



**Cynulliad Cenedlaethol Cymru  
The National Assembly for Wales**

**Y Pwyllgor Menter a Busnes  
The Enterprise and Business Committee**

**Dydd Mercher, 08 Hydref 2014  
Wednesday, 08 October 2014**

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cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

These proceedings are reported in the language in which they were spoken in the committee.  
In addition, a transcription of the simultaneous interpretation is included.

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

Mick Antoniw	Llafur Labour
Jeff Cuthbert	Llafur Labour
Rhun ap Iorwerth	Plaid Cymru The Party of Wales
Byron Davies	Ceidwadwyr Cymreig Welsh Conservatives

Keith Davies	Llafur Labour
Yr Arglwydd/Lord Elis-Thomas	Plaid Cymru The Party of Wales
William Graham	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Joyce Watson	Llafur Labour

**Eraill yn bresennol  
Others in attendance**

Roger Evans	Dirprwy Gadeirydd y Panel Sector Deunyddiau a Gweithgynhyrchu Uwch Deputy Chair of Advanced Materials and Manufacturing Sector Panel
Dr Grahame Guilford	Dirprwy Gadeirydd y Panel Sector Gwyddorau Bywyd Deputy Chair, Life Sciences Sector Panel
David Jones	Dirprwy Gadeirydd y Panel Sector TGCh Deputy Chair, ICT Sector Panel
David Joyce	Cadeirydd y Panel Sector Adeiladu Chair, Construction Sector Panel
Ron Jones	Cadeirydd y Panel Sector Creadigol Chair, Creative Sector Panel
Chris Nott	Cadeirydd y Panel Sector Gwasanaethau Ariannol a Phroffesiynol Chair, Financial and Professional Services Sector Panel
David Williams	Cadeirydd y Panel Sector Ynni a'r Amgylchedd Chair, Energy and Environment Sector Panel

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

Richard Watkins	Dirprwy Glerc Deputy Clerk
Siân Phipps	Clerc Clerk
Ben Stokes	Y Gwasanaeth Ymchwil Research Service

*Dechreuodd y cyfarfod am 09:34.  
The meeting began at 09:34.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon  
Introduction, Apologies and Substitutions**

[1] **William Graham:** Good morning. I welcome Members, witnesses and any members of the public. The meeting is bilingual. Headphones can be used for simultaneous translation from Welsh to English on channel 1, or for amplification of sound on channel 0. The meeting is being broadcast and a transcript of the proceedings will be published. I remind Members and witnesses that there is no need to touch the microphones, as they should come on automatically. In the event of a fire, I ask people to please follow directions from the ushers.

09:35

**Sectorau Blaenoriaethol Economaidd: Craffu ar Gadeiryddion y Paneli Sector—  
Panel 1**

**Economic Priority Sectors: Scrutiny of Sector Panel Chairs—Panel 1**

[2] **William Graham:** Our second item on the agenda is a one-off session with the chairs and deputy chairs of the economic priority sector panels to examine progress. I welcome the witnesses and ask them to give their names and titles for the Record.

[3] **Mr Nott:** My name is Christopher Nott, and I am the chair of the financial and professional services panel.

[4] **Mr D. Jones:** I am David Jones. I am the deputy chair of the ICT sector panel.

[5] **Mr R. Jones:** I am Ron Jones, and I chair the creative industries panel.

[6] **William Graham:** Thank you very much. I will start with a rather general question, if I may. The latest position regarding the development of strategies and action plans for the various sectors that you represent.

[7] **Mr Nott:** I am sorry. I missed the beginning of the question.

[8] **William Graham:** The development of strategies and any action plans that the various sectors that you represent have developed.

[9] **Mr Nott:** The strategy for the financial and professional services sector was originally developed by the first panel three years ago, and I can talk about that in a moment. It was developed and debated over the course of about a year, but most of the time, the work of the first panel was taken on the tactical side of how you go about delivering that strategy. That panel ceased work in March, and I spent the interim helping the Minister to recruit a new panel, which started work on Friday. That has pretty much adopted the strategy and is reviewing carefully the tactics involved. The strategy is disarmingly simple: to support the indigenous F&PS community to grow its businesses; to persuade F&PS businesses in London to relocate part of their clever back offices here so that we have sticky jobs; and to welcome with open arms anyone else on the horizon whom we can bring in.

[10] **William Graham:** Are there any particular questions arising from that?

[11] **Rhun ap Iorwerth:** To what extent are you able to measure your successes at this still relatively early stage?

[12] **Mr Nott:** There is a range of official statistics that float around. For the last year or so, I have been waving at one of them, which is that, when we started, there were reportedly 125,000 jobs in our sector and that went up to 130,000 or so jobs. I will say to this committee: I do not set great store by that particular statistic, because the categories of what it calls F&PS are not what my panel calls F&PS, and it includes contract cleaning jobs, for example. While those jobs are very welcome, it is not what my mission is. So, I do not really have the statistical evidence that I would want to measure what I consider to be success. The other evidence that I have is what I see on the ground and in the reports that I get, and those are deeply encouraging.

[13] **Joyce Watson:** It is quite exciting that you have this remit and you are going to build good-quality jobs. That is obviously the case. How do we know what success is going to look like, or how do you know what success will look like?

[14] **Mr Nott:** Well, we started off with an ambition of moving the sector to 210,000 jobs within 10 years. That was small enough to be achievable and big enough to be something to be proud about. The real reality is that this is always about today and tomorrow. So, we are actively hunting jobs on a day-to-day basis, and every time we achieve something—like bringing Deloitte in, which has moved from 150 people in Cardiff to 300, and has signed up for another 300; I met their managing partner, who said that if that works well, it has no limit on it, because it has a mission to take a large percentage of its workforce out—that is success.

[15] **Joyce Watson:** Obviously, you are doing this in partnership with others on the ground elsewhere. Are those partnerships working well? Are they well formed? I am assuming here—and you can tell me if I am wrong in my assumption—that that has to form the basis of what you do.

[16] **Mr Nott:** Yes. ‘Partnership’ is an interesting word, but I will take what I think you mean by it. I am a lawyer, and I am advising on a very part-time basis, although it certainly does not feel like part time sometimes. There is a team within the Welsh Government that is dedicated to this sector, which punches hard. There are other organisations with a similar remit. So, we recommended two or three years ago that we have an enterprise zone in the centre of Cardiff and we now have that, with a board, and we work in partnership with it. We work in partnership particularly with Cardiff Council, because that is the natural home for a lot of the businesses that we are aiming for. It has formed the Cardiff business council, and its chair and I have and do collaborate, and we are working hard at getting those working in partnership together. We then have the Cardiff city region, which has a similar remit, and I have met with the chair of that and we are working to collaborate. I know that, in some ways, we have not too many groups with the same mission, because they all have different remits, but they overlap, and I know that the Minister is actively considering a solution to get those to work even closer in harmony.

[17] Then, there are also other agencies. So, we have relationships with HE and FE, which are critical, because the key bait on our hook is people. Infrastructure is important, property is important and financial support is important, but the key bait on the hook is people. So, HE, FE and the various organisations that support the development of skills are also important. So, the answer is, yes, and, if that is what you mean by ‘partnerships’, there is a range of relationships that all point in the same direction, in my judgment.

[18] **Mick Antoniw:** What are the main obstacles that you come across? Building and developing business links and encouraging all sorts of things that we want to see is obviously a very slow and difficult process, and it is sometimes difficult to plan. In terms of the discussions and the networking that you do with a variety of organisations, what are the main obstacles that are being faced? Why should one of these companies relocate to Wales? What is it that we are selling? What are we offering?

[19] **Mr Nott:** Okay. I was going to answer your question in a very different way until you finished it off. There are two answers to your question. If I take my analogy of bait, then the big obstacle is finding the fish, because there is an enormous number of organisations out there and what one is looking for is not to put our hook into this enormous pond and see what swims by; within that pool of organisations are ones that are actively thinking of relocating, that have consultants engaged and that are scanning us and our competitors. It is about getting there first and about information, information, information. One of the reasons why, when the Minister asked me to form a new panel, I recommended that, if possible, we seek people with a national and international reputation, who were based in the City and who, effectively, could introduce us to these organisations. That was because these are the people who they work with professionally. The Minister agreed with that and the new panel that was unveiled over the weekend, I believe, meets that criteria. So, that is what I see as the big obstacle.

[20] The way in which you finished your question was to ask what the big obstacles for us are in terms of what we are selling. Part of that is actually perception. So, that is crudely what I call a marketing piece, because I do not think that the people who we are trying to get to come here realise how strong the offering is here, and so one has to overcome that and meet that perception. A neat phrase that I heard last week was that the route between us and London is a telescope: we look down one end and think it is not very far away, and they look down the other end and think, 'God, it's all of three hours away down there'. That is a small, silly example of some of the things that we have to manage.

[21] The City knows that Scotland is strong in F&PS. That reputation goes before it. Three years ago, I do not think that anyone would have even had us on the map. You will now find some of the major organisations, such as TheCityUK, have adopted us and promote us quite actively—but I could give you two or three that do that and I could give you 10 that do not. So, there is that perception piece. There are practical things that need doing: the infrastructure work, communications work, and developing our skills base. However, I think that those two things are the big challenges.

[22] **Mick Antoniw:** Is there a European and international angle to this as well? Does that fit in or are we mainly looking at the three areas: grow, relocate and welcome? Obviously, we are looking at the UK and the UK financial centres already, but are we looking more broadly afield, or is that really going too far?

[23] **Mr Nott:** No. The way in which we have dealt with further afield is through UK Trade and Investment, which is the UK Government's inward investment arm. We have worked to build relationships with it so that, when it is meeting inward investors, it has us very high up on its list of offerings. One of my approaches to issues and, I think, businesses' approaches to issues—which is what the panel is supposed to be doing—is to focus. You can spread your resources too thinly, so we decided to focus in this particular way.

09:45

[24] **Mick Antoniw:** Okay. Thank you. That is helpful.

[25] **William Graham:** Rather than ask all the same questions again, I wonder perhaps whether David and Ron would care to contribute on the basis of the questions we have already had with their own experiences.

[26] **Mr R. Jones:** Certainly. I think that the sector approach, which was developed after all by the last Government, is beginning to have some impact in terms of people understanding what the aims are and how it can be made to work. One of the things I think it has done is seek to diminish the economic myth that Governments create jobs and that Governments are able to generate growth in any real sense. I think that, now, we have a much more realistic approach where certainly the Minister realises that much of what can be done by Government is to create the right environment and to make sure that we have people with the right skills, that infrastructure is in place, that transport is in place and so on. The sector approach has really taken that on board by being freed of the sort of macroeconomic issues. We are able to look at the individual sectors that we service and try to provide a much more focused approach to what it is we are trying to do. I think that it will be entertaining listening to the various sectors reporting to you today. They are doing such different things and doing them in such different ways. I like to think that that is because they are doing their jobs properly. In our case, we have a very different strategy to the one that Chris has outlined.

[27] What are we talking about with the creative industries? We are talking about a small country producing talented, creative people. There will be very few of them—we are a small

country. So, we need to make sure that none of that talent goes to waste. We need to find circumstances and create an environment where that clearly does not happen. There are ways in which we are addressing that. Also, we need to make sure that we try to build here in Wales an industry that allows these people, to the extent possible, to use those creative talents they have in Wales. If you were to put all the creative people in Wales together, you would not have an industry. What you need are commercial circumstances in which those people can actually create wealth. So, alongside the individualistic approach, which is what I am talking about, we have been doing a lot of work to try to bring companies in here, particularly in the field of top-end TV and film drama, such that an industry is created here rather than just the odd project. In a way, this is what some broadcasters were previously doing, although not always very successfully. However, that approach is probably unique to our sector, because it does not happen anywhere else. We have had considerable success with that.

[28] On the other hand, we have an entirely different field of activity, which David's business is much closer to than some of the other sectors. As I referred to in the note, which I think you have seen, about the sector, we have a part of our industry in the digital field where today's idea is tomorrow's history. So, there is this very fast-changing environment that both sectors have to work with. We have to find ways of working with those. And, of course, we have to find ways of evaluating the likely success of those sectors in a way that previous generations of officials and Ministers never had to cope with. We are dealing with very much the short term.

