

Agenda – Economy, Infrastructure and Skills Committee

Meeting Venue:

Committee Room 1 – Senedd

Meeting date: 27 September 2017

Meeting time: 09.00

For further information contact:

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Committee Clerk

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Private pre-meeting (09.00–09.15)

1 Introductions, apologies, substitutions and declarations of interest

2 Minister for Skills and Science – General scrutiny

(09.15–10.15)

(Pages 1 – 26)

Julie James AM, Minister for Skills and Science

Huw Morris, Director Skills, Higher Education and Lifelong Learning
Simon Jones, Director for Economic Infrastructure

Attached Documents:

Research brief

EIS(5)–21–17(p1) Minister for Skills and Science

Break (10.15–10.30)



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

3 Trade sector panel – Selling Wales to the World

(10.30–11.30)

(Pages 27 – 43)

Elgan Morgan, Policy & Public Affairs Manager, South Wales Chamber of Commerce

Professor Terry Stevens, Stevens & Associates

Ben Cottam, Head of External Affairs, Federation of Small Businesses

Attached Documents:

Research brief

EIS(5)–21–17(p2) Federation of Small Businesses

4 Cabinet Secretary for Economy and Infrastructure – General scrutiny

(11.30–12.30)

(Pages 44 – 61)

Ken Skates AM, Cabinet Secretary for Economy and Infrastructure

Simon Jones, Director, Transport & ICT Infrastructure

Mick McGuire, Director, Sectors & Business

Huw Morris, Group Director SHELL

Attached Documents:

Research brief

EIS(5)–21–17(p3) Cabinet Secretary for Economy and Infrastructure

Private de-brief (12.30–12.40)

Agenda Item 2

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Minister for Skills and Science

Economy, Infrastructure & Skills Committee

1. This paper sets out some of my priorities and recent actions ahead of my meeting with the Committee on 27 September.

United and connected

2. To date, the Superfast Cymru project has provided access to fast fibre broadband to over 653,000 premises in Wales. BT has assured us that it remains on target to deliver its contractual obligations of providing access to superfast broadband to over 690,000 premises by the end of this year.
3. We are now working to develop a successor scheme to Superfast Cymru to extend the availability of superfast broadband to those premises that won't be provided with access to superfast broadband under either Superfast Cymru or the commercially driven roll-outs of telecommunications companies in the next three years.
4. In order to comply with state aid rules, an open market review must be undertaken to identify those premises that are unable to access a superfast broadband connection under the Superfast Cymru project or the commercial roll-outs of telecommunications companies. The open market review undertaken earlier this year provisionally identified 98,000 such premises.
5. We consulted on this list of premises in July and my officials are now analysing the results. We intend to carry out a procurement exercise later in the autumn with a view to the new project starting in early 2018.
6. The successor scheme will be underpinned by a public sector budget of up to £80 million which in turn, will leverage private sector match funding to further extend broadband coverage to the hardest to reach premises across Wales by 2020.
7. For those who cannot yet get fibre or a fast traditional broadband connection, the Access Broadband Cymru scheme helps applicants get faster broadband. Since the scheme began in January, 2016, 581 residents and businesses have been provided with funding.
8. Businesses can also use the Ultrafast Connectivity Voucher scheme to help meet the initial capital costs to get ultrafast broadband. Following feedback from businesses that they would like to connect at sub 100Mbps speeds, the scheme has been adapted to provide greater flexibility for mid-range broadband. So far 22 businesses have taken advantage of this scheme.
9. While telecommunications policy is not devolved to Wales, I hosted a round table meeting of industry representatives in January to discuss enhancing mobile coverage and capacity. As a result, I announced my intention to publish a mobile action plan for improving mobile connectivity in Wales using the levers at the disposal of the Welsh Government. We are currently finalising the plan with the mobile industry and it will be published shortly.

10. Both National Survey for Wales (NSW) and Office for National Statistics (ONS) figures show positive progress to reducing levels of digital exclusion across Wales. However, we know many more people lack the basic digital skills to fully benefit from digital technologies. These include the ability to manage information and problem solve online, communicate safely, transact securely and create basic digital content.
11. My officials continue to report progress using the National Survey for Wales Internet Use figures, but are also looking to other data resources, which allow reporting and tracking progress for Basic Digital Skills levels.
12. Our digital inclusion programme, Digital Communities Wales (DCW) trains and supports organisations to engage digitally excluded people with technologies and encourages recruitment of volunteers to act as digital champions.
13. In the first two years (to 31 March 2017) 733 organisations were supported and over 86,000 individuals engaged with technology. DCW provided training to over 1,400 front line staff and supported over 1,200 volunteers.
14. Following an independent evaluation, I have extended DCW until 31 March 2019. From 1 April 2017 to date, DCW has assisted 61 further organisations, supported 7,517 end users through organisations assisted, placed 117 volunteers, and provided training to 447 front line staff and volunteers.
15. Following the NSW publication in June, officials are now reviewing the document, with the intention to publish a living 'Strategy' in late 2017, which will reflect progress against 2017 targets, recognise the Programme for Government commitment (helping 95% of people gain at least the basic digital skills needed for the 21st century) and set new targets for 2019 and 2021. It will highlight the continued growth of online public services, changing technologies, continue to raise the profile of digital inclusion and highlight links to related policy areas and programmes which help towards the agenda.
16. This is a challenge that Government cannot tackle alone – it is something all sectors and wider society must fully embrace.

Prosperous and secure

17. Taking Wales Forward commits the Welsh Government to 're-shaping employability support for job-ready individuals, and those furthest from the labour market, to acquire the skills and experience to gain and maintain sustainable employment'. The development of a cross-Welsh Government Employability Delivery Plan for Wales underpins this commitment along with a new employability offer, 'Working Wales', which will be delivered from April 2019. Working Wales will consist of a new programme for adults and two new programmes for young people:
 - the **youth engagement** programme will be targeted at individuals aged 16-17 on entry, who are not in education, employment or training and who are

assessed as having significant or multiple barriers preventing them from engaging sustainably in education, training or employment with training

- the **youth training** programme will deliver work experience for young people motivated to work but who need improved employability skills, clearer career focus and better job related skills.

18. These two new youth programmes will replace the current Traineeships programme which is due to end on 31 March 2019.
19. The adult programme will be informed by labour market intelligence from the Regional Skills Partnerships (RSPs) and by joint working with the Department for Work and Pensions (DWP), including the DWP Work and Health Programme in Wales. Working Wales will use a wide-ranging approach to identify the barriers an individual might face in gaining and sustaining employment. It will use shared tools to streamline referral to the right employability support and track individuals from initial enquiry into employment. The new programme will support the Valleys Taskforce initiative and complement community programmes being delivered in some of the more deprived areas of Wales
20. The programme will use the procurement framework between the Welsh Government and Careers Wales to enhance current advice and guidance for adults.
21. It will be delivered in conjunction with the existing Communities and Tackling Poverty programmes which will continue to focus on those furthest away from the labour market. The Committee will also wish to note that from April 2018, the Cabinet Secretary for Communities & Children will introduce a grant to develop new infrastructure to support people with complex barriers to employment.
22. We will work across Welsh Government to ensure:
 - a focus on the needs of the individual
 - a seamless approach to support people who face a multitude of barriers
 - provision of targeted support to overcome barriers identified
 - greater access and engagement through joint working arrangements
 - effective and continued mentoring, monitoring and tracking.
23. Obtaining a clear picture of the strengths and barriers clients face at the outset will enable Careers Wales case workers to support their client's journey into the labour market more effectively. A common and shared categorisation tool will assist as part of the identification of barriers, results from which will inform the level of support needed.
24. While we transition to delivery of new programmes my officials are looking at what we can do now to better support individuals into employment. Transition arrangements will focus on making amendments to our current employability programmes for the interim period up to April 2019 and delivering a range of trial activity to support the Valleys Taskforce agenda and inform development of the Employability Delivery Plan.

