



**Cynulliad Cenedlaethol Cymru
Y Pwyllgor Datblygu Economaidd a Thrafnidiaeth**

**The National Assembly for Wales
The Economic Development and Transport
Committee**

Dydd Mercher, 26 Mai 2005

Wednesday, 26 May 2005

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau o'r Cynulliad yn bresennol: Christine Gwyther (Cadeirydd), Leighton Andrews, Alun Cairns, Janet Davies, Lisa Francis, Elin Jones, Jenny Randerson, Carl Sargeant.

Eraill yn bresennol: Jeremy Wright, Pennaeth Gwasanaethau Datblygu Economaidd, Cyngor Sir Powys; Geraint Davies, Cyfarwyddwr Gweithredol, Awdurdod Datblygu Cymru; Mike Bacigalupo, Rheolwr Datblygu Busnes, Awdurdod Datblygu Cymru; Robin Beckmann, Cyfarwyddwr Rhanbarthol, Dysgu ac Addysgu Cymru; Eamon Ford, Rheolwr Gyfarwyddwr, William O'Hanlon Cyf ac aelod o Grŵp Gweithgynhyrchu'r Canolbarth; Michael Neave, Cyfarwyddwr Cyllid, Actia (UK) Cyf; Bill Brown, Makefast Cyf; Bob Millard, Cyfarwyddwr Gweithrediadau, Makefast Cyf.

Gwasanaeth Pwyllgor: Siân Wilkins, Clerc; Sarah Bartlett, Dirprwy Glerc.

Assembly Members in attendance: Christine Gwyther (Chair), Leighton Andrews, Alun Cairns, Janet Davies, Lisa Francis, Elin Jones, Jenny Randerson, Carl Sargeant.

Others in attendance: Jeremy Wright, Head of Economic Development Services, Powys County Council; Geraint Davies, Executive Director, Welsh Development Agency; Mike Bacigalupo, Business Development Manager, Welsh Development Agency; Robin Beckmann, Regional Director, Education and Learning Wales; Eamon Ford, Managing Director, William O'Hanlon Ltd and member of Mid Wales Manufacturing Group; Michael Neave, Finance Director, Actia (UK) Ltd; Bill Brown, Makefast Ltd; Bob Millard, Director of Operations, Makefast Ltd.

Committee Service: Siân Wilkins, Clerk; Sarah Bartlett, Deputy Clerk.

*Cynhaliwyd y cyfarfod yn Ladywell House, y Drenewydd.
The meeting was held in Ladywell House, Newtown.*

*Cychwynnodd y cyfarfod am 9.32 a.m.
The meeting began at 9.32 a.m.*

Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau Introduction, Apologies, Substitutions and Declarations of Interest

Christine Gwyther: Good morning. I welcome everyone to this meeting of the Economic Development and Transport Committee, held in the capital of mid Wales, which is lovely. I remind Members that they are welcome to speak in Welsh or English, and that headsets are available for translation or amplification, should anyone have trouble with the acoustics—you will get a decent sound on the headsets. I remind Members to switch off their mobile phones, and if there is a fire alarm, the ushers will show us to the nearest exit.

We have received apologies so far from Andrew Davies and Tamsin Dunwoody-Kneafsey.

Alun Cairns: Cadeirydd, on what basis have the Minister and the Deputy Minister not come to this meeting of the committee? It is quite unusual for one of them to be absent, and it is particularly unusual for both of them to be absent. I hope that that does not send a signal of what the Assembly Government thinks of mid Wales, and the presentation that we are about to receive.

Christine Gwyther: Absolutely not. Andrew Davies had a prior engagement of which we were aware when we set the time of the meeting, and, unfortunately, Tamsin has had a

bereavment, which is why she is not here today. I just want to make that clear.

9:33 a.m.

Adroddiad Blynyddol Drafft y Pwyllgor Datblygu Economaidd a Thrafnidiaeth Economic Development and Transport Committee Draft Annual Report

Christine Gwyther: We have had quite a busy year, as usual, including some fairly heavy scrutiny sessions, but we have also finalised our report on economic inactivity, which is quite a serious and heavy piece of work. Do Members have any comments on our annual report, and our work during the last year? Is everyone content with the way that we have portrayed it? Yes? That is good.

9.35 a.m.

Blaenraglen Waith Ddrafft 2005-06 Draft Forward Work Programme for 2005-06

Christine Gwyther: The next item, which leads on from that, is to discuss our draft work programme for the next year. Again, we have a paper, and if you have any comments to make on it, please do so now.

Elin Jones: Dim ond un sylw sydd gennyf, Gadeirydd. O ran y gwaith polisi, a monitro ein gwaith blaenorol, byddwn yn hoffi pe baem yn edrych yn benodol ar y gwaith ar adroddiadau'r pwyllgor ar ynni adnewyddadwy ac ar effeithlonrwydd ynni. Mae'n bwysig ein bod yn cadw rhyw fath o *watching brief* ar weithgaredd y Llywodraeth o ran gweithredu argymhellion y ddau adroddiad hynny. Hoffwn amserlenni cyfarfod penodol i graffu ar waith y Gweinidog o ran datblygiadau yn y ddau faes hynny.

Elin Jones: I have only one comment, Chair. In terms of the policy work, and monitoring the work that we have already done, I would like us to look specifically at the work on the committee's reports on renewable energy and on energy efficiency. It is important that we keep some sort of watching brief on the Government's activities in terms of implementing the recommendations of both reports. I would like us to schedule time to scrutinise the Minister's work in terms of progress in those two areas.

Christine Gwyther: Does anyone else want to speak specifically on energy? This is an area that we included as an area of concern in our budget letter, saying that we think that more money should be spend on what may be innovative areas in the energy field. I am happy to schedule a proper discussion, so that we can closely scrutinise the Minister on that.

Leighton Andrews: I would like us to ensure that we are keeping a proper brief on the creative industries. That is an important part of the Welsh economy, and it directly impacts a number of aspects, including the broadband strategy.

Christine Gwyther: Should we look at any other aspects of the creative industries, or do you think—

Leighton Andrews: We have had the creative industries strategy and the fund, but I would like to see, in the first year of the implementation of the fund, how it is working, where the money is being invested, and to see what developments are coming out of that.

Alun Cairns: I support that.

Janet Davies: Just to pick up on what Elin said about energy, I have a query about the clean

energy efficiency review that was supposed to be published in December, then in the spring. I assume that we will be looking at it next year, and it would be helpful to have an indication of when.

Christine Gwyther: Okay. Are there any more comments?

Carl Sargeant: Although we have debated the Welsh aerospace industry in Plenary, I feel that it is important that we, as a committee, take a closer look at it, because the future of the industry is changing dramatically. I would welcome the inclusion of a discussion on the aerospace industry in the forward work programme.

Christine Gwyther: That is a valid point. We have spent some time on aerospace, which included a visit to Broughton, as you know, but we need to revisit the matter.

Lisa Francis: In view of the trials that were conducted on the Cambrian line recently, it would be interesting if we could look at road and rail connections specifically for mid Wales. You will pardon me for being biased, but there does not seem to be a lot going on in that direction, and it needs attention.

Christine Gwyther: I suggest that we look at road and rail connections across the piece, because connectivity is one area on which we have not really focused.

Jenny Randerson: I will pick up on comments that have already been made. First, I endorse Elin's comment about energy and Leighton's comment about the creative industries. They are really important. The other issue is the need to monitor and look in some detail at the way in which the new railway arrangements are being implemented and how effective they have been. This includes the new timetable and structure for the industry, and so on. It is important that we keep a close eye on that.

Christine Gwyther: Are there any other bids while we are at it? We will make sure that those are factored into the forward work programme. It will be quite a busy year again, but that is how we like it. I thank you for your contributions.

9.39 a.m.

Economi'r Canolbarth—Y Sector Cyhoeddus Mid Wales Economy—Public Sector

Christine Gwyther: Our first substantive item on the mid Wales economy is a presentation by the public sector. I welcome our visitors to the committee this morning, even though it is we who have come to mid Wales.

9.40 a.m.

We have Jeremy Wright, who is the head of the economic development services in Powys County Council, Geraint Davies, executive director of the Welsh Development Agency, Mike Bacigalupo, business development manager at the Welsh Development Agency, and Robin Beckmann, regional director of Education and Learning Wales. We have a good spread there, and I hope that we will get a good discussion out of it. I would like to go through you in turn. You could give us a flavour of some of the issues that are presenting in mid Wales and ways in which you think that the Welsh Assembly Government could maybe work a little harder. We will start with Jeremy.

Mr Wright: You have had a paper from me, which I obviously do not intend to go through. I would like to draw the committee's attention to the fact that we have moved recently to a position of what you might term full employment, from a past where we had significant

unemployment black spots. The arrival of full employment has not in itself brought the wealth and commitment that we would like to see in the long term. In fact, if you look at the wage structure and so on, you still have a position where we need to sustain intervention, as we have done in our previous agencies. We are not at the stage of being able to say, 'Well, we have arrived'. We have not reached take off and we have some significant difficulties with progress.

Our demography is changing. There is what statisticians call a demographic time bomb coming up behind us as our fertility rates decline and our emigration is to the older person, producing a weighting in the population that is difficult to foresee its likely outcome. We do not seem to be making the inroads that we ought to be making in terms of attracting businesses through broadband and the new infrastructure, which is the one ability to leap over physical infrastructure that mid Wales could possibly boast. However, the take-up rate on broadband is not as high as it should be. We will have ADSL enablement—most of the exchanges are now enabled—but we have another 11 to go. That will be done, but the take-up rate does not seem to be that good. There must be some explanation for that. We need to move forward on a self-sustaining economy and on improving our ability to support ourselves. That remains our goal, but, for the moment, the issue is that we remain in need of aid and help.

Christine Gwyther: Geraint, I do not know if you and Mike are doing a double-hander on this, or are we just having a presentation from you?

Mr Davies: As the paper is there as given, I just want to make some points that may be lifted from the paper. I was asked to make some comments on recent losses in the Severn valley, but the first thing that I would say is that we still enjoy a mixed and quite a resilient economy in the Severn valley. However, we are not immune to national trends such as global competition. We have seen enterprises emigrating abroad to cheaper-labour producing countries. We have had some severe blows here in the Severn valley, which are itemised in the paper. The issue for us is not the number, but the scale, as 30 job losses here are significant and demand immediate attention. I think that there is also some very encouraging news with both inward investors and indigenous companies performing well, and that news is often buried in the media hype—you will often see £5 million investments lodged next to Llidiart y Waun WI events, which is not very encouraging.

Two big issues for us, I think, are, first, the physical infrastructure and the need for increased transport capabilities, and, secondly, greater intervention and more assistance for us to intervene in the property market. I think that those are the two big issues that I would like to discuss with you.

Mr Beckmann: I also have a paper and I do not intend to go through it at length but just highlight some points from it. I also think that it is worth mentioning, at the beginning, that we have been working in partnership across mid Wales and producing 'A Winning Mid Wales' strategy, which I think is important. We are all feeding into a more common approach towards the way that we support the economy as a whole.

I will just highlight some of the issues from an education and skills point of view. We talk about there being a low skills trap, and this is something that we discuss frequently in the office. To explain, this affects the economy directly, but it is also a consequence of the way in which the economy performs. What we actually mean by that is that there is a fairly low propensity certainly for adults in the region to engage in training and development. The consequence of that is that there are not the levels of skills available that we think there ought to be. Then, businesses are looking for people with a particular skills set—they cannot get them and, eventually, they downgrade their expectations in terms of qualifications and skills. The consequence of that is that individuals then believe that they do not need those skills and

therefore do not engage in training, and that is the sort of downward spiral that is there. I think if you set that against the issue about globalisation in terms of competition from abroad, I do not think it is just an issue of cheap labour costs abroad. Yet, I think the other thing is the level of skills that are available in India, China and so on—there is a huge competition and at a very high skills level.

I think that the other thing with this is that there is no such thing as a job for life any longer, and the fact that adults are not engaging in as much training and development as we would perhaps like them to, means that when the sort of change, in terms of churning to employment terms, happens, individuals are not then able to have the skill sets that allow them to get back into work more easily.

There are a couple of issues in terms of the balance between vocational and academic education, which are really important. Mid Wales has a great reputation for academic achievement in terms of output from schools. The A-level results from schools across the region are very high. Ceredigion and Powys have some of the best A-level results in the UK, and that is laudable and something that you would want to do more of, but I think that there is a price to pay for the local economy. Higher A-level achievement in the region, because of the lack of jobs and so on, tends to be a passport out of the region, and there is certainly a great leakage of more talented youngsters out of the region. So, what we must try to do is get a better mix between academic and vocational provision there. That is difficult because I think that you are getting into an area where parents' expectations are that their children will perform academically, and vocational courses are perhaps seen as not as valuable. Getting this balance right is extremely difficult. I think what it implies are two fairly major changes. One change is from ELWa's agenda, which is to reduce the degree of competition between providers, and I think that most providers would deny that there is competition but, in reality, they are competing for a fairly small pot of learners—that competition does exist. I think we need to move to a more planned system, and that is what ELWa has been working on with our new planning and funding system. The other issue is changing the aspirations of learners. It is the whole parity of esteem argument, which is a very difficult one to get into, but people, and youngsters in particular, are more inclined to want to follow A-level courses and the academic route and go on to university than they are to want to follow a vocational course. That is a major issue for us.

Again, looking at the needs of employers, one of the important areas for us to look at is the nature of what is provided. Employers are talking about what I would define as transferable skills, such as the ability to work in a team, interpersonal skills and communication skills. Those are not things that are easily taught through a more traditional education system, and I think that the implication of that is that there needs to be a fairly dramatic change in terms of the way teaching styles and methodologies are carried out. Much of that is happening with the 14 to 19 agenda, but there is an awful lot of work to develop there.

