

Council for Economic Development Meeting Note

Time: 10:30 – 12.30
Date: 10 June 2019
Venue: Caerdydd 1, 2 and 3, Cathays Park, Cardiff.

Ministers in Attendance

Name	Organisation
Ken Skates AM	Minister for Economy and Transport
Lesley Griffiths AM	Minister for Environment, Energy and Rural Affairs
Lee Waters AM	Deputy Minister for Economy and Transport

Stakeholders in Attendance

Lloyd Powell	ACCA
Ian Price	CBI
Sally Gilson	Freight Transport Association
Martin Warren	ICAEW
Robert Lloyd Griffiths	IoD
Ifan Glyn	FMB
Ben Cottam	FSB
Kay Powell	The Law Society
Heather Myers	South Wales Chamber of Commerce
Derek Walker	Wales Co-operative Centre
Peter Hughes	Wales TUC
Mark Judd	Wales Social Partners Unit
Rhys Williams	RHA
Nigel Keane	Wales Social Partners Unit
Paul Byard	EEF (Chair of Commerce Cymru)
Heather Eason	Wales Social Partners Unit
Nisreen Mansour	Wales TUC
Martin Mansfield	Wales TUC
Ceri Williams	Wales TUC
Leigh Hughes	WESB

Apologies

Shan Morgan DCMG	Permanent Secretary
Julie-Ann Haines	CML
Ruth Brady	Wales TUC
Mark Harris	Home Builders Federation
Martin Mansfield	Wales TUC
Martin McAuley	RICS
Huw Thomas	NFU

Welsh Government Officials

Andrew Slade	
Tracey Burke	
Jonathan Price	
Simon Jones	For Climate Change Emergency item
Sioned Evans	For Regional Economic Policy item
Peter Ryland	For Regional Economic Policy item
Marcella Maxwell	
Emma Watkins	
Julian Carpanini & Brett John	Note takers

Item 1 - Introductions & Opening Remarks

1. The Minister for the Economy and Transport (ME&T) opened the meeting by welcoming members to the second meeting of 2019. ME&T explained that he would be leaving the meeting early to accompany the First Minister on a meeting concerning Ford. He pointed to a revised agenda which lacked an AOB item and announced notes of the last meeting and actions arising would be taken offline.

ACTION – Officials to seek offline comments from members on minutes and actions from February meeting

2. ME&T welcomed the Minister for Energy, Environment & Rural Affairs (MEE&RA) to the meeting for agenda Item 1 and the Deputy Minister for Economy and Transport (DME&T) for Item 2. He welcomed Leigh Hughes, WESB, who would be providing a Skills update.
3. ME&T announced apologies from the Permanent Secretary, Martin Mansfield, Ruth Brady, Julie-Ann Haines, Mark Harris, and Huw Thomas.
4. ME&T set out the three main agenda items:
 - a) Climate Change Emergency
 - b) Regional Economic Policy in Wales
 - c) Improving the Trading Environment in Wales
5. Before taking the first item ME&T provided updates on the M4 Relief Road and Ford.
6. **M4 Relief Road:** The ME&T referred Members to the First Minister's statement of 4 June in which he announced that the relief road would not be proceeding and the reasons for that, including financial and environmental concerns. ME&T was now tasked with identifying and implementing a series of fast-tracked, targeted interventions to alleviate congestion on the M4 in south Wales.
7. **Ford:** The Minister outlined key aspects contained within his 6 June statement. He expressed his shock at the announcement and described a feeling of being let down by the company given the haste of the decision. He referred to the establishment of a Task Force to help mitigate the loss of employment and work streams within that charged with helping the people affected, helping the region to prepare for a post Ford era and encouraging fresh investment. The issue had been escalated to UK Government level and ME&T referred to ongoing conversations with Greg Clarke, Secretary of State at BEIS. ME&T stated Ford had been taken aback by the ferocity of stakeholders' comments relating to the closure.
8. Council members shared the Minister's disappointment. There was consensus that the decision was taken prematurely. Key discussion points included:
 - i. **FSB Wales** – highlighted the importance of supply chain mapping to ensure public sector assistance measures were well targeted. It questioned the willingness of Ford to engage with Welsh Government? ME&T confirmed Ford were in no doubt as to its responsibility to partner WG in seeking to limit impact.
 - ii. **RHA** – offered full support to WG and referred to shortages of skills in logistics sector. ME&T said he hoped there would be a legacy fund from Ford, which could possibly be used for training.
 - iii. **CBI Wales** – offered its full support to WG.