[29] **Mr D. Jones:** We would love to have a strategy as clear and straightforward as Chris's, and there are two reasons why we do not, I think. One is very much that the nature of the sector that we have is that there are a lot of small and medium-sized enterprises involved in that sector. So, we spend a lot of our time talking about incubator units and funding in particular to that. We talk a lot about training and education. Our sector thinks that we are about 3,000 programmers per year short in Wales, which is a horrific shortfall. However, in our sector, we also have a remit that goes beyond our sector and across the whole economy in Wales, which talks about exactly the point that Ron has mentioned, which is the digitisation issue, so the fact that, in so many industries now, digital technology is changing the way that those industries work. There is no sector that is not affected by that, whether it is manufacturing, travel, journalism or retail; everything is affected by digital. Some terrifying research was done quite recently by the University of Oxford that looked at 700 different occupations. It looked at the likelihood—not at the possibility, but the likelihood—that those jobs will simply disappear. The figure that the research came up with was that 47% of those jobs from the entire population would disappear in the next decade or so. There are jobs coming up now with job titles that did not even exist a few years ago, and it is that pace of change that means that it becomes very difficult to stay ahead of the game.

[30] The impact of that from a broader employment perspective is that the days when very low-paid and low-skilled jobs were safe have gone, and went some time ago; between 2000 and 2010, 1.1 million secretaries disappeared from the United States. All those lower sector jobs have gone already. The area that is currently suffering is the middle sector jobs. If you look at the way in which employment statistics have changed over the last few years, there are a lot more jobs at the higher end, there are many more jobs at the lower end—probably because people are being pushed down—but it is the middle sector of medium-skilled jobs that is starting to disappear. That is because of the intrusion of digital technology across this massive world of employment.

[31] **Mr R. Jones:** I think that there is a structural issue here about the way that sectors work, which might be worth considering. My personal view is that, by effectively having digital working in two sectors—we both have interest in developing skills in this field—we are missing the wider opportunity that David refers to. Almost by sectorising development in this field, we are diminishing the ambitions and the opportunities that we have to make this

work across the economy. I do not think generally that Government in the economy, in education and in health is sufficiently far ahead in bringing these skills across those sectors into play in a way that those of us who work in that field believe can seriously advantage the people of Wales if we get that right.

[32] **Mr Nott:** To support Ron's point, you spoke of both of your sectors having this requirement. One of the things that our sector is looking at is 'fintech', which are financial technology businesses. On scanning the horizon, we appear to have a disproportionate number of them, and we appear to have the opportunity to steal the crown in the UK as the fintech capital. I think that we are still a way from doing that, but we have those good businesses in clusters, largely around the universities, particularly around the Bangor area. So, this digitalisation point applies to all of these three sectors.

[33] **Mr R. Jones:** One of the interesting things in these fast-developing sectors, if you look at the way in which the economy is moving—you will hear it in life sciences, and you will hear it from all of us, I suspect, across this digital space—these are industries where there are major players capable of being developed all the time. The barrier to entry is low if you have people with the right skills and you have the right capital available. There is no reason why we cannot punch at least to our weight and probably above it in this field if we organise ourselves to take advantage of the opportunities. I have no difficulty at all in believing that we can compete in this field, but it takes perhaps a change in mindset for us to convince ourselves that we can do that.

[34] **William Graham:** Dafydd, do you have a question?

[35] **Yr Arglwydd Elis-Thomas:** Yn dilyn yr ateb hwnnw, Ron, ac rwy'n ddiolchgar iawn am y tri chyfraniad yn y cyfeiriad hwn, mae'r paneli hyn yn greadigaeth Gweinidogion sy'n eistedd yng nghanol y gwasanaeth sifil, os caf ei roi felly. Y cwestiwn sy'n fy mhoeni i yw: i ba raddau mae eich gweithgaredd chi yn arwain y swyddogion yn gallu bod yn effeithiol? Beth yw'r berthynas rhwng beth y byddai rhywun yn ei alw'n bolisi Llywodraeth a strategaeth panel, yn enwedig a chymryd dy bwynt di bod amser yn symud mor gyflym a newid yn digwydd mor gyflym yn y pethau hyn?

**Lord Elis-Thomas:** Following on from that response, Ron, and I am very grateful for all three responses in that regard, these panels are the creation of Ministers who sit at the heart of the civil service, if I can put it like that. The question that concerns me is: to what extent can your activity in leading officials be effective? What is the relationship between what one would call Government policy and the strategy of the panel, particularly bearing in mind your point that time is moving quickly and that change happens quickly in these things?

[36] **Mr R. Jones:** Rwy'n credu bod yn rhaid i bobl ddiffinio eu rôl mewn gwahanol ffyrdd. Pan gefais y sgwrs gyntaf gyda'r Gweinidog, gwnaeth hi ei esbonio fel hyn:

**Mr R. Jones:** I think that people have to define their roles in various different ways. When I had the first conversation with the Minister, she explained it like this:

[37] 'You give me advice and I'll decide what works for me politically'.

[38] Credaf fod hynny'n eithaf iach, ac rwy'n gweld fy rôl nid fel rhywun i lobïo dros fy niwydiant, ond fel rhywun sydd yno i asesu—rwy'n gobeithio yn wrthrychol—ac i roi cyngor, fel gwas sifil rhan, rhan, rhan-amser, bron. Credaf fod yn rhaid gweithio o fewn cyfundrefn gydweithredol sy'n gefnogol o Weinidogion. Dyna yw natur y

I believe that that is quite a healthy attitude, and I see my role not as a lobbyist for my industry, but as one who is there to assess—objectively, I hope—and to give advice, as a very part-time civil servant, if you like. I believe that you have to work within a collaborative regime that is supportive of Ministers. That is the nature of the task.

swydd.

[39] Rwyf wedi ffeindio bod swyddogion wedi ymateb yn gadarnhaol iawn i bartneriaeth o'r fath. A dweud y gwir, rwyf wedi synnu sut mae rhai swyddogion wedi gallu defnyddio'r cyngor allanol hwn fel ffordd o ganiatáu iddynt, bron, fynd ymhellach nag y byddant wedi ei wneud o dan yr hen gyfundrefn. Roeddent yn gwybod beth oedd y pethau iawn i'w gwneud, beth bynnag, ond credaf y gall y sectorau hyn, os ydynt yn cael eu defnyddio'n iawn, hybu uchelgais swyddog mewn ffordd rwy'n credu sy'n hollol iach. Rwy'n synnu'n aml at safon rhai o'r syniadau a hefyd rhai o'r gweithgareddau sy'n dod mas o'r syniadau hyn gan swyddogion. Rwy'n credu ei fod yn gweithio yn well yng Nghymru, efallai, nag y gallai mewn gwladwriaeth fwy oherwydd mae pobl yn adnabod ei gilydd, ac rydych yn dod ar draws pobl mewn ffordd wahanol mewn cymuned wleidyddol mor fach.

I have found that officials have responded extremely positively to this kind of partnership working. To be honest, I have been surprised how some officials have been able to use this external advice as a means of almost allowing them to go further than they perhaps would have done under the old regime. They knew that those were the right ideas, in any case, but I believe that these sectors, if they are correctly used, can promote the ambition of officials in a way that I believe is very healthy indeed. I am often pleasantly surprised by the quality of some of the ideas and some of the activities emerging as a result of those ideas from civil servants. I believe that it works better in Wales than perhaps it would in a larger regime, because people know each other, and you come across people in a different way within a political community that is relatively small.

[40] **William Graham:** Chris and David, do you have any points particularly on that question?

[41] **Mr Nott:** I would absolutely endorse every single thing that Ron said there. I could not have put it better myself. When I was appointed to this role—and I was extremely surprised to have been appointed to this role—I spoke to one or two of your colleagues about how I should deal with this, and the advice that I got was that the Government had no idea what it had created and, if they were me, they would grab the ball and run as fast as I possibly could until somebody caught up with me; and I did. What I think has happened over the last two or three years, as Ron has very well articulated, is that the private sector advisers have understood pragmatically how to work with the politicians and the civil servants, and the civil servants have worked out how to work with the private sector advisers in an extremely constructive way. 'Pragmatism' is the word, because there are some private sector ideas around that are political dead ducks, and one has to realise that that might be the case. If I had a penny for every time one of the private sector advisers has advocated bringing back the Welsh Development Agency, I would be a wealthy man, but that is not something that is on the horizon, and there is a range of reasons why one would not want to do that. One can see why—it is a headline-grabbing, partially informed view. So, let us leave that to one side. What I see at the moment is a strong and healthy relationship without either side being compromised.

[42] **Mr R. Jones:** Mae un rhan o'r berthynas wedi datblygu, ond heb ddatblygu gymaint ag y gallai. Rwyf wedi ffeindio bod cyngor allanol yn help mawr i swyddogion i ddysgu ffyrdd newydd o asesu risg. Mae tueddiad gan swyddogion sy'n gweithio o fewn cyfundrefn i asesu risg yn ôl rhyw lawlyfr sy'n dweud 'Mae'n rhaid inni gael tic yn erbyn 1, 2, 3, 4, 5, 6' ac yn y blaen. Wrth gwrs, mae risg yn y sector hwn yn arbennig

**Mr R. Jones:** One part of the relationship has developed, but perhaps has not developed to its full potential. I have found that external advice is a great help to officials in finding new ways of assessing risk. There is a tendency among officials working within any system to assess risk according to some sort of handbook or guidance that says, 'We have to have a tick against 1, 2, 3, 4, 5, 6', and so on. Of course, risk in this sector particularly

yn ymwneud â theimlad am y busnes ac, ambell waith, teimlad sy'n dweud wrthych bod rhywbeth ar y ffin o ran yr hyn y dylai'r Llywodraeth fod yn ei wneud yn nhermau risg ariannol, ond diawch, mae'r elw a ddaw o lwyddiant yn y maes hwn yn gwneud y peth yn werth chweil. Credaf fod hynny'n ffordd sy'n anghyfforddus i swyddogion ac, efallai, i rai gwleidyddion hefyd, ond beth ydyw ond cydnabyddiaeth o realiti, sef bod y rhan fwyaf o'r arian y mae Llywodraeth yn ei fuddsoddi yn yr economi yn arian risg. Y cwbl rydym yn ei wneud yw cymryd pethau bant o fod yn risg mecanyddol—asesiad mecanyddol o risg—i rywbeth, rwy'n credu, sydd bach yn fwy soffistigedig. Wrth gwrs, i helpu'r swyddogion, mae ganddynt bobl maent yn gallu pwyntio atynt a dweud, 'Wel, fe gymeron ni gyngor—'.

relates to having a gut feeling for the industry and, on occasion, a feeling that tells you that this is on the very edge of what the Government should be doing in terms of financial risk, but for goodness' sake, the profit that will emerge from success in this area makes that risk worthwhile. I think that that is occasionally uncomfortable for officials and, perhaps, for some politicians, but what it is is an acknowledgement of the reality of the situation, namely that most of the funding that Government invests in the economy is risky. All we are doing is taking things away from being a mechanical risk assessment to something that I think is a little more sophisticated. Of course, to assist officials, they have people there that they can point to and say, 'Well, we took advice—'.

10:00

[43] **Yr Arglwydd Elis-Thomas:** Pwy a ddywedodd? [*Chwerthin.*] **Lord Elis-Thomas:** Where from? [*Laughter.*]

[44] **Mr R. Jones:** Rwy'n credu bod hynny'n mynd gyda'r job. **Mr R. Jones:** I think that that goes with the responsibilities that we have.

[45] **William Graham:** David, do you have any comments?

