Welsh Affairs Committee

Oral evidence: International Representation and Promotion of Wales by UK bodies, HC 337

Wednesday 9 July 2014

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Written evidence from witnesses:

- Rt Hon David Jones MP (Wales Office)

Watch the meeting

Members present: David T. C. Davies (Chair); Geraint Davies; Glyn Davies; Jonathan Edwards; Nia Griffith; Jessica Morden;

Questions 303-348

Witnesses: **Rt Hon. David Jones MP**, Secretary of State for Wales, **Lord Livingston**, Minister of State for Trade and Investment, and **Dominic Jermey**, Chief Executive, UK Trade and Investment, gave evidence.

Q303 Chair: Good afternoon. Mr Jones, Lord Livingston and Mr Jermey, thank you very much for coming to give evidence. Do feel free to take your jackets off; we already have done.

If I may start off, can I ask this perhaps of either Lord Livingston or Mr Jones? Tourism is devolved to the Welsh Government, so why is VisitBritain still responsible for promoting Wales? Surely that is something that should be done by Visit Wales. Is there not a duplication going on?

> ***David Jones***: VisitBritain is the external organisation that promotes Wales overseas, as well as, of course, the rest of the United Kingdom. As far as VisitBritain is concerned, it has a good relationship with Visit Wales, and one would hope that their efforts are co ordinated. The impression I get is that their efforts are well co ordinated. I think that Wales has benefited from British wide campaigns, including particularly the GREAT campaign, which has been a particularly successful branding exercise.

Q304 Chair: Given the importance of good relationships with Wales and co ordination, does it surprise you that nobody from VisitBritain has ever met the tourism Minister in the Welsh Assembly Government?

> ***David Jones***: It does surprise me. I could not tell you what the reason is.

Glyn Davies: Have a guess.

David Jones: I would not want to speculate.

Q305 Chair: We will gloss over that then. The number of international tourists coming into the UK has increased since 2009, but the numbers visiting Wales have apparently declined over the same period. Is that the fault of Visit Wales or VisitBritain?

David Jones: Figures are always a snapshot. Between 2012 and 2013, holiday visits to Wales—and that is a nominal spend from overseas—saw a greater percentage growth, for example, than Scotland. Visits to Wales grew by 13%; visits to Scotland grew 6%. Spend in Wales was up by 27% and Scotland saw growth of 20%. On that sort of figure, Wales is doing quite well.

Q306 Chair: One business after another in this sector has suggested to us that a cut in the rate of VAT on hospitality, as has been done in many other parts of the European Union, would lead to a greater increase in business and perhaps greater revenues for the Government. Why is it, do you think, Minister, that we have not considered cutting VAT for the tourism industry in the UK?

David Jones: All taxes are always kept under review, but there are currently no plans to cut VAT because, clearly, any cut in VAT would lead to a significant shortfall in revenue. But I have to say that cutting VAT alone does not determine competitiveness. For example, the UK tourism sector is actually ranked fifth in the world in terms of competitiveness by the latest World Economic Forum Travel & Tourism Competitiveness Report. Of course, the Government support tourism in other ways; the GREAT campaign, which I am happy to refer to again, is an obvious example.

Chair: We will be coming to that.

David Jones: But of course things such as the employment allowance give businesses and charities up to £2,000 off their national insurance bill. There are other ways in which the Government can and does assist the tourism industry in Wales and the rest of the UK through fiscal measures.

Q307 Chair: Thank you very much. Lord Livingston or Mr Jermey?

Lord Livingston: Obviously tourism is not entirely within my portfolio, but the only thing I would add is that the issue of VAT on any product is, of course, a national rather than necessarily a regional issue, because having differential VAT rates is going to be very difficult to manage. Of course I would expect the hospitality industry to raise it, but it is the same issue that many other industries would raise: they would always seek to have their tax burden reduced. As the Secretary of State said, as always, as a Government, we have to manage the overall tax take and look at whether targeted help in other ways is far more effective. I think the UK has been, as a whole, pretty successful in the tourism industry.

Q308 Glyn Davies: Can I follow up on the VAT issue? I only want to touch on it. The case being made by the sector is the competition one, that our neighbouring countries have reduced VAT on their tourism industries and it is making us uncompetitive because we retain VAT at the 20% level in Britain, as it is across the board, but in Ireland and in other countries they have reduced it to a certain level. That is the case. Is there any case at all driven by competition?

David Jones: If I may, Mr Davies, I can only repeat the study that I mentioned a moment ago. The UK tourism industry is very highly ranked, the fifth most competitive in the world. It may well be that the anecdotal evidence is not borne out by the evidence of studies such as these.

Q309 Geraint Davies: I am a bit surprised that Lord Livingston said that tourism is not part of his portfolio, because my understanding is that tourism is the fourth biggest export. One would expect, in terms of what David Jones was saying, given that we are the only English speaking part of Europe, that that would give us an added advantage. Following on from what Glyn was saying, surely we should have VAT parity to boost what is already a very strong part of our export, given that exports have a massive deficit.

Lord Livingston: I think I said that it was not entirely within my portfolio. The lead organisation for tourism is DCMS in terms of promoting tourism in the UK. I echo what the Secretary of State said. We are competitive and, of course, it is not just VAT; you have to look at the total panoply of local taxes—for instance, in a number of countries, you have local room taxes. I think the UK does very well in tourism. Of course I would expect the industry itself always to lobby for lower taxes; I am sure they would put lower business rates on the list and they would like lower NIC. We have done a lot to support the industry, and we generally do very well in the UK. I certainly have not seen studies that suggest that price issues—although the rising pound may affect that a bit more—are a key issue for the UK tourism industry.

