



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

# Cofnod y Trafodion The Record of Proceedings

[Pwyllgor yr Economi, Seilwaith a Sgiliau](#)

[The Economy, Infrastructure and Skills  
Committee](#)

21/06/2017

[Agenda'r Cyfarfod](#)  
[Meeting Agenda](#)

[Trawsgrifiadau'r Pwyllgor](#)  
[Committee Transcripts](#)

## Cynnwys Contents

- 4 Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau  
Introductions, Apologies, Substitutions and Declarations of Interest
- 5 Yr Athro Dylan Jones–Evans—Bargeinion Dinesig ac Economiau  
Rhanbarthol Cymru  
Professor Dylan Jones–Evans—City Deals and the Regional Economies  
of Wales
- 27 Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol—Bargeinion  
Dinesig ac Economiau Rhanbarthol Cymru  
Cabinet Secretary for Finance and Local Government—City Deals and  
the Regional Economies of Wales
- 71 Panel Busnes—Bargeinion Dinesig ac Economiau Rhanbarthol Cymru  
Business Panel—City Deals and the Regional Economies of Wales
- 71 Papurau i'w Nodi  
Papers to Note

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Hannah Blythyn <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Hefin David <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Russell George <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Vikki Howells <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Mark Isherwood <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Ceidwadwyr Cymreig Welsh Conservatives
Jeremy Miles <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Adam Price <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Plaid Cymru The Party of Wales
David J. Rowlands <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	UKIP Cymru UKIP Wales

**Eraill yn bresennol**  
**Others in attendance**

John Brunt	Uwch Reolwr Rhwydwaith, Grŵp Gweithgynhyrchu'r Canolbarth Senior Network Manager, Mid Wales Manufacturing Group
Paul Byard	Cyfarwyddwr Cenedlaethol—Cymru, EEF—Sefydliad y Gweithgynhyrchwyr National Director—Wales, EEF—The Manufacturers' Organisation

Debra Carter	Dirprwy Gyfarwyddwr—Cyllid Strategol Awdurdodau Lleol, Llywodraeth Cymru Deputy Director—Local Government Strategic Finance, Welsh Government
Mark Drakeford <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Aelod Cynulliad, Llafur (Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol) Assembly Member, Labour (The Cabinet Secretary for Finance and Local Government)
Yr Athro/Professor Dylan Jones–Evans	Dirprwy Is–Ganghellor Cynorthwyol, Prifysgol De Cymru Assistant Pro–Vice Chancellor, University of South Wales
Jo Salway	Pennaeth Swyddfa'r Cabinet, Llywodraeth Cymru Head of Cabinet Office, Welsh Government

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

Robert Lloyd–Williams	Dirprwy Clerc Deputy Clerk
Gareth Price	Clerc Clerk
Ben Stokes	Y Gwasanaeth Ymchwil Research Service

*Dechreuodd y cyfarfod am 09:30.*

*The meeting began at 09:30.*

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

[1] **Russell George:** Bore da. Good morning. Welcome to the Economy, Infrastructure and Skills Committee. I'd like to welcome Members and members of the public watching in this morning. I move to item 1, and ask if there are any apologies this morning. No, there are none. And any declarations of interest? No, there are not. We're expecting Mark Isherwood

to join us shortly.

**Yr Athro Dylan Jones–Evans—Bargeinion Dinesig ac Economiâu  
Rhanbarthol Cymru  
Professor Dylan Jones–Evans—City Deals and the Regional Economies  
of Wales**

[2] **Russell George:** I move to item 2 in regard to our city deal and regional economies of Wales inquiry. I would like to welcome our witness this morning, Dylan Jones–Evans. I would, perhaps, just like you to, for the record, introduce yourself and your role.

[3] **Professor Jones–Evans:** Yes, thank you. My name's Dylan Jones–Evans. I'm currently assistant pro vice–chancellor at the University of South Wales, since April 3 this year, and I'm also professor of entrepreneurship at the same institution.

[4] **Russell George:** Very grateful to you for being with us this morning. Can you tell us what you think about the process—about how the city deals have been developed and agreed?

[5] **Professor Jones–Evans:** Right. Well, first of all, let me apologise—I received the details from you on Monday, so if there's anything I miss out, I'm happy to provide further notes after this, if need be. Are we talking about the city deals in themselves, or the individual city deals?

[6] **Russell George:** I'll be interested in the city deals in themselves, in each one, in what you think about the process of each of them and how they've been developed.

[7] **Professor Jones–Evans:** Well, the key, I think, to any sort of economic development project—and some of you may appreciate this—is that it's always made up of key actors within that particular process. If you look at development all over the world, what we tend to see as the predominant economic development model these days is what you know as the triple helix model, which is where government, industry and business and university and further education work together to develop a strategy to move forward. It's been applied successfully around the world. I think one of the real challenges that we've always had in Wales is that this model has been applied in previous strategies, particularly European: Objective 1 and convergence

funding. I think the challenge you have is that all three parts have to be balanced together. If there's a weak part to the triple helix model, it tends to fall down, as we've seen in some projects. I think that's one of the challenges that really faces the development of the city deal as it has been, and the development of the city deals going forward, in that, in Wales, we've always had, unfortunately, a weaker private sector than would normally be expected in the delivery of these models. As such, that sort of gap has either been taken over by universities, or in some extent, government. I think one of the challenges you have moving forward with the city deals over the next 15 years—which is the period they're looking at—is to try and address that particular problem, particularly in ensuring, as I'm sure we'll discuss later, that the role of the private sector in bringing forward these projects to create wealth and prosperity in both city regions is paramount.

[8] Let me talk about the way that I feel the actors have worked, because, first of all, let's look at the local authorities, which have been driving forward the city deals. Obviously, there's been a role for Welsh Government and the UK Government in advising and putting together the funding package. But, first of all, I think this is quite unprecedented in Wales in that what we have is that we've had local authorities with quite different priorities, and, in some cases, very different political colours actually coming together to address a common theme. I mean, when you have Pembrokeshire and Swansea working together, and Merthyr and Monmouthshire, you know, it seems the petty political differences that tend to happen very much on a local authority level have been forgotten, and the economic imperative for both regions has taken over as this. There have been, obviously, tensions and difficulties, and I'm sure there still are, but I think it's worth making that note that, for the first time, we actually have a sub-regional economic strategy—or two sub-regional economic strategies in Wales, where at least the vast majority of the actors agree on a way forward.

[9] In terms of the private sector, I think much of the delivery of this, in terms of the private sector—. These key projects will come from the business community in terms of the Cardiff capital region, and, obviously, in terms of what happened in Swansea with the eleven projects already having been identified, getting that key funding—or that funding from the private sector will be critical. I noted that, for the Swansea bay city region, there's an expectation that 50 per cent of that funding will come from the private sector, which is a significant amount, if those projects are to succeed.

[10] The other issue is, of course, if we see that that approach has been

quite different across the two city regions. What we have is a more prescriptive approach by the Swansea bay city region, where they've identified the key projects or come forward with key projects, and then tried to say, 'Right, we'll bring the private sector in to help develop those.' The approach in the Cardiff capital region is to go out to the private sector and say, 'Do you have key projects that will have a significant benefit to this region, and how can we fit in with those?' So, if you look at the recent IQE project, that's looking for £37 million or £38 million, and hopefully will bring in another £360 million or £370 million to create, incredibly, the world's first compound semiconductor cluster here in south Wales—not in Boston, not in Silicon Valley, not in Beijing, but here in south Wales. So, a transformation project being driven by the private sector.

[11] The concern I have over the two different approaches is this: the Swansea bay approach seems to be one where, 'We'll create a project and we'll try and bring in the private sector to fill the gap funding.' That's the approach that used to be the approach that many of the projects under Objective 1 used to do. You'd go there and say, 'We've got so much money; let's try and get the private sector to fill in the gap afterwards.' I wouldn't say that's been a very successful approach, and it is my concern that when you're waiting on the private sector to come in with the match funding in a time—. As we all know, there's a time of extreme uncertainty in terms of investment by the private sector certainly over the next two years, and probably longer than that. The question is whether that funding will come in. The difference, of course, with the Cardiff capital region approach is that it's very much the approach that's been adopted by the Welsh Government in how they deal with investment funding now. It's about saying, 'What do you have, in terms of bringing to the table, and how can we as Government fill that gap? Because it's not our role to subsidise you; it's our role to fill that market failure gap.' So, again, that may need to be considered in the future in how those have been developed.

[12] **Russell George:** Dylan, could I ask you just to talk about transparency as well?

[13] **Professor Jones–Evans:** I'll come to that in a minute, yes.

[14] **Russell George:** I'm just conscious we're finishing at 10:15. We've got to finish by that time because we've got the Cabinet Secretary coming in.

[15] **Professor Jones–Evans:** Yes, of course.

[16] **Russell George:** I'm grateful for detailed answers, but we need to balance that against the other Members.

[17] **Professor Jones–Evans:** No, no, absolutely. I thought I wasn't being detailed enough. Okay, and very briefly about the role of the universities. I mean, clearly, the universities have put their own projects in with the Swansea bay city region deal. If you look at what happened in Cardiff, again, it's quite unprecedented that we've actually got universities working together. We have this adage, with one of the projects we're doing, 'There's no competition in community building', and there really shouldn't be competition amongst the universities in delivering this. So, there is a document I can present to you where Cardiff University, Cardiff Metropolitan University and the University of South Wales have come together to say, 'This is how we can help in delivering the Cardiff city region priorities', particularly by working with the private sector, saying, 'This is what we do well. This is how you can utilise what we do.' I'll stop there. Sorry, your question, again—

[18] **Russell George:** It was just about transparency, really, in terms of how transparent both the processes have been.

[19] **Professor Jones–Evans:** Well, I was reading, late last night, the submission by the Bevan Foundation, and I believe that was a concern of theirs, in terms of transparency.

[20] **Russell George:** Do you agree with them?

[21] **Professor Jones–Evans:** I do, to an extent that—. It has been difficult. I realise that I won't get many Christmas cards from the Swansea council leader in the next few years. One of the issues about that is that the process was not open to transparency. That was quite concerning, because, obviously, I was fortunate to actually read both documents that had been presented: the original document, which was publicly transparent, and the document that went before Treasury for that project, which wasn't, but, of course, I managed to get a copy of it and then compared the two. And I would suggest, if you wanted to compare—you may ask this question later—the differences, then I would suggest the committee reads both. It was clear to me there were major differences in both documents about the delivery, from the original intention to what was done. I think that needs to be continued.



[22] I see that there is a process that's been proposed for both city deals, that there will be transparency, but this cannot be a closed shop where businesses feel, as they did very much under both the Objective 1 and the convergence process, that they are excluded from a small group of individuals and organisations that are driving forward projects that they may feel are not of relevance to them. I'm talking about businesses here, because I'm a very strong believer that the private sector will create the wealth from this, but it's also, as the Bevan Foundation points out, all those individuals, as, in the end, it's the taxpayers' money that is actually subsidising most of this, and they need to know what's going on in their region. They'd expect it from their local authorities. They'd expect it from their Welsh Government. There's no reason why they shouldn't expect it from their city deals.

[23] **Russell George:** Thank you, Dylan. Do you mind if—because members want to extract particular information from you today—

[24] **Professor Jones–Evans:** No, by all means.

[25] **Russell George:** Do you mind if members interrupt just to—?

[26] **Professor Jones–Evans:** Of course.

[27] **Russell George:** Thank you. I'm grateful for that.

[28] **Professor Jones–Evans:** You should try going to an academic conference; it happens all the time.

[29] **Russell George:** Right, okay. Hefin wants to come in quickly.

[30] **Hefin David:** Just a very quick question about something you mentioned with regard to Cardiff Metropolitan University, Cardiff University and the University of South Wales putting in a joint offer. Is that a document?

[31] **Professor Jones–Evans:** Yes, it is. The universities have been engaged in such a way that we're there to respond to the private sector. So, we have a document and I'll provide it, but I'm sure it's possible to [*Inaudible.*] We, as a university—you have to forgive me; I've been in my job two months—have also looked at what we provide in terms of our strengths as a university and how that can be utilised.

[32] **Hefin David:** And you've met with colleagues in Cardiff and Cardiff Met

to discuss—

[33] **Professor Jones–Evans:** Yes, we meet regularly.

[34] **Hefin David:** And produced a joint document?

[35] **Professor Jones–Evans:** Yes, there is a joint document on this to say, ‘This is what we want to do jointly, but also individually as universities’. I’ll give an example. Obviously, the semiconductor cluster is seen, in terms of research, as being driven by Cardiff University. Clearly, there are going to be skills issues around that as well, which Cardiff may not be able to deal with. The University of South Wales is looking to how we, through our different faculties, could provide support for that. The same with cyber security; we’re driving that at the moment, but, of course, Cardiff are doing research in cyber security that can support that.

[36] **Hefin David:** We haven’t had a copy of that document.

[37] **Professor Jones–Evans:** No. It may not be publically available. Obviously, it will be now. I’m sure that it’s been distributed amongst all the partners.

[38] **Hefin David:** I’d be very interested to read that.

[39] **Russell George:** Mark Isherwood.

[40] **Professor Jones–Evans:** Morning, Mark.

[41] **Mark Isherwood:** You referred to, and contrasted, the Swansea and Cardiff position. What about north Wales, because you’ll be aware the economic ambition board brought forward, from the former economic board, business, academic and local authority representation? Given that your concern appeared to be that the existing two south Wales city deals hadn’t both necessarily done that, what is your view on that? And, secondly and finally, you referred to the two–stage process as a problem. I’m conscious, in north Wales, stage 1—vision document, highly transparent. Stage 2 was when the Treasury came back and asked them to prioritise, and that’s been far less transparent. Could that be because of the process they’re required to operate within?

[42] **Professor Jones–Evans:** Well, let me address the second question. Yes,

but, at the same time, there's always a tendency, perhaps, not to put these projects out to the public because they feel that—. Usually, commercial confidentiality is used as the main reason for this, particularly if you're negotiating with private sector partners. But I really do believe these are—some would disagree with me—game changers, these deals. Not the deals in themselves, but for the very reason we actually have these partners coming together for a common purpose at that regional level within Wales. To a large extent, that hasn't happened properly before. I must say, I remember when I was a professor at Bangor University, we threw together an economic strategy for north-west Wales at the time, which included the four local authorities, the university and private sector partners. But it wasn't really driven anywhere because it got subsumed in everything else. But I think the will is there to do this, and certainly in north Wales, to have a north Wales ambition board, which is an interesting balance of private sector and public sector ambitions, having that driving it, I think, will make a real difference in that region.

[43] **Russell George:** Jeremy Miles.

[44] **Jeremy Miles:** Thank you. I'm not going to invite you to remake the case against the Swansea bay city deal, which is on the record—

[45] **Professor Jones-Evans:** I think I've made the case, and it's a matter of opinion, as they've said.

[46] **Jeremy Miles:** They've obviously responded very robustly in print but also in the last evidence session that we had. Has anything that you've heard from them in response caused you to reflect on your observations?

09:45

[47] **Professor Jones-Evans:** No, not really. Obviously, I don't doubt the passion of any of the council leaders, in terms of what they want to do. My view was that I read to Terry Matthews's original plan. I think I'm on record as saying that it's potentially one of the best documents I've seen, in terms of grabbing a region by the scruff of the neck, and dragging it—not kicking and screaming, perhaps—but dragging into the twenty-first century, and saying, 'If you do not invest in these key areas, and invest in areas like—.' I think the three areas that Sir Terry emphasised through his board were: an infrastructure fund to make sure that the infrastructure was in place, and that's what the private always calls for; the second one was an investment

fund, and the key thing about the investment fund more than anything else was that that would invest, in a way, in fledgling businesses within the region that isn't potentially there at the moment; and the final point was about skills. I think that is the key to everything about this. You know, the metro's going to be important for the Cardiff capital region. The approach to actually investing in these buildings—obviously, the Swansea bay city region partnership feels that important. But, to me, the emphasis on skills has to be important, but that had been downgrade significantly within the revised plan.

