

Council for Economic Renewal Meeting

Notes of meeting held at 10.00 a.m. on Monday 3 June 2013 in Conference Room 6, Welsh Government Offices, Cathays Park, Cardiff

Ministers in Attendance

First Minister

Minister for Business, Enterprise, Technology & Science

Deputy Minister for Skills & Technology (Item 3)

Stakeholders in Attendance

Alex Bevan, Wales TUC

Martin Mansfield, Wales TUC

Andy Richards, Wales TUC

Nick Blundell, Wales TUC

Paul Byard, Chair of Business Wales

Nigel Keane, WSPU

Emma Watkins, CBI

Leighton Jenkins, CBI

Nick Payne, RHA

David Russ, Chamber Wales

Stuart Taylor, Chamber Wales

Ben Cottam, ACCA

Iestyn Davies, FSB

David Morgan, RICS

Derek Walker, Wales Co-operative Centre

Peter Hughes, Principality Building Society/CML

Lowri Morgan, The Law Society

Robert Lloyd-Griffiths, IoD

Professor Dylan Jones Evans (Item 5 only)

Peter Davies, Chair of the Climate Change Commission for Wales and
Commissioner for Sustainable Futures (Item 6 only)

Observers

Ifan Glyn, FMB

Jeanette Reis, Cynnal Cymru (for Item 6 only)

Heather Eason, WSPU

Rita Singh, Cynnal Cymru (for Item 6 only)

Mark Judd, WSPU

Jeffrey Brown, PWC (for Item 6 only)

Welsh Government Special Advisors and Officials in Attendance

Permanent Secretary

James Price

Mick McGuire

Tracey Burke

Andrew Bold

Jonathan Price

Alistair Davey

Galina Artisien (Item 5)

Catherine Jenkins (Item 3)

Marcella Maxwell

Huw Owen

Owen Evans (Item 3)

Apologies: Richard Houdmont, CIM; Alex Jackman, Forum of Private Business; David Leron, ICAEW; Graham Morgan, Chamber Wales; Phil Orford, Forum of Private Business; Huw Thomas, NFU; Richard Jenkins, FMB; Richard Price, Home Builders Federation.

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 five main items on the agenda:
 - Skills
 - A Wales TUC paper following the publication of the NEF report : Towards a Welsh Industrial Strategy
 - Review of Welsh Business Access to Private Sector Finance
 - Green Economy Route Map
 - Severn Crossings
- 1.3 The First Minister explained that there were also six papers to note which were mainly in response to actions arising from the last Council meeting. Five of the papers had been circulated in advance of the meeting and one was to be tabled that morning due to its confidentiality and the information contained within it was embargoed until its release.
- 1.4 The First Minister introduced the Minister for Economy, Science & Transport and the Deputy Minister for Skills & Technology.
- 1.5 The First Minister informed the Council of latest developments on Cardiff Airport and in particular the recent announcement of the Welsh Government's acquisition of the airport. He explained that a company had been established to operate the airport and options were now being considered for the future.

2. Notes and Actions from meeting held on 28 January 2013

- 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 The First Minister asked if there were any comments on the actions from the last meeting. No points were made and the action points were agreed.

3 Skills

- 3.1 The First Minister introduced this item and reminded the Council that at the last meeting a number of issues were raised about skills, in particular with regards to the future of the National Occupational Standards as a UK-wide basis for skills development. He invited the Deputy Minister for Skills & Technology to introduce the paper.
- 3.2 The Deputy Minister for Skills & Technology informed the Council that he welcomed the opportunity to join the meeting to provide an update on the future direction of employment and skills in Wales. He referred to the valued partnerships that were being developed with employers and stakeholders and

how this could be characterised positively by the Wales and Employment Skills Board (WESB).