[46] **Mr D. Jones:** Yes; perhaps just one thing. It certainly follows on from that and I would absolutely endorse Ron's and Chris's comments, but one thing that I might spend a little bit more time on is the hybrid nature of our sector panel. On education and training, we know that we have this shortfall and we know the massive impact that not having digital skills can mean in terms of job losses throughout almost all of the other industries in Wales, so we spend a lot of time talking about education and training and we were very excited to see the Stuart Arthur, Janet Hayward and Tom Crick report that came out a while ago now.

[47] We met with Professor Donaldson just a couple of weeks ago and explained to him, on the one hand, how delighted we were to see him and the breadth of the role, but, on the other hand, how disappointed we were that a lot of that fabulous work was being rolled into a much larger piece. Clearly, you understand why that has happened and, obviously, our remit is not specifically education, but we know that there is a fabulous piece of policy work that has been done there.

[48] If you look at what has happened, certainly in England in respect of the teaching of coding that is happening in year 2 now, I think that Michael Gove announced that in something like July last year, and it was implemented just last month, in September. So, it took 14 months from the point that he first said something to the point at which things started happening in classrooms. The concern that we expressed was that, at the point when that document might be taken up, at the point when that might turn into teaching in schools and change, on a curriculum basis, Wales might be two years—it is unlikely to happen this September—or, more likely, three years behind. Again, it is a question of the systems and infrastructure reflecting the pace at which the industry moves. So, that is one point that I would like to make.

[49] The second point, again in the nature of our panel, is that we also have responsibility for broadband and for the digital Wales strategy, which includes IT and the public sector. Again, it is really important that the committee understands that the nature of digital is being taken up at a much faster pace over the bridge. Jeremy Heywood, the Cabinet Secretary, just a couple of days ago talked about how technology is now central to public services in England. The great irony of this is that there is some brilliant work going on in Wales in terms of digitising public services—it is happening in Swansea in the DVLA, it is happening in Companies House and it is happening in Newport. So, that is an area where, sadly, we are behind the curve and we really need to move quickly.

[50] **William Graham:** Members are desperate to ask questions; I will try to get some order. Jeff is next.

[51] **Jeff Cuthbert:** I would like you to say just a little bit more on training and skills. I acknowledge everything that has been said, particularly David's comment on IT, which is cross-sector; I cannot think of any occupational area that does not depend to one degree or another on good IT skills. So, in terms of your sectors, do you work directly with the Government on the skills agenda, helping to identify what are the skills that are needed currently and in the foreseeable future? Are these matters that are left—you all have sector skills councils—to the sector skills councils or do you engage with them in helping to inform that process? Likewise, in terms of the member organisations within your sectors, how do you help to identify what are the skills needs now and in the foreseeable future, so that Government resources can be channelled through education? I appreciate that you are not responsible for education, but nevertheless, Government can make sure that, in further education, higher education and in schools in the curriculum, issues like coding, for example, are well addressed.

[52] **Mr D. Jones:** There are perhaps two responses to that. One is that, again, the nature of the pace in technology these days means that if we decide, as a panel, to advise the Minister that a certain type of technology is required, we know, even if we have the good fortune to be teaching our children it at year 2, at the point when those children go into the workforce, those technologies will have disappeared. So, there is a real challenge about understanding the nature of what you can teach children in terms of digital skills that will be applicable at the point that they come into the world of work. We spend quite a lot of time talking about the generic skills that are required to, essentially, understand technology and use that technology to achieve a job. If I may just go off piste for a couple of seconds, chess is a very interesting academic technical challenge, but these days the best chess players are not humans, and they are not even computers, they are an individual working alongside a computer. The nature of that kind of job is exactly what we are going to see, certainly in the legal world, I think, in future and most definitely in the medical world. So, the doctors of the future are not going to be people who just lay on hands and, by osmosis, slowly detect that you perhaps have diabetes, they will be people who can use technology to have the greatest output. Those are quite hard things even to teach.

[53] In terms of the formal point you made, one of the things we have done on our panel is to commission and fund work specifically on education and training. So, yes, it absolutely is not an area where we have even, arguably, a budget or responsibility, but we undertook two relatively modest projects recently, one of which was to ask, 'Can we take software individuals in all organisations and upskill them by giving them very intense courses?' That had some quite good outcomes. The main reason why they were so successful was because the nature of what we were teaching was very close to the point where the business said, 'These individuals need these types of skills'. So, we can identify the hot skills these days. That was quite successful.

[54] The second project we did was taking unemployed youngsters, typically, and putting them through a course to see whether we could turn them into potential hires for digital companies. We had much less success there. What we did tend to find was that those individuals, once they had gone through that very intense course, became much better able to find employment generally. So, while many of them did not find employment where we wanted them to, what they did do was at least get to the point where they were employable. So, it was a bit of a dilemma for us: should we, as an economic development department, be involved in direct training? We tried that with a little bit of success.

[55] **Mr R. Jones:** I think the area is one we are all concerned about. Certainly, in my sector, there is a disconnect between the needs of the industry today, where the industry is going, what the various skills agencies are doing, and what HE and FE is doing, in a way that is really concerning. If you go back to school level, I would argue that there too there is this disconnect between the needs of the future and what is being done today. It is not part of our remit to put that right, but it is certainly part of our remit to—

[56] **Jeff Cuthbert:** It is in your interest, though.

[57] **Mr R. Jones:** It is certainly part of our remit to point out that there are issues here whereby, long term, if we cannot address them, the economy is going to suffer—there is no doubt about that.

[58] **William Graham:** Rhun, do you have something on this point? Then Keith, are you on this point? Okay.

[59] **Rhun ap Iorwerth:** Ar y pwynt hwn yn benodol, hoffwn ofyn am amcanion tymor byr eich grŵp chi i adolygu darpariaeth hyfforddiant ac addysg a'r ffordd y mae'n effeithio ar y diwydiannau creadigol yng Nghymru. A gafodd y nod hwnnw ei gyrraedd?

**Rhun ap Iorwerth:** On this point specifically, I would like to ask about the short-term objectives of your group to review the provision of training and education and how it affects the creative industries in Wales. Was that objective reached?

[60] **Mr R. Jones:** Na. Mae hwnnw'n un o'r amcanion na chafodd ei wireddu. Nid wy'n credu bod cytundeb llwyr o fewn Llywodraeth Cymru ar sut mae'r economi ac addysg yn mynd i weithio gyda'i gilydd yn well dros y blynyddoedd i ddod, ond mae'n her y mae'n rhaid delio ag ef. Rydym yn gweld esiamplau ohono'n gyson. Wrth edrych ar HE ac FE, mae gennym gynllun *digital development fund* sydd yna, i bob pwrpas, i roi arian i bobl ifanc i ddatblygu cysyniad digidol. Os rwy'n edrych ar ble mae'r arian yn mynd, rwy'n gofyn i'm hunan pam mae cymaint o'r arian yn mynd i bobl ifanc sy'n dod o Swansea Metropolitan University: yr ateb yn syml yw eu bod yn datblygu sgiliau sy'n berthnasol i'r oes ddigidol newydd, yn amlwg yn well na neb arall, oherwydd dyna le mae cymaint o'r llwyddiannau'n dod ohono.

**Mr R. Jones:** No. That is one of the objectives that has not been fulfilled. I do not think that there is complete agreement within the Government on how the economy and education are to work together more effectively over ensuing years, but it is a challenge that must be addressed. We see regular examples of this. Looking at HE and FE, we have a digital development fund which, to all intents and purposes, provides funding for young people to develop a digital concept. If I look at where that funding goes, I ask myself why so much of it goes to young people from Swansea Metropolitan University: the answer to that question is quite simple, and is that it develops skills that are relevant to the new digital age, and does so better than anyone else, because that is where so many of the success stories stem from.

[61] **Keith Davies:** Fe wnâi ofyn yn **Keith Davies:** I will also ask my question in

Gymraeg hefyd. Rwy'n lwcus achos rwyf ar y pwyllgor hwn ond rwyf hefyd ar y Pwyllgor Plant, Pobl Ifanc ac Addysg. Rydym yn edrych ar yr hyn sydd ei eisiau i'r dyfodol yng Nghymru. Fe wnaethoch chi sôn am addysg a hyfforddiant ac rwy'n cytuno'n llwyr. Fel pwyllgor, buom ym Mhrifysgol Abertawe yn yr adran gwyddorau bywyd, sydd drws nesaf i Ysbyty Singleton. Yno, rydych chi'n gallu gweld pobl yn gweithio gyda'i gilydd, ac mae hynny'n beth da, ond mae'n rhaid i ni gael y bobl ifanc i ddod drwyddo. Efallai y byddwn ni'n trafod hwn ddiwedd y bore, ond un o'r pethau y byddwn ni'n edrych arno bore yma yw mathemateg pellach, oherwydd mae prinder wedi bod yng Nghymru ac mae'r Llywodraeth wedi derbyn y neges bod yn rhaid gwneud rhywbeth am hynny, ac y mae wedi gwneud rhywbeth. Mae'r nifer o'n bobl ifanc ni sydd 'nawr yn y chweched sy'n gwneud mathemateg pellach wedi mwy na dyblu oherwydd bod pobl yn dangos diddordeb.

[62] Os awn yn ôl at y byd digidol hwn, rhywbeth arall rydym ni wedi bod yn edrych arno yn y pwyllgor yw cyfrifiadureg, achos yr hyn y mae ysgolion yn ei wneud yn awr mwy nag yn y gorffennol yw defnyddio'r cyfrifiadur, ond nid yw hynny'n mynd at wraidd y peth ac at sut allwch chi baratoi rhaglenni ac yn y blaen. Rwy'n gwybod nad yw nifer o brifysgolion yn meddwl bod hynny'n dda oherwydd nid yw'r plant yn yr ysgol yn dilyn y cwrs hwnnw. A ydych chi, fel paneli, yn trafod gydag ysgolion a phrifysgolion yr hyn sydd ei angen yn y dyfodol, er mwyn ein bod yn gallu dodi pwysau ar yr ysgolion yn y pendraw, oherwydd dyna lle y byddwn ni'n newid pethau? Rydym ni hefyd yn edrych ar yr hyn yr ydym ni'n ei alw'n STEM *subjects*, oherwydd nid oes digon o bobl ifanc yn eu dilyn nhw. Wedyn, mae prinder, yn sicr mewn dau o'r sectorau sydd o'n blaenau ni'r bore yma, oherwydd nad ydym yn rhoi'r hyfforddiant iawn i blant ysgol.

[63] **Mr R. Jones:** Byddwn i'n dadlau bod yn rhaid i'r pwysau yna ddod o'r canol, ac, oherwydd fel y mae addysg yn gyffredinol yng Nghymru yn cael ei rhedeg, mae gennym ryw fath o farwnïau unigol nad ydynt yn atebol i neb yn y pendraw, heblaw i'r pwrs cyhoeddus yng Nghaerdydd, a beth

Welsh. I am on this committee, but I am also on the Children, Young People and Education Committee. We are looking at what we need for the future in Wales. You mentioned education and training, and I completely agree. As a committee, we were in Swansea University in the life sciences department, which is next to Singleton Hospital. There, you see people working with each other, and that is a good thing, but we have to have these young people coming through. Perhaps we will discuss this later on this morning, but one of the things that we will look at this morning is further maths, because there is a shortage in Wales in that field, and the Government has got the message now that something needs to be done about that, and it has done something. The number of our young people now in the sixth form who are studying further maths has more than doubled because people are showing an interest.

If we go back to this digital world, another thing that we have been looking at in committee is computer science, because what schools are doing more now than they were in the past is using the computer, but that does not get to the heart of the issue and of how you can do programming and so on. I know that many universities do not think that that is good because children in school are not following that course. As panels, do you discuss with schools and universities what is needed for the future, so that we can put pressure on the schools in the long term, because that is where we will change things? We are also looking at what we call the STEM subjects, because not enough young people are following those subjects. Then, there is a shortage, certainly in the two sectors before us this morning, because we do not give the appropriate training to schoolchildren.

**Mr R. Jones:** I would argue that that pressure would have to come from the centre, and, because of the way in which education more generally in Wales is run, we have some sort of individual baronies that are not accountable to anyone except for the public purse in Cardiff, and, whatever we say, I do

bynag rydym ni'n ei ddweud, nid wyf yn credu ein bod mewn sefyllfa i newid meddylfryd canrif. not think that we are in a position to change a mindset that has been in place for a century.

