



House of Commons
Welsh Affairs Committee

Manufacturing and Trade in Wales

Second Report of Session 2004–05

Volume I



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The Welsh Affairs Committee

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Summary

Manufacturing continues to be vital to the economic life of Wales. This Report considers the current state of Welsh manufacturing; Foreign Direct Investment to Wales; Welsh exports; the relationship between industry and academia; and UK government support for Welsh Manufacturing.

The Report concludes that the transition from traditional manufacturing was a difficult journey and not without pain. However, Wales has managed to modernise and diversify its manufacturing base and, in some areas, now leads the field.

Wales continues to excel in attracting Foreign Direct Investment. However, it has been less successful in attracting higher headquarters functions. The Report supports the Welsh Assembly Government's policies to attract those functions. We further recommend that the UK Government ensure that it continues to support the excellent work of the WDA and WTI following their reorganisation into the Welsh Assembly Government structure.

Throughout our inquiry we canvassed the views of manufacturers on the UK's position outside the Euro zone. The Report urges the UK Government to place a greater emphasis on the benefits and dis-benefits to manufacturing in the debate surrounding the Euro.

European Structural Funds remain an important financial support to the Welsh economy. Those funds are to be renegotiated in light of the enlargement of Europe. The Report recommends that the Government gives a clear undertaking that Wales will not lose out as a result of those negotiations. The Report further recommends that the Welsh Assembly Government be given the greatest appropriate flexibility to deliver Regional Selective Assistance across Wales.

The Report considers the impact of Research and Development Tax Credits and concludes that while they have benefited Wales, a regional element in the allocation of those credits would further assist Wales. It also recommends that the DTI include a similar regional element to Research Councils' grant allocation procedures.

During the course of this inquiry, the Ministry of Defence announced that it had decided to relocate its Defence Aviation Repair Agency (DARA) operations from Wales to England. The Report recommends that the Government reconsider its decision and continue DARA's operations at St Athan.

The Report welcomes the establishment of a working group to consider the Welsh Assembly Government's request for increased powers over energy consents and we look forward to receiving regular updates on that group's findings.

The transfer of knowledge between industry and academia is an important component of the success of manufacturing. The Report makes a number of recommendations in this field including the continuation of Government financial support for the Manufacturing and Advisory Service Cymru; a more equitable spread of public funding to assist Welsh academic institutions; and greater financial support from the UK Science Budget to assist the National Assembly in the development of its Technium programme.

1 Introduction

Background to the Inquiry

1. At the beginning of this Parliament the Committee undertook an inquiry into Wales in the World.¹ Part of that inquiry considered the economic well-being of Wales.² We decided to revisit the economic situation in Wales, in particular, manufacturing and trade in Wales.³

2. The UK Government determines macro-economic policy at a UK level. We do not consider that policy in this report as that is the role of the Trade and Industry Committee. We do consider UK Government policy that can be tailored to assist Welsh manufacturing and trade. The Welsh Assembly government also has responsibilities over regional economic policy and has a significant influence over micro-economic policy. In this report we consider how the UK Government's economic policies complement those of the Welsh Assembly government.

3. From the outset we decided to focus on the following areas:

The transformation of traditional industrial and rural economies;

UK Government and EU involvement and assistance;

UK Government policy on manufacturing and trade in Wales;

The impact of trade tariffs on Wales;

The maintenance of existing Foreign Direct Investment in Wales, and encouragement of new Foreign Direct Investment;

The role of Research and Development in job and wealth creation;

Support for Small and Medium Enterprises;

Links between Universities and the productive economy.⁴

1 First Report from the Welsh Affairs Committee, *Wales in the World*, HC38 of Session 2000-2001.

2 First Report from the Welsh Affairs Committee, *Wales in the World*, HC38 of Session 2000-2001, paras 13-20.

3 The inquiry was announced on 17 July 2003.

4 See press release at www.parliament.uk/parliamentary_committees/welsh_affairs_committee.cfm.

4. During the course of the inquiry we took oral evidence from both the UK Government and the Welsh Assembly Government, academic institutions in Wales and a wide range of companies located in Wales. We travelled widely across Wales during this inquiry so that we could meet manufacturers and understand, at first hand, the challenges that face manufacturing there. We also travelled to the United States of America, the single largest foreign investor in Wales, to discuss how best Wales can continue to attract high value added manufacturing to the principality.⁵ In addition to our formal and informal meetings, we also received a number of memoranda and would like to thank everybody who took the time to contribute to this inquiry. We also thank our advisers Calvin Jones and Dylan Jones-Evans for their assistance during this inquiry.

5 An outline programme for that visit can be found at Annex.

2 The Current State of Manufacturing in Wales

Introduction

5. In the forward to the review on Manufacturing in the United Kingdom, the Rt. Hon. Patricia Hewitt, Secretary of State for Trade and Industry asserted that “Manufacturing matters. It is vital to the economic well-being of our nation”.⁶ For Wales this is particularly true as manufacturing has been the historical backbone of the Welsh economy since the industrial revolution.

6. Since the 1950’s there has been a dramatic shift in the composition of employment within that sector. In the mid-1950’s mining and manufacturing had accounted for around 50% of employee jobs while the service sector⁷ accounted for only one third of the remaining half.⁸ However, since that period, manufacturing in Wales has declined. That trend was exacerbated during the 1980’s when manufacturing jobs in Wales fell by nearly 100,000.⁹ At the beginning of that decade, manufacturing accounted for 29% of Welsh employment and represented one quarter of Wales’ regional gross value added. The poor economic conditions of that decade had resulted in a large number of redundancies, in the traditional sectors of steel and coal.¹⁰ By 2001, the percentage of people employed in manufacturing had fallen to 15%.¹¹ Today mining employs few people in Wales and manufacturing accounts for less than one fifth of Welsh jobs. By contrast, the service sector had grown to account for over two thirds of Welsh employment.¹²

7. During that period, the Welsh manufacturing base experienced significant diversification. The job losses experienced during the 1980’s were primarily in the production of basic metals and fabricated metal products. While that trend continued into the 1990’s employment increased in other areas of manufacturing such as food processing, wood products, publishing and printing, office machinery and computers, TV and communications equipment, medical and precision instruments, and other transport, in particular aerospace.¹³

8. The table overleaf sets out these changes in manufacturing in Wales.

6 Review of the Government’s Manufacturing Strategy, Forward, p2.

7 The three main service sectors are defined as distribution, hotels and catering; banking, finance and business services; and other services.

8 Ev294

9 Ev 294

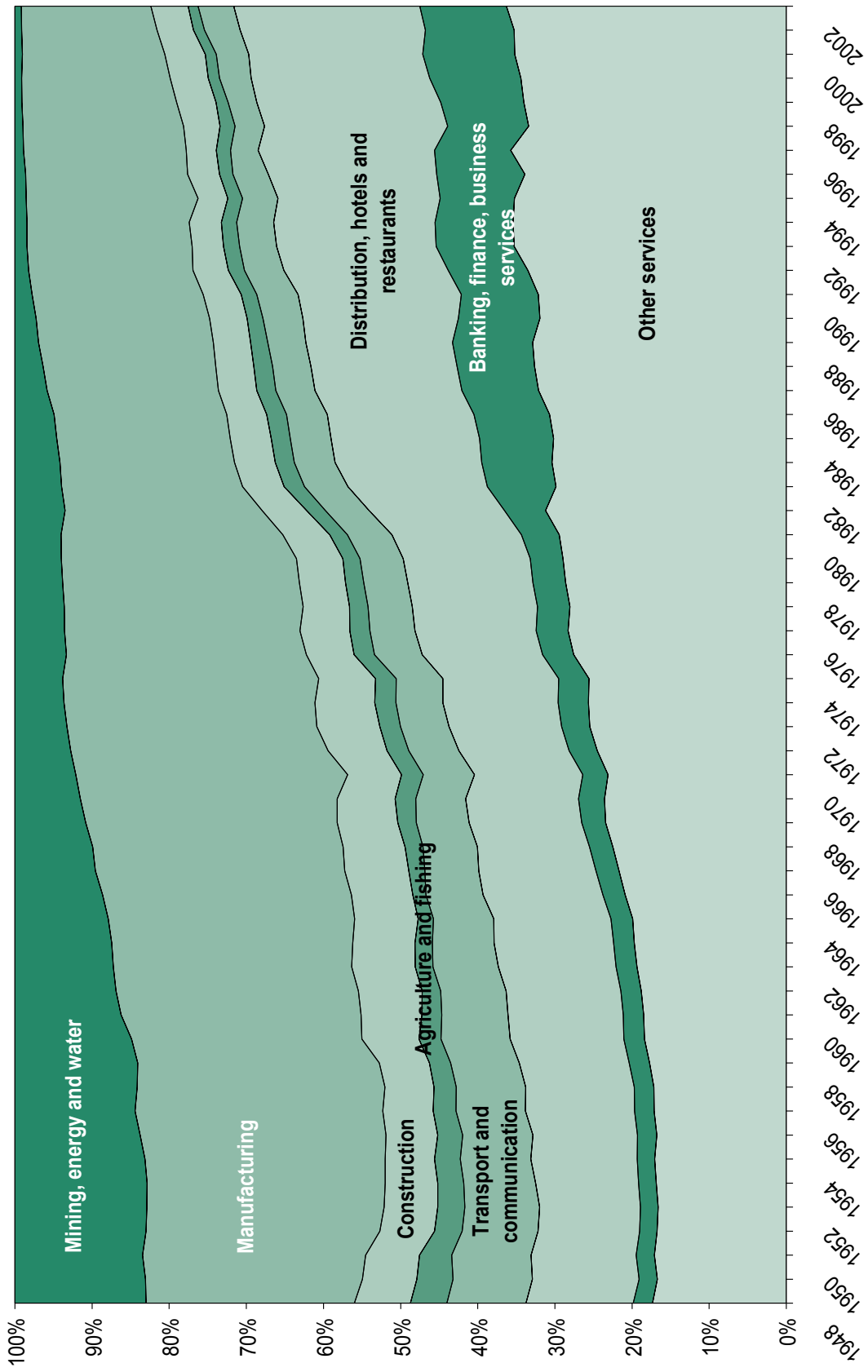
10 Ev2

11 Ev1

12 Ev 295

13 Ev295

Employee jobs in Wales, industry shares



9. Manufacturing remains a vital part of the Welsh economy. Andrew Davies AM, Minister for Economic Development and Transport at the Welsh Assembly Government, confirmed that view. He stated that manufacturing remained “of very significant importance to the Welsh economy [...] that contributes 23% of gross value added to the Welsh economy compared with the UK contribution of 18%”.¹⁴

10. The CBI Wales agreed with the Assembly Minister’s assessment,¹⁵ but was concerned that manufacturing in Wales “continues on a downward trend, characterised by job losses, job relocations and full or partial closures”.¹⁶ The North East Wales Institute (NEWI) was also of the view that the state of manufacturing in Wales was “not as robust as it should be” and that Wales had never fully recovered from the loss of heavy manufacturing.¹⁷

11. Professor Gripaos, from the University of Plymouth, believed that Wales, alongside the other parts of the United Kingdom, had benefited from the strong performance of the national economy over the last decade. Notwithstanding that performance, he argued that manufacturing in Wales remained vulnerable.¹⁸ Furthermore, the TUC Wales highlighted a lack of productivity and competitiveness as problems that continued to face manufacturing in Wales.¹⁹

12. The Federation of Small Businesses (FSB) saw grounds for optimism in the Welsh manufacturing sector, but added the caveat that such optimism now needed to be translated into orders. It further argued that the Welsh manufacturing sector was coming from a “low level where to be optimistic is to survive”.²⁰ The Federation added that manufacturing output in Wales had dropped by 4.9% in 2003, while the UK average was a reduction of only 0.1%. However, it believed that the difference in the figures was in some part, due to a number of large companies in Wales which had either downsized or had announced closures.²¹

13. The balance of large and small industry in Wales remained a concern for several of our witnesses. The North East Wales Institute (NEWI) believed that the state of manufacturing was not as robust as it should be following the loss of large manufacturing industries such as mining, electricity production and steel.²² NEWI also noted the move from large scale manufacturing to SMEs.²³ Professor Pham, from the Cardiff School of Engineering argued that a weakness in the Welsh economy was that it was dominated by Small or Medium sized Enterprises (SMEs) with few large Welsh manufacturing companies. He believed that this inhibited the growth of a strong R&D base in Wales.²⁴ However, despite that failing,

14 Q847

15 Ev97

16 Ev97

17 Q800

18 Ev76

19 Ev169

20 Q587

21 Q594

22 Q800

23 Q800

24 Q692

Professor Pham believed that the strong base of SMEs in Wales had the potential to be a strength in itself.²⁵

Statistical Information

14. One of the problems in assessing the true state of manufacturing in Wales, appears to be the lack of regional statistics on the Welsh economy. Several of our witnesses argued that little, if any information was available for such evaluation. The FSB told us that “there is little if any statistical information which would indicate the health of the manufacturing sector in Wales”.²⁶ Calvin Jones of the Cardiff Business School agreed that although the statistical data on regional manufacturing was improving, it remained difficult to examine issues such as competitive and innovative position, ownership and levels of manufacturing investment.²⁷

15. David Pritchard, Director for Economic Development and Transport, Welsh Assembly Government explained that much of the data available was collected at the Office of National Statistics in Newport. That data was then drawn upon to analyse what was happening in the Welsh economy.²⁸ However, Andrew Davies AM, Minister for Economic Development and Transport acknowledged that there had been concerns over the quality of the statistics relating to the Welsh economy but assured us that the increase in the Welsh Assembly Government’s contribution to the ONS had resulted in larger sample sizes. He argued that, in the future, the economic statistics available would be more reliable and of higher quality.²⁹

16. The monitoring of the Welsh economy is an important part of identifying the relative strengths and weaknesses in Welsh manufacturing. We welcome the additional funds that have been allocated to the Office of National Statistics to undertake this task. We look forward to a greater level of assessment and analysis of Welsh manufacturing in the future.