[48] **Jeremy Miles:** So, your basic point, if I can summarise it very succinctly, suggests to me that you would prefer the approach taken by the Cardiff city region, which is to not have pre-identified projects, but to have a fund that is invested in over time, and that your main objection is that. Is that fair to say, in the absence of that—?

[49] **Professor Jones–Evans:** No, I would suggest that it's up to each region to come up with the plan that suits itself. I think that's been emphasised by the various submissions. Each city deal across the UK is particular to its own region. My concern was looking back at whether lessons had been learnt from similar projects, for example, the Technium project that had £111 million of public sector funding. We've gone through that process, but what I'm saying is that it would seem that history was repeating itself. I was before this committee's predecessor committee in 2002, and I made exactly the same points then: that investing in buildings rather than people will not create economic wealth.

[50] **Jeremy Miles:** But there's a risk, isn't there, that that approach could be taken out? The fact that you've got a fund that is invested in over time doesn't tell you anything about substantive output, does it? It just tells you about process, basically, doesn't it, essentially?

[51] **Professor Jones–Evans:** To an extent, yes. But, like I said, I could re-rehearse my arguments. I think we've had that, and I respect the views. We live in a democracy. This is public funding and I gave my views in a certain way, and they have responded quite robustly. I'm an academic; I'm supposed to challenge things.

[52] **Jeremy Miles:** Sure. Given the objectives that have been set for the city deals, and the growth deal for north Wales, and whether or not one agrees with those objectives, do you think they're likely to be met?

[53] **Professor Jones–Evans:** Well, interestingly enough, I was looking at this again late last night. If you want fun at midnight, go onto the StatsWales website. I was looking at the ambitions, and if you look at the ambition of both deals, I would say they're not ambitious enough. Let's use the Swansea bay city region example. They're talking about spending £1.2 billion or £1.3 billion to create 9,000 jobs or 9,5000 jobs. That's in the deal. What's interesting to note is that, in the period June 2015 to December 2016, 11,000 new employment positions have been created in the Swansea bay city region. So, even without the £1.1 billion, without a city deal in place, without any of these projects in place, in 18 months that region has created more jobs than this 15-year deal will.

[54] **Jeremy Miles:** But the nature of the jobs is quite important.

[55] **Professor Jones–Evans:** Well it is, it's the quality of the jobs. If you look at it, a significant portion of the jobs are managerial or professional. So, the question I have is whether these plans are ambitious enough. So, to create 9,500 jobs—the cost of a job, if you look at it in simple terms, is enormous. So, the question is whether you would want to create an alternative scenario to that and if you were actually to present that funding to businesses already in existence and say, 'There's £1.3 billion available, how would you use it?' Well, considering that the normal cost of a job per grant is about £10,000, that could make an enormous difference, but it's an alternative scenario and we're not discussing that.

[56] **Jeremy Miles:** But, on that point, then, finally, the question of the jobs created, that's obviously one of the outputs, and GVA growth as well. Would you look for different measures of success then, effectively? It seems to me that you're saying that, firstly, it's not ambitious enough; secondly, it's too blunt an instrument. Is that fair?

[57] **Professor Jones–Evans:** Yes, and I think the main issue is the point you made earlier: it's not about the number of jobs, but the quality of jobs. That hasn't been alluded to anywhere. I was looking recently at the north-east England local enterprise partnership proposal for their economic strategy for the region—their 10-year strategy. They focus very much on saying that at least 60 per cent of the jobs they would create would be very much high-quality jobs. That hasn't come through clearly, to be fair, in either of the city deals. I think we need to monitor that carefully to ensure that we're just not actually creating jobs that would have been created anyway, as seems to have been suggested already.

- [58] **Jeremy Miles:** Okay. Thank you.
- [59] **Russell George:** I've got Adam and David waiting. If I come to Adam first and then I'll come to you—.
- [60] **David J. Rowlands:** Go to Adam first and then I'll go on with my next question as well.
- [61] **Russell George:** That's it. As I was going to suggest. Adam.
- [62] **Adam Price:** Bore da, Dylan. **Adam Price:** Good morning, Dylan.
- [63] **Yr Athro Jones–Evans:** Bore da. **Professor Jones–Evans:** Good morning.
- [64] **Adam Price:** Jest i aros gyda dy feirniadaeth, am y tro, ynglŷn â'r fargen ar gyfer Abertawe. Nid ydw i eisiau mynd drosto fe dro ar ôl tro— **Adam Price:** Just to stay with your criticism regarding the Swansea deal. I don't want to go over it time and time again—
- [65] **Yr Athro Jones–Evans:** Plîs paid. **Professor Jones–Evans:** Please don't.
- [66] **Adam Price:** —ond roedd y feirniadaeth yn eithaf diddorol. A oeddech chi wedi medru trafod gyda rhai o'r tîm o bobl—a dweud y gwir, rwy'n nabod rhai ohonyn nhw—a oedd wedi gweithio ar y drafft cyntaf? **Adam Price:** —but the criticism was quite interesting. Did you manage to discuss with some of the team of people—I know some of them myself—who'd worked on the first draft?
- [67] **Yr Athro Jones–Evans:** Wrth gwrs. **Professor Jones–Evans:** Of course.
- [68] **Adam Price:** Felly, heb roi geiriau yn eu cegau nhw, fel petai, nid jest eich barn chi oedd hyn, ond roedd yn adlewyrchu efallai barn ehangach rhai o'r bobl a oedd yn gweithio ar y drafft cyntaf. **Adam Price:** So, without putting words in their mouths, as it were, this wasn't just your opinion, but it reflected perhaps a wider view of some of the people who were involved with that first draft.

[69] **Yr Athro Jones–Evans:** Wel, roedd yn ddigon teg dweud bod rhai wedi bod yn poeni am y cyfeiriad—sut yr oedd pethau wedi newid—ond buasai'n anodd iawn i mi ddweud yn glir pwy neu pam y buasen nhw wedi ei ddweud o.

**Professor Jones–Evans:** Well, it was fair that some people had been concerned about the direction and how things had changed, but it would be very difficult for me to say clearly who or why they said those things.

[70] **Adam Price:** Digon teg. Jest yn fwy cyffredinol, hynny yw gan edrych ar y ddwy fargen ac o feddwl am un o'r meysydd rŷch chi wedi bod ar flaen y gad gyda fe—nid yn unig yng Nghymru ond yn fwy eang—sef entrepreneuriaeth, a oes yna ychydig bach yn ormod o bwyslais a ydych chi'n meddwl ar gwmnïau mawrion—hynny yw, pan rŷch chi'n edrych ar brojectau mawr y duedd yw adeiladu ar seiliau cwmnïau mawr—a dim digon o bwyslais ar entrepreneuriaeth a chreu busnesau newydd ac yn y blaen? A ydy hynny'n rhyw fath o fwllch?

**Adam Price:** That's fair enough. In a more general sense, looking at the two deals and bearing in mind one of the areas that you have been leading on—not only in Wales but more widely—namely entrepreneurship, is there a bit too much emphasis, do you think, on large companies—that is, when you look at these large projects, the tendency is to build on these large companies—and not enough emphasis on entrepreneurship and creating start-ups and so on? Is there a bit of a gap in that regard?

[71] **Yr Athro Jones–Evans:** Rwy'n meddwl bod hwnnw'n bwynt teg iawn. Rwy'n cofio roedd yna gyfarfod gan fargen Caerdydd yn sôn am y ffordd ymlaen. Roedden nhw'n sôn am y buddsoddiad yn y metro ac wedi dod â phobl i mewn o'r Almaen i sôn am y gwaith yr oedden nhw wedi'i wneud. Beth oedd yn ddiddorol oedd nad oedd neb wedi sôn am greu busnesau newydd. Nid oedd neb wedi sôn am entrepreneuriaeth. Mae'n ddigon tebyg yng nghynllun bae Abertawe. Beth sy'n ddiddorol, gan fynd yn ôl at beth yr oedd Jeremy'n ei ddweud am greu swyddi

**Professor Jones–Evans:** I think that's a fair point. I remember there was a meeting by the Cardiff city deal talking about the way forward. They talked about investment in the metro and they'd brought people in from Germany to talk about the work that they had done there. What was interesting was that nobody mentioned creating new businesses. Nobody talked about entrepreneurship. It's a similar situation in Swansea bay as well. What's interesting, coming back to what Jeremy said about job creation, and high-quality job creation, is that

a swyddi o ansawdd uchel, yw bod dau beth yn bwysig yn fanna. Os ydych chi'n edrych ar yr ymchwil, mae bron pob swydd newydd—*net jobs* rŵan—yn unrhyw economi yn cael eu creu gan fusnesau llai na phum mlwydd oed. Felly, mae'n rhaid i gwmnïau mawr—mae'r rhan fwyaf ohonyn nhw'n colli swyddi—fod yn llawer mwy cystadleuol ac yn llawer mwy *productive*. Os ydym ni'n edrych wedyn ble y mae'r swyddi'n cael eu creu, ac os ydym ni'n edrych ar y sectorau lle mae'r ddwy fargen wedi'u canolbwyntio, rŵch chi'n gweld sectorau yna lle y bydd yna gyfleon i greu llawer mwy o fusnesau newydd. Dyna beth a oedd wedi fy siomi i yn fwy na dim byd arall efo'r ffaith eu bod nhw wedi sôn am greu'r *investment fund* yma i'r ardal, yn Abertawe, i fedru buddsoddi'n uniongyrchol mewn cwmnïau yno. Nid oes y fath yna o beth—. Rwy'n gwybod rŵan fod bargaen Caerdydd yn sôn am edrych i mewn i hyn yn fanwl iawn, ond os ydy hynny ddim yn digwydd yn Abertawe ac yng Nghaerdydd, bydd yna *misbalance* anferth, rwy'n meddwl. Os oes yna *investment fund* yng Nghaerdydd a dim un yn Abertawe, beth fydd yn digwydd? Bydd y cwmnïau newydd i gyd eisiau dod i ardal Caerdydd a'r Cymoedd. Nid oes dim byd yn rong efo hynny, ond mae eisiau rhyw fath o falans. Fe fyddwn i'n licio gweld y rhaglen yn Abertawe yn ailystyried hyn i edrych a ydyn nhw'n medru cael rhywbeth tebyg.

there are two important things there. If you look at the research, then almost all of the new jobs—the net jobs, now—in any economy are created by businesses less than five years old. So, larger companies—the majority of them are losing posts—need to be much more competitive and much more productive. If we look, then, at where the jobs are being created, and if we look at the sectors that the two deals are focused on, you'll see sectors where there will be opportunities to create many more new businesses. That's what disappointed me more than anything else, with the fact that they talked about creating this investment fund for the region, in Swansea, to be able to invest directly in those businesses. There is no mention made of that kind of thing. I know that the Cardiff deal does talk about looking into that kind of thing in detail, but if that doesn't happen in Swansea and Cardiff, there'll be a misbalance, I think. Because if there's an investment fund in Cardiff and not one in Swansea, what will happen? Well, the new businesses will all want to come to the Cardiff region and the Valleys. There's nothing wrong with that, but there does need to be that balance. I would like to see the deal in Swansea reconsidering this matter, to see whether they can have a similar fund.



[72] **Adam Price:** Jest yn olaf hefyd, roeddech chi wedi sôn am y cynlluniau cyffrous sydd o gwmpas y clwstwr o gwmpas IQE yn y de-ddwyrain. Rwy'n cael ar ddeall fod yna bach o *issue* wrth negodi adeilad ar gyfer y cynlluniau hynod gyffrous sydd gyda nhw yn sgil y contract maen nhw wedi'i ennill gyda gweithgynhyrchydd byd-eang enwog. Nid wyf yn gwybod a ydych chi'n ymwybodol o hynny neu beidio. Ond a oes yna *issue* yn gyffredinol, ydych chi'n meddwl, hynny yw, yng nghyswllt y fargen ddinesig, unwaith eto, gyda gallu'r sector gyhoeddus i symud yn ddigon cyflym i ddilyn amserlen y sector breifat, lle mae'r *lead times* yn llawer tynnach na'r hyn rydym ni'n ei ddisgwyl gan y sector gyhoeddus?

[73] **Yr Athro Jones-Evans:** Nid yw'n fater o jest medru dilyn y sector breifat. Wrth gwrs, mae yna ffenestr fach iawn i lawer o'r cyfleon yma. Rwy'n meddwl beth sy'n bwysig—. Y ffordd mae'r *governance* wedi cael eu creu ar gyfer y bargeinion yma, nid wyf yn meddwl bod y rheiny yn y lle iawn i fedru delio efo'r math o gyflymder y mae cwmnïau preifat ei eisiau. Felly, mae'n rhaid ailedrych arnyd nhw.

[74] Ond, cofiwch, mae llawer o hyn o hyd yn cael ei roi yn ei le gan ardal Caerdydd a bae Abertawe, felly mae'n rhaid ystyried—. Rwy'n gwybod bod y prosiect IQE wedi dod yma rwan oherwydd mae'n bwysig

**Adam Price:** Just lastly, you mentioned the exciting plans around the IQE cluster in the south-east. My understanding is that there's some kind of issue in negotiating a building for these very exciting plans that they have as a result of the contract that they've won with a world-famous manufacturer. I don't know if you are aware of that. But is there an issue in general, do you think, that is, in the context of the city deal, once again, with the ability of the public sector to move quickly enough to follow the timetable of the private sector, where lead times are much tighter than we expect from the public sector?

**Professor Jones-Evans:** It's not just a matter of being able to follow the private sector. There is a very small window for many of these opportunities. I think what's important is—. The way that the governance has been put together for these deals, I don't think that those arrangements are right to be able to deal with the kinds of speeds that private companies want. So, we do have to look again at that.

But bear in mind that a lot of this is still being put together by Cardiff and Swansea bay, so we do have to think about—. I know that the IQE project has come before here now because it's important that—. There's one

bod—. Mae yna un cyfle, os nad yw hwn yn mynd ymlaen rŵan, bydd y cynhyrchu, maen nhw'n dweud, yn mynd drosodd i'r Unol Daleithiau ac fe fyddwn ni'n colli'r cyfle yma am rywbeth arbennig iawn i Gymru. Felly, hwyrach fod hyn yn weddol unigryw, ond bydd yn rhaid inni gymryd i ystyriaeth beth sy'n digwydd efo prosiectau sy'n dod i mewn yn y dyfodol.

opportunity and if this doesn't go ahead, then the manufacturing, they say, will go over to the United States and we'll lose this opportunity that's a very special opportunity for Wales. So, perhaps this is relatively unique, but we do have to consider what happens with projects in the pipeline in future.

[75] **Adam Price:** Diolch yn fawr i ti. **Adam Price:** Thank you very much.

[76] **Russell George:** David Rowlands.

[77] **David J. Rowlands:** First of all, just very briefly, you mentioned the 11,000 jobs that have been created in the last eight years, prior to the city deal. We heard in Glasgow the other day that the city deal has virtually created—the only jobs it's created have been in the public sector. Those 11,000 jobs you're talking about in the Swansea region, are they in the public or the private sector?

[78] **Professor Jones–Evans:** I would guess, with the way that the public sector has been treated over the last seven years, that very few of them are in the public sector, to be honest with you. You can check the data—I'm sorry, I just looked at the gross figures.

[79] **David J. Rowlands:** Fine, okay. Going on from there, the Bevan Foundation and the Joseph Rowntree Foundation have voiced concerns with regard to whether the city region will actually impact on the wider region itself with regard to the creation of wealth within those regions, because they are looking at a holistic situation, that it shouldn't be just GVA that measures the delivery of the city deal, but it should be around the social side of it as well. So, where do you think that it—? Do you think that it will create wealth in those regions? And following on just a little from that, ColegauCymru has gone a little further, I suppose, than the Rowntree and Bevan foundations, in that they've said there is a potential for it to actually hollow out the Valleys.

[80] **Professor Jones–Evans:** Well, I'm sure you've looked very carefully in this committee, and as individual Members at—. If we look at the Cardiff

capital region and the fact that nearly £750 million is going to be spent on the south Wales metro, I can't see how that will hollow out. That will give opportunities both ways. I think what we need to do is to create stronger communities within the south Wales Valleys, and if jobs are not going to be created there—and I hope they will, and I think there are real opportunities to create jobs within the south Wales Valleys through the different projects that are coming up—then certainly we need to make sure that people can get quickly to a place of work in major centres of employment and get back to the communities, and hopefully spend their money in the communities, because that's what's the most important thing for those communities. If we think about how communities have been created, it's not necessarily where people work; it's where they spend their money and all the ancillary services that come on the back of that.