Perhaps the other thing to recognise is the nature of ELWa's business. From the changes made when ELWa was first created, I think that a lot of businesses expected that ELWa would be performing support functions that are directly related to employers. The constant refrain is, 'So, what can you do for me as a business?'. In fact, the nature of ELWa's business is quite different from that, because our job is primarily related to funding providers of learning and more traditional education. It has been very difficult for us over the last few years to respond directly. That said, I have included in the paper a number of things that we have been doing more recently that are about that direct response. I think the danger of that is that we lose the focus on the core, which is how do we change what is very large educational machinery to get it to focus more on the needs of the economy itself. Changes in the education system cannot happen overnight. If you have learners in the system, they can be there for three, four or five years. You must allow the system to evolve to meet their needs as it progresses.

9.50 a.m.

Christine Gwyther: I would like to bring Members in. I intend to ask Members whether they have questions, but I would like this system to be as interactive as possible. So, if you have specific questions for a particular witness, please ask them. However, should any other witnesses think that they can also contribute, please come in.

Janet Davies: We are told by Powys County Council and the Welsh Development Agency that there is fairly full employment in the area, but this is not driving up wages. Have you any idea why that is? Is it related to low turnover? I do not know. ELWa went on to say that unemployment was quite high in different areas. Could someone rationalise that for me so that I can understand that better? That is, the fact that people have said different things.

Mr Bacigalupo: Mid Wales is a big place, and it has various sub-economies. The Severn valley is an area of extremely low unemployment. The problem is not unemployment, which is between 0.5 per cent and 1.8 per cent; the problem is under-employment, whether in terms of people not being able to work as long as they would like to work or being under-utilised in terms of their capacity within the employment market, and therefore being a drag on gross value added in the area.

Mr Beckmann: I will try to help by explaining that, from ELWa's point of view, it was not that unemployment was high as a blanket statement; it was more about the special dimensions of unemployment. You have a series of what are, effectively, market towns across the region, and you tend to get concentrations of unemployed people in those towns. The issue, therefore, is how this is distributed across the region. There is higher unemployment in pockets such as in Ffestiniog and Machynlleth.

Lisa Francis: To the WDA first, if you had to prioritise either improved broadband facilities or road infrastructure as being necessary to improve the economy, which would you choose? It is probably not a fair question in many ways. Do most small manufacturing companies in mid Wales require better and faster road links to reach their markets more quickly and regularly, or do you find that broadband compensates for that?

Mr Davies: Jeremy made the point about the low take-up of broadband. We have good broadband coverage, but the issue is its extremely low take-up. That may be a marketing issue, or perhaps just a resilience issue. We do not know, but it is something that we are looking at. If I were to prioritise, I would note three things. Transport infrastructure would be very high on the list. While we are not looking for heavy bulk transport infrastructure in some instances, we are looking for a speedier infrastructure.

Secondly, as I mentioned earlier in my brief presentation, there is an issue around continuing property provision. As an agency, we have what I would describe as a problem—an annual asset disposal target is set for us, and we are selling the family silver. Quite often, you see that, when that family silver goes into the private sector, it degenerates very quickly. We lose stock that we could recycle, and it is certainly an issue that will require ongoing intervention.

The third one is related to what Robin was saying about getting the balance, and—I would be the first to admit—better integration between the work-based requirement of skills. That is still an ongoing issue. So, I guess that I would put them in that order of priority.

Lisa Francis: May I ask Robin a question?

Christine Gwyther: Before you do, I will just home in on the property issue. When you have tenants in your units—for want of a better word—do they get first refusal?

Mr Davies: On purchase?

Christine Gwyther: On purchase.

Mr Davies: By and large, yes. We have problems where we have terraces of units with adoption rules with roads and access and so on. However, by and large, we always offer sitting tenants the first option.

Lisa Francis: Robin, do you have problems with small manufacturers who misidentify your role? You said that your role is ostensibly to find ways to fund learning, if I understood you correctly. Do you find that manufacturers tend to think that you are there to identify the skills that they need, or to find a pool of labour that would suit them?

Mr Beckmann: The misidentification of roles relates back to the division of services when training and enterprise councils were dissolved. Part of the portfolio went across to agency, the rest came into ELWa. There was a very clear division, which is a real challenge for the future. There was then a division between an organisation that provides direct support for an employer, and an organisation like ELWa that does not have that direct interface; it is not part of our core remit. Having identified those needs, it is about how we bring them back into the provider network that we have. The challenge from ELWa's point of view is that its powers to start to change the provision within the network are fairly limited. We, therefore, have to try to use the competition between providers to drive that change in performance.

The new planning and funding system will allow us to make greater interventions that are planned to meet the needs of the economy. However, if learners are not expressing that need, then they will not make those choices; there is then a mismatch between the needs of employers as they express them, and the desires of individual learners. It is a complex chain. I do not think that it is about a lack of co-operation between two organisations at that interface. It is one of a complex series of things that need to happen to get individuals into that workplace and to understand their aspirations. The role of the careers service and all of those things are a part of that.

Christine Gwyther: Are any of you involved with any advisory groups on the Jobcentre Plus programme to get people back into work?

Mr Davies: Yes, we are actively involved with Jobcentre Plus in particular instances, for example, the recent closures I mentioned in the Severn valley. We actively promote job clubs and on-site work advice with Jobcentre Plus. Our relationship is very good and proactive.

Christine Gwyther: It is important for us as a committee to know how that interface between Welsh Assembly Government-sponsored projects and UK Government-sponsored projects are meshing together in Wales. So, that is quite reassuring.

Mr Beckmann: ELWa is also engaged with Jobcentre Plus. Interestingly, the providers that we fund also provide for Jobcentre Plus very often. There is an extensive integration at the delivery level.

Jenny Randerson: I have a number of questions. First, the population time bomb is referred to in Jeremy's paper. Do you think that that is one consequence of the low wages that you also referred to, that young people are leaving the area, and the age profile is, therefore, getting older and older? You would solve your population profile problem if you could do something about the wages.

Mr Wright: It is a combination or a coalescence of several factors. First, we are successful

academically and our children are exported, as Robin pointed out. It is a well-known fact that that I have a beef that we spend too much on education and not enough on economic development. You have achieved your targets, why go beyond them? It is not a popular point of view, but then I have a particular perspective, of course. So, we export our young people in quite significant numbers, but we also import a lot of early retired and retired people. We are getting an imbalance by that physical change.

10.00 a.m.

Interestingly enough, house prices are a key issue related to wages. The children cannot afford to live here any more than they cannot afford to live anywhere else, so they may as well go to Cardiff or somewhere and at least get the high life. So, if we wanted to keep them, we would have to get a better balance between wages and opportunities in terms of, particularly, purchasing houses. We are not tackling affordable housing thoroughly in a root and branch way; we are doing it incidentally. We really ought to get to grips with it, particularly in rural areas of Wales.

Our wages are not moving up, in spite of full employment. You would think that we would get a wage-cost inflation effectively, under traditional economic theory, but we are not. So, wages are remaining low, which is attractive to some employers but that is not necessarily the key issue. So, it is not about any single issue, but our statisticians are being conservative about the demographic time bomb. They believe that we are going to be in a position where we will not have enough children to support a lot of our schools and so on, as things progress. However, they are a bit taciturn about admitting that because they might get it wrong, but that is what it looks like in terms of the trends.

Christine Gwyther: Before I bring you back in, Jenny, I will just ask Jeremy whether there is a lack of—apart from affordable—suitable accommodation for younger people, such as flats, apartments and that sort of thing.

Mr Wright: There, the issue is the formation of households and the changing structure of households, which is occurring throughout Wales and is increasing the demand for housing in a different way to how it was before. Whereas, 20 years ago, we could have assumed that it was three-bedroom, semi-detached properties that were required, you cannot assume that to be the case now. Nor can you assume that the formation of households will be sustained at the current character and form. So, the market responds quite well to household formation, but it is really the price rather than the character of housing that is the issue.

Mr Beckmann: To build on a point that Jeremy made, one factor for the imbalance in population distribution is the falling birth rate, and the consequence of that, from a schools and colleges point of view, is quite dramatic. If you look at the demographic changes over the next 10 years, you will see that significantly falling school numbers will work through the system. We have embarked on a process that we call 'pathfinders', which is looking at how we reconfigure learning provision. It is a hugely contentious area and difficult decisions will need to be made in terms of the changing patterns of schools, sixth forms and so on. It will be very challenging. I know that there have been some very difficult times in terms of the county council looking into early years changes, but that will work its way through the system now, and those changes are very much on their way.

Mr Davies: I do not want to be over-positive but I think that there is a trick that we need to master, namely harnessing the potential of inward movers. Even if they are early retirees, there are possibilities to make them income generators and spenders. In that respect, we are possibly a victim of our own success, because mid Wales is a beautiful place in which to live. We have to convey that it is also a beautiful place in which to contribute to your local community and local economy.

Christine Gwyther: That is exactly what we need to tap into, given that some people retire aged 50.

Jenny Randerson: The second point that I wanted to make is probably really a comment, but it comes from Geraint's points about property and the property disposal targets and so on. I find it very worrying that that asset disposal target could have the undermining effect that you have set out. Could we draw the Minister's attention to that issue? Applying blanket targets throughout Wales means that they are not necessarily sensitive to local areas, and that would be one thing that the Minister probably ought to be aware of as an issue that has been raised with us.

Leighton Andrews: Before we draw it to the Minister's attention, I would like to understand it a bit better. Your key point appeared to be that, because you have an asset disposal target, you are transferring assets into private ownership, essentially, and they become more run down. Can you give us more examples of that, and can you name specific problems that it has caused you, as an agency, in terms of the potential investment lost or a lack of development opportunities for SMEs or whatever?

Mr Davies: In essence, the problem is that the agency has set annual disposal targets. Historically, mid Wales has had a larger portfolio of agency-owned property, so we have borne the brunt of that sales policy. In that respect, as I said earlier, we are selling the family silver—often in very large chunks. That restricts our ability in some instances to move quickly, because we have a dearth of property. Therefore, when we have investment inquiries, sometimes we do not have those properties in the right place at the right time. Secondly, that tends to diminish the offer to both indigenous and inward investors, in that our general experience is that when we hand that property over to the private sector it quickly loses its quality in terms of maintenance. For example, the private sector will often hike up rental prices, which means that companies are often displaced. We are not able to accommodate them because we just cannot keep up with that volume of build within restricted budget allocations.

Leighton Andrews: If the private sector is hiking up the rental prices, is it getting new tenants to pay those rents?

Mr Davies: Probably not at the speed that we were getting tenants. The basic issue is that there is not a large private sector in rural mid Wales. It is an economy that requires increasing and long-term intervention. Therefore, when the private sector chances its arm, it is sometimes successful, but not at the rate of the agency's traditional lettings.

Leighton Andrews: Can you point to specific inward investment opportunities that you have lost as a result of this property strategy?

Mr Bacigalupo: Yes, but I would not want to name them.

Leighton Andrews: You do not have to name them.

Mr Bacigalupo: The point about an area like mid Wales is that it does not naturally occur to businessmen and entrepreneurs to come here when they are thinking of expanding their businesses in the way that Cardiff, Newport or Swansea—which everyone has heard of—might. Mid Wales needs a product in order to get on the radar. We need to bring people here and show them a field, a site, a unit or—even better—a well-manicured, well-landscaped environment where they could envisage establishing and growing their businesses. When we have had that, we have been very successful. For instance, I draw your attention to the Buttington Cross Enterprise Park just outside Welshpool, which has internationally renowned

businesses, each one of which was attracted by that product. We need that product in order to get on the radar—to get on the shortlist—and then all we ask is that you leave the rest up to us.

Leighton Andrews: What is your occupancy rate in your properties in mid Wales, and how does that compare to the WDA around the rest of the world?

Mr Bacigalupo: Our occupancy rates are very high. It varies, but where we have lower occupancy rates we actively stimulate demand. We get some private sector activity in the Severn valley and further south in Brecon, but in certain towns in the west of mid Wales, where it is certainly fair to say that the private sector never dared to venture, we try to stimulate demand by building that product and taking entrepreneurs there to show them the product. Of course, that is a harder product to sell, and those properties can remain vacant for some time, but I make no apologies for that. A development agency without a stock of product—advance units as we call them—particularly in mid Wales, would not be doing its job properly.

Christine Gwyther: What would you call a high occupancy rate and a low occupancy rate?

10.10 a.m.

Mr Bacigalupo: In Newtown, we have built four estates over the years. Three of those are now in the private sector. The fourth is on target to be sold soon. However, for the one that we own, out of, I think, 45 units, three are empty. I think that is a very high rate, but it also means that we have something to show anyone who comes along. On the point that Geraint was making about the ones in the private sector, often with the private sector—and it is fine, it is not a problem—it seeks profit so it might well go after tenants who can pay a higher rent, which might be in the local service sector rather than in the manufacturing or non-local service sector. Those businesses can afford a higher rent, but it does not bring any value-added to a town. If someone moves from above a shop in the town centre out to a private unit in one of our estates, what is the net gain? If you like, that is the local service sector, which can afford a higher rent, crowding out more value-added activities.

Elin Jones: I want to perhaps answer Leighton's question. From my experience in Lampeter, for example, where many of the sites—sorry, there is only one site, what am I saying? Many of the units, there, if not all, have been sold to the private sector and a private landlord. The experience that we have had there is that when Dewhirst, for example, closed and left its unit, the private landlord was very slow to put that unit back on the market. The unit was empty for nearly 18 months, even though there was some local interest in taking up aspects of that unit.

We are now facing the same prospect in Lampeter with Organic Farm Foods, which is thinking of moving away from its unit. Again, the unit is in private hands and the WDA has no flexibility. I would say that the speed at which the WDA can respond by putting that unit on the market, making it available, and adapting it, if needs be, to the local circumstances, is the issue. The private sector moves that much more slowly in such an area—it might react differently in urban areas where there is possibly higher demand. The speed and flexibility that the public sector has is that much more than the private sector, in my experience.

Christine Gwyther: I have had exactly the same experience in Pembrokeshire, as you know, partly because private owners are often remote and have little interest in the locality.

Jenny Randerson: All that discussion has reconfirmed that we need to take up the property strategy with the Minister. We have, more or less, accepted it as a given in recent WDA reports, and I wonder whether we ought to look at this in more detail, because we are now looking at a number of diverse examples. Geraint has said that the WDA cannot build them

fast enough to meet the rate at which they are selling. That seems to me to be pretty perverse. A property strategy is—certainly in the eastern part of mid Wales, which is not covered by Objective 1 funding—the fundamental way in which the WDA can stimulate the economy. It can give minor grants, but the property strategy makes the big contribution.