A snap-shot of Welsh Manufacturing

17. As we have mentioned earlier in this report, the manufacturing sector in Wales has moved from one that was dominated by mining and steel to one that exhibits a far greater diversity. That diversity was evident during our oral evidence sessions and our visits to Wales and during our visit to the United States.

25 Q692

26 Ev201

27 Ev6

28 Q849

29 Q849

Large Scale Manufacturing

18. At the large end of the manufacturing sector Wales boasts companies such as Corus, Ford and AirBus. Corus was formed in 1999 through the merger of British Steel and the Dutch steel-maker Koninklijke Hoogovens³⁰ and remains the link to traditional manufacturing in Wales. It is the largest manufacturing employer in Wales, employing over 8,000 people in both North and South Wales.³¹ In addition to those directly employed, Corus estimates that it supports a further 17,000 jobs indirectly.³² Despite a harsh economic climate, Corus has retained steel-making expertise in Wales and during the course of our inquiry announced further large-scale investment at its Port Talbot works to establish on-site coke production.³³

19. Ford is the second largest vehicle manufacturer in the world with a global turnover of \$162.6 billion per year.³⁴ It has 35 manufacturing operations in nine countries in Europe, of which six are engine plants. One of those engine plants is located in Bridgend, South Wales. The Bridgend plant was established in the late 1970's to manufacture the 1.1, 1.3 and 1.6 litre Ford engines for the European market,³⁵ and currently employs around 1,400 people.³⁶ In 2001, Ford announced that it would be investing \$360 million in the Bridgend plant to produce the Ford V6 engine. That investment was later revised upwards to \$425 million to establish the production of the Ford I6 engine. In addition to ensuring the long term future of the plant, that investment is expected to attract a further 600 jobs for the area.³⁷

20. Airbus is a conglomeration of European Aerospace companies³⁸ and is one of the largest aircraft manufacturers in the world. It has two sites in the United Kingdom, Fulton near Bristol and Broughton in North Wales. The Broughton site employs 6,200 people in the manufacture of aircraft wings. In addition to those jobs a further 1,000 jobs are indirectly linked to the Broughton site.³⁹ Investment into the site was estimated at over £1 billion over the last eight years to prepare it for production of the wings for the new A380 Airbus, the largest passenger aircraft to be built.⁴⁰ Brian Fleet, the Senior Vice-President of AirBus told us that Broughton was “probably the biggest manufacturing facility in the UK”.⁴¹ The A380 programme was the biggest commercial programme ever launched anywhere in the world and was worth \$11 billion, in total and about £1.6 billion to the United Kingdom.⁴² We visited the AirBus site in Broughton and were impressed by both its

30 Ev47

31 Ev47

32 Ev47

33 www.corusgroup.com.

34 Ev29

35 Ev29

36 Ev30

37 Q82

38 Airbus was established in 1970 as a European consortium of French, German and later, Spanish and U.K companies.

39 Q153

40 Q156

41 Q155

42 Q157

size and by the state-of-the-art production that was on display. On 18 January 2005, the first A380 was unveiled in France, in front of the leaders of the United Kingdom, France, Germany and Spain.⁴³

Medium and Smaller Sized Enterprises

21. Small and medium size enterprises account for the majority of manufacturing in Wales and we saw a wide diversity in that sector during our inquiry. We took evidence from a diverse group of manufacturers including:

Anglesey Aluminium, an aluminium producer, which employs 570 staff and approximately 80 contractors;⁴⁴

Ethnic Cuisine a food manufacturer based in Swansea which employs 400 people in the production of ready meals for one of the major high street supermarkets;⁴⁵ and

General Dynamics, a defence contractor that specialises in the Information Technology Field and employs nearly 400 people at its facility at Oakdale.⁴⁶

22. We also visited a number of medium and small enterprises during our visits in Wales. In North Wales we held meetings with Cambrian Caledonian, which manufactures wind towers for wind farms, and Diagnostic Products Company (DPC), which manufactures immunodiagnosics tests and instrumentation for medical testing.⁴⁷ In West Wales we held meetings with Mono equipment, which designs and manufactures specialist equipment to the food industry and with Swansea Industrial Components which manufactures cable assemblies for a wide variety of electrical devices.⁴⁸ We also held meetings with Cogent, in East Wales, which provides integrated secure communication solutions for defence, peace keeping and high intensity policing operations as well as for civil organisations.⁴⁹

23. The transition from traditional manufacturing in Wales was a difficult journey and not without pain. Our inquiry has shown us that while some traditional manufacturing survives, Wales has managed to diversify its manufacturing base, and in some areas now leads the field. We welcome that diversity and look forward to further success in the future.

24. Despite the success of that diversity we were reminded that not all companies can survive in Wales. On Wednesday 21 April 2004 we took evidence from Outokumpu Steel. Towards the end of 2003 there had been much speculation in the press as to the future of Outokumpu's operations in Wales. In October 2003, Outokumpu announced that it would be closing its operations in Wales, and steel was produced at that plant for the last time on 12 March 2004.⁵⁰ Jamie Allen, a Senior Vice President, told us that the decision to close the

43 www.airbus.com

44 Ev84

45 Q467

46 Ev183

47 www.dpcweb.com

48 www.sicltd.demon.co.uk

49 www.cogent-dsn.com

50 www.outokumpu.com/epibrowser/Stainless/News/EN_Panteq%20closure.pdf

Panteg plant was not taken lightly and that attempts were made to retain the site as an aluminium rolling plant. Unfortunately, Outokumpu came to the conclusion that it was no longer economically viable to keep the Panteg site open.⁵¹

25. Although the global market for steel was the driving factor in that decision, we questioned our witnesses on the availability of Governmental support. Outokumpu explained that there was little that the UK or Welsh Assembly Governments could have done because no direct Government intervention was allowed in steel manufacturing under the European steel and coal directives⁵² a point that was echoed by Corus.⁵³ Both believed that those restrictions would only serve to harm future steel manufacture in the future.⁵⁴ Outokumpu also highlighted the difficulties attached to the Kyoto protocol. It argued that the UK's desire to go beyond the Kyoto protocol terms in relations to emissions was a laudable ambition but put companies such as itself at a disadvantage in the global market place.⁵⁵

26. A major concern about the closure was the fate of Outokumpu's work force. Jamie Allan explained that Outokumpu put great effort into addressing that concern and had used both the Steel Partnership Training Ltd and the Educational Learning Skills Council to assist in the retraining of its workforce.⁵⁶ The result was that over 60% of its workforce were no longer looking for alternative employment.⁵⁷

27. The decision of Outokumpu to close its operations at Panteg is to be regretted. It is a timely reminder that industry in Wales cannot rest on its laurels in the global market place. We welcome the announcement that the majority of its workforce are no longer looking for alternative employment but remain concerned at this further diminution of the steel sector in Wales.

51 Q545

52 Q546

53 Ev49

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55 Ev186

56 Q547

57 Q548

3 Foreign Direct Investment

Wales' Performance in Foreign Direct Investment

28. A significant factor in the survival of manufacturing in Wales had been its ability to attract Foreign Direct Investment (FDI) from overseas.⁵⁸ The Welsh Assembly Government noted despite a tough global economic climate the UK remained Europe's top inward investment location, and that Wales' share of those FDI projects – together with the levels of jobs and investment – had increased.⁵⁹ In particular, the Welsh Assembly Government highlighted the part that Foreign Direct Investment had played in the diversification of the traditional manufacturing base in Wales.⁶⁰ When we visited the United States we held meetings with a number of US companies which had invested in Wales. Those meetings were highly informative on the reasons why those companies had chosen Wales, and what was necessary to both maintain that investment and to attract new investment.⁶¹

29. The Welsh Assembly Government explained that more than 14% of total jobs coming to the UK in 2002–2003 came to Wales compared with 12.6% in the previous financial year.⁶² Wales attracted 7,779 new or safeguarded jobs compared with 7,317 jobs during the previous period – representing an increase of 6% against an overall decline of 6% in the comparable figure for the UK as a whole. In terms of safeguarded jobs – which represent re-investment by overseas companies – Wales captured 18.6% of the UK total and climbed to first place in the regional rankings.⁶³ The CBI stated that one of the most telling indicators of FDI was that in spite of the recent decline in the ability of the UK to attract foreign investment and that Wales continued to performing well against the UK average.⁶⁴

30. The tables below set out recent levels of Foreign Direct Investment and the impact that it has had on employment:

Foreign Direct Investment: 2001 – 2002

Type	Projects	Capital Exp (£m)	New Jobs	Safeguarded Jobs	Total Jobs
Wales	93	495.782	5,469	4,248	9,717
UK	764	N/a	34,037	23,801	57,888

Source: WDA and Invest-UK.

58 Ev2

59 Ev301

60 Ev289

61 See Annex.

62 Ev300

63 Ev300

64 Ev99

Foreign investors in Wales

	Number of Companies	Percentage
USA	170	33.1%
Germany	68	13.3%
Japan	59	11.5%
France	55	10.7%
Ireland	24	4.7%
Italy	15	2.9%
Sweden	12	2.3%
Netherlands	12	2.3%
Canada	11	2.1%
Switzerland	11	2.1%
Denmark	10	1.9%
Belgium	10	1.9%
Australia	8	1.6%
Norway	7	1.4%
Korea	6	1.2%
Taiwan	5	1.0%
Hong Kong	4	0.8%
South Africa	4	0.8%
Spain	4	0.8%
Singapore	3	0.6%
Finland	3	0.6%
Malaysia	2	0.4%
Austria	2	0.4%
China	1	0.2%
India	1	0.2%
Jamaica	1	0.2%
Liberia	1	0.2%
New Zealand	1	0.2%
Turkey	1	0.2%
Portugal	1	0.2%
Greece	1	0.2%
Total	513	100.0%

(Source: WDA 2002)

The Reasons for Investing in Wales

31. The Welsh Development Agency is the principal agency in Wales tasked with attracting Foreign Direct Investment. It was established in 1977 with a remit is to assist firms and investors, assess their needs and to demonstrate “what Wales has to offer and how that can be made to work for them”.⁶⁵ The WDA employs specialists from across all manufacturing sectors to work with investors before, during and after they establish their operations in Wales. The Welsh Assembly Government explained that the WDA was also part of “Team Wales” – which included the National Assembly, Local Government education bodies and the private sector – which worked to tailor packages of support which would include grant applications, land and property development training and supply chain sourcing.⁶⁶

32. We asked our witnesses for the main factors that led to their decision to invest in Wales. Ford Motor Company told us that that Regional Selective Assistance Grants⁶⁷ their existing investment and the availability of a tried and tested workforce were significant factors in Ford’s decision to reinvest in its Bridgend Plant.⁶⁸ Matsushita (Panasonic) explained that in economic terms its investment policy was determined by transport and infrastructure, the availability of a skilled workforce the support of the local community and the cost base of that region.⁶⁹ While many other regions may have had similar conditions both companies cited the work of the Welsh Development Agency as a significant factor in their decisions to locate and invest in Wales.⁷⁰ Anecdotal evidence from our discussions in Wales also highlighted the role of the Welsh Development Agency alongside the proximity to European Markets and cost effective land and labour, as the main drivers for their decisions to establish in Wales.⁷¹

33. Jacqui Smith MP, Minister of State at the DTI, explained that her Department monitored closely both the number of projects and the number of jobs created by Foreign Direct Investment, across the United Kingdom. She confirmed that in headline figures, Wales was successful and was “punching above its weight”. In particular the Minister highlighted the fact that 13% of the jobs created by FDI were in Wales, and averred that it was the highest of any part of the United Kingdom.⁷² However it was not apparent that any analysis had been carried out on the qualitative nature of those jobs across Wales.⁷³

34. Andrew Davies AM, the Welsh Assembly Government Minister also argued that Wales was “punching above its weight in terms of attracting FDI at a UK level”.⁷⁴ He stated that although Wales had only 5% of the UK population, it was consistently attracting 7% or 8% of overseas investment. However he acknowledged that FDI had to be balanced with a