David Jones: The employment allowance is a significant benefit to the smaller guest house type operations, which of course are very prevalent in Wales.

Q310 Glyn Davies: Can I go on to the remit of VisitBritain? It is an extension of a question the Chair was asking. If I go back to when I was a member of the tourist board, which was a long time ago, it tended to have a budget allocated to each region, and there were targets for each region. The target seems now to be for just a number of visitors to Britain, which is inevitably going to drive VisitBritain to London, the easiest place to attract people. Would there be any benefit if there were regional targets for VisitBritain rather than just one overall target?

David Jones: The important thing is to get tourists into Britain. You are absolutely right: London is obviously going to be the principal draw because London is a global city and recognised as such. I think all parts of Britain recognise that that is the case, but I think it has to be stressed that VisitBritain does explore opportunities with Visit Wales to promote Wales, and it has also discussed joint funding activities with Visit Wales—which of course is run by the Welsh Assembly Government—around, for example, GREAT branding. Visit Wales, I have to say, have been historically reluctant to embrace the GREAT branding, although I am glad to say I have some visual aids, which you might like me to pass round, which show some of the branding that has now been adopted in connection with the NATO summit, which you may want to touch on a bit later.

Q311 Glyn Davies: Secretary of State, in your answers to the Chair's questions earlier, there seemed to be an element of unspoken comment about Visit Wales. Was there? What is your view? How is Visit Wales operating? What is your view of Visit Wales? We had the issue that VisitBritain, I think you told us, had never met the tourism Minister, which we thought was a bit odd, and the Chair referred to it. What is your view of Visit Wales? Is it doing the right thing for Wales? Is it working with VisitBritain as it should?

David Jones: To be frank, I think it could be more joined up. What I would say, just to get back to the material that is being passed round the Committee at the moment, is that I regard it as an important breakthrough that in connection with the GREAT campaign you will see that the logo of visitwales.com appears. There is also a map showing the location of Wales within Britain. That itself is really quite important because it is generally recognised that Wales does not have the same, if you like, brand recognition overseas as Scotland or Ireland. That is quite important, and I am encouraged by the fact that we now have buy in to the GREAT campaign, which I think will do a huge amount for Wales.

Q312 Chair: Presumably, although VisitBritain never meet the tourism Minister in Wales, you, as the Secretary of State for Wales, meet regularly with Visit Wales.

David Jones: I do not personally, but I regularly meet Welsh Ministers, as indeed do other Ministers in the Wales Office. There have been meetings between the tourism Minister and my colleague Stephen Crabb.

Q313 Chair: But are Visit Wales unable or unwilling to meet you as a Minister? You are the Secretary of State for Wales. We seem to have a strange situation where VisitBritain do not meet the Welsh Assembly Minister and Visit Wales do not meet the Secretary of State for Wales.

David Jones: I am always happy to meet anybody who is set up to promote any aspect of the Welsh economy. Economic growth is the No. 1 objective of the Wales Office; it is actually in our business plan, which we will be discussing next week. What I would prefer to see—I think probably what this Committee would prefer to see too—is far more engagement and joined up working between Visit Wales and VisitBritain, because that is where the business is actually done. As I say, I am encouraged that that does seem to be improving, and I hope that the material you have seen will satisfy you that we now have a degree of buy in.

Q314 Chair: You, as a Minister, Mr Jones, are perfectly happy to meet Visit Wales, VisitBritain or Ministers in any devolved institution, so—

David Jones: I have had meetings with VisitBritain; in fact I had a meeting with them only a few days ago. I am very happy to meet Visit Wales too, but as I say, what would be even more profitable would be close and joined up working between Visit Wales and VisitBritain.

Q315 Jonathan Edwards: Mr Jones, you said earlier that the greatest contribution of the GREAT campaign, in terms of promoting Wales, is to have Wales clearly located on a map of the British Isles. Is that not in itself a clear indication that previous strategies by Visit Wales and VisitBritain, the UK Government and the Welsh Government have completely failed?

> ***David Jones***: There is an issue of awareness, certainly, but I have to say that to achieve that image was quite an achievement. There was a certain amount of reluctance on the part of the Welsh Government, and of course Visit Wales is part of the Welsh Government, to buy in to the imagery of the GREAT campaign. That has now been achieved through the inclusion of a map of Wales as it is located within Britain, and of course the visitwales.com logo, which I think is important and which we are very pleased and proud to include.

Chair: Thank you. We will move on.

Q316 Jessica Morden: Earlier, you mentioned the NATO summit, so I am encouraged to see some of those materials coming out, because when I went on the gov.co.uk website last week, although the NATO page had pictures of Caernarfon Castle and Beaumaris Castle, something a bit more local to south Wales would have been appreciated. Hopefully that can move forward. You talked about joined up working. Obviously, it is a NATO event, with Foreign and Commonwealth Office and Welsh Government involvement. How do you fit into all that, and what would constitute a positive effect for Wales from the NATO summit for you?

> ***David Jones***: The Wales Office is fully engaged. We have representation on the board that is actually managing the project, as indeed does the Welsh Government. We are fully engaged in the whole process, not only of the NATO summit itself, which is only just over 50 days away now, as you know, but also with what we want to see following the summit, and that is the business conference, again to be held in Newport, some while later. We are very anxious that the international awareness that will be generated by the NATO summit itself should be capitalised on, and we think that the best way of doing it is to do something similar to what was done in Northern Ireland after the G8 summit, by having a business conference in Wales.

Q317 Jessica Morden: How is joint working with the Welsh Government going in terms of the NATO summit?

> ***David Jones***: Very well indeed. We have been pleased with that, and we also have good working on the subsequent business conference.

