



Russell George AM  
Chair  
Economy Infrastructure and Skills Committee

4 October 2018

Dear Russell

At the scrutiny session of the Economy, Infrastructure and Skills Committee on 19th September, I said I would write to you with additional information in response to the following issues raised by the Committee, which I will respond to point by point:

- ***Economic Contracts: The Cab Sec agreed to facilitate seeing anonymised examples of Economic Contracts.***

As I indicated at Committee, we plan to engage the social partners in reviewing an anonymised sample of signed Economic Contracts. I expect this to happen soon and I am very happy to share that information with Committee. I have asked my officials to liaise with your clerk to facilitate this.

- ***Details of the size of the businesses that have signed up to the Economic Contract***

72 businesses have currently signed up to the Economic Contract. Of those:

- 8 are micro businesses;
- 22 are small businesses;
- 22 are medium sized enterprises;
- 20 are non-SMEs.

- ***To provide further details on the 29 businesses that have been awarded just over £6.2 million from the Economic Futures Fund since it was launched in May.***

34 businesses have now been awarded just over £7.7 million from the Economy Futures Fund (EFF). Further detail on these awards is included at Annex A.

- ***To write to the committee providing a detailed breakdown of total £5billion investment in the franchise and Metro under the new contract, including the funding source, what will be funded and expected spending per year for each item?***

The investment of nearly £5 billion is over the next 15 years of this contract. The breakdown is follows (including inflation and VAT where appropriate):

<b>Investment area</b>	<b>Value</b>	<b>Source</b>
Rail services revenue expenditure	£3 billion*	Welsh Government
South Wales Metro infrastructure operation, maintenance and renewal, and Valley Lines asset transfer expenditure	c.£900 million*	Funding transferred from UK Government as part of the asset transfer on basis of fiscal neutrality
South Wales Metro capital investment (including an additional £55m for the Taff's Well depot)	£793 million	Welsh Government - £515 million European Regional Development Funding (ERDF) - £140 million Department for Transport - £125 million (2014 prices)
<b>Total</b>	<b>c£4.7 billion*</b>	<b>*this will be subject to inflation over the next 15 years.</b>

The current South Wales Metro forecast spend profile is based on the concept design provided as part of the procurement, against the expenditure envelope of £738 million. In light of the fact that this profile is subject to the detailed design and discovery work currently underway, I commit to write to the Committee to set out the expenditure profile in more detail, including the anticipated draw down of UK Government and ERDF contributions, when this detail is confirmed.

- ***An update on the steps the Welsh Government is taking to assess and prepare for the impact of Brexit on business support funding, transport infrastructure and services and to ensure adequate preparations are made. (Particularly with regard to Cardiff airport, Welsh ports, road freight services and the highway network)***

We have been working and will continue to work in a joined up way with the UK Government and key stakeholders on operational preparedness for EU exit, including planning for the potential effects on the transport network resulting from new and or additional customs checks at our sea ports and airport. Stakeholders include Wales' major ports, Cardiff International Airport, the WLGA, key local authorities, the Freight Transport and Road Haulage Associations. Much of the detail of this work remains confidential at this stage, reflecting its sensitive, commercial nature.

However clarity is needed urgently on decisions before government and business can be expected to start investing in significant mitigation measures. Otherwise there is the significant risk of investing both public and private resource in solutions which are not needed. The Technical Notices published by the UK Government to date do not help in mitigating that risk.

If significant change is required, I have made it clear that the UK Government must take responsibility for the pressures being put on Welsh businesses and the infrastructure which supports them, and make funding available to assist in the transition to a post-EU Exit environment.

To support business through the complexities of Brexit, we have recently launched our new Brexit Portal, which is part of the Business Wales website. The portal provides up-to-date information and advice on a range of relevant business topics including trading internationally and workforce planning as we enter the six month period leading up to the UK's departure from the EU. It houses an interactive diagnostic tool which will further enhance our existing support to businesses, raising awareness of appropriate preparedness actions and additional sources of support. It does, in effect, provide a health check for those already prepared or identifying key actions for those needing more support. We will continue to refine and develop content on the portal as the precise nature of Brexit becomes clearer and I hope to be able to make further announcements for business support over the autumn.

We are also providing direct financial support to sectors across Wales to prepare for Brexit. This includes the £50 million EU Transition Fund (announced in January 2018). The fund will help business, public services and other partner organisations in Wales plan for and prepare for the impacts of Brexit. The Cabinet Sub Committee for EU Transition has committed over half of the £50 million EU Transition fund to help Welsh businesses and public services plan and prepare for Brexit. The fund is part of our Brexit plans to directly help businesses and public services for the significant changes ahead and will help future proof our economy.

We recently announced £6m in funding for Airbus, Toyota and Ford to help them prepare for Brexit. Airbus and Ford are part of global groups and our support will help significantly improve the chances of developing the Welsh-based sites as the preferred locations for any future and post-Brexit European investment projects. Our support will also in turn help secure business for the aerospace and automotive supply chains in Wales. Any opportunity to up-skill a workforce with transferable skills is imperative in order to continue showcasing Wales on the global stage as a desirable place for business, especially in a post-Brexit world.