65 Ev300

66 Ev300

67 We discuss RAS grants in paras 78 to 86

68 Qq86-90

69 Ev33

70 Qq91-96

71 Visit to the United States of America, October 2003, see Annex .

72 Q909

73 Q910

74 Q850

greater emphasis on indigenous business to encourage more people to set up their companies. Direct support was also necessary for Welsh companies and the Assembly Government Minister gave the example of the establishment of a National Assembly investment grant targeted at the SME sector as a good indication of progress in that area.⁷⁵ He explained that roughly 1,000 of these grants had been offered and “virtually all of those are to home-grown businesses”.⁷⁶

Quality of FDI

35. There was a consensus amongst our witnesses that Wales had fared well in attracting Foreign Direct Investment (FDI). However, despite that success, several concerns were raised about that FDI. Professor Gripaios argued that although Wales was successful in securing FDI from the United States and Japan—which had the effect of mitigating job losses in existing industries—the quality of those jobs did not necessarily exceed the quality of those that were lost.⁷⁷ Furthermore, he highlighted the fact that while the production side of the industry relocated to Wales, higher level functions such as R&D, marketing, auditing and banking “always seemed to be carried out elsewhere in the UK or in some other country”.⁷⁸ He argued that “Wales tends to have got the call centre rather than, for example, the head or regional office”.⁷⁹ In statistical terms, he stated that while Wales attracted 18% of the total FDI which came to the United Kingdom, it only attracted 3% of the services FDI which came into the country.⁸⁰

36. The Swansea Institute agreed that FDI had been successful as a generator of employment but noted that the manufacturing processes that were located in Wales were at the mature end of their life cycles. Dr John Ball, of the Swansea Institute, argued that “all the technical development, marketing and financing is complete. Therefore, the skill level is basic and consequently pay is commensurate with limited skill”.⁸¹ He further asserted that while FDI remained important to Wales, if it was used solely as an employment generator then Wales would “never see self sustaining growth”.⁸² Instead, he argued that Wales needed to concentrate on FDI that attracted “businesses that have a future, that drive the economy, that are innovative and different and dynamic”.⁸³

75 Q850

76 Q850

77 Ev76

78 Ev76

79 Ev76

80 Q225

81 Ev148

82 Q446

83 Q446

Headquarters functions

37. The obvious success that Wales has had in attracting FDI has to be tempered by the knowledge that while the production function of foreign investors has been located in Wales, the R&D and Headquarters function have not followed. While CBI Wales welcomed the long running existence of large foreign employers in Wales it aired its concern that the great majority of those employers in Wales “are not headquartered here”.⁸⁴

38. TUC Wales also noted this fact. It argued that “it is relatively easy to persuade a company to set up a fairly simple operation; it is much more difficult to get them to set up an advance operation which is involving the research development higher managerial functions”.⁸⁵ Furthermore, TUC Wales believed that the argument that if the manufacturing arm came that the other functions would follow had now been discredited. However, TUC Wales acknowledged that there was not a large pool of suitably qualified people within Wales to undertake those tasks.⁸⁶

39. In spite of this general view we were made aware of some excellent examples of Wales attracting those higher level functions. When we took evidence from General Dynamics, a defence contractor, it explained that the decision to locate its headquarters in Wales was based on a desire to be close to the primary customer for the Bowman Programme – the Defence Procurement Agency in Bristol. General Dynamics considered all places within a one hour radius of Bristol and chose Oakdale in Wales based on the assistance from the WDA and the quality of life that Wales would offer its employees.⁸⁷ General Dynamics argued that having made the decision to locate to Wales it was determined to “ingrain ourselves into the community”.⁸⁸ Under similar circumstances, Professor Wahab explained that DELTA Microelectronics Ltd also chose to locate headquarter functions in Wales because it considered that “positioning themselves in Wales would be an advantage rather than a disadvantage. They see it as a good entrance into the UK market”.⁸⁹

40. The attraction of Foreign Direct Investment to Wales remains an important part of Wales’ economic policy, but the quality of that investment should not be overshadowed by the quantity of investment. We recommend that the Department of Trade and Industry, where appropriate, supports fully the Welsh Assembly Government’s policies to attract high value added FDI and its accompanying higher level functions to Wales.

84 Ev99

85 Q506

86 Q506

87 Q551

88 Q572

89 Q715

4 Welsh Exports

Wales' Current Performance

41. Direct Foreign Investment to Wales is only one side of the economic equation. Exporting manufactured goods from Wales is equally important. The Welsh Assembly Government has recognised the importance of Wales' international trading performance as a key factor to improve the prosperity of the nation.⁹⁰ This is welcome as Welsh exports represented £6.2 billion in 2002 and Wales continues to have a positive trade balance on manufactured goods.⁹¹ The table below sets out Welsh exports over recent years.

Table A.3 Summary of Welsh Manufacturing Exports and Imports (£m)

Exports	2000	2001	2002
EU	4569.24	4735.79	4494.87
Non-EU	1845.27	1946.73	1705.25
Total	6414.51	6682.52	6200.12
Imports			
EU	1856.33	1967.99	2281.28
Non-EU	3740.71	3780.12	3416.53
Total	5597.03	5748.11	5697.82
Exports-Imports			
EU	2712.91	2767.80	2213.59
Non-EU	-1895.44	-1833.39	-1711.28
Total	817.48	934.41	502.30

(Source: UK Trade International. Note: Table only covers trade in goods.)

42. The Welsh Assembly Government set out its strategy for international trade in *A World of Opportunity*.⁹² That strategy was launched in March 2003, and focused on six strategic objectives:

“Developing the capacity and capability of existing Welsh companies to trade internationally, as well as supporting the creation of new exporters;

Increasing the value of Welsh international trade with overseas markets;

Promoting key sectors of the Welsh economy in priority overseas markets;

Creating and maintaining effective partnerships with other business support agencies in Wales and the UK – “Joined-Up-Delivery”;

Developing and maintaining a customer focused approach to service delivery i.e.; demand led; and

Monitoring the effectiveness of services and programmes, and in conjunction with partners, review the Strategy and make any necessary changes in direction or approach”.⁹³

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92 www.wales.gov.uk

93 Ev293

43. Trade Partners UK is the UK Government Department charged with the task of international trade promotion activities on a UK-wide basis. It is staffed by officials from both the Department for Trade and Industry and the Foreign and Commonwealth Office. In England, the services are generally made available through the Business Link/RDA network. Although Trade Partners UK does not have a physical presence in Wales,⁹⁴ its services were available to Welsh companies.

44. To assist Welsh companies in finding export opportunities, the Welsh Assembly Government established Wales Trade International with the task of promoting and facilitating Wales' export performance.⁹⁵ Wales Trade International was specifically tasked to promote international trade in Wales and to act as the driving force in establishing strategic business alliances between Welsh companies and their counterparts world-wide. A key objective of Wales Trade International was to find smarter ways of connecting Wales to international business opportunities with the aim of at least matching the UK export growth rate.⁹⁶ Although WTI is a National Assembly body, and the lead service provider in Wales,⁹⁷ WTI and Trade Partners UK work closely together on a number of fronts as part of the task of increasing Wales export performance.

45. When we visited the United States we discussed that relationship with representatives of Wales Trade International who reported that they had developed very good working relationships with Trade Partners UK while retaining their Wales-specific identity.

Future Role of the Welsh Development Agency and Wales Trade International

46. During the course of our inquiry the Welsh Assembly Government announced that it would be disbanding its government Agencies and bringing their activities back within direct control of the Government. That decision included the Welsh Development Agency and Wales Trade International.⁹⁸ Andrew Davies AM, Minister for Economic Development and Transport explained that the business case for bringing the public bodies within Government was that in a relatively small country of just under three million people “too great a rise in public bodies providing similar services or overlapping services led to too great a fragmentation”.⁹⁹ With specific regard to economic development Andrew Davies argued that overseas investors found working in Wales, at times, to be “quite frustrating because they would come to the [Welsh] Assembly Government for Regional Selective Assistance, they would go to the Welsh Development Agency for property development grants and if they wanted to have the skills, they would go to ELWa”.¹⁰⁰ Andrew Davies believed that “Having those services provided directly by Welsh Assembly Government with the direct line of accountability to a Minister is much more effective”.¹⁰¹

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47. David Pritchard of the Welsh Assembly Government added that the reorganisation of the agencies would also have the beneficial effect of streamlining the existing links between the UK government and its departments; in particular the DTI, Department for Transport and the Department for Education and Skills and the Welsh Assembly Government. He asserted that those links between the Welsh Assembly Government and Whitehall would become less complicated.¹⁰²

48. However, the present split between the functions of the Welsh Development Agency and Wales Trade International would remain, as would the Welsh Assembly Government's approach to overseas representation. Andrew Davies explained that the Welsh Assembly Government decided to create, in certain locations, Wales International Centres. The first, in the Chrysler Building in New York, was opened on St David's Day 2004. He argued that it was a good model because "whether it is in New York, Chicago, San Francisco, North America, Tokyo or Australia, if you can have that very focused "Team Wales" presence, which brings together, perhaps, the WDA and the WTI, and also, maybe, the Welsh Tourist Board, that gives us a very powerful "team Wales" presence".¹⁰³ We visited the Wales International Centre in the Chrysler Building during our visit to the United States. We were impressed with the "Team Wales" approach and with the facilities that were on offer to both overseas investors, and to Welsh exporting companies.¹⁰⁴

49. In addition to those centres, the Welsh Assembly Government confirmed that it could still call on the facilities of the Foreign and Commonwealth Offices around the world and to use the UK crest for its operations. David Pritchard told us that they would also take advantage of those facilities and was clear that the Welsh operations were "not totally separate from them".¹⁰⁵

50. The decision to bring in-house agencies such as the Welsh Development Agency, Wales Trade International and Education and Learning in Wales is a matter for the National Assembly. We hope that the predicted streamlining of links between UK Government Departments – including the Department for Trade and Industry, Foreign and Commonwealth Office, Department for Transport and the Department for Education and Skills – and the Welsh Assembly Government will ensure that the needs of Welsh manufacturers and business continue to be vigorously promoted in the future.

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104 See Annex.

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5 UK Government Economic Policy for Manufacturing

Introduction

51. Since devolution, responsibility for economic policy has been shared between the UK Government and the Welsh Assembly Government. In evidence to us Jacqui Smith MP, Minister of State at the Department of Trade and Industry, explained that the UK Government's primary responsibility for Wales was to ensure the macro-economic stability that would provide a thriving environment for manufacturing.¹⁰⁶ In addition to that role the UK Government also had responsibility for fiscal measures including corporation tax and the research and development tax credits.¹⁰⁷

52. The Minister explained that the UK Government also provides business support products including the Knowledge Transfer Partnerships (KTPs), the collaborative R&D programme and the small firms' loan guarantee scheme. "Some of the best practice elements I think are also UK wide. We obviously have responsibility as well for the technology strategy for science policy".¹⁰⁸

Welsh Assembly Government's Economic Policy

53. The Welsh Assembly Government's responsibilities and policies for economic development and manufacturing were set out in its publication "*A Winning Wales*".¹⁰⁹ That policy document stressed the importance of raising the skill base within Wales to ensure that the needs of employers are met;¹¹⁰ expanding opportunities for Research and Development¹¹¹, and Innovation in Wales, improving access to markets by enhancing the infrastructure in Wales;¹¹² and promoting information and communications technologies.¹¹³ In the foreword to *Winning Wales*, Rhodri Morgan AM, First Minister of the National Assembly stated that the key objectives were to:

- increase the knowledge, research and development, and innovation capacity in all parts of the Welsh economy;
- build on our considerable strengths in manufacturing;
- increase the number of jobs in financial and business services; and
- help more people into jobs to bring down our levels of economic inactivity.¹¹⁴

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109 www.wales.gov.uk

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114 www.wales.gov.uk/themesbudgetandstrategic/content/neds/awinningwales-0302-e.pdf

54. The majority of economic policy in the United Kingdom is determined at a macro-economic level by the UK Government. However, in its memorandum to us the Welsh Assembly Government set out what it saw as the key role that the UK Government had to play in complementing its economic policies. They were to:

invest in improved communication links between Wales and its markets in the UK and in Europe;

boost financial incentives for companies to invest in training and R&D. In particular, higher tax credits for companies operating in the Assisted Areas could play a key part in the promotion of the knowledge economy outside of the South East of England;

relocate Government-sponsored R&D facilities in Wales to draw on the expertise of Welsh universities and to help create the critical mass necessary for more R&D-driven manufacturing; and

make a determined effort to help universities to become centres of excellence and even stronger engines for growth in their regions.¹¹⁵

55. Andrew Davies, stressed the importance of developing a high skill economy as Wales faced stiff competition not only from East and Central Europe, North Africa but increasingly from China for the lower functions of manufacturing.¹¹⁶ In order to meet that challenge the Welsh Assembly Government convened a *manufacturing task and finish group* working with the industry. That group reported in May 2004 and stated that the challenge that faced Wales was “to transform its manufacturing from high volume, low value added production to low volume, high value added production”.¹¹⁷ Andrew Davies explained that “all our policies in manufacturing are related to that challenge”.¹¹⁸