[64] Rwy'n credu bod y pwynt rydych chi'n ei godi yn nhermau gallu defnyddio'r dechnoleg ar gyfer pob math o waith a'r wybodaeth dechnegol iawn sydd ei hangen yn rhywbeth sydd yn rhaid i ni ei gofio, ac nid wyf yn credu ein bod yn ddigon da yn un o'r ddau. Rwy'n gweld hwn fel problem tymor hir difrifol iawn i ni fel gwlad. I think that the point that you raise in terms of the ability to sue technology for all sorts of different activity and the very technical knowledge required is something that we need to bear in mind, and I do not think that we are performing well enough in either of the two areas. I see it as a very serious long-term problem for us as a nation.

[65] **Mr Nott:** I agree with Ron, that, as far as schools are concerned, that is an issue from the centre. As far as our sector is concerned, I would say that much has been done, but there is much to do, and this particular line of questioning touches on one of the big things that we could change and need to change, and which I think is changing. Our connection has not been so much through the Welsh Government's education department, but directly with HE and FE. Financial services companies are building active links with those universities. However, the problem that we have at the moment is that it is a chicken-and-egg situation; the universities and the FE colleges need to put on courses that are filled by students who are attracted to them. So, do they build the courses and hope that they will come, or do we get the people to come and then they build the courses? Somehow or other, we have to find a way of resolving that particular difficulty; I think it is absolutely the key to unlocking a large part of this conundrum.

[66] **William Graham:** Byron, do you have a question?

[67] **Byron Davies:** In fact, Jeff asked the question that I was going to ask. So, I have the answer to mine.

[68] **William Graham:** Thank you. Joyce is next.

[69] **Joyce Watson:** I will ask a very brief question. You have identified need, and it starts in the schools, in terms of training. Have we got the teachers to do it? If we have not, how do we get them?

[70] **Mr D. Jones:** The first question is easy. [*Laughter.*]

10:15

[71] **Mr R. Jones:** We just do not. We do not have the teachers to deliver all this stuff; of course we do not. Surely we can train the teachers, but I just think that that is a step too far for us, wearing our present hat. I employ a lot of people in the Llanelli area. They largely come to me untrained, so, I end up training all of them, virtually, in virtually all of the skills that they have. I would love to have them ready formed by schools and college, but I do not. One option that would certainly work for us, because we do not get much support from FE and HE, is if we were able to work with the Government to put together sensible modern apprenticeships, where we had much greater control over their post-16 education, so that we were able to provide them with a mixture of employment and relevant skills. I do not want trained people; I want educated people as well. It is in my interest to have people with skills for all sorts of things in their lives. These kids can do it. We recently had, at the eisteddfod in Llanelli—and we actually part-sponsored it—something by the young farmers of Carmarthenshire. They get no public support. It is entirely self-created, but they create for themselves a social environment, they are very creative, they put on shows, they create bands,

and all sorts of stuff. The kids that we have are great, and I think that we can provide them with a better route to a good, well-paid life if we move away from some of these structures that we have had for very many years.

[72] **William Graham:** We are rapidly running out of time. Mick has a quick question.

[73] **Mick Antoniw:** Just quickly, Wales is apparently doing very well in terms of its profile internationally with regard to creative industries, with regard to media, film and so on. I see that you are holding a series of events and so on—the St David’s Hollywood and all that sort of thing. Is that a fair reflection that we are actually making significant progress within that area, and, if so, what is the strategy for actually continually expanding that?

[74] **Mr R. Jones:** Well, we are making a lot of noise in that sector. We have identified, on the back of changes in UK tax credits, the attractiveness of Wales as a location for top-end drama. There are two things that I would say: first of all, that has been driven to us by problems in other markets, particularly in the US, where over-regulation, too-strong unions and high costs are a barrier to people now doing this thing in their own territory, but we should acknowledge that that is still a fragile part of the economy. What we are able to do is to provide these people with a short-term home. The trick for us is to change that into getting these companies to make a long-term commitment in the way that we have succeeded with the people doing *Da Vinci’s Demons*, and now with Pinewood, because we need them to turn from carpetbaggers into wannabe Welsh companies. That is tough, but it is the only game in town. To date, the success that you see is hard fought by some of the officials, particularly. However, it can be made to work. I would argue that they are a greater contributor to the economy of Wales than, for example, the BBC drama villages, because they are attracting in more local people to be part of that experience to learn and to gain the skills and so on. We certainly have some genuine headlines out there nowadays in this area.

[75] **William Graham:** Byron has a quick question.

[76] **Byron Davies:** I just wanted to ask this. It is slightly changing the subject, but I was interested in the mechanism for reporting back to the Minister and the relationships that you have with the Minister and how this is received.

[77] **Mr Nott:** It is largely as and when. As for the structure, we meet on a regular basis. The minutes of the meeting go to the Minister, and certainly as far as I am concerned—I do not know about my colleagues—I send her a personal note of anything of particular note, either news, problems or things that I would like her to do. Every now and again—and now would be an example—there are three or four initiatives that I would encourage her to take. I am hoping to see her next week personally for 15 minutes in order to explain that to her.

[78] **Byron Davies:** How often would you meet?

[79] **Mr Nott:** I probably meet the Minister once every two or three months, but the communications flow back and forth in the interim.

[80] **William Graham:** I call Jeff.

[81] **Jeff Cuthbert:** Yes, I did want to—*[Inaudible.]* Very quickly, sustainable development, as you know, is now at the heart of Welsh Government policy. You will not, as private companies, be liable to the duty under the FG Bill, but through things like the sustainable development charter, you will be encouraged, obviously, to help develop your industries in line with those principles. How much of that is in your thinking and in your sectors at the moment?

[82] **Mr R. Jones:** I give it as little thought as I need to, to be honest. The relationship between the economy and Government is a two-way thing. I get a lot from the Government and sometimes I have to give a lot back. If the Government decides that we have to do things for very good reasons, then we will do it. The private sector is never going to be at the front line of volunteering to incur extra cost in any area, and this is one of those. It is part of the social compact that properly exists between Government and business.

[83] **Mr Nott:** We get briefed about it, but it is not at the top of our agenda. At the top of our agenda is bringing in the jobs and making them sticky and it—

[84] **Jeff Cuthbert:** Making them sticky—

[85] **Mr Nott:** Making the jobs sticky.

[86] **Jeff Cuthbert:** Oh, I see.

[87] **Mr Nott:** So, rather than jobs that come in and go away in a year's time, we want to bring in people who will build roots here. So, it is factored into that thinking, but it is not at the front of it.

[88] **Mr D. Jones:** For me, it is the same. We spend very little time, if any.

[89] **William Graham:** Thank you very much. Sorry that we have run out of time. Thank you for a most stimulating discussion. We are most grateful to you for coming today. Thank you very much.

[90] We will have a break and then come back at 10.30 a.m.

*Gohiriwyd y cyfarfod rhwng 10:22 a 10:31.  
The meeting adjourned between 10:22 and 10:31.*

**Sectorau Blaenoriaethol Economaidd—Craffu ar Gadeiryddion y Paneli  
Sector—Panel 2  
Economic Priority Sectors—Scrutiny of Sector Panel Chairs—Panel 2**

[91] **William Graham:** We will go into evidence from our second panel today. I welcome the witnesses, namely Roger Evans and David Joyce; thank you for your attendance today. Could I ask you formally to record your names and titles for the record?

[92] **Mr Joyce:** I am David Joyce. I am a consultant at Vinci Construction plc.

[93] **Mr Evans:** I am Roger Evans, managing director of Schaeffler UK Ltd.

[94] **William Graham:** Thank you very much. We will start by going into some questions. May I ask you a fairly general question regarding the development of the strategies and action plans that you have for your particular sectors? Could you enlarge on that?

[95] **Mr Evans:** It depends on how far you want to go back, but I was formerly the chair of the Welsh manufacturing forum, which created the original manufacturing strategy for Wales back in 2008, which was relaunched in 2011 with the new sector panels, with some slight tweaking. So, that strategy has been in place and that has been the backbone of the sector panel's work over the last three years, and continues to be so. We review it periodically to make sure that it is still fit for purpose and still does exactly what we want. We had a really deep look at it at the beginning of the recession, because they are challenging times. As a

result of the renewal of that strategy, we came out with some proposals for Government, which, I am glad to say, were followed through.

[96] **Mr Joyce:** In terms of the construction panel, our objective was how to have a sustainable construction business within Wales. To do that, we outlined to ourselves what the barriers were to having a sustainable construction business. We have met with various officials from the planning and environmental sectors, and all the different sectors, with regard to how we remove those barriers. As I think that you can see from our end-of-term report, so to speak, we have achieved quite a lot with regard to removing or persuading people to remove barriers.

[97] **William Graham:** Jeff, would you ask the first questions on sustainability?

[98] **Jeff Cuthbert:** Yes, certainly. You will be aware, no doubt, of the passage through the Assembly of the Well-being of Future Generations (Wales) Bill, which is all about putting sustainable development at the heart of the Welsh Government. Private sector companies will not be subject to the duty, but nevertheless we would hope that you do have regard to sustainable development in terms of your skills training, for example. There is also the sustainable development charter for private firms and third sector organisations to sign up to in terms of the principles of sustainable development. I know of the work that the construction industry does on green issues, for example, with green technologies, and likewise in engineering and manufacturing. Could you expand a little bit more on how you would be able to support the principles of sustainable development within the sectors that you represent?

[99] **Mr Evans:** I think that it makes economic common sense, actually; I think that there are opportunities in adopting the sustainability angle, because, at the end of the day we want businesses, especially manufacturing businesses, to have a longer term sustainable view of their futures. Part of the problem that we have had is short-termism. To have a policy that actually helps to bring that into focus for businesses is very important. It is something that we will be embracing. Those forward-thinking businesses are already doing it and are profitable and successful because they have the sustainable view in mind.

[100] **Mr Joyce:** In terms of the construction sector, it is already very aware of the fact that buildings need to be more efficient in terms of energy usage and everything else and a lot more sustainable overall. I think that the construction industry as a whole is well aware.

[101] **Jeff Cuthbert:** Okay. I think it is clear that, in terms of your two sectors, you will be willing and keen partners in the sustainable development agenda as it rolls out. May I link this to the issue of skills training, which is obviously a matter of great concern to both of your industries? How do you relate to the Government in terms of ensuring that the type of skills that are being taught to young people, and indeed to adult workers, are relevant for the industry now and for the foreseeable future? Is that a matter that is left to your relevant sector skills councils or do you work through them to make sure that what the Government does in partnership with you is appropriate for your needs?

[102] **Mr Evans:** I will give you an example of that for us. Skills are so important to us. SEMTA is our sector skills council and SEMTA UK had its funding virtually withdrawn and therefore it closed down its presence here in Wales. It had four people and it ended up with nobody—just somebody working from home. So, we immediately took up that challenge and brought the sector skills remit within the sector panel because we thought it so important that we just could not have this vacuum where nothing was going to happen from a sector skills point of view. So, we actually seconded someone from the SEMTA Wales office to the sector panel in order to make sure that we had continuity in looking forward in terms of skills. I think that the issue of skills is well documented, not just in our industry but for most

industries in Wales. What is heartening to see is the number of young people moving over to the STEM subjects. I was at Swansea University yesterday, and it is overflowing with engineering students. The second campus is going to double the number of places for engineering students. So, that is a fantastic statement in support of where our industries are going for skills recruitment. However, it is a big issue. There are lots of positions now that are not filled because we do not have the right skills, and this is actually having an impact on growth and the growth plans of businesses.

