



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Menter a Dysgu
The Enterprise and Learning Committee**

**Dydd Mercher, 20 Hydref 2010
Wednesday, 20 October 2010**

Cynnwys
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi 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'r pwyllgor yn bresennol
Committee members in attendance

Christine Chapman	Llafur Labour
Jeff Cuthbert	Llafur Labour
Andrew Davies	Llafur Labour
Paul Davies	Ceidwadwyr Cymreig Welsh Conservatives
Nerys Evans	Plaid Cymru The Party of Wales
Brian Gibbons	Llafur Labour
Gareth Jones	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Chair of the Committee)
David Melding	Ceidwadwyr Cymreig Welsh Conservatives
Jenny Randerson	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Eraill yn bresennol
Others in attendance

Tracey Burke	Cyfarwyddwr, Polisi, Strategaeth a Gwasanaethau Corfforaethol, Adran yr Economi a Thrafnidiaeth Director, Policy and Strategy and Corporate Services, Department for Economy and Transport
Rachel Garside-Jones	Pennaeth y Polisi Sgiliau, Cyflogadwyedd a Chyllid Ymchwil Head of Skills Policy, Employability and Research Funding
Lesley Griffiths	Aelod Cynulliad, Llafur (y Dirprwy Weinidog dros Wyddoniaeth, Arloesi a Sgiliau) Assembly Member, Labour (the Deputy Minister for Science, Innovation and Skills)
Teresa Holdsworth	Pennaeth Datblygu Sgiliau a Dysgu yn y Gweithle Head of Skills Development and Workplace Learning
James Price	Cyfarwyddwr, Trafnidiaeth ac Adfywio Strategol Director, Transport and Strategic Regeneration
Ieuan Wyn Jones	Aelod Cynulliad, Plaid Cymru (y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth) Assembly Member, The Party of Wales (the Deputy First Minister and the Minister for Economy and Transport)

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Dan Collier	Dirprwy Glerc Deputy Clerk
Siân Phipps	Clerc Clerk
Ben Stokes	Gwasanaeth Ymchwil yr Aelodau Members' Research Service

*Dechreuodd y cyfarfod am 9.31 a.m.
The meeting began at 9.31 a.m.*

Cyflwyniad ac Ymddiheuriadau Introduction and Apologies

[1] **Gareth Jones:** Bore da, a chroeso cynnes i'r cyfarfod hwn o'r Pwyllgor Menter a Dysgu. Gwnaf y cyhoeddiadau arferol i ddechrau. Mae'r cyfarfod yn ddwyieithog ac mae clustffonau ar gael i dderbyn gwasanaeth cyfieithu ar y pryd o'r Gymraeg i'r Saesneg ar sianel 1 ac i chwyddlesio'r sain ar sianel 0. Bydd cofnod o'r cyfan a ddywedir yn gyhoeddus. Atgoffaf bawb i ddiffodd eu ffonau symudol ac unrhyw ddyfais electronig arall. Nid oes angen cyffwrdd â'r meicroffonau. Nid ydym yn disgwyl ymarfer tân, felly os bydd argyfwng bydd yn rhaid i ni symud o'r ystafell ac efallai'r adeilad dan gyfarwyddiadau'r tywyswyr. Yr wyf yn ymddiheuro bod lle braidd yn dynn arnom o amgylch y bwrdd heddiw. Nid oes ymddiheuriadau na dirprwyon. Oes unrhyw Aelod am wneud datganiad o fuddiant?

Gareth Jones: Good morning, and a warm welcome to this meeting of the Enterprise and Learning Committee. I will make the usual announcements to begin with. The meeting will be held bilingually and headphones are available to receive interpretation from Welsh to English on channel 1 and amplification on channel 0. There will be a record of everything that is said publicly. I remind everyone to switch off their mobile phones and other electronic devices. There is no need to touch the microphones. We are not expecting a fire drill, so in an emergency we will have to move from the room and perhaps the building following the instructions of the ushers. I apologise that space around the table is a bit tight. There are no apologies or substitutions. Does any Member wish to make a declaration of interest?

[2] **Jeff Cuthbert:** For the record, I am still the chair of the programme monitoring committee for the structural funds and I expect that we will discuss structural funds at some point this morning.

[3] **Gareth Jones:** Thank you for that, Jeff.

9.32 a.m.

Gweithredu Rhaglen Adnewyddu'r Economi Implementation of the Economic Renewal Programme

[4] **Gareth Jones:** Dyma'r sesiwn olaf sydd gennym i graffu ar ddulliau Llywodraeth Cymru yn ei bwriad i weithredu, monitro a gwerthuso rhaglen adnewyddu'r economi. Mae'n bleser gennyf ar ran yr Aelodau estyn croeso cynnes i gynrychiolwyr Llywodraeth Cynulliad Cymru, sef Ieuan Wyn Jones, y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth, a Lesley Griffiths, y Dirprwy Weinidog dros Wyddoniaeth, Arloesi a Sgiliau. Hefyd, mae pobl pwysig gyda chi, sef y swyddogion. Estynnaf groeso cynnes i James Price, Cyfarwyddwr yr Adran Trafnidiaeth ac Adfywio Strategol, Tracey Burke, Cyfarwyddwr Polisi, Strategaeth a

Gareth Jones: This is our final session to scrutinise the approaches of the Welsh Government in its intention to implement, monitor and evaluate the economic renewal programme. It is my pleasure on behalf of Members to extend a warm welcome to representatives of the Welsh Assembly Government, Ieuan Wyn Jones, the Deputy First Minister and Minister for Economy and Transport, and Lesley Griffiths, the Deputy Minister for Science, Innovation and Skills. There are also important people with you, that is, the officials. I extend a warm welcome to James Price, Director of the Department for Transport and Strategic Regeneration, Tracey Burke, Director of

Gwasanaethau Corfforaethol yn Adran yr Economi a Thrafnidiaeth, Teresa Holdsworth, Pennaeth Datblygu Sgiliau a Dysgu yn y Gweithle, a Rachel Garside-Jones, Pennaeth y Polisi Sgiliau, Cyflogadwyedd a Chyllid Ymchwil. Yr ydym yn falch eich bod wedi gallu ymuno â ni heddiw. Mae'r rhaglen bwysig hon wedi'i chyhoeddi, ac mae cyfeirio ati dro ar ôl tro yn y Siambr. Mae heddiw yn gyfle i ni ofyn rhai cwestiynau mwy treiddgar efallai; gawn weld. Diolchaf i'r ddau Weinidog am y dystiolaeth ysgrifenedig yr ydym eisoes wedi'i derbyn. Yr ydym wedi cael cyfle i'w darllen ac yr ydym yn edrych ymlaen at ofyn cwestiynau yn seiliedig arni. Efallai yr hoffech wneud cyflywniad byr, tua pum munud o hyd, ac wedyn byddwn yn troi at yr Aelodau am eu cwestiynau.

[5] **Y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth (Ieuan Wyn Jones):** Yr wyf i a Lesley'n ddiolchgar am y cyfle i ddod yma i ateb cwestiynau gan y pwyllgor unwaith eto. Yr ydych wedi gweld y ddogfen ar adnewyddu'r economi a gyhoeddwyd ym mis Gorffennaf. Pan ddaeth yr amser i roi tystiolaeth ysgrifenedig ichi, penderfynom mai'r peth gorau i wneud oedd tynnu sylw at y pethau sydd wedi digwydd ers hynny, a sut yr ydym yn mynd i weithredu'r rhaglen, yn hytrach nag ailadrodd gyriant polisi'r ddogfen honno.

[6] Mae tri chyfnod i'r rhaglen: yn gyntaf yr ydych yn cytuno ar y polisi; wedyn yr ydych yn ailstrwythuro eich adran er mwyn gweithredu'r rhaglen newydd; ac yn drydydd, yr ydych yn newid cyllideb yr adran i sicrhau bod yr arian yn llifo i'r meysydd newydd. Yr ydym yn gweithio drwy'r ail a'r trydydd cam yn brysur iawn ar hyn o bryd, ac yr ydym mewn sefyllfa i weithredu'r rhaglen bolisi. Nes ymlaen heddiw, byddwn yn gwybod pa arian fydd ar gael yn y pedair blynedd nesaf i weithredu'r polisi hwn. Dyna pam y mae mor bwysig bod James Price yma gyda fi, oherwydd mai ef sy'n gyfrifol am weithredu'r rhaglen. Tracey oedd yn gyfrifol yn bennaf am ysgrifennu'r ddogfen o safbwynt y cynnwys polisi. Yn naturiol, oherwydd pwysigrwydd ymchwil a datblygu a sgiliau, yr wyf yn hynod o falch bod Lesley yma heddiw, oherwydd mae'r pethau

Policy, Strategy and Corporate Services in the Department for the Economy and Transport, Teresa Holdsworth, Head of Skills Development and Workplace Learning, and Rachel Garside-Jones, Head of Skills Policy, Employability and Research Funding. We are pleased that you have been able to join us today. This important programme has been published, and it is referred to frequently in the Chamber. Today is an opportunity to ask some more probing questions perhaps; we shall see. I thank both Ministers for the written evidence that we have already received. We have had a chance to read it and we look forward to asking questions based on it. You may wish to make a short introduction, about 5 minutes in length, then we will turn to Members for their questions.

The Deputy First Minister and Minister for the Economy and Transport (Ieuan Wyn Jones): Lesley and I are grateful for the opportunity to come here to answer the committee's questions once more. You will have seen the document on economic renewal that was published in July. When the time came to present you with written evidence, we decided that it would be better to draw your attention to the things that have happened since July, and how we are going to implement the programme, rather than repeat the document's policy direction.

The programme has three stages: first, you agree on the policy; then, you restructure your department to implement the new programme; and thirdly, you adapt the funding of the department to ensure that money flows to the new areas. We are busily getting to grips with the second and third steps at present, and are in a position to implement the policy programme. Later today, we will know what funding will be available in the next four years to implement this policy. That is why it is so important that James Price is with me today, because he is responsible for implementing the project. Tracey was mainly responsible for writing the policy content of the document. Naturally, due to the importance of research and development and skills, I am delighted that Lesley is here today, because those things are going to be key factors in the

hynny'n mynd i fod yn rhannau allweddol o success of our scheme.
lwyddiant ein cynllun.