56. Jacqui Smith MP, the DTI Minister, agreed with that aim. She recognised that the UK should not or could not attempt to compete on the basis of low costs and particularly low labour costs,¹¹⁹ and declared that the UK’s focus needed to be on skills innovation, best practice, investment, all underpinned by the continuing macro-economic stability that would be crucial for ensuring that that is successful.¹²⁰ Jacqui Smith further argued that the core principles of the Government’s manufacturing strategy were based around how to raise investment, how to get businesses to invest more, how science and innovation can be applied to successful manufacturing.¹²¹

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The United Kingdom's Position outside the Euro Zone

57. During our evidence sessions we canvassed the views of our witnesses on the United Kingdom's position outside of the Euro zone. Dr Smith of Swansea Business School explained that he had conducted a survey of the largest businesses in Wales, alongside a stratified sample of small businesses across Wales, and business groups and organisations. He told us that he found that businesses in Wales “were in favour of joining the euro as soon as possible, and believed that other countries and regions in Europe that were already in the euro, had substantial commercial advantages”.¹²²

58. Our witnesses from the manufacturing sector confirmed that, in general, their preference was for the United Kingdom to join the Euro zone. Joachim Reinhart, Chief Operating Officer of Matsushita, told us that he saw the UK's position outside of the Euro zone as a disadvantage for Matsushita because it had a significant amount of trade with countries within the Euro zone.¹²³ Furthermore, John Gardner, stated that Ford had been consistent in “trying to encourage the UK to join the Euro at the earliest opportunity”.¹²⁴

59. However, the underlying reason for that view was a desire for even greater stability in the currency markets. Joachim Reinhart welcomed the greater stability between Sterling and the Euro¹²⁵ and argued that “stability is important, but I think by being in the Euro zone that obviously increases your stability”.¹²⁶ John Barbagallo, Managing Director of Angelesy Aluminium, stated that while he did not have a “positive or negative view” on the UK's position, currency stability was an important factor in profitability.¹²⁷ Similarly, David Aykroyd of Aykroyd & Sons believed that the relative strengths of Sterling, the Euro and the Dollar were more important factors than the UK's position within or outside of the Euro zone.¹²⁸

60. Brian Fleet, Senior Vice President of Airbus also saw the strength or weakness of the Dollar as a major concern, not least because large commercial aircraft were sold using Dollars.¹²⁹ However, he believed that the UK's position outside of the Euro zone represented a hindrance to Airbus.¹³⁰ Julian Scopes, from BAE Systems did not consider the UK's position as having a significant impact on BAE's business; but he stated BAE's desire that the UK to be inside the Eurozone as it would “provide a greater degree of overall stability on currencies”.¹³¹ Both witnesses put a higher value on stability in the currency markets than on any policy decision to change the currency of the United Kingdom.

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61. The debate surrounding the United Kingdom's entry into the Euro zone has often been conducted in a highly political environment. Therefore, it was enlightening to find a general level of agreement from our witnesses on the economic benefits of the United Kingdom joining the Euro zone. In the absence of such a move, a stable exchange rate between Sterling, the Euro and the Dollar was considered vital. We conclude that the Government should place a greater emphasis on the economic benefits and disbenefits to manufacturing of the United Kingdom joining the Euro zone.

Access to Government

62. The success of those policies depend not only on the relationship between the Welsh Assembly Government and the UK Government but also on clear lines of communication and responsibility that can be accessed easily by business. It is important that clear advice is given on which institution is responsible for which aspect of economic policy and assistance. CBI Wales argued that in the aftermath of devolution there had been a different approach taken by the DTI on non-devolved matters; "there is either a reluctance or a nervousness to cross the border. [...] It is no more than a sense but I see no sign of the UK government actively involved in economic development in Wales."¹³² TUC Wales argued that the immediate aftermath of devolution had led to some confusion and complications with regard to political responsibility over economic matters. It stated that "many business people came to the view that somehow it was the [National] Assembly they needed to look to rather than the DTI".¹³³ However it acknowledged that although the DTI's activity in Wales went on to the back foot in the aftermath of devolution, that approach was now being remedied.¹³⁴ The Federation of Small Businesses also saw a different approach taken to contact with Governmental institutions: "manufacturers in Wales tend now to deal to a greater extent with the Assembly rather than the DTI".¹³⁵ The Federation of Small Businesses was of the view that the DTI was not "any less proactive in Wales than it was".¹³⁶

63. Professor Wahab from Delta Microelectronics, explained that while he had little contact with the UK Government, the opposite was true of the National Assembly and the Welsh Assembly Government. He believed that devolution had been a significant benefit to manufacturing in Wales "you can access Ministers very easily at all levels, and your Assembly Members. You can access different parts of the [Welsh] Assembly Government machine which is very important".¹³⁷ As a result, more attention was paid to Wales.¹³⁸ He further argued that this situation would be improved if the Welsh Assembly Government had a greater control over regional development policy.¹³⁹

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64. Often the size of the enterprise appeared to dictate their involvement with each tier of Government. Anglesey Aluminium told us that they had good direct contacts with the DTI and also had an input into the Department through its membership of the Aluminium Federation in the UK.¹⁴⁰ At the other end of the scale, Akroyd and Son, explained that it had “absolutely no contact with the DTI” but had “ a great deal of contact with the WDA”¹⁴¹

65. It is clear that the UK Government and the Welsh Assembly Government are making strides to ensure that their economic policies complement each other to the benefit of the Welsh economy. Equally important is the need to demonstrate clearly to business which institution is responsible for each part of that policy. In general we conclude that business is aware of the distinction and, in particular is able to access the Welsh Assembly Government with ease.

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6 Governmental Assistance to Manufacturing

Europe and European Structural Funds

The impact of European Enlargement

66. It is evident that the enlargement of Europe from 15 to 25 Members will have economic implications for the whole of the United Kingdom, and Wales in particular because of its Objective 1 European Funding status.

67. The Welsh Assembly Government explained that it had been conducting an analysis of the threats and opportunities the would result from European enlargement. Andrew Davies acknowledged that Wales had lost a “significant number of jobs to the accession countries, particularly the Czech Republic where wage costs are much lower than they are in Wales”. However, while he noted that while lower value-added jobs, may well be outsourced or placed overseas the challenge was to retain and build upon the higher value-added headquarter functions, product design, high knowledge-based functions, the high value-added functions in Wales.¹⁴²

68. Several of our witnesses confirmed that shift in functions. Joachim Reinhart of Matsushita told us that Wales, like other western European countries would have to “move to more value added jobs, R&D design services [...] whereas mass production is destined to be in the new accession countries”.¹⁴³

69. David Pritchard from the Welsh Assembly Government also highlighted the importance of ensuring that there was a level playing field for both the accession countries and the existing countries of the EU. “Obviously, there are proposals emerging now from Brussels for what the new map might be of support, the Assisted Areas Map, and what the levels of support might be. [...] we are now having some discussions both with the DTI and indeed with Brussels about that issue. It needs to be fair”.¹⁴⁴

70. Jacqui Smith believed that, in economic terms, accession was a good thing for the UK, and was likely to be a good thing for Wales. She argued that there had been concerns about the international challenge to Welsh manufacturers from “what are usually cheaper accession country economies” but that those concerns would be mitigated when those accession countries “were placed on the same level playing field”.¹⁴⁵ She further argued that Government analysis suggested that each time that the EU had been extended that the enlargement was to the benefit of the UK economy and to UK manufacturing industries.¹⁴⁶

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European Structural Funds

71. A key support from the European Union is European Structural Funds. Structural Funds are intended to strengthen its economic and social cohesion by reducing the disparities between the levels of development of different regions and economic sectors. Two-thirds of Structural Fund money is allocated to Objective 1 regions: those regions whose average GDP per capita is less than 75% of the EU average. In March 1999, West Wales and the Valleys, which represent two-thirds of the population of Wales, were granted Objective 1 status for 2000-2006.¹⁴⁷ We have considered the allocation and administration of those funds in two previous reports, *European Structural Funds*¹⁴⁸ and *Objective 1 European Funding for Wales*.¹⁴⁹

72. Objective 1 European Funding has made a considerable impact on Wales. In its memorandum, the Welsh Assembly Government asserted that the funding would support “nearly £2.7 billion of investment across West Wales and the Valleys”.¹⁵⁰ Funds had been committed to over 880 projects that ranged from the “multi-million pound strategic projects [...] to smaller private sector and local community-based projects”.¹⁵¹ Andrew Davies, the Assembly Minister for Economic Development and Transport argued that the funding had made “a significant contribution to growing Welsh GDP, creating employment and up-skilling our workforce”.¹⁵²

73. The current round of Structural Funding will cease in 2006, and the next round of funding—that will cover 2007–13—is currently under negotiation. Those negotiations were seen as a major priority for the Welsh Assembly Government. Andrew Davies explained that the Welsh Assembly Government, led by the First Minister, had made “very strong representations” about the continuation of European Structural Funds for Wales.¹⁵³ Jacqui Smith confirmed that the Welsh Assembly Government had made strong representations and they “still ring strong in my ears”.¹⁵⁴

147 Second Report from the Welsh Affairs Committee, *Objective 1 European Funding for Wales*, HC520 of Session 2001-02.

148 First Report from the Welsh Affairs Committee, HC46 of Session 1999-2000.

149 Second Report from the Welsh Affairs Committee, HC520 of Session 2001-02.

150 Ev301

151 Ev301

152 Q863

153 Q863

154 Q894

74. The Welsh Assembly Government Minister was confident that there would be “a level of funding” but did not know at what level that would be.¹⁵⁵ However, he believed that Wales would be in a much better position to take advantage of any future funding than it was in 1999 with the advent of Objective 1 funding.¹⁵⁶ Commenting on the early years of the administration of Objective 1 funds, the Assembly Government Minister argued that many lessons had been learned and that there was now a strategy in place to be even more successfully managed in the future.¹⁵⁷ However he was also at pains to reassure us that the Assembly Governments top priority was “to ensure that Wales would not be disadvantaged by the enlargement of Europe”.¹⁵⁸

75. With respect to Structural Funds, Jacqui Smith explained that a renegotiation of the structural funds post -2006 would have been necessary regardless of European Enlargement but agreed that “enlargement clearly meant that decisions would now have to be made on the basis of the need of that enlarged European Union 25”. The Government’s position with regard to those negotiations had been, firstly, to keep spending across EU countries under control, in particular on large spending areas of the EU budget such as structural funds. She argued that those funds would need to be focused on those areas in the wider EU that need them most and that could result in more resources going to poorer Member States than to richer Member States.¹⁵⁹

76. However, the UK Minister acknowledged that Wales benefited and continued to benefit considerably from structural funds. She stated that: “We have quite unusually I think for Government provided a guarantee, if our approach to structural funds was taken up, about future domestic spending which would enable us to continuing focusing regional aid support on those areas of high unemployment and jobs of low income”.¹⁶⁰ In this respect she argued that “I would certainly expect, whilst it would not be at the same levels and never would have been at the same levels post -2006 as structural funds currently are, I would certainly expect some of the areas in Wales which fall into that category to benefit from that particular guarantee”.¹⁶¹ However, the Minister accepted that there were no concrete plans or monies set aside, beyond that guarantee, for Wales.¹⁶²

77. The enlargement of the European Union will have a significant impact on the economy of Wales. The accession of countries whose economies are less developed than Wales has the potential to change Wales’ qualification for structural funds. Those structural funds have been vital to the economic development of Wales, and we look to the Government to give a clear undertaking that Wales will not lose out as a result of European Enlargement.

