



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

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

Dydd Iau, 30 Ionawr 2014
Thursday, 30 January 2014

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

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

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Rhun ap Iorwerth	Plaid Cymru The Party of Wales
Keith Davies	Llafur Labour
Yr Arglwydd/Lord Elis-Thomas	Plaid Cymru The Party of Wales
Mike Hedges	Llafur (yn dirprwyo ar ran Mick Antoniw) Labour (substitute for Mick Antoniw)
Julie James	Llafur Labour
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Nick Ramsay	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Joyce Watson	Llafur Labour

Eraill yn bresennol
Others in attendance

Iestyn Davies	Pennaeth Materion Allanol, Ffederasiwn Busnesau Bach Head of External Affairs, Federation of Small Businesses
Joshua Miles	Cynghorydd Polisi, Ffederasiwn Busnesau Bach Policy Adviser, Federation of Small Businesses
Roger Pride	Rheolwr Gyfarwyddwr, Swyddfa Caerdydd, Heavenly Managing Director, Cardiff Office, Heavenly

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

Olga Lewis	Dirprwy Glerc Deputy Clerk
Claire Morris	Clerc Clerk
Ben Stokes	Y Gwasanaeth Ymchwil Research Service
Chris Warner	Pennaeth Gwasanaeth y Pwyllgorau Polisi a Deddfwriaeth Head of Policy and Legislation Committee Service

Dechreuodd y cyfarfod am 09:14.
The meeting began at 09:14.

Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

[1] **Nick Ramsay:** I welcome Members, our witnesses and members of the public to this morning's meeting of the Enterprise and Business Committee. The meeting is bilingual and headphones can be used for simultaneous translation from Welsh to English on channel 1 or for amplification on channel 0. The meeting is being broadcast and a transcript will be available. Can Members please turn off their mobile phones? There is no need to touch the microphones; as usual, they will operate automatically.

09:15

[2] In the event of a fire alarm, please follow the ushers. We have had apologies today from David Rees, Mick Antoniw and Byron Davies. I welcome Mike Hedges back to the committee; he is substituting for Mick Antoniw. It is always good to have you with us, Mike.

**Ymchwiliad i Ddull Llywodraeth Cymru o Hyrwyddo Masnach a
Mewnfuddsoddi—Sesiwn Dystiolaeth 4
Inquiry into the Welsh Government's Approach to the Promotion of Trade and
Inward Investment—Evidence Session 4**

[3] **Nick Ramsay:** I welcome our witnesses. Thank you very much for agreeing to be with us today to help us with our deliberations. Would you like to give your name, position and organisation for the Record of Proceedings?

[4] **Mr Davies:** Iestyn Davies, head of external affairs for the Federation of Small Businesses.

[5] **Mr Miles:** Josh Miles, policy adviser for the Federation of Small Businesses.

[6] **Nick Ramsay:** Great. Thank you for being with us today. We have a number of questions for you, so I propose that we go straight into those, and the first is from Rhun ap Iorwerth.

[7] **Rhun ap Iorwerth:** Good morning.

[8] Bore da iawn i'r ddau ohonoch. A allaf i ddechrau drwy ofyn, mewn termau eithaf cyffredinol, i chi egluro beth ydy safbwynt y ffederasiwn, ac aelodau'r ffederasiwn, yn bwysicach na hynny, am bwysigrwydd masnach tramor a mewnfuddsoddiad tramor i Gymru? A very good morning to both of you. Could I start by asking, in quite general terms, you to explain the position of the federation, and the federation members, more importantly, regarding the importance of foreign trade and inward investment to Wales?

[9] **Mr Davies:** Rwy'n credu bod yr aelodaeth yn deall pa mor bwysig yw allforio ac yn cydnabod hefyd pa mor bwysig yw ein bod yn denu arian cyfalaf a buddsoddiad i mewn i Gymru. Gwyddoch, efallai, ein bod wedi bod yn llai awyddus nag arfer i roi tystiolaeth ar lafar i chi, gan ein bod ni heb gael cyfle i drafod y mater hwn yn eang gyda'r aelodaeth. Felly, i ryw raddau, ein safbwynt proffesiynol ni ydych yn ei gael y bore yma ar bwysigrwydd y pwnc hwn a'i oblygiadau i fusnesau bach. Felly, os caf, byddaf yn osgoi ateb ar eu rhan ar hyn o bryd, gan fy mod i heb eu holi'n ddigon manwl. **Mr Davies:** I think that our membership does understand the importance of exporting and also acknowledges how important it is that we attract capital and inward investment to Wales. You may have been aware that we were less willing than usual to give you oral evidence, because we have not had an opportunity for a broad discussion on this issue with our membership. So, to a certain extent, this is our professional viewpoint this morning on the importance of this issue and its implications for small businesses. So, if I may, I will avoid answering on their behalf, because I have not questioned them in sufficient detail.

[10] Fodd bynnag, mae'r *anecdotes* sydd gennym ni yn nodi pa mor anodd y maent yn ei chael hi, ar amryw o lefelau, i gael y cymorth iawn, ei ddefnyddio mewn ffordd However, anecdotally, we do know how difficult they find it on various levels to get hold of the proper support, to use it in a way that is appropriate for their business and, for

sy'n addas i'w busnes ac, o ran hynny, beth bynnag yw'r pwnc o ran y cyngor, y tuedd yw eu bod yn camu'n ôl wrth y cwestiwn mewn llaw, a all fod yn allforio, cyflogi mwy o bobl, neu hyd yn oed chwilio am arian cyfalaf, fel y gwyddom ni. Felly, mae hon yn fersiwn o'r un broblem yr ydym yn ei gweld, sef y gagendor sy'n bodoli rhwng yr aelodau a'r gwasanaeth cynghori. Un o'r ffactorau, rydym yn gwybod, yw bod gagendor hygredd. Nid wyf yn siŵr bod busnesau yn meddwl bod y cynghorwyr yn wirioneddol yn deall eu hanghenion a'u dyheadau. A ydynt yn eu deall? Rwy'n credu efallai eu bod yn well nag y mae unigolion weithiau yn deall neu yn credu, ond mae'r gagendor hwnnw yn bodoli ar amryw lefel, nid dim ond allforio a'r pwnc arall.

[11] **Rhun ap Iorwerth:** A fydddech chi'n dweud bod y ffaith nad ydych chi wedi cael y drafodaeth eang hon o fewn y ffederasiwn yn arwydd o ble mae allforio a denu mewnfuddsoddiad fel blaenoriaethau i'ch busnesau? Hynny yw, nad ydynt yn flaenoriaethau mawr.

[12] **Mr Davies:** Rwy'n siŵr, pe baech yn siarad â'r rhan fwyaf o fusnesau bach sydd yn cynhyrchu rhywbeth neu sydd â gwasanaeth y mae modd ei allforio, y byddent i gyd yn cydnabod pa mor bwysig yw'r pwnc ac, efallai, y dylai fod i'w busnesau. Wrth gwrs, mae gennym ni rai aelodau sydd yn allforio. Nid yw fel pe na baent yn gwneud hynny. Fodd bynnag, un o'r sialensiau eraill sydd yn digwydd iddynt ar hyn o bryd yw trio amgyffred sut mae modd iddynt gymryd y cyfle hwnnw i allforio. Felly, mae ar yr agenda, ac mae'n bwnc rydym yn ei drafod ac yn sôn amdano, ond nid oes rhestr gennyf o aelodau tu fas yn camu ymlaen i ddweud bod ganddynt broblem o ran allforio fel y maent gyda threthi busnes, cyflogi a phethau eraill. Fodd bynnag, nid yw'r cwestiwn hwn yn dod i'r amlwg.

[13] **Mr Miles:** If I may come in quickly, it is worth pointing out as well that we attached to our response a report by our Westminster office into exporting. A lot of the figures there, to be honest, are UK wide, so they are of interest, but they are not directly applicable to Wales. What we found from that was that about 21% of our membership is actively exporting, so you are talking about one in five. We have a membership of about 10,000 in Wales, so, say, 2,000 would actively be exporters, if the ratio were the same. It is an issue that we look at a lot, but, in the Welsh context, we focus more on business rates and the day-to-day things.

that matter, whatever the subject of the advice is, the tendency is that they step back from the issue at hand, be it export, employing more staff or even seeking capital, as we know. So, this is a version of the same problem that we see, which is the gulf that exists between our members and the advice services available. One of the factors, we know, is that there is a credibility gap. I am not sure that businesses think that advisers truly understand their needs and aspirations. Do they understand them? I think that they may be better than individuals sometimes understand or believe, but that credibility gap exists on a number of levels, not just on exports and the other issue.

Rhun ap Iorwerth: Would you say that the fact that you have not had that broad discussion within the federation is a sign of where exports and attracting inward investment are as priorities for your businesses? That is, that they are not big priorities.

Mr Davies: I am sure that, if you spoke to most small businesses that produce goods or deliver services that can be exported, they would all acknowledge how important the issue is and perhaps should be to their businesses. Of course, we have some members that do export. It is not as if they do not do that. However, one of the other challenges facing them at present is trying to understand how they can get into the export market. So, it is on the agenda, and it is an issue that we discuss, but I do not have a queue of members coming to me to say that they have a problem in terms of exports, whereas they do regarding business rates, employment and other issues. However, this is not a prominent question.

[14] **Mr Davies:** To pre-empt the question, Chair, with regard to the sample size that we were looking at—this was back in 2010—there were only 28 members from Wales, so I would not go into battle with you on those figures. I am reluctant to draw too many conclusions from them.

[15] **Rhun ap Iorwerth:** Mae data a monitro yn bethau rwy'n gwybod y byddwn eisiau eu trafod nes ymlaen y bore yma hefyd, achos maent yn ffactorau sydd wedi codi yn ystod yr ymgynghoriad yn gynharach. Pa lefel o drafodaethau—a beth yw natur unrhyw drafodaethau—yr ydych wedi'u cael gyda Llywodraeth Cymru ynglŷn â'r pwnc hwn?

Rhun ap Iorwerth: Data and monitoring are things that I know that we will want to discuss later on this morning, because they are factors that have arisen earlier on in this inquiry. What level of discussions—and what has been the nature of any discussions—that you have had with the Welsh Government about this subject?

[16] **Mr Davies:** Ychydig iawn. Mae'r pwnc wedi cael ei drafod ar lefel y *council for economic renewal*. Mae'r pwnc wedi cael ei drafod yn y fan honno. Mae hwn yn bwnc yr ydym yn ei drafod o bryd i'w gilydd drwy'r bartneriaeth sydd gennym â'r busnesau a *Commerce Cymru*, a thrwy'r bartneriaeth sydd gennym â'r sector gwirfoddol a'r undebau llafur pan fyddwn yn cynnal trafodaethau â nhw. Felly, mae'r pwnc ar yr agenda, ond rwy'n credu ei bod yn hen bryd i ni edrych yn llawer mwy manwl ar y cwestiwn hwn. Y tro diwethaf i ni gael trafodaeth ar y cyngor economaidd oedd pan yr ymwelodd yr Arglwydd Green ac Arglwydd Heseltine â'r pwyllgor hwnnw. O dop fy mhen, nid wyf yn cofio pryd gawsom drafodaeth bellach ar y pwnc hwn, oddi ar hynny.

