

Economic Development Committee

DRAFT MINUTES

Date: 1 March, 2000

Time: 9am – 12.30pm

Venue: Committee Room 3, National Assembly for Wales Building

Attendance (Constituency)

Members of the Economic Development Committee

Val Feld (Chair)	Swansea East
Rhodri Morgan (Assembly Secretary)	Cardiff West
Alun Cairns	South West Wales
Ron Davies	Caerphilly
Michael German	South East Wales
Brian Hancock	Islwyn

(member of both Committees)

Ann Jones	Vale of Clwyd
Helen Mary Jones	Llanelli
Phil Williams	South East Wales

Members of the Local Government and Environment Committee

(Items 1 and 2)

Sue Essex (Assembly Secretary)	Cardiff North
Peter Black	South Wales West
Janice Gregory	Ogmore
Brian Hancock	Islwyn

(member of both Committees)

Janet Ryder	North Wales
Owen John Thomas	South Wales Central
Officials	(Department)
Derek Jones	Senior Director, Economic Affairs
Steven Phillips	Head, Regional Development Division
Trevor Samuel	Industrial Development Division

External contributors (Items 1 and 2)

Michael Boyce

Chief Executive, Cardiff Bay Development Corporation

Roger Thomas

General Manager Wales, Environment Agency

Councillor Russell Goodway

Lord Mayor, Cardiff County Council

Byron Davies Chief Executive, Cardiff County Council

Secretariat

Helen Usher

Clerk

Martin Stevenson

Clerk

Jo Trott

Deputy Clerk

Joanne Glenn

Deputy Clerk

Item 1: Chair's Opening Remarks

1.1 The Chair welcomed everyone to the meeting and explained that the first part would be held as a joint session with members of the Local Government and Environment Committee as part of the Assembly's ongoing scrutiny of the wind-up and transfer of Cardiff Bay. She indicated that this was likely to be the Committees' last opportunity to consider the wind up of Cardiff Bay Development Corporation and the arrangements for transfer of assets and liabilities before they took effect. However, Cardiff County Council had agreed to return to Committee post-transfer for further discussion of ongoing maintenance and development issues.

Apologies and Substitutions

1.2 Apologies had been received from Peter Law (Assembly Secretary).

Item 2: Cardiff Bay Development Corporation

2.1 A transcript is attached at Annex 1. The action points which resulted from the discussion were:

- Assembly Secretary to provide a further report on the "other regeneration" budget (£6.1m) for Cardiff Bay and information on unquantifiable liabilities if it became available
- Committee to consider Cardiff County Council's Development Plan for the Bay (**Action:**

Committee Secretariat)

- Assembly Secretary to consider ways in which to build automatic compliance with an Environment Agency Direction into the agreements with Cardiff County Council.
(Action: Assembly Secretary)
- Revisions of S165 agreements would be made available for Members within 48 hours.
(Action: Assembly Secretary)

Item 3: Minutes of the Meeting of 9 February

Accuracy

3.1 The minutes of 9 February were accepted as an accurate record of the meeting subject to the following amendments:

- The second bull point at paragraph 3.1 needed to be amended so that the phrase in brackets read "eg a boom in the semi-conductor industry was anticipated".
- "Consider through" at paragraph 3.2 should be replaced with "progress".
- The reference in the fifth bull point at paragraph 5.2 to "aquaculture (shellfish etc)" needed to be expanded to read "aquaculture and inshore fishing (shellfish)".

Item 4: Assembly Secretary's Oral Report

4.1 The Assembly Secretary reported that the chances of Bairdwear work transferring to another M&S supplier looked slim, and that it was more likely that Bairdwear would need to focus on developing and marketing its own brands.

4.2 It was hoped that the new Assisted Areas map would be finalised sometime in June or July. Cases where interim offers had been made were now being fully appraised and firm offers made. Given the timing of the new map there might be a period in April - June where new offers could not be made. Members were concerned about the consequences of this and asked for an assessment. **(Action: Assembly Secretary)**

4.33 Attention was drawn to reports of the effect on the steel industry of the high value of the pound. While the Assembly had no direct control over macro-economic issues such as this, the Assembly Secretary agreed to pass on the Committee's concern about the situation to the Chancellor and the Treasury. **(Action: Assembly Secretary)**

Item 5: Structural funds: (Objectives 1 and 2)

Objective 2

5.1 Introducing the paper, the Chair said the Committee needed to consider the extent to which it should be involved in the consultation process.