Alun Cairns: On this point and before we come to a conclusion, we should test some of the statements that have been made so far. You have highlighted one example of occupancy rates where three out of a suite of 45 are vacant. How do your occupancy rates compare with those of the private sector?

Mr Bacigalupo: As Geraint said, compared with south Wales, there is not much of a private sector here.

Alun Cairns: You have told me that you have already sold three out of four in Newtown.

Mr Bacigalupo: What I meant was advanced build, or speculative build. As you said, we have sold off estates as part of this programme. They may not have been sold to local people; they may be national pension funds—that sort of thing. I think that they are broadly similar. It is difficult because it churns a lot, but, over time, the private sector accepts the sort of tenant that we would be disinclined to admit. We tend to be a bit more picky—we tend to look, when considering letting a unit, at the value added to the local economy of letting the unit. That is not to say that the private sector does not have its place in providing premises for, for instance, local services. However, I would say that the occupancy rates are broadly similar.

Alun Cairns: I am pretty concerned with that answer, that you are far choosier about who you let in and who you leave out, because there must be accommodation for all sorts of businesses wherever they may be, provided they are not damaging the environment and so on. How do you reconcile the statements that, by switching the policy, that will make the public sector compete more with the private sector? Surely, if we are going to regenerate the economy for the longer term, we need to look for more private sector investment, rather than public sector investment. We have had public sector investment for the last 20 or 30 years or more, and, let us be frank, the GVA of the region will not have increased that much in that period from all the public sector investment that it has had. So, surely, it is more private sector investment that we need.

Mr Davies: We are trying to get an accommodation of both. Mike mentioned our letting policies. We have deliberately vigorously pursued a manufacturing policy in mid Wales to form a strong, varied, mixed and sustainable economy. The private sector, by and large, is not so fussy—it will take anyone who will pay a rent. On storage, for example, we have lost manufacturing units that have gone to the private sector, which would have housed, let us say, 30 or 35 businesses in a manufacturing capacity. Those units have been turned into storage where you have two or three people. To us, that is not adding value in the economy. So, ideally, we would like a mix of both. We are not averse to storage distribution warehousing, but we also need a mix of higher job-creating enterprises.

Alun Cairns: I would not take away from the mix of higher job-creating enterprises. One example has been highlighted regarding the delays of the private sector—the Lampeter example. Surely, does not part of the responsibility fall on the agency to stimulate those private sector organisations to release those units earlier and to make them available for further investment, rather than just sitting back and allowing it to do it? I am pretty uncomfortable with the public sector coming in and competing with the private sector, when the long-term sustainability of any region has to be in private funds. We will come to a point where there is a squeeze on public funds. There has been large growth in public funds over recent years, and, be it through economic decline, change of Government or whatever, in the next five to 10 years there will be a tight squeeze on public expenditure. I question whether a

strategy of competing more with the private sector from the public sector is sustainable.

Mr Davies: No. As I said, we are aiming to get a mix, but we are nowhere near that point yet. Mike mentioned that, yes, we can get the private sector in patches in the Severn valley, and in Brecon—in some of what we would call the more affluent demand-driven places. However, trying to involve the private sector in some parts of rural mid Wales is a non-starter.

Leighton Andrews: I would want to see more evidence and data on the whole issue of property before—

Christine Gwyther: I think that that is what the proposition was: that we look at more evidence.

Leighton Andrews: I would like to see some data and some comparisons between the WDA and the private sector. I disagree with Mr Cairns; it seems to me that if the public sector is going to be involved in property strategy, it should be discriminating, because the public sector itself needs to add value and determine and then have a strategy behind its use of property. Therefore, if you are more being discriminating in the public sector, I would expect you to be so, otherwise, there is no point in your being involved in property in the first place. Is your experience—and I have had this in my constituency, in the tops of some of the Valleys, which, I suspect, have similar problems to some of the rural areas—that some of the private sector owners are sitting on land that has historically been used for industrial development in the expectation that they will subsequently get planning for housing, and therefore will realise the asset in a more valuable way subsequently?

Mr Davies: That is becoming an increasing trend. We have witnessed that recently in places such as Newtown, where we lost, for example, the engineering company, Price and Orphin Ltd. We vigorously tried to buy that company's land to keep it as manufacturing land. It now sits with—I think—68 housing units on it, as a result of the private sector stepping in, which may be right and proper, but it has lost its manufacturing use. In Newtown, that land was crucial to us.

10.20 a.m.

Elin Jones: We need to be careful as we are talking about two different aspects of private sector involvement. One is the development of new sites and private sector investment on that, and the other part is what we started talking about, namely asset disposal. In respect of asset disposal, a key aspect is that the public sector has built units and sites and is now, under Government targets, having to dispose of those sites. In conjunction with disposing of those sites, you are also disposing of a source of income for the WDA and the public sector; income generation from the rent flows elsewhere. We would need to be very concerned about whether those targets for asset disposal, especially in the mid Wales context, mean a net loss to the public sector in the long-term. We are losing a source of income at the same time as selling off the assets, and, possibly, experiencing losses in terms of market flexibility and the assets available for businesses that are appropriate to the local economy.

Alun Cairns: In response to Elin's last statement, surely it is not the WDA's or the public sector's responsibility to run a business and create income from rental. It is the responsibility of the WDA to stimulate businesses and to aid them, rather than create its own portfolio as a property developer. That is not really the prime responsibility, as the public sector becomes a private sector operator if you take that to the nth degree.

Elin Jones: I think that you will find that income generation has always been part of the WDA's corporate plan; it was such in the old Welsh Office days, and continues to be such under the Assembly Government.

Christine Gwyther: Do you have anything that you want to say about that, Geraint?

Mr Davies: Yes, it has. Historically, income generation has always been part of our portfolio. I think that the point that Mr Cairns is missing is that this is an idyll—that the private sector will, and can, do everything in a rural backwater economy. The private sector will not do everything and there is a clear case for intervention.

Alun Cairns: I am not suggesting that it will. I accept that there is a clear case for intervention and that the units that have been established will have been that intervention. The sell-off of such units is also drawing private investment so that—to come back to Elin's point—it allows further investment elsewhere, but not on a scale as though we were running a business. I accept that there is a need for a mix. I was a little concerned that the committee was going in one direction, and calling for a major shift in policy, which I do not think is necessarily the right thing to do.

Christine Gwyther: I had the impression that we were calling for, maybe, a mini review from the committee..

Jenny Randerson: Yes, Chair. My proposal was that we should look at the property strategy as a specific issue, in some detail, and not necessarily, by any means, just in the mid Wales context, but in an all-Wales context.

Christine Gwyther: Absolutely.

Jenny Randerson: We need to understand what drives it and what the expected outcomes of it are, and clearly, what the unintended outcomes of it are. I think that we should, perhaps, be questioning whether a blanket strategy is the right thing, and whether different strategies are appropriate in different areas. It is quite clear that, for example, in Leighton's area, there is an unintended consequence which we, perhaps, do not think is a good idea, in terms of having planning permission for housing.

Leighton Andrews: The example in my constituency was not WDA land. I want to be clear what we are asking to look at. Originally, the starting point from Jenny and Elin, was looking at the asset disposal strategy. If we are going to look into looking at WDA and property, I would like us to look at WDA and property, and the WDA's role in property, not just the issue of asset disposal, because there has been, historically, quite a lot of criticism of the WDA. The property end of the WDA has driven a lot of its work. I agree with Mr Cairns that it has become something of an empire in its own right, and that has been an issue.

Christine Gwyther: It will become even more of an issue with the merger of Assembly sponsored public bodies, because a different culture will emerge, and we must find out where the property portfolio sits in that.

Mr Wright: I just want to make a contribution, in the sense that if you were to look at the WDA's asset disposal, it would be appropriate to look at it in the context of the sub-economies of the whole of Wales. The economy of Cardiff is not comparable to the economy of mid Wales. Although they share a characteristic in terms of being Objective 2 areas, they are not similar in any way. For instance, the take-up of broadband in Cardiff is quite exceptional, and the characteristics do not compare. Therefore, the policy of disposal and acquisition should also reflect the characteristics of the economy with which you are dealing.

On the point made by Mr Cairns about the philosophy on intervention and so on, in theory, I guess that the intervention of the agencies over time would lead to a point where the economy was self-sustaining and took off, and the rents payable equated to new investment. We have

not reached that stage yet, so we still need intervention, and therefore we need a property asset management process which takes us forward in a balanced way. To do it as a blanket over the whole of Wales may do a disservice to the characteristics of the mid Wales economy.

My concern as a local authority officer is that the changes you are contemplating, as a Welsh Assembly Government, over the amalgamation or the bonfire of your quangos, may disadvantage us in order to secure, from your point of view, equanimity across the whole of Wales. I do not need that—I need differentiation and recognition of difference, and, therefore, an approach which reflects that.

Christine Gwyther: Quite; I understand that completely, and we have had the discussion umpteen times in this committee that we must recognise the diversity of our economy and communities. It is something of which I am sure the Welsh Assembly Government is also very mindful, but it is our job to push them slightly more.

Jenny Randerson: I have one totally different question.

Christine Gwyther: This might be Jenny's last meeting, which is why she is stimulating.

Jenny Randerson: It is my swansong. On the issue of broadband and very low take-up, has BT undertaken a local campaign in this area? The worrying aspect is that business in mid Wales is clearly not modernising at the same rate as business elsewhere, and that is a bad symptom.

My final point is that there have been many comments about the diversity of manufacturing in mid Wales, and that one of the things that we have talked a lot about in this committee is the desirability of developing clusters of high value-added industries. Given that there are poor transport links to mid Wales, high technology broadband-based stuff would seem to be ideal. Has any work been done by the WDA or anyone else to try to develop that kind of clustering, based on high valued-added industries?

Mr Wright: On the broadband issue, as of May 2006, all but 10 or 11 of the Powys exchanges will be enabled to ADSL standard. Two years ago, or probably less, there were only two exchanges enabled. We set off on a campaign with BT, and originally we were going to go to Europe to try to do this work to get exchanges enabled, but that turned out not to be necessary. BT has invested because of the change of policy within its national situation. Before, BT charged a price for enabling a particular exchange. It changed its policy to make it a standard change throughout the whole of the UK, which made a lot of difference to us. It meant that the low level of numbers on exchanges did not prevent them from being enabled. So, it is very recent that we have arrived at a position where we have broadband through exchanges, and BT has been very helpful. We ran campaigns with BT to get the numbers up. When it first set off, it wanted a petition, and it set thresholds. So, for every exchange 100, 250 or 500 signatures were needed to get it enabled, and we ran campaigns with it, giving Xboxes to children and so on. I think that that is what is called bribery.

10.30 a.m.

Christine Gwyther: It is a well-established tradition; do not knock it.

Mr Wright: Fine, I am sorry. It was a moral point; I did not mean to introduce moral dimensions here.

Christine Gwyther: Good grief, no.

Mr Wright: However, because of BT's change in policy, we no longer needed those

thresholds and it enabled the exchanges. That gives us a starting base, at least, at which we have only just arrived.

Opportunity Wales has also just arrived in mid Wales. The county council has the contract, so we are looking forward to encouraging a bigger take-up, which is not great. I am puzzled by this—we ought to be able to attract more people. To take up your second point, in part, congestion in south-east Wales and other places ought to make us sexier and more attractive than we currently are to people who do not need to be located in south-east Wales every day, because we have the connectivity to allow them to communicate there on a regular basis. However, it is not working that way, and it ought to be. For the first time we have a piece of infrastructure that gives us an equal advantage, but we do not seem to be making progress on that, and I cannot quite work out why. We will make the effort through Opportunity Wales and other programmes to increase our take-up. I will let Geraint answer on the clustering.

Mr Davies: On the issue of the cluster policy, unfortunately I am almost old enough to remember the tragedy of ‘cluster’s last stand’. Having said that, we are examining these things and the best example that I can give you is Parc Aberporth, also known as Aberporth Technology Park, where we are actively involved with major players—not just UK players, but global players—in terms of the unmanned aerial vehicles market. That is a prime example of where we are looking to establish a good, solid cluster-base based on the highest technology, linked to multinational companies and capability. That underlines Jeremy’s point: you do not have to be in the hotspots to operate in the worldwide UAV market. We have a unique facility in Ceredigion, with the technology to back it up. That is one of the examples that we are actively pursuing.

Christine Gwyther: Are you all done, Jenny?

Jenny Randerson: I am.

Elin Jones: Yr wyf eisiau mynd yn ôl at eiddo, a gwneud pwynt sydd yn wahanol i’r hyn a drafodwyd hyd yma. Mewn ambell fan yn y Canolbarth, mae galw gan fusnesau am eiddo nad yw’n cael ei gyflenwi ar hyn o bryd. Yn Aberystwyth, yn benodol, bu trafodaeth dros gyfnod o 10 mlynedd, ac mae cynlluniau yn bodoli, am safle diwydiannol newydd. Wrth ystyried creu safleoedd diwydiannol newydd, mae’n amlwg fod rhwystredigaethau i wneud hynny ar gyflymder derbyniol. Gofynnaf i’r WDA yn benodol, beth yw’r rhwystredigaethau hynny, gan gofio fod y rhan fwyaf o’r datblygiadau diwydiannol newydd yn y Canolbarth ar dir gwyrdd? Ai rhwystredigaethau sydd yn ymwneud â chynllunio sydd yn gyfrifol neu a ydynt yn rhwystredigaethau ariannol? Ynteu a oes rhyw rwystredigaethau eraill sydd yn golygu fod y datblygiadau hyn yn araf iawn yn dod yn weithredol?

