

Agenda – Economy, Infrastructure and Skills Committee

Meeting Venue:

Committee Room 4 – Tŷ Hywel

Meeting date: 12 February 2020

Meeting time: 09.30

For further information contact:

Robert Donovan

Committee Clerk

0300 200 6565

SeneddEIS@assembly.wales

Private pre-meeting (09.30–09.35)

1 Introductions, apologies, substitutions and declarations of interest

2 Paper(s) to note

2.1 Letter from Chair to Chief Executive Officer, Cardiff Airport re Regional and Business Airports Group study

(Page 1)

Attached Documents:

EIS(5)–06–20(P1) Letter to Chief Executive Cardiff Airport

2.2 Letter from Chair to Minister for Housing and Local Government re National Development Framework

(Pages 2 – 5)

Attached Documents:

EIS(5)–06–20(P2) Letter to Minister for Housing and Local Government re National Development Framework



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

2.3 Letter from Chair to Secretary of State for Wales re City and Growth Deals for Wales

(Pages 6 – 12)

N.b. A similar letter has been sent to the Minister for Economy, Transport and North Wales

Attached Documents:

EIS(5)–06–20(P3) Letter to Secretary of State for Wales re City and Growth Deals for Wales

3 General Ministerial Scrutiny on Transport

(09.35–11.00)

(Pages 13 – 37)

Ken Skates AM, Minister for Economy, Transport and North Wales

Simon Jones, Director Economic Infrastructure, Welsh Government

Huw Morris, Director, Skills, Higher Education and Lifelong Learning, Welsh Government

Sioned Evans, Director Business and Regions, Welsh Government

Attached Documents:

EIS(5)–06–20(P4) Research Briefing

EIS(5)–06–20(P5) Evidence from the Minister for Economy and Transport

Break

(11.00–11.05)

3.1 General Ministerial Scrutiny on Employability Support

(11.05–11.20)

(Pages 38 – 42)

Ken Skates AM, Minister for Economy, Transport and North Wales

Simon Jones, Director Economic Infrastructure, Welsh Government

Huw Morris, Director, Skills, Higher Education and Lifelong Learning, Welsh Government

Sioned Evans, Director Business and Regions, Welsh Government

Attached Documents:

EIS(5)-06-20(P6) Research Briefing

Private de-brief

(11.20-11.45)

Deb Bowen Rees
Chief Executive Officer, Cardiff Airport

31 January 2020

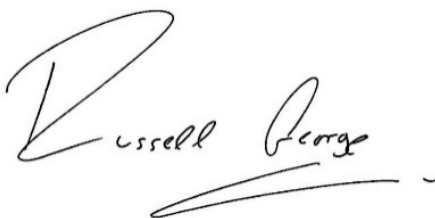
Dear Deb,

At the Economy, Infrastructure and Skills Committee session on 27 November 2019 you mentioned a Regional and Business Airports Group study looking at carbon mode analysis. There has been significant public interest in the report's assertion that traveling by air from Cardiff to Manchester creates less carbon dioxide than either train or car.

The Committee thanks you for sending the Committee that report in private. However, as discussed in e-mails between the Clerk and Mark Bailey the Committee would like to forward the report to experts so they can verify the figures it contains. There has also been public interest in seeing the report as the figures you cited in our meeting go against conventional wisdom.

I would like to formally request, on behalf of the Committee, permission to share the document both with experts to check the figures and publicly. If we can not share the report with experts who can verify the figures I am afraid the Committee will not be able to use that part of your evidence in our decarbonisation report.

Yours sincerely,



Russell George AM
Chair
Economy, Infrastructure and Skills Committee



Julie James AM
Minister for Housing and Local Government

6 February 2020

Dear Julie,

As the National Development Framework (NDF) is a cross cutting document the Economy, Infrastructure and Skills Committee (EIS) held evidence sessions with stakeholders to examine the proposals relevant to the Committee's remit. The Committee is aware that the Climate Change, Environment and Rural Affairs Committee (CCERA) has undertaken a much deeper inquiry into the draft NDF and has published a report on the matter so I have copied this letter to its chair, Mike Hedges.

Following our sessions, the EIS Committee would like to raise the following points:

- The framework seems to lack ambition. When drafting a key national planning document like this, there is an opportunity to set the agenda and make changes which will address big issues in society such as tackling climate change and economic and social inequality. The Committee felt that this opportunity has been missed somewhat.
- The Committee is concerned that this lack of ambition means the NDF's will not create the correct space to foster growth in the economy. Professor Goodstadt stated "what's missing is some sense of the overall scale of the Welsh economy and what that should be" and referred to the document as only setting out a "trend-based view of life."