25. We recognise that this cannot just be about support for individuals. We want to support employers to recruit and develop talent within their business, boost productivity and give local people the opportunity of better jobs closer to home.
26. We are agreed as a government that, through using public procurement in a more creative and joined up way, we can support our communities to be more resilient in the face of the economic challenges that lay ahead by creating more sustainable local and regional economies across Wales.
27. Through our Better Jobs Closer to Home programme we are working with the Wales TUC to ensure that the benefits of major investment are recycled back into Welsh communities to support local supply chains and stimulate investment in deprived communities.
28. Elsewhere, we have made various strategic Research and Development (R&D) partnerships with businesses in Wales. Last month, IQE plc became Wales' first unicorn company with the help of 3 years' Welsh Government R&D support for its vertical-cavity surface-emitting laser (VCSEL) technology.
29. We have also provided funding for R&D for
- Support for 3 projects at **Renishaw** at Miskin: an embedded flatness gauge; research to achieve greater precision in a single neurosurgical system; and ongoing support for a biomedical project currently being appraised.
 - **Aston Martin** at St Athan: Significant support to develop the DBX AM8, world-class leading 4WD SUV, as well as subsequent models.
 - **SPTS Technologies** at Newport: On-going support to develop a flexible modular system for manufacturing the latest generation of integrated circuits with smaller, more compact features and multi-layer/3D architecture. This will provide a significant technical advance over the systems currently available, and to place SPTS at the leading-edge of the industry for several years. This is proving a real success, with SPTS' turnover reaching £200m in its most recently filed account ending 31 Dec 2015.
 - **Riversimple** at Llandrindod Wells: Significant support their development of a fuel-cell powered electric vehicle
30. In addition, Tata Steel has received significant support for its development of a new steel making platform to make advanced high strength steel products. This support is tailored to the capabilities of the plant at Port Talbot. Tata is looking to Swansea University to be the focal point for its own steel R&D in the UK; its £1 billion, ten-year investment plan will be centred at the Port Talbot hub and its downstream business units.
31. Tata's decisions are set against an on-going strategic programme of investment in the steels and metals sector infrastructure, all designed to future proof the UK industry's products, supply-chains and technology.
32. Meanwhile we are also investing in the Compound Semiconductor Cluster. The cluster will create critical mass in the supply-chain by bringing together next-generation semiconductor materials and end-user applications (5G smart

phones, the Internet of Things, tele-health, autonomous vehicles, location-based services).

33. Investment in infrastructure to date has been in four pillars to bridge the “valley of death” between early stage academic research and commercial activity. WG’s initial investment of £12m has resulted in the following:

- a £90M Institute for Compound Semiconductor Technology, established at Cardiff University’s Maindy Campus.
- a £42M Compound Semiconductor Centre at St Mellons operating as a joint venture between IQE plc and Cardiff University currently employing 76.
- a £150M investment by InnovateUK and partners in a Compound Semiconductor Applications Catapult.
- a £10M Future Compound Semiconductor Manufacturing Hub at Cardiff University funded by a UK Research Council.

34. Sêr Cymru has helped us to leverage £50 million of UK funding through Professor Diana Huffaker, a world-renowned compound semiconductor expert. The initial elements of Sêr Cymru – the ‘Star’ Research Chairs and the research networks – have won some £67.1 million research income for around £19.7 million Welsh Government spend. The latest elements have so far offered some 80 awards with around 30 in the pipeline. Fellows are working alongside industry partners, such as Rolls Royce, TATA Steel and Lockheed Martin as well as several SME partners and third sector organisations across Wales.

35. Sêr Cymru is not planned as a short-term solution, despite some quick wins. It can take a decade to build and fine-tune a successful research team, so it is crucial that both we and our partners in higher education maintain our effort.

36. My officials are also working with the Department for Business, Energy & Industrial Strategy (BEIS) to offer of joint funding (up to £20 million) for a Thermal Hydraulic Research and Test Facility. It has signed a Memorandum of Understanding with us on this aspect of their nuclear research programme. Its project budget for this (including the preliminary scoping and design work as well as construction) is up to £30 million to add to our up to £20 million and potentially other contributions from other sources will deliver a national facility of £50-60M in North Wales.

37. The thermal hydraulic facility will be a UK National Nuclear Thermal Hydraulic Facility, located ideally at M-SParc on Anglesey.

38. This aligns with the business requirements of Hitachi who need a UK based nuclear thermal hydraulic facility to test the Advanced Boiling Water Technology that will be deployed at Wylfa Newydd, but which could also be available to other technology vendors.

39. Such a facility would be one of genuine UK strategic importance to the multi billion pound UK Nuclear New Build programme and support the safe and efficient operation of plants for more than 60 years.

40. The host location can be expected to be able to realise significant benefits like high quality employment, facilities to support wider advanced manufacturing, opportunities for inward investors, SME spin-outs, and a stimulus to academic excellence.
41. Parallel to this we will soon be investing two nuclear related research chairs in Bangor through Sêr Cymru
42. In addition, Wales has the fastest growing digital economy outside London according to a report on the sector by law firm Nockolds, with the number of digital enterprises in Wales jumping by 9.2% in 2015. The strong performance of the ICT sector has helped create, safeguard or assist more than 9,300 high end jobs over a 6 year period from 2010 using Welsh Government support mechanisms. 4,346 new inward investment jobs were announced as a result of a number of major projects including CGI, Alert Logic, General Dynamics UK, Capgemini and BT. The ICT Sector's performance in 2015/16 and 2016/17 accounted for almost 30% of all Foreign Direct Investment (FDI) projects recorded for Wales, indicative of the growing prominence of technology in the economy.

Healthy and active

43. The Cabinet Secretary for Economy & Infrastructure and I have approved the development of a repurposed vision and mission for the Life Sciences Hub Wales Ltd. This will include developing opportunities for creating value from NHS-Industry engagement.
44. In May 2017 we established a Ministerial Task and Finish group with the task to develop this vision and mission. This group includes expertise to reflect the specific areas of business and commerce, entrepreneurship, multinational companies and the NHS.
45. The draft working vision is for the Hub to be "internationally recognised for creating value across the health and care system in Wales through building a dynamic and prosperous innovation ecosystem".
46. The benefits of this approach will reduce the resource required within the NHS and create value through new product and service adoption. This will result in efficiency savings, patient benefits and cost savings to the NHS and sustainable economic growth (job creation, SME/spinout development, FDI) for healthcare and life sciences industries.
47. The Group is currently carrying out stakeholder engagement activities to test emerging principles and direction of travel. Targeted focus groups aim to identify ways to enhance partnership working and collaboration with stakeholders in relation to repurposing of the Life Sciences Hub. They will allow the Group to understand stakeholders needs better.
48. I expect the Group to report to me in the autumn.