- iv. **Wales TUC** – highlighted that initial assessments indicated between 4,000 and 4,500 workers in the Ford supply chain would be impacted upon to greater or lesser extents. Some companies affected also supplied Honda so were about to experience a double strike. It advocated supply chain employees receiving enhanced rather than the statutory minimum pay off.

ITEM 2 – Climate Change Emergency

- 9. ME&T introduced this item. He stated he believed it was essential for a partnership approach to consider how Wales could position itself competitively to identify global low carbon opportunities but also to ensure we were resilient to the changing global economy. ME&T handed over to MEE&RA to lead the discussion.
- 10. MEE&RA introduced the paper circulated to Members in advance of the meeting. She stated that the National Assembly was the first Parliament in the world to declare a climate emergency to demonstrate its recognition of the need to urgently tackle climate change. MEE&RA stated WG understood businesses needed clarity and certainty for investment decisions to counter the threat climate change posed. There were, however, significant economic opportunities for early mover companies. She stated that delivering actions contained in WG Carbon budgets was dependent upon collective leadership and collective action. Members were invited to share their views, key points included:
 - i. **FSB Wales** - referred to a high level of awareness of climate change amongst its members but a low level of understanding of WG interventions especially amongst its smaller businesses. It asked for clarification on what the emergency declaration actually meant? And would WG support be direct or indirect? It referred to FSB being in the process of developing a paper talking to the UK perspective and suggested that Wales would need to organise itself more effectively to inform the debate at UK Government level.
 - ii. **CBI Wales** – suggested ‘crisis’ being a more suitable descriptor rather than ‘emergency’. It referred to great work already underway and the importance of capturing and disseminating best practice measures. It stated its support for WG in this area and offered its assistance.
 - iii. **Wales TUC** – highlighted the challenge of the transition to lower carbon economy requiring a well-considered balancing act. On the one hand, the benefits of a lower carbon economy are fully recognised, but careless transition would be cataclysmic for individuals working in higher carbon producing companies. The development of transitional plans was advocated as also was the importance of having replacement industries in the pipeline so Wales’ economic future is unharmed. Tripartite planning and policy making would assist that process.
 - iv. **WESB** – referred to business being multi-layered with larger companies already transitioning. It was the smaller companies that needed greater support and encouragement and numerous best practice examples from around the world existed to facilitate that learning. A cohesive approach was needed.
 - v. **Commerce Cymru** – referred to companies in Germany having started planning for this 20 years ago and the process there was well understood. Wales needed to lever expertise and encourage innovation which would make the transition smoother.

11. ME&T stated the key question for Members was how they would build a new economy built around the climate change agenda? The question of the UK internal market was massive and Wales simply could not pursue policies that would make it less competitive than businesses located across the border. Echoing the Wales TUC comments, ME&T highlighted the importance of ensuring the interest of people themselves was reflected in new policies.
12. MEE&RA explained the 'emergency' descriptor was adopted given that latest assessments supported the fact that the world had only 12 years to act before the situation was irretrievable. She acknowledged CBI's positive engagement with the UK Government. She thanked members for their advice on sharing best practice and acknowledged the point about the low level of awareness on specific interventions.
13. MEE&RA agreed the need to make business more resilient and recognised the opportunities which existed for a cleaner, greener environment. She would be visiting TATA and referred to the huge strides made by the company to limit its carbon footprint. She acknowledged WESB's point about businesses being multi-layered and the importance of recognising the skills profile in Wales.
14. ME&T thanked members for their contribution and suggested the Council return to this issue at a further date.

ITEM 3 - WESB Skills Update

15. ME&T invited WESB to provide its skills update. WESB referred to the new curriculum consultation and urged members to contribute, referring to a forthcoming July business breakfast when this would be discussed. It mentioned a recent note it had sent to UK Government on the Apprenticeship Framework and referred to ongoing partnership working between Regional Skills Partnerships (RSPs) and City and Growth Deal bodies necessary in informing skills forecasting. It urged caution on T levels with WG and RSPs soon to undertake consultations.
16. WESB referred to concerns with the skills pillar in the current Employment Plan. To assist forward planning it sought advice on the sectoral split of the 200 Economic Contracts currently underway. It outlined a major challenge for WESB and RSPs was getting ahead of the curve on emerging economies given the time required to design a course to provide appropriate skill sets. It urged WG to consider how it might react more quickly to opportunities presented.
17. ME&T thanked WESB for its update. He confirmed he would arrange for EAP evidence to be shared with WESB.