- For example, the NDF does not mention the foundational economy despite this being a clear priority of the Welsh Government, indeed the UK2070 Commission has noted that Wales is leading the way in this field. The foundational economy approach should be noted in, celebrated by and built on in the NDF.
- The lack of ambition in the document is also evident in that it does not set out specific pieces of key large transport infrastructure. For example, the Committee would have expected more details of the planned Metros included in the NDF.
- The Committee was concerned about the sequencing of the national, strategic and local plans. Most Local Development Plans (LDPs) have been developed and clearly the work to develop the NDF is well underway. However very little work has been undertaken at the regional level on Strategic Development Plans (SDPs). The Committee understands that we will be well into the 2020s before the first SDP is up and running. At this point we will be into the second, if not the third iteration of the NDF. Having some LDPs developed ahead of the NDF, and well ahead of the SDPs seems to present a risk of a disjointed approach to strategic planning. The timeframe before we see the three levels of plans working in order and harmony also is of concern. The Committee would like some reassurances around the speed of the SDPs and remaining LDPs coming forward and how the Government will ensure this lag between the three levels does not harm the NDF's ability to provide the correct spatial plan to address the key national priorities it sets out to do.
- The Committee felt that the document was light on improving transport links between Welsh regions and cross-border with England. Both north-south and east-west connectivity could be greatly improved. This could be via direct links within an all-Wales integrated transport network, emphasising opportunities to develop public transport links and active travel. As well as helping people navigate

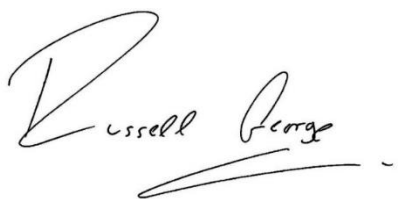
easily around Wales this network could also transport people into local hubs where they can travel onwards to England, Ireland and further afield.

- Although sea travel is not devolved, ports are. Whilst the Committee understands it's unlikely any new ports will be developed, infrastructure links to ports should feature in the document.
- The Committee was not convinced by the argument for Wales to be split into three regions. Whilst it understands SDPs need not cover the whole of a region, it feels the Mid and South West Wales region would be better split with Mid Wales and South West Wales being regions to reflect their distinct characteristics.

Although the Committees undertook work separately there are common areas where we share concerns. You will note the EIS concerns around inter-region and cross-border connection are shared in conclusions 1 and 6 of the CCERA report, similarly the Committee's concerns regarding the lack of mention of ports and the foundational economy are shared in conclusion 7 of the CCERA report.

I hope you find these comments useful when considering further development of the draft NDF and would welcome any feedback on the points we have raised.

Kind regards

A handwritten signature in black ink that reads "Russell George". The signature is written in a cursive style with a long horizontal flourish underneath the name.

Russell George

Chair, Economy, Infrastructure and Skills Committee

The Rt Hon Simon Hart MP
Secretary of State for Wales
Office of the Secretary of State for Wales
Gwydyr House
Whitehall

7 February 2020

Dear Simon,

City and Growth Deals for Wales

On 15 January and 23 January 2020 the Assembly's Economy, Infrastructure and Skills Committee received updates on the Cardiff Capital Region City Deal, Swansea Bay City Deal, the Mid Wales Growth Deal and the North Wales Growth Deal. These annual updates follow the Committee's 2017 report 'City Deals and the Regional Economies of Wales'. The Committee has also noted the Welsh Affairs Committee's report on the Deals in November, and is broadly supportive of its recommendations on funding, in particular the proposal for "seed funding" to ease the strain on council finances in developing Deal proposals.

You will be aware that I wrote to your predecessor on 15 February 2019 with questions my Committee had after taking evidence last year. Given the joint nature of the Deals, the Committee is again writing to both governments to seek responses, as appropriate, to points raised during this year's scrutiny:

Cardiff Capital Region City Deal

The Committee was pleased to hear that engagement with Welsh Government and the Chief Regional Economic Officer on the forthcoming



Regional Economic Framework has been good, given the importance of ensuring cohesion and alignment of priorities. However it notes that more engagement with “Senior Ministers” would be welcomed by the Regional Economic Growth Partnership.