> ***Lord Livingston***: On the NATO conference, UKTI, and particularly our defence and security organisations, are taking a very active role. It is going to be, first of all, the most business focused NATO conference; we are unashamedly not missing the opportunity that we have probably the largest governmental visit. We will also be featuring Welsh products. There clearly is a major Wales contribution in the aerospace sector, for instance; but Welsh products—food and other products—will also be featured. We very much want a NATO conference with a Welsh flavour. It is

a casse where the UK and Wales have joined up very well, and I think it is going to be a good success for the UK and its industry.

David Jones: I should add that the imagery you have seen is not the only imagery that is going to be produced. We are working to produce further imagery, hopefully of the transporter bridge in Newport, or something like that.

Q318 Jessica Morden: That would be a very good idea. Perhaps you could forgive me one local question, as I have a constituency next to Celtic Manor. It will be the largest summit ever hosted—or one of the largest ever—in the UK and that is going to cause disruption locally, also with demonstrations and so on. There has been some local press coverage about how much information can be released to people in order that they can plan their lives around those couple of days. What work are you doing to ensure that people get enough information, so that we don’t get the press overshadowing the good work we are doing?

David Jones: We are fully engaged. One has to acknowledge that a summit conference of that size, with so many delegates, is going to have an impact on traffic. That is stating the obvious. It is going to be mostly around Celtic Manor and the area between Celtic Manor and Cardiff, when visits to Cardiff take place. I have had discussions with the chief constable of Gwent, and I am very satisfied that an extremely good plan is being worked up, not only to minimise disruption but also to ensure that the public are kept informed of the likely impact of the conference on their lives. Clearly the two days when most disruption will take place are 4 and 5 September, but I am very satisfied that a full information programme is being developed.

Chair: There are two more very quick questions on this, if we may.

Q319 Geraint Davies: The big fear is that the NATO conference ends up being a sort of Gatwick village in Celtic Manor, surrounded by a massive protest in the rain, when what we really want is to have it as a sort of shop window into south Wales and Wales—for instance, coach tours for delegates and their partners to celebrate the Dylan Thomas centenary and that sort of thing. I was wondering how that was going to be facilitated. Finally, can I ask Dominic Jermey to confirm what I think Lord Livingston was saying, that tourism is not really part of UKTI, yet tourism is the fourth biggest export? I would like to see the NATO conference, as I say, as a shop window for tourism and culture. I am wondering how you are going to work together to ensure that, and not have the awful situation I described at the start of my question.

David Jones: It depends hugely on the appetite and willingness of local government to engage with the conference as well. I have discussed the conference with the leaders of Swansea, Cardiff and, of course, Newport councils and am satisfied that there is a great deal of enthusiasm for it. We want to see a very positive approach by the local authorities. In the run up to the business conference, which is going to be some time later, we would be looking to the local authorities to come forward with what they think is the best way of promoting the region. Actually, it is not just south Wales; it is also north Wales. I have to stress that this is the NATO Wales summit.

Q320 Geraint Davies: Will they be let out to go and visit all sorts of places?

David Jones: This is something that is still in the course of being discussed. You have to recognise that the summit itself is a very important summit, with a lot of important items on the agenda. Within those constraints, I am sure there will be some engagement, but that is still being worked up.

Dominic Jermey: May I pick up two aspects of your question? UK Trade and Investment is not involved directly in tourism—that is not part of our remit—but there is a whole ecosystem of business around tourism in which we are very actively involved. I can give you two examples. The first would be recently engaging in the middle east on whether or not a middle eastern airline would start to do flights to Cardiff international airport, which would have an enormous impact on the local economy, and helping Lord Rowe Beddoe to make the case to that middle eastern airline about the economic benefits—that this would be a viable option for them economically. That is a very obvious engagement.

Another area is engaging in the whole question of direct inward investment, where the sell is often about skills, in the UK as a whole, the tax regime, and so on, but it can also be part of a lifestyle sell. We find that people will be attracted to places where the chief executive or the local decision maker wishes to live or to have their children at school, and so on. There is a whole ecosystem of tourism sell, if you like, that feeds into business decisions that we are directly engaged on.

Q321 Geraint Davies: This question leads on from that really. Obviously you all have responsibilities for promoting Wales as a trade destination, so how are your roles different in that respect?

David Jones: Clearly the Wales Office role is primarily political. I have made a number of overseas visits over the last year and a bit, including to places such as Japan, Vietnam, Indonesia, Hong Kong and Oman. Those are very useful to the extent that, of course, they establish awareness of Wales within the country; it is a kind of diplomatic exercise. We have also followed up those visits by, for example, my taking the Indonesian ambassador with me on a visit to north Wales just before St David's day this year, and hopefully taking it further by inviting the ambassadors and high commissioners of the ASEAN nations on a visit to Snowdonia.

Q322 Geraint Davies: To focus my question a bit more, is there an identifiable Welsh brand and what can be done to help that? What are the main issues preventing investment in Wales? Perhaps the others could comment on that.

David Jones: I would like to hand over to Lord Livingston on that particular point.

Lord Livingston: In terms of FDI, the principle we adopt across the UK is what we call "UK first." In terms of the UK's welcoming of business and openness, we try to attract a company to the UK and then, depending on what it does, we present it with the best option of regions, towns or cities or whatever for its particular type of investment. Wales has particular skills, for instance, in engineering and aerospace, motor vehicles, nuclear and, increasingly, the creative industries. Therefore, one tries to present the best. It is very much about getting people to decide they are coming to the UK, not Germany. That is point one.