[7] **The Deputy Minister for Science, Innovation and Skills (Lesley Griffiths):** As our written evidence to committee has indicated, we are very committed to building a genuine partnership on workforce skills at all levels with employers. It is vital that employers have the right skills for their businesses to flourish, and that the skills provision is in place so that the workforce can thrive. It is important that we refresh our skills agenda at any time, but it is even more important as we come out of a recession. I have been in post since the end of last year, and it is apparent that we need new skills as we come out of the recession. I am looking at the demand side of the situation, which is very important. Everybody has a part to play: Government, learning providers, employers and individuals. That is what I have been focusing on.

[8] **Gareth Jones:** Diolch yn fawr i'r ddau ohonoch am eich cyflwyniadau. Gobeithiaf gael y cyfle i ofyn cwestiwn yn yr awr a hanner sydd gennym, ond trof at David Melding am y cwestiwn cyntaf. **Gareth Jones:** Thank you both very much for those introductory remarks. I hope to have an opportunity to ask a question in the hour and a half that has been allocated, but I turn to David Melding for the first question.

[9] **David Melding:** I want to ask about broadband provision; however, so great are the technological advances in this field that I feel about as comfortable as Queen Victoria talking about railway gauges. With that in mind, I have had a good look at this issue, and I hope that my questions are coherent. On the topic of a commitment to provide broadband access to all businesses in Wales, how is the planning for procurement progressing? Have you had any specific conversations with the European Union on transferring some spend into infrastructure, or about state aid? How are you going to conduct the tendering process? What has been planned, and how quickly could it be achieved? Broadband rollout is happening in Northern Ireland and Cornwall already, but the starting date in Wales is still to be determined.

[10] Turning to the strength of the service, the universal commitment in Britain is for 2 MB. Businesses are going to need greater speeds than that; commercially available super-speed services are now coming in at 50 Mbps or above, so I would like an idea of what you think that we could be aiming for, in terms of super-strength broadband, and what sort of speed it is going to be.

9.40 a.m.

[11] Finally, what Northern Ireland or Cornwall did very well was to create demand and improve education among small and medium-sized enterprises. Without that, we are going to have difficulty in getting services to be used properly and getting any real engagement with the private sector in future. We need that demand. Could you outline the current situation and perhaps some of the lessons you have learned from Northern Ireland and Cornwall? What they have done with regard to planning and implementation has been genuinely well received.

[12] **The Deputy First Minister:** On your final point, we held a video conference session with colleagues from Northern Ireland last week. We had a very good presentation from them on what they are seeking to achieve there.

[13] To put this into context, we had a discussion about the effectiveness of business support and where that could be most effective, and we realised that, with the best will in the world, if you maintained the current position, which is business support intervening directly at the business level, you could only ever reach a small number of businesses—about 1 per cent in any year. Businesses were also telling us that there were probably other things that Government could do that would be more effective, relating to better infrastructure, skills,

research and development, and so on. So, I think that there was a genuine response to what we were saying about infrastructure, and businesses were saying that they have had a particular challenge to deliver first-generation broadband. So, we needed to see whether, if we went for next-generation broadband, we could be more effective in delivering it within a shorter time frame. By the time we have finished dealing with all of our first-generation broadband not spots, people will be looking for next-generation broadband capacity.

[14] We then decided that we would want to do something that would reach all businesses, benefit all businesses and make them more competitive. That is why we have said in the economic renewal programme that we want all businesses in Wales to have access to next generation broadband by 2016. I think that it will be 30 Mbps in rural areas and 100 Mbps in urban areas. Clearly, we will not want to intervene where the market will deliver. There will be parts of Wales where the market will deliver that, but there will be vast parts of Wales—geographically speaking, but which are sparsely populated—where the market will not deliver that. So, it is only in those areas of Wales where there will be a market failure that we will wish to intervene by supporting the private sector delivery. That will be done in portions. There will be some Government support; there will be private sector support; and there will be European regional development fund money, which is how they have done it in Northern Ireland and Cornwall.

[15] You have highlighted the challenges we face in that we want to ensure that there is sufficient funding within the ERDF for that to happen. We are happy that that is there, so there is no problem with that, and we will not need to go to the European Commission to secure that funding. The second point you make about state aid is crucial, and we will need the consent of the Commission, particularly at the intervention rate that we will want to establish. Then we need a procurement exercise. I will ask James to give a bit more detail on this, but the intention is that, assuming that we can get European Commission consent and clearance for the intervention rate, the procurement exercise would be ready to go live in early 2011. We have gone for 2016 because we believe that we can achieve that and because it would be ahead of the EU target, which is 2020, so it is hoped that that would give Welsh businesses a competitive advantage. James, do you want to give some detail on that?

[16] **Mr Price:** Yes. To emphasise what the Deputy First Minister has just said, the speed issue is quite difficult, and the speeds that we have given are the speeds that we want to achieve in today's environment. If you roll the clock forward to 2016, 30 Mbps and 100 Mbps may not be enough, but, in engaging with the industry, any investments that would be made would be capable of being turned up over time. So, you do not say that 100 Mbps is what we will achieve in 2020; we need to be consistently competitive. We have been speaking to most parts of the market already, and nearly all of the big players. As the Deputy First Minister said, we have funding in place, and we also have a procurement and delivery team in place, as of last week. The procurement will begin next year.

[17] The key—and you touched on this in your question—is demand stimulation. That is the big lesson from Northern Ireland and Cornwall. We had a meeting with Cornwall last week. The private sector will invest if it believes that there is a market, and the trick for Cornwall has been to take an all-Cornwall approach, whereby a market was created, which the private sector could invest in, with break-points in the contract—so, if the market is not taking up the demand, then the contract does not continue to roll and the public funding will cease. We think that we can do that. There are a number of different players who are keen, and we expect to get at least 30 per cent investment from the private sector on an all-Wales basis.

[18] **David Melding:** My next question—

[19] **Gareth Jones:** Is it a different question? One or two others want to come in on this

issue of broadband. I want you to have an opportunity to respond first.

[20] **David Melding:** It is slightly sensitive; I was going to ask what sort of mix between public, private and EU money you anticipated. I realise that you may not want to show your hand regarding the contracts that you will secure; however, 30 per cent from the private sector strikes me, given what has been achieved elsewhere, as being slightly low.

[21] **Mr Price:** It is the minimum; we would expect to achieve more than that, and we would expect to be putting in far less than half of the cost. Our policy aspiration is slightly higher than Northern Ireland or Cornwall in the level of coverage and the speed. Cornwall is talking about ‘the majority’ of businesses achieving certain speeds, and ‘the majority’ of businesses having coverage; we are talking about ‘all’. It is often in that marginal 10 per cent that the cost comes in.

[22] **Gareth Jones:** We have follow-up points, the first of which is from Brian.

[23] **Brian Gibbons:** Following your argument, it seems that there are two models that you could use. One sees broadband as effectively an empty pot, and the challenge is to stimulate demand to fill the pot with economic activity. The alternative would be that business is being held back by the lack of significant broadband capacity. From what you are saying, it seems that you back the first scenario—there may be the occasional business here and there, but in general, I have not come across a business in my constituency that has told me that broadband is the big problem. That is not to say that there is not someone, somewhere—

[24] **David Melding:** It depends where you are, Brian.

[25] **Brian Gibbons:** That is the point that I am coming to. Is it the intention to use broadband as a way of stimulating demand rather than addressing known bottlenecks? If there are known bottlenecks in the business sector, I wonder if you will be able to elaborate on that, and tell us how businesses are being constrained at the moment.

[26] The second part of the question is about the cost-effectiveness of all of this. What you have said is that you will leave it to the market, and work with the market, and the market presumably will deliver where economic activity is already taking place, and there will be public sector intervention in the areas where provision is weakest, and where business activity is less dense. Has any analysis been done on the cost-effectiveness of this approach, given that we are diverting substantial public support from businesses in areas that are already up and running into areas where there is not much evidence of business activity? Is that good value for money?

9.50 a.m.

[27] **The Deputy First Minister:** We believe that it is good value for money, and I think that there is demand from business for high-quality broadband. I am sure that you will remember the investment in FibreSpeed in north Wales. I was constantly being approached by people from companies who were asking why they could not link into the FibreSpeed network. They would say, for example, that it went past their industrial estate and ask why they could not therefore link into it. It is probably more acute in certain business sectors. Creative industries would be a typical example of where there is a high demand for high-speed broadband, which is because of the way in which they do their business. Another example would be the information and communications technology sector, as businesses in that sector have global interests, and there are a number of such businesses in Wales.

[28] Many businesses will tell us that they are disadvantaged. For example, I have met

small retailers in west Wales who have said that the reason why they cannot develop their business is that they cannot get people to use their website to buy their goods. They say that if they could have that at the right speed, their business would develop. So, there is real latent demand out there from businesses. We must be doing something right, because other parts of the UK are doing exactly what we are doing, and have therefore seen the same need. We need to achieve that level of speed, and as James said, it is a movable feast, because by 2016 it could be a different speed. Most businesses want to see it being developed. Therefore, we believe that it is good value for money.

[29] In the economic renewal programme we also make the point about individuals getting high-speed broadband as well. It is not just about businesses; it is about trying to connect the whole country. It is particularly frustrating for those people who live in not spot areas that they do not even have first-generation broadband. People increasingly need access to online facilities, and there are now occasions where you cannot buy certain goods or services unless you go online. Therefore, I believe that it is right that we as a nation have that aspiration.

[30] **Mr Price:** To pick up the point on demand stimulation, I apologise, as I should have made it clearer in my answer that the main place where demand stimulation needs to be carried out is the retail consumer market, not the business market. The reason why that is important is that, because of the cost structures of next-generation access, the way in which the telecoms companies make their money and make it wash its face is by selling it to large numbers of consumers. The model that is used in Northern Ireland and Cornwall is for it to be driven to consumers. Businesses are taking it up anyway, so it is about driving it to consumers to minimise the need for state subsidy.