5.2 Michael Cochlin outlined the timetable for producing the Objective 2 SPD. The consultation process was due to finish on 17 March. At present the plan was that the draft SPD would be submitted to the Commission on 15 April. But this would not allow the Committee time for meaningful consideration of the consultation results. It was therefore proposed that the timetable should be extended and the draft SPD be submitted to the Commission in May. The problem with delaying the submission was the loss of retrospection which could leave some projects (two were already known about) not able to claim retrospective funding.

5.3 During discussion on this issue the following points were raised:

- The date for retrospective conversion was fixed in EC regulations and could not be altered.
- There were two known ongoing projects in Objective 2 areas which would be affected by the decision. Mike Cochlin agreed to look into whether funding could be secured for these by another route. **[Action: Assembly Secretary]**
- Objective 1 had been given a lot of attention by the Committee and it was important that Objective 2 should also be given sufficient time.
- Regional committees might be willing to put Objective 2 consultation on their agendas and it was widely agreed that this had the benefit of allowing those who had not been involved in the formal consultation to have their say. The South West Wales regional committee would not be involved as it would not be affected by Objective 2 funding.

Conclusion

5.4 The Committee concluded that it wished to consider a draft Objective 2 SPD following the consultation and that the submission to the Commission should be in May.

Objective 1

5.5 The Assembly Secretary opened discussion on Objective 1 with the following announcements:

- the appointment of John Clarke as Chief Executive of the Structural Funds Executive. He would take up his new post on 23 March. The Assembly Secretary stressed that it

had been a civil service, not a political appointment but that because of the nature of the post there had been representatives of three stakeholders (private sector, public sector, voluntary sector) on the appointments panel. Currently on secondment to the Assembly, John Clarke would continue his work on the Development Bank proposals when he took up his new post.

- he confirmed that the European Commission's response to the Objective 1 Single Programming Document had been received on 17 February (after the last Committee meeting which had been held on 9 February.)
- during a meeting with Treasury officials last week, the Assembly Secretary discussed the way the Barnett formula impacted on Assembly funding. The Treasury agreed to consider whether Objective 1 cover should be managed outside the Barnett block or if Barnett should be adjusted to reflect the need for Objective 1 funding. The Assembly Secretary confirmed that pressure would continue to be placed on the Treasury on this issue and he was confident of a successful outcome.
- Assembly officials including Michael Cochlin and Chris Johnes had met with Graham Meadows and representatives of stakeholders in the Partnership in Brussels the previous week. The Assembly Secretary had not been present but understood that a great deal of progress had been made.

5.6 Committee members welcomed John Clarke's appointment. The timing was later than had originally been anticipated (a fortnight later than originally planned because of the unavailability of one of the candidates) and this meant a great deal of work needed to be done in a short period of time to ensure progress could be made on 1 April. John would be attending the Shadow Monitoring Committee meeting on 7 March.

5.7 Michael Cochlin then provided an analysis of the current situation regarding negotiations on the Single Programming Document (SPD). The SPD had been submitted to the Commission last November and accepted by them. A preliminary response was issued in December and the formal First Response issued by the Commission on 16 February. This Response did not take account of the negotiations which had taken place between November and February. The document set out the Commission's agenda for discussion. Similar First Responses had been sent to other Objective 1 regions. More evidential material and analysis had been requested to expand the SPD. Much of this had now been provided, for example there has been additional socio-economic analysis provided in the form requested by the Commission and an enlargement of the original labour market analysis. The Assembly had been asked to provide a SWOT analysis to cover the programme and an account of past programmes in Wales and how these should be taken into account when the new programme was launched.

5.8 Michael Cochlin commented that discussions had now entered their final month. Although there was still a need to agree the priorities and measures which underpinned the document (including further discussion on the rural priority), there was no doubt on either side that an agreed position would be reached at the end of March. The Commission's preference was to have a single rural priority so accordingly priority 5 of the original document had been enlarged. Officials would also bring the rural aspects of the other measures out in the text. Business support and how it impacted on the measures had also been discussed with the Commission. The Commission wanted to see infrastructure as a priority in its own right. This did not imply the Commission wanted to see a large expenditure on this but that it should be rationalised. Discussion on the priorities in the Single Programming Document would be central in the coming weeks.

