the next item on the agenda.

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<sup>1</sup> 'Realising the Potential of Pre-Application Discussions' was launched on 29 June and closes on 28 Sept. 2011: <http://wales.gov.uk/consultations/planning/preappdiscussions/?lang=en>

## **7. Social Enterprise Paper**

- 7.1 The First Minister noted that responsibility for social enterprise now resides with the Minister for Business, Enterprise, Technology and Science. He then invited Derek Walker to introduce the paper.
- 7.2 Derek Walker thanked the First Minister for his introduction and said that he welcomed integration of social enterprise into the BETS portfolio following ERP. He added that there is significant potential for growth in the social enterprise/co-operative/mutual sector, although stakeholders will need to work very closely with the Welsh Government to achieve this. He then invited discussion of the paper.
- 7.3 Julie Cook welcomed the paper and welcomed the Wales Co-Operative Centre working with the unions. She added that it would be useful to avoid using the phrase “big society” as we take this agenda forward in Wales, as this is too closely associated with the UK Government.
- 7.4 Katy Chamberlain welcomed the paper and is now looking to see how members can also support the development of credit unions and the funding mechanism for social enterprise. She also welcomed Minister’s comments that social enterprises are proper, competitive businesses.
- 7.5 John Bennet welcomed the paper and also thanked the Minister for Business, Enterprise, Technology and Science for her support over many years.
- 7.6 The Minister for Business, Enterprise, Technology and Science expressed gratitude for the positive comments, acknowledging that social enterprise is a very important part of her portfolio. She also supported the development of credit unions and agreed to consider this further. **ACTION POINT:** The working group to consider support for credit unions, in consultation with the Third Sector Unit.
- 7.7 The First Minister thanked everyone for their contributions.

## **8. Any other business**

- 8.1 The First Minister asked if there were any items of other business.
- 8.2 Gareth Williams asked the First Minister to comment on the fact that this government has an additional year, wanting to know how it will work during this longer term? He said that people were aware that a “WDA style approach” was not favoured, and asked how the Welsh Government will you look beyond Wales, at international competitiveness? Finally, he asked what will happen on Enterprise Zones in Wales?

- 8.3 The First Minister replied that he and the Minister for Business, Enterprise, Technology and Science are currently considering Enterprise Zones. He pointed out that the consequential from UK Government, which will be about £10m, is not enough to support many Enterprise Zones - although, as you would expect, we have already received many requests. He noted his previous statements that we will look at a clustered, sectoral approach and that we want to avoid the large retail sector outcomes of Enterprise Zones in past, like Swansea in the 1980s. He said that we need to look at skills clusters too and that we may consider zones that are virtual in nature. The main thrust will be to get this right for Wales and work to do so is ongoing.
- 8.4 Non Rhys made a comment about carrier bag charging, noting that that when it comes in the system needs to be simple for business, not a huge burden.
- 8.5 The First Minister replied that we will do what we can to make sure that businesses are aware of the changes when Wales becomes the first country in the UK to introduce compulsory charges for single-use carrier bags in October 2011.
- 8.6 David Morgan stated that there is a real issue around business rates being charged on empty buildings. This generates an understandable 'flight to safety' response from many businesses and there is an urgent need to see what can be done to address this.
- 8.7 The First Minister confirmed that he is looking at this, although there is a cost associated with any changes and he would not want to unduly raise expectations. He also noted that a balance is required as we don't want to incentivise buildings being left empty.
- 8.8 Colin Lewis noted that the Government SLS scheme<sup>1</sup> is being paid back "at a rapid rate of knots". He said that the number of mortgages being awarded is now rising and the downside of this is that repossessions are also starting to go up.
- 8.9 The First Minister replied that If interest rates rise then he agreed that repossessions could become an issue; he said that we will be keeping an eye on this.
- 8.10 As there were no further question the First Minister thanked everyone for attending today. He noted that a date for the next meeting will be agreed and communicated as soon as possible; the meeting was then closed.

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<sup>1</sup> HMRC Syndicated Loan Scheme webpage: [http://www.hmrc.gov.uk/cnr/dtt\\_inter.htm#4](http://www.hmrc.gov.uk/cnr/dtt_inter.htm#4)