[103] **Mr Joyce:** In terms of the construction sector, the team has recently formed the jointly funded Construction Future Wales, which has had £3 million, equally funded by the Welsh Government and the Construction Industry Training Board, for training people up for the construction industry. As we all know, there are some tremendous opportunities about to happen in Wales, such as Wylfa power station, which is going to need a lot of trade. The other thing we are promoting within the SMEs is to get them more aware of technology, such as building information modelling, which is commonly known as BIM. It is now very commonplace on the other side of the border in England and in the rest of the UK. We have been very instrumental in training people in Wales in what it is about. So, we are fully active in trying to train people up within the construction sector.

[104] **Jeff Cuthbert:** Thank you.

[105] **Joyce Watson:** If I may stick with upskilling and training, I chair the all-party group on construction and I was going to ask about the new skills for the new buildings, because my observations about construction projects are—and it is obvious, as you can see it—that they are not being built in the same way as they were perhaps 20 years ago. I know that you have an ageing workforce. That is well documented. So, are you content that the training schemes that are in place—and I know that you have just said that you are working towards that with the SMEs—suit your needs?

[106] **Mr Joyce:** I think that apprenticeships are taking off again within the construction industry across the whole of the UK. Unfortunately, it is like anything else, in a recession, these things get neglected. However, now that the construction industry is beginning to take off again, there are a lot more apprenticeships within the construction industry. However, they are very different today from the way they were 20 years ago. There is less brick and more panelling, which simplifies the construction. A lot of it is down to the SMEs, which are the specialist subcontractors.

[107] **Joyce Watson:** I would just like to ask another question, through you, Chair. Some 1% of the workforce is female in the construction industry; that is a fact. It has been a fact forever. So, building on those skills and those new technologies and new ways of doing things, have you taken on board and had conversations about bringing the other 50% of the population into your trade?

[108] **Mr Joyce:** It is certainly a conversation that has been going on with the Construction Industry Training Board, because it is one of the major trainers, about how we can persuade more women to come into our industry.

[109] **Byron Davies:** I have a couple of different questions. The first question I would like to ask you is on investment opportunities. How have enterprise zones influenced that with you? Have they, or have they not? If so, can you give us examples?

[110] **Mr Evans:** I sit on the St Athan and Cardiff Airport enterprise zone board, and most certainly, in that enterprise zone, there has been quite a big impact, with quite a lot of interested parties—

[111] **Byron Davies:** Can you expand on that?

[112] **Mr Evans:** Yes. It is quickly running out of space at St Athan to furnish new people—other than the super hangar, which is a separate issue, and I do not want to get involved in that; that is not even owned by the Welsh Government at the moment. There are lots of people who want to come on to the site and use the facilities there and who see the advantage of it. So, that seems to be working very well.

[113] **Byron Davies:** Are they aviation related?

[114] **Mr Evans:** Yes, nearly all of them, and deliberately so, because that is the package that we want to sell there. On top of that, there are the developments at Cardiff Airport and, potentially, alongside Cardiff Airport. So, there is a lot of interest and that enterprise zone seems to be working quite well. The other one that is obviously associated with manufacturing is Ebbw Vale. I am not too au fait with the details up there, but there again, I know that the pipeline there is looking pretty healthy as well. So, the strategy for those two zones seems to be working quite well.

[115] **Mr Joyce:** I would not profess to be a world authority on enterprise zones. The only one that I am aware of that we have been involved with is the one on Anglesey, where we have been involved with a company called DU Construction Ltd, which we have assisted financially with a grant to expand its business up there.

[116] **Byron Davies:** Would that be a general reflection of the building industry, do you think?

[117] **Mr Joyce:** In what way?

[118] **Byron Davies:** In terms of not too much, sort of, you know, not working—. From what you said, I get the impression that the building industry is not too involved with enterprise zones.

[119] **Mr Joyce:** It benefits from them. Certainly, with regard to the one down at the station in Cardiff, the construction industry will benefit, once that takes off. However, we all sit there waiting for it to take off.

[120] **Byron Davies:** Okay. There is another question that I wanted to ask you. I am quite interested in the relationship that you have with Government, how you report back to Government, and the contact that you have directly or indirectly with the Minister.

[121] **Mr Evans:** Obviously, we have officers who directly liaise with us as the sector panel. I do not know whether you know that the sector panel for us now is called Industry Wales, so it is a slightly different vehicle to the original sector panel. That is more fit for purpose as well, I believe. We have officers dedicated to that—quite a large team that is afforded to us.

10:45

[122] However, the most important thing is that I believe that the panel is listened to and the Minister certainly gets what we are telling her, and I believe that we are a proper advisory panel to the Minister, and she reacts—not always positively—and we can always have this dialogue.

[123] **Mr Joyce:** We have a very similar situation, where we have a team leader that is in contact, and I meet the Minister every three or four months, when we have a general

discussion about what we are planning.

[124] There is no doubt that what we have taken to the Minister has been listened to, and I could cite examples, because it is a question, as I said at the beginning, of removing barriers, and that is the only way, because we cannot remove the barriers. The only other thing that I would say about that is that the construction panel covers a lot of different Ministers, and it is the same wherever you go in the world, unfortunately: construction covers the whole scenario, and does not just belong to one Minister. So, we have a situation where there are four Ministers that need to listen to what we are saying.

[125] **Byron Davies:** Okay. I have a very quick question, as you have come from St Athan. There was a big issue there about the operation of the airfield with the RAF. Has that been overcome now?

[126] **Mr Evans:** Nearly; we are getting there, definitely.

[127] **Lord Elis-Thomas:** In calling Government to account, committees are keenly interested in how effective Government works, and you have already described your relationship with one Minister. However, what interests us, I think, is the general position. There you are; you sit as an advisory panel appointed by the Minister, in the middle of the civil service, as it were. How does that whole relationship work? How are you able to lead officials? The related question is where is the relationship and where is the boundary, if there is one, between all three aspects of policy, strategy and delivery. Do you think that that question was long enough?

[128] **Mr Joyce:** How long have you got?

[129] **Lord Elis-Thomas:** Give me a summary; that will be alright.

[130] **Mr Joyce:** Our panel operates very much on the fact that we meet and we set strategies. It is very much about people coming to present to us as the panel with regard to building regulations, planning and environmental issues. Then, we will listen to what they are saying and we will come up with our own views as to whether they are going over the top, making it too hard to get investment into south Wales, and then we will get our construction team to implement what we say. So, we have a strategic view of life rather than a hands-on doing-it view of life; we leave that to the team, and, certainly, we are very happy with the team that we have.

[131] **Lord Elis-Thomas:** So, your officials, your team working to you, will ensure that that cascades through the department and across departments.

[132] **Mr Joyce:** Yes, and across departments.

[133] **Mr Evans:** It is different for private industry; that is where I would like to start. The speed is different, but we have a dedicated team, which is great. So, they understand what is going on, but, personally, I would like to see things moving much faster. We are a small nation and that should be our USP, that we are really able to move swiftly and take advantage of opportunities much quicker than any other nation. Sometimes, I think that we get a little bogged down in big bureaucracy, but it works. We have exposure to the right people at the right time, especially when it comes to the Ministers. Also, as David says, we cut across other departments. I guess, being from a private industry, I would always complain about speed.

[134] **Lord Elis-Thomas:** So, as far as you are concerned, the sector panel approach, working directly to Ministers, but also within the civil service structure, works, but it could work more effectively.

[135] **Mr Evans:** Yes.

[136] **Mr Joyce:** I agree with everything that has been said with regard to speed, but that is the nature of the beast. The thing I would say is that, within the construction sector, there are lots of different committees looking at the same sort of thing. I think that that also breeds an element of confusion as to which committee or which panel is actually responsible.

[137] **William Graham:** Mick is next.

[138] **Mick Antoniw:** In terms of medium-term priorities, and I am thinking about construction for the moment, the areas that were targeted were the understanding of and the relationship with procurement standards and so on. The other one is in terms of EU structural funding and venture capital funding to deliver projects and so on. So, you meet and give advice to the Minister within those areas on your concerns or priorities within that. How does that—

[139] **Mr Joyce:** I would not say that I give the Minister advice on funding from Europe. That is certainly not my forte.

[140] **Mick Antoniw:** So, how is your role within that as a sort of medium-term priority? What is the interaction between Government action and the sector?

[141] **Mr Joyce:** As I said, the main thing we need to do is to try to remove barriers in terms of private investment, not necessarily European investment. For example, house building was a prize example. Nobody would be building houses in south Wales as opposed to the other side of the Severn, for the sake of argument, when things such as sprinklers were being insisted upon. That was putting additional cost on to building a house, and there is a glass ceiling as to where the selling price is. So, when you put more cost in, private developers are not going to build for less money in Wales than they can on the other side. Those were the sorts of areas that we tackled head on with the Minister. The other thing was with regard to energy saving: in the UK, there had to be an 8% cut and Wales was going for a 40% cut. It just did not give the private investors the opportunity to come here. It was a question of how we could actually get private money coming in rather than European money.

[142] **Mick Antoniw:** One of the aspects in terms of the medium-term priorities that the sector has said—. Obviously, an important one is procurement. That is, access has been an issue for certain companies that they have raised with me. How has that been approached in terms of Government? What actual progress has been made to ensure that construction companies—often perhaps the smaller companies—have a better understanding of the procurement processes? How do we evaluate what sort of progress has been made as a result of the sectoral approach?

[143] **Mr Joyce:** We can only evaluate it by the amount of construction that is actually going on, I would suggest. I think that there is more construction going on now and Wales is beginning to spend money on infrastructure projects. The procurement issue is very complicated across the board.

[144] **Mick Antoniw:** Okay. Thank you.

[145] **William Graham:** Rhun is next.

[146] **Rhun ap Iorwerth:** Would you say, each of you, that you have a very clear strategy that you are trying to put into action? If you do have a clear strategy, to what extent is that forever being reviewed in order to refine it?

[147] **Mr Evans:** I think that I referred earlier to the fact that we have reviewed ours several times, and especially at the beginning of the recession. We certainly had a good long look at it to see whether it was still fit for purpose. We continue to do that on a periodic basis. However, some of the main tenets of it stay the same, such as growth and skills; those things never change because they are so important.

[148] **Rhun ap Iorwerth:** What about you, Mr Joyce?

[149] **Mr Joyce:** We have a clear strategy in our minds as to what we are trying to achieve. However, to say that a task and finish group such as ours can have a major influence on the whole of the construction industry in Wales would be unbelievable.

[150] **Rhun ap Iorwerth:** Do you consider yourself to be a task and finish group? Do you think you are finite in your purpose?

[151] **Mr Joyce:** Well, we just finished, and we are now becoming a public panel. We have had two task and finish groups and we are actually becoming a public appointment panel now and it will be bigger; there will be more people on it. Even so, it is a question of how we can actually assist the construction industry in Wales. We cannot and we are not here to sort out the whole infrastructure of Wales, or anything else; we are here to actually try to get a sustainable construction business in Wales, one that is not peaks and troughs, but is constant. That means asking how you can get people to invest in Wales rather than in this.

[152] **Rhun ap Iorwerth:** It seems as though you are more about the discussing of ideas and trying to influence the Minister on a series of principles that are important to the industry. How can you measure that? How can you measure whether you are successful or not, apart from generally saying that there is more construction going on in Wales? I will ask you as well, Roger.

[153] **Mr Joyce:** Well, you can measure it by seeing whether, during the consultation period for say, a planning Act, it actually comes out with the changes that we have recommended.

[154] **Rhun ap Iorwerth:** But others will be making the recommendation as well, presumably.

[155] **Mr Joyce:** I would assume so.

[156] **Mr Evans:** To answer your first question, we are slightly different, as I intimated earlier, in that we are now a private company wholly owned by the Government, so we have a much more sustainable, long-lasting view of things. Not only do we have a strategy, but we have a route-map with key performance indicators, which we monitor, as well. Also, we have seconded people in. Because we are a private company, we can second people in and we are using these people to actually deploy things. For example, I am sure that you will see that companies such as Jaguar Land Rover, Nissan and BMW really go from strength to strength and really, they want to buy more in the UK, so we seconded people to supply-chain development, to take advantage of these great opportunities. So, this is a great public-private partnership actually doing things and already, it is creating opportunities for Welsh businesses to help them grow. I have forgotten the second part of your question, now, sorry.