Elin Jones: I would like to return to property, and make a point which is different to what has been previously discussed. In some places in mid Wales, there is a demand from business for property which is not being met at present. In Aberystwyth, specifically, discussions have been ongoing, and plans have been in place, for a period of 10 years in terms of a new industrial site. When considering the creation of new industrial sites, there are clearly obstacles to doing so at an acceptable pace. I ask the WDA specifically, what are these obstacles, bearing in mind that most of the new industrial developments in mid Wales have been on greenfield sites? Are these obstacles to do with planning issues, or are they financial obstacles? Or are there some other obstacles which mean that these developments are very slow in coming on-stream?

Ar fater gwahanol, sef cefnogaeth i fusnes, mae yna swît o gefnogaeth grantiau a benthyciadau ar gael i fusnesau drwy wahanol gyrff. A ydych yn credu fod y

On a different issue, namely business support, there is a suite of grant and loan support available for businesses through various bodies. Do you believe that the

gymysgedd honno yn iawn i'r hyn y mae ei angen ar fusnesau gwledig ar hyn o bryd? A ydych yn credu fod yna fylchau yn y gefnogaeth sydd ar gael i fusnesau? A oes gennych unrhyw sylwadau ar y ffaith y gellir gweld newidiadau i gymorth rhanbarthol yn y cyfnod ariannol Ewropeaidd nesaf, a fydd yn golygu llai mewn cyfraddau ymyrraeth cymorth rhanbarthol dewisol yn y Gorllewin? Nid wyf yn siŵr beth yw sefyllfa cymorth rhanbarthol dewisol Powys—os yw ar gael yma ar hyn o bryd—ond mae'n bosibl y bydd cymorth rhanbarthol dewisol ym Mhowys yn diflannu'n gyfan gwbl o dan y strwythur newydd.

Mr Bacigalupo: May I answer your points, Elin? Of course, mid Wales is a big place, and it is divided right down the middle between the Objective 1 area to the west and the Objective 2 area to the east, which is Powys. Most of Powys, which we are now talking about, is already completely non-assisted. So, I do not think that the post-2006 change will come as much of a shock to Powys as it will to the west of the area, which presumably may inherit some kind of transitional arrangements.

You mentioned gaps in support, and that comes back, for instance, to the property discussion that we had earlier. What that means is that, throughout mid Wales, where the cost of development is more than the resulting value, very often the amount of assistance that we can give to businesses, for example for property purposes, is swallowed up by that gap. I know that there is little that we can do about that because of European state aid levels and so on, but that certainly makes it more difficult to provide businesses with the kind of financial support that they need in Powys, as opposed to in the west of our area, where I think that the package is broadly right.

Mr Davies: Os caf i, atebaf ran gyntaf cwestiwn Elin. Yr wyf yn credu bod dau ffactor, sef, yn gyntaf, prinder tir a diffyg tir yn y lle iawn ar yr amser iawn ac, yn ail, cyflymder y gyfundrefn gynllunio. Mae'n anhygoel o araf, ond mae hynny'n ddealladwy. Yr wyf am gymryd Aberystwyth fel enghraifft. Mewn lle fel Capel Bangor, lle mae gennym gynlluniau ar gyfer parc busnes newydd, mae'n ddealladwy bod y gyfundrefn yn araf deg, ond mae hynny wedi creu tair blynedd o drafodaethau ac yr ydym yn dal i aros i'r gyfundrefn gynllunio roi caniatâd inni i symud ymlaen.

present mix is right for the needs of rural businesses? Do you believe that there are gaps in the support that is available to businesses? Do you have any comments on the fact that, in the next European funding period, changes will be made to regional assistance, which will mean lower RSA intervention rates in west Wales? I am not sure what the RSA position is in Powys—whether it is currently available or not—but RSA in Powys could, potentially, disappear altogether under the new structure.

Mr Davies: If I may, I will respond to the first part of Elin's question. I believe that there are two factors. The first is a shortage of land and a lack of land in the right place at the right time, and the second is the speed at which the planning system moves. It is incredibly slow, but that is understandable. I will take Aberystwyth as an example. In somewhere like Capel Bangor, where we have plans for a new business park, it is understandable that the system is slow, but this has created three years of discussions and we are still awaiting planning permission so that we can move on.

Alun Cairns: One of my points builds on what Jenny said regarding broadband. I take on board the points that Mr Wright made as well as those made by other Members. However, there are still 35 communities for which there are no plans as yet to make them broadband enabled, the vast majority of which—I can remember a couple—are outside the mid Wales region. What impact does it have while those 35 are in this situation? We are conscious that the Minister was the first to announce the policy of broadband enablement for every exchange in Wales but, compared with Northern Ireland and Scotland and the policies delivered there, we are the last to deliver. Will you respond to that?

Secondly, if take-up is low, as Mr Wright highlighted, what role does ELWa have to play in the education process, in encouraging more people, especially incomers, to take it up? We must bear in mind that if a lot of newly retired individuals are moving into the area, they may not be familiar with the advantages of broadband, but they may have a lot of time on their hands and a lot of experience and capacity in terms of developing businesses from home. With the benefits of broadband, if they actually appreciated it, they could develop businesses. Will Mr Beckmann respond to that? I have other questions as well, but I will start with those.

Mr Beckmann: Obviously, broadband is hugely important in terms of the learning experience. We have undertaken a project on IT for farmers which we developed in mid Wales. It was a successful project and there was quite a lot of take-up. We based that project on Welsh Assembly Government policy in terms of looking at how to achieve better-managed farm holdings. A lot of that was about the use of IT. That does not directly relate to the broadband issue, but I think that the whole IT issue is important. We have made several attempts, as a partnership across mid Wales, to develop a strategy for the take-up of IT, as opposed to broadband. That has proved very difficult in a sense, and I think that I would go back to Jeremy's point in terms of that it is only very recently that we have been in a position where we can start to do that in a meaningful way. I recognise that this is an important area for us.

10.40 a.m.

There are a lot of things happening within the provider network in terms of providers offering training courses. If you look at the local college, you will see that it has a fantastic suite in terms of using IT provision, and it is encouraging that very much. However, I think that I would link this with the whole issue about the older population's failure to take up training opportunities generally, and I think that there is a lot more work to do there in terms of exploring motivations for learning and, indeed, what their motivations as individuals in this community might be. I think that that is an area that is worth exploring further.

Alun Cairns: Mr Wright, I am sorry, but I think that you missed the opening statement. You mentioned the recent enablement of broadband, but I am concerned about the 35 communities, many of which lie within mid and west Wales—I have just been reminded that 27 of them lie within the region. So, what impact does that have on you, Mr Wright, in Powys County Council, and on Dr Davies, in relation to marketing the region, where only some parts are enabled?

Mr Wright: The 35 will come on stream with the RIBS project.

Alun Cairns: We were first to announce it in 2002, but we are still waiting, and apparently it is down to European regulations, although the Scots and the Northern Irish have overcome those before us.

Mr Wright: From the latest information that I had this week, I gather that there will be leaflet drops done on the 35 exchanges over the next 10 days to two weeks to encourage take-up and demand. So, there is something starting. I heard that there was this issue about whether we could do it, but that has been overcome. So, that was the only way that we were going to get the 35, or 11 in our case, enabled. There was another issue about broadband that has been mostly overcome, but not entirely, which is that, originally, the limit for it was only about six kilometres from the exchange. That is now being extended to 10 kilometres, and they have now abandoned the threshold and say that they will do their best. That means, if you imagine the map of Powys or mid Wales, we have lots of circles, but there are interstices between the circles where you will not get broadband. So, if you add those to the 10 that we have, we have incomplete coverage, and it is only ADSL, not SDSL. SDSL is coming in and there is already

a divide, because Swansea, I think, got SDSL recently, and other towns are slowly getting it. If we continue with the current programme, where there is help, as has been with Objective 1, for improved take-up, we could, after this current programme of European programmes, see mid Wales begin to decline behind Objective 1 areas in terms of facility and opportunity.

Therefore, until we had at least the base coverage, we could not even begin to do the advertising and the pick-up. We assumed that there would be a large latent demand, but that has not been the case. I think that you should ask the manufacturers later on this morning about their attitude towards it and whether it is of any value at all to them. Maybe we are barking up the wrong tree entirely, but my hope is that we could encourage high-value-added businesses to come to mid Wales that require highly qualified people and pay good wages, and put those into the economy, because it will still come back to this basic issue, which is that it is a low-pay, low-rent economy. We need to get out of that trap if we are going to have any kind of self-sustaining arrangement in the long term. Broadband must be one of the opportunities to do that, and we must exploit it.

Christine Gwyther: Leighton, did you want to come in on this point?

Leighton Andrews: I would like to come in afterwards. I thought Mr Cairns also directed his question at Mr Davies, so I was waiting to hear what Mr Davies had to say before I came in.

Christine Gwyther: Did you, Alun?

Alun Cairns: Yes.

Christine Gwyther: Geraint?

Alun Cairns: To remind everyone, it was about the marketing of the region in terms of attracting inward investment when you have 27 unenabled exchanges.

Mr Davies: I think that I would agree that to have 27 unenabled exchanges is probably unfortunate, but I put myself back two years, when, on BT's list, we were probably so far down that even the investment we have seen would not have come for another five years. So, I think that the process has come upon us so fast that we have all been taken by surprise by the amount of coverage we have, and 27 does not discourage us so much. We are much more excited about being able to market mid Wales, even with the 27 exchanges.

Alun Cairns: My point is that if there was an indication from the Minister that those 27 would be enabled by a particular date because the European negotiations would have been won, would that not put mid Wales, potentially, at a significant advantage compared with other rural communities across the border where the UK Government does not have the policy that applies in England. England will not be 100 per cent enabled, whereas there is the potential to make Wales enabled in a very short space of time. The aspiration was there in 2002, but the Minister just has not delivered it.

Mr Davies: If we could enable 27 over a short period of time, we would be delighted. We are delighted with the speed at which things have happened within the last 12 months.

Leighton Andrews: I declare an interest in that my wife is director of BT in Wales, and if anybody who comes to our meetings does not know that by now, then they have not been listening. [*Laughter.*]

Mr Davies: Could you ask the question to someone else then? [*Laughter.*]

Leighton Andrews: Leaving aside the exchanges that have not been enabled, people spend a

lot of time talking about the need for enablement, and then people start worrying about whether they have ADSL or SDSL. At the end of the day, if there is no strategy to get people to understand what broadband can do and what it is for, that does not matter. People are not interested in just having upgraded pipes in their homes; they are interested in getting applications, services and content. That is the way that it is marketed.

With all due respect, what I have heard from across the range here is ELWa talking about ICT, which could mean applications and services that might run on broadband, the county council is not clear, as far as I can see, on what its manufacturers might want to use the service for, which suggests to me that there has not been much demand analysis undertaken, and I am not sure what the WDA in the region sees as broadband's uses, apart from to attract potential inward investors. I take from that, therefore, that there is not a joined-up approach to the use of broadband in the public sector in this region.

Mr Davies: On the last point, I would deny that there is not a joined-up approach. Robin mentioned earlier the mid Wales partnership's ongoing ICT strategy. You made the point about us not being sure about what business demand is. I think that we are, and it relates to the issue of transport. Business demand is being able to do business down wires instead of by using heavy-volume lorries and traffic. If you take that as a very simple base, you can then add points about the application of science and technology and the higher-level businesses, which is not just about inward investment—I am sorry if I gave you that impression. It is about taking local, indigenous businesses up the value chain.

Mr Wright: I do not think that we are as disjointed as you suggest, but we have newly arrived at the table. We have, for many years, majored on better infrastructure and improved sites and premises in order to encourage it. We need to take a different view of the way we have approached it. This offers us an opportunity to do that, and, with time, that will be exploited, but we need to be at base first. The Broadband Wales Observatory is doing its work in trying to bring things forward to increase demand. Awareness is important. Opportunity Wales is here for the first time—we got it in the last month. So, I think that we are at the base level, but there have been no signs so far.

Christine Gwyther: Were you part of the Llwybr-Pathways project when it started umpteen years ago in the early 1990s? That project was to provide a baseline survey of need, and have you built on the information from those early years?

Mr Wright: I think that it is still going on, but I am not directly involved with it.

Christine Gwyther: Does anybody else want to come in on this?

Alun Cairns: I have further questions on broadband. This has been touched upon briefly. I think that it is important to have a mid Wales perspective, especially as we are in the region.

10.50 a.m.

Much of the support that is given to the region comes from the quangos—the WDA and ELWa. Bearing in mind that these will not exist from April next year, can you tell us—particularly you, Mr Wright, but I would be interested to hear the perspective of the others—what impact that will have, or what are the risks that we need to look out for as a committee in terms of pressing the Minister to protect the interests of mid Wales?

Secondly—and specifically to Dr Davies—the WDA and ELWa are significant employers in mid Wales, and are well paid. However, there have been reports of staff redundancies. Can you tell me, as you are a member of the executive management team, what discussions have there been in relation to redundancies? I have had sight of the recent staff survey conducted

within the WDA, where more than 40 per cent of employees said that, within the last six months, they had considered leaving the WDA. Three specific questions were removed from that survey at the outset. These questions related to the optimism that the staff felt about the merger. Could you tell me, as you are a member of the executive management team, why those three questions were removed?

Mr Davies: Before I ask Jeremy, I will pick up the specific points about the merger. I will not go into the details of the merger, but will just cover some headline stuff. You asked what the effect would be on the mid Wales region; it could potentially have a huge effect, but there are two critical issues that I would plead for. The first is regional delivery and the maintenance of regional delivery through regional offices. The second critical issue to retain and hopefully improve on the level of services is that of delegations to regional operations. I am hopeful that the merger will offer an increased range of delegations, and give more subsidiarity to the regions. Having looked at the comments that have come back through the consultation, those themes are coming through strongly. So, I would offer those as a headline point.

You mentioned discussions on redundancies; we have had no in-depth discussions on redundancies. We are currently, as a management team, looking at all of the scenarios in terms of streamlining, if that is necessary, and what the operation will look like by 2009; redundancies may form part of that package. We have looked at a range of options, from staff redeployment from central to front-line services, and the further rationalisation of business-support programmes, which is very much in the public domain. Redundancies, therefore, have been only one part of a much broader discussion.