ACTION: Officials to provide a sectoral breakdown of the Economic Contracts completed to date.

ITEM 4 – Regional Economic Policy

18. ME&T briefly introduced the item before handing over to Sioned Evans and Peter Ryland. He referred members to the accompanying paper which highlighted existing and planned policies linked to regional economic development. He outlined the current model centred on Regional Units under the strategic leadership of the Chief Regional Officers (CROs). Those CROs were now formally in post and continuing a programme of engagement and conversations with local authorities and other public sector bodies and businesses across the region. Regional Indicative Budgets would be published in July and regional plans would inform priorities and spend. ME&T then handed over to Sioned Evans and Peter Ryland to lead the discussion.

19. Sioned explained that the role of the CROs was to promote and communicate the Economic Action Plan, listening to and understanding partners' plans and aspirations, building relationships and aligning activities. The regional units were transitioning from a sector based approach to one focussed on regional delivery. The three regional teams had adopted a common structure to their regional plans, so that each would have a similar look and feel, though the specific content and priorities would of course differ. Sioned outlined how the model would allow for an incremental approach, to expand scope over time to help prioritise future regional investments and build the strengthened regional partnerships that would be needed in a post-Brexit landscape. CROs were aligned on the need for regional strategies that made sense to those they impacted upon.
20. Sioned reaffirmed a commitment to using replacement funds to support the ambitions of the Economic Action Plan for more balanced inclusive and sustainable economic growth, addressing inequalities between and within regions. And ME&T added the WG was working with the OECD to provide expert advice on international best practice to support the development of successor arrangements and inform the implementation of the EAP.
21. Sioned highlighted the importance of ensuring the join up of our regional economic development plans and regional work within planning, transport, skills, regeneration housing and with WEFO on the Shared Prosperity Funding and would pursue opportunities for integration of cross government working. The importance of cross border links and cross border working was recognised by regional teams. WG would be ensuring that governance arrangements to oversee the plans were proportionate and effective and public private and third sector interests would be brought together.
22. On EU Funding, Peter Ryland stated maintaining current EU funding levels would be vital to rebalance the UK economy and for the sustainable development of Wales in general. Against a backdrop of ever greater uncertainty, WG was continuing its dialogue with businesses, partners and communities across Wales to understand and assess exposures and risks, including business flight and closure risks. The WG was seeking to bring together different sources of data to help it understand the spatial impacts and risks arising from different Brexit scenarios.
23. Peter explained that the UK Government had repeatedly delayed a proposed consultation on the Shared Prosperity Fund (SPF), and that this would not happen whilst a leadership race was underway. The lack of engagement with WG on the SPF was concerning, especially when the need for strengthened intergovernmental working was becoming more important than ever. It was hoped that the UK Government would reconsider its approach over the summer leading to a possible agreement on replacing funding quickly, to end the uncertainty for organisations across Wales. Peter referred to the establishment of four working groups – Implementation; Monitoring; Evaluation; and Cross Border Control – and how WG would be welcoming future engagement.
24. ME&T referred to recent meetings with the Welsh Secretary of State where he had reiterated the WG position on a range of issues. He commented that the appointment of the CROs and the complimentary regional approach to economic development would counter former criticisms of WG support being disjointed.
25. Members were invited to contribute, key comments included:
 - i. **CBI Wales** – thanked Sioned for her participation in a recent meeting in North Wales which had been well received. It asked how City Deals, Growth Deals etc would be accommodated within the regional approach to economic development?