- 3.3 He stated that the four key priorities for investment and support were to enable young people to achieve their full potential through the development of skills, qualities and qualifications; encouraging investment in skills as a driver of productivity and growth; supporting routes to sustainable jobs for the disadvantaged and unemployed and ensuring the learning infrastructure has the capacity to deliver skills and training for a modern bilingual nation.
- 3.4 He commented on the importance of having a robust and rigorous qualifications system for Wales. He referred to the Review of Qualifications for 14-19 year olds which was launched in September 2011 and concluded towards the end of last year. He noted that a key aspect of the Review was to assess whether the system was fit for purpose for the economy of Wales. The review involved widespread consultation, including with employers, and was based on solid evidence from a variety of sources across the UK and further afield. He noted that all of the recommendations from the Review had been accepted by the Welsh Government.
- 3.5 The Deputy Minister referred to the review of the National Occupational Standards (NOS) and advised that Wales, as with the other devolved nations, remained committed to NOS as a primary product for developing a consistent, flexible and portable range of skills and vocational qualifications. He referred to the Richard Review for England which could result in the NOS being replaced by more employer based standards and the concern that this could lead to domination by large employers. He informed the Council that he would be meeting with the UK Skills Minister and his counterparts in devolved nations later this month to discuss these issues in further detail, with the aim of agreeing a degree of uniformity across the UK. He referred to the importance of Wales' representation on the UK Commission for Employment and Skills and how the UK Commission helps to inform labour market intelligence and our approach to allocating resources to skills development.
- 3.6 The Deputy Minister referred to the range of employment and skills programmes currently in place designed to support investment in skills as a means of entry into the workforce. The Workforce Development Programme was referenced as a very popular bespoke programme providing support to companies to identify and deliver on their skills needs. Essential Skills Wales helps individuals to achieve the level of functional skills needed for today's workplace, supporting employers to identify and address literacy, numeracy and ICT needs within the workforce. Jobs Growth Wales pledged to create 4000 jobs each year and had achieved 6000 opportunities in its first year. The apprenticeship programmes for young people continued to cover a broad range of skills with particular focus on priority sectors that will benefit key employers across Wales. An additional investment was recently announced to support the Programme over the next 2 years; this will include support for high level apprenticeships.
- 3.7 The Deputy Minister informed the Council of discussions that were currently underway regarding the next round of European Structural Funds and the

delivery of employment and skills actions to be supported from 2014. The aim was to build on the achievements of existing programmes and create a more simplified and streamlined system for both individuals and employers and feedback on this would be welcomed. He noted that, in taking forward this work, it is critical that we work in partnership not only with employers but also HE and FE stakeholders.

- 3.8 The First Minister thanked the Deputy Minister and invited comments from the Council.
- 3.9 Martin Mansfield welcomed the paper and the approach being taken by WG on skills development and working through the WESB. In particular he welcomed the emphasis on the simplification of the offer to employers and the workforce. He questioned whether there were currently too many programmes for the employer/workforce to be aware of.
- 3.10 The Minister for Economy, Science and Transport invited the Deputy Minister to talk about the various strands of work underway across Departments to direct skills development to the needs of employers and to explain how these are developed in light of new technologies and an evolving economy.
- 3.11 Emma Watkins referred to the Apprenticeship Scheme and asked what consideration had been given to the sharing of apprenticeships across supply chains, using anchor companies and high value added businesses.
- 3.12 The Deputy Minister responded to the three points made. He commented on the need to simplify the offer to make it less complex for smaller organisations and he referred to the experience that could be drawn from the previous rounds of structural funds and how we should maximise the opportunities available through these. With regards to cross departmental working he referred to the Labour Marketing Intelligence Unit and its role in developing and strengthening our understanding of what skills were required by employers. He noted the dialogue with sector panels, citing them as a further conduit of intelligence on skills needs and issues. He commented on the use of anchor companies who were very supportive of the apprentice offer and referred to the shared apprentice scheme which allowed small companies to also benefit.
- 3.13 The First Minister thanked the Deputy Minister for Skills and Technology.

4. **Toward a Welsh Industrial Strategy**

- 4.1 The First Minister introduced this item. He advised the Council that the Report had been launched at the Wales TUC conference just over a week ago and noted that members would require more time to consider the Report in detail to formulate their views but that this was an opportunity for discussion. He invited the Wales TUC to present the report and to open the discussion.
- 4.2 Martin Mansfield reiterated that the Wales TUC recognised that the Council had not had enough time to comment on the report as it had only been

published at its conference on the 22nd May. He stated that Alex Bevan and Andy Richards would provide the Council with a summary of the report and an overview of the Council General Statement to the Conference.