[31] **Brian Gibbons:** Have you undertaken any value-for-money or cost-effectiveness studies to demonstrate that that makes business sense? Addressing the issue of not spots is entirely desirable on social justice and social equality grounds—that is entirely right—but I cannot see that that will be the engine to drive forward an economic revolution in Wales, which is what we need. Have you undertaken any sort of analysis to demonstrate that that is the best way of spending the money to deliver economic growth?

[32] **The Deputy First Minister:** I will ask Tracey to talk about the policy side and the policy drivers. All the evidence that I have seen shows that, in order to have a successful economy, you need good quality, high-speed internet connections. All businesses are telling you that. It is interesting that, if you ask businesses what are the three or four things that would make a real difference to their businesses, alongside things such as skills and research and development—you are shaking your head; it may be that you have not done that, but I have. Other people have as well, and some of your colleagues are nodding.

[33] **Gareth Jones:** Before Tracey comes in, Andrew, did you want to comment?

[34] **Andrew Davies:** When you made the announcement in Plenary, I welcomed the ERP. I am sure that you know what other questions I will be asking you today. I also particularly welcome the appointment of James Price to drive the ERP. On Brian's point, you said that you believe that investing in broadband is good value for money. At a time of public finance constraints, there will be opportunity costs for your department in choosing to invest in broadband as opposed to other things. I press you again: what cost-benefit analysis have you or your department done of the opportunity costs in investing in broadband infrastructure as opposed to other investments?

[35] I was surprised when I heard James say that the teams for the procurement of these next projects were put in place last week. Given the timescale and size of this project, I am concerned that it is very late in the day, and I think that the committee needs to note that. You mentioned two teams; one is on procurement and the other is on delivery. How big are the

teams, and what skills do they have in this area that give you confidence that you can reach the procurement timescale? This is more a question for officials, I think, Deputy First Minister. I am also surprised that you talk about going to Northern Ireland and Cornwall. The committee took evidence from the South West Regional Development Agency about broadband earlier in this investigation. We have a broadband programme in Wales, which is a supply and demand simulation programme, so I am surprised that lessons from that programme have not been learnt, as well as those from Northern Ireland and Cornwall.

[36] **Gareth Jones:** Before you answer, Deputy First Minister, Jenny has a question.

[37] **Jenny Randerson:** I welcome what James said on the fact that speeds will be upgraded as the project goes forward and as faster speeds become the norm. There have been problems in my constituency, and my experience with the previous programme was that BT had constantly fallen back on its contractual requirement. It is only required to provide the majority of houses with a certain speed and speeds were pared down to the absolute minimum. What mechanism will you use to ensure that you upgrade requirements as time goes on and as faster speeds become the norm? How will you deal with those areas that were provided with lower speeds first? Will you produce a mechanism that upgrades everyone across Wales to those faster speeds? It seems complex, in contractual terms, to roll it forward in that way, although entirely laudable.

[38] **The Deputy First Minister:** Every proposal that comes for investment from the department must have a good business case, and we believe that the business case for the investment in broadband is strong and robust. We are happy with that. There will have to be a cost-benefit analysis once the investment is in place or has started being rolled out, to see whether it is as effective as we think it is going to be. However, I am satisfied that the business case for the investment is strong. We will need to take other decisions about investment in other areas, which will also need business cases. I am also happy with the pace of setting up the teams. You have to remember that the ERP was announced in July. There then followed a period, fairly soon afterwards, where we consulted with staff on the restructuring, which meant that that period ended at the end of August. The new structures were then presented to staff at the end of September and we are now putting together sector teams.

10.00 a.m.

[39] These teams will follow a sector approach, and the other teams will deliver on the infrastructure side. In addition to that, rather than having fairly stark lines between economy and transport, we now have an infrastructure team, within which transport now sits. So you have an infrastructure team that includes things like transport and broadband, and all of the other things that infrastructure involves, such as property and so on. It has taken three months to get to that point. Although James said that the team was announced last week, we were in the process of putting the full team together before then. James will talk about how big the team is, and the experience of its members, because that is an operational matter, as Andrew rightly points out. We recognise that this is a major plank of the ERP, so we want to give it the attention that it deserves and put a strong team in place. It will be a major procurement exercise that needs to be delivered well.

[40] Before I ask James to come in, I want to deal with the points that Jenny mentioned on how the contracts are going to be worded and on the procurement exercise. Some of the lessons from previous experiences need to be learned. I understand that we need to learn from other regions, but we also need to learn from previous contracts that we have entered into. The idea is that we will continue to roll out the regional innovation broadband support scheme for first-generation broadband, together with the other scheme that we have announced, which is to enable people to apply individually for a grant of up to £1,000 to connect to first-

generation broadband. We think that it is important to continue those schemes, because it will take time for next-generation broadband to begin to roll out, and people are keen to access even basic broadband at this time. A number of colleagues around the table have constituents who want to get on with it, as it were, and the new scheme that we have introduced has already approved a number of applications. By the time that the whole scheme is rolled out, investment in next-generation broadband will, hopefully, be kicking in.

[41] **Mr Price:** I probably did not give the right impression in my answer to the question, so the challenge was a fair one. With the launch of the policy, we immediately created a shadow team that Tim James has been heading up. We brought in a number of different people, some of whom were on the Broadband Wales programme originally; we are taking account of that previous work and learning a lot of positive lessons from it. There are about five people on the core procurement team. That might not sound enough, but we think that it is all that we need. It is important that we get the right people on the team, so we have a mixture of internal civil servants with procurement expertise and the ability to get things through the system, and people from outside who have experience in doing this elsewhere and have commercial expertise in this sector.

[42] **Andrew Davies:** Are you satisfied that these people have the capacity and the skills to deliver both procurement and delivery of the project?

[43] **Mr Price:** I am.

[44] **The Deputy First Minister:** I have made it clear to you, Chair, that we are happy to come back to the committee at any stage to report on progress, because this is such a major programme. It is important that you have an opportunity to question us as we go along.

[45] **Gareth Jones:** Thank you for that, Deputy First Minister. I have a simple question, and I am sure that there will be a simple answer.

[46] **The Deputy First Minister:** Simple questions are often the most difficult to answer.

[47] **Gareth Jones:** We should bear in mind that there has been no electrification of railway lines in Wales over the years, for example, when we consider this situation. I have been told that this broadband system works almost like a catchment area for a river; Wales is very much in the tributary section, with small rivers running into the major channel of broadband access to the worldwide web, which is somewhere in the south east. Will we, therefore, lose out in any way, or has the situation that I describe changed? In other words, can you go for whatever level of broadband that you want, whether it is second or third generation, or does it mean that there has to be major investment in infrastructure in Wales, on the borders, or outside Wales? Is that how it works, or has there been change?

[48] **The Deputy First Minister:** With the right level of investment, we can secure the highest level of broadband coverage in Wales, which would make us really competitive. Given that this is a fast-changing area, we want to make sure that it is technology-neutral in the sense that as broadband improves among all the technologies—whether that is fixed wire, satellite or wireless—it is important for Wales to be able to capture all those technologies. Perhaps James will tell us that the procurements will need to capture that, but I am pretty sure that we can do it.

[49] Another area where Wales currently falls behind—let us be honest about it—is on mobile coverage. Lots of people access their e-mail accounts and connect to the internet through mobile connection, and that is also something that we are particularly concerned about.

[50] **Gareth Jones:** So, you are reasonably confident?

[51] **Mr Price:** The procurement will be technology-neutral. In relation to the other point that you hinted at, there was an issue a few years ago that broadband had to be routed back through London before it went anywhere else, and that put a brake on the total level of broadband available to Wales. Our understanding is that while a lot of it still goes through London, it is no longer the brake that it was; we also have links back through Ireland into the States, so we are in a much different position than we were in before.

[52] **Gareth Jones:** I asked the question because Ireland's broadband connection went directly to the States because they could not be bothered with this slow process through to the London area and beyond. However, thank you very much for taking a fair bit of time to answer questions and for assuring us that you will also come back to us on this very important issue in the future. We have to move on, but it is a very interesting topic.

[53] **Nerys Evans:** Hoffwn ganmol eich gwaith ar fand eang, sydd yn fwy uchelgeisiol na'r cynlluniau yng Ngogledd Iwerddon a Chernyw. Yr wyf yn synnu gweld diffyg gweledigaeth gan rai yn y maes. Fel cadeirydd y grŵp trawsbleidiol ar fand eang, clywsom am lwyth o esiamplau o fusnesau sy'n galw am fwy o ddarpariaeth o fand eang. Gwn y bu'r Dirprwy Brif Weinidog yn ymweld â busnes ym mhentref Bronwydd yn sir Gaerfyrddin ar y diwrnod y cafodd fand eang drwy'r prosiect cymorth band eang arloesol rhanbarthol. Arbedodd busnes rafftio dŵr gwyn £10,000 drwy newid y modd yr oedd yn derbyn gohebiaeth, ac yn y blaen, felly mae llwyth o esiamplau o fusnesau yn methu cystadlu oherwydd diffyg band eang. Bu ichi sôn am gael band eang drwy ffôn symudol. A allwch ein diweddarau ar beth yr ydych yn ei gynllunio? A oes cynllun i fapio darpariaeth 3G ac yn y blaen? Beth yw meddylfryd y Llywodraeth o ran hyn?

Nerys Evans: I wish to praise your work on broadband, as it is more ambitious than the schemes in Northern Ireland and Cornwall. I am surprised to see a lack of vision from some in this area. As chair of the cross-party group on broadband, we have heard many examples of businesses that are calling for more broadband coverage. I know that the Deputy First Minister visited a business in the village of Bronwydd in Carmarthenshire on the day that it received broadband through the regional innovative broadband support project. A whitewater rafting business saved £10,000 by changing the way in which it received correspondence, and so on, so there are numerous examples of business failing to compete due to a lack of broadband. You mentioned receiving broadband through a mobile phone. Can you give us an update on your plans? Is there is a plan to map 3G provision and so on? What is the Government's thinking in this regard?