10:00

[81] **David J. Rowlands:** That doesn't really fit in with a foundational economy really, does it, if what we're creating is an ability for people to travel much easier out of the Valleys and into city jobs?

[82] **Professor Jones–Evans:** But the fact is that if you have people located— . If you think about things like education and health, they will be where people live and not necessarily where people work. We need to strengthen those communities to ensure that we don't have this constant exodus from the south Wales Valleys down and people then trying to live in far poorer conditions, in some cases, than they would back in their home communities. The same applies to places like north Wales as well. North Wales has always seen an exodus of young people in particular, outside into England and also down here to south Wales. Certainly, one of the aims of that particular strategy would be to address that.

[83] **Russell George:** Vikki Howells.

[84] **Vikki Howells:** Thank you, Chair. Just building on some of the questions that David Rowlands asked you there, obviously the metro is key to the overarching strategy of reducing poverty in the Valleys. Would you agree with me that it's very important that we look not just at how people can move in a linear fashion down the Valleys into Cardiff, for example, but also connecting up the northern Valleys with bus links as well?

[85] **Professor Jones–Evans:** Yes, certainly. Initially, of course, the metro

has been seen as a solution for the whole of the region and, again, it's following the traditional routes, as you say. Clearly, I think there is a case to be made, possibly as part of the Cardiff capital region bid, to look for funding to enable those opportunities to take place. I think, on a wider basis, there will always be a tendency within a region, particularly like the Cardiff capital region, for us to look to focus our efforts on Cardiff and Newport. I think we certainly need to get away from that mentality. I work at the University of South Wales, where we have a campus in Cardiff, which is very successful. We have 3,500 students; it's the biggest creative industry campus outside of London and yet, if we focus only on Cardiff, we ignore the other nine—and I would include Neath Port Talbot in that as well—or 10 authorities that are equally, if not more important to our role as a university, and also to the development of the entire economy. We cannot have just a focus on two urban areas—it has to be across the whole region.

[86] **Vikki Howells:** Thank you. Just drilling down to the answers that you've already given to David Rowlands just a minute ago, is there anything else that you'd think it would be appropriate to tell us about how you think the city deals and growth deals will improve the skills and quality of jobs on offer within the region to those who really have the greatest need?

[87] **Professor Jones-Evans:** I think that the issue here, and I alluded to it when Jeremy asked the question, is: what is the main economic priority that we should have as a nation, as a city region and as individual businesses? That's about skills. Last year, the World Economic Forum met in Davos. The great and the good met and employability was the key issue. What we have now is that in three to four years' time, somebody working in a factory up in the Valleys, that job they're doing now will not be the same as what they'll need in three to four years' time, and yet we have no overall particular strategy to deal with that.

[88] If our businesses become uncompetitive and if our businesses become less productive and we don't address this issue of productivity, then those jobs will inevitably go elsewhere, either through inward investors deciding, 'We can't get the best out of this', or local businesses not being able to produce the profits to actually employ people. So, we need to focus on those skills. As yet, in both city deals—and I know one already has prescribed 11 projects and the other one is bringing other projects to the fore—that issue has not been addressed. If we don't address the issue of skills, then essentially, there will be no jobs for people to go to, but more importantly, those in existing jobs, who are fathers and mothers, working and living up in

the Valleys, will not have a job within the next 10 years, and we need to address that.

[89] **Russell George:** Hannah Blythyn.

[90] **Hannah Blythyn:** Thanks, Chair. To return to how we get the balance between competition and collaboration between neighbouring regions, in your answer to Adam Price about the investment fund being in one region not another and that there could be an unintended consequence to create an imbalance. And also if you look at, perhaps, the Swansea bay city deal and the Cardiff deal, there are pretty arbitrary boundaries there. If you look at Bridgend, where you've got over 6,000 who travel to work—and Neath Port Talbot, which is in a neighbouring deal. So, how do we get that kind of balance right, and avoid, perhaps, the unintended consequence of economic displacement?

[91] **Professor Jones–Evans:** Well, this is the thing, isn't it? Like I said before, I sit on a Welsh Government panel that's developing an entrepreneurship strategy for the nation. We've been working with MIT—the Massachusetts Institute of Technology—to develop this strategy, over the last two years. And what's fascinating—as I said, I made this point—is that there's no competition in community building. And, to be fair, if you look at both city regions at the moment, they are focusing on what they're good at. So, you know, there is a focus very much on life sciences, and to some extent steel, which is critical, obviously, to the region. And if you look at some of the areas that we're talking about developing in the Cardiff capital region, we're talking about the compound semiconductor cluster, cyber security and potentially film and creative industries, which we're strong in. So, it's a matter of having those strengths.

[92] Now, obviously, we're going to have people crossing because of that. But to me, one of the key issues is that, when we have key projects that can affect the entire country—never mind the two regions—we need to look at how they can actually either work together or be expanded. The perfect example of that is 5G. The 5G network that is going to be developed, hopefully, within Neath Port Talbot, for the Swansea bay region, has implications for the entire south Wales region. If you look at Bridgend—you know, Ford is critical to employment in Bridgend, not only because of its impact on the supply chain in the region, but the high-quality jobs it produces, and also the fact that, globally, we have one of the world's greatest companies based here in Wales.

[93] But things are going to change. We know that the entire industry is now moving towards looking at driverless cars. Maybe in 10 years' time, it'll be Google rather than Ford who will be the biggest car producer in the world. We don't know what's going to happen. But the fact is that, if we're going to change that, then 5G is going to be the way that that's going to change, and that can really affect the industry going forward, particularly the motor industry. So, the question we have to ask is whether something as radical and disruptive as 5G should be limited to four counties of Wales, or be something that we should be expanding across the whole of the region.

[94] **Hannah Blythyn:** Going one step further, I think, how do we ensure—*[Inaudible.]*—city and growth deals in south Wales, but also a potential north Wales growth deal, that that creates a level playing field, perhaps, with what's happening elsewhere in the UK, and the same kind of level of competitiveness? Because, obviously, you've got the Northern Powerhouse—depending, perhaps, what's in the Queen's Speech today—and then you've got what's happening in the midlands as well. So, how do we offset against that as well?

[95] **Professor Jones–Evans:** I sometimes think the Welsh Government needs a better press office. Because if you look at—. You know, the Northern Powerhouse, it's—what did Shakespeare say? 'Full of sound and fury, signifying nothing'. It's a lot of PR. It's the same when you go to Shoreditch, in London; I mean, you think all these things are happening, and yet there are equal developments all over the world that are doing well.

[96] The point I think that needs to be made is: if you look at how Wales has developed since 2010—or 2008, shall we say—it's the third fastest-growing economy in the UK, after London and the south-east. In 2010, it was the second. So, it hasn't done too badly, mainly because we were first into the recession, because of our manufacturing base, and actually we were first out. And that's made a real difference. I'm not saying everything's rosy, otherwise we wouldn't have the city deals. But what I think is key is that devolution, however flawed some people may think it is, has worked in Wales.

[97] The simple reason is that, if you look at, for example, UK fiscal policy to reduce corporation tax, that's actually benefitted Wales enormously. Why? Because inward investment in Wales has gone up—not to the same levels as they were under the Welsh Development Agency, mind you—but they still

have gone up to record levels. And that's why: because we can offer a devolution dividend that many other areas can't. So, we can say that we've got low taxes, but, actually, that we've got a Welsh Government that also wants to help: 'We're a small nation, everybody knows each other, we are here to help you.' So, we can do that. The real danger is that, now devolution is being spread out throughout the UK, other regions will start to cotton on and do the same. So, actually, what we should be doing with the city region deals is to use that to create a greater competitive advantage for ourselves, particularly in key sectors.

[98] **Russell George:** Hefin David.

[99] **Hefin David:** Do you think the UK Government has a targeted economic strategy for Wales?

[100] **Professor Jones–Evans:** I suppose you'd have to ask the Secretary of State for Wales that. I think—

[101] **Hefin Davies:** As an academic, do you perceive that the—.

[102] **Professor Jones–Evans:** I think what we have failed to do in the past is take full advantage of the opportunities being created by the UK Government. I wrote a piece on this—I didn't get attacked as much in public for it, but I did write a piece on the failure of Innovate UK to consider Wales. There was a letter in the *Western Mail* from the deputy director saying the reason that Innovate UK didn't invest in Wales was because we didn't have good enough projects. I'm sure if she'd have talked to the academic and business community in Wales they would disagree. The fact is that we've had bodies at a UK level that we haven't worked with as closely as we should have. That could have been our fault, but equally, theirs. There is a tendency with Whitehall to look down the M4—I nearly said 'look down their nose'—but look down the M4 at Wales and see it not as an integral part of their strategy. And I think that is a role for—. Yes, it's a role for the Wales Office to fight the corner far harder. Certainly, I know that the reason Innovate UK changed their mind is because the previous Secretary of State for Wales, Stephen Crabb, did actually drag them into the office and said, 'What's going on in Wales? We're getting no money, and if we had the same money by Barnett, we'd be getting an extra £80 million or £90 million more a year.'

[103] So, we've got to fight our corner. It's the same with research councils. We're not doing the same there in terms of that. I've advocated the potential

that we should have a Wales research council. It'll never happen, but if that's not going to happen, we need to go in there then and say, 'We've got great projects, you need to fund this.' So, if we're saying we don't have one, there is opportunity. There's opportunity this morning about hydrogen. It was announced today that there's going to be a £25 million hydrogen energy fund. Well, of course, as Jeremy knows, the University of South Wales actually have a hydrogen research centre, one of the best in the UK, based in the Neath Port Talbot enterprise zone. So, we could do this, but I think we've got to be co-ordinated better.

[104] **Hefin David:** Just taking a step back then and looking at the Welsh Government, do you think the Welsh Government has—? You mentioned the helix approach. Is that any different to what the UK Government does in its approach, other than being on a more localised scale?

[105] **Professor Jones–Evans:** Ironically, you can argue that Wales hasn't had an economic strategy since 2011 and it hasn't done too badly. The Welsh Government now is going to be developing an economic strategy, and I think that gives the Welsh Government an opportunity, rather than having the usual top-down approach and saying, 'This is our view and we will impose it throughout the nation', to work closely with the city regions and other partners to make it happen.

[106] **Hefin David:** So, you'd support this regionalised approach.

[107] **Professor Jones–Evans:** Yes, absolutely. If you're talking about—. Remember, you've got the rural strategy as well. So, you've got, essentially, four strategies, for sub-regional strategies, plus this national one. We've talked about the issues of poverty and inequality. I think that's something, certainly, that should be addressed at a local level, but certainly, that strategy has to be driven by the Welsh Government more than—

[108] **Hefin David:** And proportionally, how significant is a city deal to that strategy, because it isn't a Welsh Government-generated approach, is it?

[109] **Professor Jones–Evans:** No. I think this is the point I made earlier. Whether you believe that the approach is the right one or not, nevertheless, each region has come together with key partners, and come up with what they believe are the solutions to their future. And the further you can drive down decision making on economic policy to the main actors within that region, the biggest impact you'll have.



[110] **Hefin David:** We took a trip to Glasgow, and one of the things that perhaps we saw there was limited stakeholder engagement. Do you think stakeholder engagement is being effective?

[111] **Professor Jones–Evans:** I think the key issue—and we had this throughout the entire European structural funding process—is how to engage with the private sector, and it’s still really difficult to do so. The private sector will always say they’re too busy. When you actually develop a project, they’ll say, ‘It’s not relevant to me’ but then you say, ‘Well, we tried to consult with you, and you weren’t—.’ That is going to be the biggest challenge, I think, but it is the most important challenge: (a) how do we get the private sector to come up with key projects that can affect—? That’s in the Cardiff capital region; (b) in the Swansea region, how do we get those companies who have said they’re going to provide 50 per cent of the funding to actually sign on the bottom line and contribute to this project; and (c), more importantly, how do you get the entire business community to say, ‘This is going to have a positive influence on my business going forward’?

[112] **Hefin David:** And who are those stakeholders in the context of the city deal then? Are you talking micro–firms that have the potential to grow? Are you talking about medium–sized firms that are already at a stage of—?

10:15

[113] **Professor Jones–Evans:** To be perfectly honest with you, I think it’s everybody. Adam alluded earlier that there has been a tendency for this to be a large firm—you know, ‘Let’s get the big names in and do it that way’. The real effect—. Let me give you a quick example, Chair, if it’s okay. If you look at—I mentioned the issue about skills. I did a review recently for the local skills partnership for south–east Wales on the skill needs of business between demand and supply. The biggest demand of any sector is in digital skills. Digital skills will transform. We know this anyway, the way things are changing, but we’re not talking about cyber security and artificial intelligence; we’re talking about the ability to apply those digital skills in your average company. That could make that company more competitive and more productive. That’s the sort of project that really we should have. We need, to an extent—. Whereas the commission that looked at this for growth and looked at this for the Cardiff capital region said, ‘Well, we need to pick two or three projects’—yes, fine, we’ll have those headline projects, but we need the democratisation, I believe, of these sorts of initiatives, to ensure

that those businesses that can benefit from support do benefit. We haven't had it with many initiatives in the past. It has focused on the very narrow, and to a large extent, I think, that's where it has failed.

[114] **Hefin David:** But if the businesses aren't there in the first place—we've talked about the northern Valleys, and developing skills—

[115] **Professor Jones–Evans:** Well, you'd be surprised that there are very good businesses up there if you—

[116] **Hefin David:** Well, I'm not surprised; I know there are.

[117] **Professor Jones–Evans:** Yes, you know there are. Like you say, you go to Caerphilly, and what a fantastic centre it is. The interesting thing about Caerphilly, of course, is that you've got all these large businesses there that actually haven't grown. They're just stable. What could you do to encourage them to grow? You've got all these other, smaller businesses supplying them. So, the great thing about Caerphilly is not that it's not growing—it's not not growing either—so you've got this very stable economy. You can imagine if you made a 5 per cent, 10 per cent shift in that, what an impact it would be, if you get those businesses to adopt, shall we say, a more enlightened view of digital skills than they currently have.

[118] **Hefin David:** Okay.

[119] **Russell George:** Dylan, thank you for your time this morning. We're very grateful. If you are following the inquiry and there are other areas that you want to comment on as other witnesses come before us, please do let us know. We'd welcome that evidence.

[120] **Professor Jones–Evans:** If you wish, I can arrange for—Hefin asked for the document to be sent—

[121] **Russell George:** We'd be very grateful for that.

[122] **Professor Jones–Evans:** It's a fascinating document.

[123] **Hefin David:** As long as you don't get in trouble for it.

[124] **Professor Jones–Evans:** I'm always in trouble, you know that. It's par for the course.

[125] **Russell George:** Thank you, Dylan. Thank you very much.

10.17

**Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol—Bargeinion  
Dinesig ac Economiâu Rhanbarthol Cymru  
Cabinet Secretary for Finance and Local Government—City Deals and  
the Regional Economies of Wales**

[126] **Russell George:** We move to item 3. I'd like to welcome the Cabinet Secretary, Mark Drakeford, back to our committee. Good morning, Cabinet Secretary. I'd be grateful if you could introduce yourself and your officials.

[127] **Mark Drakeford:** Good morning, Chair. Thank you very much for the invitation. I'm joined this morning by Jo Salway, who works in the Cabinet Office of Welsh Government but has been involved in the development of both the Cardiff and the Swansea city deals, and by Debra Carter, who is a senior official on the local government side of my responsibilities.

[128] **Russell George:** I'm very grateful. Can I ask: has the process by which the city and growth deals have been developed and agreed been the correct approach, in your view?