Ambitious and learning

49. The National Science Academy (NSA) grant-funds science and engineering engagement activity, to interest our young people in science and to recruit to science-related study and careers. NSA has now deployed some £2.7 million for 20 programmes designed to reach over 186,000 students at over 870 events, with 462 development events for 2800 science teachers too, by early 2018. As part of its strategic approach a number of these programmes are focused largely on encouraging more girls to study science and consider careers in science and technology careers.
50. I have written to the Chairs of Careers Wales and of the Business Wales Advisory Board welcoming their engagement in work to explore options for closer alignment or integration between Careers Wales and Business Wales. Against a backdrop of public sector spending restraint it is imperative that we explore ways to innovate and release efficiency saving while continuing to support valued services to clients and citizens.
51. The options appraisal process will take several months to complete and, with the cooperation of the Careers Wales Board and Business Wales Advisory Panel, we hope to complete the process early in the New Year. The options appraisal will be robust and will be used to inform any future decision making.
52. Irrespective of what emerges, there are tangible benefits from closer alignment and working around digital transformation and services. These are being progressed in parallel with wider options appraisal activity.
53. Careers Wales is moving forward positively with the implementation of their Vision for service delivery “Changing Lives”, commencing introduction of new tools and services to better link schools and employers and new delivery models for young people in schools.
54. Services to those in education have been under pressure in recent years as Careers Wales has had to stretch services to meet multiple priority client groups. However, Careers Wales received a clear message that greater emphasis needed to be returned to work in schools with young people when they consulted on their delivery vision with stakeholders. This focus is central to the remit issued to Careers Wales this year. Significant change should be visible from September with more careers advisers working in schools to help young people understand their options and make smart and well informed choices.
55. A new Career Discovery Model is being introduced as part of major service transformation set out in company’s vision ‘Changing Lives’. The new approach will improve integration tools, resources and support - helping young people make well informed choices and make strong career plans. Developing high quality digital services will allow Careers Wales to use its adviser’s capacity better, focussing and targeting input where it is needed.
56. Careers Wales is making significant progress to develop a digital service offer. In September a new database called the Education Business Exchange will be rolled out. This will connect schools and employers to enable more effective

education business links. The Valleys Taskforce area will be prioritised at the start of the academic year as a starting point for a national roll out during 2018. A demo site of the 'new' careerswales.com website is now being tested with users. Careers Wales have also launched a series of highly successful webinar events allowing employers such as Airbus and NHS to connect with schools across Wales.

57. In relation to skills development, we have established a new governance structure which enables the employer-led Wales Employment and Skills Board (WESB) to report directly to the Council for Economic Development (CED) on employment and skills issues. This new working arrangement provides the Welsh Government with an enhanced strategic perspective on skills and will strengthen links with business, social enterprise and trade unions to influence policy across a number of areas relevant to skills and the wider economy. Each Regional Skills Partnership (RSP) Chair is a full member of WESB.
58. The RSPs produce an annual employment and skills plan, identifying priorities for their region based on employer need. These plans identify key economic sectors and are driving planning decisions for providers and providing a critical evidence base from which to make skills investment decisions. WESB will have a role in overseeing the regional priorities put forward by RSPs through these plans.
59. The plans serve as the employment and skills evidence for the City Regions and Growth Deals. Each RSP has developed strong ties with their respective City Region and Growth Deal structures, which are reflected in their governance arrangements. WESB also have a role in the alignment of activity to City Deal and Growth Deals.
60. The Welsh Government is working with the other nations of the UK to minimise the impact of divergences in skills policies on those employing, working and learning across the UK borders. Following the UK Government's decision not to fund or mandate the use of National Occupational Standards (NOS), the three Devolved Administrations (DAs) established a system to ensure the continued portability and transferability of occupational competence of learners across regions, nations and sectors, and thereby support employers operating or recruiting across UK borders. The DAs annually commission Delivery Partners across all sectors to undertake the review and development of NOS and Apprenticeship Frameworks to ensure they are up-to-date and meet the needs of industry. The DAs are also forging positive relationships with the Institute of Apprenticeships (IFA) in England in an effort to align occupational standards. As a result of an independent review of NOS in 2016 a 5-year plan is being developed which seeks to align standards across borders. This consists of a NOS Communication Plan and proposed work to improve the current, outdated NOS Database, and implement a new NOS Database during 2018/19.
61. The Welsh Government Skills Policy is aimed at aligning apprenticeships to the needs of the Welsh economy. We are already working with employers to expand and strengthen routes in STEM, the digital industries, information technology, construction and financial services.

62. In February 2017, I published the Welsh Government's Apprenticeships Skills Policy, Aligning the Apprenticeship model with the needs of the Welsh economy, which responds to these challenges. Not only is the Welsh Government committed to deliver a minimum of 100,000 quality all age apprenticeships over the current Assembly term, we will prioritise our investment in:
- addressing skill shortages through developing apprenticeships in growth sectors and emerging occupations in line with priorities determined by Regional Skills Partnerships (RSPs)
 - developing higher level skills - focusing on apprenticeships at level 3 and above particularly in science, technology, engineering and professional routes, where returns tend to be higher
 - increasing the take-up of apprenticeships amongst 16-19 year olds, reflecting Welsh Government commitment to supporting younger apprentices
 - delivering a larger number of apprenticeships through the medium of Welsh and/or bilingually.
63. Meanwhile the UK Apprenticeship Levy is due to come into force from 6 April 2017. The levy conflicts with areas of devolved responsibility, completely overlooks and undermines our very distinctive and strong approach to supporting apprenticeships in Wales.
64. The UK Government state that we will be getting £128m, £133m and £138m over the next three years. This is not new money. The UK Government have cut public funding for skills and apprenticeship budgets and replaced it with this tax. To deliver our priorities we will be increasing investment in apprenticeships from £96m to £111.5m for 2017-18, meaning that we are actually making additional investment in Welsh apprenticeships.
65. The apprenticeship reforms in England and the introduction of the Apprenticeship Levy has seen more demand from employers, especially in the Public Sector and UK wide companies wishing to be involved in the development of our apprenticeship frameworks. We are therefore reforming the mechanism for revising frameworks.
66. The levy will disproportionately impact on the Welsh public sector. The Welsh Government estimates that Welsh public sector employers will have to pay the UK Treasury £30m per annum.
67. My officials are working closely with public sector organisations across Wales to explore how the Apprenticeship programme can better support their workforce needs, including: Local Authorities, NHS Wales, Fire and Rescue Service, Office for National Statistics (ONS) and Driver Vehicle Licencing Authority (DVLA).
68. The WESB has agreed to establish an Apprenticeship Employer Advisory Board, initially for 12 months, to look at priorities and framework infrastructure. Things are changing across the system but we are clear on the outcomes we require from this employer group.
69. We have commissioned a range of new Apprenticeship Frameworks to deliver apprenticeships across key sectors of the Welsh economy, where there is

employer support for elements of English Apprenticeships, we will look to adopt them in Wales – depending whether they align with our priorities and include qualifications.

70. The Apprenticeship Skills Policy includes an action to develop Higher Apprenticeships with Degree level qualifications. In December 2016, the Higher Education Funding Council for Wales (HEFCW) invited plans from institutions to develop degree level qualifications which could form part of an apprenticeship. The offer was restricted to an interest in Engineering, Advanced Manufacturing and IT/ computing.
71. Eleven HE/FE institutions directly funded by HEFCW have shown an interest in areas such as: Control Instrumentation, Power Engineering Material Science, Digital Media, Data Science, Cyber Security, Software Engineer and Network Engineer.
72. Sector Skills Councils have been deployed in order to manage and control the architecture for these new apprenticeship frameworks and ensure employer buy in. All indications are that demand and need from employers will be considerable. Unit costs will determine the types of volumes we can support and we will be subject to the financial constraints within the Apprenticeship Budget. For the first pilot phase we are working on the basis of paying 100% costs on the basis of that many employers believe they have already paid for their training via the Apprenticeship Levy and to pump prime the system.
73. We have committed to producing guidance on funding and delivery during September 2017. A full options appraisal is being developed by officials and an internal task and finish group will scrutinise options and make recommendations to me in readiness for the publication of funding planned for September 2017.
74. We have also developed a new approach to investing in the future of our valleys with the creation of a new Shared Apprenticeship Programme which will engage and empower employers and local communities within Rhondda Cynon Taff, Merthyr Tydfil, Caerphilly, Blaenau Gwent and Torfaen. The programme will establish the Valleys Group Training Association that will employ apprentices across the valleys taskforce area. Its key functions will be:
 - coordinate and manage the recruitment and employment of the apprentice in the valleys areas within key STEM related subjects or approved subjects where market failure within that locality has been identified
 - promote the opportunity of the Shared Apprenticeship Programme to SMEs – demonstrating the benefits to business of sharing the resource over a period of time, thus increasing business capacity and potentially full-time employment opportunities, where traditional programmes have failed or where funding has expired
 - develop partnerships with local training providers, colleges & universities to provide additional skills and training within the learning pathway
 - engage with schools to promote recruitment of apprentices for the sector, demonstrating the proposed pathway as being a viable career opportunity,

raising aspirations with both male/females and fulfilling the local strategy to engage and reduce NEETS within the 16-24 age cohort.