In the staff survey that you mentioned, the fact that 40 per cent of the staff was thinking of leaving is not surprising in such an uncertain atmosphere. That figure did not surprise me in any way, shape or form. When you are in that sort of atmosphere, you have two considerations. The first is your own personal consideration: will I have a job? Can I pay my mortgage? That is entirely natural. In a survey of that kind, people will answer that they are looking at options; it is natural, and you would expect it.

The other point that you made was to do with the three questions relating to optimism that were removed. I will be honest with you, the decision to remove those questions was taken for various reasons; we felt that the survey was going out at an extremely difficult time for staff members, and that, in terms of comparisons with last year's survey, it was not really a pertinent issue.

Alun Cairns: I want to go back to the last response first. You said that the decision was taken to remove those three questions because it was a particularly difficult time for the agency. However, is that not the time that you should be asking those questions, because it is a particularly difficult time? All your assets—apart from the property ones that we have talked about, which have been sold off—are in your staff. Do you not need to find out what your staff are thinking about it rather than just withdrawing the questions because you do not like the answers? That is what has been suggested to me. So, that was the first point.

Going back to the point that you made about redundancies, in one answer, you said that redundancies had not been discussed but then, later on, you said that redundancies had been discussed among a range of other things. So, which is it? Have they or have they not been discussed? If they have, to what extent? What impact does that have on the whole of Wales and, because this is a mid Wales meeting, specifically on mid Wales?

Dr Davies: You are implying that we have discussed redundancies in some detail in terms of numbers and so on.

Alun Cairns: No; I am asking.

Dr Davies: Okay, you are asking. Redundancies have obviously been considered as part of an overall suite, and I am sorry if I gave the impression that they had not been. They have not been discussed in any way, shape or form in detail, because we do not have a redundancy or a severance package on which we could even begin to discuss those sorts of details. Does that answer that part of the question?

Alun Cairns: Yes.

Dr Davies: On the second point about knowing what staff are feeling at the moment, you referred to the three questions. I cannot remember exactly the number of questions on our staff survey, but I think that they ran up to around 80 questions—is that right, Mike?

Mr Bacigalupo: Yes.

Dr Davies: I would say that that was fairly extensive and gave us a very detailed knowledge of how staff were feeling. Apart from that, people tend to forget that we also talk to each other, and we get a day-to-day impression of what staff are feeling in all our offices.

Alun Cairns: In closing, it seems to me that you are not prepared to ask questions on the uncomfortable issues, because you are not going to like the answers that are coming back—

Dr Davies: No.

Christine Gwyther: You are leading the witness, there, Alun, which is unfair.

Alun Cairns: I am sure that Dr Davies, as a member of the management team, is capable of defending the statement himself.

Christine Gwyther: But he has already given you an answer, and you are just making the answer up now. Go on, if you want to. [*Laughter.*]

Dr Davies: I am big and grown up; you had the answer, Alun. The staff survey gave us a very detailed flavour of what staff were feeling, not just about the merger, but about working for the WDA and many other broader issues. We tend to use the merger as just a merger. The staff survey was all about how we, as employers, provide training and working facilities. So it was a lot broader than just the merger.

Alun Cairns: So—

Christine Gwyther: Jenny first, and then Leighton.

Jenny Randerson: I have seen the same document and the same analysis of the results as Alun has. The analysis shows that most people enjoy working for the WDA, are proud of what it has achieved and are very pleased to have been part of that achievement. However, as you have suggested, there are sensitivities, concerns, anxieties and so on. Can you clarify one thing for me, please? Three very straightforward and pointed questions about the process of the merger were there at the beginning of the survey; they were not there in the analysis of the results that I have seen. Was it that staff answered those questions but that the answers were not analysed or were withdrawn from the overall analysis, or was the survey redone part of the way through to remove those questions?

Dr Davies: My honest answer to that is that I do not know. I was a recipient of the survey, in the same way as other staff were, but I was not involved in putting the analysis together.

Jenny Randerson: Did you answer the three questions?

Dr Davies: Do you know what? I cannot remember.

Mr Bacigalupo: We are talking about three questions out of 80 or 90; I really cannot remember and do not know what the three questions are. All I can say is that you asked whether it was redone and, no, everyone filled in the form once.

Jenny Randerson: That is very interesting, because that therefore means that people answered those questions and that they were just not included in the analysis for everyone else.

Christine Gwyther: It does not necessarily mean that, because it might have been altered before it was transmitted to the staff, and that is a question that we need to ask the Minister.

Jenny Randerson: Yes. We need to follow that up.

Christine Gwyther: I am happy to write to him on that point.

Jenny Randerson: Thank you, Chair; my next question was to be whether you would do that.

Leighton Andrews: I have a comment for you, Chair, really. No-one would be surprised to hear that a staff survey at this time found that a large number of people in the WDA were thinking about other options—particularly, to be frank, when you are in a pretty near-full employment economy. I would not be at all surprised by that. I understand why opposition parties want to raise some of these issues, but, to be frank, we should be concentrating on broad strategic issues. Getting down to this level, which seems to be a matter for the management of the WDA, and trying to second-guess them, is really ridiculous.

11.00 a.m.

Alun Cairns: With the greatest respect, Dr Davies is a member of the management team of the WDA.

Leighton Andrews: Yes, but it is second-guessing, and it is ridiculous low-level—

Christine Gwyther: We have moved on, and you are just prolonging the issue, Leighton. I will turn to Lisa, now. Do not prolong this, Lisa.

Lisa Francis: Okay. The WDA is a very important factor in the mid Wales economy, so we do have to ask the question. Geraint, you said that 40 per cent of staff were thinking of leaving, and that you thought that, in an uncertain atmosphere, that was not particularly surprising. Did you draw any overall conclusion about staff attitude and the future from this survey?

Mr Davies: I did not actually quote that figure; it was Mr Cairns, although I confirmed it. God, I am getting defensive—is it not awful? Having said that, the overall results of the survey, considering the whole climate, were extremely encouraging. We hold regular staff meetings internally, in Newtown and Aberystwyth, and the mood is actually one of optimism. People just want to get on with the merger now. They want things to be concrete so that they know where they will be, what they will be doing or where they want to be. Overall, there is a great deal of optimism about the merger and about the services that I hope we will be able to deliver to our clients in future. I do not think that we have lost a single member of staff, certainly from the mid Wales office, as a result of the merger. The indications are that staff want to stay and see it through, but they want to see things moving more quickly.

Mr Bacigalupo: As a humble staff member, I endorse that. Elin, you worked for the old Development Board for Rural Wales, and there are still many people here who did. Where mid Wales differs from the other divisions is that there is an enormous amount of goodwill towards what we do as staff members in the WDA. Contrary to what many say, in mid Wales, we do not do this job for the money. We do it because we can see things being achieved by what is done. Even if I wanted to leave, there is not a huge job market in mid Wales for clerical people like me. Over the years, an enormous amount of loyalty and goodwill has been built up towards what we do in mid Wales. I do not think that many people will leave the division as a result of the merger. I am not going anywhere, I hope, Geraint.

Christine Gwyther: I am going to move on from the merger now, and go to Carl.

Elin Jones: I was mentioned, so I want to come in on it.

Christine Gwyther: I do not care. The only point was that you used to work for the old DBRW, which we all know already.

Elin Jones: You will like what I say.

Christine Gwyther: I will like it only if it is personally complimentary to me, which it will not be. Go on.

Elin Jones: Chair, you are very fair as usual, and I appreciate that very much. [*Laughter.*]

As Mike Bacigalupo said, I was involved in a similar process when the Development Board for Rural Wales was merged into the WDA, and I seem to remember similar surveys. I am sure that I responded by saying that I was completely pessimistic and that I was definitely looking for other jobs.

Christine Gwyther: And look where you ended up.

Elin Jones: Exactly. Another job, and completely pessimistic. I am not at all surprised that there are surveys going around and that people are being honest, especially on the issue of certainty about jobs and the kind of jobs that they will be doing—and, particularly in a mid-Wales context, where there are so few other opportunities for people to find this kind of work in the public, or even the private, sector. I am not surprised that people are keeping their options open, and that they are willing to say that. However, what is important, as the WDA has said, is that staff want to move as quickly through the process as possible, because that means that the services that they deliver will not be affected and, more specifically, that people will get to know as quickly as possible, what their likely employment status will be in a year's time.

Christine Gwyther: The Wales Tourist Board is saying exactly the same thing, so at least we are getting a consistent message on that front.

Carl Sargeant: We have done the land and property and probably the infrastructure side of things, but I would like to refer to some of the opening comments made by Mr Beckmann regarding the training and education of the staff and people who work in the sector, it is an extremely challenging market and the future that lies ahead of us is one of a decrease in population and many changes. The power of the mind, and perhaps not the power of the arm, will take us forward, with a high level of skills and highly paid jobs, particularly in this area. I would be interested to know how you feel you, as a group, are working with the manufacturers—your customers being the manufacturers—or the businesses in the area. How effective do you think you are in terms of the training aspect of this? It is important that,

while we recognise that our younger people are coming through with A-levels and O-levels and wonderful qualifications and are moving on to greater aspirations, we remember that the key issue is what the manufacturer wants. We have learnt that where I live in terms of a northern context. You can give people skills, but they are of no use if they are of no use to the manufacturer. Therefore, how do you see your involvement in that? How effective do you think you are, because I will ask them after you?

Mr Beckmann: First, if you go back to the competitive model that has operated for a long time in education, providers are generally focused on meeting the needs of individual learners. The majority of the system is set up for them to do that. That is about individuals making a choice about the learning that they want. That is how demand is largely measured within our provider network. The big sea change, which frankly has yet to happen, is about how we understand better the needs of business and convert that into provision on the ground. There are some challenges there, to which I alluded earlier. What individuals ask for in terms of learning opportunities are different from what businesses ask for.

To answer the question directly, ELWa is actively involved in establishing 24 sector skills councils across Wales. That is happening across the UK. All of those SSCs have branches in Wales. They are there as representative bodies for their particular sectors. Their job is to work with the sectors, understand the demands that they have and to ensure that ELWa converts that into provision and makes it available. They also have a role that needs to be strengthened and reinforced at the moment, which is about ensuring that the qualifications available for those sectors are relevant. There are big questions at the moment about, for example, the relevance of modern apprenticeship frameworks. The SSCs must get a grip on the qualifications themselves and ensure that the qualifications that we have to be able to fund and deliver on, meet the need. There are some question marks about that at the moment.

Membership of SSCs and their predecessors, the national training organisations, tends to be from larger businesses. If I can be a bit parochial for a moment, the issue for mid Wales is that the needs of smaller businesses are not the same as those of larger businesses. The ability of smaller businesses to give an experience that is as broad as the qualifications require is very challenging at the moment. Therefore, there is a lot to change there.

ELWa now has the architecture in terms of the planning and funding system to be able to get providers to work in a more regulated market, if I can describe it as such, where planning can influence the provision made on the ground as opposed to the wishes expressed by individual learners. The challenge there is how we get those learners to take up those opportunities. That comes back to the point about how we understand the skills that are required for business. If you start to look at those more transferable skills in terms of interpersonal and communication skills, the education machinery at the moment is not geared up to deliver in that way. It is more about delivering qualifications and technical experience. A considerable change is required, which is a huge one in terms of changing cultures in the provider network, which asks how we can have different teaching methodologies to build those skills. That will require different teaching methodologies and different methods of measurement. That is for the future and is our challenge in terms of moving on.

11.10 a.m.

Carl Sargeant: I understand that you understand the issues. The issue is how we are going to deliver that. The key point is what we are going to do for the future. This will not go away; this is real. We must engage with the employers now on bringing in their thoughts. Yes, it is a problem for the education structure, but we have to deliver on it; it is not an option, this will happen. Therefore, how effective are you being now—we can talk about it all day, but are we delivering?

Mr Davies: I guess that I can give you a terribly controversial answer, and we can sharpen that effectiveness through this process of merger by looking at the agency's role in delivering work-based training through our account management system, which deals directly with employers. That is a horribly controversial statement, but it is worth examining.

Mr Beckmann: I agree with the sentiment of that, and we have been working jointly in terms of developing services about the interface with business, which is hugely important. However, it is critical to separate out those services that are directly provided for businesses from education as a whole, because you have to change the whole of this machinery of education, not just that bit that is at the interface. That is the real challenge, which is back into the planning of provision.

Christine Gwyther: Okay. I will draw this discussion to a close now. I thank the four of you very much for your attendance. We talk to the WDA, ELWa and the WLGA regularly, but having this regional input is vital, and it has been an eye-opening experience for all of us. So thank you very much for that. We will break now for coffee. If you want to stay for the second half of the meeting, you can listen to what the private sector actually thinks of you.

*Gohiriwyd y cyfarfod rhwng 11.11 a.m. a 11.29 a.m.
The meeting adjourned between 11.11 a.m. and 11.29 a.m.*

Economi'r Canolbarth—Y Sector Preifat Mid Wales Economy—Private Sector

Christine Gwyther: I will go through our witnesses, in turn, starting with the nearest to me. Bill Brown is the chair of Makefast Ltd, Bob Millard is the director of finance of Makefast Ltd—

Mr Millard: No, I am not. I am director of operations. They would not put me in charge of finance. [*Laughter.*]

Christine Gwyther: I am so sorry. That is very reassuring. We will make sure that our questions are targeted correctly.

Eamon Ford is managing director of William O'Hanlon Ltd, and Michael Neave is finance director of Actia (UK) Ltd.

I would like all of you to give us a two-minute presentation, just to augment your papers. As before the break, we will then take questions from Members and get a bit of a dialogue going.

Mr Brown: First, I do not have a paper. I am just here because I was previously chairman of the shared apprenticeship scheme. The thing met its demise, which I think was sad and should not have happened, and I want to talk about training, when we get to that part of the discussion. That is my real focus here.

Christine Gwyther: Okay. Bob, you do not want to talk about figures or the economy, but is there anything else?

Mr Millard: I will talk about anything, actually. I am in charge of Bill's company. Bill is retired but he still turns up occasionally. I have also been the chairman of the shared apprenticeship scheme. I am school governor of Newton High School. I try to put a little bit back, I hope, of what I have had out of mid Wales. I have some strong views on manufacturing, training and the environment in general. I do not have a paper but we were not asked to do a paper. Had I done that, it would probably have been pretty boring—the same as

all the papers. I cannot believe that you do this for a living. However, that is me. [*Laughter.*]

Christine Gwyther: The meeting is now closed. [*Laughter.*] However, let us hear from Eamon first.