[129] **Mark Drakeford:** Well, Chair, I suppose I'd start by saying that, of course, city deals are not an idea invented by the Welsh Government. They are a policy approach invented at Whitehall and very directly driven by the Chancellor of the Exchequer at the time. So, the process of developing a city deal is unlike the standard way of doing Government business. So, the standard way of doing Government business is that there is a rule book and a process that you follow and it can sometimes feel frustrating and slightly sclerotic, but there's a process there for everyone to see and it happens fairly uniformly everywhere. City deals are not like that at all, it seems to me. They are reinvented in the circumstances that exist in the particular geographies where each city deal is being developed. And that has strengths to it; I certainly wouldn't deny that. It means that they can be agile to those local circumstances, it means that they can be more inventive in responding to those local circumstances, but it does mean that it is a process a bit without a rule book in which you are having to develop the process every time you do it.

[130] In some ways, in Wales, it seems to me that the process has, itself, turned out to be very important. So, the fact that, in the Cardiff capital deal, the process, in the end, managed to bring 10 different local authorities around the table and to reach an agreement on a very significant prospectus for investment and ways of doing things—the culture change involving doing that I think has been very important, and it's been very influential to me in thinking through the wider patterns of local government reform that I hope to bring in front of the Assembly over the next 12 months.

[131] **Russell George:** What would you like to see different in regard to the process?

[132] **Mark Drakeford:** I think that, as the process matures—. This is always assuming that there would be further city deals in future, and I think, again, the committee will, no doubt, have spotted the fact that, without the individual most closely associated with them in Government, the appetite for city deals at the other end of the M4 may not be what it would've been 18 months ago. So, on the assumption that there is a continued interest in city deals, I would have assumed that, as there is greater experience of them in different parts of the United Kingdom, then, some common approaches and some common rules in the way that these things are devised will be more likely to emerge.

[133] But I want to just be clear that I think there have been genuine strengths in the way the city deals have been put together, as well as, sometimes, an absence of the sort of processes that we are more familiar with in the way that government generally works.

[134] **Russell George:** The Centre for Urban and Regional Development Studies at Newcastle University said that the role of the state is being reconfigured at local and national levels due to the informal governance arrangements that are being put in place to develop city and growth deals. Do you agree with that?

[135] **Mark Drakeford:** Well, I think that's more likely to be true of the English experience than the way that we have done deals here in Wales, because our deals are very heavily predicated on sustaining the core democratic responsibilities of local authorities themselves. Historically, we have retained a uniform pattern of local government in Wales with the responsibilities that we continue to believe are best discharged by local

authorities. In England, if there is a hollowing out in the way that the research you referred to suggests, it is part of a wider diminution in the respect shown for and the responsibilities allocated to the local government tier. So, I see the point that is being made and I think that, in some of the English deals, you pretty much do see that these are ways of bypassing local responsibilities. I think the way that we've configured them in Wales avoids that risk.

[136] **Russell George:** Do you think that there's been the right level of transparency and engagement in the process in regard to the city deals?

[137] **Mark Drakeford:** Well, I think there are some legitimate criticisms that can be made of the process from that perspective. I read the evidence that you heard from Andrew Morgan, the leader of Rhondda Cynon Taf County Borough Council, about the speed with which the Cardiff city deal was driven along largely by the UK Government's timetable, squeezed between a Scottish referendum on one side and a UK general election on the other, and speed is sometimes the enemy of transparency there. If you're trying to do things very fast then it can be more difficult to engage with the wider range of stakeholders that you might sometimes wish to engage with, and to make the way that things are happening easily enough visible to people who would want to take an interest in them. So, I think there's a case to answer in some of the things you've heard. The Swansea city deal, you might say that that's been less a feature. It's been developed over a longer period of time, it has, I think, had more directly at the table a wider range of very important local partners, as well as the Welsh Government and the UK Government—the university in Swansea has been a very powerful player in the development of the deal, the local health boards have been very important contributors to it, and the chair of the regional skills partnership chaired some very important decision-making forums around the deal. So, as I say, I think, speed and transparency, there sometimes is a trade-off between the two. I think it's differently calibrated in the two deals. Swansea, I think, maybe the criticism would be less easy to mount than maybe in the way the Cardiff deal was developed.

[138] **Russell George:** So, I think you're saying that you haven't got any major difficulties in terms of transparency and engagement.

[139] **Mark Drakeford:** Well, I am saying that there were questions that people have raised that are legitimate to be raised. In a way, I think the more important question is about making sure that, once the deal is done, the way

that decisions are made from now on and the way that the deal is implemented, there is a very clear set of arrangements that offer people transparency and that the people who have an interest in the way these decisions will be made are able to see as clearly as you can where those responsibilities lie and how they will be discharged.

[140] **Russell George:** And do you think that'll happen?

[141] **Mark Drakeford:** Well, I think you can see that happening already in the Cardiff capital deal. I think it was a genuine test of the 10 local authorities that they would be able to take through each of their councils, in the dying months of those councils, when people are facing elections and with all the turbulence that that introduces to the decision-making process—that they were all able in the early months of this year to take the governance arrangements successfully through those councils so that there now are documents published, people can see those arrangements, they will know how they will operate. So, I think local authorities in Wales can take some credit for the way in which they have been able to agree on future arrangements in a way that will offer greater insights to people who want to track the way in which these deals are now going to be put into practice.

[142] **Russell George:** Jeremy Miles.

[143] **Jeremy Miles:** I'm struck by what you said just now about being influenced by the collaborative behaviour of the councils in your approach to local government reform more broadly. The WLGA is quite taken by the regional deals and expressed this alternative to the legislative requirements to collaborate, which your proposals involve. What's your response to that?

[144] **Mark Drakeford:** Okay. Thank you, Jeremy. Well, let me take the first point first, which is that, when I first became the Minister responsible for local government, I thought my job was to go out, meet every single local authority, their leader, their chief executive and others, and to hear from them ideas they may have as to how the future landscape of local government in Wales ought best to be designed.

10:30

[145] And I was struck from quite early on by the fact that every single local authority leader that I met in the Cardiff capital region went out of their way to say to me that they felt that the way that the city deal had been done

represented a fundamental shift in the way that they had been able to come round the table and to reach agreement across those boundaries. They were keen, I felt, to say to me, 'Here is a successful example of how we can pool our interests to be able to make decisions that are based on our region's strengths, and which will create new economic opportunities right across our boundaries'. So, in some of the ways I've been thinking about new regional ways of doing things, they have been genuinely influential.

[146] Now, you are right to say—and I know you've heard from the WLGA—that, in their response to the consultation on local government, there are some local authorities that want to say, 'So, all you need to do, Cabinet Secretary, is to help us to agree on new regional footprints and new regional functions, and then you can leave it up to us. We've shown we can do it. You don't need to do anything more than that.' That's the point at which I do still depart from their analysis. I am very keen to say to them that I want to continue to work with them in a collaborative way so that we agree on what the footprints should be, that we agree on what the functions should be, but, once we have agreed, I think it is in their interests—not just from where I sit; it's in their interests—that we then support those agreements by putting into law the fact that these arrangements must stick. The reason I say it is that I heard too often from local authorities themselves about where they had invested considerable time, effort, resource, in trying to develop a regional way of doing something only to find at the last minute that one of the partners would want to walk away. All that work could unravel very quickly because one partner might decide that, from their very particular perspective, they felt that, although the regional benefit was there, the local benefit wasn't good enough. I'm afraid that I need to make sure that all partners have the confidence of knowing that, once we've agreed on the regional arrangements, everybody is in them, and people can't just walk away because it doesn't suit them. That's why I still believe that an element of mandation below the agreed arrangements that we make is in everybody's interest.

[147] **Jeremy Miles:** Thank you. Can I just hone in on one of the functions and footprints then, as you've described them, which is the economic development responsibility, which—? Obviously, there's developed thinking in your consultation about the footprint for that, and yet we have, alongside that, a regional body that has an absolutely fundamental economic development function. Do you see that actually attaching the function to that regional body as opposed to the individual authorities, with a duty to collaborate, might be a better way forward, which is what the Federation of

Small Businesses in Wales have been calling for?

[148] **Mark Drakeford:** Well, you will have seen in our local government White Paper that we identify the city region footprints as the footprint on which economic development responsibilities should be discharged. That is because of what I said to you earlier, that I was convinced by what local authorities themselves said about the success they have had in coming together to do that. The call for the FSB is to make economic development a duty, and that is not the way that I have been thinking about these things so far. The approach I'm wanting to take to local government reform more generally is to strengthen the tool box that local authorities have to be able to discharge their responsibilities successfully. So, to give them the powers—and they already have significant powers in the economic development field—but then to say that they are better placed than I am to decide on which tools and which combination of tools are best deployed to create success in their localities. I say that because I genuinely do believe in local government, and I do believe that they are often closer to those local sets of circumstances and arguments, and that my job is to make sure they have the tools they need, and it is their responsibility to select those tools and to deploy them. Why do they need a duty? They've got everything they need now. They don't need me to tell them that. And actually I would say this: I have never met a local authority leader from any political party who doesn't say to me that they think that the economic prosperity of their locality and the people who live in it isn't right at the top of their agenda.

[149] **Jeremy Miles:** So, you wouldn't see any merits in—I take the point about the difference between a power and a duty but you don't think that a regional body, as it were, set apart from the local authorities should have any stand-alone obligations in this field, different to those that the authorities already have.

[150] **Mark Drakeford:** The local authorities already have them. In our way of doing it, they will pool those responsibilities, and they will be mandated to do that, and then they will plan and exercise those responsibilities on that regional footprint.

[151] **Jeremy Miles:** Thank you.

[152] **Russell George:** Adam Price.

[153] **Adam Price:** Bore da. Roedd **Adam Price:** Good morning. There



yna gyfeiriad, rwy'n credu, yn eich Papur Gwyn, yr ymgynghoriad, at y posibilrwydd o greu fforwm cydweithio rhanbarthol yn siroedd y gorllewin, ac yn sgil hynny, rwy'n credu, awgrym yn adroddiad roedd Rhodri Glyn Thomas yn gyfrifol amdano fe. A allwch chi ddweud tipyn bach mwy am hynny, yng nghyd-destun beth welon ni yn yr Alban ar ymweliad yn ddiweddar, lle mae ambell ardal mewn mwy nag un fargen ddinesig? Felly, a fydddech chi'n croesawu sefyllfa, neu'n rhagweld sefyllfa lle byddai, efallai, sir Caerfyrddin, er enghraifft, yn rhan o ranbarth de-orllewin Cymru, ond hefyd, oherwydd y cyswllt iaith ac economi â Chymru wledig, yn cydweithio ar draws yr arfordir gorllewinol yr un pryd?

[154] **Mark Drakeford:** Wel, y sialens yn y Papur Gwyn yw trial creu rhyw fath o ddyfodol ar gyfer awdurdodau lleol lle rydym ni'n gallu rhoi digon o sicrwydd i bobl, iddyn nhw allu bod yn glir lle mae cyfrifoldebau yn cwmpo, ond ar yr un pryd i roi digon o hyblygrwydd i gynllunio pethau sy'n addas i'r amgylchiadau lleol. A dyna pam yn y Papur Gwyn rydym ni yn pigo lan y syniad yn adroddiad Rhodri Glyn am drío creu rhyw fath o rwydwaith, neu fwy o rwydweithiau, yn y de-orllewin, sy'n gallu tynnu at ei gilydd yr awdurdodiadau lleol, lle mae'r iaith a'r dyfodol economaidd yn gallu dod gyda'i gilydd i helpu ei gilydd. So, rydym ni'n dal i edrych i mewn i'r

was a reference, I think, in your White Paper, the consultation, to the possibility of creating a regional collaborative forum in the counties of the west, and as a result of that, I think, a suggestion in the report that Rhodri Glyn Thomas was responsible for. Could you tell us a little bit more about that, in the context of what we saw in Scotland on a visit recently, where some regions are members of more than one city deal? So, would you welcome a situation, or foresee a situation where, perhaps, Carmarthenshire, for example, would be part of the south-west Wales region, but also, because of the economic and linguistic link in rural Wales, collaborating across the western coast as well?

**Mark Drakeford:** Well, the challenge in the White Paper is to try to create some kind of future for local authorities where we can give people enough assurances, so that they can be clear as to where responsibilities lie, but at the same time to give enough flexibility for planning things in a way that is suitable for local conditions. And that's why in the White Paper we do pick up this idea from the Rhodri Glyn report of creating some kind of network, or more networks, in the south-west, which can draw together the local authorities, where the language and the economic future can come together to help each other. So, we are still looking at the solutions to

atebion i'r Papur Gwyn. Cawn ni weld. So, dyma'r tensiwn, a dyma'r sialens, ond rydw i'n agored i feddwl am ddyfodol lle rydym ni'n cael mwy nag un ffordd o gael pobl at ei gilydd. Rydw i'n mynd ddydd Llun nesaf i lawr i'r de-orllewin—rydw i'n cwrdd â'r bobl sy'n arwain cyngor sir Caerfyrddin a sir Ceredigion, ac mae hynny ar yr agenda gyda fi i siarad â nhw, i drial creu mwy o fanylion am y syniad.

the White paper, and we'll see. So, that's the tension and that's the challenge, but I am open to thinking about a future where we can have more than one way of getting people together. I'm going down to the south-west next Monday—I'll be meeting people leading Carmarthenshire and Ceredigion county councils, and that is on my agenda to speak to them, to try to engender more detail about this idea.

[155] **Adam Price:** Mae'r Confederation of British Industry, rydw i'n credu, wedi awgrymu model amgen posibl ar gyfer strwythurau datblygu economaidd rhanbarthol, neu gyfrwng gwahanol efallai, sef creu corfforaethau datblygu rhanbarthol. Ac, wrth gwrs, byddwn ni'n gyfarwydd yn y lle yma, yn y rhan yma o Gaerdydd, gyda model yr *urban development corporation*. A oes yna unrhyw bwerau a fyddai gan y math yna o drefniant, felly, y corfforaethau datblygu yma, na fyddai gan awdurdodau lleol ar hyn o bryd? A phe bai clwstwr o awdurdodau lleol ar sail ranbarthol eisiau creu rhywbeth yn debyg i *development corporation*, a fyddech chi yn edrych yn eithaf agored ar yr awgrym hwnnw?

**Adam Price:** The Confederation of British Industry, I believe, has suggested an alternative model for the structures of developing regional economies, or a different medium, perhaps, which is to create development corporations on a regional basis. And, of course, we'll be familiar in this place, and in this part of Cardiff, with the urban development corporation model. But are there any powers that that kind of arrangement would have, therefore, these development corporations, that wouldn't be held by local authorities currently? And if a cluster of local authorities on a regional basis wanted to create something similar to a development corporation, would you look quite favourably or openly at that suggestion?

[156] **Mark Drakeford:** Well, Chair, my colleagues may have things to contribute, because one of the issues—I know it's faced you—you'll be hearing from my colleague Ken Skates, as well as from me, and some of these questions tend to take us into his areas of responsibility than mine. What I would say, in general, is that the proposition that Adam Price has just put is consistent, I think, with what I said in my answer to Jeremy Miles, that

the relationship I would like to try and create with local authorities is one where Government acts to make sure that they have the range of powers and other tools that they need, and then that we are slightly more willing, than sometimes we have been in the past, to allow them to both exercise the choices that they have, and then to take responsibility for the decisions they make themselves without always feeling that somehow we have to make those decisions on their behalf from the centre.

[157] **Russell George:** Hefin David.

[158] **Hefin David:** Just sticking on that point, with regard to democratic accountability, which elected officials or elected members would be responsible for scrutinising the activities of these regional-style deals?

[159] **Mark Drakeford:** Well, in a way that I hope you will see is consistent with the general approach that I'm trying to describe to you here, what the White Paper says is that we would make three different models of scrutiny available to local authorities and allow them to decide which model best suits their needs and circumstances.

[160] **Hefin David:** But if it's a regional city deal, then there needs to be a common approach, doesn't there?

[161] **Mark Drakeford:** Well, no. Why? I don't know that I completely follow why we would think that we would know better than they would. What we do is we provide them with a series of choices that they can make and the three choices in the White Paper are: local authorities in a city deal area could decide that the best way to scrutinise it is to continue to exercise that responsibility entirely locally—

[162] **Hefin David:** Okay.