Mr Davies: There has been very little discussion. It has been discussed at the council for economic renewal level. It has been discussed there. It is an issue that we discuss from time to time through the partnerships that we have with businesses and Commerce Cymru, and the partnerships that we have with the voluntary sector and the trade unions when we discuss issues with them. So, this is on the agenda, but I think that it is about time that we looked in more detail at this question. The last time that we had a discussion on the economic council was when Lord Green and Lord Heseltine were visitors to that meeting. I cannot recall when we have discussed that further since that date.

[17] **Rhun ap Iorwerth:** A fydddech yn dymuno gweld Llywodraeth Cymru'n bod yn fwy *proactive* yn trafod y materion hyn â chi fel ffederasiwn?

Rhun ap Iorwerth: Would you wish to see the Welsh Government being more proactive in discussing these issues with you as a federation?

[18] **Mr Davies:** Yn sicr, yr her yr ydym yn ei weld yw'r ffaith nad ydym yn ymwybodol os oes yna strategaeth. Os oes strategaeth ar gael, nid ydym wedi cael ein hargyhoeddi bod y strategaeth honno yn rhywbeth y mae angen ein cefnogaeth ni arni, o ran ei hybu a'i chyflwyno i'n haelodau. Hyd yn oed pan fyddwn yn gofyn cwestiynau ynghylch ble mae'r strategaeth—wrth gwrs, nid oes un ar gael, neu ar gael ar led, o leiaf—a chwestiynau ynghylch beth yw maint a *scope* y busnesau sydd eisoes â'r capasiti i allforio, nid ydym yn cael unrhyw ymateb neu adborth sy'n ein peri ni i feddwl bod y pwnc yn un llosg sy'n cael ei drafod ac

Mr Davies: Certainly, the challenge that we see is that we are not aware whether there is a strategy. If there is a strategy in place, we remain to be convinced that it is something that we should support and promote to our members. Even when we ask questions about where that strategy is—because I do not think that there is one, or not one that is publicly available, at least—and we ask what the size and scope of the businesses that already have the capacity to export are, we do not get any response or feedback that encourages us to think that the issue is a hot potato that is regularly discussed and has a definite intention.

sydd â bwriad pendant iddo.

[19] **Mr Miles:** It is worth recognising as well that both the UK Government and the Scottish Government, for example, have targets in relation to exports. So, from our position, we do not know what the policy is at the moment; we are not that clear what the policy is. However, we also do not know what the ambitions and objectives are, and that is something that we would be keen to see come out as this policy is explored further.

[20] **Rhun ap Iorwerth:** I gloi, i fod yn glir, nid ydych wedi trafod llawer ar hyn â Llywodraeth Cymru, ac mae hynny'n cyferbynnu â'r berthynas eithaf agos sydd gennych yn fwy cyffredinol â Llywodraeth Cymru. Hynny yw, beth yw lefel y trafod yn ôl ac ymlaen sydd yn digwydd rhyngoch chi â'r Llywodraeth?

Rhun ap Iorwerth: To close, to be clear, you have not discussed this much with the Welsh Government, and that contrasts with the relationship that you have with the Welsh Government more generally. That is, what is the level of discussion that you have had with the Government?

[21] **Mr Davies:** Ar draws y Llywodraeth, mae'n berthynas agos. Er enghraifft, heddiw, rydym wedi cael trafodaeth fanwl cyn y datganiad ar y cwestiwn mawr o sgiliau. Rydym yn trafod â gweision sifil yr holl faterion sy'n dod gerbron y cyngor economaidd, er enghraifft. Mae natur ein perthynas yn dibynnu ar y pwnc a'r unigolion, sy'n wahanol ar draws y Llywodraeth. Rydym yn credu bod drws agored gennym ni, ac os oes angen i ni godi mater yn uniongyrchol neu'n anuniongyrchol gydag unrhyw Weinidog neu bwyllgor fel hwn, mae gennym gyfle i wneud hynny. Fodd bynnag, nid ydym yn credu bod y pwnc hwn yn bwnc llosg sydd ar frig yr agenda gwleidyddol ar hyn o bryd.

Mr Davies: Across Government, it is a close relationship. For example, today, we have had a detailed discussion prior to the statement on skills. We discuss with civil servants the range of issues that come to the economic council, for example. The nature of our relationship depends upon the issue and the individuals, and those vary across Government. I think that there is an open door for us, and if we need to raise any issues, directly or indirectly, with any Minister or a committee such as this one, we have an opportunity to do that. However, we do not think that this is an issue that is at the top of the political agenda at present.

[22] **Joyce Watson:** Good morning. Following on from exports, I did a very brief survey of businesses in Mid and West Wales. This was about three years ago; I have it if you would like to see it. When I was speaking to businesses—and these were microbusinesses—I was surprised at the number of them that were exporting successfully. I have that evidence, and I fed it to the Minister at that time. First, I will share that with you, and the fact that some of those businesses were your members. I suppose that my question has to be around the fact that those people identified that as an essential part of their business, without which it would not survive. You have sort of said that you have not engaged in that. I will give you the information that I have. Will you be engaging in that? The critical point for me here was that they were completely dependent on that, even though they were very small businesses. What also came out of that—and this is a question for you—was that they were not finding it easy to negotiate whatever help it was that they needed. Is that a common thread? You have more or less said that you do not really raise this as an issue; you just look at business rates.

[23] **Mr Davies:** There is a whole list of things that we have to deal with. As I say, we do not have a massive demand on our time from the membership to look at this issue. We are aware that it is a policy focus for the Government and yourselves at the moment. With the limited resources that we have, we have to prioritise. I think that what you are perhaps alluding to in your local research does seem to chime with the basis that we have got, but I am not keen to venture anything more than that there is an indication that roughly 20% are using

export as a very important part of their business model without spending more time and energy in digging deeper into that. I think that what you say about members in your region would chime with the information that we have to hand. It seems that those members battle on and plough on, but of course the challenge is to get more of them to do it. If we were to do that, your question about the appropriateness, availability and suitability of advice and support is key.

[24] As part of preparing for this session, we did imagine that we were businesses and had a product or service that we wanted to export, or the idea had perhaps come to us that we would do that in a mystery shopper kind of way. We tested what was out there to try to find the advice, as people who would be novices to exporting, but who would be experts in their field already. I found it quite difficult to navigate and penetrate. A few pages of the Business Wales website did not have any content on them, either, although they showed up in Google searches. So, I think that if you were a complete novice to this process, there would be a real lack of immediate signposting to something that you could do. A lot of the signposting that was on the website was diverting to UK Trade and Industry resources or Her Majesty's Revenue and Customs resources. It just strikes me again that you are in a situation where, yes, you could blame small businesses for wanting their hands held every step of the way, always wanting more and that kind of thing, but, ultimately, if this is something that we want to encourage as a public policy objective, then we need to provide that support in a way that is meaningful to businesses that are exporting, and those that we want to see exporting in the future.

[25] **Mr Miles:** It is also worth looking at how we define exports. For some businesses, selling things in the next valley over would be a next step towards that kind of exporting mentality. It could be selling outside of Wales, sometimes. It is how we get those people to think about selling their products to new markets, really. That is one of the issues that we would like to look at a little bit more, I think.

[26] **Joyce Watson:** Moving on, what are your views on the Welsh Government's international trade opportunities programme? Do you think that it is effective?

[27] **Mr Davies:** Looking at the feedback that we have had from reading the papers that have been submitted, I think this question is about what value we get. We have always taken the opportunity to support the prospect of ministerial trade missions and outreach. We see it as incredibly important. We always try to avoid the easy politicisation of the prospect of Ministers or others going on trade missions. Where, across the UK, they have taken place, maybe by UKTI or other parts of the United Kingdom, FSB as an organisation has supported them. I was speaking earlier this week to the Secretary of State for Wales, and just informally saying, on some opportunities that he was identifying, that we would be happy to support them. We have no principled objection to it happening, but again, our concern would be: what are the returns on that investment of time and energy by Ministers and others in that kind of programme? Again, I do not think that the evidence is to hand to make an informed judgment on its effectiveness.

[28] **Joyce Watson:** Have you had any experience, or have your members, of being on a trade mission?

[29] **Mr Davies:** Not within Wales. We have experience with members outside Wales who have done it and seen it as quite effective—both as advocates for small businesses in the UK and indeed for their own businesses themselves.

[30] **Joyce Watson:** So, they found that effective.

[31] **Mr Davies:** Yes.

[32] **Nick Ramsay:** Keith Davies, did you want to ask your questions on Welsh Government support?

[33] **Keith Davies:** Gwnaf ofyn i chi am y cymorth y mae Llywodraeth Cymru yn ei roi. Beth ydych yn meddwl amdano? Rydych yn gallu dweud y gwir, os liciwch chi.

Keith Davies: I will ask you about the support that the Welsh Government gives. What do you think of that? You can tell the truth if you want.

[34] **Mr Davies:** Rwy'n credu bod ein safbwynt ni ar y record yn barod. Rydym yn croesawu'r ffaith bod cymorth ar gael. Rydym yn croesawu'r ffaith bod un porth, un *gateway* yn awr, bellach, ac un brand. Rwy'n credu, yn y gorffennol, bod *churn* wedi bod yn nhermau'r *brands*. Mae un o'ch cyfranwyr wedi crybwyll yn barod bod FS4B wedi bodoli, ond ei fod wedi dod i ben yn awr, er enghraifft. Felly, mae'r brand wedi newid dros amser. Ar lefel eithaf generig, rydym ni'n credu ei fod yn bwysig bod yna gymorth, bod y brand yn amlwg a bod y porth yn effeithiol, ond, yn y pen draw, ansawdd y cynnwys yw'r peth pwysicaf, a'r berthynas y mae'r unigolion yn medru ei chael efo'r cynghorwyr. Ar y lefel honno, rydym o hyd yn cwestiynu a yw'r ddarpariaeth yn addas. Rydym yn credu y byddai'n well i ni gadw'r ddarpariaeth bresennol, ei ehangu, ei gloywi a sicrhau ei bod hi'n addas ar gyfer y dyfodol, yn hytrach na thrio ailysgrifennu'r holl ddarlun o'r pwynt cyntaf.

Mr Davies: I think our views are on the record already. We welcome the fact that there is support available. We welcome the fact that there is one gateway now, and a single brand. I think that, in the past, there has been a churn in terms of the brands. One contributor has mentioned already that FS4B existed, but it has been wound up, for example. So, the brand has changed over time. On a generic level, we think that it is important that there is support available, that the brand is prominent and that the gateway is effective, but, at the end of the day, it is the quality of the content that is important, and the relationship that people can have with the advisers. On that level, we continue to question whether the provision is appropriate. We do think that we should stick with the current provision, expand it, enhance it and ensure that it is appropriate and fit for purpose in the future, rather than trying to rewrite the whole thing from scratch.