Mr Ford: I am Eamon Ford, managing director of William O’Hanlon and Company Ltd. I am also a non-executive director of the mid Wales manufacturing group. We have done a paper.

Christine Gwyther: And it was not boring.

Mr Ford: Good. Thank you. I will give you some background about the mid Wales manufacturing group. It is a group founded by its members to support manufacturing in the mid Wales area. It was started by manufacturers some 12 years ago. The activities centre around promoting best practice and helping each other to develop manufacturing in mid Wales to world-class standards.

I will not go through all of the figures, but I will pick out some of the figures from the paper that we have presented. The manufacturing sector directly accounts for nearly 25 per cent of gross domestic product in Wales. In 2002—the most recent figures that I could find—exports amounted to £4.2 billion. Of the total Welsh exports, 72 per cent is of manufactured products.

I have a question that I would like to ask, although I do not know whether I am supposed to be asking the questions or answering them.

Christine Gwyther: It is novel, but we can give it a go, if you like.

Mr Ford: Is mid Wales a natural place for manufacturers to set up? To answer my own question, I would say that it is not. It is full of hills, farms and sheep. So how come there is so much manufacturing here? How did we get here? I can talk a little more from the experience of William O’Hanlon and Company Ltd, because we moved to the area some 13 years ago, from Manchester. It is an old company. Why did we move out of Manchester? The building that we had there was a Victorian building and we needed to update ourselves and bring ourselves more into the twentieth century. We looked around and were attracted to mid Wales because of the low rents, not necessarily the low wages, which I have heard a lot of people talk about earlier, and I would like to try to dispel some of what has been said. I do not believe that this area offers low wages for comparative jobs. That is, a production worker **in** our factory in Newtown is paid a very similar rate of pay to a production worker in Birmingham, Manchester or Leeds. You can look at averages and make them say anything you like—I would not dispute the fact that average wages are lower in mid Wales than in Wales nationally, or in the rest of the UK. The reasons for that is that there are no head offices or financial sector in mid Wales, and there are no high-flying executive positions in this area. That is not to say that the economy is run on low wages. We pay the going rate—and sometimes above it—to the staff that we employ, doing the tasks which are carried out in this area. So, I would argue that people are not attracted to mid Wales because you can get staff for £2 or £3 an hour cheaper than elsewhere. I do not believe that to be the case.

What are the difficulties of operating, and why did we come to mid Wales? It is because of low rents, which is a direct result of intervention from governments, and particularly the efforts of the former Development Board for Rural Wales, and the current WDA, in attracting inward investment. The difficulties that we have include population density, which has been discussed today. More than that, I would like to concentrate on transport links, because that is the crucial factor that puts us at a disadvantage. We have heard this morning about the take-up of broadband, or the lack of it, and so on, and that it should replace or compensate for the difficulty and the distance and so on. There is no way that I can send my roller blinds and

curtains down to London on the internet; I need to get them there on the roads.

On transport, we have heard Jeremy Wright talk about full employment in the Severn valley, but there are pockets of unemployment in places like Machynlleth, which are not all that far from the Severn valley. Why cannot people travel? They cannot travel because there are not good economic transport links for them to use, to get in and out of work in a reasonable manner at a reasonable cost.

Manufacturers in the Newtown and mid Wales area are struggling to recruit staff. I have a list of recent job losses, and I am sure that you have all read them. Several hundred people have been made unemployed or redundant in the last few months. Yet, we have also heard this morning that there is no unemployment in the area, or that there is very little unemployment. All these people have been absorbed, which emphasises my point that manufacturing is doing well in the area. We are competing to find staff—there are not enough staff. When one plant moves or closes, all those people are absorbed very quickly into the rest of the economy.

If you look at the example of KTH Wales Ltd in Llanidloes, which closed last year, there were very highly-paid workers in that plant, not because they were extremely skilled or doing very technical operations, but because it was a dirty, smelly, horrible place to work, and they were doing night shifts and very long hours. However, they were bringing home very high rates of pay. Most of the people who wanted to continue in employment—many retired early—were able to find other employment, but at much lower rates of pay, so that is a problem.

In terms of keeping our youngsters in the area, Jeremy said that when children go away to university and become graduates, there are not really jobs for them in mid Wales—not of the standard for which they are looking. They are attracted by the high life that cities offer, which is natural for youngsters in their early to late 20s.

11.40 a.m.

The most successful geographical areas in mid Wales—we heard about the great success of the Buttington Cross Enterprise Park—have the best access out to the main motorways. This underlines and emphasises what I was trying to say earlier about transport problems in the area. We have not had the road system upgraded in—I do not know how long exactly—decades, if not hundreds of years. Roads have been improved, we have had new kerbs, tarmac and so on, but no extra lanes have been built. We need a good north-south road and a good east-west road.

Let us look at some of the other economies that are doing particularly well; China, for instance, is achieving phenomenal rates of growth—it is on the news almost every night. I have been to China, because we do a lot of sourcing over there, and we have moved some of our manufacturing over there. I was amazed at the size of the country. It is almost inconceivable—you can fly for hours and hours, and you still have to drive for hours to get to the next factory, through very rural areas, miles and miles of countryside that is just like Wales, only warmer. However, you are driving on a six-lane highway through these rural areas, and that is what has underwritten China's ability to grow, to get its products to the market and exported throughout the world.

Mr Neave: Likewise, I have not prepared a paper, but I will tell you about our company, why we came to mid Wales and about some of the problems that we have faced. Hopefully, that input will help you address some of the issues that you have been discussing this morning.

We have been here for 11 years, and are part of a French international group with 15

subsidiaries worldwide. Why did we come to mid-Wales? I remember my chief executive in France giving me a tight deadline. We prepared a business plan at the beginning of January 1994, and he wanted us to be operational by 1 July of the same year. We looked at several locations, including Nottingham and the west Midlands, but here in mid Wales, under the DBRW inward investment programme, we found a site and premises that we could enter fairly quickly. The DBRW pulled out all the stops and had the lease ready for us on 1 July. The other attraction was that we had key-worker housing and there was also the incentive of low rents—we were rent-free for three years—and, if we needed them, there were capital investment grants. So that was why we came here.

We are a high-tech business, in automotive electronics—that means that we need highly-skilled graduates as software engineers. We have a lot of problems recruiting these guys, and when we get them, we may keep them for a year or two, but, in terms of retention, we cannot keep them here. Why is that? It is not about money, because we pay well above the average local wage; we pay graduate salaries to our software engineers. The youngsters—these guys are typically in their early 20s to their early 30s—find that there is nothing here for them. There is no social life, as I think Eamon mentioned, and there are no clubs or cinemas. They want the high life of the cities, so we will probably only keep them for one to two years.

Someone earlier raised the issue of not being able to retain them because of not paying high enough salaries or not offering the jobs they want—but we can. In the last year we have lost four graduate engineers who are difficult to replace. As a result, we have had to put two of our development projects on hold. The shortage of labour is a problem, and it impacts on our industry.

The other issue raised this morning is that of transport. We are in the transport industry, and it is crucial that we are able to deliver our goods on time to the market that we supply; that is, just-in-time deliveries to the bus and coach industry. The couriers that we use tell us that they cannot provide a 24-hour delivery service because of our location. Only recently, we have seen increases in our transport costs because of a 5 per cent increase in diesel prices. The other customer base that we support contains about 1,200 garages in the UK in the Citroën-Renault-Peugeot garage network. In order to provide them with a service, they need a 24-hour turnaround in products. Our courier companies tell us that they cannot guarantee a 24-hour turnaround, which impacts on our business. Transport, therefore, is an absolutely crucial issue.

Another issue is that of training. We find it very difficult to train our staff locally, not necessarily in electronics skills, but in administrative skills, such as accounting and purchasing. I have to send staff as far away as Shrewsbury and Telford for training in purchasing and accounting skills because I cannot do that locally.

Talking of growth, we have been here for 11 years, and, to be honest, I have not seen any change or improvement in that time—it is still the same. I still have transport problems and labour problems, and I have not seen growth in the economy. This issue was raised, I think, in the Powys County Council paper and also, probably, in the ELWa paper. ‘We are going backwards’ is the phrase being used. Normally, when the economy grows, you see the impact. Like Eamon, I have been to China, as we have a subsidiary there—I was there in November—and that economy is booming. You can see it in the transport links. Everything is going on there, and we are even looking at sourcing products from China as it is cheaper: labour rates are cheaper. I was speaking to a local economist and journalist there about manufacturing, who told me not try to compete against these people, as I would never win. So, the message is that you have to improve your transport and communications systems in mid Wales.

Being a hi-tech company, broadband is essential to our business. We have been trying to get it

for three years. I got it two weeks ago for the first time, and you wonder why that is. We are in Newtown, based on the Mochdre Industrial Estate, and we were 100 yards from it—it is a distance thing. I was told by BT that we could not get it. So, for the last four years, we have been using ISDN. However, the amount of data that we transfer between group companies, including software data, is enormous, and having broadband in the last two weeks has made a difference, but we have been waiting three years for it. You wonder why the young people, such as software engineers do not stay; it is because you do not have broadband, 3G telephone coverage, or digital broadcasting. You need to put these things in place, together with communications, because, if you want to attract industries such as ours, you have to make the investment. To be honest, if I could turn the clock back 11 years, I would not come to mid Wales.

Christine Gwyther: I will bring Members in now to ask questions of any of our witnesses.

Alun Cairns: Thank you all for your presentations; they were extremely interesting. The most alarming was that of Mr Neave.

The specific point that jumped out at me—as well as the last comment, obviously—was on salaries for software engineers. You mentioned that you pay more than the average local wages, and that you cannot hold on to software engineers. However, how do the salaries that you pay compare with the salaries of software engineers elsewhere in the UK?

11.50 a.m.

Mr Neave: We have to be competitive because we have to attract them from outside the region.

Alun Cairns: That is the point that I am making. So, they are comparable, are they?

Mr Neave: Yes.

Alun Cairns: That is fine. That was a factual point.

Janet Davies: Mr Ford and Mr Neave mentioned the issue of transport links, and this is a crucial matter. Anyone who lives in Wales and has to travel at times from one end of the country to the other will know that the transport links are truly dreadful. Chair, I think that we ought to draw this issue to the Minister's attention so that it is cited as one of the main factors that are causing problems for development in mid Wales, and particularly, perhaps, draw his attention to the fact that a by-pass might help the western side of Newtown as that is mentioned specifically. However, if it is that bad in Newtown and if firms in Newtown say that they still have problems, what on earth is it like further west? This is not news, is it? This has been an issue for 10 to 20 years as anyone who has been involved at any level with this sort of matter, however indirectly, will know. It has always been cited as a problem that you cannot get economic development going in mid Wales because of the transport links. Everybody has talked about broadband and, clearly, there are problems with that as well, but this was going to make a difference. However, if you have to get goods in and out, it does not make a difference. You could talk about the railway lines and, while I would prefer to see goods going by rail, I am perfectly aware that getting goods to the railhead and then out at the other end will not mean a 24-hour turnaround. I am not really asking anyone to expand on that as I think that the points have been made, but the committee should be passing this on very strongly to the Minister.

Christine Gwyther: Would anybody like to respond to that?

Mr Ford: Absolutely. I would just like to emphasise the importance of road links for our

business and for giving a 24-hour service. We manufacture window blinds and curtains, and we supply retail outlets throughout the UK. These include companies such as Homebase, to which we are required to make timed deliveries, so we have to make a booking for our delivery, which may be a container of product or several pallet-loads of products and so on. It is increasingly expensive to get a carrier to commit to guaranteeing that it will deliver at a specific time when they are only given within a 30-minute window. When going to the Homebase warehouse, couriers have only 30 minutes to allow for any traffic accidents or hold-ups, so we have to pay a premium rate to do that from this area.

Christine Gwyther: Bill and Bob, is there anything that you want to say about transport infrastructure and how it impacts on your business?

Mr Brown: For the type of product that our company makes, we do not have a transport problem. We use standard systems and can get anything to anywhere in Europe in about two days. It does not affect us as it does my colleagues.

Mr Millard: This does not affect the transportation of our goods. I am not too sure that it would cost us any more than if there was a dual carriageway system. However, it prevents customers from visiting us. We are very proud of our site, and I have always believed that our biggest marketing tool—you cannot put a cost on it—is how the factory is presented. The fact that it is in a lovely area helps, as people are amazed when they come here, but it is getting them to come here that is the problem. When you tell them that you are in Newtown, they say, ‘Where?’ and you answer, ‘Mid Wales’. Therefore, persuading them to come is very difficult. So, in that respect, it could have an impact on our business, but I cannot measure it.

Christine Gwyther: Thanks. Janet, did you have anything more on that, before I bring in other Members?

Janet Davies: If you go to the Republic of Ireland, you see these huge roads being driven right through. Some of us are not that keen on seeing these huge roads, but they will obviously make a difference to the country’s economic development. You have to look at Wales and at what we want and where we want things, because there is no point building roads for the sake of building them, but, if you want economic development within an area, you must have decent roads.

Leighton Andrews: I am trying to understand better some of the points made in the context of transport, marketing and China. To pick up on the points made about China, a company in my constituency is transferring jobs and production to China, so I understand the point about competing with China’s economy. However, it seems to me that competition with China is about a broad range of things, and it is not simply that it has good road links. That may be a factor, but there is also the low cost of production. I think that that is the major factor in this case, because I do not think that transport was the biggest problem for the company in my constituency. There is also a blinds company in my constituency that is talking about transferring more jobs there from England. In this case, transport is not a problem. I certainly accept your point that you have significant transport issues, but the point that was made by Mr Millard about explaining to people where Newtown is is not just a transport issue but, to a degree, it is a marketing issue, is it not? I face similar issues with regard to the tops of my Valleys. You could say that mid Wales is not necessarily the natural place to bring a manufacturer. It is quite hard to attract manufacturers to the top of the Rhondda valley, partly due to road links and perception, but also because of a whole range of things such as the skills base of the workforce, and a misunderstanding of what the Valleys are these days, and so on. Are those issues, therefore, not just about transport, but about perception of the area and the way that it is seen and marketed?