Members were pleased to see a healthy pipeline of projects coming forward, and a drive for inward investment and recycling of funding for maximum impact.

In terms of the Deal’s targets for private investment, jobs and GVA, greater clarity is still needed about how responsibility for delivering them should be shared across the different elements of the Deal. Although the levels of funding and targets are broadly comparable to the Glasgow City Deal, £738m of funding for the Cardiff Deal is for the Metro, delivery of which is not the responsibility of the City Deal team. The Committee asked UK Government and Welsh Government about this issue a year ago, and was told that the UK Government was “currently finalising how the 5 year Gateway will be conducted”.

Although the CCR City Deal has had “engaged and productive discussion” over the past year with both Governments, the matter is still not resolved. The Committee again calls on the UK Government to provide urgent clarity on the proportion of the overall targets that the City Deal will be responsible for delivering. The Committee also calls on the UK Government to outline in detail the process which the Gateway Assessment will take and clarify the specific elements of the City Deal that will be included within it..

How the City Deal proposals will interact with the UK Government’s Industrial Strategy Challenge Fund and focus on innovation was also raised during the session. What is the UK Government’s view of how UKRI will formally interact with the CCR City Deal to support its innovation priorities and projects, and how can the Deal maximise opportunities offered by the Industrial Strategy Challenge Fund?

Swansea Bay City Deal

The Committee welcomes progress made since the reviews of the Deal were completed, and the release of the first round of government funding. However, there are still nine project business cases in the pipeline for funding, and as we noted a year ago, it is vital to prevent any further delays to projects for which local authorities are already carrying financial risk. Delays in the approval process are prolonging the amount of time that local authorities carry that risk, and although we were told there is no evidence of the private sector walking away from involvement in projects as yet, this risk must be mitigated.

There is concern that capacity and resource issues for both UK and Welsh Governments may be slowing down the approval of business case submissions. While recognising the challenges for the Civil Service as a result of Brexit and recent changes in Government, what assurances can the Committee have that sufficient resource is now being targeted at evaluating and signing off Swansea Bay City Deal business cases as a matter of urgency? When will the business cases be approved?

North Wales Growth Deal

The Committee is pleased that Heads of Terms has now been signed off and a Programme Office team is operational, but disappointed that there appears to have been lengthy and avoidable delay by both Governments in agreeing the detail of the Heads of Terms, and a lack of guidance that could have helped speed things up. The Committee understands there has recently been good engagement at officials level, and would now like to see more engagement at Ministerial level to move things forward at pace.

Some concerns were raised about different policy priorities between the two governments, and the Committee hopes that the Secretary of State for Wales and Welsh Ministers will seek to minimise the risk of inevitable differences of approach derailing any elements of the Deal.

The North Wales Economic Ambition Board has dealt with five different Ministers over the development of the Deal and said it had “no regular reports on progress”. It is seeking a “well-managed and professional relationship” between the three players involved from now on, and the Committee would welcome assurances from the Secretary of State and the Welsh Minister that this will be put in place.

It is concerning that North Wales Economic Ambition Board has had no response to its request for an additional £20m of funding from each government, following meetings held after the announcement of the proposed £20bn Wylfa Newydd station being suspended indefinitely. Can the UK and Welsh Government confirm when it will announce a decision on additional funding to help address the impact on the region of the Wylfa Newydd situation?

As with Swansea Bay City Deal, the Committee is concerned about the cash flow issue for council funding of projects, and notes concerns about the cost of borrowing needed, and that councils in North Wales may need to extend project completion periods so that income matches expenditure. The North Wales Economic Ambition Board’s written evidence notes that the requirements to develop detailed business cases at an early stage of the programme has required “disproportionate investment by the region, parts of which have been abortive”, saying it would support guidance to minimise the risk of losing scarce council resources in this way. It is vital that both governments ensure that the risk attached to up-front investment in Deal projects is minimised for stretched local authorities. Timely approval of business cases and release of funds is vital. What measures are UK Government and Welsh Government taking to minimise the financial risks to local authorities from their up-front investment in developing Growth Deal projects?