09:30

[35] **Keith Davies:** Gwnaethoch sôn amdano yn awr ac wythnos diwethaf neu'r wythnos cyn hynny, yr oeddem yn ei drafod yn y fan hon: beth yw'r brand yn awr?

Keith Davies: You talked about it now and, last week or the week before, we discussed it here: what is the brand now?

[36] **Mr Davies:** Business Wales yw'r unig frand sydd i fod yn borth at y cyngor busnes, beth bynnag yw'r pwnc. Ond, rwyf yn credu bod amryw o ffynonellau eraill yn digwydd—mae cynghorau lleol yn trio chwarae rôl hefyd. Y peth gorau yw bod unrhyw un yn gallu cyfrannu at y broses. Triwch chi, yn eich amser rhwng nawr a'r *Plenary* efallai, i fynd at y porth ar y we a sylwch fel unigolion lleog sydd yn ffugio dechrau menter am y tro cyntaf beth sydd yn eich taro chi ynglŷn ag ansawdd y cynnwys ar y we. I'r fan honno y mae'r rhan fwyaf o bobl yn mynd y dyddiau hyn. Roeddent yn arfer mynd at eu banciau, at eu cyfrifyddion a

Mr Davies: Business Wales is the only brand that is supposed to be the gateway to business advice, whatever the issue. But, I do think that there are a number of other sources—local councils try to play their own role. The best thing is that anyone can contribute to the process. Try, in your own time between now and Plenary, to get on to the web gateway and note as lay individuals who are pretending to start a business from scratch what strikes you about the quality of the web-based provision. That is where most people go these days. They used to go to their banks or their accountants and other financial and professional advisers, but businesses, and

chyngorwyr proffesiynol eraill, ond nid ydynt yn gwneud hynny fel busnesau erbyn hyn, yn enwedig busnesau bach. Maen nhw'n fwy tebygol o fynd naill ai at rywun sydd â phrofiad neu ar eu liwt eu hunain at ryw fath o ffynhonnell ymgynghorol.

[37] **Keith Davies:** Roeddwn yn falch i'ch clywed yn sôn eu bod nhw'n cysylltu â'r awdurdodau lleol hefyd achos mae cefnogaeth yn dod o'r fan honno. Gofynnais gwestiwn i'r Gweinidog ddoe am y siop un stop, achos mae rhai newydd yn awr. A ydynt yn rhoi cefnogaeth i'ch aelodau?

[38] **Mr Davies:** Ydynt, yn sicr, ar amryw o bethau. Yr hyn yr ydym yn nodi o'r broses *one-stop-shop—Business Wales*, hynny yw—yw, weithiau, mae'n debyg bod yr unigolyn yn troi i fyny ac yn dweud, 'Rwyf eisiau cymorth ar ysgrifennu cynllun busnes, sydd efallai yn cynnwys allforio fel rhan o'r cynllun busnes', a'r hyn sydd yn dueddol o ddigwydd yw mai cyfnod byr o amser yn unig sydd ar gael i gynghori'r unigolyn. Mae'r cynllun busnes yn cael ei greu, ond efallai nid yw'r sgiliau craidd yn aros gyda'r unigolyn, gyda'r busnes, ar ôl gadael y man cyngor. Yr hyn sydd ei eisiau arnom efallai yw sicrhau bod cyngor arweinyddiaeth busnes, *leadership and management development*, yn digwydd ar yr un pryd hefyd. Mae'n gwestiwn anodd. Rwyf yn cydnabod bod y Llywodraeth a phawb arall—hyd yn oed yr awdurdodau lleol—yn bwriadu ac eisiau rhoi cymorth. Y cwestiwn mawr, efallai, yw a oes ffydd gan y cwsmer yn y ddarpariaeth, a hefyd a yw'r ddarpariaeth wedi'i heffeithio gan y newidiadau mawr sydd wedi bod yn y gorffennol. Mae cwestiwn hefyd ynglŷn â'r ansawdd.

[39] **Keith Davies:** Yn eich adroddiad, yr ydych yn sôn efallai bod rhyw wendid. Rydym yn edrych am gryfderau a gwendidau, ond efallai bod gwendid gennym o ran y sectorau sydd gyda ni. A ydynt yn rhy gul?

[40] **Mr Miles:** We are talking about two distinct policy areas here—inward investment and exporting. From our point of view, you will be well aware that we have criticised the sectoral approach before because we think that it is quite confusing. We went out and surveyed our members and a lot of them did not know which sector they were in. We do see a lot of layers of policy, so we have enterprise zones, sectors and city regions, and it does build up a confusing picture. But, I think that it is worth recognising that they do provide different types of support. Perhaps many of our members will go to Business Wales for advice on that

particularly small businesses, do not do that anymore. They are more likely to go to someone who already has experience or they will go to some sort of consultative source.

Keith Davies: I was pleased to hear you say there that they do contact local authorities, because there is support coming from that direction. I asked the Minister a question yesterday about the one-stop shop, because there are new ones now. Do they give your members support?

Mr Davies: Certainly, yes, on a number of issues. What we note from the one-stop-shop process—that is, Business Wales—is that, on occasion, it seems that an individual may turn up and say, 'Well, I want advice on writing a business plan that may include exports as a part of that plan', and what tends to happen is that there is only a brief period of time to provide advice to the individual. The business plan is drawn up, but perhaps the core skills do not remain with that individual, with that business, once they have left the advice centre. What we need to ensure is that leadership and management development happens simultaneously. It is a difficult question. I do acknowledge that the Government and everyone else—even local authorities—do want to provide advice. Maybe the major question is whether the customer has confidence in the provision made, and whether the provision has been impacted by the major changes that have taken place in the past. There is another question on quality.

Keith Davies: In your report, you say that there may be some weaknesses. We are looking for strengths and weaknesses, but we may have some weaknesses in the sectors that we have. Are they too narrow?

kind of day-to-day business plan and those kinds of issues, but if we are talking about people starting to export in certain sectors—perhaps in advanced manufacturing—then it is vital that we get that sectoral support right first time and that it is not too confusing for the customers, as Iestyn said, who are looking for this kind of support.

[41] **Mr Davies:** It is also vital, Chair, that it does not become a closed shop. There are seats around the table in that sectorial approach that are to a degree—inadvertently, I am sure—excluding others from engaging more effectively, particularly if they are small players in what can be quite a niche market.

[42] Rydym ni yn croesawu'r ffaith bod strwythur, bod darpariaeth a bod y Llywodraeth yn barod i gefnogi busnesau. Nid ydym am eiliad yn rhoi damcaniaeth o fwriad hynny. Yr hyn yr ydym ni eisiau ei sicrhau yw bod y deilliannau yn ddilys a'n bod ni yn gweld cynnydd yn yr economi.

We do welcome the fact that there is a structure in place, that provision is made and that the Government is willing to support businesses. We do not for one second cast any aspersions as to the intent of that. What we want to ensure is that the outcomes are positive and that Wales benefits economically.

[43] **Nick Ramsay:** I would like to ask about what you said about the sectoral approach being confusing. Is it the whole approach that is confusing or is it the selling of the sectoral approach, if that makes sense?

[44] **Mr Miles:** Our research turned up two things. One was that sectoral approaches do not tend to be the best way to foster this kind of business growth. That is more of a high-level philosophical policy argument. The second was that, if you are going to take a sectoral approach, you have to be pretty ruthless in how effective you are and how you target those sectors. From our point of view, about 66% of businesses fall into a sector, so it is not massively targeted. It is not clear what the objectives are for the sectors; it is not clear what the key performance indicators are and, as a result of that, it is quite difficult to ascertain what those sector panels do and how they are going to support our members on the ground.

[45] **Mr Davies:** The question is often whether or not a particular panel does now exist or does not exist, or whether it is merged with another and whether reports have been made. In the context of looking at the appropriateness of European funding, for instance, to advance the agri-food agenda in Wales, so that everything from bespoke, artisan products right through to supporting companies resident in Wales that produce very commercial, highly manufactured level foods, it was only in the context of a meeting there that it was actually admitted that the agri-food sector for instance had come to an end and no longer existed. We are paid to try to keep abreast of this. So, if you are a small, bespoke artisan food producer, looking for an opportunity to support the hospitality and tourism trade, for instance—although you do not see yourself as manufacturing, although that is, essentially, what you are doing—and if we are not completely aware and cannot keep you up to speed, and it is quite opaque what is going on, then that wider support, if you like, from the Welsh Government can sometimes act against the kind of innovation that we would like to see, particularly in terms of helping SMEs and micros to be part of that sectoral strategy.

[46] **Nick Ramsay:** That is interesting. The next question is from Eluned Parrott.

[47] **Eluned Parrott:** Clearly, an economy, particularly the Welsh economy, which has a lower gross value added than other parts of the UK, will need a growth strategy. You have said that you do not believe that there is a strategy in place and you have talked about the confusion between different tactical interventions. Do you think that there has been a lack of that higher level strategic thinking in terms of Wales's economy?

[48] **Mr Davies:** Members might be aware that we often hold the opinion that the Welsh Government strategy often conflates industrial strategy, in other words, it supports key sectors with economic development, which is wide and broad, whereas sectoral support has to be narrow. The more sections you choose, the narrower those sections are. So, instead of being specialist sectors, they can become defining, excluding sectors. So, you have to get that kind of balance right. We would certainly support the Welsh Government in areas of its policy where it takes an economic development view, for instance, in its support of things like the availability of capital through the development of a Wales bank, which you were discussing yesterday. Today, we are seeing a very wide upskilling approach to the economy. We recognise that those two strategies have to coalesce, but our preferred model would be to see a much more detailed economic development strategy. Clearly, if we are trying to raise GVA, there has to be a role for foreign direct investment and a role for endogenous growth—growth from within Wales.

[49] The big problem that we see with the FDI is not that it is for the big boys and that it should be left to the Confederation of British Industry and the Institute of Directors to fight over—it is not about that kind of definition of size—but that, while we have historically seen jobs and GVA contribution come from foreign direct investment, our understanding of the wider global picture is that there is a smaller share of FDI capital available within the world and that more companies or locations are chasing that investment. So, it is a smaller pie and more fingers in the pie mean less for everywhere, not just for Wales, and if you get the strategy wrong to attract it, you are starting from behind the curve as well.

[50] **Eluned Parrott:** A criticism of economic development strategies in the 1980s was that they were too reliant on foreign direct investment. The economic renewal programme is looking at this indigenous growth issue to a much greater extent. Do you think that we have been too parochial and too preoccupied with things like procurement policy and selling more into Wales? In terms of growth strategy, should we be doing more in terms of market development and export? Is that something that has been forgotten in this strategic view?

[51] **Mr Davies:** I can certainly say from our point of view as an organisation, in terms of trying to handle the range of issues that get brought to our table, which we then often pass on to you as Assembly Members and members of the committee, that we have taken the decision as a policy unit that we need to recognise the limits of what we can do in terms of procurement policy. It is a very important policy driver, but I think that you get to a stage, particularly on repetitive spend and services, where fixing the gap within the Welsh economy, caused by the failure to procure services locally, does not give you the GVA gain within the economy of Wales. So, we have to get that balance right. We would then see the other agenda as being one of ensuring that businesses can grow, wherever that opportunity for growth might come—whether it comes from procurement, from exports or from providing better services within the supply chains that exist in Wales. That would be a better regulation agenda. It is about how we can free up businesses to allow their capacity to grow over time. Again, that would come within the economic development sphere of things.