[157] **Rhun ap Iorwerth:** I would like to actually just move it on with one more question, if I could. We have heard all sorts of structures this morning regarding how you, as panels, work. Your panel is changing in its nature, and yours is now a Government-owned company. I actually heard outside the committee that the creative industry panel does not actually meet

as a panel anymore. There are all sorts of structures in existence—

[158] **Mr Evans:** That is creative. [*Laughter.*]

[159] **Rhun ap Iorwerth:** It meets as sub-panels, but that is another story. Has the idea of these sector panels somehow lost its meaning?

[160] **Mr Evans:** Well, I can answer for our sector panel. I think, after three years, we reflected upon our own performance and what we were actually doing and what we had achieved. We said that we had done quite a few things, but we could be a lot better. Also, there are three major fora in Wales: aerospace, automotive and ESTnet electronics. I am responsible for this, I guess, because I complained to the Minister that the way we were being funded and being run was not the way it should happen, so she asked me to tell her how it should be done, and I wrote a paper on that. That is where Industry Wales came from, eventually. So, I have a vested interest in it and I do think it is a good thing, but it is something that came from industry. It grew out of the sector panel and evolved out of the sector panel, and it is what the industry wants. The panel is totally industry focused.

[161] **Rhun ap Iorwerth:** I know that you think that there are perhaps too many panels.

[162] **Mr Joyce:** I will answer your first point and then I will come on to how many panels. We started off three years ago as a task and finish group. That was then re-introduced 18 months ago, and it has now come to an end. It is a similar scenario: I asked the question after the first 18 months, ‘Have we actually achieved anything here?’ The evidence was put that we had actually achieved quite a lot in that time. I think the fact that we are now going to a public appointment panel proves, hopefully, that we have actually achieved something and that people see a benefit from us. So, yes, it is a changing time, but the next appointment panel will be for three or five years—I cannot remember which—and that will be set up within the next month. What was the other?

[163] **Rhun ap Iorwerth:** The number of panels and advisory groups and—

11:00

[164] **Mr Joyce:** Yes. There are a lot of people. Procurement is a prize example. One of the first things the Minister asked me to look at was procurement. I then discovered that there were four other panels looking at procurement. I then thought, ‘Well, there is no point in our looking at procurement because everyone else is looking at it’. It is things like that. You come back to the point that I made earlier: if there are too many people looking at one thing, no-one is quite sure who is doing what.

[165] **William Graham:** You touched on supply chain opportunities, and procurement opportunities also. In our previous evidence, you may have heard the remarks about the attitude to risk by civil servants. What is your experience?

[166] **Mr Evans:** It is a different attitude from private industry’s view of risk, which is perhaps a good way of putting it. I think that it is quite risk averse. No-one wants to take stupid risks, but I think that there could be an element. Again, it is linked to moving quicker and faster, and I think that that could be reviewed. We need to be a little bit more adventurous sometimes, which brings me back to being a small nation, and being able to really take these opportunities where others cannot.

[167] **Mr Joyce:** I think that it is the environment, the political environment, that is the risk, if you understand me.

[168] **Eluned Parrott:** I would like to go back to the beginning, in many ways. When you were first established as sector panels—and I just want to get an idea, really, of what the strategy is serving—what was the main job you were told you were doing? What was your main objective? If there was one thing that you were supposed to be achieving as a sector panel, what was it?

[169] **Mr Evans:** To make sure that we try to bring together all the activities within, in our case, manufacturing, to make sure that we had alignment with what was going on in Wales, to make sure that the Government was aware of what was working and not working, to give advice on how we should make manufacturing fit for purpose for the future, and to take opportunities that we can see.

[170] **Eluned Parrott:** That is a little diaphanous, if you do not mind my saying so. So, you said that you have key performance indicators. Can you tell me how you measure that as an objective?

[171] **Mr Evans:** For example, with the amount of foreign direct investment in manufacturing, the effectiveness of manufacturing, how efficient manufacturing is in Wales, and whether we are taking opportunity of the supply chain developments that we see in comparison with the rest of the UK. There are others, as well: the amount of investment that private industry puts in compared with what the Government is putting in. I do not remember them all, to be honest, as there are quite a few of them.

[172] **Eluned Parrott:** Do you publish that information publicly?

[173] **Mr Evans:** I am not sure whether those KPIs are put on the website. I do not think that they are, but I do not know.

[174] **Eluned Parrott:** Okay, thank you. You are talking about changing the way in which your panel works now and, as you say, moving to this public appointments system. Why was a public appointment panel chosen for the construction sector when, for example, we have a private company embedded in Government chosen for another sector?

[175] **Mr Joyce:** I have no idea.

[176] **Eluned Parrott:** Whose decision was it?

[177] **Mr Joyce:** The Minister appointed us initially as a task and finish group. It is now her decision, one assumes, to appoint it as a public appointment.

[178] **Eluned Parrott:** Was it the Minister's decision to ask you to create a private enterprise?

[179] **Mr Evans:** As I said earlier, it was started off by my complaining about the way the fora were run, and then I wrote the paper and it was accepted as the model going forward.

[180] **Eluned Parrott:** Fine. So, the circumstances are a little different here. In terms of the objectives that you have set yourself, you have yourself taken a step back and asked, 'Okay, what are we achieving, exactly?' As you move forward with the new public appointments system for the construction sector panel, what will be the primary objectives for that panel, and how will they be measured?

[181] **Mr Joyce:** How will they be measured? The construction panel's view has not changed. It is all about basic job creation within the construction industry. One of the reasons it was set up in the first place was because a lot of the small and medium-sized enterprises

were complaining about the fact that the big nasty contractors were coming in and taking all the work. So, it was a question of how we could have a sustainable construction industry within Wales that could be supported by the Welsh SMEs. That is really where we are going. That is the purpose of it. How can we have—and I come back to the dreadful words—‘sustainable construction’ because construction is never sustainable? It goes up and down.

[182] **Eluned Parrott:** No, indeed. One of the things I am really interested in, given that these are public bodies, even if they are private entities as public bodies, which is a slightly unusual situation, is how the public can scrutinise your work if your performance against your objectives is not published, for example as an annual report every year?

[183] **Mr Joyce:** We do report on the website what we are doing all the time. It is regularly updated, and we have just put on our end-of-term reports as to what we have achieved and, indeed, what we think the next phases are. It is there on the website.

[184] **Mr Evans:** Likewise, we put down the highlights of what has been achieved: job numbers, investment, et cetera. Those are on the website and there is a report there, as well.

[185] **Eluned Parrott:** But not to the level of detail that you were talking about with KPIs being a measure of private investment as against public investment—

[186] **Mr Evans:** I said I am not quite sure whether those KPIs are on there not, so I will have to check that.

[187] **Eluned Parrott:** Okay. Thank you, Chair.

[188] **William Graham:** I call Keith.

[189] **Keith Davies:** Rwyf am siarad yn **Keith Davies:** I will speak in Welsh. In the Gymraeg. Yn y paneli yn gynharach y bore panels earlier this morning, we were told, yma, dywedwyd wrthym, fwy neu lai, beth more or less, what the biggest challenge oedd yr her fwyaf yr oeddynt yn ei hwynebu. facing them was.

[190] **Mr Joyce:** I apologise. I am not getting a translation.

[191] **Keith Davies:** Okay, do not worry. I will translate it. In the panels we saw earlier, there was a specific challenge that certainly two of the panels were facing. What is the main challenge that your panels are facing, in terms of creating jobs or whatever in Wales?

[192] **Mr Evans:** For us, there are quite a few, but I will boil them down into two. One is energy costs. Energy costs are proportionally higher here than in mainland Europe. Secondly, there is the availability of the right skills at the right time in the right place.

[193] **Keith Davies:** Are they particular skills?

[194] **Mr Evans:** I am talking about engineering skills here, higher-level engineering skills. Our industry is moving so quickly that, even at the basic level, you need people with higher skills now. You know, manufacturing is quite modern and it is very automated. Those businesses that are doing well are much higher up the higher-value-adding chain, so the level of skills required is increasing all the time. We need more people at the higher levels even to run the basic operations, if you get my understanding. So, that is the challenge moving forward. The Pathways to Apprenticeships was certainly a great start for that. We really pushed for that and we want more and more of that moving forward, to be honest with you. However, you know, we heard last week that there is going to be another cut to FE funding, and that is where a lot of our skills come from. Therefore, that is an issue that works against

what we want, on the face of it. So, the two things are energy and skills level, or skills availability.

[195] **Keith Davies:** You mentioned Swansea University earlier. I remember going to the University of Cambridge's engineering laboratories, and asking, 'You have students coming from Wales, so what do you want them to study in school?', and they said, 'Physics, pure maths and applied maths'. We have a paper in front of us that we will look at later this morning, which says that the Welsh Government has looked at increasing the number of children who do double maths in the sixth form, and I think that is great. For the panels this morning, and I think you mentioned it earlier, it is the FE sector, and having the technicians coming through. If that is a problem already, then, with the cutbacks, that will get worse.

[196] **Mr Evans:** Yes. I am chair of a local college so I am aware of how important the funding is. Our college is one that has a high commercial content, so we are doing a lot already, but we have been told now that we have to do even more, and raise more funds ourselves for the future. That is the sort of story we have been told. So, there is a challenge, but I think, you know, it is about—. As a quick story, I returned last week from the Basque region, where we looked at innovation and research and development in the Basque region. It is quite impressive actually—2.6 million people, very similar to Wales, and a similar culture in lots of ways, but it had a really good model. We were specifically looking at research and development in lots of ways. There, it is a different landscape—the universities are quite weak, so they have developed a more commercial approach to R&D, supported by businesses. There are other ways of doing these things, which is what I am trying to say here really.

[197] **Keith Davies:** It could be a good trip for the committee to go to the Basque Country. What are the challenges facing—

[198] **Mr D. Jones:** In terms of job creation, job creation within construction is always about money. If people are not going to build houses or warehouses or hospitals, then you cannot create the jobs. The discussion is how to get people to invest in Wales.

[199] **Keith Davies:** In terms of the workforce, there is no big issue there.

[200] **Mr D. Jones:** No.

[201] **William Graham:** I see there are no more questions. Thank you both very much for your stimulating evidence this morning. I am most grateful to you for attending.

11:13

**Sectorau Blaenoriaethol Economaidd—Craffu ar Gadeiryddion y Paneli  
Sector—Panel 3  
Economic Priority Sectors—Scrutiny of Sector Panel Chairs—Panel 3**

[202] **William Graham:** I welcome our witnesses. May I ask you to give your names and titles for the record, please?

[203] **Mr Williams:** My name is David Williams, and I am chief executive of Eco2 and chairman of the energy and environment sector panel.

[204] **Dr Guilford:** My name is Grahame Guilford, and I am deputy chair of the life sciences sector panel.

[205] **William Graham:** Thank you very much. I am going to ask the first question, which

is fairly general. Can you give us some idea of the development of strategies and the action plans that your particular sectors have developed more recently?

[206] **Dr Guilford:** Do you mean over the period that the sector panel has been in existence?

[207] **William Graham:** Yes, although it may be a little different for you, but carry on.

[208] **Dr Guilford:** We looked, as a panel, at the strengths that already existed in the sector. Our remit was to advise the Minister on the most effective means of growing the sector economically in terms of its contribution to the economy and job creation, and so on. So, we looked at the strengths that existed in the sector. Our strategy was twofold, I suppose. One was how to make the most of the internal strengths in order to be competitive—so that Wales could be competitive—but also how to make sure that what we were doing was better understood externally. Life sciences, globally, is very competitive. There is a lot of investment out there but everyone wants a piece of that investment. We felt that Wales could be more competitive in terms of using its internal strengths, but also in making sure that that was understood externally. So, our strategy has been based around how we deliver those two things.

