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The *Welsh Economic Review* is produced twice yearly, by the Welsh Economy Research Unit (WERU) at Cardiff Business School. The aim of the *Review* is to provide an authoritative and objective analysis of the Welsh economy in a manner that promotes understanding and informs decision-making. The 'core' section of the *Review* is written by members of WERU, with feature articles contributed by academics or practitioners within or outside Wales. The *Review* is circulated widely within Wales, to both private and public sector organisations, including the education sector and the National Assembly.

Notes for Contributors

Authors should send papers for potential publication in the *Welsh Economic Review* to the Editor at the address given below, preferably via e-mail in a Word for Windows format. Papers are welcome on any topic that would be of general interest to the readership, and should be written in a style suitable for non-specialist readers. Papers should be approximately 3,000-4,000 words and any graphs or figures should be accompanied by the underlying data to allow reproduction.

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Interview with Alun Michael



Alun Michael AM, talks to the Welsh Economy Research Unit about the activities and priorities of the Assembly.

This interview was undertaken prior to Alun Michael's resignation as First Secretary to the National Assembly for Wales

In the National Assembly referendum, the majority of eligible voters were either indifferent to the idea, or voted no. If the referendum took place today, what do you think would be the outcome?

I believe there would now be much more support for the Assembly. People have now got used to the idea, and have seen that the roof hasn't fallen in! In the 1979 referendum, people regarded devolution as the first step towards separation and disaster, and the business community was generally antagonistic. There was a noticeable difference in opinions this time around, although there was still much uncertainty. In addition, the referendum election was different from other elections. People usually vote for individuals, not for institutions. There is also an important difference between AMs and MPs, although neither job is really well defined but more self-defining. People have generally been encouraged to hear that AMs, unlike MPs

can deal with issues such as healthcare in a more direct way.

Welsh 'watchers' and indeed the English Regional Development Agencies are interested to see how well devolution works. Are decisions really made differently (or more quickly) within the Assembly?

In Wales we have had administrative devolution for many years, in the form of the Welsh Office. The difference now is that we have the democracy to go with it. Organisations in Wales, particularly in the voluntary sector, were organised, coherent and prepared for devolution. Business has adapted very quickly, and found a way of accessing the Assembly with a common voice. *Business Wales*, a business partnership council is a new grouping including, among others, CBI Wales, the Institute of Directors, and the Federation of Small Business. The Assembly had its first meeting with them in December.

In January this year the Department for Education and Employment announced an education support service for young people (aged 13-19) involving youth services and careers. The Assembly however wanted to adopt a different approach, and to provide services to a wider age group (ie 11-25). When the policy for England was spelt out by David Blunkett, I set out our rather different aspirations and this 'Welsh difference' was allowed by specially negotiated Welsh clauses. The Assembly and the Secretary of State for Wales, Paul Murphy, work together to advance the interest of Wales in Westminster and at cabinet level. The Assembly wants policies and programmes that are appropriate for Wales.

Everybody asks for examples, or big ideas, to illustrate how the Assembly is new and different. However the Assembly itself **is** the big idea. Because of it other organisations are changing their behaviour and reactions. The Assembly is about better decisions and long-term strategies rather than 'quick fixes'.

The National Economic Development Strategy and Welsh Development Agency's corporate plan set out various targets for the Welsh economy, in terms of GDP, Employment, participation etc over the next 10 years - which is the most important target?

The priorities of the Assembly are jobs and the economy, education and training, and health. Of course there are conflicts between and within these priority areas. However if each of these priorities are encompassed within the broader sphere of responsibility of each committee, delivery will be more effective. With the jobs and the economy priority, the Assembly won't reject low quality jobs, but will target high quality projects. Intelligent, effective policies should be able to hit more than one target.

GDP is the measure used by the EC in deciding on Objective 1 status, for instance, and is extremely low in areas like the Central Valleys of South Wales. That is a concern and we want to help lift levels of GDP. But it does not measure everything.

We want to promote entrepreneurship, increase skill levels, promote inward investment and support indigenous business. We also want to help people

and communities develop their own capacity in view of the clear links between health, jobs, education, training and social inclusion. We are trying to set realistic and real targets both in *Better Wales* and our Structural Fund planning.

Are the targets over-ambitious?

This is very difficult to say. If we were not ambitious, that would be to let Wales down. We want to be ambitious but realistic, and I believe these targets are just that. One problem with setting targets and measuring progress is data problems. Benchmarks need to be set. However information, particularly at the small area level is often unavailable, inconsistent or out of date. One of the Assembly's priorities is to improve data provision.