[163] **Mark Drakeford:** —or you could decide to create a single scrutiny committee, made up of all the component local authorities, and do it that way. Or you could decide that you would come together in that way to scrutinise particular aspects of a city deal, with that sort of menu approach in which we provide them with the tools and then say to them, 'But, actually, you are closest to this, you can decide from that set which ones you think are best.'

[164] **Hefin David:** The Wales Audit Office have been critical of scrutiny

generally in local authorities. So, do you think that they've come of age sufficiently to take on this new challenge?

[165] **Mark Drakeford:** I, too, think that scrutiny is a harder job than we sometimes give it credit for and, inevitably, the deck is stacked in favour of the people who make decisions because they will have the resources and they will have the insight and they will—. So, I sometimes think the criticism of the way the scrutiny is carried out tends to start from the wrong base. It tends to assume that scrutiny is rather easy and that people are not very good at it. I think scrutiny is quite difficult and that you've got to equip people—you've got to equip them quite well to be able to discharge it successfully. I do think that the experience of local government in Wales is that people have got better at it the more experience they've had, and pooling that capacity and working across boundaries in it and learning from one another may be a way of strengthening that still further.

[166] **Hefin David:** They have to have got better at it if it's going to be successful in scrutinising these deals.

[167] **Mark Drakeford:** I agree with that.

[168] **Hefin David:** Okay. Taking a zoom out now and looking at the bigger picture, to what extent is it possible to exaggerate the impact of city deals on Welsh Government policy?

[169] **Mark Drakeford:** On Welsh Government—?

[170] **Hefin David:** On Welsh Government strategy. So, you're developing a Welsh Government strategy—so you think we exaggerate the impact of city deals on it?

[171] **Mark Drakeford:** Well, I think there are very proper questions to be asked about city deals altogether and whether we do tend to exaggerate their impact. How confident can we be that growth in a city region deal can be attributed to the actions of the city deal rather than other things that would have happened? I heard—not very much, but I heard some of Professor Dylan Jones-Evans's evidence to you, when he talked about the number of jobs that have been created in Swansea in the 18 months prior to there being a city deal. So, there is a problem of attribution. There is a problem of knowing additionality, what's the extra that a city deal is provided with, and there is always the question of substitution. Is this genuinely extra or is it just

happening here rather than happening there? So, I think these are very proper questions and I think behind your question lies some of that scepticism as to whether we are—

10:45

[172] **Hefin David:** I'm trying to be as neutral as I can.

[173] **Mark Drakeford:** Well, fair enough. Well, taking the question neutrally, then, I think it is proper to be open-minded about looking to see how far the impact of what goes on in a city deal area is properly attributed to the city deal. We shouldn't make the assumption that everything that happens there is because of a city deal. It's difficult to disentangle. I start from the point of view that I want city deals to succeed. I think they're ambitious, and they're properly ambitious, and the Welsh Government will want to play our part with the UK Government, local authorities and their partners to make them succeed. But I think it's right that we should be open-minded—if that's neutral—if that's the right position in assessing properly what their impact has been.

[174] **Hefin David:** You're going to have regional policy, you're going to have local government reform, you're going to have city deals and we've talked about a foundational economy. All these kinds of things are in a big pot. Is there going to be some way of clarifying how they connect together and how the Welsh Government envisages them working together in the years ahead?

[175] **Mark Drakeford:** Well, Chair, I think my first response to that is just to say it was ever thus, that in trying to take any strand in Government policy forward—. We always tend to think we're living in an era where everything is changing, but, actually, it always seems like that and these are always moving parts. And trying to be sure we attribute the right thing to the right part is always a challenge. There are some very particular challenges around at the moment: Brexit being one of them and its impact.

[176] The thing to remember about the city deal as well is that these are long-term arrangements. These are 15 and 20-year arrangements and a lot will be different in 15 and 20 years' time that none of us today will have been able to predict. So, the job of the Welsh Government and the UK Government is to make sure that we have a sufficiently robust set of arrangements for tracking the city deal, for having decision-making points along its path, where either we can say, 'Yes, the city deal is delivering on the things that we

hoped that it would', or where we can say, 'Some of the things that Hefin has just pointed to have had an impact on the original plan in a way that you couldn't have anticipated five years ago, and we now need to recalibrate and allow it to move forward in a way that takes account of those developments.'

[177] **Hefin David:** But there must be some aspect of—. I was thinking, well, we want inclusive growth, so we're going to start from that perspective and see what we can build around that. There must be some of that as well as trying to connect this picture that already exists.

[178] **Mark Drakeford:** Yes, and I think you see that pretty clearly in both growths. I don't think that is absent from them. They both have at their core a wish to accelerate the economic prosperity of their areas and I think to do it in a way that is genuinely inclusive—inclusive growth in the way that you described. I think if you look at the details of them both: the jobs that they plan to create, their emphasis on skills—. Again, I heard little bits of your previous witness. I think the deals have an open-eyed view of the fact that you need both infrastructure improvements, but without investment in people and making sure that your local population are equipped with the skills that they will need in the future, no matter how many buildings you build, or metros you connect—by itself that won't do the trick. So, I think you can see that those considerations were understood by the people who came round the table to form the deals and that they will be something that right through the period you will be able to go back to and track.

[179] **Hefin David:** I'm just interested, as a final question, how economic strategy develops. So, when the current Cabinet Secretary for Economy and Infrastructure is developing a strategy, is there a kind of collective meeting or series of meetings to discuss how your various portfolios then inform that, and therefore the city deal would be part of that discussion? Is that how it's done?

[180] **Mark Drakeford:** That is very much part of the way that it is done. Jo has a job to make sure that it is co-ordinated in that way. This is a very obvious area for it, in a way. I have responsibility for city deals. Ken has the responsibility for city regions. But we agreed in an early meeting between ourselves that he would take the lead in working with the north Wales growth deal, partly because geographically he's on the spot and able to be part of that more easily, but also because we don't see these boundaries as hard and fast. We try and work together to share out the work that needs to be done in a way that maximises our ability to do it effectively.

[181] **Russell George:** Mark Isherwood wants to come in quickly and then I'll come to David Rowlands. Mark Isherwood.

[182] **Mark Isherwood:** Just in reference to your comments about scrutiny, when we were in Glasgow, we heard that they had—whatever the strengths and weaknesses of their wider programme—commissioned academics to carry out evaluation and monitoring to ensure (a) independence, and (b) that the complex issues, which you've outlined—separating additionality from trends and ensuring the things being measured are the right things to measure—. How important do you consider the need to incorporate that independence and complexity through that sort of mechanism?

[183] **Mark Drakeford:** Well, Chair, I do think that can be very important. I think people who carry out scrutiny do need some independent support of their own to allow them to challenge those people who, otherwise, tend to have more of a monopoly on information and insight. But I did read, Chair, the paper that the Bevan Foundation and the Joseph Rowntree Foundation had provided to the committee as part of the inquiry. I thought the work that the JRF are doing in Leeds and Manchester looked very interesting, in the sense that they have been developing, haven't they, a wider set of indicators to test whether or not those deals have delivered for their local populations. I think I saw in that paper that they were offering to develop something similar as far as the two Welsh deals are concerned. I think if they're able to do that, that will be helpful to the people who are directly responsible for the deals, but would give people scrutinising them an independent set of advice that they could go to to try and test the operation and achievement of the deal in a different way.

[184] **Russell George:** David Rowlands.

[185] **David J. Rowlands:** We've had some pretty ambitious expectations as to what the city deal will deliver: 25,000 new jobs, £4 billion from the private sector et cetera. How likely do you honestly think it is that the city deals will deliver those sort of figures?

[186] **Mark Drakeford:** Well, I think it's a very good question, and, as I said in relation to an earlier question, my starting point is that we believe that these ambitions can be achieved. We would not have signed up to them as a Government, in either the Cardiff or the Swansea context, if we didn't believe that these were credible plans. Personally, I have been more involved in the

shaping of the Swansea city deal. The Cardiff deal was signed in the last Assembly term. And I can absolutely say to Members here that that deal was very, very thoroughly tested. We had a challenge session here inside the Welsh Government that the First Minister led, and the UK Government went on with a further round of testing, involving people from Wales but also people from outside Wales, and, in a sense, outside Government. So, Michael Heseltine came down and held a series of challenge meetings with local players in the Swansea deal and they were robust. The starting point wasn't just to take for granted what local authorities and other partners were saying. So, my starting point is that they are ambitious and that they're right to be ambitious. There's no point in having targets that are low-hanging fruit; you want them to be stretching. But we wouldn't have signed up to them if we didn't believe that they were within the realm of the possible.

[187] **David J. Rowlands:** Okay. You mentioned the Bevan Foundation earlier on. They have some concerns about the measures of the impact of the city deals and that it's perhaps too narrow in focusing on job creation and increased GVA. They look at it possibly as a more holistic result from, say, the eradication of poverty and the social impact of it. Do you have any ideas about how those sorts of things could be measured?

[188] **Mark Drakeford:** Thank you. Well, Chair, in some ways I'm an old-fashioned socialist here, in that I do believe myself that people's prospects in life are most fundamentally shaped by their economic opportunities and their relationship to the economy. So, jobs and GVA does not seem to me to be a bad place to start, because those economic chances are what most shape the chances that children growing up in those communities will have. But I do agree that the deal must be more than just a narrow focus on those things; that it has to be about sharing prosperity as well as creating prosperity. It has to be about having the greatest impact where the impact is most needed. It has to be about a willingness on the part of all those players to see that the regional benefit, sometimes, will have to trump the local impact. Sometimes you have to agree to something because it will have the greatest impact across the whole region even though it may not, in that particular aspect, play greatest in your own locality. I do think that those wider objectives that the Joseph Rowntree Foundation has set out—I think I managed to bring them with me so I can remind myself of what they said they were: so, measures of low earnings, worklessness, housing supply and affordability as well as skill levels and educational achievement—I do think those are things definitely worth working up and being part of the way that we assess the deals as they begin to have an impact.



[189] **David J. Rowlands:** Just moving on, a little bit more about monitoring, and, quite frankly, Mark, you've already answered this in talking to Hefin. With regard to monitoring of how or what the impact is of the city deal, some of our consultants have said that they have to have greater clarity as to how it's going to be monitored. If we come back to that situation of how you monitor it, we were talking about the 11,000 jobs—as you know, Dylan Evans mentioned that earlier on—created before the city deal came in. It's very difficult for you to have a placebo that you can measure this against basically, isn't it? Do you have any ideas on that?

[190] **Mark Drakeford:** Thank you. I think, in the early days of the deal, it's inevitable that, in some ways, the monitoring and evaluation side of it will be about the procedures rather than the impact, because these are long-term deals and the impact will have to be measured slightly further down the line.

[191] In the immediate future, the deals will be monitored in slightly different ways. So, the Cardiff capital deal is structured around the monitoring arrangements that are characteristic of city deals in other parts of the country: a gateway process, a five-year horizon where, at the five-year point, the UK Government and the Welsh Government will both have to be satisfied that the deal is sufficiently on track to release the money that will be available for the next five years. I think you heard from Sheila Davies, from the Cardiff capital deal, about the way that they are already engaged with us and the UK Government to make sure that the criteria that are used at the first five-year gateway are agreed well enough in advance that they know what they're going to be measured against, and they've learnt that from the experience across the border where, sometimes, when you get to the gateway, nobody quite knows what it is that the gateway is there to test. So, I think that's encouraging.

[192] In the Swansea deal, Chair, the monitoring arrangements are slightly different, in that, as you know, there, there are 11 specific projects agreed as part of the deal. They were all, I felt, sufficiently well worked up at the point the deal was signed to allow them all to be properly included, but it was always clear that they would have to go through the business case process that we have before they are finally signed off. So, the monitoring and evaluation of the Swansea deal will be to test each of these projects as they come forward in their fuller development, and when we, the UK Government and the other partners are satisfied that they're fully worked up, then the money will be released to allow them to happen.

11:00

[193] Monitoring the impact in the way that David Rowlands asked me, I think, will be further down the line, because these job totals and the skill development and the connectivity arrangements are things that you will not really see the impact of in the first five years of the deal. We're going to have to be patient.

[194] **David J. Rowlands:** I think you might be happy to hear that the two academics in Glasgow that we spoke to virtually echoed exactly what you've just said now about the monitoring.

[195] **Mark Drakeford:** I will be genuinely interested, Chair, to hear what you learnt from that Glasgow visit.

[196] **David J. Rowlands:** Thank you.

[197] **Russell George:** Thank you, Cabinet Secretary. Vikki Howells.

[198] **Vikki Howells:** Thank you, Chair. I'm interested to test your views about how the city and growth deals will drive economic growth in the disadvantaged areas within the regions specifically. If we think about the context of other initiatives that the Welsh Government is driving forward—obviously, you've got the Better Jobs, Closer To Home pilot, you've got the Valleys taskforce, and we've also got the new economic strategy coming out as well. Now, where do you see the city deals and the growth deals sitting within that to drive economic growth in disadvantaged areas?

[199] **Mark Drakeford:** Well, Chair, I think my starting point would be to say to you that I think the people who came round the table to make those deals were very, very alert to those points. So, you've heard directly from some of the local authority leaders. I know of Andrew Morgan particularly, but I can tell you that when I've been out meeting the leaders of other Valley authorities, the fact that this has got to be a deal that spreads prosperity and has its impact in their localities has absolutely been part of their thinking from the very beginning. So, that's not to say that this is easy to bring off. We know there are long histories of trying to achieve these things, and lots of money and lots of effort have gone into it. I'm not for a minute wanting to suggest to you that there's some sort of easy answer to them, but what I am confident of—and I think you might be heartened by—is that the questions

that you were asking me will come as absolutely no surprise to the people who have been involved in the deal because they're really determined to make sure that the deal's operating that way. It's partly why I've said to you, and I say always to them, that the real challenge for the local authorities is a cultural one in being willing to agree to projects and spending where you know that the impact will not be the greatest in your own local authority area, but where the regional benefits for the whole of the city deal will be greater than if you'd acted by yourself.

[200] If you're trying to be optimistic about it, you would say that the fact that they've been able to come together and they've been able to agree what they've reached so far shows that there is a new willingness to act in that way, but the challenges will be even greater when it comes to allocating money. If any local authority believes that the way to assess the success of a city deal is to be able to say, 'If we're putting £100 into this, we must get £100-worth of spend in our area', then the deal will have failed. People have got to be able to recognise that some things that they will do—the benefit will be felt elsewhere, because, the next project that comes along, you'll be seeing the benefit more than other people. That cultural challenge in decision making is what the partners are going to have to be able to grapple with, and if they grapple with it successfully, then making decisions that deliver those regional benefits will ensure that you have answers to the questions that you've posed about making sure that the benefit is felt in the places where the benefit is most needed.

[201] One of the ways in which I think we might, again, take some comfort in it, is that the deals—I think both of them—are structured around the existing strengths of those areas, and, in the Swansea deal, it's very easy to see that the projects they've come forward with are ones that are designed to identify and accelerate the success of the natural assets that those economies already have, and they have them in all parts of the Swansea region, right down from the sort of far west, where energy—marine energy—will get a significant investment in the deal, right to the other side of the geography where investing in Tata Steel and making sure that the processes that will sustain steelmaking in that part of south Wales are being worked on between the university and the industry as part of the deal. So, by working with the natural strengths of those localities, and making sure that there is investment in the skills of their populations, I think that will help to make sure that the deals don't operate in a way that just drains activity out of some places and, in effect, substitutes all that happened there somewhere else.

[202] **Vikki Howells:** Yes, that was going to be my follow-on question, actually, that, throughout the evidence that we've taken, some of the concerns that have risen to the surface from our witnesses, for example, ColegauCymru and various academics, have been this idea that perhaps both the Cardiff and the Swansea city deals could lead to a sort of a draining process and a hollowing out of the populations of towns outside of those areas, and a focus, really, on the cities to the detriment of some of the peripheral areas. So, I take it from the answers that you've given me today, and other members of the committee, that you wouldn't share those concerns, Cabinet Secretary.