Mr Millard: It must be, I suppose. Carrying out a survey in England and asking about

Newtown would be a problem, as there are so many towns called Newtown. Similarly, if you visit the AA road map website and entered 'Newtown', you have to work your way down the list to see Newtown, Powys. So, I guess that there is a marketing need to put us on the map, as it were, if only to get our customers here. I am not too sure what else that that would put on the map, because you can attract businesses here, but I do not know where the labour is to feed those businesses. There is almost zero unemployment, and, with the ones who are unemployed, we have tried. I do not think that I will say any more than that. However, there is small minority which, for whatever reason, is unemployable

There is little opportunity for the generations that are coming through the schools to get the skills that Mike is looking for and that we are looking for. You cannot get them at Coleg Powys. As far as we are concerned, Coleg Powys cannot support the teaching of tool-making or engineering skills for example, because the numbers mean that it is not financially viable for it to do that. Perhaps I am drifting here but we, as the Mid Wales Manufacturing Group, came up with what we believed to be a solution to some of that training. This was the shared apprenticeship scheme, which was as far back as 10 years ago.

I think that Mr Sargeant was going to ask about manufacturing and training, and about ELWa and what was before ELWa.

12.00 p.m.

We had a system that the manufacturers came up with. It was well supported, but, for whatever reason, it drifted to the point where we could not get a guarantee of support from ELWa, so we had no option but to close it down. It did not really hurt employment, but it hurt because no skills were coming through. The apprentices who lost their jobs were employed, the administrative side was employed—that was only two people anyway, and they found jobs. So, as a statistic, it was not a problem. Underlying that, you—the royal you—have stopped something like 10 apprentices a year coming through. That is not a great deal, but it means that a source for a small engineering community has gone.

Christine Gwyther: That is important because, as a country, we see manufacturing as one of our greatest assets and we do not want to lose any more than we have to, so that is a very valid point. Ten apprentices in a small economy is quite a lot. I understand that.

Mr Millard: I would ask ELWa what it has replaced it with.

Alun Cairns: On that last point, can we, as a committee, ask ELWa to respond formally—not now, because that is obviously not appropriate—in writing so that we can circulate the response and perhaps timetable it in for discussion.

Mr Millard: I have had responses; I have loads of letters, including some from the National Assembly. They do not solve any problems, I can tell you that. I can furnish you with those replies. We were desperate—and when I say 'we', I mean manufacturers who give up their time freely to fight for these sorts of things. For a small community, we are very fortunate that there are people like Bill, myself, these two guys and probably about another half a dozen who fight furiously to try to improve the situation. I do not think that you are all listening. ELWa wants to go its own way. I apologise if I used the word 'boring', but I went through ELWa's papers, looking specifically for what it was going to do about engineering and manufacturing training, and I saw a fat lot in there.

Mr Brown: I would like to come in on the training issue because I was one of the originators of the shared apprenticeship scheme. Looking forward to ELWa's next glorious five-year plan—and I am sure that it will be as successful as the previous ones—we have to change training fundamentally. It seems absolutely crazy to me that providers are funded, that they, in

turn, decide what training they will provide and then try to sell it to us people in a market place. We get inundated with people trying to sell us services that we do not want. So, timing and the size of the cohort are important.

It is possible to develop a demand-led system of training. We did a tremendous amount of work on this in the manufacturing group. We euphemistically call them 'trainee-user groups', TUGS, which means pulling training. It is possible to do that, and we tried to set up a pilot scheme, which was very well conceived. I commend it to you guys to read, because it gets over all the difficulties that we have been talking about this morning and it will have cost about £900,000 for three years. The important thing is that it would include means of measuring. You cannot do training without that. We would measure the outputs of the companies that are participating in this training pilot. It could then be transferred to other sectors, if it were successful.

Mr Brown: It could then be transferred to other sectors, if it were successful. A great deal of work was done on that and it is a very comprehensive document. It is well worth reading, because it recognises all those issues that are problematic. Some companies will train and others will never do so. It recognises that there is a value to experience. No-one here has talked about the value of experience, but most of the people sitting around this table were trained elsewhere to do the job that they are doing now. We find that even local colleges recruit our skilled people to do various jobs. You must recognise that experience has a value. Of course, the education training experience is what makes up a skill, as far as I am concerned. I would like to see that pilot scheme proceed.

Mr Millard: By the way, the demise of the shared apprenticeship scheme was passed on to the mid Wales manufacturing group some 12 months ago. That has now fallen flat on its face, I believe.

Mr Neave: The last thing we heard was that funding had been withdrawn. Support for the scheme was being withdrawn both by ELWa and the WDA.

Alun Cairns: I want to support and sympathise with the points that have been made. Can you tell me what interaction you get with ELWa in terms of setting your priorities so that it can try to meet them? Is there any interaction? There are supposed to be regional committees, the role of which—

Mr Millard: The Mid Wales Manufacturing Group, as a group of companies, does not have any interaction with ELWa.

Mr Brown: It is all a push system. Neither the college nor ELWa talk to us.

Alun Cairns: Surely the logical step would be for training providers or ELWa, as the funders, to ask what sort of skills you need and fund them on that basis.

Mr Millard: That is right, but ELWa, and probably the college to an extent, has a perception of what industry requires, and I am not too sure how it came up with that perception.

Christine Gwyther: Can I ask what sort of interface does the manufacturing group have with ELWa and with the college? Clearly, you must have one.

Mr Ford: Yes. I think that I will make myself unpopular here in a second. We have a working relationship with ELWa. In particular, the mid Wales manufacturing group hosts and organises a number of training events with the support of ELWa, whether on personnel issues or on health and safety issues and so on. As a manufacturing group, we solicit from our members what type of training they require in their businesses. We have around 180 members

from various sized companies, so the training requirements will vary depending on the size of the company. We have run regular events for a number of years that are supported by ELWa and are specifically consumer driven. However, having said that, those have reduced recently.

Could I also respond to Leighton's point about roads?

Christine Gwyther: I would like you to respond to that later. I want to stick to training at the moment, as we are developing a theme here. Michael, was there anything that you wanted to add on the interface with ELWa, because we were trying to bottom out the issue of whether or not it is happening in mid Wales?

Mr Neave: From the perspective of Bill, our general manager, we have a lot of problems arranging meetings with ELWa. It is difficult to communicate and get information out of it. One problem in the past was in trying to get a decision out of it on major issues, such as a project that we had been running or planning and to get an answer on funding. When we are preparing our budgets for the Mid Wales Manufacturing Group, we need to have an indication of how much funding is available and what projects we are going to run. To get ELWa to commit to anything and to discuss it is almost impossible. If Bill, our manager, were here, I think that he would support that statement 100 per cent. Those are the sorts of problems: communication problems and getting decisions made. I believe that the reason for this is because it has been in a bit of turmoil while reorganising and restructuring. Obviously, we are not a priority; we are low on its list of priorities. That has been the issue over the last year or 18 months.

12.10 p.m.

Mr Millard: I think that there is also massive bureaucracy behind it. Over the years, it has worsened. Although I do not know about the last six months, it got to the stage where, if ELWa wanted to write to you, it almost had to get the letter endorsed by its legal department before sending it out to you. It just got intolerable. Manufacturers do not have the time to mess about with things like that, to be absolutely honest.

Lisa Francis: It is interesting, because I raised a point at the January meeting of the Economic Development and Transport Committee about the loss of the Cobra Marche jobs. I was specifically concerned that, in the Llanidloes, Newtown and Welshpool corridor, there was a deficit of skilled indigenous people to fill manufacturing jobs. The Minister said that the manufacturing task and finish group was using Future Skills Wales to constantly look at the needs of employers. As employers in the area, do you feel that that has been happening? You have said that there are communications problems. How best would you like to see that going on? Do you feel that there are regular enough meetings? Do they do so through questionnaires and surveys? Do they visit you to ask what you need and what you are looking for, as a manufacturing base? That is the first question.

Obviously, there is a worry. It seems to me that it is older people who are skilled. Mr Ford mentioned that people lose jobs and then seem to fall back into employment fairly quickly. They find jobs again, but the wages for those new jobs are not commensurate with, say, their mortgage demands. How many of those older people are leaving? We know that our young people are leaving the area, but what about the older people? Can you put a figure on that? Is that a problem?

Christine Gwyther: I would imagine that that is quite difficult.

Lisa Francis: It is difficult, I know.

Mr Neave: We find that many of the job applications that come through when we advertise

vacancies are from older persons, in their late 50s, early 60s. They de-skill and take a job below their abilities with a commensurate lower salary. However, they do stay. We have had two or three people of that age staying with us for five years. They are not moving out or moving on.

Christine Gwyther: Which, from your perspective, is a good thing?

Mr Neave: Yes, it is good. But I cannot re-train them to become software engineers or to have information technology skills. It is very difficult to re-train them.

Christine Gwyther: When you made your presentation, Michael, you said that your core team of software engineers are all in their early to mid and late 20s. Is there any mileage in looking at a slightly higher age group which would be bringing up young families and therefore staying in this area, with the quality of life?

Mr Neave: Unfortunately, because technology changes very quickly, you need to have the latest skilled engineers, and it tends to be the younger ones who have the skills. There is one or two that look at coming here. We lost one last year who had a young family. I think that the reason why he moved was because his wife did not like the area; they did not feel that there were hospitals and support services such as dentists and doctors sufficient to support them. Therefore, they moved out.

Lisa Francis: I just wanted to reiterate that, and ask the employers at the table whether they feel that a fair and regular assessment is made of what they need from employees.

Mr Brown: No, I do not think so. It may be done through the manufacturing group, which is a slightly different way of doing it. However, no, we do not have an ongoing discussion. Our training needs change quite rapidly. To be fair to the providers, what we need this year is not necessarily what we will need next year.

Mr Millard: I put my hand up. It is all related anyway. Mike's business is obviously very specific about certain skills, such as software, IT, writing or whatever. We would not want that skill. Part of the problem is that, because we are in Newtown—and I am only talking about Newtown, as I cannot talk about further afield—there is a large variety of different types of businesses, which require a massive variety of skills. I support ELWa in that it would be difficult for people to provide training programmes to suit that variety. I will beat the drum again—that is why the shared apprenticeship scheme helped to do that. Where there were three or four companies who wanted toolmakers, machining, computer numerical control lathes and so on, they could have two or three youngsters coming through, getting that experience and feeding it. On a higher technology level, it may not be quite appropriate for Mike's company, but you could do something with that. Control Techniques has software writers and the like. So, we could look at these things.

I do not think that ELWa can solve the problem as if it were in a city like Birmingham or Manchester with several million people, where the employment population and the skills required can give enough numbers for training to be done. It is different—we are a micro, not a macro. Everything applies to that. If you talk about big business, we will always talk about Control Techniques and Laura Ashley. Once you go past those two companies, no-one is mentioning any other companies. Again, it comes down to the amount of people who require training.

We will take on an apprentice, working with the college, and we will start breeding our own again. However, they will be very restricted in terms of the experience that they can gain other than in our own company.

Christine Gwyther: Presumably, you will want to keep them for as long as possible, and it is in your interests to make their training very directed.

Mr Millard: Again, we talked about salaries. Makefast Ltd came up from Southampton in 1989. It brought most of its employees with it. Whatever salaries they were enjoying in Southampton and whatever the salaries were in Newtown in 1989, we kept those salaries. We did not move the workforce and say, 'By the way, labour is two pound cheaper here so you will have to take a drop'. The DBRW was very supportive, and it housed the majority. All of that has gone and we have been over that.

I am just making the point that we have a very low turnover of labour, and one reason, I suppose, is that the workforce is not looking for jobs, and I doubt whether there are the skilled jobs for them to look for. We have maintained the wage rates, and we review the wages every year. We have always given increases, and we believe that we pay above average wages in Newtown. They are comparable with what is paid in Telford, and Telford is comparable with what is paid in the west Midlands. So, I do not see that as a reason.

I agree with the points that either Eamon or Mike made that averages can be diluted. What are chairmen and managing directors and so on being paid? I am not aware of anyone—perhaps there is in ELWa, I am not too sure—who is paid more than £100,000. If you go to cities, people will be paid £1 million. When you dilute that, it brings up the average. When you see that the average wage is £20,000 odd or something like that, everyone on the shop floor looks at each other and asks 'Why are we not getting a piece of that?' It is not, though; it is how the average has been worked out.

12.20 p.m.

Carl Sargeant: I have a couple of points, particularly on the training, and then I have other things to raise later, if I may. The interaction of the training is important for the future. I certainly recognise that, and I know that you all do. The shared apprenticeship scheme is an important issue, and I think that, as a committee, we should look at it and the values that it was giving to the area. Hopefully, in the future, we can look at what was done.

Am I right to take it that your company is not part of the manufacturing group?

Mr Millard: We are a member.

Carl Sargeant: You are a member, okay. While we expect ELWa, the WDA, business support and Careers Wales to come out to businesses and interact with you, and take that as a given, what do you, as businesses, do to get to ELWa or the WDA and say what you actually need? That is the key. I mentioned earlier that we can provide you with as many graduates or people with A-levels as you wish, but it does not give you what you need. How do you tell them what you need? What opportunities have you had to do so?

Just to follow up on a point that Michael made, with respect, you said that it has been 11 years and the economy is going backwards, but I would disagree with you on that. I would do, because I am a politician. However, the fact that we are enjoying low unemployment and low interest and mortgage rates is an indicator that the economy is not going backwards. I appreciate that there are market pressures from China and the global economy that make it particularly difficult for manufacturing in mid Wales, but I do not accept that the economy is going backwards.

Mr Ford: I think that Lisa's question was about what surveys have been carried out regarding needs. I am not aware that at William O'Hanlon we have had any survey, questionnaire or approach from ELWa asking for a statement of needs for the future.