Prosperity for All: the National Strategy

75. The Welsh Government will shortly be publishing a simple, cross-government national strategy on Prosperity for All. It will cover activity over this term and lay the foundations for further action over the longer term.

76. The strategy will set out the steps we will take and priority areas to focus work in the short term to lay the foundations for prosperity for all.

77. My portfolio will have a key part to play in ensuring we achieve our ambitions.

Julie James AM

Minister for Skills and Science

September 2017

Agenda Item 3

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About FSB Wales

FSB Wales is the authoritative voice of businesses in Wales. With 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees; FSB Wales is in constant contact with business at a grassroots level. It undertakes regular online surveys of its members as well as a biennial membership survey on a wide range of issues and concerns facing small business.

Introduction

1.1 FSB Wales welcomes the opportunity to inform the Economy, Infrastructure and Skills Committee's work on selling Wales to the world. FSB Wales sees the international dimension of economic development policy as being vital to Wales' future prosperity.

Trade and Investment

Trade and Investment strategy

2.1. As a general point, Welsh Government does not currently have a publically available trade and investment strategy for Wales. Given the likely disturbance to export markets and potential for additional international trade barriers arising from Brexit, it is important that Welsh Government sees expanding and diversifying the Welsh export base as a priority. Such a strategy would guide the work of Welsh Government's overseas offices in terms of export support for firms and would also inform the Business Wales offering.

2.2. An explicit trade and investment strategy would also guide decision making on inward investment, ensuring that inward investment is driven by economic development priorities around developing Welsh supply chains. FSB Wales notes that the Scottish Government introduced a Trade and Investment Strategy last year covering similar themes.¹

Welsh Government should develop a Trade and Investment Strategy to sit under the forthcoming economic development strategy.

2.3. FSB Wales also believes that the strategy should consider whether an arm's length trade and investment body should be created, tasked with delivering a strong international Wales brand. For instance, the Scottish Government has Scottish Development International (SDI) whose task it is to deliver inward investment and ensure the overseas presence is delivering to the Scottish Government's strategy.

2.4. Perhaps more relevant is the example of Enterprise Ireland. Like SDI, Enterprise Ireland operates a number of overseas offices, including a large number within the European market. Enterprise Ireland also provides specific market strategies such as their 2017-20 Eurozone Market

¹ Scottish Government. 2016. *Global Scotland: Scottish Government's Trade and Investment Strategy 2016-20* [Online]. Available at: <http://www.gov.scot/Publicationsg/2016/03/7779> (accessed 22nd August 2017).

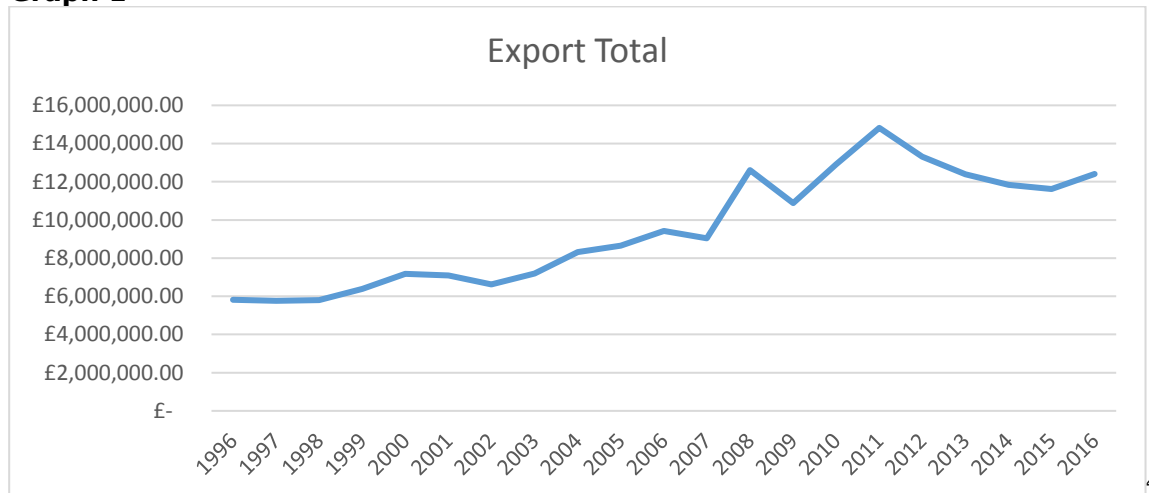
Strategy² and their international events programme³ which chimes well with some of the potential functions of Welsh Government's existing overseas offices and appears to have a strong focus on internationalising the Irish economy, be they start ups or existing exporting businesses.

The potential for an arms-length trade and investment body along the lines of Enterprise Ireland or Scottish Development International should be considered for Wales.

Wales' export performance

2.5. Wales' export performance has historically been fairly strong, owing to a larger number of manufacturing firms compared to the rest of the UK. Data from HMRC's Regional Trade Statistics suggest that the volume of trade doubled between 1996 and 2016 to around £12bn with a peak of near £15bn in 2011.

Graph 1



2.6. This headline figure is encouraging but only tells us half of the story. Data produced by the UK Government's Department for International Trade suggests that there were around 3,800 firms actively exporting goods from Wales in 2016 which was around 2.5 per cent of the UK total. Furthermore, of those firms that do export goods the average value of goods exporter per exporter was £3,251,000 compared to £1,763,000 by the average exporter in England. This suggests that Wales' has a smaller number of larger firms exporting compared to the situation in England.⁵

² Enterprise Ireland. 2017. *Eurozone Market Strategy 2017-20* [Online]. Available at: <https://www.enterprise-ireland.com/en/Publications/Reports-Published-Strategies/Eurozone-Strategy.pdf> (accessed 22nd August 2017).

³ Enterprise Ireland. 2017. *International Events Programme 2017* [Online]. Available at: <https://www.enterprise-ireland.com/en/Publications/Reports-Published-Strategies/International-Events-Programme-2017.pdf> (accessed 22nd August 2017).

⁴ HMRC Regional Trade Statistics

⁵ Department for International Trade. 2017. *Regional goods export data: January to March 2017* [Online]. Available at: <https://www.gov.uk/government/publications/regional-goods-export-data-january-to-march-2017> (accessed 22nd August 2017).

2.7. Whilst it is difficult to draw conclusions from this, one potential explanation could be that Wales has a less diverse stock of smaller exporting companies.

Wales' exports have grown significantly over previous years but appear to be less diverse and focused on a smaller number of firms exporting larger quantities than in England.

Small firms and exporting in Wales

2.8. Our research shows that one in five small firms currently export in Wales. Leaving the single market might allow UK firms to trade more easily with other global markets in the long term, markets such as the US, Australia and China.

2.9. However, it's evident from our survey work that the EU single market remains the top trade destination for both UK and Welsh small firms. Welsh SMEs that do export are four times more likely to export to an EU destination than a destination outside the EU. Around one fifth of FSB's membership in Wales exports, with around 13.5% of our members importing goods or services. Generally this is in line with the UK average.