11:15

[209] **Mr Williams:** I guess that we had a bit of a lucky start in that most of our panel members came in feeling quite a bit of frustration with the way in which the industry was evolving. There are probably two big reasons for that. One is because a lot of policy is not set in Wales, and secondly because the bit that Wales controls, which is on the regulatory side, was historically—I have been before this panel once before—not very good; we were woefully behind the rest of the UK. From our perspective, we could very easily identify the barriers to growth in Wales from a sectoral point of view.

[210] **William Graham:** Grahame, is one of the threats that you perceive a lack of skilled personnel, particularly in your sector? Is that a problem that you have encountered?

[211] **Dr Guilford:** All sectors tend to have concerns about skills. When one is considering inward investment, it tends to be a very early question that a potential inward investor will ask. They will ask about premises and they will ask about skills, and whether they will be able to recruit. In life sciences, if we take it across the sector, the situation is perhaps not as acute as in other areas. It is more a case of particular subsector areas where there might be skills issues. As a panel, we have tended not to ask the question, ‘What is the skills requirement within life sciences? but ‘Where are the bits within life sciences where we are perhaps not providing the level of skills, and where we need to do a little bit more in terms of provision?’

[212] **Mick Antoniw:** I would like to explore that strategy for life sciences, because it is cutting-edge, it is innovative, it is international et cetera, and it is one where the sector in Wales is clearly building a niche where there are massive opportunities. How is that strategy developing and developed, and what is the interaction with the work that Welsh Government is doing, as opposed to the work that you are doing to profile the sector and to build that reputation as a starting point?

[213] **Dr Guilford:** Hopefully, the two are very closely integrated, and, in my experience, they are. The sector panels work very closely with the Welsh Government sector teams. A lot of the input to the panel’s discussions comes from the sector teams, so we have sought to build on what the sector teams were already doing and on the activity that was taking place in the sector. So, it is not about starting from scratch—it is about looking at the strengths that are already there. We felt that they were a little bit fragmented in some ways, so the strategy has

been about how we pull those together, how we link them a little more effectively, how we grow the areas where we have strength, and, as I said earlier, how we make sure that people outside Wales understand that and see Wales as a valid investment opportunity.

[214] **Mick Antoniw:** How do you think that that is developing? How are you measuring any success or progress that is being made?

[215] **Dr Guilford:** Fairly early on in the life of our panel, we made some very specific recommendations to the Minister about how we felt Welsh Government could support the growth of the sector. They included things such as the creation of an investment fund and the creation of a physical hub that would pull the sector together. Those things have been delivered and are beginning to show the results that we hoped they would.

[216] **Lord Elis-Thomas:** I am looking at the Innovis study that the Welsh Government published in the summer, which shows the environment and energy sector as having increased substantially in terms of sales of the companies—an increase of 90%, an increase of 30% in companies, and employment increased by 35%. This must be down to you, David.

[217] **Mr Williams:** I would like to think that we have contributed. The difficulty we have is that we do not know what would have happened had we not been there. The other thing is that the measurement is from 2006, but a substantial part of the growth has been during the life of the panel. I am absolutely certain that we have been very much on top of addressing the regulatory barriers, as we have previously discussed. Another factor was the setting up of Natural Resources Wales, making sure that that was constituted properly and was operating and had a sustainable growth agenda within its remit. A lot of that is bearing fruit, but I still sound a note of caution. Part of our role is also to stop the impact of what could be a depression heading our way within the industry, and I think that some of the mechanisms that are about to hit and the market reviews could have a very big bearing on growth in Wales, and we need to stay on top of that.

[218] **Lord Elis-Thomas:** Would you say that the different kind of policies pursued in the UK at Government level are confusing for developers, as compared with the approach taken by the Scottish Government and the Welsh Government?

[219] **Mr Williams:** Absolutely. If I went back five years, I categorically would say that I felt that the UK Government had strong policies and the right direction and that Wales was lagging behind. I would say now that, actually, Wales has flipped. The Welsh initiatives and the Welsh aspirations are leading those of the UK Government. It is fairly well known that we have climate change sceptics within the UK Government, and some of the policies that are coming out now are driving in the wrong direction. If you look at the manifesto pledge and the agreement between the Liberal Democrats and the Conservatives, they say that they would only make nuclear power work without subsidy. Of course, what it has had to do is rig the industry so that nuclear power is, apparently, without subsidy, and then everything else has to work relative to it. In doing so, it has made everything else skewed, and, of course, it is everything else that we are concerned about.

[220] **Lord Elis-Thomas:** Finally, do you see your sector panel being in a position to influence and strengthen the approach of Welsh Government? Clearly, the First Minister is still seeking the powers over energy consents, and that must be part of your agenda.

[221] **Mr Williams:** The panel, actually, has just entered a new life. We have new members. A very strong part of that is in grabbing more of the energy agenda and formulating an energy policy that is very much needed in Wales. We would really like to help in doing that and, in fact, in tariff setting. We have always said that the barriers are money, the grid and consents, and, really, we have only ever had control of consents. Controlling the money

and the grid is very important for us. A bit frustratingly, we are sitting here and watching Westminster now getting it wrong, and—

[222] **Lord Elis-Thomas:** This is not unusual.

[223] **Mr Williams:** Yes.

[224] **Lord Ellis-Thomas:** From experience.

[225] **Mr Williams:** So, we have an opportunity and, of course, there have been changes in certain ministerial responsibilities relatively lately as well. It is a great opportunity to drive a good policy in Wales.

[226] **Eluned Parrott:** I had a question that is specific to skills, and I wanted to return to something that you said, Dr Guilford, about making sure that we have the skills here. I wonder whether you can clarify where the skills gap is in your particular sector, because if you were to look, for example, at the graduate destinations for many of the universities, we have a capacity in Welsh universities to train people to graduate level and a higher than average capacity to train people at postgraduate level than other parts of the UK, but we are not keeping those graduates in Wales. There are more graduates from Welsh universities working in England today than there are working in Wales. There is something self-fulfilling about that if you are not retaining those graduates. What steps have you taken to retain those individuals, once they have graduated, here in Wales, but, also, are there other parts of the skill pipeline where there are problems that need addressing?

[227] **Dr Guilford:** We have probably looked at it the other way around, in the sense that the training that is done in the universities—to a lesser extent in the colleges, but certainly in the universities—is a generic graduate training. The life science sector in Wales has a demographic, if you like, that is very specific to Wales and, in many ways, is different to what you would say was the global demographic. So, there is not a lot of the research and development end of pharmaceuticals and there is not a lot of the R&D end of biotechnology. There is a lot of diagnostics, medical technology and so on.

[228] In terms of the jobs that are available in Wales, they are, obviously, driven by the nature of the industry in Wales. So, what we have tended to look at is these specific sectors. Medical technology might be an example, and pharmaceutical services are a very good example, I think, because that is a growing sector in Wales. It is growing very rapidly, in fact, with a lot of external investment. That is more at the back end, if you like, of pharmaceuticals—it is when you have the lead compounds and you are taking them through clinical trials, the regulatory aspects and all the rest of it. There, you have quality issues, sometimes, so one of the specific areas that were identified was what are called QPs—qualified personnel—to manage the regulatory aspect of taking products through to market. So, it is about trying to drill down to those very specific skillsets, but also looking for areas where there is sufficient volume being delivered to make it worth while for colleges to put courses together, because there is, obviously, a lag phase in developing and accrediting new provision and so on.

[229] We are also very conscious, clearly, that skills themselves are not the responsibility of the economy department, so our view as a panel is that we are there to provide advice on where there may be issues. Clearly, the delivery in terms of how those issues might be addressed lies outside the remit of the economy department, as such, but we have tried to drill down to those specific requirements in subsectoral areas, particularly where we think that there is strong foreign direct investment potential.

[230] **Eluned Parrott:** That is great, thank you. In terms of your sector, are there specific

areas where there are gaps in the skill provision? Is there, perhaps, a lack of specialism in engineering schools, for example, at graduate level?

[231] **Mr Williams:** Interestingly, if you have a skill problem, it is generally good news. If you think of this sector, it generally requires very large investment and is relatively low tech, actually. We spoke to most of the large industries within the sector and no investment decision is made on the basis of skills. So, if you turn it around, it is never a barrier to the investment. It is something that is worried about after the investment is made.

[232] The only thing that I was going to add, in terms of your graduate migration comment, was that I have a concern about a slightly bigger picture, when we talk about Wales being a nation of small and medium-sized enterprises. There comes a point when a company gets to a certain size where it then gets attracted—. An international business needs good links to airports and everything else, and finance, and I find myself spending two or three days a week in London, because that is where the money is. You get this natural suck out of Wales as you get bigger. It is how we contain that and keep our large companies. Interestingly enough, one of my best friends was a founder of Gyrus, and it became Wales's largest company for a period and then it moved to Reading. I asked him why, and it was because it had to be close to Heathrow, because it was an international business.

[233] **Jeff Cuthbert:** It is an interesting comment that investors would worry about skills after they had made their investment. That is not what we normally hear, so maybe you want to expand on that, just in terms of your industry. Specifically, you also mentioned generic graduate training in higher education, so I wanted to ask you, in general terms, how responsive do the industries that you represent find the FE and the HE sectors in Wales. How willing are they to provide bespoke courses, for example, or do their own particular needs and structures tend to obstruct that? It may not be deliberate, but are they perhaps not as co-operative as you might like? What is your experience in terms of HE and FE?

[234] **Mr Williams:** In general, actually, it is almost the other way around. As was said, it is generally low tech, and most of the specialisms are trained in house. If you think of a typical large-scale project, whereas they may bring in an experienced managing director from outside or maybe even a senior management team, thereafter, there would be local employment and training within the position. It would be slightly different if you were talking about specialist positions like nuclear, for example, and I am aware that, where there are specialisms required, there is great support. I get asked all the time if there is anything that they can do to help us and, actually, most of the time, from me, the answer is 'no'. People are coming out of colleges with the skills that we need and for anything that is peculiar to us, they can be trained on the job.

[235] **Dr Guilford:** I think that, certainly from the perspective of life sciences, we find that the universities and the colleges, exactly as David was saying, want to do the right thing, and that has particularly been so over the last few years with the advent of student fees, and now the student experience and employability are major issues for all universities.

11:30

[236] Where they struggle, and this is where we have tried to provide input through the panel, is to get genuinely useful labour market intelligence, that is, what is specifically required, and that is where you have to move from the generic. So, there is a need and, certainly in life sciences, there will continue to be a need for the basic qualifications base provision: chemistry degrees, biochemistry degrees and so on, and their equivalents in the colleges. The input that we can provide, I think, is in those specific areas—I gave a couple of examples earlier on—where you need the bespoke provision, so there has to be a mix of the generic and the bespoke. We are in the process of putting a group together at the moment,

which we hope will help in that provision.

[237] **Rhun ap Iorwerth:** I do not know if now is a good time to look at how you are structured and how you operate as sector panels. We have heard this morning from different panels that work in very different ways—one of them being a Government-owned private company and one moving from being a task and finish group to being publicly appointed and so on. With a reminder of how each of your groups works, could you comment on the effectiveness of those structures in your particular areas of expertise?

[238] **Dr Guilford:** Our panel was a publicly appointed panel from day one, and functioned in that we met monthly, the secretariat was provided by the Welsh Government sector team, and our advice was fed back through that mechanism to the Minister. We would be asked, from time to time, to comment on particular issues that the Minister was interested in receiving our advice on, and annual reports were published and so on. At the end of the initial three-year period, in which the panel had focused on providing advice on what needed to be delivered, we now have a reconstituted panel with similar membership, but it is probably going to be meeting less frequently, and it is being asked now to review the implementation of the delivery of what the first panel recommended. So, we are just moving into that mode now.

[239] One of those recommendations was the creation of a Government-owned private company, similar to Industry Wales, Life Sciences Hub Wales Ltd, and that is the operations company for the life sciences hub, but it has its own board and it sits separately from the sector panel. It is very much a part of the delivery arm, whereas the panel remains part of the review arm and the advisory arm.

