

The Economy, Trade and Rural Affairs Committee.

1st September.

To collect data to form our response to the Committee's consultation we have reached out to our selected partners from a variety of sectors. Our response to this consultation brings together their distilled views on the key priority areas to hold Welsh Government to account

Below are the key priority areas to emerge from our research with both short- and long-term views on suggested ways to hold government to account. It is our belief that these areas are not separate or independent entities but are completely inter-related and linked.

Net Zero – a golden thread

While the net zero agenda is not listed as one of the priority areas for the committee, it is worth considering that net zero will impact on all the committee's priority areas. Businesses should therefore be given appropriate support to understand the way in which net zero impacts all aspects of their business.

Short term

The deadline to reach net zero is 2050 or as early as 2030 and businesses need to be aware of the way in which the drive towards net zero may provide both challenges and opportunities for their business. **In a recent British Chambers of Commerce survey only 8% of respondents had implemented a net zero strategy and only half of businesses agreed with the statement 'I fully understand the term net zero and its implications for my business'**. For some SMEs there may be confusion about what applies to them in relation to net zero. Government needs to generate greater awareness and education around net zero as well as signposting and providing support for business. Not exclusively financial.

Long term

Businesses will need to adapt and innovate to fit into a net zero economy. Government will need to effectively provide or signpost the support businesses need to innovate. A lot of the messaging around climate change is top down and as a result businesses and individuals may not understand their own responsibility and the steps they must take. There needs to be an holistic approach from government to provide and signpost education, awareness, resource and financial support to business in order for them to transition effectively into a net zero economy.

Economic Development

Government needs to provide and signpost key funding initiatives that will support business growth in the short and long term in a simple and easily understood format. Government also needs to act to address immediate challenges the Welsh economy faces in the supply chain.

Short term

Business need clarity on the future of government support as we emerge from the pandemic. A withdrawal of the financial support is expected but there are some sectors still in dire need of financial aid such as hospitality. Welsh Government need to be clear on their support offering as well as signposting financial support from the private sector.

Welsh Government need to remove barriers for SMEs trying to access private sector finance, paying close attention to financial support that helps SMEs to adapt towards net zero.

The Welsh economy currently faces monumental issues in the supply chain. There are shortages of goods reaching supermarket shelves and construction products are being held up causing delays on house buildings; one of our members has even stated that the supply chain is 'on the brink of collapse'. There are delays with companies having to book raw materials months in advance. Businesses have been hit by the increased costs; companies have seen prices more than double in the last 12 months. The challenges in the supply chain are almost entirely because of Brexit. Around **15,000 HGV drivers returned to Europe following Brexit** and currently HGV drivers are not on the UK Government's skilled workers shortage occupation list, nor can they be granted temporary seasonal worker visas.

COVID-19 restrictions have prevented people from taking HGV driving tests and self-isolation rules have caused bottlenecks at some ports; this has aggravated the problems in the supply chain further. Additionally, there are challenges to recruiting HGV drivers due to an ageing workforce, a current ineffectiveness of apprenticeships for lorry drivers and because of issues around respect for HGV drivers causing low morale. The shortage of HGV drivers will continue to cause significant problems for Welsh businesses and so it is vital to implement a short-term solution. Welsh Government need to put pressure on the UK Government to resolve the immediate challenges that Wales faces in the supply chain. This can be done by lobbying government to recruit internationally for HGV drivers by adding HGV drivers to the Government's skilled worker shortage occupation list and/or granting overseas HGV drivers temporary seasonal worker visas

Longer term priorities

There are several UK Government and Welsh Government longer term initiatives designed to boost and level out the economy such as the Levelling Up Fund and the Shared Prosperity Fund. The British Business Bank has also arrived in Wales. There is, however, a concern that many SMEs are not aware of many of these initiatives or how to access their funding. Welsh Government need to clearly highlight and

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signpost to business the financial support they can access through various public sector channels. Government needs to find a way to bring all the public sector support into a simple and easily understood package, this suggestion is applicable for all areas of government focus not just economic development. There are incredibly useful resources available to business to support their long-term growth, but many businesses are just unaware as the current support is scattered around different government websites and information.