- 4.3 Alex Bevan provided an outline of the report. He stated that the Wales TUC believed it was a quality piece of assessment which covered Wales' long term weaknesses and identified potential action for addressing these, highlighting what an industrial strategy could look like. He referred to the financial crisis in 2008 and how there had been an accumulation of debt since that period. He referred to productivity and how this raised questions about economic inactivity and how continued economic growth depended on rising productivity. He noted the WG response to the 2008 recession and the value of schemes such as ProAct and ReAct .
- 4.4 Andy Richards stated that the General Council believed that it was now timely to develop an updated economic policy. He commented on the damaging effects of the UK Government austerity measures and how living standards had been hit in Wales. The Wales TUC remained committed to working with the Welsh Government and its focus on jobs and growth and is keen to work across social partners to play on economic strengths and support jobs. The industrial strategy was a way forward to achieving this. The General Council Statement set out the basis for developing a specific industrial policy with challenging but achievable results, directing resources to focus on expanding employment through the work of the anchor companies, supply chain management and ensuring all major investments deliver best value in terms of direct jobs and supply chains. There was also an opportunity to ensure that Welsh Government contracts were awarded to ethical contractors. The General Council believed that there was a need for action in response to the economic crisis and that the CFER should play a role in overseeing these developments.
- 4.5 The Minister for Economy, Science & Technology commented that the report provided useful background. She noted, however, that there was no mention of Cardiff Airport as an important part of national infrastructure planning which will make an important contribution to the wider economic development strategy. There could also be more of a focus on broadband and the role of foreign direct investment as a contributor to growth. The Minister noted that FDI accounted for a significant number of jobs in the Welsh economy this year, and provided examples of the importance of FDI to the region. The Minister referred to local supply chain issues and advised the Council that an event had been held the previous week to look at opportunities. She referred to the sector approach and finance for investment, including work of Professor Dylan Jones Evans who would be speaking later, as examples of existing economic development activity. Professor Jones Evans had been asked to examine how effectively Welsh businesses can access existing sources of private sector funding to help deliver a modern investment strategy.
- 4.6 The First Minister thanked the Minister for Economy, Science and Technology and invited comments from the Council.

- 4.6 Derek Walker welcomed the reference in the report to employee ownership and cooperative development. He noted that the report recognised the success of the cooperative sector which had been doing well over the last few years. He commented that the value of co-operatives lies not just in the engagement of employees and improvements in productivity but also in the retention of wealth. He referred to discussions with WEFO regarding the lack of emphasis on social enterprise and co-operatives, which are currently seen as complimentary interventions rather than strategic.
- 4.7 Emma Watkins advised that whilst the CBI could not agree with all of the analysis there was much to be supported in the report. She agreed with the Minister's point about FDI and welcomed the reference to anchor companies, supply chains and infrastructure. She noted that it is important to remember that there is already a lot of activity underway with strong engagement with the private sector and action being taken by WG, and the CBI would like to see an overarching framework which brings all of the strands together and provides clarity in terms strategic focus. She questioned whether the report was recommending the development of an industrial strategy or economic development strategy, as the term industrial is often used specifically in relation to industrial / manufacturing activity and not always used to encompass all sectors. She confirmed that the CBI's preference for this wider definition and that the CBI would be willing to take forward this work with WG.
- 4.8 Iestyn Davies commented that the FSB agreed that there was a need for a stimulus in the economy. He referred to the current economic policy and where this stood in relation to the industrial policy. The FSB also welcomed the role for not for profit organisations and was supportive of further borrowing powers. He noted that there would be value in pulling together activity into a master plan to make Wales a more prosperous place.
- 4.9 The Permanent Secretary stated that there was strong political leadership in this regard and reaffirmed that it was his priority to see that the civil service contributed strongly to this agenda.
- 4.10 The Minister for Economy, Science and Technology referred to her Ministerial Advisory Board which is looking at the various strands of policy within ES&T. The Minister referred to a refocus of the National Transport Plan and the work undertaken on the Economic Renewal Plan and the establishment of the sectors within ES&T. The recession had meant that a number of temporary measures had been necessary in addition to Economic Renewal and that as a result, setting out a longer term direction of travel was something that she was looking at for the Autumn. The Minister referred to the strong focus on skills and technology within the Deputy Minister for Skills & Technology's portfolio.
- 4.11 The First Minister commented on the limitations of using Gross Value Added as a measurement tool and noted that, as a consequence, it was not always an accurate and true reflection of the economic picture He referred to how Gross Disposable Household Income can be a more appropriate method of measurement. He commented on the different terms of industry and

economy and noted that there appears to be blurring of these terms with industry often used with the broadest definition in mind.