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Regional Selective Assistance

78. Regional Selective Assistance (RSA) is the DTI's main instrument of direct financial assistance to business.¹⁶³ The overarching objectives of the scheme are determined nationally, and apply to the English Regional Development Agencies and the devolved administrations in Wales, Scotland and Northern Ireland. The administration and delivery of the scheme in Wales is through the Welsh Assembly Government.¹⁶⁴

79. In our discussions with manufacturers in Wales Government grants were highlighted as an important factor in either relocating to Wales or establishing in Wales. CBI Wales told us that amongst its members there was a wide agreement that grant support was a significant factor in the presence of multinationals within the country and remained a significant factor in reinvestment decisions.¹⁶⁵ In particular it cited the examples of Linde, and Hoover who had confirmed that without such grants they would not have relocated to Wales.¹⁶⁶

80. Professor Wahab explained that the availability of EU and UK Government grants was an important factor in the decision to locate to a particular area but that it should not be seen as the driving factor. "If it is purely on a grants basis, you may find people given grants, and then after two or three years they go somewhere else".¹⁶⁷

81. Earlier in this report we set out the importance of Regional Selective Assistance to companies in Wales.¹⁶⁸ Ackroyd and Sons explained that it gained government grants to build a new factory on the Bala Industrial Estate and praised the Welsh Development Agency for its "tremendous grant aid".¹⁶⁹ It was a move that it had not regretted and David Aykroyd averred that "yes I would relocate to Wales again, absolutely certainly".¹⁷⁰ Ford also explained that the grant money was a extremely important in its decision to make a major reinvestment at its Bridgend Plant.¹⁷¹ Bob Murphy, the Manager of the Plant told us that those grants were "critical to the success" of Bridgend and that they played "a big part in deciding where new programmes go".¹⁷²

163 Ev8

164 Ev8

165 Ev101

166 Ev101

167 Q727

168 See para 32.

169 Q302

170 Q301

171 Q83

172 Q83

82. However, the monetary value of the grant is not necessarily the deciding factor. Brian Fleet, Senior Vice-President of AirBus told us that his experience was that the size of the AirBus operation meant that WDA grants were not large as a proportion of its investment, but that the gesture “speaks volumes to our counterparts in Europe that we are supported by our regional government”.¹⁷³ However, AirBus did receive Repayable Launch Investment loans from the UK Government which did make a considerable difference to its investment plans.¹⁷⁴

83. General Dynamics explained that relocation grants were part of the decision to locate to Wales but were not the prime motivator. A significant factor was the Welsh Development Agency package which included being “welcomed into the community, giving assistance and being introduced around and helping with everything from where you can lease cars and do business on a smaller scale to how we could hire employees”.¹⁷⁵

84. However, the Federation of Small Businesses were concerned that Regional Selective Assistance was too focused on larger manufacturing enterprises which excluded small businesses. It asserted that RSA was also strictly targeted at job creation and that was not always beneficial. In particular the FSB highlighted the example of RSA grants not being available for automation of processes – as it was job neutral – even if that automation was the basis for future viability for a company.¹⁷⁶ The FSB averred that greater flexibility was necessary in the allocation of Regional Selective Assistance and that it needed “to be flexible to respond to demands from individual businesses and the economy as a whole”.¹⁷⁷ Furthermore the Federation of Small Businesses believed that soft loans would be more beneficial and equitable than the current system of grants.¹⁷⁸

85. The Welsh Assembly Government was aware of that concern and explained that it was attempting to refocus its RSA scheme to from a job creation scheme to one that places an increasing emphasis on innovation, environmental and business sustainability, skills and Investors in People.¹⁷⁹

86. Regional Selective Assistance has been an important factor in the ability of Wales to attract and sustain Foreign Direct Investment. Its emphasis on job creation has also made significant advances in the drive for full employment. However, small indigenous businesses should not be excluded from Government assistance. We believe that the Welsh Assembly Government should be allowed the greatest appropriate flexibility when delivering Regional Selective Assistance across Wales to meet the challenges of job creation, job retention, and support for innovative small businesses.

173 Q155

174 Q157

175 Q559

176 Ev203

177 Ev203

178 Q625-628

179 Q851

Government Assistance for Research and Development

Creating the Environment for Research and Development

87. Both the Government's strategy document for manufacturing and the Welsh Assembly Governments proposals for the future of manufacturing lay great emphasis on research and development. The Welsh Assembly Government argued that the long-term future of manufacturing in Wales would be dependent on "its ability to embrace innovative approaches in securing productivity improvements and in developing or securing the higher value-added products and services that will be the foundation of the knowledge economy".¹⁸⁰ CBI Wales argued that the government could play a key role in helping to provide a "conducive environment for research and development" by ensuring that the UK is an attractive place in which to do business for research intensive companies".¹⁸¹

88. Wales does not have the best record on Research and Development. In 1999, R&D spending by Welsh business was measured at 0.6% of GDP against a UK average of 1.2%.¹⁸² David Pritchard told us that "Business R&D in Wales in the latest year for which we have got numbers, 2002, was about £182 million, Government and Research Council R&D in Wales was £41 million in the same year, which was only 2.34% of the UK total spend of nearly £1.8 billion; in Scotland Government R&D spend is standing at around £240 million a year and it is £40 million in Wales".¹⁸³ He confirmed that it was an area in which the Welsh Assembly Government was taking a keen interest but that the "UK Government could do better".¹⁸⁴

89. Andrew Davies highlighted the fact that the *task and finish group*¹⁸⁵ also looked at how to foster closer links to universities and other areas of expertise for R&D: "We have a series of programmes within Wales which help companies, large and small, access the research development expertise that they need. For many small companies in manufacturing they just do not have the resources to do their own R&D product design and we have set up, for example, through alliance with the DTI, the Manufacturing Advisory Service to help companies with issues such as product design and R&D".¹⁸⁶

90. Jacqui Smith agreed that there had been difficulties in accessing business support and the confusion that may have surrounded the duplication of various different schemes. However, she argued that the simplification of that structure, and the reduction of Government assistance schemes from over 150 down to 9 basic business support products, had alleviated much of those concerns.¹⁸⁷

180 Ev290

181 Q323

182 Ev6

183 Q872

184 Q872

185 See para 55.

186 Q851

187 Q904

Research and Development Tax Credits

91. An important form of assistance offered to encourage research and development are the Research and Development (R&D) tax credits. R&D tax credits are a company tax relief which can either reduce a company's tax bill or, for some small or medium sized companies, provide a cash sum. The aim of the tax credits is to encourage greater R&D spending in order to promote investment in innovation.¹⁸⁸

92. The CBI Wales welcomed the introduction of R&D tax credits but had yet to be convinced that they could off-set sufficient R&D costs.¹⁸⁹ TUC Wales agreed that R&D tax credits were widely known within industry, and widely used, but questioned whether they were sufficiently effective.¹⁹⁰ Furthermore it was not confident that in their present form and administration that they would close the gap between levels of R&D in Wales and those levels in the rest of the United Kingdom.¹⁹¹ There was general agreement among our witnesses that the Research and Development Tax Credits represented a step in the right direction. Airbus argued that tax credits were an important tool for manufacturing while ¹⁹² General Dynamics stated that with over one third of its 450 employees in Wales directly or indirectly involved in R&D it was a significant tool.¹⁹³

93. Jacqui Smith acknowledged that in their original form the tax credits were somewhat complicated. She explained that the Government understood business concerns on that issue and had refined the tax credit procedures. In particular it had reduced the minimum expenditure threshold to qualify for R&D tax credits so that more SMEs would be able to claim. Furthermore the UK Government had also changed the way in which staff costs were apportioned so that even when a company had a relatively small part of a staff cost directed to R&D it could claim some of that back.¹⁹⁴

94. David Pritchard of the Welsh Assembly Government welcomed the introduction of the R&D tax credit but argued that the Welsh Assembly Government wished to see the tax credit regionally differentiated "so that there were higher benefits to companies operating in places like Wales".¹⁹⁵ Andrew Davies told us that the First Minister had been making representations very strongly to Treasury, to DTI and other government departments on this issue and that the Welsh Assembly Government would "continue to make the case very strongly for a more regionally based R&D tax credit system".¹⁹⁶

188 www.inlandrevenue.gov.uk/randd

189 Q323

190 Q507

191 Q513

192 Q202

193 Q568

194 Q907

195 Q857

196 Q860

95. Jacqui Smith conceded that she understood the desire for a regional differentiation in R&D tax credits, but argued that the disbenefits of “additional record keeping and bureaucracy [...] red tape would overcome the benefits that might come from having a regional approach to it”.¹⁹⁷ She was not in favour of devolving the allocation of R&D tax credits to the National Assembly. Jacqui Smith argued that “taxation is an area where it is more appropriate for there to be a pan UK approach; I am sure that is what the Chancellor would expect me to say and I think it is right”. Notwithstanding that principle the Minister was aware of the importance of R&D and could understand the desire of the National Assembly to have more of an influence over R&D. However, Jacqui Smith did not agree that the tax credit procedure was the most appropriate way to do it. In particular, “because if you are not careful if you take a regional approach to a tax credit you end up with some difficulties at the point at which there are differential rates. If you are not careful you would impact on location decisions in a way in which I do not think would be beneficial”.¹⁹⁸

96. Furthermore, Jacqui Smith believed that a regional approach to tax credits would necessitate a greater level of information collecting and impose a much larger administrative burden on business. “On the whole, as I say, whilst I can understand the concerns I think the costs of taking a regional approach would outweigh the benefits”.¹⁹⁹

97. However, the Minister conceded the availability of R&D tax credits could well be a major influence in a companies decision to locate to a particular area.²⁰⁰ Although she conceded that regional figures on the take up of R&D tax credits were not compiled.²⁰¹

98. Research and Development Tax Credits have been a welcome addition to the package of support offered to manufacturing in the United Kingdom. However, its introduction has done little to generate a demonstrable flow of R&D activity to Wales. We agree with the National Assembly that a regional element should be included in the allocation of Research and Development tax credits which would better target those areas in need of assistance.

99. We further recommend that the Government compile statistics on the regional take-up of Research and Development Tax Credits.

197 Q905

198 Q903

199 Q902

200 Q906

201 Q908

Grants for Research and Development

100. We received an extensive memorandum from the Research Councils on their research and development activities in Wales.²⁰² Research Councils UK is a strategic partnership established by the Department of Trade and Industry and the Office of Science and Technology, which brings together the seven Research Councils in the United Kingdom²⁰³ Together with the Arts and Humanities Research Board, the Research Councils manage a combined annual budget of around £2 billion.²⁰⁴

101. RCUK explained that in respect of Wales, all Research Councils have formal links with the National Assembly for Wales in the form of Concordats, Memoranda of Understanding or working agreements. Each Research Council has an annual meeting with the National Assembly to identify areas of common interest and to ensure the effective and efficient management and operation of those areas.²⁰⁵ In addition to those arrangements, the Devolution and Constitutional Change Programme was established by the Economic and Social Research Council to “explore the series of devolution reforms which have established new political institutions [...] since 1997”.²⁰⁶

102. The Annexes to RCUK’s memorandum set out the individual Council’s activities in Wales. While there are many impressive collaborations in Wales, the proportion of grants and activities in relation to the rest of the United Kingdom appears low. Several examples highlight this shortfall. In 2002-03, the regional dispersal of UK Research Council resources was £1,936,124 to England, £240,307 to Scotland and £62,794 to Wales. Only Northern Ireland received less resources than Wales.²⁰⁷ By contrast, London and the South East of England receive the lion’s share of grant allocation and funding.²⁰⁸ However, the low level of grant allocation for Wales is not a reflection on the Research Councils’ approach to Wales. As it states in its memorandum, RCUK “operates on national research policies or strategies supporting science on the basis of excellence, irrespective of geographical location”.²⁰⁹

103. We remain concerned that without a regional dimension to the dispersal of Research Council grants, London and the South East of England will continue to be the predominant consumers of those funds. While we do not wish to see the dilution of the expertise and excellence derived through the Research Councils, a regional element to grant allocation would greatly assist in the dispersal of centres of excellence outside of the South East of England. Therefore, we recommend that the Government consider including a regional element to the Research Councils’ grant allocation procedures.

202 Ev340-363

203 The UK Research Councils are: the Biotechnology & Biological Sciences Research Council; the Council for the Central Laboratory of the Research Councils; the Engineering & Physical Sciences Research Council; the Economic & Social Research Council the Medical Research Council; the Natural Environment Research Council; the Particle Physics & Astronomy Research Council.

204 Ev340

205 Ev345

206 Ev345

207 Ev346-7

208 Ev356-362

209 Ev340

Public Procurement

104. The UK Government can also assist manufacturing in Wales through its own procurement. As a purchaser, the UK Government's public procurement budget can exert a significant influence upon a regional economy. Professor Gripaios argued that while Wales did well in identifiable public expenditure which is defined as "expenditure incurred on behalf of a particular population", it does very poorly from the non identified component of public expenditure, principally Defence. He asserted that Wales had the lowest defence spending of any UK region.²¹⁰ That fact was not lost on Andrew Davies who highlighted the fact that "the bulk of the research and development work is undertaken, both government-funded and also private sector-funded, it is overwhelmingly in London and the south-east and if we are to make that paradigm shift in terms of a knowledge-based economy in Wales, Government is very instrumental in that".²¹¹

105. That position was put into stark relief by the UK Government announcement that the MoD intended to move the Defence Aviation Repair Agency (DARA) contract for the maintenance of fixed wing aircraft from Wales to England.²¹² Andrew Davies told us it was not a secret that the Welsh Assembly Government was "very disappointed with the recent decision by the MoD and we felt it was the wrong one not only in terms of the existing facility, but also in terms of the maintenance for fixed-wing aircraft". He stated that the Welsh Assembly Government had made "very serious representations to MoD and to Whitehall Ministers within MoD and the Wales Office".²¹³ The Assembly Minister further explained that should the UK Government carry out that move that it would have a serious impact on the National Assembly's plans to establish its R&D base at St Athan.²¹⁴ Should the DARA contract be withdrawn the minister confirmed that little business would remain there.²¹⁵

106. Defending the Government's decision, Jacqui Smith argued that it was not a primary objective of government policy to ensure that each region gets "a fair crack of the whip".²¹⁶ Government policy was concentrated on ensuring that the UK manufacturing industry gets a fair chance to benefit from UK public procurement.²¹⁷ The Minister tried to reassure us with the establishment of a joint working group between the National Assembly and the MoD to consider the future of the DARA and that the DTI wished to be involved in that work to ensure a positive industrial impact of any decision.²¹⁸

210 Ev76

211 Q860

212 HC Deb, 16 September 2004, col 163WS; HC Deb, 25 November 2004, col 8WS

213 Q860

214 Q860-1

215 Q861

216 Q861

217 Q911

218 Q914

107. It is deeply disappointing that the Ministry of Defence has decided to relocate its Defence Aviation Repair Agency operations from Wales to England. In light of the inequitable spread of public procurement we would expect the DTI to have understood both the economic imperative of retaining the DARA in Wales, and also that its withdrawal to England would be perceived as even less public money being spent in Wales. We recommend that the Government reconsider its decision and continue DARA's operations at St Athan.