- ii. **Wales TUC – Wales TUC** – referred to the importance of supporting large scale employers as well as small start-ups – the focus should be on the provision of fair work not whether the director was local to the area. There is a danger that the regional approach could undermine all-Wales commitments to delivering fair work through social partnership as the key Welsh Government priority. There are clear capacity issues for Social Partners in supporting both detailed all-Wales structures and several regional economic structures. There are deep concerns that the UK Shared Prosperity Fund outcomes will reflect Westminster priorities as opposed to more Welsh Government priorities – especially as regards fair work and social partnership. Wales TUC advocated the need for a clearer understanding of how the various structures and strategies fitted together so that social partnership engagement could be better targeted.
 - iii. **ICAEW** – suggested structures build on bodies already in existence as there was a likelihood of existing bodies being capable of accommodating changes in procedures.
 - iv. **SWCoC** – suggested the regional approach would be more penetrable and where appropriate, CROs would be able to pursue cross border opportunities to build a region's capabilities. It asked how the regional piece might assist supply chain development?
 - v. **FSB** – commented that it felt the regional approach was the right course but felt CROs needed greater visibility in the market place.
26. ME&T thanked Members for their comments. On CRO visibility, he stated they had only recently been appointed and acknowledged their role was to proactively engage business and partner networks. On City/Growth Deal fit, ME&T commented that he wished to see consolidated regional economic development teams that would reduce complexities of operation with companies only having to open a single door to access support. He felt a balance was required on the issue of national and regional initiatives. He suggested that trade union sub offices should be feeding in to WG regional teams leading to consolidated knowledge.

[ME&T left the meeting at this point with DME&T assuming the Chair]

Item 5 – Improving the Trading Environment in Wales

27. DME&T invited Paul Byard to lead on this item. Paul presented his paper and highlighted worrying trends becoming evident in the Welsh manufacturing sector including a huge fall in investment, reducing orders, fall in Quarter 2 productivity and a lack of short-term stockpiling to counter the effects of an economic recession. The automotive industry appearing to suffer greatest impact with job losses announced by vehicle assemblers and their supply chains. Paul stated a move to restore business confidence was needed urgently and WG needed to act to futureproof the Welsh manufacturing sector.
28. The October deadline to leave the EU would stimulate order books as companies would be stockpiling components but this would have the effect of masking the true economic position as the removal of stockpiling investment from the equation would actually reveal the UK economy heading directly in to a recession. Paul urged the WG to demonstrate that Wales was open for business, to prioritise support towards innovation and to create a Task Force charged with futureproofing the manufacturing sector.

29. DME&T thanked Paul for his input and invited comments from Members.

- i. **SWCoC** – referred to Chamber Economic Survey pointing to the weakest trading figures for 10 years. A copy of its July report would be provided for information.

ACTION – SWCoC to provide its July report for Council Members.

- ii. **Wales TUC** – indicated its support for futureproofing the manufacturing sector in Wales. It suggested that there needed to be social partner engagement on supporting fair work employers to develop and not solely look at support for companies under immediate threat of closure.
- iii. **IOD** – urged the establishment of a Task Force to prevent closures rather than in response to.
- iv. **WESB** – highlighted that support should be consistent and designed to help companies move up the value chain and move on to Tier 2 or 3 providers. It stated that ultimately the speed by which a company could upskill its workforce would determine survival or failure. It suggested a supply chain mapping exercise would improve our understanding of the landscape and help determine priority areas for investment and support.
- v. **ACCA** – suggested the Council receive an update on Prof Phil Brown’s work.

ACTION – Officials to arrange for an update on the current position of Prof Brown’s study

- vi. **FSB Wales** – sought advice on the current position of project prioritisation under Industry Infrastructure Projects.

30. DME&T thanked members for their feedback and challenge. He referred to a confluence of events striking the manufacturing sector, severely impacting upon its companies and the current constrained environment inhibiting growth and investment. Paul Byard advocated putting the constrained environment issue to one side with WG prioritising the growth of the manufacturing sector rather than overseeing its decline. He considered that two immediate wins would be the appointment of additional Innovation specialists and a far quicker determination of projects seeking innovation funding.

31. Andrew Slade commented that frameworks for innovation support were already in place and functioning well. He acknowledged the observations made regarding the difficult times ahead and the consequences of Brexit, both seen and unforeseen, and suggested Council consider the question ‘what happens next?’ at its next meeting.

ACTION – Officials arrange for a follow on discussion at the next Council meeting.

32. Paul Byard offered his full support and DME&T expressed a wish to continue dialogue with Paul.

ACTION – DME&T to talk further with Paul Byard on his ideas for futureproofing Welsh manufacturing.

33. DME&T thanked Council Members for their attendance and confirmed the next meeting would take place on 14 October 2019.

MEETING CLOSED