[52] We have to recognise that we cannot have and do everything. There is a limited Government budget and there are historic problems with our economy. So, any support and targeting that the Welsh Government chooses to do, be it through export, procurement or anything else, has to be very clear, based on outcomes and has to have an honest assessment of where we stand and an ability to set goals, or key performance indicators, that are public and accountable and allow us all to see whether we are making progress as an economy.

[53] **Mr Miles:** I think that it is also worth looking at inward investment policies as part of the sustainable development mix. For instance, a lot of criticism has been made in the past that we had a lot of inward investment, but that it quickly went and the jobs went with it. We want to encourage inward investment and we want to encourage it to stay in Wales. One of

the ways you do that is by embedding the supply chains that are there, and they tend to be our members—people supplying companies that come here.

[54] If you look at the job figures over the last 10 years—I have just done some quick figures in front of me—you will see that about 68% or 78% of jobs created over the last 10 years were created by SMEs. So, inward investment has its place; it will bring in large numbers at any one time. However, over the longer period, the more important thing for us is how we embed that and how we get the supply chains to maximise the opportunity to develop those kinds of sustainable employment opportunities that we need.

[55] **Eluned Parrott:** The Minister suggested in a debate yesterday that that kind of embedding has improved over a period of time. Is it your experience that we are now doing better, in terms of embedding inward investment in Wales, or do you believe that we need to think again about the strategic approach that we are taking?

[56] **Mr Miles:** I do not think that we have any evidence to say either way.

[57] **Mr Davies:** We do not really know, do we?

[58] **Mr Miles:** We probably need further analysis on that issue to get to the bottom of it. If that is going to be a key plank of inward investment policy, we need to articulate it and measure it, setting it against some targets and objectives.

[59] **Mr Davies:** Members will be aware of our observations that the GVA figures for Wales are often a year or 18 months out of date. We have employment figures being published, which is good news, and whether you see that as something that Westminster, the Welsh Government or, indeed, ambitious local authorities should credit for is a moot point. Ultimately, the figures in terms of employment are going up, which is to be welcomed, but we have no real basis to say that there is a direct corollary as to why that is happening, or to say whether those jobs that are being created are encouraging greater GVA growth, because of the time lag between the two sets of figures. Of course, we could say that we are employing more people on lower wages, and that there is no real value, in terms of increased productivity or attained value to the economy of Wales. So, part of the reason for not digging that deep into some of these complex areas is because we are starting from a blank sheet of paper, and there is not much available in the public domain that is contemporary to allow us as an organisation to take an opinion on it for Wales.

[60] **Mr Miles:** Also, where we do have data, they are not necessarily analysed in any great depth and set into Government documents, which can be a problem. You will see that the Scottish Government has a target of 50%. I pulled out something from its equivalent research service, which has made a massive analysis of how Scotland performs in terms of exports. We do not really have those data at the moment. So, we need to do those things first so that we know exactly where we are, and then set the policy on that basis.

[61] **Eluned Parrott:** So, it is about having a high-level strategy, more information, in terms of data collection, and analysis. When it comes to the support that is available to businesses already operating in Wales, you really have painted a picture of confusion and difficulty to access and understand which of the different tactical interventions are available and accessible. Targets are one thing, but what else should the Welsh Government be doing to improve the clarity and the coherence of the offer that it is making to businesses already based in Wales?

09:45

[62] **Mr Davies:** It needs to get boots on the ground. As a business that has to deal with

the same customers that Business Wales are targeting, we know that those targets for Business Wales are also our customers. We know that if we send a direct mailshot, we rely on the websites, and even if we try to organise a visit to the members, if we do it via a broadcast approach, we will have very limited results. So, we have to get down and dirty with the data; find where the businesses are, telephone them, go to see them, build a relationship with them and encourage them to get involved. That methodology is true of anything that you want to do with this particular client group. It is a feature of SMEs and micros that they have chosen to be beyond the norm in terms of where most people are. Most of us are not self-employed people. These individuals in small businesses are generally beyond, or on the margins, of what would be normative—not quite normative ‘behaviour’ but normative ‘experience’. So, you are dealing with people who have chosen to put themselves outside of those normal circles.

[63] **Mr Miles:** I think that the boots-on-the-ground approach really does work. We had our policy meeting in early January, and one of the things that we discussed was apprenticeships. You will be aware that the young recruits scheme was expanded, and nearly every member around the table said that they had been contacted at some point about whether they wanted an apprentice or not. So, there is a very proactive approach there that does bring results in the end.

[64] **Eluned Parrott:** In terms of your members’ experiences, it is about being more proactive and not waiting for people to dig through web pages in order to find the information that they want.

[65] **Mr Davies:** I think that members will be familiar with that. Our overall observation is that we tend to aspire in Wales to the *Field of Dreams* approach to economic development—you know, ‘Build it and they will come’—whether that is a business park, a website, or other forms of provision. If you look at the challenges for any economy, particularly one like ours, you will see that it is the other way around; you have to go out to engage. So, again, if organisations, or if you as politicians, wait for people to come knocking on your door, then, yes, you could be very busy, but you would not be engaged with the kinds of people you would want to engage with. That would be our experience, and I am sure that that chimes with other individuals as well.

[66] **Nick Ramsay:** I am just making a note of the *Field of Dreams* approach—that is one for my quote book. [*Laughter.*] Thank you, Eluned. Mike Hedges is next.

[67] **Mike Hedges:** I thought that the Liberty Stadium was the field of dreams. [*Laughter.*]

[68] We have had the Treforest industrial estate, regional enterprise grants, enterprise zones the first time around, and Welsh Development Agency advance factories—a huge number of incentives for bringing in inward investment. Some have been more successful than others. What is your view of the effectiveness of the current incentives offered by the Welsh Government?

[69] **Mr Davies:** They seem to be incentives to locate in a particular area. One of the things that we are concerned about—and we have begun discussing this with other parts of Government, and, indeed, other providers, such as the further education sector—is how we make sure that locating in any given area is attractive on a number of fronts, not just because it is cheaper, for instance if the business rates are cheaper, although, that is an important incentive for larger companies to locate in an area, and I am particularly thinking of the enterprise zone policy of business rate relief there. We clearly accept the incentive of capital allowances as well. However, businesses want to be located in a particular area. Perhaps some of the things that we do not consider are what the cultural and social opportunities are for individuals to be located in a particular part of Wales. It is also about the skill mix. Our

understanding is that, where a regional economic development policy, particularly a very localised and regionalised one, such as the city regions policy, is seeking that famous agglomeration effect that has been successful, the approach that has been taken by FE colleges, universities and existing employers and suppliers is to ensure that there is a much wider and an attractive package of support in the area to relocate to or invest in.

[70] **Mike Hedges:** Following on from that, what is your view on the approach taken to providing ongoing support for inward investment, not only by the Welsh Government but by local authorities and academic institutions? There is an awful lot of support that is available from all of those. Do you have any views on that? Do you think that we concentrate too much on what the Welsh Government can and is doing, and not enough on what is being done by other partners?

[71] **Mr Miles:** I think that there is a case for rationalising how we approach some of this, particularly in the light of what the Williams commission has said. You will probably be aware that local authorities do not have a massive duty to promote economic development. The Welsh Government provides its own Business Wales support, but some local authorities duplicate it and provide similar support. From our point of view, we would love to see local authorities working more closely with the Welsh Government. Perhaps the Williams commission is an opportunity to re-examine that particular relationship to see how we can, perhaps, make it a little better.

[72] **Mike Hedges:** I am interested in your views on the Williams commission; you did not say anything about the fact that half of the new Neath Port Talbot and Bridgend council would be in the Cardiff region and half would be in the Swansea region, which may well cause certain problems. I want to ask you about the role of tax powers in terms of attracting inward investment. It is something on which you and I will disagree, because I believe in the equilibrium between rent and rates. If rates drop, the rents will go up and vice versa. That was experienced in enterprise zones outside of Wales when the area was owned by the private sector. In Wales, it was not, because the Swansea enterprise zone, for example, was almost exclusively public sector. Do you have any views on tax-varying powers and perhaps the unintended consequences of tax-varying powers, like zero rates but a 50% increase in rents?

[73] **Mr Davies:** Currently, we are aware that rental values are not being borne out by the valuation for business rates. There is a big disconnect. There was some media exposure of this issue particularly around the area of Newport some weeks ago, where there was almost a 50% difference in what you would pay in rent for a building and what the rateable value might be, based on the previous evaluation. So, there is clearly a disconnect now in what is going on between these two areas of policy. It is the law of unintended consequences to a degree. In terms of where fiscal policy is important, we have concentrated, in our response to the Silk commission and in the evidence that we gave a fortnight or so ago to the Welsh Affairs Committee, on the issue of personal taxation. We clearly would like to see the decoupling of the lockstep to allow variations to take place across the bands in order to give, first of all, greater freedom to the Welsh Government, but also greater accountability and greater opportunity for you to scrutinise us as members of committees on the extent to which that policy is effective. At the moment, it is just slightly less than 50% of our members. If our membership is indicative of the wider SME and micro sector, hopefully it would be true there. Slightly less than 50% are actually incorporated. So, if we neglect personal taxation, we neglect an important fiscal lever, if you like, that does affect the vast majority of small businesses and microbusinesses.

[74] Our colleagues in Northern Ireland would argue that corporation tax is something that needs to be used effectively. I think that our colleagues in Scotland would perhaps sit on the fence a bit. It is a difficult time for them at the moment to form any judgments about how independent policies should be on either side of the Scottish border. Ultimately, I think that

all of the evidence points to the fact that, if you can create in a particular area an attractive proposition for business, either through capital allowances or through changes to business rates or corporation tax, then business does flow, where you similarly open the gates and put up a sign saying, 'Cheap tax is here. Come and invest your business with us'. I do not think that that really works in itself. It is a much more complex picture.

[75] **Mr Miles:** Just to go back to the point about non-domestic rates, we attended an event a couple of weeks ago with the Welsh Government, looking into how devolved business rates could be changed to make the economic environment more favourable in Wales. One of the big issues that came up was how much of a concern this is for businesses. Had you asked those representing larger businesses, you would have found that they thought that when businesses made inward investment decisions, business rates were probably quite low down the list. From our point of view, when we speak to our members, business rates are quite high up the list. So, I think that one of the things that we have to be sure about when we change business rates policy is what we are trying to achieve with it. If we use business rates policy as a way of leveraging inward investment, we might not succeed in that respect because it is not something that inward investors look at that much. However, if we use it in terms of regenerating the high street or giving our town centres a bit more vitality, it could be very successful. So, I think that we need to appreciate what it is a lever for.