[54] **Y Dirprwy Brif Weinidog:** Yr ydym wedi dweud mwy am gysylltiadau band eang traddodiadol yn y ddogfen nag yr ydym am gysylltiadau symudol, ond yr ydym wedi cydnabod y broblem symudol yn y ddogfen. Yr wyf hefyd wedi cael cyfarfodydd â phobl sydd yn arbenigo yn y maes hwn, ac maent yn dweud bod modd goresgyn rhai o'r problemau sydd gennym o ran darpariaeth symudol yng Nghymru, ac yr wyf wedi gofyn am gael cyfarfod arall â nhw i weld os yw'n bosibl llunio'r math o system fapio yr ydych yn sôn amdani. Fodd bynnag, nid yw hynny'n rhan o'r rhaglen adnewyddu'r economi fel y cyfryw oherwydd yr oeddem yn teimlo os oeddem am fuddsoddi'n sylweddol yn y maes hwn, yr oedd yn rhaid

The Deputy First Minister: We have said more about traditional broadband connections in the document than we have about mobile connections, but we have acknowledged the mobile problem in the document. I have also held meetings with experts in this field, and they have said that some of the mobile coverage problems in Wales can be overcome, and I have asked for a further meeting with them to see if it is possible to draw up a mapping system along the lines that you suggested. However, that is not part of the economic renewal programme as such because we felt that if we were to invest substantially in this area, we had to do so in the basic service. However, we have acknowledged the problem in the document

inni wneud hynny yn y gwasanaeth sylfaenol. and we know that there are some things that
Fodd bynnag, yr ydym yn cydnabod y we could be doing.
broblem yn y ddogfen a gwyddom fod rhai
pethau y gallem fod yn eu gwneud.

[55] James, do you want to come in on the issue of mobile coverage, because it is a separate issue, but it is of equal importance to many people?

[56] **Mr Price:** I think that you have covered it all. We are looking at the issue and there are a number of ways in which it can be dealt with. It is obvious that Government intervention is required. If you look at the evolution of mobile coverage, the market has gone as far as the market is going to go, so it will require state intervention to take it further.

[57] **Nerys Evans:** I symud at fy ail **Nerys Evans:** Moving to my second point,
bwynt, ar y diwrnod y gwnaethoch on the day that you announced the economic
gyhoeddi'r rhaglen adnewyddu'r economi, yr renewal programme, there was a political
oedd consensws gwleidyddol i'w groesawu. consensus welcoming it.

10.10 a.m.

[58] Yr unig feirniadaeth oedd ei bod yn The only criticism was that it was difficult to
anodd gwneud y newid oherwydd ethos make the change because of the ethos and
strwythur gweision sifil ar y pryd. Yr ydych structure of civil servants at the time. You
wedi amlinellu rhai o'r newidiadau sydd wedi have outlined some of the changes that have
digwydd yn eich adran; a allwch amlinellu'r taken place in your department; can you
diweddaraf ynghylch y datblygiadau? outline the latest developments? You
Soniasoch wrth Jenny am ad-drefnu staff o mentioned to Jenny the reorganisation of staff
ran datblygu isadeiledd. Er mwyn i'r rhaglen with regard to infrastructure development.
adnewyddu'r economi weithio, mae'n amlwg For the economic renewal programme to
bod angen newid yn y pwyslais yn eich work, it is clear that a change in emphasis in
adran. A allwch roi'r diweddaraf am needed in your department. Can you update
newidiadau ac effaith ad-drefnu'r adran? us on the changes and the impact of the
departmental reorganisation?

[59] **Y Dirprwy Brif Weinidog:** Gallwn, **The Deputy First Minister:** We can, and I
a gofynnaf i James roi mwy o fanylion ichi. shall ask James to provide you with more
detail.

[60] Y bwriad gwreiddiol oedd cyhoeddi'r The original intention was to announce the
polisi ac wedyn ailstrwythuro'r adran fel y policy and then restructure the department so
gallem gyflawni'r polisi newydd. Un that we could achieve the new policy. One
penderfyniad cynnar iawn a wnaethom oedd early decision we made was to have a section
cael adran sy'n delio ag isadeiledd, gan that deals with infrastructure, including
gynnwys popeth o drafnidiaeth i fand eang, everything from broadband to transport,
eiddo ac yn y blaen. Wedyn, yr oedd rhaid property and so on. After that, we had to get
inni gael timau i ddilyn y sectorau yr oeddem teams to follow the sectors that we had
wedi'u pennu. Yn y broses rhwng mis identified. In the process between July and
Gorffennaf ac yn awr, mae'r strwythurau now, the new structures within the
newydd o fewn yr adran wedi cael eu department have been announced, and we are
cyhoeddi, ac yr ydym yn mynd drwy'r broses going through the process of setting up the
o bennu'r timoedd fydd yn gweithio yn y teams that will work in the sectors.
sectorau.

[61] Yr ydym hefyd wedi penderfynu We have also decided to do something about
gwneud rhywbeth am fater yr oedd nifer yn an issue that many were concerned about,

poeni yn ei gylch, sef sut y byddem yn gwybod bod y swyddogion a fyddai'n gweithio yn y sectorau yn gwybod digon am dueddiadau'r sectorau hynny a lleoliad y cyfleoedd o ran buddsoddi ac yn y blaen. Dyna pam y byddwn yn creu paneli sector ochr yn ochr â'r tимоedd sector fydd yn dod o'r sector preifat. Wrth gwrs, yr ydym eisoes wedi cyhoeddi mai Ron Jones yw cadeirydd y panel ar ddiwydiannau creadigol, a byddwn yn gwneud cyhoeddiadau eraill erbyn diwedd y flwyddyn ynghylch y sectorau eraill. Felly, mae'r adran yn cael ei hailstrwythuro. Cawsom gwestiwn gan Andrew ynglŷn â'r tимоedd fydd yn cyflawni'r contract band eang a bydd hefyd dимоedd yn delio ag eiddo ac ati.

that is, how we would know that the officials working in the sectors know enough about the trends in those sectors and where the investment opportunities may be found. That is why we will create sector panels alongside the sector teams and they will consist of people from the private sector. Of course, we have already announced that Ron Jones is the chair of the panel for the creative industries, and we will make other announcements by the end of the year for the other sectors. So, the department is being restructured. We had a question from Andrew about the teams that will deliver the broadband contract and there will also be teams to deal with property and so on.

[62] Yr wyf hefyd yn awyddus inni weld clystyru'n digwydd o dan y sectorau hyn. Felly, byddwn yn lleoli rhai o'n tимоedd sector i weithredu gyda'r clystyrau hynny mewn gwahanol rannau o Gymru. Bydd rhai o'r tимоedd yn cael eu lleoli yn ein swyddfeydd rhanbarthol lle yr ydym eisoes yn gweld bod y sector yn un sy'n gallu llwyddo a thyfu.

I am also keen for us to see clustering occurring under these sectors. We are therefore deploying some of our sector teams to operate with those clusters in different parts of Wales. Some of the teams will be located in our regional offices where we are already seeing that the sector is able to succeed and grow.

[63] James, do you want to come in on where we are with the restructuring of the staff?

[64] **Mr Price:** I was just trying to pull out some of the detail as the Deputy First Minister was answering. That is the detail. I think that we have moved quickly on this matter. We went out with a full structure within weeks of the economic renewal programme being announced. We then went through a proper, but tight, consultation process. We have closed the consultation process, and we are now in the process of trying to fill new posts. We have made a commitment to the Deputy First Minister that we will get the majority of posts into the new structure by the end of this calendar year, which we will do. As we have indicated, some of the new posts and teams are already up and running.

[65] To give you a headline feel for what some of that looks like, in infrastructure, as a result of bringing teams together, we have taken the number down from around 294 to 246. We believe that 246 will be more effective than the 294. As for what was the old economic development group, the number has gone down from 637 to 424, and those are posts with people in them; they are not fake figures. Again, that is not just to get an efficiency saving; it is because we believe that we will be more effective as a result.

[66] Over and above that, while the structures are important, people's skills and attitudes are arguably more important. Alongside that, management processes and systems are also important. So, we are building different processes and systems into our running of the business. We are putting checks and balances in to ensure that we achieve what we say that we are going to achieve. So, when you come back and look at the economic renewal programme in 12 months' time to judge how effective it was, we should be able to say that we have hit all of the milestones, and if we have missed a milestone, there will be a genuinely good reason for it.

[67] **Nerys Evans:** I gadarnhau, a ydych yn ffyddiog y bydd y newidiadau strwythurol a'r newid ym meddylfryd yr adran yn gwireddu eich dyhead i newid yn sylfaenol y ffordd mae'r Llywodraeth yn rhoi help economaidd i Gymru?

Nerys Evans: To confirm, are you confident that the structural changes and the change in the department's mindset will realise your ambition to fundamentally change the way in which the Government gives economic assistance to Wales?

[68] **Y Dirprwy Brif Weinidog:** Yr wyf yn hyderus o hynny, oherwydd un o'r pethau a wnaeth Andrew pan yr oedd yn y swydd oedd sefydlu grŵp cynghori'r Gweinidog a oedd yn cynnwys aelodau o'r sector preifat. Pan oedd y grŵp yn cyhoeddi adroddiadau ar wahanol sectorau, yr oeddem yn teimlo fod hynny'n werthfawr iawn. Felly, yr oeddem eisiau adeiladu ar y mewnbwn yr oedd y sector preifat yn ei roi, ac felly yn ogystal â chadw grŵp cynghori'r Gweinidog, byddwn hefyd yn cael y panelau hyn o'r sector preifat a fydd yn ein cynghori. Bydd yn cyflwyno diwylliant pobl fusnes i'r ffordd mae'r adran yn gweithredu. Yr wyf yn hyderus y bydd hynny'n gweithio, ond bydd yn rhaid i ni weld sut y bydd yn gweithio. Fodd bynnag, yr wyf yn hyderus ei fod yn ffordd dda i weithredu o hyn ymlaen.