We work very closely with the Welsh Government to present that offer, as we do around the UK. The UK as a whole has been successful and I think, after a difficult couple of years, Wales is starting to do a lot better in terms of attracting inward investment.

Q323 Geraint Davies: How important is what Mr Jermey said about quality of life, environment and that sort of thing, which are increasingly important for inward investment, in where people locate?

Lord Livingston: It is. Different companies will have different levels of importance. A lot of it may depend on what the chief executive wants, but also what type of business it is. If it is a bank, expertise in particular types of things will play a bigger part, or a business may need a large amount of space. For instance, I went to see Seda—I do not know if it is in any of your constituencies—which is I think the UK's largest manufacturer of all the Costa Coffee packs and packaging materials. It has grown tremendously. It is an Italian company that has invested in Wales. It needed space to expand, the availability of a work force and good transport links. That worked and it has expanded. I think the factory I saw was the third factory in a complex that has opened up. Each business will have a different proposition, so what we try to do is match up the requirements of the customer with the proposition. There is probably, to be frank, more work to be done in honing the Welsh proposition. To an extent, it may not actually be a Wales proposition, because a proposition for Cardiff may be very different from one for Wrexham, and may be very different from other parts. It is about getting that balance.

Q324 Geraint Davies: Could Mr Jermey answer that and also on the other sub brands, as has been mentioned, of Cardiff and Swansea, which are of course global brands through football? Can we access those brand names to leverage more inward investment?

Dominic Jermey: Surely. I want to comment on the different sorts of inward investment that come to Wales. We saw in the last financial year 67 projects coming into Wales, of which a double digit number were in the automotive sector. They were attracted because, among many other things, one of the key sells was that there were other companies into whose supply chain nearby they were then feeding. That is very different from the sell, for example, for a small biotech, of which there were also five or six different projects.

Then there is the cash investment. Recently, I was directly involved personally in a conversation with a middle eastern sovereign wealth fund looking for investment projects in the UK. There, it was very interesting—to pick up your point about football teams and brands—that the key investors already had a relationship with another part of the United Kingdom because of a football team purchase that they had made and an investment in that. Although at that time the opportunity was given to Wales, as part of the "UK first" for all parts of the UK, to put forward investment ready propositions, it was clear that the investor wanted to go with where they were familiar. That was a lead that was football club-led that has now led to a multi million pound investment in a particular region. I think you can definitely see investment following on the back of something like an iconic brand.

Lord Livingston: Your point about football clubs actually helping raise the profile is absolutely right, and we see that in many cities—I have to say, regretfully, less so in Glasgow, where I come from, but maybe one day.

Chair: I have a son playing in Cardiff ADC—I'm glad I got that in—and I share your concerns.

Q325 Nia Griffith: I am pleased to see the picture of Airbus being passed round; that is a great help. I wondered if you could explore a little further the dichotomy between Wales being just a few mountains and coastline, which seems to be pushed when even for tourism you would like a broader perspective, and the idea of its being a state-of-the-art, up to date place where the top industries can invest. Do you think the balance is still not quite right?

Lord Livingston: I think that a great place to do business and a great place to live are not in contradiction. If you only present the beautiful pictures of Wales, that is a problem, but looking at these photos—I do not know if they are exactly the same ones—there is the GE plant and justaskwales.com at the bottom. Also, there is culture, with Katherine Jenkins, so there are a number of different facets. That is actually what the GREAT campaign is trying to do. I think it is true across the UK; we try to have a real combination, saying that the UK is a great place to visit, a great place to set up and grow a business, a great place to invest in and a great place to succeed. You have to make sure that you bring in all the different elements. I do not think they are contradictory. However, I take your point exactly. If you just have one, you will miss out on the overall picture. But as to being a great place to live, I think Celtic Manor, with the Ryder cup, is a good example of raising the profile. It attracts golfing and so on and it raises awareness. We have to ensure that there is a real balance and that we play to our strengths. There are certain things for which there will not necessarily be the absolute expertise. As much as there are some oil and gas companies, offshore oil and gas might not have the relative strength compared with the creative industries, as we said just now, or aerospace. It is about presenting the totality.

Q326 Nia Griffith: Can I follow that up before coming to the Secretary of State? If you look at the figures and so forth, there is massive investment in London, yet we know that London is becoming unsustainable; you cannot fit any more people in and there is not the space to house everybody and so forth. In your role in UKTI, how do you really try to push Wales and how do you avoid a lot of internal competition between regions within your own organisation? How do you make sure that the right things go, as you say, to the places that have the most suitable things? Are you really doing enough to promote Wales?

Lord Livingston: As I said, first, we try and get them to the UK. That is the most important bit of competition. I am very comfortable if there are two or three places that we can present as options. We would never present London as a place to set up a car parts manufacturing operation, or Seda, the company I mentioned, or aerospace. But financial services, or software—

Q327 Nia Griffith: They could go to Swansea. My colleague Geraint Davies has been very keen to see financial services come to Swansea. Are you pigeonholing them in London?

Lord Livingston: No. It depends on the front end; there is a big difference between front-end financial services and back office. What is really important to understand is that it is customer led. What we cannot do is say, "You might have a complex swaps derivative operation,"—whatever you might think of swaps derivatives—"but we are going to suggest that you put it somewhere in the country where there is no expertise in these complex financial instruments." I do not think that works. However, in terms of a back-office financial facility, let us look at what the capabilities are. Most people do not put back-office financial services facilities in London. They might decide to choose Manchester, Edinburgh or Bournemouth, which have significant expertise and experience. In these places, for instance, taking Edinburgh as an example again, you would not put most of the things that Wales is particularly good at. As I said, what various bits of—

Chair: I am sorry, but I have to hurry you a bit.