[76] **Mike Hedges:** I have two points to add. Local authorities, for example, will give 12 months, 18 months or two years' 100% rate relief to major inward investors as part of the welcome package. I did some research some 12 months ago, looking at small rented properties. I found that over half of them had combined rent rates. I also know, from experience in an area that I represent, of a landlord increasing the rent and saying, 'The rates have gone up again', when actually those people have 100% rate relief.

[77] **Mr Miles:** Yes. The rate relief issue is a big one, to be honest. If you have combined rent and rates, sometimes increases in rate relief are not passed on to the businesses occupying those premises. That is an area of concern to us.

[78] **Mike Hedges:** Finally on this point, would you agree with me that it would be helpful, when combined rent and rates are charged on a business, that the actual payable rates are made known to that business? It would help it to know, if it is paying £10,000 per year, for example, and has 100% rate relief, that that 100% is shown to it, rather than its being told that it is the rates that are the problem.

[79] **Mr Davies:** Most definitely. With greater scope to act in terms of business rate policy now, hopefully, resting with the Welsh Government, we would like to see such initiatives. It does not have to be wholesale replacement of a property-based taxation system that would improve the conditions—marginally, perhaps, for foreign direct investment into Wales, but more importantly for the supply chains and local businesses—as quite modest changes can make a real difference to the prospects for businesses in local communities.

[80] **Yr Arglwydd Elis-Thomas:** Diolch yn fawr am y dystiolaeth rydym yn ei chael, sy'n ddefnyddiol iawn. Hoffwn godi un cwestiwn pellach ynglŷn â darpariaeth addysg a hyfforddiant fel ffordd o godi gêm busnesau unigol a hefyd y gweithlu. Beth yw natur eich perthynas chi gydag ysgolion busnes a phrifysgolion, ac, yn bwysicach efallai, gyda'r sector addysg bellach? Rwy'n gwybod bod lot o'ch aelodau yn gwneud cyfraniad uniongyrchol i reolaeth y **Lord Elis-Thomas:** Thank you very much for the evidence that we have had, which is very useful. I would like to raise one further question about the provision of education and training as a way of raising the game of individual businesses and the workforce. What is the nature of your relationship with business schools and universities and, more importantly perhaps, the further education sector? I know that many of your members make a direct contribution to the management

sefydliadau hyn, a byddai'n dda gennyf wybod beth y gallwn ni ei argymhell i wella sgiliau busnes a deallusrwydd busnes wrth i'r farchnad symud yn gyflym.

of these organisations, and I would like to know what we could recommend in order to improve the skills of businesses and business knowledge, given that the market moves so quickly.

[81] **Mr Miles:** If I could just come in quickly on that, I attended the Institute for Small Business and Entrepreneurship conference with a couple of colleagues. It was held in Cardiff and is an international conference for small-business academics. The first question that was asked as part of the conference schedule was how they could relate more to the businesses that they are studying. So, they find it very difficult to take what they are doing, which is fairly abstract a lot of the time, and turn it into something that would impact businesses on the ground. However, there are many opportunities there. We have a lot of good academics in Wales. We try to work with most business schools in Wales, but there is definitely an opportunity to take that further.

[82] **Mr Davies:** We would like to see the extension of initiatives such as the national centre for universities and business, where there is a real direct brokering of relationships between individual, possibly larger, employers. Indeed, we would encourage that organisation to consider the public sector, particularly the NHS, as a means of developing that relationship. We would like to see universities realising that one of the criteria for success for them needs to be a much more intelligent understanding of destination for students leaving—undergraduates into graduates. There are other drivers that are causing that to happen, particularly things such as the research assessment exercise with the research excellence framework and all of the other programmes that are going on. It is a real challenge to higher education and it may be a question that you can put directly to the sector, asking, 'We know that you recognise that it is a problem and a challenge, but what are you doing practically?' So, we try to broker that relationship directly with all of the HE establishments in Wales and look not just at the business schools and management schools, but at areas where knowledge needs to be gained and applied, even in English and Welsh language, humanities subjects, not just in those areas of science and technology that are in vogue at the moment. It is a big challenge, but it is one that I am confident that universities in Wales can meet.

[83] There is also a halfway house, namely the role of FE, and the question of how we can encourage greater entrepreneurship and, in this context, a greater understanding of the potential of export for individuals who are leaving FE colleges and going in particular into higher level apprenticeships with larger manufacturers. How can they make sure, when they leave an FE college or an apprenticeship, that they have had information regarding how to run their own business and the importance and significance of export to an employer, and to ensure that this is the new normative behaviour for somebody who is involved in a company. That makes the individual much more attractive to a potential employer, with opportunities and potential for that FE college in what is a very difficult time for that sector, and we are much more likely to find them leading the way rather than being dragged into something that has changed around them.

[84] So, in relation to today's strategy on skills, announced by the Deputy Minister, it is important to see that in the context of the need to upskill and to export so that Wales, in terms of entrepreneurship, is very much outward looking, not just inward looking. Ultimately, that is something that needs to track back to schools and we need to ensure that schools have good links, whether, in north Wales, with the likes of Siemens and BAE Systems, or with General Dynamics in south Wales—whoever it might be—so that schools, for pupils at a young age, are encouraging not just entrepreneurship, which we would all recognise, but an outward view. So, whether you end up becoming an employee or a business person in your own right, you are seeing Wales as a country that is outward looking in terms of business and the economy.

[85] Historically, we were outward looking; we always exported preachers and teachers, but I do not think that we have really understood what it meant to be an outward-facing—

[86] **Lord Elis-Thomas:** And a few engineers.

[87] **Mr Davies:** Yes, and a few engineers as well. We are very good at capturing our engineers and keeping them in Wales.

10:00

[88] So, I think that we have had that history but, largely, possibly—and I am expressing a personal opinion now—our reliance on the public sector has meant that we have become very, very inward looking in Wales, and we need to invert that and make sure that we are looking much more towards even close horizons; it does not have to be far distant horizons. However, as Josh said, even thinking of exporting from one valley to another might be a very good way to start.

[89] **Lord Elis-Thomas:** Diolch yn fawr.

[90] **Nick Ramsay:** A good place to start. We will start now with Julie James.

[91] **Julie James:** Thank you, Chair. I just want to go back to something that you said about procurement earlier that I was fascinated by. You know that we have had long discussions about various procurement things. My impression has been that the Welsh Government has been pretty good at changing its procurement policy around, both for support for SMEs to get public sector procurement and in terms of supporting some of the SMEs and the more medium-sized companies in particular in participating in some of the public procurement exercises in Europe. I wonder whether that is your experience.

[92] **Mr Davies:** Yes, it is. We have put on record in the council for economic renewal and in other conversations we have had that we feel that the leadership shown by the Minister for Finance, your colleague Jane Hutt, has been very instrumental in this. I generally feel that there is cross-party support in recognising that there is more that we still can do. However, I think the point we are making is that, particularly for procurement within Wales, there is a point of limited return. You get to the point where the gains are very marginal. So, then we need to start thinking in terms of what the possibilities are for supplying services to businesses in England and then thinking beyond and making use, obviously, of the single market. That is where we were thinking we would begin to export. In fact, on exporting services to the public sector in Europe, I think that there is some work that could be done there, largely because we will come to a point where the return is very marginal with regard to what we can gain from, particularly, the common repetitive spend and the service contracts that have had greater focus.

[93] I feel—and this is not limited to the question of export—that there is a lot more we can do in terms of public benefit for large capital projects. Having a fairly well developed infrastructure programme that is now being rolled out by Welsh Government, being able to maximise the potential of Welsh businesses to meet the demands, possibly as secondary and tertiary contract suppliers for those large-scale infrastructure projects, should put us in a very good position, because one thing is very clear, as I saw when I was in London this week: if you are walking past a Crossrail site and you look at many of the large infrastructure developments going on in England, you will see that there seems to be a shortage of skilled construction and infrastructure workers there. So, if we can get that aspect of public procurement sorted in Wales, the opportunity to capitalise on that as a form of export of services is very good.

[94] One area I would suggest that perhaps we do need to remember, of course, is that tourism is a form of export. We are exporting there without actually leaving home. In terms of an input-output analysis, it is actually classed as an export. Therefore, our export market can be England, or it could be Europe, as you pointed out, but it could well be through a better tourism and hospitality industry—export that is actually close to home.

[95] **Julie James:** I could not agree with you more on that. Just to follow up that other point, are you aware that the Government recently piloted a project bank system for companies funded by any kind of Welsh Government investment, including inward investors and exporters.

[96] **Mr Davies:** Yes.

[97] **Julie James:** What did you think of that as an initiative?

[98] **Mr Davies:** We welcomed it.

[99] **Mr Miles:** Yes, we have been quite supportive of the project bank accounts. We have looked into the new European Union directive to try to see what sort of scope there is for making the playing field a little bit better for second and third-level contractors, and I think the project bank accounts are a pretty good way of going about that, within the limitations of EU legislation.

[100] **Mr Davies:** We would certainly want to see the Welsh Government having the scope to legislate, to ensure that payment is being received by secondary and tertiary contractors, not being held in the bank accounts of private contractors, and that that value is being received immediately in local communities. Our frustration, of course, is that the current constitutional settlement would not allow the Welsh Government to have an impact on what is essentially contract law. We believe that it has a responsibility to act in areas of the public sector, and, indeed, the definition of the public sector, and therefore within the remit of the Welsh Government, should include those emanations of the state—those providers of services that would ordinarily be provided by Government, which is obviously a European doctrine in its own right. Therefore, we feel that the Welsh Government should have the capacity to have a much more direct impact, either through legislation or, in this case, through positive initiatives such as the project bank accounts.

[101] **Julie James:** I am personally currently pushing the Minister to ensure that that pilot project is rolled out to all Government-supported projects, not just public procurement projects, which would include inward investment streams. So, if you look at any of any of the inward investment—what did Mike call them?—‘golden hellos’, or whatever, they would also include the supply chain project bank agreements, and so on, that come with the golden hello.

[102] **Mr Davies:** We feel that that should be extended to where support for apprenticeships and upskilling is happening, and that we should be seeing an investment in oversupply, because there will be a national attrition rate in that apprenticeship or skilling programme. Some people will be leaving the formal programme, perhaps for a company that has been attracted to Wales, and those individuals will need to be retained in the community with higher skill levels than when they entered the programme. So, there is a principle of ensuring that everything that we do, from the Welsh Government’s point of view, at least, for the sake of this committee, adds value to the supply chain, the skill chain and to local communities. Project bank is one way of doing that, as is oversupply of skills provision, ultimately ensuring that, even when we have companies that have been resident in Wales for a long time, they are, to a degree, compelled, if they have to be, to ensure that they are supporting their local economies.

[103] **Mr Miles:** I think that that is where we get industrial policy helping our economic development aims. It goes back to the point that Iestyn made earlier on, about wanting to see an economic development policy that will work across the board, rather than just focusing on how much money we can give to different companies here, there and wherever. It is about embedding those supply chain opportunities and maximising the impact of potential investment.

[104] **Julie James:** I have to disagree with you slightly; I think that the Government has gone to some lengths to try to cross-fertilise some of those issues.