The Deputy First Minister: I am confident of that, because one of the things that Andrew did when he was in the post was to establish a ministerial advisory group that included members from the private sector. When the group published reports on different sectors, we found that to be very valuable. So, we wanted to build on the input that the private sector provided, and therefore as well as keeping the ministerial advisory group, we will also have these panels from the private sector that will advise us. It will introduce a business culture to the way in which the department operates. I am confident that that will work, but we will have to see how it works. However, I am confident that it will be a good way of operating from now on.

[69] **Andrew Davies:** As an aside, reference was made to mobile and broadband as if they were two separate issues, but they are not; the reason why you cannot get mobile coverage is the same reason that you cannot get broadband coverage, because the market will not supply it. It is a question of Government intervention.

[70] Coming back to structure, this is more of a question for officials, if I may, Ieuan. You mentioned the ministerial advisory group, chaired by Richard Parry-Jones—thank you for the plug—but Richard and his team reported before the last Assembly elections. It is a question that I have asked publicly: why has it taken three years to implement the recommendations of the Parry-Jones report on a sectoral focus? There has been a sectoral focus on the creative industries, for example. As Ian Hargreaves' review that was published earlier this year pointed out—we have had a discussion on this, as you know—the strategy that was established in 2004 was very good, but the implementation was poor, to put it mildly. The first question is: why has it taken three years for the report to be implemented? Secondly, where a sectoral approach has been adopted, it has failed precisely because of the point that James made about having people with the right skills in place. I have a supplementary question, but I will need to hear the Deputy First Minister's response first.

[71] **The Deputy First Minister:** I think that everyone agreed that the sectoral approach was the right approach. When the ministerial advisory group reported, it focused on three types of sectors: a core and enabling sector, as I think that you will remember; those that are strategically important to Wales; and, those that are economically important. There were 14 sectors in total. Although the sectoral approach was the right approach, there was a real danger that 14 sectors would be too many. I accepted the recommendations of the MAG report when I became Minister in June 2008. We could see that some of the sectors were really motoring, such as the creative industries and life sciences sectors in particular. Others were very important to Wales, but were not developing in the way that we wanted—particularly energy and financial services. Therefore, we could either struggle on with the 14

sector approach or we could decide if it would be better in a small country with limited resources to concentrate on those six areas where we could make the most gains.

10.20 a.m.

[72] In the middle of all that, we had the recession. I remember having a discussion with the team about whether we should ignore the recession and plough on with the original plan, or whether we should take a step back and say that, in a recession, it does not matter in which sector your business is, as all sectors need help. So we drew back a little, and one of things that industry—particularly the manufacturing forum—was telling us was that the worst thing that could happen in a recession would be to ignore the fact that, if businesses shed labour too quickly, we would not have the skills in place to come back through at the other end. So, I admit that we did change tack; we said, ‘Look, we have to deal with the recession’. During the recession, we looked at whether there were things that we could do on the skills side that would protect businesses. Therefore, when we came in with ReAct and ProAct, they were not sector specific, but were available to all businesses. However, when we saw that we were coming out of the recession, we decided to go back to the original plan, which was to identify the six key sectors that we felt were important. What assisted us in doing that was the fact that, by that time, we had also decided, in consultation with the Minister for Children, Education, Lifelong Learning and Skills, to have priorities for research and development. The decision that we took on research and development, which was also an important Cabinet decision—it had all-Government buy-in—was that the four sectors that we had agreed upon in the research and development sector are now very much aligned with the six sectors that we have. I know that that is a long answer, but I think that it was necessary to give the context.

[73] **Gareth Jones:** This is a sensitive issue and this is very much based on your approach and judgment, and the proof will be seen at the end of the line. Andrew and Christine want to come back in, but I do want to move on.

[74] **Andrew Davies:** I accept that, Chair, but this goes to the heart of the matter. The economic renewal programme talks clearly about having a sectoral approach. As the Deputy First Minister said, I have supported what he is doing publicly. The creative industries sector was not only one of the first eight to 14, it is obviously one of the six that you have proposed, but I take issue with your description of the sector as having ‘motored’ since 2007.

[75] **The Deputy First Minister:** I did not actually mention that; I was thinking of others.

[76] **Andrew Davies:** The point that Ian Hargreaves makes in his report is that we did not exploit the opportunities provided in Wales by the creative industries, engagement with broadcasters and others. He said that the problem was that people working in sectoral support did not have the right skills.

[77] The other point is that, essentially, you have the same management team in your department that has been presiding over it for some time. I know that David Warrender was appointed recently. Are you confident that the economic renewal programme can be delivered with, essentially, the same senior management that failed to deliver on technium, International Business Wales, the creative industries and a whole range of other programmes?

[78] **The Deputy First Minister:** I will deal with the creative industries to begin with. I am not an expert on creative industries, but one of the problems with the creative industries sector is that it is a very fast-moving sector. To have the right skills is a challenge, even with the best will in the world and even working with those in the sector. I remember sitting down with the team and asking where are we going to be in five years’ time in the creative industries. No-one really knew, because the market would be exploding in different

directions. We challenged ourselves, therefore, and said that the team that we have working for us needed outside expertise working with it. That is why the sector panel team was created, to give us that robustness in developing it. I do not want to comment on the past, but it is important to recognise that, in any structural change to departments, there will be new appointments. The intention is that, because there will now be different priorities in what we want to deliver, a different skillset will be required, which will be taken into account in the new appointments that we make.

[79] **Andrew Davies:** Will these be external appointments? I understand that David Warrender was appointed through an internal, rather than an external, process. James gave figures for the reduction in the head count, but, presumably, most of the appointments that have been made, and the decisions to allocate staff, will have been made through an internal process, not through the recruitment of people with external expertise. That really goes to the heart of this issue—

[80] **Gareth Jones:** I understand that, Andrew—

[81] **The Deputy First Minister:** Chair, I understand where Andrew is coming from, but surely it is not fair to be naming individuals.

[82] **Gareth Jones:** I am mindful of that. At the end of the day, there is a judgment here that has been made by the Government, but it goes to the heart of the matter—

[83] **The Deputy First Minister:** I understand the point that has been made, Chair. If the committee is prepared for us to do this on a confidential basis, what we could do is to give you the senior team structure at the appropriate time, rather than for individuals to be named publicly and so on. We are happy to share that information with you on a confidential basis, if that would be helpful.

[84] **Gareth Jones:** I am sure that that would be helpful to us. I understand that this is a crucial and sensitive area, but we are also dealing with individuals. Christine, I believe that you wanted to come in on this point.

[85] **Christine Chapman:** I have quite a lot of other questions, but this specific question is on the restructuring. Do you have any comments on the criticism that the reorganisation, particularly over the summer, has led to delays and a certain amount of unresponsiveness on the part of officials to the private sector?

[86] **The Deputy First Minister:** We need to acknowledge that any restructuring is difficult and, for some people, painful. We need to understand that that is the case. There was never a point at which we were closed for business. We wanted to do two things. First, we wanted to recognise that there would be legacy work under the old system, which needed to continue, and which is continuing, so we kept the door open for well-developed applications for the old capital investment fund until the end of August. Those applications are currently being evaluated. So, after the capital investment fund finally closed on 31 August, we were inviting people to come forward with bids for new investment under the new sectoral approach.

[87] Secondly, we understand the necessity of getting more information about that out, and I recognise Christine's point that some people felt that we had not been quick enough with that information. The teams were aware of what was available, but perhaps we needed to publicise that and market it more effectively. The teams are currently looking at the literature that we publish and the way that we put information on our website, perhaps giving our sector teams more confidence to go forward with the particular business support mechanisms that we have, which will involve everything from simple advice to financial business support. So,

we are taking real steps to address those concerns.

[88] **Gareth Jones:** Okay. We have about half an hour left. Brian, you have a follow-up question on this issue, as does Jeff, I believe.

[89] **Jeff Cuthbert:** I have my main question to ask.

[90] **Gareth Jones:** Okay. Brian is first, then.

[91] **Brian Gibbons:** I think that the sectoral approach is probably the correct way to go, even though when we asked Simon Gibson about this approach a few weeks ago, he was not quite as confident about it. If you read a lot of the economic literature, you will know that the jury is certainly out on a sectoral approach. However, for the purpose of public policy, you have to have a go at trying to identify where you are going to make the best intervention and so forth.

[92] You said that one of the criteria for picking the sectors was that they were sectors that would give Wales a competitive advantage. What methodology was used to clarify how Wales had a sectoral advantage in those six particular areas? Secondly, you said in a written answer to me that around a quarter of Welsh jobs are created in these six sectors. Therefore, obviously, three quarters of the jobs created are not created in these six sectors. In view of the fact that economic inactivity is one of the biggest millstones around our neck, with regard to the low GVA per capita and so forth, how do you see the balance between these six sectors and addressing the levels of economic inactivity? Is it your view that, over a few years, the balance within the Welsh economy would become significantly different and that these six sectors might contribute between a half and two thirds of jobs created? Is it your view that these six sectors will be the motor not only in driving us up the value-added chain, but in providing job opportunities to the 25 per cent or 30 per cent of people who are economically inactive at present?

10.30 a.m.

[93] **The Deputy First Minister:** If we agree that the sector approach is the right one, we must ensure that we have the right sectors. We did quite a lot of work on deciding where our research and development priorities should be. We decided that there should be four priorities for research and development, which very much align with the six sectors. There are two points here. First, we want to move up the value chain. I know that that has been said for many years, but, basically, your economy will be more resilient and more sustainable if you can grow those areas in which you have good research and development capacity and where you can get spin-outs from universities and commercialise some of that. When a downturn comes, companies are reluctant to give up the most creative bit of the business. So, that is what we were trying to do with our research and development priorities.