Lord Livingston: It is a very complex question.

Q328 Geraint Davies: Are you aware—a similar question—that the biggest trading floor for stocks and shares outside London is in Swansea?

Lord Livingston: No, I was not.

Geraint Davies: It would be useful—

Chair: It is a good point, but if I may—

Lord Livingston: It is customer led. We will present the customer with options that they could choose. I was asked about London as a hub. London is a hub for certain things; it is most definitely not for others. You described it as unsustainable. It is sustainable for certain things and you certainly would not put in others. It is about getting what is right for the customer. If we do not do that, we will lose the customer completely.

Q329 Chair: Mr Jermey wanted to come in.

Dominic Jermey: I have two quick points. You mentioned Airbus as an example of a long term relationship that Wales could be looking to maintain with potential tourist targets. At the Dubai air show last year, Airbus announced £5.5 billion of sales to middle eastern based airlines. A great deal of that value will be going to Wales, so perhaps the challenge and the question then would be how to maximise all those journeys, all that engagement over many years with their middle eastern customers, in order to turn it into the Swansea football club kind of investment, or whatever it is regionally, because they will be coming through to that Airbus facility.

Secondly, part of what we do as UKTI is work with the Welsh Government and other sub-regional organisations to help them articulate the inward investment offer. In fact we have a memorandum of understanding between us and the Welsh Government to set out exactly how we work together. This is part of a structured relationship that we have, with all of us being part of the international and business development forum with the other devolved Administrations, and I, as chief executive of UK Trade and Investment, meet on a structured, regular basis, leaders in Wales for inward investment.

Chair: Thank you. You are giving us full answers and that is really appreciated, but we are going to run out of time at this rate, so if I may appeal to you all, I would be grateful for slightly shorter questions and answers.

Q330 Jonathan Edwards: I was going to ask this later, but the theme has already been touched on. When the Committee visited Germany, we had very interesting meetings with German trade and investment. They said that one of the ways they addressed the major economic inequalities in their country following the demise of the iron curtain, as it were, was by deliberately targeting investment to the poorest Länder. They had a deliberate strategy of using tax breaks to encourage investment in the poorest parts of the state. The UK, as a state, is far more unequal in terms of geographical wealth than Germany at the moment, so why are we not pursuing a similar strategy to Germany?

Lord Livingston: We have things like enterprise zones to do that. There is a difference between a pull and a push. To create a pull through tax breaks and support, we have the regional growth fund, which has been targeted around the country, and I think it has been very successful; I believe three out of four jobs have been created outside London. It is very much a regional strategy, but it is about pull rather than pushing. You cannot force someone into the wrong place, but you can absolutely make places more attractive through Government support, and that is what we have been doing.

David Jones: Historically, Wales was extremely good at that. When we had the Welsh Development Agency, Wales was routinely the first or second destination for inward investment. That is no longer the case. It is now frequently towards the bottom of the British league table. I think the points that you are making are in many respects a challenge to the Welsh Government itself to up its game and make sure that it puts in its part of the bargain, if you like, in order to—

Q331 Jonathan Edwards: Should they be given the tools to do the job?

David Jones: We are giving them as many tools as we can. I am not entirely sure how many more tools they want. They have a toolkit full of them; I think they need to start using them.

Jonathan Edwards: How many tools are in the Wales Bill?

Chair: Do you have some more questions, Mr Edwards? Did you have some, Ms Griffith?

Q332 Nia Griffith: I do not think we really gave the Secretary of State a chance to answer the criticism that not enough is being done by the UK Government to promote Wales. How would you see it from your perspective?

David Jones: A great deal is done, and I think that UKTI does a tremendous amount overseas. As I said, I made a number of visits recently. I have always been extremely impressed with the extent to which UKTI is engaged overseas and is very much part of the business landscape over there, so I do not really accept that criticism at all. One of the points you made, which I was quite interested in, is the issue of Wales's image. I could not agree more. I think that Wales needs to project itself as a model country and I think, frankly, frequently we are all guilty of falling back on images of dragons and daffodils and so on and so forth. This is not necessarily the sort of image that we want to use to project Wales in the modern era. To get back to the WDA, they were really rather good at that. I remember years ago, when the WDA was still in existence, touching down at JFK airport and the second the wheels hit the tarmac there was an image on the video screen showing what Wales had to offer, with the WDA logo on it. It can be done and I think we lost a lot of impetus with the demise of the WDA.

Q333 Chair: I have a quick question for Lord Livingston and/or Mr Jermey. We talked about trade missions earlier on. How can you ensure—do you ensure—that there is always Welsh representation on UKTI trade missions to other parts of the world?

Lord Livingston: There is a lot of Welsh representation, but I do not think, to be frank, that we are good enough about ensuring across the UK and across different types of companies that we are always fully represented. It is something we intend to work on better in terms of using intermediaries like chambers of commerce, and indeed MPs in various areas and asking them to invite people. I have been on a number of trade missions and there are very often Welsh companies. Sometimes you have 10 companies and, if you do the maths, you may not have a Scottish or a Welsh company and you may not have a Newcastle company, but very often we are promoting and we do a lot of promotion of Welsh companies. To give you an example, I was in Colombia and, technically, there was not a Welsh company on that trip, but two of the major things that both I and the Deputy Prime Minister did were actually for the oil trader, Amerisur, which runs a big railway manufacturer based mainly out of Wales. The other is a big oil company which has a big operation again based out of Wales. Sometimes they are not on the mission, but we are supporting them as well.