2.10. The majority of our exporting members in Wales are exporting services and digital services. Significantly, Welsh business are more likely to be exporters of digital goods and/or services than they are to import these items, demonstrating a relative strength of the Welsh economy (though also in line with the relative strengths of the UK economy).

2.11. Where importing does occur, our members are generally importers of goods (68.8%) rather than services or digital services.

Around a fifth of Wales' SMEs are export orientated with the EU being the top destination for Welsh goods and services.

Welsh Government overseas offices

2.12. Since 2011 Welsh Government has reviewed its overseas presence and begun establishing a series of overseas offices, largely by locating staff in existing DIT or UKFCO office locations. The stated aim of the offices on the Welsh Government is as follows:

*"The offices are multi-functional. They are responsible for trade and investment, government relations, tourism, culture and education. The primary focus of the Brussels office is on EU matters."*⁶

2.13. Focusing specifically on their export role, it is difficult to ascertain what their priorities are or what function/service they provide for firms looking to export to each of the countries concerned. As table 1 demonstrates, export performance between 2013 (when the methodology for export data changed) and 2016 shows poor performance in all of the countries with a Welsh Government office presence. Moreover, two countries where exports rose significantly over the same period, France and Germany, have no Welsh Government presence.

⁶ Welsh Government.2014. *Overseas Offices* [Online]. Available at: <http://gov.wales/topics/international/international-relations/overseas-offices/?lang=en> (accessed 22nd August 2017).

Table 1 ⁷

Wales Special Trade (£m)	2013	2014	2015	2016	% Change
USA	1,871	1,885	1,691	1,631	-13
Belgium	551	529	441	432	-22
UAE	86	77	83	76	-12
India	120	103	98	94	-22
Japan	205	134	93	93	-55
China	264	212	209	255	-3
Germany	2,079	2,329	2,885	2,909	40
France	1,544	1,530	1,594	2,047	33

2.14. The immediate conclusion we can draw from this is that Wales' export performance bears no resemblance to Welsh Government's overseas office locations. There may be two reasons for this. Firstly, the offices are under-resourced and unable to properly service this function. Alternatively, increasing export capacity may not be seen as a core function of Welsh Government's overseas presence. As mentioned above, Welsh Government does not have a trade and investment strategy, so it is likely both of these factors are relevant.

2.15. FSB Wales would suggest a trade and investment strategy would give purpose to the overseas office, ensure the office locations fit Wales' export potential and deliver seamless throughput from Business Wales to potential export destinations. It would also inform the work and purpose of websites such as tradeandinvest.wales. As part of this, consideration should be given to increasing Welsh Government's presence in core European markets such as France, Germany, Italy and Spain (as happens with Enterprise Ireland) in order to ensure opportunities are maintained and increased throughout the Brexit process.

Welsh Government's overseas offices do not seem to have a tangible effect on export performance. Their role should be clarified as part of a Trade and Investment Strategy.

2.16. Welsh and UK Government export support
Welsh Government currently provides most of its export support through Business Wales. This is split into three categories (first steps, finding opportunities and getting to market) and is supported by tapered match funding through Business Wales. On the whole, the guidance from the Business Wales website is well articulated.⁸ Furthermore, there appears to be good linkage through to the UK Government's Department for International Trade's support, such as their comprehensive country guides.⁹

⁷ Stats Wales. 2017. *Value of Welsh Exports by quarter and destination (£m)* [Online]. Available at: <https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/Businesses/Exports/welshexports-by-quarter-destination> (accessed 22nd August 2017).

⁸ Business Wales. 2017. *Support to Export Guide* [Online]. Available at: [https://businesswales.gov.wales/zones/export/how-we-can-help/support-export-guide#Getting to market](https://businesswales.gov.wales/zones/export/how-we-can-help/support-export-guide#Getting%20to%20market) (accessed 22nd August 2017).

⁹ Business Wales. 2017. *Where to Export: Exporting Country Guides* [Online]. Available at: <https://businesswales.gov.wales/zones/export/where-export> (accessed 22nd August 2017).

Welsh and UK Government appear to link their support services well through the Business Wales website.

2.17. In the future, Welsh Government may have a role to play in informing any future free-trade agreements the UK Government signs. We would expect the priorities for Welsh Government in this regard would emerge from its trade and investment strategy and would also include a commitment where possible to small business chapters in any free trade deal.

Welsh Government should examine the impact of future trade deals as part of its Trade and Investment Strategy.

2.18. Welsh Government also operates a series of sector specific trade missions. In the past, there has been limited engagement between SMEs and Welsh Government's trade missions and we would like to see a trade and investment strategy set out clear aims in terms of encouraging broader SME engagement with trade missions.

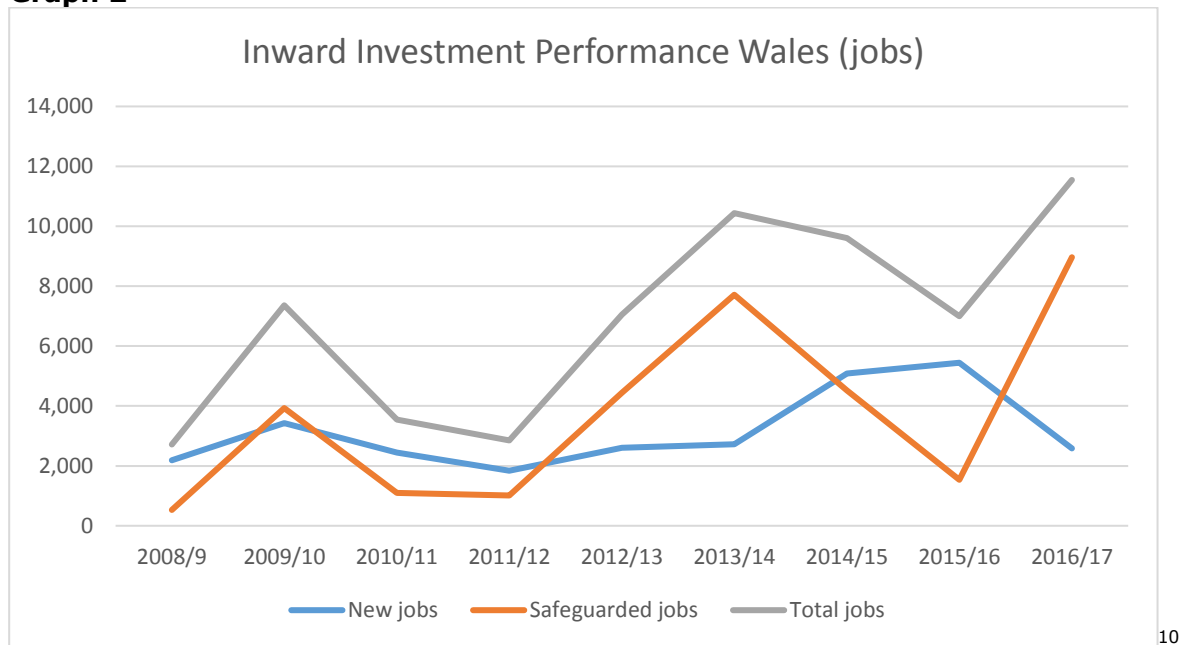
A future trade and investment strategy should set out clear aims around increasing the participation of SMEs with overseas trade missions.

Inward Investment

Inward Investment Performance

3.1. Since 2008 Wales has performed well in terms of inward investment, with peaks in terms of numbers of project in 2014/15 and 2015/16 years. It is important to note that the nature of this inward investment has changed with a larger part relating to 'safeguarded jobs' rather than the creation of 'new jobs' (see graph 2).