- 4.12 Andy Richards noted the comments made in relation to FDI. He commented that the report questioned particular investments in relation to unsustainable foreign direct investment. He acknowledged the support that had been provided to major investors in Wales, which is referenced in the report as good investment. He thanked the Council for its helpful and accurate observations. He stated that the Wales TUC would now have an opportunity to reflect on the observations and comments made.
- 4.13 Martin Mansfield reiterated that the Wales TUC was not expecting a substantial response at this stage and noted that the report is not a prescription for the economy, but that it highlighted the issues that need attention. He informed the Council that the Wales TUC welcomed the opportunity to work together with partners to further develop the proposals going forward.
- 4.14 The First Minister thanked the Wales TUC and agreed to revisit this item in October.

<p>ACTION: It was agreed to revisit the item at the October meeting and, in the interim, the Working Group will consider what actions to take forward</p>
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5. **Review of Welsh Business Access to Private Sector Finance**

- 5.1. The First Minister introduced this item. He informed the Council that this was an issue that had been raised at the last Council meeting and it was agreed to provide an update on the review for this meeting. The First Minister invited the Minister for Economy, Science and Technology to say a few words before introducing Professor Dylan Jones Evans.
- 5.2 The Minister for Economy, Science and Technology advised the Council that she had commissioned an independent review of SME Access to Finance in January. A number of concerns had been raised regarding the availability of finance for SMEs and it had therefore been important to get more detailed information. She informed the Council that the review was in two parts namely, understanding the efficacy of the high street banks in providing the finance needed and suggesting alternative sources of finance.
- 5.3 Professor Dylan Jones Evans provided the Council with an update on the current state of play and emerging issues based on the evidence he had gathered. He referred to Basel III agreement and suggested that the Welsh Government should raise the issue of its adverse effect on the SMEs directly with HM Treasury and the Department of Business, Innovation and Skills. He referred to concerns regarding the Business Bank and the potential for inequitable allocation of funding across the UK. He also referred to the issue of loans and overdrafts and informed the Council that the evidence suggested

that smaller, younger firms were less likely to be successful with their application to their bank for lending. He noted that the evidence suggested that it was smaller firms that were not being adequately served, with mid sized companies facing fewer issues in Wales. This raised the question as to whether a separate system was required in Wales for smaller firms. Professor Dylan Jones Evans highlighted issues around security and affordability and questioned the value of existing UK schemes in addressing these issues. He asked whether WG could look at the provision of additional guarantees to cover loans to Welsh businesses. He also raised the potential for WG to encourage banks to make credit decisions locally in Wales and ensure greater transparency over the lending process. He referred to the disconnect between the business support programmes offered by the Welsh Government and the funding supplied by the banking community in Wales, He stressed the importance of getting the right support to firms to make them investment ready and of signposting to sources of funding, including alternative sources. He referred to the NESTA report, which highlighted the substantial potential of alternative sources of funding, and the opportunity for the Welsh Government to take the lead in supporting alternative sources of funding such as peer to peer lending and crowd funding. The report also referred to Finance Wales and the need to determine its future strategic direction.