[203] **Mark Drakeford:** Chair, I'll put it just very slightly differently. I think people are right to put those issues on the table. We ought to be alert to them, we ought to know that that is a possible risk here, because that means that we can act purposefully, and the partners can act purposefully, to make sure that it doesn't happen that way. So, I don't want to say to you, 'Look, I don't think that's anything to be worried about', because I think we should be worried about it. But the fact that we are consciously alert to it means that we have a better chance of addressing it, and I think that some of the ways that the deals are structured offer opportunities to address those things.

[204] **Vikki Howells:** Thank you.

[205] **Russell George:** Mark Isherwood.

[206] **Mark Isherwood:** Thank you. The future generations commissioner asked: what difference will the Cardiff region city deal, quote,

[207] 'make to Donna the single mum from the Valleys, her children and her grandchildren?'

[208] What, in your view, has been the consideration within the city and growth deals of factors such as that, and how those can reach out to help reduce poverty and inequality?

[209] **Mark Drakeford:** Well, Chair, I suppose the most fundamental way in which it does it, and in a way the commissioner put her finger on the issue, is that these are long-term deals. So, in 20 years' time that grandchild will be there, and their future will have been shaped by what the deal has achieved. So, the fact that these are long-term plans and long-term investments

means that decisions we make today ought to be being taken with a view to creating the conditions and the prospects that people in 20 years' time and children in 20 years' time will have to look forward to. So, I think the commissioner was absolutely right to point to the fact that, in some ways, the deal is very consistent with the well-being of future generations Act injunction to us to make decisions that are right for today, but in a way that has a proper eye on the well-being of future generations.

[210] I think the Swansea deal in particular has some very direct interventions in schools, so it doesn't see the needs of the future economy and the skills that will be needed as something that you simply invest in in the working population that we have today, but looks at the way that we can begin to interest young people in thinking about the sort of skills that they will need and the opportunities that will be created for them, and to try to get them to think about how they use their time in education to equip themselves for those futures. I think the deal is very interesting in the way that it has that, because, Chair, you could argue, and this is more for debate; I'm more in—sorry, I shouldn't trespass into professorial mode rather than ministerial mode. But you could argue that the real challenge for the Welsh economy in the future will not be on the demand side, but will be on the supply side, as demography means that we may not have enough people in our population with the skills that are needed to do the jobs that are there to be done, because there will be fewer people of working age coming into the population and, if we are unable to draw people from elsewhere into Wales to help us with the jobs that need to be done, the future of the Welsh economy will not be as we would want to see it. So, the fact that the deals do focus on trying to equip people who are entering the workplace with these skills that we will need them to have—we will be relying on them to be able to do the jobs we need them to do—I think helps to answer some of the points that the commissioner was, I think quite rightly, making.

[211] **Mark Isherwood:** If I may develop that, at the beginning, the Chair quoted Newcastle University—my former university, by coincidence—that the role of the state is being reconfigured at local and national levels. I think you may have misheard, but you responded in the context of powers potentially being taken from local government and the need to ensure that local government is pivotal. Given your statement in the previous answer to Vikki Howells that we need to make the most of the natural assets and strengths in our localities, and your previous evidence in other sessions on another committee recognising that people are the most important assets and strengths that we have in those communities, do you recognise that that

reconfiguration needs to include local authorities doing things with, rather than simply to or for, people in local communities if we're genuinely going to reach out and start tackling some of the deep-rooted poverty and inequality that's keeping groups of people furthest from the workplace?

[212] **Mark Drakeford:** Chair, I won't go on at length, because I could do on this topic, and did in front of the local government committee, but at the heart of the White Paper on local government reform is a different relationship between the people who provide services and the people who use them, in which we regard the people who use services as assets, not problems to be solved, we regard people who come through the door as people who have an equal contribution to make to shaping their own futures, and the job of services is to work alongside those people, rather than regarding the service as the something that does and the people as the passive objects of our concern.

[213] So, I absolutely do agree that, if we are to fashion the futures that we need, we have to make sure that local authorities are well equipped to do the jobs that they need to do, but their job is about identifying and then helping to capture the contribution, the strengths, the assets that not only their natural environments and their existing industries and so on have, but the people who live in those areas bring to that task.

[214] **Mark Isherwood:** Finally, a short question on skills: how do we factor in the development of the next generation of welfare-to-work programmes by Welsh Government, by UK Government, which is out to tender on its next round, and calls, for instance from the north Wales growth deal, for some internal devolution over skills within Wales?

[215] **Mark Drakeford:** Well, the Cardiff capital region city deal and the Welsh Government are committed, as part of the deal, to work with the Department for Work and Pensions to co-design the future of employment support for people with health disabilities or long-term unemployment. And, as Mark Isherwood has said, that's happening now; the tenders are out this year. I hope that that will mean that we will be able to design a system that is genuinely helpful to people in those circumstances and that they will think of this as a helping hand being extended to them, rather than, as you—. I don't think we could deny that, for far too many people, their experience of using DWP services has not been of assistance, but of a disciplining and a punitive approach to these things. So, I do hope we will be able to do that differently here in Wales, and there is an opportunity, as part of the Cardiff capital deal,

to try and make that happen.

11:15

[216] I hear the calls within city deals for greater devolution of responsibilities and, sometimes, of financial powers as well. As I say, my approach is to try to design the tools that local authorities need to discharge these responsibilities. They will have to know that the bargain is that if you offer people more scope, then they have to be willing to take the responsibility that goes with it, and that is as true of the new bargain between the individual and the service. If you want a more equal relationship then there are more responsibilities that individuals have to be willing to discharge, and, if you want that sort of relationship between central and local government, then, as well as giving things to local authorities, they will have to be able to demonstrate that they are capable of discharging the new responsibilities that they have.

[217] **Russell George:** Hannah Blythyn.

[218] **Hannah Blythyn:** Thanks, Chair. Cabinet Secretary, in your joint paper with the Cabinet Secretary for Economy and Infrastructure you say:

[219] ‘It is important that the Deals are distinct and are not in competition with one another. This is particularly the case with the Swansea Bay and the Cardiff Capital Region City Deals neighbouring one another.’

[220] So, given the example I used in a previous session, that, in Bridgend, you’ve got over 6,000 people who travel across the border to Neath Port Talbot, and a separate deal for work, how do we make sure that there’s that element of dovetailing and collaboration and a balance with competition so we protect against economic displacement in these areas?

[221] **Mark Drakeford:** Well, again, I think these are genuinely important questions. Having two coterminous city deals is unusual, and that’s why we put it in the paper, to make sure that it’s an issue that we attend to. The fact that they are structured differently and that they will operate in slightly different ways is probably helpful in making sure that they are not in competition with one another, but it is absolutely important from a Welsh Government perspective that these deals operate collaboratively, not competitively. The Valleys taskforce that Alun Davies chairs straddles the boundary of both deals and has both city deals within their sights—they take

evidence from, they discuss with. Part of their job will be to make sure that, if there are signs that the deals look like they're trying to poach across boundaries or act in ways that are to the disadvantage of the other, we see that early and we rectify it early on. But I don't think that is the intention. I think that people, if you talk to them, are alert to the risk, don't want to fall into it, and that will be a help as well.

[222] **Hannah Blythyn:** Okay, thanks. And building on from that, and perhaps looking further afield, we've seen—we had our recent visit to Glasgow, but perhaps closer to our borders, in terms of looking at the often-mentioned Northern Powerhouse, we've seen devolution to the Greater Manchester area, and you've got the local enterprise partnerships going on within the midlands region. How do we ensure that whatever deals—particularly in north Wales, and perhaps looking at mid Wales—we put into place here, create that economic level playing field with our competitors over the border as well?

[223] **Mark Drakeford:** Well, if we wanted to take an optimistic view of it, Chair—so, I'm happy to do that now, towards the end—you asked me at the very beginning whether the governance arrangements of city deals were satisfactory, and I said to you that I was prepared to regard the fact that they are flexibly designed and organically emerge from local sets of circumstances as a strength of city deals, then what you have to say is that, in the north Wales context, and I know you took evidence from the chief executive of Flintshire about this, they regard their relationship with the Mersey Dee Alliance and with the Cheshire and Warrington growth deal as very important in planning a deal that attends to the fact that in many ways there is a very fluid economy between the north-east of Wales and the north-west of England. So, the fact that city deals are bespoke, and can accommodate different sets of circumstances, does mean, I think, that there is an opportunity to make sure that a north Wales growth deal is shaped in a way that does attend to that. I do know, from discussions with the Secretary of State, for example, that he is very keen to make sure that, as more thinking is developed in the north Wales context, its relationship with its neighbour is properly worked through, and that the people on the other side of our border are—I'm going to say this the wrong way now, but I was going to say 'are properly educated about how devolution works'. Because we spend all our time working on the boundaries of devolution, and we police them all the time and we are alert to them all the time. For some of the people who work on city deals at the Whitehall end, this is very unusual territory and they're not familiar with it, and there's a job of work to make



sure that they understand that if you're working with Wales, you're working in a place where there are different structures, different rules and different priorities. Getting a north Wales city deal that turns those things into an advantage, rather than a set of obstacles to creating a city deal, will be the challenge that people involved in bringing that off will have to meet.

[224] **Russell George:** Thank you. One last question—and I would appreciate it if you could give a very brief answer—but in terms of best practice from looking at other city deals across the country, are there any elements that you can see that could be applied here?

[225] **Mark Drakeford:** Well, Chair, just to say that I think one of—again, I'm being very positive with you this morning—the advantages of working with the UK Government on this agenda is that they do bring to the table their experience of city deals in other parts of England, particularly. That, I think, has been a helpful contribution that they have made to the shaping of our city deals. So, a willingness to learn from the experience of other people seems to me to be something we should always be very open to. Our officials—Jo and others—have had a particular relationship with Scottish colleagues in looking at their experience of it, and we've been able to bring that to the table. And your visit to Glasgow will be interesting in that way, too.

[226] So, while I don't have a quick list of all the things we have learnt and been able to contribute to the Welsh deals, I do think we can be confident in saying that the involvement of the UK Government has helped in drawing lessons from places where we wouldn't necessarily be close to the ground, and our ability to work with the Scottish Government, and get a lot of help from them in understanding their experience, does mean that we've been able to take advantage of that in the way that the Welsh deals have been shaped.

[227] **Russell George:** Thank you, Cabinet Secretary. I can see that you're taking a keen interest in the progress of our inquiry. I can see that from your evidence this morning. That is very much welcome as well. Can I thank you for your time this morning?

[228] **Mark Drakeford:** Thank you very much.

[229] **Russell George:** We'll take a seven-minute break, back at 11:30.

*Gohiriwyd y cyfarfod rhwng 11:22 a 11:32.  
The meeting adjourned between 11:22 and 11:32.*

**Panel Busnes—Bargeinion Dinesig ac Economiâu Rhanbarthol Cymru  
Business Panel—City Deals and the Regional Economies of Wales**

[230] **Russell George:** Welcome back to the Economy, Infrastructure and Skills Committee. I'd like to welcome two of our witnesses with regard to our inquiry on city deals and the regional economy. I'd be very grateful if you could just introduce yourselves for the record.

[231] **Mr Brunt:** Thank you. I'm John Brunt. I'm here today representing the Mid Wales Manufacturing Group, which is based in Newtown. It is a not-for-profit organisation representing around 100 to 120 SMEs in the area. It's a membership organisation. It's owned by the members, it's run by the members, and its aim is to promote economic development among its membership in the mid Wales region.

[232] **Mr Byard:** Good morning. My name is Paul Byard. I'm the national director for EEF, the manufacturers' organisation, here in Wales. We have 21,000 members in the UK, and about 500 in Wales. And that ranges from all of the sectors, right through from your anchor and regionally important companies through to your SMEs.

[233] **Russell George:** Thank you. I'll go to Hefin David for the first set of questions.

[234] **Hefin David:** How engaged do you think your members have been in the development of city and growth deals?

[235] **Mr Byard:** I sit, as you know, on the enterprise zone board for Blaenau Gwent. I know there's been huge discussion on the opportunity for building capacity and capability to support the city deals. And if I look at the opportunities that present themselves on a number of the infrastructure projects, that is constantly being discussed, both in terms of investment and, more importantly, the skills concerns as well.

[236] **Mr Brunt:** Representing the mid Wales area, we're slightly different to the major investments in the city deal regions, although we do have the Growing Mid Wales partnership, and we have a Powys local growth zone. So, our members are not as involved as, perhaps, members in other parts of

Wales. However, we do look, perhaps with envy, perhaps with trepidation, to see what is happening in these areas. For example, if there are developments in the Swansea bay region, is that likely to suck out skilled labour away from mid Wales, specifically in construction? So, those other deals do have an influence on us, albeit it not quite as direct as perhaps in north or south Wales.

[237] **Hefin David:** Okay. Councillor Andrew Morgan, when giving evidence, suggested, with regard to the Cardiff capital region deal, that businesses hadn't actually been that involved in the beginning. You don't recognise that, I gather, from your answer.

[238] **Mr Byard:** Can I give you an example? Take the metro, for example, as one of the projects. If I look at what can be done with the lagoon, the methodology there, around looking at that level of programme, with 60 per cent of the opportunity to reside that supply chain in Wales—that has been mapped by the guys, and the information around investment right through to future skills needs is understood. If I then take the metro and the amount of money—the £730 million—that we could spend on that, they're not applying the same criteria.

[239] So, for example, we have a fantastic maintenance, repair and operations facility in aerospace in Wales, if I talk about GE and British Airways and so on. Why aren't we therefore using that opportunity to build an MRO facility in rail, thereby building that capacity and capability in the supply chains? Part of the reason why I was interested to speak to you this morning is through that lens of that industrial strategy to make sure that those investments have a sustainable output for the long term, and therefore we need to think long term about how we're going to maximise and aid our economic performance from some of these investments. That long-term discussion and how we can get there—and then reverse engineer how that can be achieved—has not been discussed to that level of detail.

[240] **Hefin David:** You're saying 'we' and 'our', but who are 'we' and 'us'—who are you talking about that you'd like to have these views heard by?

[241] **Mr Byard:** An overarching industrial strategy will allow these decisions to be made. So, city deals can then talk to the future skills and talk to the advanced materials and manufacturing sector within the Welsh Government and so on and so forth. At the moment, it's too siloed, because we don't have an overarching long-term vision of how we can aid and maximise

economic performance from these key infrastructure projects. We demonstrated that through the lack of sustainable job growth through European structural funds over many years.

[242] **Hefin David:** You're getting into a later line of questioning. You're suggesting that the city deal is disconnected from Welsh Government strategy there. Perhaps that will be pursued later. But with regard to changing that, is there a place where you would go first, whether it be the city deal cabinet or whether it would be Welsh Government, to have your voice heard? Is there a specific arena in which you'd like to have your voice heard?

[243] **Mr Byard:** First, I think, an industrial strategy approach to set the scene and to restore business confidence. We've got a shopping list of all of these infrastructure projects that we can achieve—

[244] **Hefin David:** And who will you give the shopping list to?

[245] **Mr Byard:** We know that there are 320 projects equalling £40 billion, and if I then add to that all of the other lagoon and so on projects, in terms of an industrial strategy—to sit down with the advanced materials and manufacturing sector within the Welsh Government to look at that shopping list, look at the investment and look at the future skills needs for the long term. There'll be some hard decisions to be made initially, but those could be set in context with what is required in the long term. Then you can put the city deals and the investments in those regions under that umbrella.

[246] **Hefin David:** So, it's your perception that it's Welsh Government that would influence the content of the city deal, if you had your voice heard by the Welsh Government.

[247] **Mr Byard:** Absolutely.

[248] **Hefin David:** Right, okay. Do you feel that, in a more sub-regional sense, there's a role for regional boards to play in listening to your members, or do you think that it's purely the role of Welsh Government?

[249] **Mr Byard:** I think the regional boards, particularly the one that, as you know, I sit on—the enterprise zone in Blaenau Gwent—and their understanding of the landscape, the issues concerned, the skills, the demographics, the dynamics of what can be achieved, the aspirations—all of

that—need to be brought into play, and that intelligence is critical.

[250] **Hefin David:** So, the 10 local authorities collaborating on the Cardiff region deal—you would have your voice heard by them at the very least.

[251] **Mr Byard:** Yes.

[252] **Hefin David:** Okay, thank you.