Graph 2

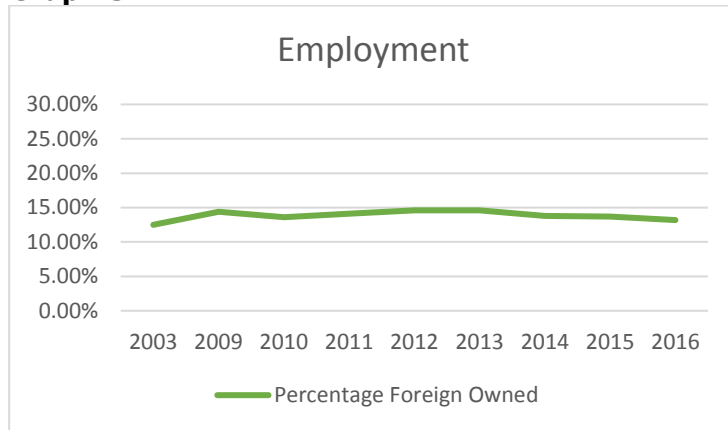


3.2. Despite this performance, its significance needs to be placed in a wider economic context. Taking into account foreign owned companies in Wales and their employment footprint, we can see that between 2003 and 2016 these companies accounted for a steady share of 15% of Wales' total employment (see graph 3). This equates to a constant share of around 150,000 jobs over the entire period. This suggests that as many jobs leave Wales as investors relocate in search of other government sponsored locations, as are created by incoming firms. By contrast, over the same period domestic SMEs in Wales produced around 160,000 additional jobs, 10,000 more than the equivalent existing stock of inward investment jobs.¹¹

¹⁰ Various Department for International Trade Inward Investment Annual Reports.

¹¹ Statistics for Wales. 2016. *Size Analysis of Welsh Businesses* [Online]. Available at: <http://gov.wales/docs/statistics/2016/161129-size-analysis-welsh-business-2016-en.pdf> (accessed 22nd August 2017).

Graph 3¹²



3.3. This suggests two things. Firstly, that the overall impact of foreign direct investment on jobs growth is limited, particularly over a medium-term timeframe. Secondly, that the figures for those employed by foreign firms remains fairly static despite significant fluctuations in Wales' inward investment performance over the period. In this respect, Welsh Government's inward investment policy is effectively running to stand still.

Despite fluctuations in inward investment performance, foreign owned firms have consistently accounted for around 15 per cent or around 150,000 jobs in Wales since 2003 with a limited impact on jobs creation.

By contrast, SMEs have created around 160,000 new jobs, more than the stock of inward investment employment since 2003.

Purpose of Inward Investment

3.4. FSB Wales believes the introduction of a new economic development strategy for Wales provides an opportunity to critically evaluate the purpose of inward investment policy in Wales. It is our view that inward investment has been central tenet of Welsh economic development policy for decades without such a critical evaluation as to its purpose in economic development terms (excepting work undertaken by the Welsh Economy Research Unit).¹³ Whilst we see inward investment as vital for driving economic development, it has in the past been about providing new or safeguarding jobs at all costs.

3.5. Despite this focus, the evidence above suggests the impact of inward investment on job numbers in Wales over the past 15 years has at best been static. Moreover, Welsh Government's approach focuses significantly on jobs created or safeguarded by new projects but does not take into account jobs lost as footloose investors relocate in search of government financial support elsewhere in the world.

¹² *IBID*

¹³ Munday, M. Roche, N & Roberts, A. 2009. *A review of the economic evidence on the determinants and effects of foreign direct investment* [Online]. Available at: <http://gov.wales/docs/caecd/research/090617-foreign-direct-investment-en.pdf> (accessed 22nd August 2017).

3.6. In its place, FSB Wales believes Welsh Government should adopt an approach to inward investment that prioritises the right kinds of projects to help build on Wales' assets and to grow our domestic capacity. This would mean supporting projects only where it is clear that there is development opportunities for the supply chain with domestic firms (or the potential to engender the emergence of domestic firms in such a sector).

3.7. Achieving such a policy would require two things. Firstly, Welsh Government would have to develop a broader set of metrics for assessing the impact of inward investment based on its economic development aspirations. Secondly, Welsh Government would have to develop its own inward investment offer towards conversations based on linking domestic firms with potential investors, rather than on number of jobs created. This would entail far greater linkages between attempts to develop SMEs in Wales with the aims of attracting inward investment.

Inward investment should be refocused towards broader economic development aims. This would mean focusing on inward investment projects that add value to Wales' domestic business stock rather than a pursuit of jobs alone.

Welsh Government overseas offices

3.8. Research undertaken by Professor Max Munday on behalf of the Public Policy Institute for Wales suggests that it is difficult to estimate the importance and efficacy of overseas offices in attracting foreign direct investment. Furthermore, Prof Munday states; "*where a trade office is located in a sphere allowing opportunities across exports, inward investment, education and tourism, its success will depend strongly on the experience of personnel, their background, and with this potentially impact the types of social and business networks which they are able to participate in*".¹⁴ This suggests that the level of resourcing and personnel is as important as location in determining efficacy.

3.9. Information published through a Freedom of Information request in 2015 by the Welsh Conservatives suggests the following budgets for Welsh Government's overseas offices:¹⁵

Delhi (£20,790)
Brussels (£936,555)
Bangalore (£25,308)
Beijing (£80,442)
Chicago (£38,361)
Chongqing (£175,079)
Dubai (£142,262)
Ireland (£56,201)
Mumbai (£70,009)
New York (£250,346)
San Francisco (£57,415)
Shanghai (£114,399)
Tokyo (£314,348)

¹⁴ Prof Max Munday/PPIW. 2014. *Decisions Decisions: How should the Welsh Government decide where to locate its overseas offices?* [Online]. Available at: <http://ppi.w.org.uk/files/2014/10/Decisions-Decisions-How-should-the-Welsh-Government-decide-where-to-locate-its-Overseas-Offices.pdf> (accessed 22nd August 2017). P.6

¹⁵ Welsh Conservatives. 2015. *Jump in Welsh Government's Overseas Office Costs*. [Online]. Available at: <https://www.welshconservatives.com/news/jump-welsh-governments-overseas-office-costs> (accessed 22nd August 2017).

Washington DC (£168,832)

3.10. The figures above suggest that the resourcing of the offices varies considerably with political offices (i.e. Brussels and Washington) having a stronger presence than for instance the Bangalore or Delhi offices. Given the overseas offices could potentially fulfil a number of roles such as promoting exports, political facilitation, attracting inward investment and marketing Wales as a tourism destination, FSB Wales believes an international trade and investment strategy would help clarify the role of each office and would resource them according to their purpose.

Welsh Government's overseas offices should be purposed by a trade and investment strategy. This should set out clearly the rationale for each overseas office and how its resourcing enables it to deliver its objectives.

Tourism

4.1. FSB Wales notes that the Enterprise and Business Committee in the previous National Assembly for Wales conducted an extensive inquiry into tourism in Wales during 2014. This inquiry covered tourism in its entirety and considered a number of issues around marketing and the Wales tourism brand, as well as the relationship between Visit Wales and Visit Britain.

4.2. We note Welsh Government's publication in 2016 of a progress review of the tourism strategy *Partnership for Growth*.¹⁶ This review suggests that significant progress is being made with respect to the 10 per cent growth target in earnings for the industry.¹⁷ It also highlights a growing proportion of overseas visitors coming to Wales (although these numbers are still below the peak of 1.1m in 2006) despite a declining market share in relation to inbound UK tourism.¹⁸

Wales' tourism performance has improved since the Enterprise and Business Committee's inquiry in 2014.