[240] **Mr Williams:** From our perspective, the other reason that we have morphed is that, when we came in as a panel, I think that the entire panel knew what it had to do to get Wales moving very quickly. We had to address the regulatory process, and the new planning Bill is doing that. If you look at the success of planning applications going through the Welsh system, there has been radical improvement. If you go back, even four years ago, we had a 20% success rate, and it was taking two years for the 20% success rate. We have a success rate of over 50% now and there are still decisions to be made, so we are on a par with Scotland and England in terms of the percentage of success that we are getting. We treated that as the lower hanging fruit, so it is almost like turning up at a road accident: beating and breathing are the first things that you have got to address and, thereafter, you look after the other ailments. For us, it was about getting the beating and breathing right first, but now we can look at all the other policies, and we have brought in specialists from all of the different sectors to the panel.

[241] We have a very broad panel now, covering water, environmental goods and services, energy, nuclear and a very strong presence from renewables. We have tasked every member to think about focused deliverables that their particular sector can carry out: an example will be low-carbon homes, and trying to see if we can have some sort of agenda that delivers that. We have also looked at electric vehicles, although that has now been delegated to another panel, but we are all agreed that we actually want very specific deliverables going forward, having built on what we have done so far.

[242] **Rhun ap Iorwerth:** Despite your earlier comment that you cannot tell in detail what would have happened anyway, I am sure that you are confident that you are making a difference as a sector panel. However, is that measurable in any way, that it is down to the work that you are doing in influencing officials and Ministers that things are getting done?

[243] **Mr Williams:** Absolutely, it is. As I said, the consent rate regarding planning was the single biggest criticism—we did not have a panel meeting without it being mentioned. We

had huge concerns about the merger of the three big Welsh organisations into Natural Resources Wales, particularly with the Countryside Council for Wales. We have really stayed on the back of CCW and, in fact, the chief executive of NRW has been to probably five panel meetings. We are keeping a very close eye on, as I say, the sustainable growth agenda, and we are seeing some very good decisions being made so far. There are concerns; we still think that there should be more industrial representation on the NRW board and there are possibly too many legacy members. We would still like to see improvement, but I would say that we are 90% of the way there.

[244] **Dr Guilford:** Measuring success has been a topic of discussion in the panel, because you need to set some parameters, short and long term, and we were very clear from the start that we were talking about a long-term, probably 10-year agenda, in terms of creating as much value and as many jobs and high-value jobs in the sector as we could, but you have to set some short-term targets along the way. However, also, we were very focused around synergy. There is only so much that any part in the chain can do, so we saw a key part of our role in the panel as trying to develop those synergies.

[245] In a small country like Wales, with limitations to resources, you achieve the maximum effect by getting what you have got working together more effectively. So, for example, if we have research in universities creating a spin-out company, then we perceive that there will be gaps at a certain point when the company will have grown to a particular size and access to finance will be difficult, access to advice will be difficult and maybe access to premises will be difficult. So, we look at how we could improve that pipeline and take that company from a being a spin-out company to being something that was growing sustainably over a period of time. It was those sorts of issues that we tried to address with the major employers in the sector.

[246] We looked at how we can embed their economic footprint in Wales more effectively. They tend to be parts of large international organisations, and they are often competing with sites in the US or France in the same company for investment. How can we make Wales more competitive in terms of the investment coming to the Welsh site as opposed to going to some of the other sites? So, we have tried to look at the different types of company in the sector and where we can produce those synergies. Often, it is marginal changes, if you link everything together properly, that can have quite an impact.

[247] Going back to measuring that and asking, ‘What did you do as a panel, as opposed to what other people did?’, in one sense that is academic, but in another sense you want to try to do it, because, clearly, the panel is there and people will ask that question. However, we see our role very much as providing advice that is going to help to link together the things that are already there.

[248] **Rhun ap Iorwerth:** On that point, the chair of the creative industries panel this morning said that the Minister told him, ‘You give me advice and I decide what works politically for me’. Is that the way that you see your roles or do you, perhaps particularly with energy, almost expect your advice to become executive, in that you expect the Government to act on your advice?

[249] **Mr Williams:** ‘Not at all,’ I would say. I am pleased to say that we even say to the civil servants, ‘If there is something that’s frustrating you that you might be afraid to say, we’re not’. So far, without fail, all of our recommendations have been taken up. As I said, I am pleased to say that you have the aspiration now in Wales to meet targets and achieve growth. You are only going to do it by listening to industry.

[250] **Rhun ap Iorwerth:** The more that your advice gets taken on board, the more that you expect it to be taken on board.

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

[252] **Keith Davies:** Gwnaf i ofyn yn Gymraeg. **Keith Davies:** I will ask my question in Welsh.

[253] **Mr Williams:** Rwy'n deall tamaid bach. **Mr Williams:** I understand a little.

[254] **Keith Davies:** Am y gwyddorau bywyd y mae'r cwestiwn hwn, mewn ffordd. Roeddech yn sôn yn gynharach mai gwaith y panel oedd penderfynu ar flaenoriaethau, ond wedyn roeddech yn sôn am yr hwb gwyddorau bywyd sy'n cael ei redeg gan y Llywodraeth. Bu'r pwyllgor i Brifysgol Abertawe i weld yr adran gwyddorau bywyd yno, a oedd yn tyfu yn sylweddol. Felly, beth yw'r gwahaniaeth rhwng y ganolfan y mae'r Llywodraeth yn ei rhedeg a'r hyn sy'n digwydd yn Abertawe? **Keith Davies:** This question is about life sciences, in a way. You mentioned earlier that the work of the panel was to decide on priorities, but then you mentioned the life sciences hub that is run by the Government. The committee went to Swansea University to see the life sciences department there, which is growing substantially. So, what is the difference between the centre that the Government runs and what is happening in Swansea?

[255] **Dr Guilford:** The two are very complementary. So, the life sciences hub, if I could use an analogy, is probably like the head office of, if you can imagine it, 'life science Wales', as a company. The physical hub in Cardiff is like the head office of that company; it has representation from all of the key sectors, it is where people meet and it is the initial point that we would bring potential external investors into. It is a place where you can quickly get a snapshot of the sector, meet the key people from business, the universities, the Welsh Government and the NHS. The facility at Swansea, which we work closely with, has been developed over a number of years, with large inputs of Welsh Government funding and European structural funds. It provides a lot of the life science research in Wales, incubation facilities, which the hub does not have, and support for spin-out companies. So, if you like, it is part of the operational arm, if we go back to the company analogy. What there is in Swansea is part of the operational capability of the sector in Wales, and it is the job of the hub at the top to pull all of that together and to get it working together as effectively as possible.

[256] **Joyce Watson:** I would like to ask a question to both of you, but specifically to David. You have identified money, consent and grid connectivity—I understand why—as the three main issues that you bring to your sector panel meetings. However, we had evidence this morning that, with the advances in technologies—you will both be using those in your respective industries—there are huge problems with the relevant skills gap in terms of what is required, particularly, they said, within IT to, hopefully, secure the future of your businesses. That is the first part of my question: are you content that the skills base that we currently have in place is the right skills base to meet the demands that you see within your sectors for the future?

[257] **Dr Guilford:** I will go back to what I said before. Generally speaking, life science companies find that they can recruit the majority of the skills that they need, but there are specific gaps in specific areas. It is a question that usually comes up in inward investment discussions, but I would agree with what David said earlier, in that it does not tend to be a make-or-break decision for a company, although, often, we need to support an inward investment project with some skills development.

[258] If I take the specific example of IT, that would be identified as one of the issues, at a variety of levels. One of the big strengths in life sciences in Wales is e-health, which is the

use of data. That will be a massive and increasing trend in life sciences globally. We have a strong competitive position there at the moment, with the Secure Anonymised Information Linkage Databank in Swansea, for example. However, they find it difficult to recruit computer science graduates who have, on the one hand, the life science understanding, and, on the other hand, the ICT understanding to make the most effective use of those data.

11:45

[259] Having said that, there is an awareness in the colleges and the universities that that is the case, and they are trying to catch up, but, I would say that, at the moment, demand is outstripping supply. There is no doubt about that, and those sorts of graduates are in very high demand.

[260] **Mr Williams:** As I said earlier, in terms of economic growth, which is our principle remit, we do not see skills as being a barrier to economic growth. Having said that, I am confident that the skills are not there across the board, and there will be specific circumstances where we will need to train. However, most of what we do is internationally based and the skills can be procured. You can almost put a dividing line between training the people of Wales and employing within enterprises. It is crucial that we train the people of Wales to be able to compete to get the jobs that appear, but they are two different things.

[261] **Joyce Watson:** I will tell you why I asked that question. I had a meeting fairly recently—without identifying anybody—with somebody who was working within the field of servicing windfarms. What came out of that was that it was a high-end skill, but he would not tell anybody who he was working for, which was uncomfortable for me to hear, for fear of retribution, because it is in mid Wales. That is all I will say, and there is very strong feeling on both sides. That is somebody who has a very good job and who is working in an industry that we hope will be the future. Have you come across that? I certainly did on that day, and it surprised me. If that is the case, how will you move forward?

[262] **Mr Williams:** Had the panel existed at the point where the decisions driving that were made, you would not have made those decisions. It was almost—I am using too many analogies this morning—as if you were driving at 100 mph and you were going to hit a brick wall, and the brick wall was that there is no grid in mid Wales. The policy was to follow Forestry Commission land as an aid to identifying the good sites in Wales and, generally, windfarms require the same sort of land as forestry because it is low grade, poor-quality land. However, the Forestry Commission did not need a grid. So, I think that the fundamental assumption in driving policy towards the Forestry Commission was probably wrong. If you turned it around—not ‘Where is the poor-quality land?’, but ‘Where is the grid?’—you would not have these problems today. So, I have absolutely come across it, and I think, regrettably, that the industry was saying that we would end up with this problem.

[263] **William Graham:** On the point of enterprise zones, how will Trawsfynydd work out?

[264] **Mr Williams:** Trawsfynydd is a difficult enterprise zone. In fact, you have asked me this question before. The setting up of the enterprise zones is difficult. You cannot just pick a poor area and say, ‘We will call it an enterprise zone and then it will not be a poor area’. You have picked on Trawsfynydd; I mentioned that this morning. Trawsfynydd will always have very poor transport connections—

[265] **Lord Elis-Thomas:** It has a brilliant grid.

[266] **Mr Williams:** Yes; it will have a good grid. [*Laughter.*] Having said that, to get something that is good from an electricity perspective may not be good for general enterprise.

We are where we are with the enterprise zones. Our principle concern was that our enterprise zones were not competing with England, and my understanding now is that we have the same tax breaks and everything else within the enterprise zones. So, we can, at least, compete on a like-for-like basis, and that will, in itself, bring certain industries to the various zones.

[267] **Byron Davies:** I get the impression that you are not very enthusiastic about enterprise zones.

[268] **Mr Williams:** I am totally enthusiastic about enterprise zones. What I am saying is that I think that you have to be more careful about where you choose to locate the enterprise zones.

[269] **Byron Davies:** Is that a criticism?

[270] **Mr Williams:** I guess that it is, yes. You have to think about what would—. You need to attract the multinationals. You have to attract the senior managers of the multinationals. Without them, you will never have ownership of companies in Wales—ownership from outside. In order to do that, you have to put your enterprise zones in the areas where people will want to be and from which they want to run their businesses.

[271] **Byron Davies:** I will conclude by asking you where you would put the enterprise zones.

[272] **Mr Williams:** They would tend to be on the peripheries of the major conurbations, close to major transport links.

[273] **Byron Davies:** That kind of narrows it down, does it not?

[274] **Mr Williams:** It absolutely does. You try to do something different for the rural communities. I think that trying to attract multinationals to Trawsfynydd is very difficult.

[275] **Lord Elis-Thomas:** Just wait and see, David.

[276] **Mr Williams:** Absolutely. [*Laughter.*]

[277] **William Graham:** Ever optimistic. [*Laughter.*]

[278] If Members have no further questions, I thank the witnesses for their attendance today and for the way in which they have given their evidence and answered questions posed by Members. Thank you. We will close the meeting now.

*Daeth y cyfarfod i ben am 11:51.  
The meeting ended at 11:51.*