[253] **Russell George:** Can I say to our witnesses that we've got different blocks of questions that might be relevant to both of you? So, I think that block three is probably more relevant to John, and so forth. Don't feel that you both have to answer. Jeremy Miles.

[254] **Jeremy Miles:** Hefin was talking about the 10 authorities in Cardiff collaborating. Obviously we've got an equivalent arrangement in the Swansea bay city deal area. Do you have a sense that they're collaborating well, from what you can see?

[255] **Mr Byard:** No.

[256] **Jeremy Miles:** Why is that?

[257] **Mr Byard:** Well, again, I'm going to use the example from—. Because (a) the industrial strategy at the moment needs to be brought together to make sure that all of the elements around investment, innovation, the lower cost of doing business, and future skills needs is understood. Then, from the shopping list of all of the infrastructure investments, we need to look through the lens of industrial strategy at that, to see how that is going to transform the region with all of its economic benefits, and where we are going to create the long-term sustainable changes that we need to make to resolve many of our systemic issues that we're trying to resolve in Wales. Some of those systemic issues, as you know, range from investment in education; we've got a range of infrastructure; and our investment in research and development is only 1.2 per cent of the UK's, so we need to improve that. There's a range of systemic issues that I think, through the lens of industrial strategy, can solve those whilst we're investing and using that city—

[258] **Jeremy Miles:** Okay, so you're describing the absence of an industrial strategy there, but what does that tell you about the way the partners are

working together?

[259] **Mr Byard:** It's not being considered.

[260] **Jeremy Miles:** Right, so the absence of that is your main concern.

[261] **Mr Byard:** Correct.

[262] **Jeremy Miles:** That's your main—[*Inaudible.*—]—working together.

[263] **Mr Byard:** Because for me, without it, it would be done in silo and will not create the long-term sustainable—. Because if you look at the work that's been done on the lagoon, where they've mapped the future skills needs in 10 to 15 years hence, and I've given you the example of, 'Why aren't we considering building an MRO facility of rail in Wales?' So, if we're going to put all of this infrastructure in place, somebody's got to do the servitisation.

[264] **Jeremy Miles:** So, your point is there would be a much better defined regional industrial economic strategy if there was proper collaboration between the local authorities. That's your basic point.

[265] **Mr Byard:** Correct. Yes.

[266] **Jeremy Miles:** Okay. Tied to that then there's the discussion that the FSB and others have been promoting about creating a separate economic development duty at a regional level that is distinct from the obligations that local authorities currently have, and, as a quid pro quo to that, having more devolution of powers and policy levers to the regional level to discharge that duty. Where does that sit alongside what you've just been calling for?

[267] **Mr Byard:** That should be put in context with the longer term vision of what I've just described, because that will then give those regions the responsibility, the accountability, to develop that, and we can measure the outputs of that as we go forward and all of that in terms of the dashboard. The metrics in order to monitor that are not in place.

[268] **Jeremy Miles:** So, taking those two sets of answers together, what you're really saying is the cabinet—or whatever body, you know, but under the current system it's the cabinet—the joint committee cabinet of the regional boards ought to be working together to develop a much better industrial and economic strategy for their regions, and then would take on a

separate duty to discharge that strategy and get the policy levers to make it work. Is that a summary of those two pieces of evidence?

[269] **Mr Byard:** Jeremy, perfect. On the basis that, if you're going to put this level of investment in, what's my return on my investment in these measures?

[270] **Jeremy Miles:** Okay, and just to close off that point then, that's a separate way of dealing with it, rather than asking the local authorities to discharge their current obligations to develop their economies.

[271] **Mr Byard:** Correct.

[272] **Jeremy Miles:** Okay.

[273] **Russell George:** Has a case been made for a mid Wales growth deal?

[274] **Mr Brunt:** I believe there has. In 2015, the Mid Wales Manufacturing Group produced a paper for the Welsh Government that set out the aspirations for a growth zone, a growth deal, for mid Wales. Severn Valley EFFECT came out of that, which has run its course and has now finished. Powys local growth zone, the work done in Llandrindod Wells and in Brecon, but there wasn't really a take-up for a Powys development growth zone as such. However, we do have the mid Wales partnership, and just listening to what you've said about the areas, that's almost what we've got there: two authorities working together, along with the commercial and the industrial sector.

11:45

[275] It's been running a while now—2016. Business, industry and commerce are starting to lose faith, because there's a beautiful brochure that sets out statistics and aspirations, and there's nothing in there that one would disagree with, but nothing is happening. That's the crux of it. And what we would like to see is a part-way stage because we recognise that other areas of Wales have probably got higher demands and greater requirements. We're a very small population in mid Wales, and other areas of Wales need support probably more than we do.

[276] If we look at the area, we've got farming and tourism as the major industries, both of which are doing reasonably well. And I think there's

potential for the development of tourism, but we mustn't forget the opportunities for manufacturing, which tends to employ people, and skills growth, and technical developed businesses—higher quality jobs. Our problem in mid Wales is that we're a low-wage economy. We've got working poverty, if you will, because both tourism and farming are relatively low-paid jobs. And, of course the care sector—we've got lots of old people in mid Wales. It's a great place to come and retire to, but that does require social services and support. So another growing industry again is the care industry, which again is a low-wage industry.

[277] What we want to develop are more IT-based, more technical-based industries. Aberystwyth is well placed to do that because of the university, but that's just one corner. It has produced spin-off companies, but we would like to attract in bigger companies. For example, 90 per cent of the businesses in mid Wales are microbusinesses employing fewer than nine people. Another 9 per cent are small businesses employing 49 people or fewer. So that's 99 per cent of the businesses.

[278] So the strategy for other areas in Wales, of developing major projects, is not really the sort of the strategy we would like to see in mid Wales, because we want something focused at the very, very small companies: 0.1 per cent of our businesses employ over 250 people and that sort of puts things into perspective. We're part-way there with Growing Mid Wales partnership. And we would like to see that grow more towards a growth zone, whereby we could have permanent Welsh Government leadership on that, rather than the chairmanship alternating between the two leaders of the two authorities. We'd like to see, in addition, an industrial person taking the chair, maybe once every three, maybe 50:50, sharing it with the local authorities, because in that way we will engage with manufacturers and employers. At the moment, we're not, because it's a great talking shop, with some great ideas, but it's not building new factories or new roads, or even making broadband and the internet work.

[279] **Russell George:** Are you saying that, perhaps, Growing Mid Wales isn't a mechanism to be ambitious enough?

[280] **Mr Brunt:** I think, Russell, Jeremy touched on it when we talked about the responsibility of local authorities for economic development. I won't say more than that at the moment. And what we've got here is two local authorities with that responsibility, and they're no better together than they are apart. What we'd like to see is that developing to bring in the



Government properly, with funding and with resources, as well as the commercial sector to work in partnership. So, there's a basis there, ready to be developed, we feel. We wouldn't want to take it away, we wouldn't want to start from scratch, but we feel that the Growing Mid Wales partnership is a start and could be developed. We would like to see, can we say, a permanent regional director from Welsh Government, leading on economic development?

[281] But I'd like to pose a question before we develop that further. Do we have a strategy for economic development for mid Wales, or is it doing all right anyway? That's what I mentioned earlier. Do we see a development, say, in Caersws? Sorry if some of these areas are not familiar to you; they will be to the Chairman. Do we see a new town being proposed, as Newtown was developed so many years ago as the centre for commerce and development? Do we have a dynamic, broad strategy to say, 'There's this big chunk of land in the middle of Wales, with all its assets and its beauty,' but do we have a real aspiration or a plan to take it forward?

[282] **Russell George:** So, do we?

[283] **Mr Brunt:** Maybe I'm posing the question, Chair.

[284] **Russell George:** I know, but I'm asking the question. We're asking the questions.

[285] **Mr Brunt:** I understand. I don't see one.

[286] **Russell George:** Okay. And in your evidence you said that—. You made reference in the early part of your written evidence, you said:

[287] 'specific and possibly unique interests of our region'.

[288] I think you've just answered that. Because I was going to ask, 'What does that mean?' But is there anything that you could add to that that you've not already addressed?

[289] **Mr Brunt:** I think it is specific and it is unique, and we need to build on its strengths, i.e. farming, tourism, but we mustn't neglect the opportunity for manufacturing and economic development. It's a good place to have a call centre, because labour is relatively inexpensive, property is relatively inexpensive as is building land, but we don't have the infrastructure as far as

broadband is concerned. Again, we're really excited that we're getting some areas with 22 Mb or 24 Mb. We've got one company coming into the area saying, 'Can't manage without 100 Mb.' Not only are we not getting it, we're getting left behind as well. In some areas, you can get 3G on a mobile. We should be looking for 5G to attract people to come into the area. So, it is specific, and we do have some advantages.

[290] There's a great opportunity to work across the border. There are several English growth zones and development areas down the long border with Powys. Threats and opportunities: opportunities to cross that border and work with these companies, but threats that they will attract away from our area established businesses, and perhaps more importantly, businesses looking to come into the area might be tempted to go to Oswestry or to Shrewsbury or to Telford. It's not easy driving an HGV in Powys and getting across—

[291] **Russell George:** Yes. I'll just bring in Adam Price, if I can. Adam wanted to come in.

[292] **Adam Price:** I imagine that some of your members can remember the days of the Development Board for Rural Wales, and indeed its predecessor, and may look back quite positively at that time, when there was a focus on rural and mid Wales. You seem to be suggesting there is the nucleus within the Growing Mid Wales partnership for creating something maybe not of the same scale, but with its own staff—an independent secretariat, a focal point. Is that, do you think, the direction of travel?

[293] **Mr Brunt:** I think that could well be developed. It would cost; it doesn't come free. There's a lot of aspiration in this document, which we would all support, but there's nobody paid to make it happen, and there's no-one with the funds to put into making it happen.

[294] If I can just divert for a moment, one of the issues in the document, the evidence we presented, was the issue of industrial property. We did a quick survey yesterday with the FSB, with agents and with surveyors, to look at the requirement for industrial property in the area. I can hand this document in at a later date to the committee, but we've got 10 organisations looking for industrial property at the moment in the area. Now, 10 might not sound many, but to mid Wales, that's a lot. We've got two large companies looking to inwardly invest. They're looking for much bigger properties than we've got on our industrial estates, and much higher properties. They're

looking for properties with good communications—good infrastructure for communications. And it all adds up to just short of 0.5 million sq ft. Now, when we look at what the local authority is proposing for economic development, we're in a different world. So, someone with some clout and some authority could say, 'Let's have a detailed survey of this, then. Is it true? Is this realistic? And, if so, we will do something about it.' At the moment, we can say, 'Well, we need all this.' As the Chair probably knows, there's a company in Newtown looking for 100,000 sq ft for a distribution centre. None of our industrial estates have got that. We've got some empty properties, but they tend to be small properties. They're not large enough; they're not big enough.

[295] I'm being parochial again, but the Offa's Dyke park—four companies have moved into that, or are proposing to move into it with Welsh Government assistance, and it's full. So, where's the next one planned? Well, there isn't one. But someone with authority from the Welsh Government could be employed to do a short, sharp survey and have the authority to say, 'Yes, we'll do something about it. Yes, you do need, at the end of the new Newtown bypass, an industrial park.'

[296] **Russell George:** We'll have to move on to some other areas, but I would like to say, John, at the end—I'll come back to you—I'd like to know, from your perspective, if there was to be a mid Wales growth zone, what exactly you would like to see in it—just the headlines, not the detail, the headlines, the top headlines. Perhaps, if we get a chance, I'd like to come back to you later in the session, if I can, on that. David—

[297] **Mr Brunt:** Sorry, Chair. Can I say, if we run out of time, we will definitely get that to you?

[298] **Russell George:** Thank you. David Rowlands.

[299] **David J. Rowlands:** The city deal, really—I think, perhaps, Paul, it's more for you to answer. The city deal has some pretty ambitious goals as far as, for instance, job creation is concerned: 25,000 jobs, £4 billion of private sector money that they're hoping to generate within the city deals. Do you think those ambitions are achievable, and whether the approach will meet the needs of business across Wales?

[300] **Mr Byard:** I think it's a great aspiration. The only way I know to create sustainable, long-term jobs is laying down those investments, not just in the

infrastructure, but in the respective supply chains as well. If that doesn't exist, then I don't think you'll see the level of aspiration in terms of the job creation from a sustainability perspective.

[301] **David J. Rowlands:** Are you seeing an interaction with businesses with the city deal, rather than it being rolled out as a public sector vehicle at the moment?

[302] **Mr Byard:** Well, the two examples that I gave you, between the lagoon and the metro—there are different methodologies being used. Because that's not covered by an overarching industrial strategy approach, I can only assume that, because there are different criteria, then this is not going to be joined up, with the connectivity we're looking for to create and fully exploit the impact that our aspirations are taking us to drive towards.

[303] **David J. Rowlands:** It's been suggested by some of the evidence that we've heard to the committee that the measures of the impact of the city deal are relatively narrow, focusing on GVA and jobs, as such, rather than being a holistic approach that includes such things as the social benefits of it, et cetera. Do you have any comments on that?

[304] **Mr Byard:** Again, I'm coming at this—and I'll say this a few times this morning—through a lens of industrial strategy. I know that, for every one job I put in manufacturing, I can put four in the supply chain. So, the opportunity is to make sure that we maximise exactly what you've just described in that context—you'll get all of those other economic benefits as well. The opportunity is, therefore, to drive that, and all of the skills needed to take that forward and take that growth. We can map that today. I know there have been methodologies already in place on other projects that clearly give you that vision.

12:00

[305] **David J. Rowlands:** Just to go off my script, it seems that you're saying, really, that the governance that's now being put in place—there should be an overarching governance of that, then. Is that what you're saying—

[306] **Mr Byard:** Correct.

[307] **David J. Rowlands:** —that you're worried about the fact that there are so many organisations involved, or levels of management involved, that it's

too complicated and therefore you need somebody who has an overall look at the whole project, is that right—tying in the metro, the city deals, et cetera? Is that what you're saying?

[308] **Mr Byard:** Correct.

[309] **David J. Rowlands:** Fine. Thank you.

[310] **Russell George:** Are you finished, David? Have you finished your line of questioning?

[311] **David J. Rowlands:** Yes. Thank you.

[312] **Russell George:** Lovely. Vikki Howells.

[313] **Vikki Howells:** Thank you, Chair. I'd like to focus on how the city and growth deal approaches could benefit the disadvantaged areas and people within those regions. To what extent do you think that that would be possible? Could we get inclusive growth, or are we going to see the sort of system where some areas are going to be left behind? What are your views on that?

[314] **Mr Byard:** Shall I take that one first?

[315] **Russell George:** Well perhaps Paul first, and then perhaps John can answer that from a mid Wales perspective.

[316] **Mr Byard:** I think this is critical, from the point of view I've just described. The analysis that we've done is that, for every one job I create in that manufacturing, I'm going to put four in that supply chain, and that presents the opportunities to make sure of the inclusion of all of that within those communities and to help support. The range of disciplines, skills, and abilities that are needed in that supply chain is huge, and the opportunities are there, but without that catalyst and overarching engagement to create that long-term sustainable, we're not going to resolve many of the systemic issues that we're all trying to battle with day to day. It has to put exactly what you've just described in context to achieve that, and I see, by doing that, putting that governance in place, providing that connectivity—and part of what I've tried to draw out in the paper is around the systemic policy connectivity on this, and through the lens of that industrial strategy.

[317] **Vikki Howells:** So, if you take the metro, for example, do you believe that that really can be a two-way process, where it will attract employers to locate within the Valleys, rather than just simply draining people down, like dormitory suburbs, to work in Cardiff?

[318] **Mr Byard:** If they used the same criteria as those of the lagoon, yes, absolutely.

[319] **Vikki Howells:** And, finally, how do you think the city and growth deals will improve the skills and quality of jobs on offer within the region to those who are really in greatest need?

[320] **Mr Byard:** As I indicated, I've seen the shopping list of projects, and I've seen the exercise where the methodology has gone to break down each of those projects into what that future skills need is, and the range of skills and disciplines needed in this area. I think we can do complete justice to many of these areas, communities, and the whole process of transition, training and so on, right through into our education system as well. I think it's got all the elements to do justice to that.