[105] **Nick Ramsay:** Disagreements aside, we are into the last five minutes of this session. We have to try to get through a lot of stuff today, so I understand that it is a little bit cramped. Eluned Parrott, do you have some questions on branding? Feel free to be succinct with your questions and answers; it helps the Chair enormously. [*Laughter.*]

[106] **Eluned Parrott:** We have just heard about the brand of Welsh Government business support, but I want to ask about the brand of Wales itself. Do we have a coherent brand when we are selling Welsh products or Wales as a location abroad?

[107] **Mr Davies:** The Chair wants a succinct answer, and he will get it. I think that there is a lot more that we could do. The promise has been in the pipeline for a long time, but having been in this role for almost three years, I have not seen much that is materially different to what I saw when I first joined the FSB.

[108] **Eluned Parrott:** Back in the day of the WDA, the pitch was, 'This is a cheap place to enter the European market'. That is no longer an appropriate pitch. What would you say would be?

[109] **Mr Davies:** The quality of the services that we can provide, the quality of the skills and the quality of the wider cultural and social environment that you are investing in. This is the place to headquarter your organisation because all the facilities are available. It has to be more than a simple binary proposition of 'Come to Wales because we're cheap'.

[110] **Nick Ramsay:** The natural environment as well for your headquarters.

[111] **Mr Davies:** Yes; this is where you would want to have your headquarters.

[112] **Mike Hedges:** May I ask a quick question? You talk of branding. If I were to go to a school today and ask pupils where Catalonia was, most of them would look at me a bit blankly. If I asked them where Barcelona was, most of the football fans there would be able to tell me about it immediately. Do you not think that it is important to build on the brand recognition and success of our sports teams?

[113] **Mr Davies:** Definitely. Some work has been done by Cardiff Business School on behalf of Swansea City Football Club—it is quite ironic that Swansea University did not get it—which substantiates that point.

[114] **Nick Ramsay:** You mentioned earlier the branding of local authority areas; my area of Monmouthshire, south-east Wales, is marketing itself as a gateway into Wales. So, I would imagine that any overall branding of Wales should take into account the local branding as well.

[115] **Mr Davies:** Indeed. If we had fewer local authorities, that more strategic pitch would—

[116] **Nick Ramsay:** We will not go there. I asked for that. *[Laughter.]*

[117] **Rhun ap Iorwerth:** I should note at this point that changing the colour of Cardiff City FC's kit to red to promote a sense of Welshness is not something that I would be in agreement with.

[118] Rydych wedi dweud pa fath o newidiadau y byddech yn licio eu gweld o ran gwella'r gwasanaeth i ddenu mewnfuddsoddiad a helpu gydag allforion. A oes angen sefydliad newydd o ryw fath i fod yn gyfrifol am hynny? You have said what kind of changes you would like to see in terms of improving the service to attract inward investment and to help with exports. Do we need a new organisation of some kind to be responsible for that?

[119] **Mr Davies:** Fel staff, rydym yn agnostig ar hynny, oherwydd mae'n gymaint o bwnc llog. **Mr Davies:** As a staff, we are agnostic on that point, because it is such a contentious issue.

[120] It is such a vexatious issue. If you asked three businesses whether we should have the WDA back, you would have at least four or five answers. From our point of view as the FSB, that is the largest red herring at the moment in terms of economic development policy. The WDA was a very big organisation, which had a number of functions. You have to be very clear what you are asking for the return of, as to what the WDA used to provide.

[121] **Rhun ap Iorwerth:** Byddwn yn licio gwneud yn glir nad gofyn oeddw'n am y WDA yn ôl; mae pob mathau o ffurfiau gwahanol y gallai sefydliad newydd eu cymryd. Pe byddech yn cael rhyw gerbyd delfrydol i fynd â gwaith mewnfuddsoddi a masnach yn ei flaen, a fyddech yn dymuno iddo fod yn rhan o'r Llywodraeth neu'n adran o'r Llywodraeth, neu'n rhywbeth a fyddai hyd braich o'r Llywodraeth? **Rhun ap Iorwerth:** I would like to make it clear that I was not asking for the return of the WDA; a new organisation could take one of many forms. If you had some kind of ideal vehicle to take trade and inward investment work forward, would you want it to be a part of Government or a Government department, or something that would be at arm's length from Government?

[122] **Mr Davies:** Dylai fod yn hyd braich, a dylai'r diwylliant fod yn un masnachol yn hytrach na'n ddiwylliant gwasanaeth sifil neu sector cyhoeddus. **Mr Davies:** It should be arm's length, and the culture should be a commercial one rather than civil service-led or public sector-led.

[123] **Mr Miles:** One of the most important things that we need to do is learn from the WDA experience, to be honest, and learn what worked there. It had a strong brand, so how do we recreate that, whether it is in-house or an out-of-Government body? It had weaknesses as well, so how do we combat those weaknesses going forward?

[124] **Rhun ap Iorwerth:** Mae gennyf un cwestiwn i gloi. Rydym i gyd yn ymwybodol o wendidau'r WDA, ond rydym hefyd yn ymwybodol o'r cryfder a oedd gan y WDA, o ran y brand. A fyddai ceisio efelychu'r hen frand hwnnw'n gweithio os nad oedd yn asiantaeth a oedd yn gweithio yn yr un modd? **Rhun ap Iorwerth:** I have one question to close. We are all aware of the weaknesses of the WDA, but we are also aware of the strength that it had in terms of the brand. Would trying to emulate that old brand work if it was not an agency working in the same way?

[125] **Mr Davies:** Credaf fod pobl y tu **Mr Davies:** I think that people outwith

allan i Gymru o hyd yn ymwybodol o'r brand hwnnw. Pan ydych yn llwyddo i nodi eich bod yn hyrwyddo Cymru, maent yn cofio'r WDA. Man a man i ni ailddefnyddio hynny. Credaf ein bod i gyd yn ddigon aeddfed yn awr, a bod digon o gysgod wedi cael ei osod dros y cyfnod hwnnw o wleidyddiaeth yng Nghymru, pan fathwyd y term *bonfire of the quangos*, i ni fod yn ymwybodol bod yna bethau y mae'n werth i ni eu hatgyfodi o'r newydd.

Wales are still aware of that brand. When you get the message across that you are promoting Wales, they recall the WDA. We might as well use that. I believe that we are all mature enough now, and that a veil has been drawn sufficiently over that period of politics in Wales, when the term 'bonfire of the quangos' was coined, for us now to be aware that there are things that we should return to and rejuvenate.

[126] **Nick Ramsay:** The final question is from me. Clearly, resources are tight at the moment. Where should the balance be for the Welsh Government? It has to make a decision on attracting inward investors or supporting indigenous businesses and exports. Where should that balance be? Should it be towards inward investment, or should it be to look after the people who are here?

[127] **Mr Davies:** I will fudge the issue, to a degree. A lot of what you have heard from us today has been our perception, as professionals, on this quite vexatious agenda. The key is to look at where we can get the best gains. If there are a number of things being presented around foreign direct investment, we should take them. We should not turn around and say, 'Look, we are not doing that anymore'. We should be opportunistic. Ultimately, the real qualitative difference that we are looking for is that there is no tension between a Wales that is fit for SME growth and a Wales that is fit for FDI or indigenous growth. The qualities that we need to have a successful economy are equal for all of those three. So, we need good skills, good provision and good transport. Ensuring that capital is available is equally as relevant to foreign direct investment as it is to encouraging exports and indigenous growth. We should not have an either/or position.

[128] **Mr Miles:** We should not have an either/or position. We should use both pillars to complement each other, I suppose. That is what we try to get at when we talk about embedding supply chains and those kinds of opportunities. If we are going to have inward investment, let us use it to drive indigenous growth as well, and vice versa.

[129] **Nick Ramsay:** That is a good point to finish on. I thank Members for their questions, and I thank Iestyn Davies and Joshua Miles from FSB for being with us today. I thank them particularly for coming here at short notice. We were a bit concerned with getting witnesses to this inquiry, because we think that it is very important for the future of the Welsh economy.

*Gohiriwyd y cyfarfod rhwng 10:13 a 10:22.
The meeting adjourned between 10:13 and 10:22.*

**Ymchwiliad i Ddull Llywodraeth Cymru o Hyrwyddo Masnach a
Mewnfuddsoddi—Sesiwn Dystiolaeth 5
Inquiry into the Welsh Government's Approach to the Promotion of Trade and
Inward Investment—Evidence Session 5**

[130] **Nick Ramsay:** Welcome back, Members, to this morning's meeting of the Enterprise and Business Committee. I extend a warm welcome to our witness. Thank you for agreeing to give evidence to our committee session today and to our inquiry into inward investment into Wales. Would you like to give your name and title for the Record of Proceedings?

[131] **Mr Pride:** I am Roger Pride, managing partner of Heavenly.

[132] **Nick Ramsay:** Thank you for being with us. We have a number of questions for you, so I propose we go straight into those. The first is from Joyce Watson.

[133] **Joyce Watson:** Good morning. Would you like to tell us the nature of any involvement that Heavenly currently has with the Welsh Government?

[134] **Mr Pride:** Heavenly is on the roster of creative and brand suppliers to the Welsh Government.

[135] **Joyce Watson:** Can you give any details of branding and marketing campaigns that Heavenly has undertaken for the Welsh Government in recent years?

[136] **Mr Pride:** Is that in terms of inward investment or more generally?

[137] **Joyce Watson:** Just branding and marketing, so it will not matter whether it is inward investment, exports or whatever.

[138] **Mr Pride:** Most recently, Heavenly has been involved in developing a brand strategy for Qualifications Wales.

[139] **Lord Elis-Thomas:** I am very grateful to you for everything you taught me about marketing theory when you were at the tourist board. It certainly changed my attitude towards tourism and what we were looking for. How was your thinking about the importance of marketing theory developed as you worked for other aspects of Government, and what would you say is the key necessity for branding for a public body or even a country?

[140] **Mr Pride:** Probably the biggest change in my perspective is an understanding that a brand is not what it says and it is not even what it says it does: it is about what it does. Successful brands live or die on what they do and how they are perceived as a result of what they do. From a tourism perspective, promoting Wales was more about promoting the destination than promoting actually what you were able to experience in the destination. It is clear that, particularly in the social and digital media age—and it goes for place branding—it really is not what you say you do but what you do that counts.

[141] **Lord Elis-Thomas:** What would the difference be between the kind of branding and promoting involved in tourism and how you would look at promoting a Government activity and, more specifically, inward investment?

[142] **Mr Pride:** I think that the key thing, from a customer perspective, is how that customer is handled, received, welcomed and informed by the organisation charged with developing that relationship with the customer. Obviously, the place aspects are important. Ultimately, an organisation locates in a place. So, it is interested in lifestyle, entertainment and all of the things associated more with place than organisation. However, ultimately, it is the way in which those businesses are handled by those charged with that responsibility that really matters. That will be the test of success or not, and, in that context, it is probably relevant to refer to the new campaign that has been developed, which is all about delivery, as it absolutely should be. 'Nowhere delivers like Wales' is a very strong proposition. It is a very bold statement, and it certainly charges those with responsibility for delivery to deliver.