David Jones: When we visited Japan we took with us a representative of the Welsh Government—a very senior Welsh Government official—because the principal thrust of the visit was to visit the Hitachi factory and one of the new power stations they were building there, with a view to seeing what they were doing and how we could maybe make an offer in terms of Wylfa, which of course is a massive project. That was extremely good and we were delighted to have the official with us. What was not so good was the refusal of the Welsh Government to allow a British Government Minister to accompany them on a trade visit; we felt that the presence of a British Government Minister would have been quite helpful and might have opened doors.

Q334 Chair: So you were banned by the Welsh Assembly from sending a Minister to seek inward investment in Wales?

David Jones: I would not say we were banned. We made an offer, and suggested that maybe it would add value to the visit by the Welsh Government, and we were rebuffed.

Q335 Glyn Davies: I have to try not to be too nostalgic because I was involved myself, but I remember 20% inward investment into Britain coming into Wales year after year. There was a huge focus; there was a link with the motor regions of Europe that was incredibly dynamic and there was a "Can do" attitude in Wales that made anything seem possible. That all seems to have gone. That is what I wanted to ask really. That development agency was very separate from the Government; business was involved in it, with the freedom to operate. That was taken in house, and now we have a Welsh Government doing the job itself rather than having outside people to do it. Are we missing opportunities because of devolution muddying the water? We do not want devolution to be negative. Is it muddying the waters? You have just talked about the relationship. We should not even be talking about this: we should have the Government here and the Government of Wales working absolutely with business to sell the Welsh message across the world.

David Jones: I could not agree more, and I do not think it is anything at all to do with devolution. I agree with you; I think that scrapping the WDA was a seriously bad retrograde step. That is a view that is shared right across the business community in Wales. One of the things I would like to see is the re establishment of a body such as the WDA. I think that it could work very well with UKTI.

Lord Livingston: If you look at the downturn in inward investment that happened three years ago, it did seem to be at least coincidental, shall we say, with a separate body promoting business no longer existing in Wales. Now, while it is rising again, the numbers would suggest that there was a sort of interruption. It is also worth while looking at the comparison with Scotland and Northern Ireland. I do not think you are being nostalgic; I think SDI and Invest Northern Ireland, both as separate bodies, do punch stronger—I really do.

Dominic Jermey: It is perhaps still worth commenting that it is not all doom and gloom; we have seen an increase of over 100% in FDI projects in the last year. We will see a further increase this year. In terms of companies supported, we, as UK Trade and Investment, supported over 1,300 Welsh companies over the last year to export from Wales, whether they were part of missions or whether they were accessing some of the schemes that we operate around our network of 95 offices around the world, like our export communications review, our export marketing review and our international introductory services, which give bespoke introductions and visits for individual companies. There is quite a lot going on, aside from the politics of what has happened in the past.

David Jones: You asked whether Wales was missing a trick. I can give you two examples of where Wales is missing a trick. Two years ago when we had the Olympics in London, clearly one of the biggest international events ever, we set up a thing called the British business embassy in Lancaster House, which was intended to take advantage of the presence of so many, so to speak, big hitters from around the world in London. Wales did not participate in the British business embassy. We have the Commonwealth Games coming up in a few weeks' time in Glasgow, and we have established a thing called the British business house in Glasgow, again to take advantage of the presence in Glasgow of potential investors from right across the Commonwealth. Wales refused to participate in that, despite having been offered places there. For the life of me, I cannot understand why the Welsh economic development department would decide not to take advantage of two such important events taking place in this country.

Q336 Glyn Davies: What is this memorandum of understanding? How does it operate? It is supposed to be dealing with deficiencies and improving the situation. Tell us a little bit about what deficiencies it has tackled and how it is improving them.

Lord Livingston: It is dealing with responsibility for inward investment. It was in 2011 and I think it was recognising, following the demise of WDA, "How can we work together?" Certain aspects of trade are devolved—trade promotion is devolved—but it tries to make sure that, in terms of inward investment, the UK gets the people in and Wales presents a compelling proposition. That is the role it is meant to play. If the proposition presented is not as good as some other areas, that is more problematical, but it just sets out the basis upon which the dealings are made.

Dominic Jermey: That means that, for every single FDI project that comes into the UK through UK Trade and Investment, Wales has the opportunity to present and to be equiparate on it.

Q337 Glyn Davies: Lord Livingston, you have a very important and significant role in terms of inward investment to Britain; Government and business is really your field. How often do you meet the Welsh Minister? I would have expected you to be meeting the Welsh Minister for Business and the Welsh First Minister, and to be really working together on this. Working relationships seem to me to be absolutely crucial if we are not to lose the opportunities that the Secretary of State has been talking about.

Lord Livingston: I would normally expect to meet the Welsh Minister for Business a couple of times a year. I was due to meet Edwina Hart when we had all the floods and the railway line was washed away, so we did it on the phone. That was nobody's fault. Unfortunately, she was not available when I went to Wales recently, so I met Mike Hnyda, who is the director for trade and investment. I also met others. There is a meeting of the devolved Assemblies, and I meet some of the Welsh representatives there. But I would think normally I would expect to see the Business Minister—

Q338 Chair: I did not hear what you said, Lord Livingston. Who did you meet instead of a Minister? You met some representatives of some trade—

Lord Livingston: The Foreign Secretary—in this case it was actually David Lidington—holds a meeting where all three devolved powers are present to discuss certain things, like some of the issues to do with Europe. There are Welsh Ministers there, but I cannot remember which particular Welsh Minister was represented. There are various forums in which we meet. In the case of Edwina Hart, I had two telephone conversations—one of the meetings was cancelled—but I would normally expect to see her twice a year, once in Wales and once in London.