[94] We then wanted to hit the sectors that we thought had potential for growth. So, we want to see those sectors take a larger share of employment. We have not set specific targets for each sector, but it is important for us internally to know what we mean by growing the sectors, and we need to be more specific on that. So, over a period, we will need to work within the department on that. We will have an annual report to see where we have reached. I will ask Tracey to come in on the rationale for deciding on the key sectors. However, I think that you will find, from looking at modern economies, that we are not so far off what others think are the key sectors. We already have some success. Earlier, Andrew said that we have not been all that successful in creative industries, for various reasons, but in life sciences we have. What has been happening in Swansea in that regard is recognised internationally, and there are other areas in which we have world-leading expertise. Tracey, would you like to come in on the rationale?

[95] **Brian Gibbons:** If you look at any of the regional development agencies in England before they were abolished or at their equivalents in Scotland, Northern Ireland or even the Irish republic, you will see that all the sectors are substantially the same. So, there seems to be a broad consensus as to which sectors are likely to grow. My question is: what methodology was used to decide where Wales has a competitive advantage in a sector, even in going from 14 to the six?

[96] **Ms Burke:** I can say a little on that. As we know, the 14 sectors came out of a year-long study by the ministerial advisory group, which undertook a quite robust analysis. It will be easiest if I explain it in three key areas. First, it looked at demographic, economic, environmental and similar trends, and it plotted them. Secondly, it looked at the inter-relationships of the sectors, namely which sectors impacted on others. That is what led it to look at putting the sectors into tiers. Its third piece of work was to look at the policy levers that are available to the Welsh Assembly Government to see on which sectors the levers would have the most impact. That piece of work concluded with it looking at our other strengths in Wales, such as the strengths of our universities and research and development, which the Deputy First Minister has already mentioned. It was that complete analysis that led it, not only to identify 14 sectors, but to prioritise them for us. In the process of creating the economic renewal programme, we worked with the ministerial advisory group, recognising that 14 sectors might lead to activity by us that was too diffuse and not very effective, to get down to six. Those six sectors were generated from the top two tiers of the ministerial advisory group's work: the core enabling sectors and the strategically important sectors.

[97] **Brian Gibbons:** That is slightly different from competitive advantage.

[98] **Ms Burke:** That was part of the analytical work that the ministerial advisory group carried out. It looked at which sectors were likely to grow globally, which were likely to grow at the European level, the UK level and the Wales level, and it identified those areas in which Wales, in particular, had advantages—either we had a strong employment quotient or we had particular technical expertise in those sectors. The sectors as described are quite broad and it is for the sector panels to ensure that we get to the right niches in those sectors.

[99] **The Deputy First Minister:** That is a good point about the niche approach. Energy is a broad topic, and we will be behind the curve compared with parts of the United Kingdom and other parts of Europe in certain areas, but we will be ahead of the curve in others. We want to identify those areas in which we are ahead of the curve and maximise the investment in those areas.

[100] **Gareth Jones:** We have to move on. Thank you for those responses regarding the decisions that you made and I am sure that you will revisit them. I turn now to Paul, and then Jeff and Jenny.

[101] **Paul Davies:** Yn eich papur, yr ydych yn datgan nad yw economi Cymru wedi bodloni eich disgwyliadau. A allwch egluro ym mha ffordd benodol nad yw'r economi wedi bodloni eich disgwyliadau fel Llywodraeth? Mae eich papur hefyd yn nodi mai bwriad rhaglen adnewyddu'r economi yw helpu Cymru i fyny'r gadwyn gwerth. Mae'r pwyllgor wedi nodi bod Llywodraeth Cymru wedi bod yn sôn am hyn am rai blynyddoedd bellach heb fawr o gynnydd. Sut fydd y rhaglen hon yn wahanol yn hynny

Paul Davies: In your paper, you state that the Welsh economy has not fulfilled your expectations. Can you explain in what specific way the economy has not fulfilled your expectations as a Government? Your paper also notes that the intention of the economic renewal programme is to help Wales up the value chain. The committee has noted that the Welsh Government has been talking about this for some years without much progress being made. How will this programme be any different in that regard?

o beth? Yn olaf, yn eich papur, yr ydych yn sôn am yr angen i ddatblygu amodau i helpu busnesau i fod yn gynaliadwy. A ydych yn edrych ar arfau ychwanegol i'r rhai sydd yn y papur i helpu hynny? A oes pwerau ychwanegol yr hoffech eu datganoli o San Steffan i helpu?

[102] **Y Dirprwy Brif Weinidog:** Yr oeddem eisiau bod yn gwbl onest yn y ddogfen wreiddiol ynglŷn â lle yr ydym yn meddwl y mae'r economi wedi cyrraedd. Mae'n rhaid inni dderbyn bod yr economi yng Nghymru wedi mynd drwy gyfnodau o ailstrwythuro sylfaenol ers yr ail ryfel byd. Felly, mae wedi bod yn anodd iawn, mewn cyfnod cymharol fyr, i weld sut y gallwn ychwanegu gwerth i'r economi yn y ffordd y byddem wedi ei ddymuno.

[103] Pa ffactorau a fyddai'n ein harwain i gredu nad oeddem wedi perfformio gystal ag y byddem wedi ei obeithio? Un enghraifft yw'r ffigurau gwerth ychwanegol crynswth. Ffactor arall, ac yr ydym yn ei gydnabod yn benodol yn 'Cymru'n Un', yw bod y gyfradd gyflogaeth yn isel yng Nghymru. Ar gyfartaledd, mae cyflogau yn is yng Nghymru nac mewn rhannau eraill o Brydain ac Ewrop. Felly, yr oedd nifer o sialensiau yn wynebu'r economi ac nid oeddent yn bethau y gallwch eu trawsnewid dros nos. Yr oedd yn cymryd amser. Yn y lle cyntaf, a oedd gennym y sgiliau iawn ar gyfer y dyfodol? Cyfeiriodd Brian at y nifer o bobl oedd yn anweithredol yn economaidd, beth oedd yn achosi hynny a sut oeddem yn mynd i'w oresgyn. Yn ogystal, mae gennym gyfartaledd uchel o bobl yng Nghymru sydd wedi ymddeol.

10.40 a.m.

[104] Ffactor arall oedd yn dod allan o'r dystiolaeth oedd nad oes gennym ardaloedd trefol digon mawr i ddenu swyddi o ansawdd uchel. Yr oedd hynny'n eithaf diddorol inni. Fel yr wyf yn siŵr ein bod i gyd yn cydnabod, mae Caerdydd wedi symud ymlaen yn sylweddol ers datganoli, ond mae teimlad bod y ddinas ychydig yn rhy fach ar hyn o bryd i allu denu rhai o'r buddsoddiadau hynny a fyddai'n bwysig inni o ran ychwanegu gwerth. Nid oeddwn yn disgwyl clywed hynny, ond mae wedi cael ei ddweud.

Finally, in your paper, you mention the need to develop conditions that will help businesses to be sustainable. Are you looking at means other than those noted in the paper to help with that? Are there additional powers that you would like to be devolved from Westminster to help?

The Deputy First Minister: We wanted to be completely honest in the original document about where we think the economy stands. We must accept that the Welsh economy has gone through periods of fundamental restructuring since the second world war. So, it has been very difficult, in a comparatively short period, to see how we can add value to the economy in the way that we would wish to do.

Which factors would lead us to believe that we have not performed as well as we would have hoped? One example is the gross value added figures. Another factor, which we specifically acknowledge in 'One Wales', is that the rate of employment is low in Wales. On average, salaries are lower in Wales than in other parts of Britain and Europe. So, many challenges faced the economy and these were not things that you could transform overnight. It took time. In the first place, did we have the appropriate skills for the future? Brian referred to the number of people who were economically inactive, what caused that and how we were going to overcome it. In addition, we have a high rate of retired people in Wales.

Another factor that came out of the evidence was that we do not have sufficiently large conurbations to attract high-quality jobs. We found that quite interesting. As I am sure we would all recognise, Cardiff has moved forward substantially since devolution, but there is a feeling that the city is still a little too small to attract some investments that would be important to us in adding value. I was not expecting to hear that, but it has been said. Therefore, we are looking to add urban areas such as Newport and Swansea to

Felly, yr ydym yn edrych ar ychwanegu ardaloedd trefol megis Casnewydd ac Abertawe at Gaerdydd er mwyn creu un ardal a fyddai'n gallu cystadlu ag ardaloedd cyfatebol. Mae dinasoedd yn Ewrop ac yng ngweddill Prydain sy'n gallu cystadlu ar lefel na allwn gystadlu arno ar hyn o bryd. Mae nifer o ffactorau yn awgrymu bod angen inni wneud hynny.

[105] O ran ychwanegu gwerth—a chyfeiriasoch at y gadwyn werth—yr ydym yn ceisio gweld sut y mae gweithio gyda phrifysgolion yn gallu helpu. Y broblem sydd gennym, a welsom yn y dirwasgiad ac mewn nifer o fannau gwaith, yw lle nad oes gan gwmni uned ymchwil a datblygu sy'n gysylltiedig ag ef, y tuedd yw bod y lle hwnnw'n debyg o ddiodeff yn gyntaf. Os allwch greu uned ymchwil a datblygu mewn lle gwaith, dyna'r lle olaf mae'r cwmni eisiau ei gau.

[106] Mae tuedd hefyd i'r swyddi sy'n gysylltiedig â'r math hwnnw o ddatblygiad fod o ansawdd uwch. Felly, yr hyn yr ydym yn ei olygu drwy sôn am fynd i fyny'r gadwyn yw dod â rhywfaint o'r buddsoddiad hwnnw i mewn i Gymru. Yr oeddwn yn falch bod Lesley wedi cael ei phenodi yn Ddirprwy Weinidog yn fy adran i edrych ar sgiliau ac ymchwil a datblygu, oherwydd yr oedd hynny'n cael ei grybwyll yn benodol fel diffyg ar hyn o bryd.