[143] **Lord Elis-Thomas:** So, it works externally for your audience, but it also works for your own deliverers, as it were. It is both directed internally at us, the people who work with us, and at people outside.

[144] **Mr Pride:** The most successful brand propositions work internally and externally.

There are five tests that we would apply to any proposition for place. The first is: is it true? Is what you are saying about the place actually true? Can you deliver your promise?

[145] **Lord Elis-Thomas:** That is probably helpful, is it not?

[146] **Mr Pride:** Yes. The second test is: is it different? Are you saying something about, in our case, Wales, that no other place can say, or is saying, about their destination? The third is the ability to garner support from the people of Wales, or the businesses and stakeholders within Wales. The fourth is: can it influence strategy, policy and delivery or is it just a communications exercise? Clearly, the current proposition does or should influence strategy. The last is: can it last or is it something that is being developed with the short-term perspective in mind? So, those are the five tests that I would apply to any brand proposition.

[147] **Lord Elis-Thomas:** On the last one, how long would you normally expect a brand to last?

[148] **Mr Pride:** Wales is the brand. So, ultimately, it has to last.

[149] **Lord Elis-Thomas:** So, that is forever. *[Laughter.]*

[150] **Mr Pride:** What I was alluding to there is that sometimes brands are created around, let us say, a major event, or they are associated with a particular political administration, and, when those things change, the brand changes. However, ultimately, you have to try to build in some kind of longevity to the brand.

[151] **Nick Ramsay:** That is very interesting. Eluned Parrott is next, then Rhun.

[152] **Eluned Parrott:** You say that that slogan is a bold statement. Is that boldness dangerous?

[153] **Mr Pride:** It is all in the delivery. I would be amazed if that statement had been developed without having first sought to influence the way in which the Welsh Government delivered for its customers. However, ultimately, I am not the person to answer that; it will be the businesses that have been attracted to engage with Wales as a result of that campaign and that brand that will answer that question.

[154] **Rhun ap Iorwerth:** You, and many others, have said that Wales is the brand, but for 30 years, up to the disbanding of the WDA, there was another brand, which was the WDA itself, and people have told us, time and again, that it was a very successful brand, whatever the problems may have been within the WDA. You were marketing director at the time the WDA disappeared. So, suddenly, you had a clean sheet of paper after 30 years of the WDA. How would you characterise, or describe, the approach of the Welsh Government, in terms of marketing and branding, after the WDA had gone and there was a fresh start?

[155] **Mr Pride:** I will answer the question directly, but, first of all, going back to my initial point, which is that a brand is about what it does, rather than what it says it does, if the WDA was a successful brand, it was as a result of the fact that it delivered for inward investors in Wales, not because it was called the Welsh Development Agency. So, as a result, it follows that, if the Welsh Development Agency brand was resurrected, but the organisation failed to deliver, it would make no difference. Equally, if any other delivery organisation delivers successfully, people would soon forget the Welsh Development Agency brand. So, I guess what I am saying is that I think that, a lot of the time, when we hear calls for the Welsh Development Agency brand to be resurrected, what people are asking for is an effective delivery organisation to be resurrected. It is a judgment call as to what represents an effective delivery organisation.

10:30

[156] **Rhun ap Iorwerth:** Is there not an element of attention grabbing, as well? I remember being at a press conference in Shanghai, which was full of economic and business and industry journalists from China who had come there because it was a WDA press conference, not because it was a Wales press conference.

[157] **Mr Pride:** That reputation took a long time to develop. It became a successful brand, because, presumably, the people who wanted to come to that event had worked successfully with the Welsh Development Agency, and, as a result, its reputation was positive.

[158] **Rhun ap Iorwerth:** I will come back to something else in a second, but it is eight years or so since the WDA brand went. Has the brand died by now? Has it been forgotten?

[159] **Mr Pride:** I think that you would have to research that among the marketplace. However, I doubt whether—. I do not necessarily believe that the businesses that are looking to invest anywhere in the world are overly concerned with a brand name. What they are concerned with is that they are understood, that they are delivered a service that is effective, and that they have trust in the people whom they work with.

[160] **Rhun ap Iorwerth:** So, there was never any intention of trying to replicate anything like the WDA brand; it was a continuation of the Wales brand under a different banner. Is that a fair summary of what happened in 2006?

[161] **Mr Pride:** I think that it was very clear that, on merger, for all sorts of reasons, there was no question of retaining the Welsh Development Agency brand. However, a kind of virtual brand was created, as I am sure that you are aware—International Business Wales—which was, effectively, a delivery arm within Welsh Government, but with a different title. So, I think that there was a culture clash, if I am honest, in terms of the heritage of the people in the organisation who, having worked in the WDA, then worked within Government. I think that there was a culture clash. However, there was no discussion at the time about retaining the Welsh Development Agency brand.

[162] I certainly believe that, ultimately, the brand is Wales. One of the things that I passionately believe in, in terms of the advice that we give to other places, is that it does not matter whether the aim of the communication is to encourage inward investment, to encourage tourism, or to promote a nation's food: ultimately, it is the same place that is being talked about. So, there has to be some coherency in that messaging. Perhaps historically, not just in Wales but in almost every place, these individual propositions were developed completely in isolation, whereas, most intelligent destinations, including Wales now, at least have a common core in terms of the brand, style, tone and values, but then messages that are directed very clearly to each individual target audience.

[163] **Keith Davies:** Bore da. Fe wnaf ofyn **Keith Davies:** Good morning. I will ask my
fy nghwestiwn yn Gymraeg. question in Welsh.

[164] **Nick Ramsay:** Are you okay with the headset?

[165] **Mr Pride:** Yes, thank you.

[166] **Keith Davies:** Mae'r Sefydliad **Keith Davies:** The Chartered Institute of
Marchnata Siartredig wedi dweud y dylai Marketing has said that the Welsh
Lywodraeth Cymru dalu ei staff i fod yn Government should pay for staff to be
aelodau o'r prif gorff proffesiynol sy'n members of the main professional body

ymwneud â marchnata. A ydych chi'n cytuno dylai'r Llywodraeth dalu am aelodaeth? involved in marketing. Do you agree with that? Should the Government pay for membership?

[167] **Mr Pride:** That is a difficult one. If it believes that having professional marketers within the organisation is an asset to the organisation then, yes. If their roles are directly related to the delivery of marketing, then, yes. Essentially, that is an internal matter for the Welsh Government.

[168] **Keith Davies:** Yn dilyn yr hyn yr ydych newydd ei ddweud, a ydych chi'n credu y dylai fod gan y Llywodraeth staff marchnata mewnol, neu ai dylai fynd mas i gael arbenigwyr o'r tu fas? Pa mor bwysig yw cael ei staff ei hunain ar gyfer marchnata? **Keith Davies:** Following on from what you have just said, do you believe that the Government should have marketing staff in house, or should it go to out to get external expertise? How important is it for it to have its own marketing staff?

[169] **Mr Pride:** I do not think that it is 'either/or'. If the responsibilities for the promotion of Wales from an inward investment perspective, and, indeed, from a tourism perspective, are within the Welsh Government, then obviously the marketing staff charged with that responsibility also have to be within the Welsh Government. That does not mean that there is not an opportunity to work with external partners where necessary and where it adds value. Essentially—and I guess that I am speaking primarily from a tourism perspective—the marketing of Wales to attract visitors and to boost the Welsh economy is a marketing task, and, if it is the Welsh Government's responsibility, then the marketing team need to be within the Welsh Government.

[170] **Nick Ramsay:** Eluned Parrott is next.

[171] **Eluned Parrott:** I want to talk again about the subject of branding. We talked about the brand of the WDA a few minutes ago. You said that, basically, if a successor body had delivered, people would soon forget the WDA brand. Research by Cardiff Business School has suggested that people have not forgotten the WDA brand, and that it is still currently well-known by people whom it has worked with. Does it follow, therefore, that nothing that has come after the WDA has delivered?

[172] **Mr Pride:** I guess that, as an inquiry, you have all of the evidence at your disposal to make that call. It is a contentious issue and I think that it is probably sensible that the facts speak for themselves.

[173] **Eluned Parrott:** Okay. Thank you.

[174] **Rhun ap Iorwerth:** May I just ask just, very quickly, how did you measure the success of successor brands to the WDA? Could you evaluate their success as compared with what there was previously?

[175] **Mr Pride:** I do not think that there was any direct measurement of successor brands in terms of organisational brands. I think that success was determined by leads generated and by inward investment jobs achieved.

[176] **Eluned Parrott:** Going back to some of the evidence that we have received in this committee, a number of people have suggested that there is no coherent brand strategy for Wales when it comes to trade or inward investment. Would you agree with that analysis?

[177] **Mr Pride:** No. I think that there is a lot of evidence to suggest, certainly within recent months, that there is now a coherent strategy. I think that the new campaign, for

example, is to be welcomed. As I said, it is a bold and ambitious campaign. It is linked to a wider brand strategy for Wales in terms of delivery. So, I think that that needs to be given time to determine whether it is successful or not.

[178] **Eluned Parrott:** Have you seen this brand strategy?

[179] **Mr Pride:** I am aware of it. Yes, I think.

[180] **Eluned Parrott:** So, there is one. It does exist.

[181] **Mr Pride:** Well, I am aware that the business campaign that has been developed very recently has been developed on the back of a proposition, which is 'nowhere delivers like Wales'. I thought that that was fairly common knowledge.

[182] **Eluned Parrott:** Moving away from the slogan, can you tell me about the brand attributes? Essentially, what is the market position for Wales in this new brand strategy in terms of comparative cost, comparative skill levels, and things such as whether we are leading on quality of life? What is the market position?

[183] **Mr Pride:** I am not intimately involved in the development of the website, so, to a certain extent, I am commenting from the outside, but, if you look at the website, it goes through a lot of the things that you would expect to see from an inward investment campaign. So, it talks about access to skills, access to financial support, access to premises and land and so on. Those are what I would call hygiene factors that any country that is looking to attract inward investment would need to consider. What it is using then as a differentiator is the fact that, in a Welsh context, red tape and bureaucracy is cut out as far as the customer is concerned. So, it has all of the things that you would expect, and my understanding is that the key differentiator—and this is from having looked at the website and the communications—is 'Engage with us; ask Wales and we will deliver the answers, and, once you engage with us, we will cut bureaucracy and cut the red tape in order to deliver what you require as a customer'.

[184] **Eluned Parrott:** Would you expect a similar tactical campaign to be used in other parts of the world, because, obviously, this is targeted at the south-east of England at present?

[185] **Mr Pride:** Yes. With the Welsh Government and, indeed, most places developing a very clear sectoral strategy, under that overall umbrella there will be very specific benefits that are delivered in terms of individual sector propositions. They may vary, I guess, from a domestic to an international perspective. So, the overarching brand I doubt would change. The actual focus of the communication would depend on either the country or sector it was focused on.