4.3. Despite this progress, a number of the recommendations of the previous committee's work remain pertinent. For instance, the budget for Visit Wales is still smaller than competitors across the UK, despite a recent budget rise of around £5m in the 2017/18 Welsh Government budget bringing it to a total of £15m. By comparison, Visit Scotland has around £45m in grant aid from the Scottish Government¹⁹ whilst Failte Ireland in the Republic of Ireland forms part of a tourism budget of around €121m.²⁰

4.4. The Enterprise and Business Committee's report recommended that the Welsh Government should review whether its funding for tourism was sufficient. We believe this needs to be

¹⁶ Welsh Government. 2016. *Partnership for Growth: Strategy for Tourism 2013-2020 – Strategy Progress Review* [Online]. Available at: <http://gov.wales/docs/drah/publications/161116-strategy-review-en.pdf> (accessed 22nd August 2017).

¹⁷ IBID p.6

¹⁸ IBID P.29

¹⁹ Visit Scotland. 2016. *Annual Report and Financial Statements for the Year Ended 31 March 2016*. [Online]. Available at: <http://www.visitscotland.org/pdf/VS%20Annual%20Accounts%202015-16.pdf> (accessed 22nd August 2017). P.19

²⁰ Irish Government. 2015. *Budget 2016 sees 8% increase for Dept of Transport, Tourism & Sport which will support the economy & secure the recovery* [Online]. Available at: <http://www.dttas.ie/press-releases/2015/budget-2016-sees-8-increase-dept-transport-tourism-sport-which-will-support> (accessed 22nd August 2017).

undertaken, with a view to moving towards a similar funding settlement to those seen in other parts of the British Isles. This would allow Visit Wales to broaden its current target overseas markets from Ireland, Germany and the USA towards closer integration with Wales' presence through its overseas office footprint. This would also help to align the work with a potential trade and investment strategy.

Welsh Government should review its funding for Visit Wales with a view to meeting a similar funding commitment to other agencies in the British Isles.

4.5. The Enterprise and Business Committee report also identified significant issues around the way Visit Wales interacts with Visit Britain, and the importance Visit Britain gives to the Wales brand more generally. FSB Wales is not aware of any action taken by Visit Britain to remedy this situation since the previous inquiry. While the Visit Britain website appears to give more prominence to Wales as a destination than in a past, this is still patchy. For instance, the Sport section of their website includes no attractions in Wales and focuses largely on the south east of England.

FSB Wales suggests the committee further considers how Visit Britain contributes to brand Wales overseas.

BREXIT

5.1. The UK's exit from the European Union will lead to a redefinition of Wales' relationship with many of its key export and tourism markets. As such, Welsh Government policy needs to be highly responsive to these changes and focused on securing the best possible presence for Wales overseas in terms of exports, inward investment and tourism.

5.2. With regards to exports and inward investment, FSB Wales believes an arms-length trade and investment body could provide the capacity and strategic oversight needed to deliver good outcomes through this process. Likewise, a properly resourced Visit Wales should aim for similar goals in the context of overseas tourism in Wales.

FSB Wales believes Welsh Government should be proactive in defining Wales' international presence throughout the Brexit process.

Conclusion

FSB Wales welcomes the opportunity to inform the Economy, Infrastructure and Skills Committee's work on selling Wales to the world. This response sets out the position of FSB Wales on Welsh Government's policies and performance in relation to trade and investment, tourism and our international presence more generally. FSB Wales sees the international dimension of economic development policy as being vital to Wales' future prosperity.

Agenda Item 4

Document is Restricted

ECONOMY, INFRASTRUCTURE AND SKILLS COMMITTEE WRITTEN EVIDENCE – UPDATE ON THE ECONOMY AND INFRASTRUCTURE PORTFOLIO

1. Purpose

This paper updates the Economy, Infrastructure and Skills Committee on developments in the Economy and Infrastructure Portfolio.

2. Recent Highlights

Advanced Manufacturing Research Institute (AMRI)

In July we announced funding for the first phase of the AMRI development. AMRI will operate as a single entity, split between a state of the art “hub” R&D facility in Broughton and a networking, training, business development and advice facility in close proximity to the Deeside Industrial Park. Earlier this month, we reached a significant milestone by announcing the appointment of Arup who will work with strategic partners to develop a full design specification for the first phase of AMRI at Broughton.

Enterprise Zone Performance

The latest results show since their inception in 2012, more than 10,000 jobs have been supported and more than £300m of investment has been secured from the public and private sectors.

Key targets for the eight Enterprise Zones in 2016/17 were all either met or exceeded with:

- 1,744 jobs created, safeguarded or assisted
- £123.2m of public and private sector investment secured
- 159 enterprises supported
- 7000 m² of land remediated/made available for development/floor space created or refurbished.

Automotive Technology Park

We have moved quickly with our announcement of a new investment of approximately £100 million over the next 10 years to support the creation of a new automotive technology park, supplemented by a programme of apprenticeships and improving skills of local people.

We will publish further details in the autumn, including a business case setting out short, medium and long term projects.

Inward Investment levels

Inward investment remains a driver of economic development in Wales and we work with overseas companies and those based in the UK to bring further investment and jobs into Wales.

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In July 2017, statistics published by the UK Department of International Trade show that Wales attracted 85 new projects creating, supporting and safeguarding over 11,500 jobs for the financial year 2016-17. This is the third highest number of projects recorded for Wales since records began more than 30 years ago.

Levels of investment into Wales from companies headquartered in other parts of the UK reached a record high last year. This is proof of Wales' growing reputation as a great place to do business and evidence that our approach is paying dividends.

Regional Entrepreneurship Acceleration Programme (REAP) – Be the Spark

In June we launched BeTheSpark - a Wales-wide movement aimed at unlocking the potential for greater collaboration between entrepreneurs, corporate leaders, risk capital, academia and government to support the creation of more home grown profitable businesses.

A high profile stakeholder launch event introduced the vision of REAP and BE THE SPARK and engaged 300 leaders from the five stakeholder groups. The event identified actions they might take forward to encourage linkage between innovation and entrepreneurship across their networks and spheres of influence.

A Community Interest Company has been formed by some of the REAP panel members to take forward these ambitions and will continue to build the movement through a digital platform, stakeholder engagement and a large scale event in Spring 2018. The event will engage 3000 stakeholders from across the entrepreneurial ecosystem to help create networks and instigate change.

Jobs supported

In 2017-18 we are on track to support over 36,500 jobs this year.

3. Business

UK Industrial Strategy

We have responded to the UK Industrial Strategy and I have recently written to Assembly Members enclosing our response.

There are a host of world class projects for the UK Government to support and we have set out a number of areas where the UK Government could work with the Welsh Government to make early progress.

Our response clearly shows that we are keen to work constructively with the UK Government. In doing so, we have called on the UK Government to play

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its part, while respecting the devolution settlement and providing the fair share of funding we need.

EU Transition

Since the EU referendum result, we have introduced a number of measures to protect jobs and provide stability to Welsh businesses. These include expansion plans for Welsh exports, developing new campaigns to promote inward investment and introducing new ways to boost national competitiveness. We have also undertaken a series of trade visits to the US, Dubai, India, China, Japan and Doha to meet with potential investors and show them what Wales has to offer.

We remain committed to the priorities set out in our white paper, *Securing Wales' Future*, and we have been undertaking widespread engagement since the EU referendum with businesses of all sizes and sectors across Wales. This includes holding a series of workshops on EU Transition with the Anchor Companies and Regionally Important Companies (RICs). We have also held one-to-one meetings with companies and attended roundtable events with the Chamber of Commerce, CBI and EEF.

Through our Business Wales channels we have engaged extensively with SMEs, highlighting key issues arising from EU Transition which they may need to consider.

City Regions/City Deals/Growth Deals

In addition to the successful signing of the £1.2bn Cardiff Capital Region City Deal and the Swansea Bay City Region Deal, we are working closely with the North Wales Economic Ambition Board to consider how a North Wales Growth Deal can best support their ambitions to bring further economic growth.