Infrastructure

108. Both the UK Government and the Welsh Assembly Government have stressed the importance of high quality infrastructure as a vital factor for economic well-being. This issue is one that we have long been aware of as our reports into transport in Wales, and Broadband in Wales will testify.²¹⁹ In the previous Session of Parliament we considered the draft Transport (Wales) Bill which proposed changes – primarily to the railways – which would be beneficial to Wales. While the publication of a Bill in similar terms is welcomed, there remain areas of serious concern with infrastructure in Wales.

109. The CBI argued that some of its Members highlighted the perception of peripherality as a weakness when they had considered relocating to Wales. In particular, the CBI Wales argued that the perception of transport and communication links with the rest of the United Kingdom were not good. The Confederation cited the need for improvements to the M4 corridor in Wales and improved air links as pressing examples.²²⁰ CBI Wales further argued that significant improvements were necessary to avoid deterring the growth of business and investment in all parts of Wales”.²²¹

110. General Dynamics, who relocated to Oakfield, did not see distance from Whitehall (and the Ministry of Defence) as a disadvantage, as it has an office in London. However it considered the distance from Heathrow was problematic. Larry Johnson of General Dynamics stated that “we are an international company and we have many suppliers and customers around the world, we find the inactivity at Cardiff Airport and the inability to get to Cardiff Airport without a struggle to be a severe disadvantage”.²²² That view was echoed by Robert Servini of Ethnic Cuisine also wished to see a greater use of Cardiff Airport, both for the transportation of products and to make faster access to and from Wales.²²³

219 First Report from the Welsh Affairs Committee, *Broadband in Wales*, HC95 of Session 2002-03; Second Report from the Welsh Affairs Committee, *Transport in Wales*, HC205 of Session 2002-03, Third Report from the Welsh Affairs Committee, *The Provision of Rail Services in Wales*, HC458 of Session 2003-04, and Fourth Report from the Welsh Affairs Committee, *draft Transport (Wales) Bill*, HC759 of Session 2003-04.

220 Qq331, 325

221 Ev102

222 Q552

223 Q471

111. The Welsh Assembly Government welcomed the draft Transport (Wales) Bill which the Assembly Minister believed would address many of the Welsh Assembly Government's concerns.²²⁴ However, David Pritchard of the Welsh Assembly Government argued that a greater priority for investment along the M4 corridor in England both on the rail and the road front was necessary: not just to support business but also to create a better and broader business environment".²²⁵ Andrew Davies confirmed that improvements to the M4 corridor remained a pressing concern for the Welsh Assembly Government.²²⁶

112. The Assembly Minister also highlighted the increasing importance of business air links.²²⁷ While North Wales is well served by Manchester, Cardiff International Airport in South Wales has few overseas routes. Discussions had been taken place with American Airlines to establish daily flights to Newark and with BMI Baby to serve European destinations.²²⁸

113. We welcome the proposed transfer of powers to the National Assembly contained within the Transport (Wales) Bill and the Railways Bill. However, many important issues regarding Welsh infrastructure will remain the responsibility of the UK Government. We recommend that the UK Government look closely at the National Assembly's concerns about both the M4 road route and the Paddington to South Wales Main Line. We further recommend that the UK Government assist the Welsh Assembly Government in its policies to increase the level of communications and activity at Cardiff Airport.

Power

114. In evidence to the Committee the Welsh Assembly Government asserted that in general it was content with the current division of powers between itself and the UK Government over manufacturing. However, David Pritchard of the Welsh Assembly Government explained that the National Assembly wished to have additional powers in relation to energy; in particular with respect to larger power station capacity²²⁹

115. During our inquiry we visited two power generators in Wales. In North Wales, we visited Electric Mountain, in Llanberis to see at first hand, the hydro-electric plant; and in South Wales we visited, the Baglan Power Station in Port Talbot. Both stations make an important contribution to the Grid. Both supplied electricity to the National Grid, though a large proportion of the electricity generated by the Baglan Power Station was bought directly by Corus. On Anglesey, the majority of the power generated by the Magnox nuclear power station was consumed by local metal production. Anglesey Aluminium currently employs 570 staff and approximately 80 contractors in the production of aluminium.²³⁰ Its operation is energy intensive and is dependent upon that power supply –

224 Q902

225 Q857

226 Q869

227 Q869

228 Q869

229 Q867

230 Ev84

consuming 12% of the power generated in Wales.²³¹ However, the Magnox generator on Anglesey has been contracted to be closed in 2010. Should a replacement power source not be found, Anglesey Aluminium may be forced to close.²³²

116. Jacqui Smith acknowledged that the Welsh Assembly Government had made representations for increased powers with respect to energy consents and explained that the issue was being looked at by a tripartite working group consisting of officials from the DTI, Welsh Assembly Government and the Wales Office. That working group has consulted with stakeholders and was due to put advice to Ministers by the end of 2004.²³³

117. We welcome the establishment of a working group to consider the Welsh Assembly Government's request for increased powers over energy consents. We expect the Government to look favourably on this request and recommend that the Government update the committee on the findings of that working group at the earliest opportunity.

231 Ev88

232 Ev88

233 Q902

7 Links between Industry and Academia

Introduction

118. Earlier in our report we noted the importance that the UK and Welsh Assembly Governments had placed on the relationships between industry and education. Our inquiry has highlighted two areas; the availability of a skilled workforce and the ability of industry and academia to work together on research and development.

Skill Base

119. The Welsh Assembly Government asserted that it was vital to ensure that manufacturers in Wales had access to the range of skills needed, at all levels, to facilitate high performance working practices and environments. Key priorities for that was to supply entrants to the labour market that have the necessary skills and to assist employers in the development of the skills of their existing workforce.²³⁴

120. The Welsh Assembly Government set out its agenda for the development of skills in the *Skills and Employment Action Plan 2002*.²³⁵ Aspects of the action plan that are particularly relevant to manufacturing include:

Ensuring that the new network of Sector Skills Councils operates effectively in Wales and is supported by National Council-ELWa;

Strengthening the Future Skills Wales partnership by establishing an Employer Group;

Implementing the National Basic Skills Strategy for Wales, including the Employer Pledge;

Re-vamping the work-based training programmes, such as Modern Apprenticeships and the new Modern Skills Diploma for Adults, using an all-age approach to improve their attractiveness and quality;

Undertaking the Learning Worker Project in Llanelli to assess the impact and value for money of providing free learning for all employees up to NVQ Level 3;

Introducing a programme of Company Learning Accounts, through the National Council-ELWa, to provide flexible packages of learning support based on employer needs; and

Joint working between National Council-ELWa and the Wales Management Council to produce and implement a strategy to boost management training.²³⁶

234 Ev290

235 www.wales.gov.uk

236 Ev290

121. The need for an available and suitably qualified workforce was not lost on our witnesses. The CBI noted that while the cost of living in Wales and competitive wage rates had made Wales attractive for manufacturing at the low to medium levels skill base, manufacturers continued to find it harder to recruit at the higher end of the market. Furthermore, it gave anecdotal evidence that manufacturers frequently had to recruit from the rest of the UK or overseas for specialist skills.²³⁷ The Federation of Small Businesses also noted a skills deficit in Wales. It argued that: “43% of manufacturers in Wales stated that they have difficulty in recruiting skilled staff” and that “many stated that the main problems were “basic numeracy and literacy skills”.”²³⁸

122. Andrew Davies acknowledged that skills remained an issue in Wales. He told us that “there is an increasing premium on skills for people to be adaptable, so our action plan on skills in Wales is very much focused on upskilling both the existing workforce as well as making sure that entrants into the workforce have the right skills”.²³⁹

123. The availability of a workforce with the necessary skills to attract higher level manufacturing is vital to the prosperity of Welsh Manufacturing. We welcome the initiatives put forward by the Welsh Assembly Government.

Technology Transfer

124. In its Strategy paper the UK Government highlighted the need for closer collaboration between the manufacturing sector and academic institutions and argued that innovation was “underpinned by sustained development in the UK’s excellent science, technology and engineering base and the successful transfer of good ideas from universities and other research organisations”.²⁴⁰

125. The trend towards closer working between industry and academic institutions was noted by CBI Wales who believed that the academic institutions now were more willing to collaborate with business.²⁴¹ However, it believed that greater attention needed to be paid to fostering closer ties between the academic and manufacturing sectors. Dr Gilford of CBI Wales argued “There has not yet been enough focus on bringing the academic sector in Wales up to a level where it would be perceived as being a good support for R&D”.²⁴²

237 Ev101

238 Q640

239 Qq851-2

240 www.dti.gov.uk/manufacturing/strategy_review.pdf

241 Ev102

242 Q331

Regional Centres for Manufacturing Excellence.

126. Regional Centres for Manufacturing Excellence are partnerships between the DTI and the English RDAs and the WDA. They are established in each region to cater for that region's needs, but also provide core services such as information/signposting; analysis of real needs; short term practical advice; limited access to follow-on (consultancy/research); access to training and demonstration/testing facilities.²⁴³

127. One example of that service is the new Engineering Centre for Materials and Manufacturing (ECM2) based at University of Wales Institute Cardiff.²⁴⁴ Manufacturers can gain access to free telephone support and advice and book a free diagnostic visit through a helpdesk. The service is hosted by the National Centre for Product Design and Development Research (PDR) based at the University of Wales Institute Cardiff.

128. Professor Pham explained that the Cardiff School of Engineering was established to provide applied, strategic and basic research in the field of advanced manufacturing because there were no such centres in Wales.²⁴⁵ It was funded by the National Assembly, Objective 1 and from Central Government via the Research Council and the DTI.²⁴⁶ The Centre currently has over 200 industrial partners.²⁴⁷ Professor Pham told us that 30% of the funding came from the private sector.²⁴⁸ The assistance given to companies ranged from a couple of days free assistance to long term partnerships. In respect of the latter, companies either pay a subsidised rate and share the intellectual property with the School or they pay the full cost and retain that intellectual property.²⁴⁹ In general Professor Pham commended the approach that the DTI had taken to those centres of excellence.²⁵⁰

129. Manufacturing Centres of Excellence have the potential to improve significantly the transfer of knowledge and expertise between industry and academia. We are pleased to see that Wales is developing its own Centres of Excellence.

Manufacturing Advisory Service Cymru

130. Allied to those Centres, manufacturers in Wales also have at their disposal the Manufacturing Advisory Service Wales. It was launched in 2002 as a free advisory service for Welsh manufacturers and is co-funded by the DTI and Welsh Assembly Government.²⁵¹ MAS Cymru has a close relationship with the Welsh Centre of Manufacturing Excellence (WCME) based at the Manufacturing Engineering Centre (MEC), Cardiff University. That collaboration has ensured that manufacturers gained access to independent advice, develop and disseminate best practice, access the latest

243 Ev7

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information on the implementation of world class manufacturing techniques, including a full range of activities to support innovation, and improve productivity to ultimately increase profits.

131. The Assembly Minister fully supported the increased focus on economic development in higher education and the initiatives that had been put in place.²⁵² In particular he highlighted the Manufacturing Advisory Service Cymru, which had made a conscious effort to establish links between the Centres of Excellence at Cardiff and Swansea, and industry. He told us that: “The Product Design Centre at the University of Wales Institute in Cardiff is helping small companies with R&D. The other area where HE has got a large role to play is in how we can turn the research that is created in university departments into companies and products”.²⁵³

132. Therefore, the Assembly Government Minister was disappointed that despite the success of the Manufacturing Advisory Service, “where all the reviews and the feedback we have had from the industry show that it is very positively received by the industry itself” the UK Government proposed cuts to its funding. He explained that while the National Assembly would continue to support the initiative, it would now have to look to find other sources of funding to replace that which the Government proposed to cut.²⁵⁴

133. We are disappointed that the UK Government has decided to reduce funding for the Manufacturing Advisory Service in Wales which was regarded as a success by both industry and academia. We recommend that the Government reconsider those funding levels to enable the Service to build upon its success in Wales.