[107] O ran yr amodau i helpu busnesau, ni chredaf fod cymaint â hynny o bethau y byddem yn dymuno eu gweld yn cael eu datblygu ymhellach. Hoffem gael gwell dealltwriaeth rhyngom ni ac adrannau cyfatebol yn San Steffan. Mae'n hynod o bwysig, yn enwedig o ran buddsoddiad mewn sgiliau, fod cydweithio da rhwng adrannau. Mae dwy adran yn benodol yn bwysig yn y maes hwn, sef yr Adran Gwaith a Phensiynau, sy'n gyfrifol am lawer o hyfforddiant i bobl sydd wedi colli eu gwaith a sydd â sgiliau sylfaenol, a'r Adran Busnes, Arloesedd a Sgiliau. Byddem yn dymuno—a hoffwn wneud ple ynghylch hyn, gan fod cyfle gennyf yn awr—gweld y ddealltwriaeth gyda'r adrannau yn gwella. Oni bai bod dealltwriaeth dda rhyngom ni a'r adrannau hynny, byddwn yn dyblygu gwaith a gwastraffu adnoddau.

Cardiff to see whether we can create one region that would be able to compete with corresponding regions. There are cities in Europe and the rest of Britain that are able to compete on a level at which we cannot compete at present. Many factors suggest that we need to do that.

On adding value—and you talked about the value chain—we are trying to see how working with universities can help. The problem that we have, which we have seen during the recession and in many workplaces, is that, where a company does not have a research and development unit linked to it, the tendency is for it to be likely to lose out first. If you can create a research and development unit in a workplace, it is the last place that the company wants to close.

There is also a tendency for jobs in that type of development to be of a higher quality. Therefore, what we mean when we talk about moving up the chain is bringing some of that investment into Wales. I was glad that Lesley was appointed a Deputy Minister in my department to look at skills and research and development, because that had been mentioned specifically as being a weakness at present.

On the conditions to help businesses, I do not believe that there are many things that we would want to see being developed further. We would like there to be a better understanding between us and corresponding departments in Whitehall. It is extremely important, especially with regard to investing in skills, that departments co-operate well. There are two departments in particular that are important in this field, namely the Department for Work and Pensions, which is responsible for much of the training for those people who have lost their jobs and who have basic skills, and the Department for Business, Innovation and Skills. We would like—and I would make a plea in this respect, as I have the opportunity to do so—for our understanding with those departments to improve. Unless there is a good understanding between us and those

departments, work will be duplicated and resources will be wasted.

[108] **Jeff Cuthbert:** I want to turn to the broader issue of skills, so that the Deputy Minister can have something to say as well. I will start with the structural funds. Deputy First Minister, you kindly came to a meeting of the programme monitoring committee in July, and members of the committee were pleased that you came; they enjoyed the discussion and found it very informative. In the report, you talk about the realignment of European money to the economic renewal programme, so one question that I want to ask is: are you comfortable that there is good alignment? In less than two hours, as I understand, we will know the volume of the cuts that will come from London, so there is the issue of match funding, and targeted match funding in particular. Could you confirm that you are still satisfied that the commitments that we have will still be affordable, so that in the next two years, up to the end of 2013, or 2015 in the case of the N+2 targets, we will be able to meet our commitments, particularly with regard to the Lisbon agenda and the issue of skills?

[109] On the issue of skills, I want to ask you or the Deputy Minister how comfortable you feel with the way in which the sectors skills councils are working. They have been around for several years, and I have referred to this question on a number of occasions. I have a lot of time for the Alliance of Sector Skills Councils in Wales, as it is working hard with limited resources to try to develop a coherent programme. Within occupational sectors such as engineering and construction the sector skills councils are, I am sure, doing the business. Across the board, do you feel that that is the case, or are some industrial sectors still dragging their feet in terms of identifying future skills needs and working with Government to establish the best possible programmes for them, including the development of apprenticeship programmes, and so on? I am thinking particularly of the STEM subjects—science, technology, engineering and mathematics—which your report deals with, and which we will look at later as an inquiry. The national science academy will have a clear role on that. Are we prepared to focus on the STEM subjects?

[110] Linked to that, I want to ask the Deputy First Minister about the issue of FP7. It is generally acknowledged that Wales is not making adequate use of those funds for research and development. This matter was raised at the Committee on European and External Affairs yesterday, and that seemed to be the view. One of the possible explanations was that, because all of Wales is covered by structural funds for convergence or competitiveness, maybe the eye has been taken off the ball a little, and there is too much of a focus on structural funds. I would welcome your views on that, and on how we can improve that situation.

[111] Finally, in response to the opening remarks from David, I would point out that it was during Queen Victoria's reign that Brunel and Stephenson had the argument about which was to be the standard gauge in this country.

[112] **The Deputy First Minister:** One of the things that has really assisted us in developing the economic renewal programme and supporting the investment under it is the flexibility of the structural funds programme. Convergence funding is a lot more flexible, I believe, and therefore where it is necessary for us to realign in the light of emerging priorities, the structural funds have been flexible enough to do that. There are two examples since I became a Minister in 2007. First, although you rightly point out that the convergence funds have been primarily for the Lisbon agenda of jobs and growth, the reality during the recession was that jobs were being lost and there was hardly any growth, but structural funds enabled us to respond positively through the ProAct programme and meet some of those challenges.

[113] We are very pleased that that happened, and now that we have changed some of our priorities under the ERP, it is necessary to deliver some of that agenda—broadband, and so on—so that we are able to channel resources into those emerging priorities. I was grateful for

the opportunity to meet the programme monitoring committee under your chairmanship, Jeff, to request that those realignments were made, and I think that you were very pleased with the response that we got. The question then is whether that means, because you are in the process of changing your priorities, that you could lose some of your other targets, particularly the N+2 targets. Having spoken to officials from the Welsh European Funding Office, my understanding is that that should not adversely affect the N+2 targets, so we will hopefully be on course on that. I genuinely want to thank the team for its response to our request for realignment. It has been an excellent example of good, internal, joined-up working.

[114] On the issue of skills, you are absolutely right, but that is a question that Lesley will have to respond to.

[115] **Lesley Griffiths:** Turning to your point about the sector skills councils, since my appointment, I have met with each of the sector skills councils, and it is fair to say that, as in any walk of life, there are excellent ones and others that are not as good as perhaps they should be. I obviously rely on them for robust labour market intelligence, and it is vital that they engage with employers to ensure that we know what skills employers need.

[116] One thing that they could probably do better is engage with educationalists to ensure that the courses and the curriculum are aligned with what employers want. You may be aware that the UK Government has announced that it is looking at the UK Commission for Employment and Skills and, by implication, at the role of the SSCs. It has asked all devolved administrations for their views, and we will be sending a submission. We will probably know a little more about that next week.

10.50 a.m.

[117] Turning to FP7, I chaired a review panel of research and development earlier this year, and one thing that came out of that was that Wales could do better in drawing down research and development funding from all sources, and not just from FP7, but from research councils, the Technology Strategy Board and others. We are about halfway through the FP7 now, and we need to be looking at best practice, to help focus bids. It is also important that we get in there now with the FP8, to ensure that we influence that.

[118] One thing that I picked up on with the research and development panel is that you need to understand the phrases, the terminology and the language that they want. That is one thing that the chief scientific adviser has helped with, to point us in the right direction. It is really important that officials are now undertaking that work.

[119] **Jeff Cuthbert:** I am grateful for that. Clearly, high-tech industry and the higher education sector have a crucial role to play. Do you feel that they are fully aware of the opportunities?

[120] **Lesley Griffiths:** Yes, I do. In fairness to those in HE, I think that they are punching above their weight. I think that HE draws down more than industry does, but we need to make sure that industry is aware, which it could be—that is something that came out of the research and development panel. Officials are engaging with industry in that regard.

[121] There were some great examples. EADS came to the review panel, and for every £1 that it is spending it is drawing down a further £5—you can do the multiplication. However, we in Wales can do better, and I am not going to pretend that we cannot. HE, however, is drawing the funding down. Cardiff and Swansea universities have hugely increased their amount of research and development funding this year—Cardiff University by 79 per cent and Swansea University by 29 per cent.

[122] **Christine Chapman:** On the sector skills councils, what is your assessment of how reactive or proactive they are with regard to employers? In certain parts of Wales, there are employers who are not engaging, and the key to the success of this programme will be engaging as many employers as possible. Would you say that the sector skills councils are actively searching out these employers, or are they sitting and waiting for employers to contact them?

[123] **Lesley Griffiths:** I think that it is a bit of both, Chris. As I have said, ConstructionSkills is fantastic, and employers are profusely enthusiastic about the way that it engages with them. There is one sector skills council that is a one-man band, and it is very difficult for her to engage with all employers. I think that employers have to search her out a bit more. However, I think that employers feel that the sector skills councils take their views into consideration; the downside may be to do with educational aspects.

[124] **Jenny Randerson:** The economic renewal programme refers to the manufacturing forum and its continuing role. We took evidence from the chair of the forum recently, and I got the impression that it is experiencing something of a hiatus. It is very much at arm's length from the Government. There is no Government support, and the chair was not sure when the long-awaited strategy was to be published and so on. I would like your comments on what role you see the forum playing in future. Are you thinking of restructuring it in any way? How will the draft strategy relate to the advanced materials and manufacturing sector plan that you will draw up as part of the ERP?

[125] **The Deputy First Minister:** We very much welcome the work of the manufacturing forum; it was something that we recognised in the 'One Wales' agreement as a valuable forum for us in getting the views of manufacturing. It had a very influential role in guiding Government policy through the recession. It was the idea that came out of that forum, or sections of that forum, that led to the introduction of ProAct. So, I very much welcome the approach that it has taken, and I have made it clear to the manufacturing forum, as I think that I made it clear to this committee and to Plenary, that the delay in the strategy was partly because of the recession, and we wanted to ensure that we came out of that strongly. We also want to ensure that the strategy is very closely aligned with the ERP, and the work that it has done is very supportive of the ERP. Following my meetings with representatives of the forum, some of their initial thoughts informed a number of questions that we then asked at our round-table meetings, which we set up as part of our consultation. So, the forum has played a very important role. All we need to do now is ensure that the strategy itself is fully aligned with the ERP, and, by and large, it is, although there are some areas that we may need to work on.