[321] **Vikki Howells:** Thank you. John, is there anything you would like to add?

[322] **Mr Brunt:** Yes, probably from a slightly different angle, and I won't repeat all I've said about the low-wage economy in mid Wales and the working poor. But maybe we see some of these large projects as a bit of a threat to mid Wales, that the young people who get a good education and get well-educated in mid Wales will be enticed away to work in Cardiff or in Swansea, or other parts of the United Kingdom, which then leaves behind more disadvantaged people. Whereas if we had some of that enterprise in our own area, we would retain people and we would create jobs for people who are not of a mind to 'heft to', as we'd call it in mid Wales—not of a mind to move away. So, we perhaps see a threat to, again, take the young people, encourage young people to leave, and we end up with more people on the minimum wage and more retired people.

[323] **Russell George:** So, what needs to happen to retain that skill and improve that skill?

[324] **Mr Brunt:** It's job opportunities, and that's chicken and egg. Because companies will come if there's a good, skilled workforce, and, if there's a

good, skilled workforce, it's worth staying to work in areas that—

[325] **Russell George:** So, are you suggesting that companies don't come to mid Wales because there aren't the appropriate skills there?

[326] **Mr Brunt:** They don't come to mid Wales because there's a low skill base, there are poor communications, and it's difficult to get to. And I say that because, 20 years ago, I came here. It is difficult, and Growing Mid Wales is all about improving the skills, improving the infrastructure, improving communications, and that will improve the quality of life of the people who live in mid Wales. It's quite often a long way to travel to get to work from rural areas. By the time you've provided transport to go to a low-paid job, is it worth doing it? And it would be nice to say, 'Yes, it is worth it, because it's a well-paid job.' One of the companies that want to come is a security company, and they're looking at starting salaries much higher than the average salary in mid Wales. That's what we want to attract.

[327] **Russell George:** But that can't happen because there aren't the skills there in the first place.

[328] **Mr Brunt:** It's a chicken-and-egg situation.

[329] **Russell George:** Did you have further questions, Vikki?

[330] **Vikki Howells:** No.

[331] **Russell George:** So, am I detecting from what you're saying, John, that you're saying that, in order to grow the mid Wales economy, you need to have better transport links, better communications, and you need to upskill people, or incentivise people to remain in mid Wales in some way?

[332] **Mr Brunt:** I apologise for going over old ground, but exactly—exactly that.

[333] **Russell George:** Okay. I was just clarifying the answer.

[334] **Mr Brunt:** Absolutely.

[335] **Russell George:** Hefin David. Sorry, I beg your pardon. I think I've got Hannah next on my list, then I'll come to Hefin. Sorry for my confusion.

[336] **Hannah Blythyn:** You took Hefin by surprise then. Thanks, Chair. If I perhaps come to Paul first, to what extent do you or the members that you represent have any concerns about, perhaps particularly, the Swansea bay and the Cardiff city deal because of them being coterminous with one another—that that might have an unintended consequence if we don't get the balance right between competition and collaboration, that we see, perhaps, that we need to protect against the displacement of economic activity across the boundaries?

[337] **Mr Byard:** Obviously, all of this is down to timing and, as I said, the work that I've seen around those future skills needs, they are understood, and then if you reverse engineer the timescales it takes in order to build those skills and so on, that work almost needed to commence two or three years ago. And because of the delays in Government approvals and so on and so forth, it's just pushing this out, and so the time that we have to do things is being compressed continually. If this is not worked under a longer term industrial strategy where these timings are understood—. And we all know how long it takes to grow an apprenticeship, to grow skills and so on and so forth. So, if these are known facts, then, the timing of this, surely we say, 'We need to achieve this by this date, this is current state, this is future state, draw the timeline, then let's reverse engineer how we're going to get there'—very simple, basic models. But we're not even doing that. So, what we're doing is we delay, delay, delay, knowing that the inevitable is going to happen. And then, when we get there, we say, 'Why has this chaos occurred?' when we knew it was going to occur because we aren't giving ourselves the time in order to put in the resources necessary in order to achieve that to make it and maximise the success.

[338] **Hannah Blythyn:** So, you think having a clear pipeline process in place would help protect against some of that unintended consequence, potentially.

[339] **Mr Byard:** Correct.

[340] **Hannah Blythyn:** Can I pick up with John what you were just saying about in mid Wales perhaps seeing some of those large projects, particularly in the south, perhaps, as a threat, in a way, because they could create almost a brain drain from mid Wales? I just want to pick up on that in relation to this line of questioning because, when we were on our committee visit to Glasgow last week, we also heard, in brief, about some of the other regional deals in Scotland, and, if I remember rightly, the Inverness and Highlands



one, the focus of that was actually how they tackle that kind of perceived brain drain as one of the main focuses of their city deal. So, it might be worth looking at that as part of our committee and looking in terms of mid Wales. They didn't go into specifics, but is there anything you would see, perhaps, in terms of how do we—? How do any deals—if we had a mid Wales deal in place, how does that make sure that we then don't see that competing with other deals elsewhere across Wales as well? So, is it about having a niche for each area or a diversity of opportunities in each area?

[341] **Mr Brunt:** I think each area does need to be looked at individually. I've mentioned 99 per cent of the businesses being small or microbusinesses—much different to other areas in mid Wales, and the preponderance of the farming industry and the tourism industry. If we could then focus on what we've got and build on it and not try to create something massively different—. For example, the tourism industry—and I'm sorry to keep coming back to this—but people from other areas of the country who come on holiday to mid Wales expect their iPads to work. Caravan sites need fast fibre-to-the-premises, because that's what people expect from other parts of Wales and the United Kingdom. That's just a little point. Now, that is probably a different spin on the requirement for high-speed broadband in Swansea or Cardiff, but it's still, in my view, equally important.

[342] **Hannah Blythyn:** It's the importance of infrastructure and not just transport, but the kind of connectedness in the other way, as well, in another sense.

[343] **Mr Brunt:** Indeed. And people expect their mobile phones to work, and the farming industry needs that technology these days. So, I think it has to be tailored to the area. We have to accept what we are and where we are—a great big land mass in the middle of Wales, but we have some great assets that we can develop.

[344] **Russell George:** I think perhaps Hannah's question is—. The issue is perhaps competition amongst regions and the same happens in city and Cardiff deals potentially competing against each other. How do we stop that? I suppose perhaps what Hannah's question was asking is: would it be a correct approach to have each city region or each regional area of Wales having a unique industry in order to stop that competitiveness driving people away to different parts of the country?

[345] **Mr Brunt:** I think if we accept that industry and commerce is

competitive, so there will always be competition—. I would like to see a broader approach rather than being too specific. Although, to build on what we've got, we will be in competition with other areas, but people who rely on motorways, for example, for their business—looking at Daventry and the distribution centre there—are not going to come to our area.

[346] **Russell George:** I suppose what I'm saying is that the Cardiff city region isn't going to focus on farming; it's going to focus on tourism.

[347] **Mr Brunt:** Exactly.

[348] **Russell George:** So, that's perhaps the point that both myself and Hannah were trying to grapple with. Paul, did I see that you wanted to come in?

[349] **Mr Byard:** Can I support one of the comments that John made earlier? Take the shopping list that John's got on industrial unit requirement for expansion and so on and so forth, okay? We know that, over the last five or six years, we've poured £60 million into the SPECIFIC innovation centre in Baglan. So, today, I can build an industrial unit that can generate, store and release energy when I need it, so that my unit cost of production within is highly competitive, because I've already reduced some of my utility costs, my energy generation and so on and so forth. I would take that shopping list, build those industrial units, leveraging the IP that we have in Wales as a USP, then, by doing that in mid Wales, that will drive a demand and marketing and activity around that supply chain, which will then start to drive the whole issue of connectivity around infrastructure and skills and so on.

[350] There has to be a catalyst—we do have those USPs in Wales. And, why have we poured £60 million into the SPECIFIC innovation centre, if not to take that knowledge and exploit it for commercial gain and then use that in that context? So, these things can be achieved, but I'll go back to my concern that, on this hand, I'm spending this amount of money, but we're not doing the knowledge exploitation to address—. And there's a classic example where John has said, 'Here are the concerns in this area. I have a solution over here, but I haven't connected it up.'

[351] **Russell George:** That's clear. Do you have further questions, Hannah? No. Hefin David.

12:15

[352] **Hefin David:** I'd like to just explore and have clarity on whether you perceive there to be a difference between an industrial strategy and a regional economic strategy. Are they one and the same thing to you?

[353] **Mr Byard:** No, I think they are different.

[354] **Hefin David:** What distinction are you making?

[355] **Mr Byard:** One, the economic strategy works in trends, themes, political cycles, budgetary constraints that—as we've got here, there's an aspiration that only operates within—. We've got to do this for the long term. I'm talking about having an industrial strategy—so if we could say today, 'Our future state vision by such and such is this', but nobody can say that, and nobody is talking in those terms. Then all of the activities for all the regions can then be put in context to achieve that.

[356] **Hefin David:** And that's the economic strategy.

[357] **Mr Byard:** That's the industrial strategy.

[358] **Hefin David:** That's the industrial strategy, right.

[359] **Mr Byard:** Then the sub-economic strategies of each of those regions can then be put in context and resourced accordingly.

[360] **Hefin David:** Okay, so you're saying what's missing is an overarching strategy to—

[361] **Mr Byard:** Absolutely—to create the sustainability for the return on those investments, for all of the reasons I've just mentioned.

[362] **Hefin David:** And city deals would play a part in that.

[363] **Mr Byard:** They'd play a big part. Correct, yes.

[364] **Hefin David:** Before we get to that overarching idea, do you think that there's clarity over who does what in this big picture or do you think that it's just such a messy picture it's very difficult to distinguish the different actors, businesses, the public—people and the lives they lead? Is it very difficult to distinguish who plays what role in the development of such a strategy?

[365] **Mr Byard:** As an industrialist, I don't think this is complex. I think it's quite easy to think through, because businesses will think 'current state' and 'future state', draw the timeline and do the gap analysis and then reverse engineer how we're going to achieve that. Then, all of the sub-regions and so on that aid all of that economic performance—we all have a common purpose and a common objective to achieve that in that context, and I don't think that's too difficult. But, at the moment, what we've attempted to do—it's got some great ideas and there are some great people and some great initiatives in silos, and we're not connecting this up. For example, John's got this issue with 10 businesses that could really be expanded and grow in the region, I've got the £16 million of expense over here in terms of the IP: why aren't we connecting them up? That's one way of doing it.

[366] **Hefin David:** But aren't things like what might be called inclusive growth, the challenges of poverty, issues of demography, issues of geography and all these things, brought into the mix that actually then complicate those simple objectives?

[367] **Mr Byard:** I think it simplifies it, because what you do is, by achieving that potential opportunity to aid economic growth with that industrial strategy—and, as I said, for every one job I've created, I've put four in the supply chain—the opportunity to look at how that can be constructed in that community with all of those issues—. I know we've got two key Government initiatives on taking Wales forward with the four cross-cutting themes, the well-being of future generations Act—I can run a single-thread approach through all of those goals and all of those themes through an industrial strategy.

[368] **Hefin David:** So, might not that approach be easier to introduce in an area that is already prosperous, an area of Cardiff, for example, than it might be, say, in an area north of Bargoed? Isn't there a challenge there that 'one size fits all' isn't perhaps the right approach?

[369] **Mr Byard:** Where I sit on Blaenau Gwent, they've got some—we can all talk about unemployment being 5 per cent, but if I go up to Blaenau Gwent, I know youth unemployment is approaching 15 or 16 per cent. So, there's a complete injustice about how we're going to resolve that, and that's just one region. There are opportunities to resolve those systemic issues for the long term by putting that overarching consideration in place. So, the shopping list of the things that we can do can benefit those communities, those regions,

and some regeneration in certain areas as well.

[370] **Hefin David:** And they'd have just as much benefit there as they would anywhere else is your argument.

[371] **Mr Byard:** Correct.

[372] **Hefin David:** Okay, thank you.

[373] **Russell George:** I've got perhaps two questions, one for Paul and one for John. So, Paul, in terms of key lessons, what, in terms of best practice, could be learned from city and growth deals elsewhere in the UK that could be applied to our city and growth deals here? My question to John would be: if Government said to the Mid Wales Manufacturing Group, 'Right, you develop a growth deal for mid Wales. We haven't got a budget in mind. You tell us what your proposals are and we'll consider them', what are the headlines that would be in that submission in terms of that growth bid? So, I'll come to Paul first.

[374] **Mr Byard:** I'd like to see those growth deals—. As I said, I have seen evidence of best practice where those economies have benefitted and so on, but they've had an overarching understanding of a longer term sustainable output, and some of the metrics involved in that I think we should benchmark, use and employ accordingly. There's a range of them that I can certainly clearly give some information on as well.

[375] **Russell George:** Have you got any specifics in terms of growth deals elsewhere in the UK where you think, 'That's good. I want to see that applied here in Wales'?

[376] **Mr Byard:** I've been doing a lot of benchmarking with other European states at the moment, Germany being one—their GDP and so on, and what they're doing, and working with German industry, and having a look at some of the opportunities. So, for example, introducing some new industries into Wales where we've got decay in some industries, and bringing in new industries to increase our industrial strategy. Therefore, the investments that we have in place we can then take commercial gain for. My problem is that, in Wales, we've got a lot of IP that we don't exploit. So, I've seen some deals where the exploitation of that is the focus. In Wales we don't seem to have that commercial exploitation focus accordingly.

[377] **Russell George:** Thank you, Paul. John.

[378] **Mr Brunt:** I think the three main issues are the industrial property aspect, where we would like a thorough review, and then some solid proposals to see what could be done about that. But linked into that is the infrastructure, and it is roads, and it is broadband, and mobile telephones. But not only north–south, but east–west, because there’s great opportunity where we are in mid Wales for across the border. There are some very wealthy areas just across the border in England, and Paul talks about supply chains; we could have supply chain companies working and providing goods for the companies across the border. And there is no border. There’s no fence. It’s a psychological border, and we would like some more assistance in that area. We are working with the Marches local enterprise partnership. We are supporting Hereford’s bid for a bypass. In the job I’ve just given up we supported that, because that helps the communications coming into mid Wales.

[379] So, the property, the infrastructure, and then, of course, the key aspect is skills and training. We find it difficult to get young people to consider leaving school at 16 and taking an apprenticeship. The education system is geared to keeping as many children in the sixth form as possible, so there’s no wish to encourage them to go elsewhere. Mid Wales Manufacturing Group three years ago started a programme whereby member companies had open evenings and parents were invited to come along and bring their children and look at the opportunities. You can get a degree even if you leave school at 16 and take an apprenticeship that can lead to that area. So, we would like to encourage that. We have the technical college in NPTC in Powys, and there’s encouragement there to put on courses not only that the college wants to put on, but the courses that employers want them to put on. As one employer said just last week at a meeting with NPTC, ‘I want you to teach young men and women to turn metal into swarf so that I get a product at the end of it.’ In other words: real, practical, hands–on skills and training. And, if we develop that workforce, there are companies in this country looking for a workforce, looking for property, looking for somewhere to do business, and we’d be delighted to support some of the supply chain companies. We’re not going to get the massive companies, but, as Paul said, one big company needs lots of small companies in that supply chain, and I think that’s where mid Wales comes in.

[380] **Russell George:** Thank you both. Can I thank you for your evidence this morning? There will be a transcript of proceedings; please review that,

and if you are following our inquiry and there are other areas you want to comment on then please do come back to us. Can I thank you both for your time this morning?

[381] **Mr Brunt:** Thank you.

[382] **Mr Byard:** Thank you.

12:25

### **Papurau i'w Nodi Papers to Note**

[383] **Russell George:** We move to item 5, papers to note. Are Members happy to note those papers? Yes. In that case, that closes our meeting today, and our next meeting will be next Thursday, where we'll be looking at bus congestion with the Confederation of Passenger Transport, TAS Partnership, and local government representatives. Thank you.

*Daeth y cyfarfod i ben am 12:26.  
The meeting ended at 12:26.*