To answer Carl's question, the mid Wales manufacturing group does an annual survey of its members. After sending out the survey, we get Manchester Business School students to analyse and co-ordinate it all for us and produce a report, which I think is attached to our paper. Within that report, you will see a section on 'Employee skills and recruitment', and one on how many organisations within our group are expanding and are anticipating recruitment needs going forward. Some of the questions were whether they had grown over the last 12 months, whether they expected to grow over the next 12 months, and what areas of recruitment they found difficult. We produce a report that is copied to ELWa, giving it the requirements of our members in terms of recruitment and skills needs.

Carl Sargeant: On the back of that, what happens then, after you give ELWa the report? Are you telling me that ELWa then does nothing with it, and that that is the end of the report and that it was a waste of money? What is the next stage? You can be perfectly honest and frank in your response.

Mr Ford: I have pulled ELWa's statement on its priorities off the internet. It lists nine priorities, and there is virtually nothing in it that addresses the skills needs that the manufacturing group has said require addressing.

Mr Millard: Business is a lot like politics, if you consider the ratio of politicians to the population. You can do surveys, but an awful lot of businesses are not interested in providing the information; they just want to get on with things. It is the same with the electorate, is it not? Everyone has a view, but it is very difficult for—

Christine Gwyther: They often cannot be bothered to write it down.

Mr Millard: It is a minority that comes through, is it not? You have the answers of a minority here. I can guarantee that if you had invited every business in Newtown to this meeting, and Siân did some persuading to get us here, there probably would not be many more here than there are now. It is always going to be a difficult situation. It was the same with the shared apprenticeship scheme. We ran that scheme but had to fight tooth and nail to keep it going. It again is led by a minority, and it is so difficult to get people interested. They want it, but they do not want to put the effort in, and you must see that yourselves.

Leighton Andrews: On this point, Chair, we discussed our future work programme earlier, but it does seem to me that there is an issue here about work-based skills training, which is normally dealt with in the Committee for Education and Lifelong Learning. This may be an area that we ought to explore with that committee at some point in our future work programme, given the issues that have been raised here. It is a slight shame that we have the private sector after the public sector, because we could have gone through these subjects with ELWa had it been coming in next.

I actually wanted to ask about property. I know that time is pressing.

Christine Gwyther: Lisa, is your question on training?

Lisa Francis: Yes.

Christine Gwyther: We will take yours first, then.

Lisa Francis: I completely understand where you are coming from, Mr Millard, because I have run a business myself, and it is all a question of time. You get questionnaires and surveys through the post, and if you are busy your feet do not touch the floor, and you do not have time to bother with all of that. We were told that Future Skills Wales is constantly

looking at the needs of employers, and we need more details on that. How is it looking at future needs of employers? I do not think that that is too much to ask. If we are told that in a meeting, we need to know how that is being done, whether it is by telephone, surveys, meetings or whatever means. These people need to put forward their needs as regards a skills base. That is the first point, and I got so carried away with that that I have forgotten my second.

Christine Gwyther: Would you like to think about it while Leighton asks his property question?

Lisa Francis: Yes.

Leighton Andrews: You would have heard the WDA talk to us about property in response to some questions that we had earlier. In your paper, Mr Ford, I notice that you say that you estimate that 29 per cent of industrial units on business parks in Newtown are currently not in productive use. I assume that those are run by the private sector run rather than by the WDA. Do you have any observations on what was said by the WDA earlier on the whole issue of property, and are these units not in productive use because they are being held for speculative reasons? What are the reasons that they are not in use in your view?

Mr Ford: First, I would like to say that that was a very down-and-dirty type of survey.

Christine Gwyther: What does that mean?

Mr Ford: It needs a little bit of explanation behind it. To say that 29 per cent of the units are not in productive use is factually correct, but I need to put meat on that figure. We went to each industrial estate and looked at which units were not currently occupied. Most of those that were unoccupied were the smaller units, so it would not be a fair reflection of reality to say that 29 per cent of the space available is not being utilised. I make that point in case there is a misperception there. We discussed this with the WDA and were told that, as far as it was concerned, the ones that we had identified and had gone through had been sold off. So, it is outwith its control; it cannot do anything about it. Why are they empty? They are being actively marketed, but there have been no takers. These units are on industrial estates, so it is not that they are being held over for use as housing.

Leighton Andrews: If they are being actively marketed they are not being taken up: how does that square with the issue that the WDA raised earlier on about selling assets?

12.30 p.m.

Mr Millard: I strongly agree with what the WDA said. When it owned that property it did it up completely. I have moved into it, and I would like to support the WDA; it has been very supportive of technology-supportive grants and the technology exploitation programme, which we have made good use of and which has helped us tremendously. Things like that are excellent and we wish that there were more of them. When we looked at expanding the estate, it was supportive, even though we own our property, in terms of looking at how it could help us to expand it—obviously on the back of job creation and so on, and quite understandably so. So, we have gone backwards in that respect, as the poor WDA has lost that. Private landlords, as with housing, will get away with whatever they can. They do not want to spend any money, and you can understand that—if they can let it as it is, fine. However, the WDA had a standard, and it had to meet that standard, and it attracted business.

Christine Gwyther: Do you think that the fact that the smaller units are empty—it sounded like there are more voids in the smaller units than in the larger units—means that the mid Wales economy has moved on and that there are larger companies operating rather than

smaller ones?

Mr Millard: It is only an opinion, but my opinion is that the units are so grotty—

Christine Gwyther: So, it is not the size; it is the condition?

Mr Millard: I think so, because nobody is looking after them. If you were going to start up a little two or three-person business—I was politically correct there, was I not?

Christine Gwyther: I am very impressed—and not a little surprised.

Mr Millard: Really? [*Laughter.*]

If it were going to be let by the WDA, it would have been painted and the wiring would be up to standard and so on. That is not done now. I can only speak from my own opinion. If I drive round to the smaller units on the Mochdre estate, I find that they are tatty; they are turning into backstreet garages.

Leighton Andrews: It is not in private sector owners' economic interest not to rent them out, though, unless they are sitting on some kind of speculative investment. Do you have any observations—apart from their being grotty—as to why anybody would want to keep the units in that state if they cannot get them taken up?

Mr Brown: There are no entrepreneurs in mid Wales, or there are very few. Until we give them something to 'entre', we will not have them, will we? There is nothing here for people to set up small businesses for.

Leighton Andrews: I understand that point, but I am trying to address the issue that was raised earlier about the WDA and property. So far, nobody has given me a real understanding as to why a private sector owner of these units would want them to stay empty.

Christine Gwyther: That underlines—

Mr Millard: I do not think that they want them to stay empty.

Leighton Andrews: They do not want them to say empty?

Christine Gwyther: Can we not have interruptions while I am speaking, especially from you, Leighton, as a Member?

Leighton Andrews: Sorry.

Christine Gwyther: That merely underlines the fact that we need to take a very close look at the WDA's property portfolio and at our whole public property portfolio as far as letting it out to the private sector is concerned. I am going to leave it there, because Alun wants to come in, followed by Lisa.

Alun Cairns: I have some broad-ranging comments that relate to much of what has been said. The key issue for me that has come from the presentation is transport. Everyone has highlighted that as a difficulty, but bearing in mind that the trunk-road programme has been drafted, basically, and has set out spending for the next 10 years, unless your needs are in there, you are not going to get any improvements for the next 10 years at least. From experience, there will probably be slippage in programmes or tight budget cuts within the next 10 years—I would expect that 10 years to probably go to 15 years—and, if there are issues around that, we need to look at them. Although we, as a committee, have considered the

trunk-road programme, we may well want to reconsider it in the light of some of the comments that we have heard, in order to press the Minister for changes, if there is a case for changes to be made. That, without doubt, is one of the issues.

The skills issue is also common. I was pretty worried about the difficulty in gaining access to ELWa, which I think that you, Mr Millard, seemed to suggest had become more difficult of late. I suspect that part of the reason why that has become more difficult—and I do not mean this in a political way, but in a practical way—is the merger of the WDA with the Welsh Assembly Government. There are issues on which decisions will not be made without support from the division in the Welsh Assembly Government, which is completely normal and practical. We need to highlight and flag up the impact that that is already having, bearing in mind that the first 12 months, post-merger, will, I suspect, almost be a standstill point, if not of moving back in terms of communications, because people will be settling into new posts and new responsibilities. We need to highlight that.

On the shared apprenticeship scheme, which has been highlighted as one example, we should ask the Education and Lifelong Learning Committee to look at the Future Skills Wales issue that Lisa has called for, particularly the shared apprenticeship scheme and how the interaction with private sector organisations takes place in terms of the sort of skills provision that is presented.

I would have hoped that with the previous TEC arrangement, you would have been on the boards of the TECs and would have effectively decided what courses took place. We have lost that. The regional committees were meant to have made changes on that, but, whereas there were company chief executives on the TECs, there are probably much lower levels of staff on the regional committees. I do not know what impact those regional committees have, but if I were a member of the Education and Lifelong Learning Committee, I would press on that issue for the sake of these people because we need them more than they need us.

My final comment comes back to something that Mr Neave said. He stated that if he could go back 11 years, he might not bring his company and the wealth-creating opportunities that it has created, to mid Wales. All of the witnesses have said that they have links with China, which is now an enormous threat to us. Unless we resolve the transport, skills and infrastructure problems—as well as the social infrastructure problems, which relates to the Powys County Council issue mentioned earlier—then in 10 years' time, when we next review the trunk road programme, these people will not be here because they will have gone to set up their businesses in China or elsewhere.

Lisa Francis: On the transport issue, rail freight has been mentioned, but that is only viable if you have vast quantities of the same stuff going from one destination to a definite other place. This has to be a question of improving roads. Of the budget that we have seen over the next 15 years—and I know this because I have tabled written questions on it—little money is coming to mid Wales specifically. At the beginning of this meeting, when you asked about looking at the forward work programme, I requested that we looked specifically at mid Wales and transport links. In view of the little money that is coming here, we need to reconsider that and see what can be done. Alun mentioned slippage, but there has to be a way of improving road links. I am not talking about building a six-lane highway; even something as basically simple as including passing places, such as those in Scotland, in key places would help.

Christine Gwyther: Janet next, then Carl; we really do need to move on.

Janet Davies: As you know, I attend the EU Committee of the Regions meetings in Brussels. Last month, it was stated clearly that there would be greater flexibility in the next round of structural funds for infrastructure. It seems to me that if there is a problem with the Assembly investing money into improving roads in mid Wales, there might be a possibility in the next

round of investing more European money into that sort of infrastructure, which, in my view, is crucial. I always thought that it should be included in this round, but it was not, to any great extent. There should be far more in the next, but that then raises the issue of how important the next round of structural funding is for Wales. There are question marks over that.

Carl Sargeant: Picking up on something that Alun said—and I declare an interest as a governor of Deeside College—we are not talking about rocket science here. This is about interaction. The last point that I tried to make, probably badly, was about how you interact with the colleges, the providers, ELWa, and the WDA. A great example, again, is Airbus UK, in my constituency, which has the largest apprenticeship scheme in the whole of the UK. I accept that that is a totally different ball game, as it is a much larger company. I know that some of its staff sit on the board of governors at Deeside College and actually design courses that fit the manufacturing purpose of their business. Obviously, there is interaction there, as it is a business transaction with the college.

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However, this is what we need to be doing: actually telling the providers what you want. This is key to all this.

Mr Millard: It may be, but we are not big enough. When we were running the shared apprenticeship scheme, we needed one of the individuals to do an HNC in engineering. There are not enough people for that to happen at Coleg Powys. We had to pay to send them over to Telford—

Mr Brown: Shrewsbury.

Mr Millard: We paid to send them to either Shrewsbury or Telford, and tried to support the individual with the costs of getting there. I take your point, but the real crux, I believe, is the numbers that we talk about. To be fair to the college and to ELWa, they probably will talk, but it comes down to numbers at the end of the day, and how you can get around it. Beating it again, we did have a way around that, through sharing.

Carl Sargeant: The shared apprenticeship scheme is your answer to this. I totally accept that.

Mr Millard: It is not the total answer.

Christine Gwyther: It is where your clout comes from; Airbus naturally has it because of its weight in numbers.

Carl Sargeant: You are quite right. I think that we must review that. You said that you do not have the time to mess about with this, and I appreciate that. However, collectively, as a manufacturing group, establishing this training structure, which is useful for the industry, must be one of your core priorities.

Mr Brown: You have to pay a premium for training in this area because of the sparsity of students and so forth. There is no doubt that by co-operating, we can have the training that we need. However, it does need funding—though not for the inward and national remit and your glorious plans for five years. That is the problem with ELWa: it has stuck to the national guidelines. It cannot actually think outside the box. That was its problem.

Christine Gwyther: From our perspective, I think that we have to enable ELWa, and all our other providers, to be able to think outside the box. If they are not given that freedom to do so—

Mr Brown: That is the problem.

Christine Gwyther: That is where it becomes a policy imperative.

Mr Ford: If we have full employment in mid Wales, why are we worried about training? Why not spend that money on transport links and better roads? We can then bring the skills into the area. People can commute. They can commute from Telford or Shrewsbury if there is a good rail link for them to do it. They have the skills over there. We can pay the going rate in this area. We need the skills and that will be the quickest and most effective way. That will then make the competition for jobs, locally, that bit sharper, and people will upskill naturally because they will have to do so to get a better job.

Mr Brown: I think that we do so, Eamon. We have people coming from Shrewsbury and Telford. There must be an awful lot who actually do that. We recruited our sales manager from Shrewsbury. We could not recruit here. We can debate all this for a very long time, but it is bringing those up. We talk about generations moving out, leaving, and so forth. You want your kids to have a decent life.

Christine Gwyther: We want to create the wealth and spend it in our local economies, which has to be the overriding concern.

I will now bring this item to a close. Thank you very much for attending. It has been frank and lively, which is exactly what we wanted. On the basis of the discussions that we have had this morning, we will prepare a report for the Minister, and for the Welsh Assembly Government as a whole, as some of the issues that we talked about go across portfolios.

It has been an absolutely enlightening experience, so thank you very much indeed. Thank you, again, to the public sector.

*Daeth y cyfarfod i ben am 12.45 p.m.
The meeting ended at 12.45 p.m.*