Knowledge Transfer Partnerships

134. Knowledge Transfer Projects take the form of a collaborative project undertaken at the company premises by a research associate who is supervised by a university staff member.²⁵⁵ North East Wales Institute (NEWI) explained that the Knowledge Transfer Partnerships were funded by a range of bodies including the DTI, BBSRC²⁵⁶ and the ESRC.²⁵⁷ The rationale is “to link the expertise of the student with a company needing a project”.²⁵⁸ NEWI currently run 12–15 KTPs both inside and outside of Wales.²⁵⁹ It argued that KTPs were highly valued within the Higher Education sector and were seen as an effective and successful form of technology transfer between industry and academia.²⁶⁰ NEWI had also established NEWI Innovation Ltd., a privately set up company of limited

252 Q874

253 Q874

254 Q857

255 Ev225

256 The Biotechnology & Biological Sciences Research Council.

257 The Economic & Social Research Council.

258 Q833

259 Q833

260 Ev267

liability status which has provided NEWI with a commercial vehicle to set up a whole range of initiatives such as contract research, consultancy and equipment testing.²⁶¹

135. While these projects in themselves have been successful NEWI was concerned that there was an inequitable division of Government funds for these projects. Greg Howard asserted that while the average fund for English Universities for Third Mission activities was £344,000, Welsh Universities were funded at £221,000.²⁶² In addition to being below the level of English Universities He further argued that they were significantly below the levels of funding recommended in the Lambert Report on Higher Education.²⁶³

136. Professor Thomas was concerned that for a small institution, like NEWI, attaining the necessary 5 star ratings to qualify for funding was far harder than for larger, more established universities.²⁶⁴ He feared that that position would be exacerbated should research funding be ring-fenced and limited to the Russell Group of Universities.²⁶⁵ Professor Thomas argued, if that position was extended to the Knowledge Transfer Partnerships NEWI would lose out despite it being an area in which it is “winning”.²⁶⁶ Professor Wahab was also aware of these problems. He argued that Wales needed to be given its fair share of funding from national programmes. He stated that “when it comes to creating a national centre in support of a specific industry or technology, it is always the typical regions that always would be favoured like Cambridge and Oxford”. He believed that “while Welsh institutions had a lot to offer when they bid for those programmes, its industries and experience were overlooked”.²⁶⁷ TUC Wales also saw the need to “introduce a strong regional dimension to the R&D and science strategies”.²⁶⁸ This, it argued could reverse the trend of the large science budget being directed primarily to the South East of England.²⁶⁹

137. The UK Government and the Welsh Assembly Government have established a number of important vehicles for knowledge transfer and closer collaboration between academia and industry. However, we are concerned that Welsh academic institutions may not be receiving an equitable level of funds for those vehicles. We look to the Government to demonstrate that public funding for Welsh institutions is not playing second best to their English counterparts. We further expect the UK Government to assure us that successful but smaller institutions such as the North East Wales Institute would be able to compete on a level playing field with larger, more established universities, for technology transfer funds.

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262 Q835

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264 Q836

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266 Ev837

267 Q732

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Other Links

138. Of the companies that we spoke to many had already developed close ties to their local university or institute. General Dynamics explained that it had established very good links with Cardiff University and other Universities and boasted a number of work streams with the institution: “to give you a fair idea, probably about six professors, 12 lecturers, eight research assistants and 21 PhD students working in communications research equivalent to roughly a million pounds worth of investment”.²⁷⁰

139. Ford also explained that it had a close relationship with Cardiff Business School to identifying policies to create better and “leaner” manufacturing.²⁷¹ Further more, it has developed tailor-made engineering degree courses with Swansea University.²⁷² The North East Wales Institute (NEWI) told us that they had developed very close links with Airbus and now provided bespoke HNC/HND courses for Airbus in Broughton. Through that collaboration NEWI was now developing further links with the Airbus site at Filton near Bristol.²⁷³

The Technium Projects

140. When we visited the United States of America, we held meetings in Atlanta with the Georgia Research Alliance.²⁷⁴ Georgia had a similar economic history to Wales with a large heavy manufacturing base, which relied on cheap land, cheap labour and good labour relations. During the 1960s it became apparent that it was being overtaken by California and Boston which were building success on new technology. In order to compete with those states, the Georgia Research Alliance was created.²⁷⁵ The Alliance combined the State Government, business and academia in an independent body to identify and attract high level academics in high technology fields that would engender spin-off technology. The result has been to transform the economy of Georgia from old heavy manufacturing to a vibrant high-tech manufacturing. However, underpinning the success of that programme were large amounts of finance that could attract the leading academics in the identified fields. Wales does not have similar levels of finance, but it is starting to follow a similar, if more modest, programme.

141. The Assembly Minister explained that the Technium programme was being established to provide a supportive business environment for high-tech start up companies.²⁷⁶ Although the programme was still in its infancy, the Welsh Assembly Government has established a series of Techniums throughout Wales. The OptIC Technium at St Asaph, supported the opto-electronics’ sector in North Wales and was very closely linked with the expertise at Bangor University. The advanced Software

270 Q569

271 Q14

272 Q126

273 Q818

274 See Annex.

275 For further information on the Georgia Research Alliance, see www.gra.org.

276 Q877

Technologies Technium at Parc Menai, was also linked to Bangor University. In South Wales the Digital Technium was based at Swansea University.²⁷⁷

142. The Assembly Minister told us that the Technium brand was now getting “very high recognition, not just in Wales, and not just in the UK, but globally”. As a result global links are now being fostered and the Technium 2 in SA1 in Swansea was in the process of signing an agreement with Fudan, a Science Park in China. He told us that it demonstrated that Techniums were “not just about growing Welsh-based companies; it is also an opportunity for us to develop international links with companies literally the length and breadth of the world”.²⁷⁸

143. The Technium Centre programme is a conscious effort to tap the resource of universities and assist the technology spin out from university departments. The programme also provided a supportive environment for those companies to start up and to grow. The Assembly Minister told us that the indications from the Swansea Technium were that it had “been very, very successful”. In particular he argued that “The employment growth in the high-tech telecommunications sector, which has had a very tough time globally over the last few years, has been very significant and the companies there are now employing a lot of graduates, I think three-quarters of them are graduates and three-quarters of them, roughly speaking, are doing R&D as well and that is very much the type of companies we are trying to grow”.²⁷⁹

144. The Technium programme has drawn wide support from across Wales. TUC Wales described it as “an imaginative one and one which we are confident is going to deliver”.²⁸⁰ Professor Shore argued that the Techniums would act as a means of “attracting students, educating our students better and giving them an opportunity to test their ideas there”.²⁸¹

145. Professor Shore while supportive of the programme argue for some recompense for the University should a businesses succeed. However he did not think it correct to specify how that should be set out.²⁸² Clive Thomas agreed. He argued that most start-up companies in Techniums would be “risky ventures with a high failure rate” which should not be constrained by additional barriers.²⁸³ He further explained that the process of admission to the OpTIC Technium was “pretty rigorous”. He acknowledged that not every venture would succeed but argued that “the whole point about OpTIC is that it is a themed incubator [site] and the idea is that because there will be companies working in essentially the same area there can be some support”.²⁸⁴

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146. We welcome the establishment of the Technium Programme in Wales. The alliance of the National Assembly, academic institutions and business has the potential to kick start the knowledge economy in Wales. It is evident that the Technium Programme will continue to need levels of financial support. We recommend that the UK Government assess what financial support it can offer out of the UK Science Budget to assist the National Assembly in the development of this programme.

Conclusions and recommendations

Economic Statistics

1. The monitoring of the Welsh economy is an important part of identifying the relative strengths and weaknesses in Welsh manufacturing. We welcome the additional funds that have been allocated to the Office of National Statistics to undertake this task. We look forward to a greater level of assessment and analysis of Welsh manufacturing in the future. (Paragraph 16)

Welsh Economic Base

2. The transition from traditional manufacturing in Wales was a difficult journey and not without pain. Our inquiry has shown us that while some traditional manufacturing survives, Wales has managed to diversify its manufacturing base, and in some areas now leads the field. We welcome that diversity and look forward to further success in the future. (Paragraph 23)

Steel Industry

3. The decision of Outokumpu to close its operations at Panteg is to be regretted. It is a timely reminder that industry in Wales cannot rest on its laurels in the global market place. We welcome the announcement that the majority of its workforce are no longer looking for alternative employment but remain concerned at this further diminution of the steel sector in Wales. (Paragraph 27)

Foreign Direct Investment

4. The attraction of Foreign Direct Investment to Wales remains an important part of Wales' economic policy, but the quality of that investment should not be overshadowed by the quantity of investment. We recommend that the Department of Trade and Industry, where appropriate, supports fully the Welsh Assembly Government's policies to attract high value added FDI and its accompanying higher level functions to Wales. (Paragraph 40)

Welsh Development Agency and Wales Trade International

5. The decision to bring in-house agencies such as the Welsh Development Agency, Wales Trade International and Education and Learning in Wales is a matter for the National Assembly. We hope that the predicted streamlining of links between UK Government Departments – including the Department for Trade and Industry, Foreign and Commonwealth Office, Department for Transport and the Department for Education and Skills – and the Welsh Assembly Government will ensure that the needs of Welsh manufacturers and business continue to be vigorously promoted in the future. (Paragraph 50)

The UK's position outside the Euro zone

6. The debate surrounding the United Kingdom's entry into the Euro zone has often been conducted in a highly political environment. Therefore, it was enlightening to find a general level of agreement from our witnesses on the economic benefits of the United Kingdom joining the Euro zone. In the absence of such a move, a stable exchange rate between Sterling, the Euro and the Dollar was considered vital. We conclude that the Government should place a greater emphasis on the economic benefits and disbenefits to manufacturing of the United Kingdom joining the Euro zone. (Paragraph 61)

Governmental Relations

7. It is clear that the UK Government and the Welsh Assembly Government are making strides to ensure that their economic policies complement each other to the benefit of the Welsh economy. Equally important is the need to demonstrate clearly to business which institution is responsible for each part of that policy. In general we conclude that business is aware of the distinction and, in particular is able to access the Welsh Assembly Government with ease. (Paragraph 65)

European Structural Funds

8. The enlargement of the European Union will have a significant impact on the economy of Wales. The accession of countries whose economies are less developed than Wales has the potential to change Wales' qualification for structural funds. Those structural funds have been vital to the economic development of Wales, and we look to the Government to give a clear undertaking that Wales will not lose out as a result of European Enlargement. (Paragraph 77)

Regional Selective Assistance

9. Regional Selective Assistance has been an important factor in the ability of Wales to attract and sustain Foreign Direct Investment. Its emphasis on job creation has also made significant advances in the drive for full employment. However, small indigenous businesses should not be excluded from Government assistance. We believe that the Welsh Assembly Government should be allowed the greatest appropriate flexibility when delivering Regional Selective Assistance across Wales to meet the challenges of job creation, job retention, and support for innovative small businesses. (Paragraph 86)

Research and Development Tax Credits

10. Research and Development Tax Credits have been a welcome addition to the package of support offered to manufacturing in the United Kingdom. However, its introduction has done little to generate a demonstrable flow of R&D activity to Wales. We agree with the National Assembly that a regional element should be included in the allocation of Research and Development tax credits which would better target those areas in need of assistance. (Paragraph 98)

11. We further recommend that the Government compile statistics on the regional take-up of Research and Development Tax Credits. (Paragraph 99)

Research Council Grants

12. We remain concerned that without a regional dimension to the dispersal of Research Council grants, London and the South East of England will continue to be the predominant consumers of those funds. While we do not wish to see the dilution of the expertise and excellence derived through the Research Councils, a regional element to grant allocation would greatly assist in the dispersal of centres of excellence outside of the South East of England. Therefore, we recommend that the Government consider including a regional element to the Research Councils' grant allocation procedures. (Paragraph 103)

Defence Aviation Repair Agency

13. It is deeply disappointing that the Ministry of Defence has decided to relocate its Defence Aviation Repair Agency operations from Wales to England. In light of the inequitable spread of public procurement we would expect the DTI to have understood both the economic imperative of retaining the DARA in Wales, and also that its withdrawal to England would be perceived as even less public money being spent in Wales. We recommend that the Government reconsider its decision and continue DARA's operations at St Athan. (Paragraph 107)

Transport Infrastructure

14. We welcome the proposed transfer of powers to the National Assembly contained within the Transport (Wales) Bill and the Railways Bill. However, many important issues regarding Welsh infrastructure will remain the responsibility of the UK Government. We recommend that the UK Government look closely at the National Assembly's concerns about both the M4 road route and the Paddington to South Wales Main Line. We further recommend that the UK Government assist the Welsh Assembly Government in its policies to increase the level of communications and activity at Cardiff Airport. (Paragraph 113)

Energy Consents

15. We welcome the establishment of a working group to consider the Welsh Assembly Government's request for increased powers over energy consents. We expect the Government to look favourably on this request and recommend that the Government update the committee on the findings of that working group at the earliest opportunity. (Paragraph 117)

Skillbase

16. The availability of a workforce with the necessary skills to attract higher level manufacturing is vital to the prosperity of Welsh Manufacturing. We welcome the initiatives put forward by the Welsh Assembly Government. (Paragraph 123)

Technology Transfer

17. Manufacturing Centres of Excellence have the potential to improve significantly the transfer of knowledge and expertise between industry and academia. We are pleased to see that Wales is developing its own Centres of Excellence. (Paragraph 129)
18. We are disappointed that the UK Government has decided to reduce funding for the Manufacturing Advisory Service in Wales which was regarded as a success by both industry and academia. We recommend that the Government reconsider those funding levels to enable the Service to build upon its success in Wales. (Paragraph 133)
19. The UK Government and the Welsh Assembly Government have established a number of important vehicles for knowledge transfer and closer collaboration between academia and industry. However, we are concerned that Welsh academic institutions may not be receiving an equitable level of funds for those vehicles. We look to the Government to demonstrate that public funding for Welsh institutions is not playing second best to their English counterparts. We further expect the UK Government to assure us that successful but smaller institutions such as the North East Wales Institute would be able to compete on a level playing field with larger, more established universities, for technology transfer funds. (Paragraph 137)

Techniums

20. We welcome the establishment of the Technium Programme in Wales. The alliance of the National Assembly, academic institutions and business has the potential to kick start the knowledge economy in Wales. It is evident that the Technium Programme will continue to need levels of financial support. We recommend that the UK Government assess what financial support it can offer out of the UK Science Budget to assist the National Assembly in the development of this programme. (Paragraph 146)

Annex

Visit to the United States of America—Monday 27 October to Friday 31 October

OUTLINE PROGRAMME

Monday 27 October

LOS ANGELES

am Meeting with US companies investing in Wales

pm Meeting with US companies investing in Wales

Reception hosted by HM Consul-General for the Committee and business representatives from California

Tuesday 28 October

am Briefing from UCLA economist

pm Transfer from Los Angeles to Atlanta

Wednesday 29 October

ATLANTA

am Meetings with Georgia Research Alliance; business and trade organisations

Working lunch with a major Georgia manufacturer investing in Wales

pm Meetings with UKTI and WDA staff

Visit to Martin Luther King Centre

Meeting with President of Welsh/North America Chamber of Commerce

Reception hosted by HM Consul General for the Committee and business representatives from Georgia

Thursday 30 October

NEW YORK

am Transfer from Atlanta to New York

pm Visit to Wales International Office;

Meetings with US companies investing in Wales:

Further discussions with Welsh North American Chamber of Commerce

Friday 31 October

am Meetings with US companies investing in Wales

Lunch hosted by Director General, Trade and Investment for the Committee and business representatives from New York

pm Briefing with DGTI (USA) and senior UK staff

Formal minutes

Wednesday 9 February 2004

Members present:

Mr Martyn Jones, in the Chair

Mr Martin Caton

Julie Morgan

Mr Huw Edwards

Mrs Betty Williams

Mr Hywel Francis

Mr Roger Williams

The Committee deliberated.