5.9 Implementation had also been discussed with the Commission. Member states were able to decide this for themselves provided it met the requirements of the regulations. The Commission was supportive of the Assembly's strategic approach to the programme but wanted assurance that the action plan approach of the accountable bodies provided good money management for the programme. This was not a difficulty and the Assembly had agreed to provide more detail on how this would work.

5.10 The negotiation process on UK funding had been explained to the Commission. The agreed Single Programming Document would contain detailed financial tables and once these had been endorsed by the Assembly at the end of March the Commission would accept the position regarding match funding in advance of the CSR outcome.

5.11 In conclusion Michael Cochlin stated that Partnership representatives as well as officials had been involved in the discussions. Everyone felt satisfied that a successful outcome would be reached by the end of March and that the key areas for work before then were the clarification of priorities, and implementation. This would result in a system flexible enough to have a fast launch to the programme and undertake the first round of commitments by the summer.

5.12 The Chair opened the floor to questions and the following points were made:

- Plaid Cymru members felt there should be a clear distinction between the role of the Assembly and that of the Government as processes had been carried out in the name of the Assembly when its members had not been included in the decision-making process. Phil Williams stated that he had requested a copy of the Commission's First Response for a meeting between Plaid Cymru MEPs and the Commission, but this had been refused by officials. Having subsequently seen the report, Plaid Cymru Members questioned whether it had been withheld because it was critical.. They felt excluded from the procedure and intended to take the matter further with the Presiding Officer. The Assembly Secretary apologised to any member of the Committee who had been denied

access to the Commission's first response. He had not instructed officials to take this action.

- The Assembly Secretary acknowledged that if the Committee was to work effectively it would need access to information on a timely basis. The difficulty experienced by some committee members in securing a copy of the Commission's First Response should be used to focus minds on the future need to ensure there was a free flow of information.
- Some Members reminded the Assembly Secretary that they had been assured that they would be involved in a discussion on priorities outlined in the Single Programming Document. Time should now be allocated for discussions as promised **[Action: Committee Secretariat and Chair]**
- A member stated that she had heard rumours that the relationship between the Assembly and the Commission was at the point of breaking down. Michael Cochlin categorically denied this and said that there was an excellent working relationship between the organisations. Tough talking was involved but this did not mean there was any animosity and officials were involved in almost day to day contact with Brussels. **The Chair said that in view of this assurance the suggestion that there was a problem should be firmly rebutted.**
- Further information would be provided on the Regional Action Plans. **[Action: Assembly Secretary]**
- A member questioned whether the revised Single Programming Document should have been issued to Committee members. He felt that although constant revisions were made during negotiations with the Commission, a decision should have been made that following a certain number of revisions, the document was substantially altered and in effect a new one and as such should have been supplied to Committee members. The Assembly Secretary replied that the Executive had not appreciated how many constant revisions would be made and that they would respond to points on a weekly, sometimes daily, basis. It had now become clear that the report would have three stages but that had only emerged during the negotiations. It had not been possible to say at any point that the document had been so substantially altered that it should be submitted to the Committee. The second fully fledged report would be made available at the end of March and would go before the Committee and a plenary session of the Assembly. Meanwhile the revised chapters would be made available to Committee members. **[Action: Assembly Secretary]**
- Clarification was requested of the terms 'partnership' and 'stakeholders' used by the Executive. 'Partnership' referred to the informal task force which worked with the Executive. Up to 25 partners were present at meetings held in Wales with the

Commission and 3 at meetings in Brussels. The shadow monitoring committee would have its first meeting on 7 March and would continue to 'shadow' until the Single Programming Document was approved in April. 'Stakeholders' referred to the three arms of the partnership – public, private and voluntary sectors.