Q339 Glyn Davies: Have you got somebody placed in the Assembly, working with the Assembly? I heard that that might happen. When is it going to happen? Is it going to be happening?

Lord Livingston: Yes, we do. We have a lady called Heledd Poole. She has just been appointed, and really that was to try to get the integration better. She will basically be responsible for co ordinating with the Welsh Government, with the Secretary of State's office and also, frankly, helping to propose companies to go on trade missions, as I mentioned earlier. I hope that is going to make co ordination better. To be honest, we do not do that with Scotland and Northern Ireland, so Wales has a bit of a leap on that.

David Jones: I was particularly pleased about that, because it was one of the first issues I raised with Lord Livingston after his appointment, and so did Edwina Hart, I think. Everybody is extremely pleased that Heledd Poole is now in place.

Dominic Jermey: Heledd started last week. She is Welsh speaking and she was previously working for UK Trade and Investment in Stockholm, so she understands our organisation extremely well.

Glyn Davies: That sounds good.

Q340 Nia Griffith: Mr Jermey mentioned having off the shelf ready packages and indeed we heard from Simon Glover of Celtic Manor about a £13 billion package that was ready for the middle eastern investors to take. Do you think there is a lack of ambition in Wales in terms of that sort of scale of project, and could I ask the Secretary of State whether he thinks that the current Wales Bill going through Parliament should have had higher borrowing powers in order to facilitate the capture of such projects as this?

David Jones: I think that the powers in the Wales Bill are more than adequate, given the income stream that currently the Welsh Government will get from the taxes that are to be devolved, which is stamp duty land tax and landfill tax. As you know, I am very ambitious that we should have income tax varying powers in Wales, which will increase the borrowing stream.

You asked me about ambition. I am very confident that Welsh businesses are highly ambitious. You mentioned Celtic Manor. I have had three meetings with Mr Gibson and Mr Edwards from Celtic Manor in the last month, mostly of course to discuss the NATO summit. That is a prime example of a very ambitious Welsh company that is going places, and in fact is doing a huge amount for south east Wales and I think will do an awful lot more.

Dominic Jermey: To answer your question on the middle eastern project, I spoke to the middle eastern investor myself, and the very clear feedback was that the investment opportunity available in Wales did not offer the internal rate of return that they were looking for. There were other opportunities elsewhere in the United Kingdom that did.

Lord Livingston: I don't think other places in the United Kingdom have greater powers than Wales has today—in fact, probably less in terms of regional England. I do not think it is a power thing. I should add that recently I met Terry Matthews, the owner of Celtic Manor, and I do not know of a more ambitious man than that. I think the issue is not about business in Wales; you can help with more powers, but I am not sure that is the major problem.

Dominic Jermey: We have a pitch book now for investment ready opportunities throughout the United Kingdom and it is good to see that there are Welsh opportunities in that.

Q341 Chair: While I ask you the following question, I will give the other members of the Committee a chance to think about what they want to ask in the remaining minutes, although we have touched on a lot of the questions in one way or another. There has been repeated reorganisation of the Welsh Government's inward investment team. Do you think that has undermined Wales's ability to attract inward investment?

Lord Livingston: Certainly the numbers would suggest they were at least coincidental with the decline in inward investment. At least we are now seeing a rise, but I do not think you were being nostalgic, Mr Davies; I think you have a good memory in terms of Wales' success in the past. So I suspect it has not assisted. The question is now whether it is better to have a separate—I think this is a question for the Welsh Government, although the Secretary of State has a view as well—business focused organisation, as Scotland and Northern Ireland do, for example, or to be integrated in the Welsh Government, where perhaps it is not as clear to investors who the go to person is. I think the Welsh Government has to consider whether it should go back to a different model, whatever it is called.

David Jones: I am very clear about it. I think that abolishing the WDA was a massively bad step. It was a business development organisation that was actually run by business people. What we now have is an arm of the Welsh Government staffed by civil servants. There is nothing wrong with being a civil servant, but, frankly, if you are involved in business development it is quite good to be someone with a business background.

Q342 Chair: Are you suggesting they are a little risk averse, as some witnesses did, Mr Jones?

David Jones: I think it is a cultural thing. Business people understand business people. It was very telling that when the WDA was scrapped—I think it was almost on the day—the chief executive resigned, because he did not want to continue in the successor organisation.

Chair: Okay; thank you. That answers my questions, but I think we have still got you for another eight minutes, if we can use you, Minister.

Q343 Nia Griffith: I think it is very important that not only do we attract inward investment but that we keep it. It has been devastating to us in Wales to have Karl Köhler from Tata, in announcing the loss of 400 jobs, quoting problems with the carbon floor price having been set too high, and business rates and energy costs. Again, with the problem with the solar panel factory up in Wrexham, there was the whole issue of uncertainty over Government policy on the FIT regime and so forth. Can I ask the Secretary of State what representations he has had from these companies in respect of UK Government policy, and what he has done about it?

> ***David Jones***: I regularly engage with them. In fact I spoke very recently to Tata, on the day that they announced the proposed redundancies. It is very clear that these are challenging times in the steel industry, and I fully take on board the point that you make about energy prices. That is something that is repeatedly quoted. As you know, the Budget did in fact contain further measures to try to help the situation.
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> So far as business rates are concerned, of course that is entirely devolved to the Welsh Government and we anticipate that the Welsh Government will be using their powers, which have recently been augmented in response to Silk 1, if they feel it is appropriate—of course it is their decision—to do something to assist companies such as Tata. But I think it is fair to say that in any event the European steel market is extremely challenging, and continues to be so.