- 5.4 The First Minister thanked Professor Dylan Jones Evans and invited comments from the Council.
- 5.5 David Russ asked whether there were any examples of lessons learnt that could be drawn on. He gave an example of the Start Up Loan Scheme operating in England where about 120 applications a week were received and asked about the position in Wales. Professor Jones Evans responded that any plans to bring the Start Up Loan Scheme to Wales should not be limited to 18-30 year olds as this was too restrictive. He also commented on how difficult it was for start ups to access loans and that activities should work alongside banks and not be seen as a replacement. He added that he believed that the UK government were considering expanding the scheme to people of all ages.
- 5.6 Peter Hughes referred to the relationship between Welsh Government and lenders in the mortgage industry, where quarterly meetings were held in order to understand each others agendas. He noted that it would be beneficial to replicate this relationship with the business community. He concurred on the point regarding guarantees and said that he felt that there was a need to be realistic with regards to the potential for building societies. He agreed that peer to peer and crowd funding offered potential but heeded caution in this regard. He cited the previous RIFW as an exemplar.
- 5.7 Robert Lloyd Griffiths welcomed the report and commented on its importance. He referred to the Micro Business Task and Finish Group and how access to finance has been identified as a key issue. He referred to the relationship between SMEs and banks and the need for a cultural shift to ensure small businesses had the confidence to seek finance from multiple sources. Professor Jones Evans highlighted the need for better education of

businesses (in particular micro-businesses) and floated the idea of setting up of a business finance website. Robert Lloyd Griffiths suggested that Business Wales could have a link to signpost the relevant support available to businesses.

- 5.8 Ben Cottam referred to paragraph 5 of the paper and asked whether the outstanding information Professor Dylan Jones Evans requested from the banks was forthcoming. Professor Jones Evans informed the Council that the SME Access to Finance Advisory Board had met with the banks' representatives and had asked them how the Welsh Government could help support access to finance in partnership with their organisations
- 5.9 The Minister for the Economy, Science and Transport informed the Council that there were a number of strands feeding in to this review including the work of Professor Colyn Gardner who had been asked to provide information on community financing.
- 5.10 The First Minister thanked Professor Dylan Jones Evans.

<p>Action: Professor Dylan Jones Evans to consider the comments received in finalising the first stage report.</p>

6. Green Economy Route Map

- 6.1 The First Minister welcomed Peter Davies to the Council in his capacity as Chair of the Climate Change Commission for Wales and Commissioner for Sustainable Futures and invited the Minister for Economy, Science and Transport to say a few words of introduction.
- 6.2 The Minister for Economy, Science and Transport welcomed the work and approach of Peter Davies and invited him to introduce the paper.
- 6.3 Peter Davies informed the Council that the paper had been prepared with support from Price Waterhouse Coopers and provided an outline of the whole economy approach to green growth. He explained that there was a lot of activity in Wales elements of which contributed to green growth which it was suggested could be better connected. He proposed that the approach outlined was central to economic renewal and Brand Wales and cited examples in other countries such as New Zealand and Ireland where green growth was already being developed as part of their brand and narrative. The approach would be in keeping with the Programme for Government. He invited the Council to endorse the role of green growth and advised that the Commission would work with the Council to drive forward an agreed action programme.
- 6.4 The First Minister thanked Peter Davies and invited comments from the Council.

- 6.5 Andy Richards commented on the importance of the green economy and noted that there were a number of examples of good practice in Wales. He noted how it was part of the Industrial Strategy and would be a key issue for the future which the Wales TUC would support.
- 6.6 Paul Byard referred to the statement on page 8 of the report which stated that by 2018 energy prices were projected to have increased by 70% and that the EEF were therefore supportive of the agenda. The EEF would welcome a timescale on action in order to maintain the competitive position of Welsh businesses.
- 6.7 Emma Watkins stated that the CBI commended the work of Peter Davies and advised that companies were engaged in this area. She noted that in light of the rising cost of energy there was a need to support energy intensive industries, alongside support for smarter, greener business. The CBI would continue to support the work in this area.
- 6.8 Iestyn Davies suggested that a potential challenge in relation to this agenda would be ensuring businesses recognise this as an issue for them. He suggested that the concept 'Green' is often perceived in a particular way and should be linked with wider social, economic and cultural sustainability and not only the environmental agenda. He asked whether it would be possible for the report to look at how the principles and issues were intertwined with existing policies and actions across WG and to consider the issue of longevity.
- 6.9 Ben Cottam welcomed the paper and endorsed the principle of green growth going forward. He noted that the paper brings together a number of conversations on this issue. He stated that he had attended an inaugural conference at the Green Investment Bank (GIB) recently and suggested that we look at the role the GIB might play in Wales and capitalise on funding available. He advised that the Scottish Government were setting up a green investment portfolio and asked whether there would be merit in looking at a similar structure.
- 6.10 The Minister for Economy, Science & Technology informed the Council that she would be meeting with Professor Garel Rhys to discuss this matter and would look at the possibility of an enquiry across Departments.
- 6.11 Peter Davies thanked the Council for its positive contribution. He confirmed that he recognised the issues faced by high energy users in Wales and the need to support those businesses, referencing the importance of investing in innovations in energy, making the best use of EU structural funds and linking with HE.
- 6.12 He reaffirmed the need for good communication of existing activity and how green growth was a recognised brand globally.
- 6.13 He informed the Council how an evidenced-based approach had been adopted in gathering the information but that delivery should be the focus to