Are the National Assembly's sustainability commitments consistent with economic growth objectives?

Sustainability is one of the Assembly's cross-cutting themes. These commitments require a team-work rather than a departmental approach, which should hopefully generate a virtuous rather than vicious circle of policy delivery. If these new approaches to policy can be achieved, then we can meet these commitments and achieve our objectives.

There seems to be some confusion about whether gaining Objective 1 Status is something to be lamented or celebrated. Further, there seems to be a degree of misunderstanding relating to where the required match funding will come from. Are we right in assuming that the Assembly will apply to Westminster for the funds?

Funding can come from a variety of sources, that is from the public, private or voluntary sectors, whilst the level and type of funding will depend on the nature of the proposed project. I am satisfied that the Assembly has the required monies for this year, and hence that there will be no lost opportunities. However, one problem is that the confusion over funding issues may create artificial barriers. Talking-up a problem that is not there may mean that Wales could miss out.

In addition, there is a difference between commitment and expenditure. The European Commission has now specified that a level profile of commitments be maintained throughout

the period. However the financing can 'back-loaded' to later time periods.

Many companies may not know how to apply and benefit from the opportunities Objective 1 funding could bring. What difference do you think Objective 1 will make to the small firm sector in West Wales and the Valleys?

I hope that Objective 1 funding will help generate enthusiasm and activity and enhance the general entrepreneurship culture in the small firm sector. This is going to be a challenge, and it is not always easy to make the opportunities clear to business. *Business Wales* has the support and confidence of both large and small businesses, and is one route through which companies can access the information they need.

Do you think that increasing competition from English regions is affecting the demand for Wales as an inward investment location?

The Assembly has improved Wales' image overseas. Wales has a good record of attracting inward investment, and is continuing to attract projects. For example, recently announced projects have included GE in the Baglan Energy Park and Mitsui Kinzoku in Ammanford. Also in Europe, the Assembly has made a huge difference to perceptions. Prior to the Assembly, Europeans failed to understand Wales, but now, we in Wales have an institutional and governmental framework that resembles their own.

Is there likely to be any real shift in emphasis from inward investment attraction policy towards indigenous business?

Inward investment is still important, but we want to achieve the right balance, whilst also encouraging partnerships between inward investors and indigenous business. The balance has been adjusted, and the potential of the small firm sector recognised. However investment in the indigenous sector must be seen as a long-term process, which will not produce a 'quick fix'. At the same time, the distinction between foreign and indigenous is not clear-cut, and joint ventures and take-overs are often difficult to classify. For example, Calsonic (Llanelli Radiators) or Rachel's Dairies started as successful Welsh businesses. These companies reached a stage where they required new investment (which came from overseas companies) to enable further expansion. Are these then Welsh or foreign companies? In addition many inward

investors, such as Ford, who have been in Wales for a long time are often regarded as being Welsh companies.

Transport is currently a politically difficult and unpopular policy area, however transport issues are very important for many, particularly in rural Wales. What do you see as the transport priorities in Wales?

Obtaining funding for transport projects has become increasingly difficult, especially as less money is available for this through structural funding. We are aware of the importance of roads links such as the A470 and the A40, and of the need for improvement, particularly for access to and from Ireland. Improvements to the A40 are certainly a transport priority for the Assembly.

The Bank of England has been criticised recently for adjusting interest rates in response to localised inflationary pressure (notably in the South East of England). Are you happy that these interest rates decisions are appropriate for Wales?

There is no alternative at all to Wales being part of the monetary union within the UK. The UK Government made the right decision in giving responsibility for setting interest rates to the Bank of England's Monetary Committee thus removing this key area of economic decision making from the short term vagaries of Party Politics. Of course, that places a heavy responsibility on the Bank to reflect economic conditions across the whole of the UK.

Scottish students studying in their home country will be exempt from paying fees, an initiative financed from Scotland's block grant. Meanwhile English and Welsh MPs are finding it hard to explain to their constituents that a Labour/LibDem coalition in Scotland can deliver an obviously popular policy when Labour governments in England and Wales cannot. Wales could do the same. Why doesn't it?

Responsibility for policy on tuition fees and student support generally for both England and Wales rests with the Department for Education and Employment who take the lead on this matter. The function has not been transferred to the National Assembly for Wales so we cannot go it alone on this even if we wanted to.

Alun Michael, Thank-you