



To all Assembly Members

08 June 2017

Dear Member,

At Plenary on 17 May, I undertook to provide Assembly Members with more detail on the Welsh Government's response to the UK Industrial Strategy Green Paper, "*Building our Industrial Strategy*".

I have made it clear that I believe the UK Industrial Strategy offers a range of potential opportunities and that it is essential that Wales benefits from its fair share of UK funding. Since the launch of the Green Paper in January, we have kept in close contact with the Department for Business, Energy and Industrial Strategy at both a ministerial and senior official level.

In addition to these ongoing discussions, in April, I wrote to the Secretary of State for Business, Energy and Industrial Strategy with our response. I am enclosing that letter, as this will provide Assembly Members with a good understanding of our approach and the particular UK Industrial Strategy 'pillars' where we believe there is most opportunity for Wales.

Given that we continue to be in ongoing discussions with the UK Government on these issues, it is important that we do not prejudice any potential outcomes. As such, I feel it would not be appropriate to release the full response prepared by my officials at this time. However, I will consider releasing this after our discussions have concluded.

Yours sincerely,

Ken Skates AC/AM
Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith
Cabinet Secretary for Economy and Infrastructure

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Gohebiaeth.Ken.Skates@llyw.cymru
Correspondence.Ken.Skates@gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



The Rt Hon Greg Clarke MP
Secretary of State for Business, Energy and Industrial Strategy
1 Victoria Street
London
SW1H 0ET

20 April 2017

Dear Greg

I am writing to you with regard to your Green Paper '*Building our Industrial Strategy*'. I am also doing so on behalf of the Minister for Skills and Science, Julie James AM.

I was pleased to meet last month to discuss the Green Paper proposals and the process for taking this work forward. It was a constructive discussion and, as I said, I am keen to explore opportunities for the business community in Wales, our academic institutions and others to benefit from a partnership between the Welsh Government and the UK Government on industrial policies which bring benefit to the UK as a whole. I cannot overstate the expertise, experience and ambition that reside in Wales and I want to afford people every opportunity to thrive and prosper.

The Welsh economy has undergone remarkable advances in recent years with close to a record number of people in work and our employment rate increasing more than the UK average over the last 12 months. We are working hard to maintain this momentum and to safeguard and attract quality jobs to communities right across Wales. We will be setting out a new approach over the coming months with four, clear overarching strategies which recognise that co-ordinated interventions are the most effective way to support prosperity and growth. They will set out how we will work across government, to overcome the structural economic challenges we face.

It will be an approach that is much broader than a traditional economic or industrial strategy, more coherent and joined-up, which does not view economic development as something separate from our wider actions as a government. Therefore, my comments now on your Green Paper must be seen in that context as there will be much for us to return to in the coming months.

However, as a starting point, and ahead of the publication of our strategies, my officials have prepared the appendix attached to this letter which sets out a number of comments and proposals. Whilst it is comprehensive, it is not exhaustive, our officials should continue to work together over the coming months to identify and agree proposals of mutual benefit.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Gohebiaeth.Ken.Skates@llyw.cymru
Correspondence.Ken.Skates@gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I anticipate that my Ministerial colleagues will also wish to discuss issues relating to their portfolios with their UK Government counterparts. There has been no drive to 'name check' every issue, policy or proposal, especially given some commercial sensitivities, but the attached gives an early signal on a range of your Green Paper *pillars*.

The comments range in scope to mirror the fact that the ten *pillars* contain a mix of fully devolved, partially devolved and reserved matters. Therefore, the opportunities vary accordingly. For example: *Pillar 1 - Investing in Science, Research and Innovation* - contains a range of potential opportunities to attract UK-wide funding and we have included a number of proposals for Industrial Strategy Challenge Fund. These projects provide the opportunity to begin to address the historic imbalance in UK research funding that has come to Wales in recent years. In contrast, *Pillar 2 – Developing Skills* – is a fully devolved matter, but there are UK Government policies and actions which have an impact in Wales. *Pillar 3 – Upgrading Infrastructure* – contains a mix of devolved and reserved matters, including areas such as rail infrastructure where we would like to see greater UK Government spend in Wales. As a final example, *Pillar 6 – Encouraging Trade and Inward Investment* - is an area where we have a record of working collaboratively together. There are clear opportunities for strengthening the partnership, as set out in our White Paper, *Securing Wales' Future*, which outlines our key strategic interests and priorities as the UK prepares to leave the EU.

So it is a mixed picture, but there are clear opportunities and we should concentrate our efforts where there is greatest potential to collaborate, while respecting the devolution settlement and the competence of each of our governments. The powers and competence of the Welsh Government and the National Assembly must in no way be constrained by this process. New ways of working established through the proposals in the Green Paper cannot undermine, however unintentionally, the devolved competence of the Welsh Government, nor be assumed to set a precedent for future working as the UK prepares to leave the EU. As I said at our meeting, the devolution settlement must be fully respected. So long as this principle is clear, there is scope for strong partnership to promote our shared objectives.

To this end, I believe there is merit in developing a set of principles to guide us as your Industrial Strategy is finalised so that we can maximise collaborative opportunities whilst providing assurance that cross-border issues will be managed in a spirit of equal partnership, respecting the competence and accountability of each government and good practice in inter-governmental relations.

This approach would be particularly beneficial on matters such as the proposed sector deals. We have a number of operational questions which we would like to explore in greater depth, such as the rationale and criteria for selecting which sector deals to prioritise; how deals will interact with each other and the wider read-across to other economic interventions. It would be helpful for us to understand more fully the proposed "mechanism" for developing and reaching deals. We will, however, be inviting to Wales the industry leaders of the five early sector deals set out in your Green Paper so that they can at first hand the expertise and opportunities available in Wales.

We accept that some elements of industrial strategy are best viewed in a way which reflects the realities of economic integration across the UK. It is no part of this Government's agenda to erect fences around Wales which impede economic growth or development, and the dynamics of EU withdrawal only emphasise the need for closer working between administrations within the UK. Where there is respect for devolution and a recognition of the need for equal partnership among the administrations of the UK, you will find us a willing partner.

I looking forward to meeting with you again as your Green Paper is taken forward. I would be grateful if your Office could propose a date to meet in Wales or in London.

I am copying this letter to the Secretary of State for Wales.

A handwritten signature in black ink, appearing to read 'Ken', with a long, sweeping horizontal stroke above the letters.

Ken Skates AC/AM

Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith
Cabinet Secretary for Economy and Infrastructure