WG's work to develop Wales' digital capability is spread across many projects, often in regional pockets of activity. External groups, such as Data Nation Wales, try to coordinate but this should be WG's role. The Brown report argued convincingly for a comprehensive and well-integrated strategy - Wales 4.0 - to seize the opportunities and respond to the threats of the 4th industrial revolution and warn of the dangers of isolated pockets of disjointed activity. A fully coordinated WG approach should be adopted.

Investing in a universal basic digital infrastructure, to give every community access to efficient systems and high-quality broadband, will be critical to developing the places of Wales. Digital infrastructure facilitates an economy, but digital inclusion goes beyond infrastructure; there we need to build up digital skills and access to affordable devices and internet provision.

Wales needs widespread resilient network availability and advanced digital skills ahead of our competitors and which distinguishes us. This would ignite the economic potential across Wales, help repair the regional economic imbalance and support Wales' strength in compound semi-conductors, cyber security, fintech and insurtech.

Remote working

While remote working is not one of the priority areas set out in the agenda, it has a significant impact on the Welsh economy via skills, net zero and town centre regeneration. Therefore, the short- and longer-term benefits and challenges of remote working are important to debate.

Short term

Currently Welsh Government advise remains to work from home if you can – when and if this advice changes there may be a void for business. Government should pre-warn business if this advice will change in case, for some, the removal of simple, clear guidance leaves room for confusion. Additionally, there is still not a clear mandate for business about the practical steps to maximise a remote or hybrid workforce. While this may fall on the responsibility of individual businesses to decide what is best for their staff, government should work with businesses in both the public and private sector to ensure there are adequate resources and support to maximise productivity in a new working environment for Wales.

Longer term

Businesses need to maximise the positive impact of flexible, hybrid working. Remote working can offer the opportunity for a greater work life balance, reduce commute times and congestion on roads and can

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benefit out of town high streets. However, remote working can also pose challenges for many workers. It can have an adverse impact on mental health with greater isolation and less face-to-face interaction. There is also a loss in learning through osmosis in an office environment. Younger generations unexposed to traditional office environments may struggle to develop the right skills when working remotely and management teams do not have necessarily have the skillset to manage and co-ordinate their team remotely. Additionally, if businesses adopt more flexible working hours there may be challenges in how and when businesses interact with one another.

Government needs to provide and signpost support to businesses to make the move to hybrid working effective for all. Government should work with business in the public and private sector to ensure all remote workers have adequate equipment to work effectively; they should also promote the use of remote working hubs to combat isolation or for those with a lack of space at home; they should finally offer guidance and advice to SMEs who may need support to implement remote/hybrid working.

While remote working may reduce car usage and aid in reducing carbon emissions in Wales, government need to consider the displacement of carbon emissions to homes. The government will need to consider making homes more energy efficient and sustainable. Individuals working remotely will need to be aware of their own responsibilities relating to net zero and employers will have a key role to play in signposting and accounting for this.

Skills

Our two most recent Quarterly Economic Survey's (QES) have highlighted there are recruitment issues in Wales causing dire shortages in the workforce. **69% of Welsh businesses experienced difficulties finding suitable staff with the appropriate skills**, experience, and availability particularly for skilled jobs.

Short term

Businesses are not always aware of this support or the routes to access support; smaller businesses often do not allocate funding or time to skills development, particularly in recent times of crisis. Government needs to clearly communicate and signpost the resources available to business for skills development such as those from Welsh Government: ReACT funding, Personal Learning Account, and the Flexible Skills programme. Government need to signpost the support business can also access through Higher Education, these institutions have the capacity to undertake short, sharp interventions targeted at developing the skillset of businesses. For example, Cardiff Metropolitan University's [Management Knowledge Transfer Partnerships](#) (mKTPs) drives forward a business's strategic goals; the partnership offers support from the university's academic team, embeds a business management future leader into the company and drives forward transformative processes. SMEs in Wales are only paying

25% of the £90k for the partnership. University of South Wales [Exchange's Partnership and Engagement Programme](#) allows their learning and development experts to support businesses with training needs analysis and produces bespoke needs-based development plans. Businesses need to be signposted and made aware of this level of support.