Mid Wales Growth Deal

The Committee looks forward to the Mid Wales proposition document coming forward, but overall the rate of progress since last January is disappointing. The Committee hopes to see activity ramp up in the coming months. The Deal covers two local authority areas and clearly there is a capacity and resource issue when staff involved in the work are undertaking this on top of their day jobs. The Committee also notes that communication about the Deal is shared between two council websites rather than having a distinct separate 'vision' communicated to potential investors and stakeholders. The Committee was told that there have been verbal assurances of extra revenue support to put together a programme team and add pace to the work. Can the UK Government confirm when that revenue support will be confirmed and how soon will it be released to allow greater resource to be directed at developing the Growth Deal?

The Secretary of State for Wales's response to us on 20 March 2019 said that he would "act quickly" once firm proposals came forward from Mid Wales. Confirmation of funding is vital to the progress of the Deal now, to give confidence to all those involved, and for potential private sector investors. The provision of funding to the Mid Wales Deal also needs to be considered against analysis of the scale of financial risk of losing Common Agricultural Policy Funding: £88m for Powys and £55m for Ceredigion. Can the UK Government give a firm time commitment now of when it will confirm the funding package for the Mid Wales Growth Deal?

The fact that Mid Wales does not have its own separate Learning and Skills Partnership was noted as an issue last year: the Committee was told a separate Partnership is critical to ensure skills and curriculum are aligned to distinct business needs in Mid Wales, to encourage the private sector to set up in the area and to stop 'brain drain'. The Minister for Economy and Transport told us on 15 March 2019 that he recognised the importance of "ensuring that Mid Wales is given a distinct identity within the wider South

West and Mid Wales Regional Employment and Skills Plan”, and outlined actions underway, but the Welsh Minister’s most recent correspondence with the Committee on Regional Skills Partnerships, of 28 January 2020, did not cover this specific point.

There are strong calls for Mid Wales to be recognised as a distinct fourth region for the purposes of regional development, as the Assembly’s Climate Change, Energy and Rural Affairs Committee concluded in its report on the Draft National Development Framework. Can Welsh Government urgently confirm how and when it will address the concerns of those involved in the Mid Wales Growth Deal about the learning and skills partnership support it requires, whether or not it intends to continue with the current three region approach to regional development?

General observations across the Deals

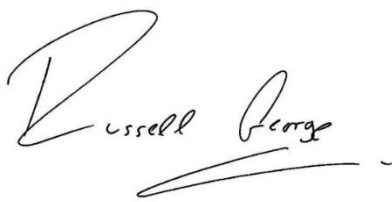
The Committee welcomes the focus being given to understanding and supporting local supply chains and having consistent procurement principles that support the local economy and build economic resilience through Deal activity. It also welcomes efforts to align skills and economic development structures in delivering the Deals, to ensure that projects and clusters can access the appropriately skilled workforce needed for growth. The Committee would also welcome a continued focus on trying to ensure gender balance in the make-up of the bodies established to support delivery of the Deals.

The overwhelming impression is that progress with the Deals has been disappointingly slow. The Committee received assurances from witnesses that the picture will be significantly different in another 12 months. Certainty over funding, support for the programme office functions, and proactive and constructive relationships are all vital. The Committee hopes that the Secretary of State and Welsh Ministers can now work together to remove any

remaining obstacles to speedy implementation of all four Growth Deals, which are so important to the Welsh economy.

As noted above, this letter has also been sent to the Welsh Government's Minister for Economy and Transport to respond to issues that are a matter for Welsh Government alone. I look forward to receiving your response.

Yours sincerely,

A handwritten signature in black ink that reads "Russell George". The signature is written in a cursive style with a long horizontal flourish underneath.

Russell George AM

Chair, Economy, Infrastructure and Skills Committee

CC: Ken Skates AM, Minister for Economy, Transport and North Wales

Agenda Item 3

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Minister for Economy & Transport

**Economy, Infrastructure & Skills Committee
Wednesday 12 February 2020**

Evidence paper

I refer the Committee to my evidence papers of 9 January (Economy, Infrastructure & Skills Committee)

<http://senedd.assembly.wales/documents/s96906/EIS5-01-20P5%20Evidence%20from%20Minister%20for%20Economy%20and%20Transport.pdf>

and 16 January (Climate Change, Environment and Rural Affairs Committee)

<http://senedd.assembly.wales/documents/s97207/Paper%20-%20Minister%20for%20Economy%20and%20Transport.pdf>

I have also written to the Committee providing the further details I agreed to provide at the meeting on 9 January.

They are as follows:

Cardiff International Airport Limited – Loan Arrangements

The remaining loan facility is scheduled to be drawn down over the first 6 years of the agreement, leading to the full loan being drawn down by 31 March 2025. The first repayment is due 31 March 2026 with the whole loan repaid by the 31 March 2044.