make Wales an attractive place to invest in for those businesses committed to green growth.

6.14 The First Minister thanked Peter Davies for his work to date.

Action: Peter Davies to take on board comments and the Working Group to determine next steps.

7. Severn Crossings

- 7.1 The First Minister informed the Council that this item had been discussed at the last meeting and that it had been agreed that a paper would be brought to this meeting. The FM invited the Minister for Economy, Science and Transport to introduce the paper.
- 7.2 The Minister welcomed the opportunity to discuss this important issue with the Council. The Minister acknowledged that there were a range of perspectives on the future of the Severn Crossings and the economic impact of the tolls. She referred to how the decision on the future of the tolls should lie with Wales as the negative impact of the tolls fall here and the Welsh Government was better placed to make decisions which put Wales' economic interests first. It would also provide an opportunity to design a tolling regime that was flexible and responsive to business needs. She referred to the nature of the debt that the UK Government had identified and alternatives to them continuing to levy tolls as demonstrated by the Humber Bridge approach.
- 7.3 The First Minister referred to the original debt and said that there was also a historic debt, not previously included, which would remain to be paid after the end of the current Concession. He referred to the importance of the powers being devolved to Wales to enable decisions that affect Wales to remain in Wales. He referred to the option of tolling an M4 relief road, stating that this was an unattractive option. He stated that if the WG takes control of the Severn Crossing, it would not be in a position to abolish the tolls, but would aim to reduce them. Smart tolling was identified as an option of interest.
- 7.4 Nick Blundell stated that the Wales TUC supported proposals to devolve control of the Severn Crossing to WG.
- 7.5 Iestyn Davies asked for clarity as to whether WG was seeking control of the crossing as a means of generating an income stream or in order to have the control to manage the economic development / infrastructure impact of the tolls.
- 7.6 The First Minister confirmed that the immediate priority was to secure a reduction in tolls bearing in mind the maintenance cost of the bridges. He stated that the M4 relief road was not dependent on tolls as it could be financed in other ways subject to provision of borrowing powers.

- 7.7 The Minister for Economy, Science and Technology informed the Council that a draft plan setting out proposals for the M4 around Newport should be published shortly, which would fit in with the completion of an assessment of delivery of commitments in the National Transport Plan.
- 7.8 The First Minister asked if the Council could formulate their views and if they saw fit to support the Welsh Government's proposals.
8. **Any Other Business**
- 8.1 The First Minister moved to close the meeting and asked if there was any other business.
- 8.2 Lowri Morgan raised the issue of Price Competitive Tendering of criminal defence services in England and Wales by UK Government. She informed the Council that there were a significant number of SMEs in Wales involved in this area of work and the proposal was to award a few contracts across Wales. She advised that while the current proposals might serve UK metropolitan cities they would not fit the needs of Wales and would have a significant impact on traditional law firms. She commented that it was likely that, as a result of these proposals, no small firms would be able to compete. She advised that the consultation closed tomorrow and that the Law Society would be expressing concerns as to the economic viability of the proposals. She asked that the Law Society's concerns be noted by the Council and sought WG support
- 8.3 The First Minister expressed his agreement with the comments made.
- 8.4 There were no further agenda items. The First Minister thanked everyone for their attendance and contributions and reminded members that the next meeting would be held on 7 October 2013. The First Minister then closed the meeting.