It is vital to push government to promote skills development as we have already seen significant staff shortages in Wales's economy, causing significant hardship with many businesses having to close as a result. This is particularly pertinent in sectors such as hospitality and retail. We are also seeing the huge side effects of a shortage in skilled HGV drivers and the knock-on impact on the supply chain. While it is vital to upskill our own workforce, government need to consider other short-term interventions. There ought to be pressure placed on the UK Government from Welsh Government to reconsider adapting current visa applications to allow us to fill key skills shortages in the labour market currently.

Long term

One aspect to consider in the longer-term is apprenticeships and the funding of higher level 6/7-degree apprenticeships. Currently level 6-degree apprenticeships are funded by the Welsh Government, but these are limited in scope and do not cover a large quantity of degree courses. Level 7 apprenticeships equating to master's level courses are not currently funded. Levels 7 apprenticeships cover managerial and strategic leadership skills. In a post COVID and increasingly digitalised workplace managers are navigating uncharted territory that they may need to reskill or upskill to do so. Therefore, to support skills progression in the market it is important to push government to reconsider their funding priorities for higher level apprenticeships.

It is also vital that in the longer-term development of skills there is consistent collaboration between private sector business, universities, and government. A combination of support from all three is necessary to improve how Wales reskills and upskills its workforce. Government should clearly signpost and promote skills resources from both the public and private sector.

Skills development will be key to attracting foreign direct investment into Wales. When assessing whether to invest and locate in Wales, businesses may look for skills in the labour market and whether the right skills are in the workforce near proposed sites; developing key skills will therefore be vital to attract investment into Wales.

Trade

To support businesses to navigate new international and domestic trading relationships and to promote Wales to international investment it would be worth government setting up a separate entity responsible for driving international trade. This entity can bring together all support available to business through public and private sector channels in a clear, simple, and easily accessible way.

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Short term

In the short-term businesses, particularly those trading with the EU, need clear and practical advice and guidance from government. Businesses remain unclear on what many of their new responsibilities are when trading with the EU 12 months post the end of the transition period, particularly in certain areas of trade such as trade with Northern Ireland. There are also implications for the UK Internal Market that many businesses do not understand fully. There are concerns for businesses moving goods when further checks are introduced in the new year. Existing government resources are lengthy and often do more to confuse businesses; many businesses can get lost in the government websites linking for support. Government needs to work to communicate effectively with business about the practical implications of the Trade and Cooperation Agreement.

Welsh Government need to promote and signpost public and private sector resources to support businesses who trade internationally. Government can utilise private sector resource and support from Chambers of Commerce for example. However, on their own websites and resources government need to have clear, practical advice and guidance on what a business needs to do to trade internationally in a language that business understand. While international trade is not a devolved issue, Welsh Government should provide clear advice and support to business.

Longer term

Wales needs to develop an attractive offering for inward investment and foreign direct investment. Government may choose to develop a committed and commercially led entity that is separate to government to lead on foreign direct investment through deep relationships and effective project management from start to finish.

There needs to be an holistic approach to inward investment and look to make Wales an attractive economic offering for businesses wanting to invest and locate in Wales. When assessing whether to invest and locate to Wales, businesses may look for skills in the labour market and whether the right skills are in the workforce near proposed sites; developing key skills will therefore be vital to attract investment into Wales. Another factor for investment may be access to finance; it is crucial for government to make access to finance for business easily accessible and clearly signposted. There are also key opportunities for UK and Welsh Governments to work together to ensure Wales has efficient access to finance. Infrastructure will also play a crucial role in inward investment. If businesses are thinking of placing a manufacturing plant in Wales, they need to be certain they can move goods in and out of the plant easily, cheaply, and reliably. If not, they may choose to move out of Wales or out of certain areas of Wales. This can have regional consequences where investments in certain areas of Wales may be too challenging.

Regeneration

All areas that the committee focus on are in no way independent, they are intrinsically linked, and all play a key role in Wales's regeneration. For example, a booming economy focused on Cardiff will not be good environmentally or economically for Wales, but an economy based on people working remotely in local communities across Wales, properly supported can effectively minimise travel and encourage people to work and buy more locally. This will in turn drive international trade to regions across Wales, regenerating Wales regionally. Through the lens of net zero government has the opportunity to develop an effective distributed economy.

Rural Affairs

This is not an area that we are well informed on and for that reason this is not an area we have commented on.