Powys and Ceredigion are developing 'Growing Mid Wales', which draws together local business, academic leaders and national and local government to create a vision for the future growth of Mid Wales.

Development Bank of Wales

The Development Bank of Wales will be a core component part of the Welsh Government's economic policy and delivery, and is included in the Programme for Government - Taking Wales Forward.

When launched in October 2017, some of the key impacts and outputs of the DBW will be to:-

- Drive up investment levels to £80m per annum within five years. Finance Wales invested £56m in Welsh SMEs in 2016/17.
- Achieve a minimum target of 1:1.15 Private Sector Leverage (PSL).

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- Increase jobs created and safeguarded to over 5,500 per annum by 2021/22.
- Improving the integration of the provision of advice and support through Business Wales.

4. Infrastructure

Rail

South Wales Metro

We are delivering the Metro in tandem with the development of the new Wales and Borders rail services contract which will transform the way we provide and plan for integrated public transport across Wales. At peak times, the current road and rail network is increasingly at capacity and there is a clear need for a system which improves the overall travelling experience in the South East Wales area.

The Metro will be a modern, high-quality, multi-modal and integrated transport system. It will not only act as a link between our communities but also support the Welsh economy by enhancing connectivity across Wales into the rest of the UK and Europe.

We are currently in the process of procuring the operator and delivery partner for Wales and Borders rail services and Metro (Metro Phase 2). Metro Phase 2 will focus on modernising the core Valley Lines and the wider South Wales rail network. This infrastructure work will be integrated with the provision of Wales and Borders rail services.

North Wales Metro

The North Wales and North East Wales Metro Steering Group is developing a programme of work to bring together a package of interventions that reflect local, regional and national improvements. The programme will also include cross-border improvements.

Very early scoping work has been undertaken to consider the scope of a North Wales Metro scheme centred around North East Wales and providing connectivity to Holyhead and cross border into the North of England. The initial scope of that work has focussed on an integrated hub concept in the Deeside area encompassing rail, bus, active travel and road enhancements.

Work is also ongoing with Wrexham County Borough Council to consider the potential for integrated transport hubs at Wrexham General Station and other rail stations in the Wrexham area.

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Rail Franchise

The rail franchise we inherited from the UK Government is not fit for purpose for the needs of passengers today. It is now essential that the transfer of rail franchising functions to Welsh Ministers from the UK Government (promised by the UK Government in 2014) is progressed in a timely manner. This is important to enable us to introduce our own vastly improved contract, service and system for rail users across Wales to commence at the start of the next Wales and Borders franchise from 2018.

Delivering our ambition for the next franchise is dependent on the UK Government meeting our expectations on the following:

- The UK Government transferring the powers on time and as agreed.
- The UK Government and Network Rail agreeing our Metro plans for the Valley Lines, which are currently being discussed.
- The Department for Transport agreeing suitable financial arrangements for the Valley Lines infrastructure.

The Cabinet Secretary met with the Secretary of State for Transport on 7th of September to discuss a constructive way forward for the procurement process. We agreed, subject to completion of the relevant documentation, that we can progress with issuing tender documents at the end of September 2017. Discussions on the financial arrangements will continue with the UK Government.

The procurement to secure an operator and development partner to operate the Wales and Borders rail services contract from 2018 and deliver the South Wales Metro from 2023 is the largest single procurement the Welsh Government has ever undertaken. By reinvesting funds into the services that need it most and delivering a fairer, improved transport system, we can help support economic growth and build the stronger communities and stronger Wales we all want to see.

Four bidders have been invited by Transport for Wales to participate in open dialogue following submission of the outline solutions. The next steps for the procurement process are:

- Early 2018 – approve contract award.
- Spring 2018 – rail service mobilisation commences.
- October 2018 – new rail service contract begins.

We welcome the Economy, Infrastructure and Skills Committee's very thorough report and the priorities outlined in the Committee's report are in line with Welsh Government's own policy priorities for the new rail service. We will give full consideration to its detailed recommendations and respond in due course.

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Roads

We are updating the National Transport Finance Plan periodically to reflect developments over time and the changing profile of need across Wales and ensuring the safety and reliability of the strategic road network is our primary transport concern.

We have previously announced £24 million for pinch points on our trunk roads. This will provide an opportunity for us to do more to tackle junctions, which are causing congestion and to look at improving overtaking opportunities on key routes from North to South. We are currently undertaking feasibility work.

In addition to this, another £15 million will be allocated through our local transport network fund, aimed at increasing safety, resilience, and movement along the local road network.

Ports

The ports sector has raised strong concerns around the importance of maintaining the efficient movement of goods, using as seamless a customs arrangement as is possible.

We have an ongoing dialogue with the Welsh Ports Group and individual ports on these issues. We have made clear to the UK Government that it would be unacceptable for Welsh ports to be damaged by Brexit arrangements or be disadvantaged in any way compared to other UK ports.

Customs arrangements, tariffs, and the wider fiscal regime are reserved matters for Her Majesty's Revenue and Customs (HMRC), and we – alongside other key partners - will continue to press the UK Government to ensure border arrangements do not in any way disadvantage Welsh ports.

Cardiff Airport

The rolling annual passenger figure in August was 1,437,954 passengers using the facility – an increase of over 90,000 passengers compared to the previous 12 months.

Exciting new routes have recently been announced; for example, the long haul route from Cardiff to Doha in the Middle East; flights are expected to start in 2018. Potential new air links will provide important prospects for the Welsh economy including inbound tourism, inward investment and foreign trade. As we prepare for a future outside the EU, it is more important than ever to sell Wales to the world and meet with potential investors and corporate partners across the globe to show them exactly what Wales has to offer.

The First Minister also announced recently the continuation of the Cardiff-Anglesey air link for another 4 years; the service provides an important and

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convenient way of travelling between north and south Wales and is vital for our economy.

The devolution of Air Passenger Duty to Wales is a matter we also continue to pursue. Consumers and businesses need choices for how they can connect with the rest of the UK, Europe and the world. Air Passenger Duty effectively stifles this choice. The devolution of Air Passenger Duty we hope will enable the introduction of further new routes, including long haul destinations.

Broadband/Digital infrastructure

Superfast Cymru is making good progress. At the end of March over 645,000 premises across Wales were able to access superfast broadband as a result. BT has confirmed it expects to deliver 30Mbps download speeds to around 690,000 premises before the programme closes at the end of December 2017.

Whole counties such as Gwynedd, Conwy and Anglesey would have no superfast broadband at all without the intervention of Superfast Cymru. The most recent Ofcom report showed that Wales has the best superfast broadband availability amongst the devolved nations, with over eight out ten premises with access. This compares with just over half in 2014.

We are currently consulting on the next stage where we are looking at the final few percent of premises not covered by the Superfast Cymru rollout or by the telecommunications companies' own plans. The consultation is the result of detailed research and includes a list of potential premises without superfast broadband. We would urge those currently without access to take part in this consultation.

5. Prosperity for All Strategy

On 19th September, we will be publishing a simple, cross-government national strategy, Prosperity for All. It will cover activity over this term, and lay the foundations for further action over the longer term.

The national strategy will provide the framework and form the basis for all that we will do. A single national strategy is needed because the issues that Wales faces can only be tackled through working differently, in particular by joining-up programmes and working across boundaries to deliver Government priorities. The national strategy will include twelve whole of government objectives under each of the four areas of *Prosperous and Secure, Ambitious and Learning, Healthy and Active; and United and Connected*. These will be our well-being objectives and our contribution to the long term well-being goals for Wales.

To support this strategy and to provide further detail on the business, skills and infrastructure actions in the strategy, I will be publishing an Economic Development Plan later this autumn.