[186] **Eluned Parrott:** Okay, thank you very much. You actually said a little earlier that you were of the opinion that individual brand propositions for different elements of business, not only in Wales but in other places, were developed in isolation. So, for example, I imagine that you were responsible for developing a brand for tourism for Wales and that perhaps other parts of the organisation at other times have been in charge of the brand for, say, inward investment and that others had been in charge of the brand for other elements. Do you think that that has come together effectively now, that these merge seamlessly into one another and that there is a coherency about the brand?

[187] **Mr Pride:** Actually, I was referring, in all honesty, there to the situation before the merger into Welsh Government, and I was not referring specifically to Wales. I think that, historically, where there were lots of individual delivery organisations, those propositions were, to a certain extent, developed in isolation. I think, I hope at least, that, when the merger

into Welsh Government occurred there was more coherency to the brand strategy in terms of tone, values and a consistent representation of Wales. I suppose that what changed, from an inward investment perspective, was that there was certainly not the amount of money spent on inward investment promotion that there had been hitherto.

[188] **Eluned Parrott:** So, the problem that you identify, rather than a lack of coherency in terms of the brand, is a visibility issue compared to what had gone before.

[189] **Mr Pride:** Yes, I think so, certainly from an inward investment perspective.

[190] **Eluned Parrott:** Thank you. Looking back over the past 10 years, when would you say that Wales had the balance right between a coherent strategy and one that was also visible to the outside world? When would you say, 'Yes, that is the time when we got that right; that was going well'?

[191] **Mr Pride:** I would probably say around major event strategies. The Ryder Cup is probably one of the best examples of that. Perhaps this is a wider point, but I think that, when we are talking about marketing and branding, we need to think beyond advertising.

[192] **Eluned Parrott:** Indeed.

[193] **Mr Pride:** Certainly in this day and age, in a digital and social media world, no destination, no country is going to change its reputation through paid-for advertising alone. It is going to change its reputation through social and digital media, which means that, ultimately, both its customers and its stakeholders need to support what is being said. The Ryder Cup, however, was a great example in a number of ways. It was a catalyst. It had a lot of importance to Wales, so resources were mustered and strategies were developed to take advantage of it. Looking at the visual representation of Wales around that event—and I declare an interest here—I think that it was consistent in that, around the event, you saw a consistent strategy for Wales in terms of style, tone and visibility delivered—

[194] **Nick Ramsay:** Sorry to interrupt, but when did the initial development, the initial planning stages of the development of that brand for the Ryder Cup, start? It was some time before the event, was it not?

[195] **Mr Pride:** Yes. The overall brand strategy for Wales was created around the time of the merger. So, the original thinking on the brand, style, tone and so on took place around the time of the merger.

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[196] We looked at the Ryder Cup and, indeed, other major events as an opportunity to promote the brand, not to create something new and artificial. So, this was an opportunity when millions of people were looking at Wales, and when hundreds and thousands of people were coming to Wales, to make the brand real for them. That is what we tried to do. So, in answer to your question, I would say that, around major events such as the Ryder Cup and the Ashes, that is where it really worked, because there was a commitment to spend money around those events to make them work.

[197] **Eluned Parrott:** Finally from me, if I understand what you have said correctly, essentially, it was that no amount of image or advertising will make a brand successful if the experience of the brand, when it is accessed, is not consistent with the message that you put forward. So, you have said just now that it is important that customers and stakeholders support what is said in terms of what the brand is. Is it a problem, therefore, that so many of the people giving evidence to this committee have told us that they do not know what the

brand for Wales is?

[198] **Mr Pride:** I guess that it is.

[199] **Eluned Parrott:** Thank you.

[200] **Nick Ramsay:** Okay, the next question is from Mike Hedges.

[201] **Mike Hedges:** Two questions: first, what is your view on the 'Just Ask Wales' marketing campaign and how will we tell if it has been effective or not?

[202] **Mr Pride:** I think that I have partially answered that. I think that it is great that it is happening. It is bold and it sets a challenge. You should apply to it those five tests that I mentioned. Is it true? The proof will be in the pudding. Is it differentiating itself? Cutting red tape and bureaucracy can be differentiating. Does it influence behaviour? It should, certainly. Can it last? Time will tell. There was one other. I understand that the business community very much welcomes the fact that the campaign has happened.

[203] **Mike Hedges:** The other question is: should we be marketing Wales as a whole, or should we be subdividing it? I will follow that by saying that if I went and asked lots of people, most of them could tell me about Barcelona, but could not tell me about Catalonia. Most people could tell me about the Costa del Sol, but could not tell me about Andalucia. I could tell you about Valencia, but I do not know which of the Spanish nations it is in. I am not sure whether there is anybody here who can tell me. Would we be better off marketing the Swansea bay region, the Cardiff region and a north Wales region, possibly called Snowdonia? Would we be better off marketing those and selling names that are much better known around the world than Wales is?

[204] **Mr Pride:** I think that that depends on the audience and on the nature of the task. It is well understood that, in economic development terms, in recent years it is city regions that have made the gains and been the focal point of investment and marketing. Another factor to take into consideration is distance. So, if you are trying to attract inward investment from China, for example, it may be sensible to do everything under a Wales banner. So, distance is a key criterion as well. However, with a clear strategy now to develop city regions, I think that it follows that, for certain sectors and certain markets, it makes sense to develop a coherent city region brand.

[205] **Nick Ramsay:** Joyce Watson is next.

[206] **Joyce Watson:** May I just follow that through? Thank you, Chair. Let us take marketing food, and there is a clear Welsh brand in terms of meat, let us say, but then, when we come down to dairy products, there is a diversity of offer, and they are marketed locally, in the main, rather than nationally, I would argue. They are a major contributor to the economy of Wales as a collective. So, are you saying, in terms of marketing food, that there should be a brand that is Wales first, or maybe only? What I am really trying to get to is how you would marry the two things.

[207] **Mr Pride:** In my answer to the previous question, I did stress that it depends on the nature of the challenge and who you are talking to, but to go to the food question, the real answer comes from the question of whether the umbrella brand adds value or diminishes the value of the product offer that is being made. So, if you market food from Wales, does the Wales element of that add value to what is being said on behalf of the individual product? That is the test that you would apply. Instinctively, I believe that there are many positive assets that are associated with Wales as a country, which naturally flow into its food produce. So, from an international perspective, harnessing the food offer around the Wales brand

makes sense. I am not going to get into any debates about state aid and so on, but purely from a marketing perspective, it adds value. However, there are other parts of Wales that have very clear resonance in the eyes of different markets, such as Pembrokeshire, Snowdonia, the Wye valley, and so on. So, it may well be that a Snowdonia cheese adds more value than a Welsh cheese, but that is a discussion that would need to take place, depending on the individual product that is being considered. However, I certainly think that the Wales brand has value in that context.

[208] **Nick Ramsay:** The Wye valley is an interesting one, because the border is in the middle of the river, is it not, for most of it, so it is a different type of brand? Mike Hedges, do you want to come back on that point?

[209] **Mike Hedges:** Yes. You have talked about the Ashes and the Ryder Cup, but I would argue—and everyone around the table would expect me to argue this—that Swansea and Cardiff being in the Premier League and Swansea being in the European competition probably promotes Swansea and Cardiff, and through that, Wales, far more than the Ashes did, for example—certainly across Europe.

[210] **Mr Pride:** Yes, certainly in terms of visibility. I do not think that there is any doubt of that. I was involved in securing the original deal to brand the Liberty Stadium when Swansea was promoted. In terms of visibility, there is no sporting event like the Premier League in delivering the audience that it does. The difference with something like the Ryder Cup is that it was Wales's event, and it allowed us to tell a story about Wales around the event. It brought people to Wales, both as a result of the event itself, but also as a result of strategies that were put in place around the event. The number of golf visitors to Wales grew from 30,000 to 140,000.

[211] **Mike Hedges:** I would not argue about the fact that the Ryder Cup sold Wales in North America, which, unfortunately, soccer does not. However, football success sells Wales throughout Asia and Europe.

[212] **Mr Pride:** It sells awareness; absolutely. We have often talked about the lack of recognition and awareness of Wales, and the Premier League is an amazing opportunity to address that.

[213] **Julie James:** I would like to go back to the current 'No-one delivers like Wales: Just Ask Wales' campaign. This inquiry is looking at both trade and inward investment, although we seem to have become slightly side-tracked from the trade bit. Do you think that it is possible to have an umbrella that delivers both of those simultaneously? So, we are asking people to come and invest here, but we are also asking people to buy our export, if you like—both tourism export and concrete manufactured-type export.

[214] **Mr Pride:** In principle, yes. I would imagine that, in developing the overall proposition, the team would have looked at how that proposition was made real for tourism, inward investment, trade, and so on. I do not know what the outcome of that was, but, in principle, I would say that it is. The danger of any brand, and not just in the Welsh context, is that in order to try to appeal to everybody, it appeals to nobody. Anybody who knows me will know that I have always advocated that it is better that 70% of the people who see your advertising agree with it passionately and 30% disagree with it than to have 100% ignore it. There is an in-built pressure on any official organisation to take an easy route because it is comfortable. I am an advocate of pushing that a little bit further.

[215] **Julie James:** If you were in a position to advise the Welsh Government on how much push it should give this new campaign, what would your advice be?

[216] **Mr Pride:** As I say, I welcome it. I think that the team has done a good job in getting it to market. It is a shame that it has taken seven years for something like that to happen. It has every chance of being successful as long as there is a commitment to it. I suppose that that involves a commitment from Wales as a whole, not just from the Government of Wales. It needs to be given the space and the time to succeed. One of the reasons why there was reticence in the early days of merging into Welsh Government to deliver high-profile companies was a fear that they would be criticised, simply from a political perspective. Scrutiny is vital and important, but any campaign has to be given the space and time to succeed.

[217] **Nick Ramsay:** Are there any further questions for Roger Pride? I see that there are not. Would you like to make any closing remarks?

[218] **Mr Pride:** My key point is that, increasingly, the success of a brand is determined by what it does, not what it says it does. From a Wales perspective, this new campaign puts that into sharp focus. It is great that it is happening, and, now, Wales has to deliver the promise.

[219] **Rhun ap Iorwerth:** In that context, would it be a major failure if we had a new brand with a new slogan and a new name, but that nothing had changed in terms of Government strategy on inward investment and exports, which is what some people seem to be suggesting?

[220] **Mr Pride:** If that were the case, I guess that it would be. However, I would find it hard to believe that such a bold statement was made if plans had not been put in place to ensure that we delivered.

[221] **Nick Ramsay:** I made a note of that: ‘A brand is not what it says it does—it is what it does’. That will go into our report. I thank Roger Pride from Heavenly for being with us today. The session has been really useful. We will put together the evidence, and send you a transcript to check, so let us know if there is anything there that is amiss. Thank you for that; it has been really helpful.

[222] **Mr Pride:** It has been a pleasure. Good luck in your deliberations.

[223] **Nick Ramsay:** I now close the public session of the meeting.

*Daeth y cyfarfod i ben am 10:58.
The meeting ended at 10:58.*