[126] With regard to the advanced manufacturing sector, there is a role to play. It is to be hoped that there will be people representing the sector on our sector panel as well. Has this closed now, James?

[127] **Mr Price:** It closes at the end of this week. We extended it.

[128] **The Deputy First Minister:** So it closes on Friday. So if there are people out there who really want to help us develop our sector, they can be part of the panel. We want to work closely with the manufacturing forum. We want some members of the forum to possibly be members of the sector panels. We want to ensure that the strategy is aligned with current policy, and I am pretty sure that we can achieve that.

[129] **Jenny Randerson:** So, Deputy First Minister, there will be an advanced materials and manufacturing panel as well as the forum. Will a manufacturing strategy be published as well as the sector plan?

[130] **The Deputy First Minister:** Yes.

[131] **Gareth Jones:** Three Members have supplementary questions. We have heard from them before, but I would like them to give them an opportunity if the questions are brief, starting with Brian, then Andrew and then Christine.

[132] **Brian Gibbons:** The one thing that surprised me in the paper, other than your saying that you are getting rid of International Business Wales, was that there was no reference at all to Wales looking out at the world. Clearly, that is very important to us as a country in terms of manufacturing and exporting. Equally, it is crucial that we are able to attract inward investment to Wales. Is there any explanation—other than getting rid of IBW—for why that area was not addressed? It seems an extraordinary omission from the paper, which ran to 10 pages.

[133] **The Deputy First Minister:** If you look at the economic renewal programme, you will see that international connections are vital. We are currently doing a major review of our international presence, so inward investment will play a key role. The system that we have in place is a substantial improvement, because what tended to happen was that our teams in New York, India, China and other countries would follow particular leads, but, as soon as there was a lead and the company was interested in Wales, the case would be handed over to another team to deliver the project. There was very little link, unfortunately, between the teams making the initial approach and the delivery of the project. So, in the sector teams, you will have people looking after the indigenous companies as well as people looking at international opportunities. We obviously want the best research that we can get into opportunities. So, the full team will now be responsible for everything within the sector. People will have greater responsibility for the delivery of the projects.

[134] The other thing that I should mention is that the fact that we are reviewing our international presence is dictated by two factors. One is whether we are in the right places. The other is that there is an impact on cost, because you do not have as much money to be everywhere during a downturn, so we have to be very focused on that.

11.00 a.m.

[135] I am satisfied that, under the new arrangements, Wales will not lose out if there are good inward investment projects that need to be hooked in to Wales. I saw an example of the success of that approach during the Ryder Cup, whereby businesses that I had seen in the United States in 2008 during the Ryder Cup there have now developed schemes to look at investing in Wales. So, it is showing a degree of success.

[136] One of the successes of the approach, historically, was that we were very good at hooking in new investment, but we were not always successful in getting those companies to reinvest. If there are sector teams that are more responsible for the project from beginning to end, there will be better continuity in respect of the staffing as well. So, I have regarded our international relations as being very important, and the fact that IBW will no longer be the brand name for that is not something that we should be criticised for. The approach will be much more coherent.

[137] **Brian Gibbons:** That sounds exceedingly complex, because if there are sectoral teams, presumably they will either be sitting here in Cardiff or located elsewhere on the globe. Will you have sectoral teams in various geographical locations?

[138] **The Deputy First Minister:** The truth is that IBW had a sectoral approach. If, for example, you spoke to the team that we had in New York, you would see that individual members of the team tended to look after specific sectors. So, at the IBW end, there was

already a strong focus on sectors. The problem, as I indicated, was that the team, once it had had a good relationship, then handed it over. I want the team to be responsible for the delivery of the project, and I think that that is a better approach.

[139] **Andrew Davies:** I was going to ask a question principally about IBW, and the review by Glenn Massey showed how dysfunctional it was: it was in the wrong markets, and it had the wrong people and the wrong focus. In the paper, under the heading ‘Progress on Delivery’ in the section on encouraging innovation, you mention the review of business incubation facilities. That is the first time that I have seen a paper from the Department for the Economy and Transport that does not mention techniums. I know that techniums are only part of the incubation facility, but that is a £100 million investment. A review is being undertaken, and I would like to know why it is only now that that is happening. The Assembly Government’s internal audit report, which was published earlier this year, and which was issued to the *Western Mail*, showed that there were serious management failures. I also understand that the corporate governance committee has identified serious weaknesses in management that go back several years. So, who is undertaking a review of techniums and business incubation facilities, and why is it only being done now?

[140] **Lesley Griffiths:** When I took up appointment, I asked for that to be looked at in much more depth than before, and I asked for each technium to be monitored. I am now in the process of looking at all the information. I committed in the Chamber to giving a written statement to Assembly Members, which I will do probably within the next month. Much of the information is commercially sensitive, so it is difficult to say much now, but I am still committed to producing a written statement within the next month.

[141] **Andrew Davies:** What is happening with regard to the review?

[142] **Lesley Griffiths:** Officials are looking at the review and I am looking at the information that is coming out.

[143] **Andrew Davies:** Why did you not ask for an external review, such as the Glenn Massey review of IBW, rather than having an internal review?

[144] **Lesley Griffiths:** I just asked for it to be monitored and chose to have it done internally.

[145] **Christine Chapman:** On page 9 of your paper, Deputy First Minister, you say that you are undertaking communication and marketing activity on entrepreneurship and start-up support during the autumn and you also mention youth entrepreneurship. Entrepreneurship has been talked about for many years and it is something that we need to move on. Would you say that you are building on previous strategies or is this something completely new and fresh? If it is new, what is the difference? Could you also tell me when you are going to evaluate entrepreneurship activity throughout Wales? When will it happen—a year from now or sooner?

[146] **The Deputy First Minister:** I will ask Tracey to come in on the specifics, but as a general point, one of the things that we decided was that we need to measure how well we are succeeding in relation to the targets that we are setting ourselves and on the policy direction. To do that, I need to have an annual report from officials where I can measure the success, or otherwise, of individual policy initiatives. I will ask Tracey to come in, but I want to say this about entrepreneurship and business start-ups: we have to recognise that not all start-ups will succeed. We need to recognise, as a Government, that there will be businesses that we will support that will not succeed commercially and that there will be some failures. We should not be too sensitive about the fact that, sometimes, public money will be put into schemes that will not succeed, provided that, generally speaking, the Welsh economy is moving in the right

direction. Obviously, we would not want to put all our money into failures, but it would be foolish to expect that all the money would go into successes.

[147] **Ms Burke:** I was going to answer the question about whether this was new or building on previous strategies. Most of the proposals are building on the youth entrepreneurship strategy. This is the next stage of that, which is taking it on into the youth entrepreneurship action plan. It is building on what we have done before, but there are new strands to it, one of which is the new Big Ideas campaign. There are new campaigns, therefore, but they are building on the existing strategy.

[148] I do not have the evaluation timetable, but I would be happy to provide a note on it to the committee. I can check that out with colleagues.

[149] **Gareth Jones:** Diolch yn fawr. Ar y nodyn hwnnw, felly, down â'r sesiwn hon i ben. Ar ran yr Aelodau, diolch i chi, Weinidogion, a'ch swyddogion, am eich presenoldeb ac am fynd i'r afael â rhaglen heriol fel hon. Yr ydym yn deall mai ymateb yw hon i sefyllfa sy'n newid, o dan amgylchiadau digon anodd gydag adnoddau yn mynd yn fwyfwy cyfyng. Yr ydym yn cydnabod a pharchu bod penderfyniadau anodd wedi cael eu gwneud. Wrth gwrs, gennych chi fel Llywodraeth y mae'r cyfrifoldeb am y penderfyniadau hynny. Yr ydym yn dymuno pob llwyddiant i chi yn y gwaith pwysig hwn sydd, yn y pen draw, er lles pobl Cymru.

Gareth Jones: Thank you. On that note, we bring this session to an end. On behalf of Members, thank you, Ministers, and to your officials, for your attendance and for dealing with such a challenging programme. We understand that this programme is a response to a changing situation, under difficult circumstances in terms of increasingly limited resources. We recognise and respect that difficult decisions have been made. Of course, you as a Government are responsible for those decisions. We wish you every success in this important work, which, ultimately, is for the benefit of the people of Wales.

[150] Yr ydych wedi addo dod yn ôl atom ar un neu ddau o faterion, fel strwythuro—byddwn yn cadw hwnnw'n gyfrinachol, wrth gwrs—a band eang. Yr ydym yn gwerthfawrogi hynny.

You have promised to come back to us on a couple of issues, such as restructuring—we will keep that secret, of course—and broadband. We appreciate that.

[151] Fel y dywedais ar y cychwyn, hon yw'r sesiwn olaf i edrych ar raglen adnewyddu'r economi. Byddwn yn cyflwyno'r adroddiad gerbron y Cynulliad a byddwn yn disgwyl eich ymateb i'r adroddiad—yr wyf yn sicr y cawn ni'r ymateb hwnnw. Bydd dadl wedyn yn y Senedd ar y pwnc. Yn y cyfamser, diolch yn fawr iawn i chi, ac i'r Aelodau am eu cwestiynau y bore yma. Dymuniadau gorau i chi.

As I said at the outset, this is our last session to look at the economic renewal programme. We will present the report before the Assembly and we will await your response—I am sure that we will get that response. It will then be debated in the Senedd. In the meantime, thank you very much, and I thank the Members for their questions this morning. Best wishes to you.

[152] Mae un papur i'w nodi sef cofnodion y cyfarfod blaenorol.

There is one paper to note, namely the minutes of the previous meeting.

11.09 a.m.

**Cynnig Trefniadol
Procedural Motion**

[153] **Gareth Jones:** Cynigiaf fod

Gareth Jones: I move that

y pwyllgor yn penderfynu gwahardd y cyhoedd o weddill y cyfarfod yn unol â Rheol Sefydlog Rhif 10.37(vi).

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37(vi).

[154] Gwelaf fod y pwyllgor yn gytún.

I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 11.09 a.m.
The public part of the meeting ended at 11.09 a.m.*