- A member questioned whether there was enough provision in the budget to meet payments for previous structural funds programmes as well as the new programme. The Assembly Secretary confirmed that the Commission expected to see a high spend in the first fifteen months to cover existing commitments to Objectives 2 and 5b. This had also been drawn to the Treasury's attention. A paper would be made available for 15 March to answer Phil Williams' questions on match-funding and the overhang between previous programmes and the present programme. **[Action: Assembly Secretary]**
- It was confirmed that spatial targets would be discussed with the Commission. Although this had originally been seen as an urban/rural issue the Commission was interested in spatial targets more generally. Michael Cochlin would report back to the Committee following discussions with the Commission. **[Action: Assembly Secretary]**
- It was questioned whether the term 'equality' had been defined by the Commission as gender equality and as such excluded other aspects such as the disabled. Michael Cochlin confirmed that the Assembly's own broader definition of equality mainstreaming could be included. The monitoring committee would have an advisory group on equality and dedicated equal opportunities staff in the Structural Funds Secretariat would have an advisory role.
- The Assembly Secretary was asked how many local authorities had set up partnership groups, whether they were organised on the 1/3:1/3:1/3 principle, and if they were receiving support from the Executive. Michael Cochlin explained that there was a process of discussions with all the local authorities which would in time ensure that the information was available for each local authority. The WLGA was holding a conference on 8 March on local partnerships. Most local authorities were expected to attend.
- A Member pointed out that the Commission's First Response seemed to make unfavourable comparisons between the English Objective 1 regions and Wales (for example on private/public sector match funding). The Assembly Secretary explained that this was because the Commission would have preferred uniform treatment across England and Wales for match-funding. The Commission had not appreciated that it could be handled differently by the two countries for example the English regions chose to go for full public sector match funding with private sector funding as a top-up. However the Treasury is unlikely to treat England and Wales differently and had given no guarantees to the English regions. The difference in the Single Programming Documents was an example of devolution which had not been appreciated by the

Commission.

- In answer to a question about staffing resources it was confirmed that the officials dealing with redrafting the Single Programming Document were overloaded and that their workload would not be sustainable over a long period of time. However, Derek Jones felt that at this stage it was better to continue with the current team of experienced staff rather than introduce new staff. The Partnership had offered to help with work whenever they could and this offer had been accepted.
- It was stressed that the Commission's First Response document had not been kept secret. It had been openly distributed to the full Partnership.
- The Chair announced that following discussions with party spokespeople and the Assembly Secretary, plans had been made to further involve the Committee and ensure that the Committee did not find itself in the position of a public dispute over access to information again. Further discussions would also take place with party spokesmen as the process continued. It was likely an extra (not an emergency) meeting would be held to discuss Objective 1 further, particularly the final draft SPD. **[Action: Committee Secretariat]**

Item 6: Review of Business Support and Development

6.1 The Chair introduced and welcomed Jim Driscoll who had been appointed Expert Adviser to the Committee for this review.

6.2 Jim Driscoll commented that the public sector had allocated considerable resources in the past to business support and with Objective 1 funding more resources were potentially available. Given the acceptance that the success of SMEs in particular was vital to the Welsh economy, it was a good time to review the present systems.

6.3 Jim Driscoll outlined his role :

- To help map out the existing provision of services in both public and private sectors
- To give guidance on the effectiveness of services
- To outline choices on how to devote resources in the future
- To advice the Committee on the best way of meeting service providers and particularly companies
- He said he would welcome the Committee's views on what they wanted to explore in the

review.

6.4 The Chair explained that the review would look first at the TEC's enterprise function and then the Development Bank. A member asked that community enterprise functions should also be included. The Chair commented that it was important that the review looked at the relationship between large and small businesses and that support to large businesses should also be examined.

Item 7: Strategic Guidance: WDA and WTB

7.1 Due to pressure of time, this item was deferred. The Chair suggested that comments on the strategic guidance letter to the Wales Tourist Board should be passed to the Assembly Secretary. The Clerk would provide a deadline for this. **[Action: Clerk]**

8. Other Business

8.1 Comments on the Committee's draft report to the Assembly (which had been taken off the agenda to release time for extra discussion on Objective 1 issues) should be passed to the Clerk. **[Action: Committee members]**

8.2 The Chair suggested that she wrote to the WDA to ask them if they had views on the Health and Safety Executive's guidance on standards in call centres and if new businesses are easily compliant with them (EDC-04-00 p10). **[Action: Chair and Committee Secretariat]**

8.3 There was a need for further examination of the proposals for the Pathway to Prosperity budget. **[Action: Committee Secretariat]**

Committee Secretariat

March 2000