Draft Report (Manufacturing and Trade in Wales), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 146 read and agreed to.

Annex agreed to.

Summary agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the provisions of Standing Order No.134 (Select committees (reports)) be applied to the Report

Several Papers were ordered to be appended to the Minutes of Evidence.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

[Adjourned till Wednesday 23 February at 3.00pm.]

Witnesses

Tuesday 16 September 2003

Page

Calvin Jones and **Dr Jane Bryan**, Welsh Economy Research Unit, Cardiff Business School Ev 16

Wednesday 4 February 2004

John Gardiner, **Bob Murphy** and **Ryland Evans**, Ford Motor Company; **Joachim Reinhart** and **Brendon Gore**, Matsushita Electric Europe (HQ) Limited), **Mike Jones**, Matsushita, Cardiff Ev 35

Dr Mark Carr, Managing Director, Corus Strip Products and **Stuart Pettifor**, Chief Operations Officer, Corus Ev 56

Wednesday 11 February 2004

Julian Scopes, Head of UK Government Relations, BAE Systems; **Brian Fleet**, Senior Vice-President, Manufacturing, Airbus UK Ev 63

Professor Gripaios, Professor of Applied Economics, Head of South West Economy Centre, University of Plymouth Ev 77

Wednesday 17 March 2004

David Aykroyd, Managing Director, Aykroyd & Sons; **John Barbagallo**, Managing Director, Anglesey Aluminium Metal Ltd Ev 87

David Rosser, Director, CBI Wales, **Dr Graham Guilford**, Member, CBI Wales, **Andy Scott**, Director, CBI International Competitiveness Directorate Ev 104

Wednesday 24 April 2004

Prof John Tomaney, Professor of Regional Governance, Centre For Urban And Regional Development Studies, and **Dr Colin Wren**, Reader in Microeconomics, University of Newcastle upon Tyne Business School, University of Newcastle Upon Tyne; **David Newlands**, Senior Lecturer, Department of Economics, University of Aberdeen Ev 124

Welsh Local Government Association represented by **Kevin Bishop**, Head of Policy for Regeneration and Environment, **Tim Hooper**, Policy Officer (Regeneration), **Cllr Michael Jones**, Chair of Powys County Council; **Local Government Association**, represented by **Cllr David Sparks OBE**, Labour Group Leader, Dudley Metropolitan Borough Council, **Cllr Gordon Keymer CBE**, Leader of Tandridge District Ev 140

Monday 29 March 2004

Dr John Ball, Dr Charles Smith, Clementine Benedict, Pam Murray, Swansea Business School Ev 153

Robert Servini, Ethnic Cuisine Ev 163

Wednesday 21 April

Ian Brinkley, Head of Economics and Social Affairs and **David Jenkins**, Regional Secretary, **Wales TUC** Ev 174

Larry Johnson, Managing Director, **Chris Bentley**, Commercial Director, General Dynamics Ev 193

Jamie Allan, Senior Vice President, Coil Products, Sheffield, (Outokumpu Stainless Ltd), **Andy Hayward-Browne**, Energy and Environment Manager, **Nigel Ward**, Group Manager Market and Trade Political Affairs, Outokumpu Stainless Ltd Ev 193

Wednesday 28 April 2004

Federation of Small Businesses (FSB) represented by: Stephen Jones, Managing Director, DBK Technitherm, Clive Davenport, Managing Director, LNC Technologies, Ben Cottam, Welsh Development Policy Officer for FSB Wales, Russell Lawson, Press and Parliamentary Officer, FSB Wales, Tina Sommer, FSB Spokesperson on Trade and Industry Ev 209

Prof K Alan Shore, School of Informatics, University of Wales, Bangor, **Clive Thomas**, Manager, Centre for Electronic Productivity Engineering, University of Glamorgan Ev 227

Monday 10 May 2004

Prof Duc-Troung Pham, Professor of Computer Controlled Manufacture, Cardiff School of Engineering Ev 238

Prof Mohammed Wahab, Delta Microelectronics Ltd, Ev 245

Dr David Grant CBE, Vice-Chancellor and **Brian Morgan**, Director of the small firms research unit, Cardiff Business School, Cardiff University Ev 256

Tuesday 18 May 2004

Greg Howard, Head of Enterprise Development, **Joe Tatler**, Head of Engineering, **Prof Michael Thomas**, Academic Director, Medical Education, Health, Sports and Sciences, North East Wales Institute of Higher Education Ev 272

Thursday 14 October 2004

Andrew Davies AM, Minister for Economic Development and Transport,
David Pritchard, Director for Economic Development and Transport, Welsh
 Assembly Government Ev 303

Wednesday 27 October 2004

Rt Hon Jacqui Smith MP, Minister of State for Industry and the Regions,
Simon Edmonds, Director of Materials And Engineering and Manufacturing
 Policy Unit, Department of Trade and Industry, **Hitesh Vadgama**, Head of
 Economic Affairs and Policy Branch, The Wales Office Ev 316

List of written evidence

1	Welsh Economy Research Unit, Cardiff Business School	Ev 1
2	Matsushita Electric Europe (HQ) Limited	Ev 32
3	Corus	Ev 46
4	BAE Systems	Ev 61
5	Professor Gripaos, Professor of Applied Economics, Head of South West Economy Centre, University of Plymouth	Ev 76
6	Anglesey Aluminium Metal Limited	Ev 84
7	CBI Wales	Ev 96
8	Supplementary Written Evidence from CBI Wales	Ev 115
9	Centre for Urban and Regional Development Studies (CURDS) and Newcastle University Business School, University of Newcastle	Ev 118
10	David Newlands, Senior Lecturer in Economics, Aberdeen University	Ev 124
11	Local Government Association and Welsh Local Government Association	Ev 133
12	Swansea Business School	Ev 148
13	Ethnic Cuisine	Ev 162
14	Wales TUC	Ev 168
15	General Dynamics United Kingdom Limited (GDUK)	Ev 182
16	Outokumpu Stainless	Ev 183
17	Federation of Small Businesses	Ev 201
18	E J C Thomas, Director for Electronic Product Engineering, University of Glamorgan	Ev 219
19	Professor K Alan Shore, University of Wales, Bangor	Ev 223
20	Supplementary written answers from Professor K Alan Shore	Ev 235
21	Professor Duc-Troung Pham, Director of Manufacturing Engineering, University of Cardiff	Ev 237
22	Professor Mohamed Wahab, Managing Director of DELTA Microelectronics Ltd	Ev 242
23	Dr David Grant, Vice-Chancellor of Cardiff University	Ev 251
24	Brian Morgan, Director of the Small Firms Research Unit, Cardiff Business School	Ev 256

25	North East Wales Institute of Higher Education	Ev 267
26	Supplementary written evidence from North East Wales Institute of Higher Education	Ev 285
27	Welsh Assembly Government	Ev 288
28	Written response to follow-up questions from The Department of Trade and Industry	Ev 322
29	GMB	Ev 327
30	Wales Tourist Board	Ev 329
31	Investors in People	Ev 332
32	Welsh North American Chamber of Commerce	Ev 335
33	HB Climbing Equipment	Ev 336
34	Celsa UK (Holdings) Limited	Ev 337
35	Research Councils UK (RCUK)	Ev 340
36	Biotechnology and Biological Sciences Research Council (BBSRC)	Ev 347
37	Engineering and Physical Sciences Research Council (EPSRC)	Ev 348
38	Natural Environment Research Council (NERC)	Ev 351
39	Particle Physics and Astronomy Research Council (PPARC)	Ev 351
40	Arts and Humanities Research Board (AHRB)	Ev 352
41	Transcript of Conference Call between Welsh Affairs Committee and Welsh North American Chamber of Commerce	Ev 363

List of unprinted written evidence

Additional papers have been received from the following and have been reported to the House but to save printing costs they have not been printed and copies have been placed in the House of Commons library where they may be inspected by members. Other copies are in the Record Office, House of Lords and are available to the public for inspection. Requests for inspection should be addressed to the Record Office, House of Lords, London SW1. (Tel 020 7219 3074) hours of inspection are from 9:30am to 5:00pm on Mondays to Fridays.

Dr Charles Smith, Swansea Business School

Supplementary written evidence from Professor Duc-Troung Pham

Reports from the Welsh Affairs Committee since 2001

The following reports have been produced by the Welsh Affairs Committee in the 2001 Parliament.

Session 2004–05

First Report	The Work of the Committee in 2004– 05	HC 256
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Session 2003–04

First Special Report	Government Response to the Fifth Report of Session 2002–03, The Draft Public Audit (Wales) Bill	HC 87
Second Special Report	Government Response to the First Report of Session 2003–04, The Empowerment of Children and Young People in Wales	HC 459
Third Special Report	Government Response to the Third Report of Session 2003–04, The Provision of Rail Services in Wales	HC 708
Fourth Special Report	Government Response to the Committee's Fifth Report of Session 2003–04, The Powers of the Children's Commissioner for Wales	HC 1126
Fifth Special Report	Government Response to the Committee's Fourth Report of Session 2003–04, The Draft Transport (Wales) Bill	HC 1252
First Report	The Empowerment of Children and Young People in England and Wales	HC 177 i & ii
Second Report	Work of the Committee in 2003	HC 178
Third Report	The Provision of Rail Services in Wales	HC 458
Fourth Report	Draft Transport (Wales) Bill	HC 759
Minutes of Evidence	The Wales Office Annual Report 2004	HC 808

Session 2002–03

First Special Report	Government Response to the First Report of Session 2002-03, Broadband in Wales	HC 413
Second Special Report	Government Response to the Second Report of Session 2002–03, Transport in Wales	HC 580
Third Special Report	Government Response to the Fourth Report of Session 2002–03, The Primary Legislative Process as it affects Wales	HC 989
First Report	Broadband in Wales	HC 95
Second Report	Transport in Wales	HC 205
Third Report	Work of the Committee in 2002	HC 263
Fourth Report	The Primary Legislative Process as it affects Wales	HC 79
Fifth Report	Draft Public Audit (Wales) Bill	HC 763
Minutes of Evidence	The Wales Office Departmental Report 2003	HC 883

Oral and Written Evidence Changes in Customs and Excise Operations in Wales HC 916

Session 2001–02

First Special Report	Government Response to the First Report of Session 2000–01, Wales in the World	HC 270
Second Special Report	Response of the National Assembly for Wales to the First Report of Session 2000–01, Wales in the World	HC 311
Third Special Report	Response of the National Assembly for Wales to the Third Report of Session 1999–2000, Social Exclusion in Wales	HC 604
Fourth Special Report	Response of the Government and the Welsh Assembly to the Second Report of the Committee of Session 2001–02, objective 1: European Funding for Wales	HC 1169
Fifth Special Report	The draft National Health Service (Wales) Bill: Response of the Government to the Third Report of the Committee of Session 2001–02	HC 1215
First Report	The Children’s Society in Wales	HC 525
Second Report	Objective 1 European Funding for Wales	HC 520
Third Report	The Draft National Health Service (Wales) Bill	HC 959
Fourth Report	The Children’s Society in Wales: Responses from the Government and The Charity Commission to the First Report of the Committee of Session 2001–02	HC 989
Minutes of Evidence	The Wales Office Departmental Report 2002:	HC 1216