September has seen the publication of a second batch of Technical Notices by the UK Government. My view is that, overall, the language is as opaque as ever, but the theme emerging is again one of uncertainty. The September batch of Technical Notices indicate new and complex burdens for businesses, with little detail on the practical steps they as organisations can or should take to prepare. This is why we are being pragmatic in our approach as a Welsh Government and will continue to support business to prepare for all eventualities. We will continue to listen to employers, tailoring our approach and supporting businesses accordingly.

Many existing Welsh Government services remain highly relevant in the context of Brexit. Welsh Government led Export Support services are an example where

demand is now growing as more businesses consider the implications of leaving the European Union.

The Welsh Government's offer on export support is designed to help new and existing exporters to overcome the barriers that are preventing them from growing their business through exports. Support is designed to:

- Inspire companies to see exporting as a vehicle for growth;
- Transfer the knowledge and skills to help companies increase their capability to export;
- Help companies to connect with potential customers overseas;
- Support visits to overseas markets.

Support is available to companies of all sizes in Wales that either have a product or service that originates from Wales, or that are adding significant value to a product or service of non-Welsh origin. Details of the range of relevant services are all accessible via the Brexit Portal and Business Wales websites.

The Development Bank of Wales (DBW) also has the objective of providing greater levels of funding to SMEs and improving the integration of the provision of advice and support to businesses, by working more closely with Business Wales. Over 5 years, from 2018 – 2023, the DBW aims to invest £1bn into the Welsh economy; support 1,400 businesses; and create or safeguard 20,000 jobs. DBW now manages in excess of £1 billion of WG funds including around half a billion pounds across all business funds and the £454 million Help to Buy – Wales.

Immediately following the decision for the UK to leave the EU, the Development Bank created and launched the Wales Flexible Investment Fund in 2017. The purpose of this £130million fund is to provide flexible and patient capital to meet the varying business needs in the Welsh market following the UK decision to leave the EU. Its key objectives are to provide a highly flexible funding vehicle that can react to evolving market needs particularly during negotiations for exiting Europe, provide economic stability and liquidity in the market, and encourage businesses to continue with investment plans.

We continue to keep our offer to business under review and will be making further announcements on support for businesses later in the autumn.

- ***Question from Adam Price regarding the feasibility study for the Swansea Bay & Western Valleys directed to Simon Jones who will provide further details.***

Welsh Government officials will be meeting Swansea Council officers on the 4<sup>th</sup> October to agree how the Metro work in the area is to be taken forward. This discussion will focus on how the various ongoing developments come together to inform the type of interventions required to deliver an integrated transport system.

These developments include:

- The M4 Study between Junction 35 and 49;
- The findings from the Swansea Bay & Western Valleys feasibility study. Swansea Council will continue the development of the concept in 2018/19, where works will be undertaken to apply a more thorough assessment and testing of the concept through a strategic outline business case;

- The Strategic Business Case for investing in the rail network in the south Wales mainline and the Swansea Bay Metro area;
  - The use of the £700k Local Transport Fund allocated to Swansea City Council to include the development of a transport model for the area to ensure that the current and future travel are well understood before any proposals are made with respect to how Metro principals might be applied.
- ***Dean Medcraft stated in the meeting that, with regard to the £6.2 million allocated from the EFF, “the profile of that is about £1 million, and it’s spread over four years”. Please could you clarify how much of the £6.2 million is profiled to be spent in each of the 4 years?***

Currently the indicative profile for the approved projects is summarised in the table below:

<b>CAPITAL</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>Total £m</b>
Economy Futures Fund	0.8	2.1	1.2	2.1	6.2

- ***Please could you also clarify whether businesses applying for financial support from funding streams within your department, which are outside the EFF, have to sign up to the Economic Contract? Likewise, does the Calls to Action approach apply to all businesses applying for financial support from your department, or does the Calls to Action approach only apply to those businesses applying for support from the EFF?***

As I explained to Committee, we have not sought to consolidate all direct funding into the Economy Futures Fund from day one. This is because we want to safeguard business continuity and ensure we drive change as part of a managed transition.

I expect to consolidate more funds into the Economy Futures Fund in due course and wherever possible, we are also proactively taking every opportunity to apply the new operating model of the Economic Contract and Calls to Action to funds that currently sit outside of the Economy Futures Fund. For example, this includes the Property Development Grant and Overseas Business Development Visits Fund.



**Ken Skates AC/AM**

Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith  
Cabinet Secretary for Economy and Infrastructure

## Annex A

a. EFF projects by Unitary Authority:

<b>Unitary Authority</b>	<b>Number</b>
Blaenau Gwent	1
Bridgend	3
Caerphilly	2
Cardiff	2
Carmarthenshire	3
Conwy	1
Denbighshire	2
Gwynedd	3
Monmouthshire	3
Neath Port Talbot	2
Newport	3
Rhondda Cynon Taf	3
Swansea	2
Torfaen	1
Wrexham	3
<b>TOTAL</b>	<b>34</b>

b. EFF projects by Call to Action:

<b>Call to Action</b>	<b>Number</b>
Exports and Trade	2
High Quality Employment, Skills Development and Fair Work	9
Innovation, entrepreneurship and headquarters	1
R&D and Automation	22
Decarbonisation	0
<b>TOTAL</b>	<b>34</b>

c. EFF projects by company size:

<b>Company size</b>	<b>Number</b>
Micro	7
Small	13
Medium	8
Non-SME	6
<b>TOTAL</b>	<b>34</b>