Economic Action Plan – Examples of Regional Investments

The Economic Action Plan recognises that a growing, sustainable and inclusive economy is essential for a more prosperous, healthier, resilient and more equal Wales. I am proud of the high calibre investments we have attracted to strengthen our economy and communities during an incredibly challenging time and provide some examples as discussed at committee to highlight the delivery of our ambitions.

Foundational Economy Challenge Fund Projects

The Economic Action Plan moves away from a sector approach to a new focus on developing stronger and more resilient communities. The allocation of £4.5m for the Challenge Fund demonstrates our commitment to shared prosperity and essential in developing Wales' regional economy. The experimental business opportunities may also bring environmental benefits by lowering food miles and associated carbon costs.

Examples of successful projects receiving up to £100,000 are provided as follows:

Drive –the non-profit organisation is developing an existing project into a centre for people with Autism. The funding will also offer specialised training for learning disability nurses so that they can learn about supporting people with autism, including those who can challenge services.

Denbighshire Voluntary Services Council (DVSC) - the County Voluntary Council for Denbighshire and a partner in Third Sector Support Wales were awarded funding to utilise Ruthin Town Hall as a community and business hub which can offer new routes for independent firms and social enterprises. The Wales Co-operative Centre will also provide support for local start-ups and social enterprise businesses.

Rhondda Housing Association – the scheme will renovate vacant premises in Tonypany's town centre with the aim of revitalising the high street.

Mon Shellfish in Bethesda – this is a partnership project with Coleg Llandrillo Menai and Partneriaeth Ogwen to increase local markets for shellfish.

Lunax Digital in Caerphilly - the initiative will develop an App which allows users to swap time and skills and has the potential to bring local businesses together for inclusive growth.

Swansea County Council – the project to help small construction firms bid for local authority contracts – a first step towards supporting other public bodies to give more of their work to SMEs.

Gower Gas and Oil – a scheme that will provide work placement experience for young people, targeting individuals at risk of falling out of the education system into unemployment.

Strategic Projects

Advanced Materials Research Centre Cymru – Broughton

This is a world class facility which will be a catalyst for growth and jobs in Deeside, across North Wales and the wider cross-border and Northern Powerhouse region. It will further strengthen the established manufacturing base and be a key driver in bringing the latest research, technology and skills to the North Wales region. The investment of £20m has the potential to provide a £4 billion boost to the economy over the next 20 years.

KK Fine Foods – Deeside

A leading frozen food manufacture, KK Fine Foods currently employs 525 people. Our support of £0.550m from the Economy Futures Fund will enable £5.5m expansion plans diversify and create an additional 40 new jobs. It will also

accommodate a research and development centre with the potential of increasing opportunities for Welsh suppliers.

INEOS Automotive – Bridgend

As highlighted in committee Ineos Automotive will be developing a new manufacturing and assembly plant at the Brocastle Business Park for the production of their new 4x4 Grenadier vehicle anticipated to start in 2021. It is expected to create around 500 jobs, providing opportunities for many Ford workers who have been affected by the company's decision to leave Wales. This significant investment will provide employment opportunities for expanding companies and other new investors into Wales.

National Digital Exploitation Centre (NDEC) – Blaenau Gwent

The research and development facility will be delivered by Thales in collaboration with the University of South Wales. The cyber centre investment, facilitated by £10m Welsh Government funding, will assist businesses to exploit the global opportunities of digital transformation and harness skills and knowledge at the heart of the Tech Valleys programme. The partnership between Welsh Government and Thales is expected to generate significant income with the aim to become self-financing in 5 years

Oxis Energy – Kenfig

Oxis Energy will be manufacturing the first lithium sulphur battery cell and is pioneering advanced cell technology for next generation rechargeable batteries to power buses and trucks. It aims to grow the business and create hundreds of new jobs region over the next ten years. This is supported by an equity investment of £3.2m from the Development Bank of Wales.

Mid Wales

We have provided support to both Charlies Stores and Zip-Clip to build new distribution and manufacturing facilities at the Buttington Cross estate in Welshpool. In Newtown you will also be aware that Nidec have recently completed the buy-back option of their £4m R+D centre originally supported and built by the Welsh Government.

Ken Skates AM
Minister for Economy & Transport
February 2020

Agenda Item 3.1

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