Q344 Glyn Davies: This is not a quirky question at all; it stems from a debate I held here yesterday entitled "UK media and Welsh rugby." That was a specific issue, but the issue for me is the way in which the London based media cover Wales. It was almost non coverage that I was relating in terms of Welsh rugby, which seems to me to be a world renowned export that we have; it is very well known. Do we have a strategy of targeting the UK media? They have an impact abroad; people abroad see what is in our national, London based papers. We have a great newspaper in Wales, the Western Mail, but I do not know that it has an international impact. Do we have a strategy for meeting the London based papers and trying to have them focus on Wales based stories, to get the name of Wales out there across the world?

> ***David Jones***: Only yesterday, I met two journalists from London based broadsheets to discuss the issue of Wales, admittedly mostly politically because clearly that is my principal interest, and I am also meeting two more this evening for that very purpose. But if a journalist is going to cover a story, it has to be an interesting story; that is fairly obvious. You cannot really expect what used to be called Fleet Street just to tip up and start writing stories from a Welsh angle. Wales itself has a duty to stimulate that interest.

Glyn Davies: I agree.

> ***David Jones***: I would suggest that, if Welsh rugby is not getting the coverage, they need to get new PR consultants.

Q345 Glyn Davies: What you are saying is exactly the point I was trying to make yesterday. The issue I was dealing with was from a fortnight ago when there were two internationals. England were smashed completely by the All Blacks, and Wales produced a magnificent performance against South Africa, probably the best team in the world at the moment. In one newspaper there were three pages, including the front page, on the England result and a little bit on page 14 on the Welsh result. In those two instances the Welsh story was at least as strong, probably stronger, than the English story.

David Jones: We do tend to get a bit of a persecution complex in Wales.

Chair: I have been told off by the Speaker today for asking a question that was out of order and I am starting to have some sympathy.

Glyn Davies: I had trouble yesterday as well.

Chair: If we can, we will perhaps go back to the inquiry, with all due respect to my esteemed colleague.

Glyn Davies: I thought it was interesting.

Q346 Jessica Morden: I have two very quick questions. You talked about trade delegations earlier, in Japan and Malaysia, the ones that you have been on. What jobs have come to Wales as a result of those?

David Jones: That remains to be seen. All we can do is promote awareness of Wales. One of the things I was particularly interested in was education. Education is a big export earner for Wales. When I was in Vietnam, I visited academics who were setting up a new university out there. It is a question of working at it. If you do not actually go out and engage in those markets you will not get the business. The answer is that you have to keep on chipping away. You have to maintain the relations, which is why, after I visited Indonesia, I made sure that the Indonesian ambassador came to Wales and met the West Cheshire and North Wales chamber of commerce. We are hoping, as I said, to get him and his other colleagues from the ASEAN nations up to north Wales to see the potential for tourism. In terms of, "Yes, we had an extra 255 jobs as a consequence," I am not saying that. What I am saying is that it is at the top of our agenda; it is our No. 1 objective. The Wales Office is to promote the Welsh economy and we take every opportunity we can to do that.

Q347 Jessica Morden: This is the last question on that. Some witnesses we have had on the trade delegations suggested that, rather than duplicating effort, it might make sense for you and the First Minister to go off together and do it jointly. Are you keen to do that?

David Jones: The offer was made, not while I was Secretary of State but when I was a junior Minister, to accompany a delegation that the First Minister was having—I forget what it was, but it might have been India—and it was rebuffed. You are absolutely right: I think that the presence of a UK Government Minister can do an awful lot to open doors overseas. I know that the other devolved nations are not so isolationist in their approach. The offer is there permanently. We will always be happy to accompany the Welsh Government on any trade visits that they want overseas, and Welsh Government Ministers and officials are always welcome on British Government visits that are organised by the Wales Office. I think you have identified a very important point, and I wish that we could see a bit more engagement.

Q348 Chair: That is admirably clear. I have one last question. Secretary of State, you have said that businesses in Wales should be able to go directly to UKTI without going via the Welsh Government. I see a nod from you, so I take that as an affirmative. I wonder what Lord Livingston, for UKTI, makes of that suggestion. Would you be happy for Welsh businesses to go direct to UKTI?

> ***Lord Livingston***: Businesses should be able to go in whichever direction they want. I think, however, the question we have to ask is why? What is the gap that forced them into it? Of course there are companies like Airbus, which is a Welsh business, and I know that Dominic, an ex ambassador, here on my left, did a lot directly with Welsh companies. I do not think we should ask the question, "Could they?" The question we should be adding is, "Is there enough support in Wales to make sure that they advertise correctly what is available?" There is still the issue that, compared with Scotland and Ireland, there is less handover of Welsh companies. While we have helped 1,300 companies, if I look at some of the individual products, Wales is not as strong as I think it should be given its relative population. I would like an "and" rather than an "or" approach. A number of companies across the UK will come directly, but the first thing is to get the relationship, the local presence, in Wales, and of course we have the UKTI person to help as well.

> ***Dominic Jermey***: There is very easy access for Welsh companies to go direct to UKTI teams overseas if that is what they choose to do. We had many coming to my last team in the United Arab Emirates. We also had Welsh missions led by Welsh Ministers that we supported. We are there as the British embassy for the United Kingdom. I would just comment that we have an extraordinary delivery mechanism overseas in our 96 different missions, and we would be delighted to see more Welsh companies coming through the teams that we have in UK Trade and Investment in those missions. We would love to see them doing the tradeshow access programme, and we would love to see them doing our overseas market introduction service and the rest.

Chair: Okay; excellent. We have certainly run out of time, and now questions; if we have any more we might write to you directly, Minister. In the meantime, Secretary of State, Minister and Mr Jermey, thank you very much indeed