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Interview with Rhodri Morgan



Rhodri Morgan is First Minister of the Welsh Assembly Government, which is now in its second term. During the first term, Mr Morgan was also Member of Parliament for Cardiff West. His education at Whitchurch Grammar in Cardiff was followed by St John's Oxford and then Harvard where he took an MA. Prior to his current post he enjoyed a very successful career in the civil service and then as a Member of Parliament.

How far has the Welsh Assembly Government conformed to your expectations in terms of its power and authority?

We have struggled with the structures that we inherited from the Government of Wales Act which, in the first line of the first clause say 'there shall be a body corporate etc'. The opening line of the Scotland Act was 'there shall be a Scottish parliament'. Nobody needs to have it explained what a parliament is – whereas we have had it defined more strictly. We have to abide by that law.

The people of Wales will not understand devolution unless we can demonstrate that it is not a debating society in the Bay, but a devolved system of government. Most work is carried out in Cathays Park, but is scrutinised by the government democratic process at Cardiff Bay. Unlike here in Wales, there is a very fluid movement between Whitehall and Westminster. The House of Commons, where most journalists are based, is within walking distance of almost all the Ministries and 10 Downing Street.

Under Section 121 of the Government of Wales Act 1998, the Welsh Assembly embraced a sustainable development (SD) ethos, defining this to mean 'living on the Earth's income rather than eroding its capital'. How is the Assembly progressing towards its SD aims?

Although it is early days, and we are not there yet, we have done work on the 'ecological footprint'. It is still quite a crude tool, but as far as I am aware, no other governments have progressed as far as us. It will help us to measure the impacts of our activities, and help us to shape a future Wales. Our drive towards a 'knowledge' economy is motivated by a number of factors and sustainable development is one of them. As we move towards a weightless economy we will make a smaller ecological footprint. However, this process is more difficult in Wales than elsewhere.

The Welsh economy has a relatively higher dependence on heavy industry. One interpretation of sustainable development could be nothing more than closing down the steel works and having more stockbrokers. This is not

going happen. Managing the process of cleaning up the environment without prejudicing existing activities is the balancing act we are engaged in.

The CELSA steelworks (Allied Steel and Wire as it was) is an electric arc steel maker and as such makes a significant contribution to a sustainable goal by, for example, recycling old cars rather than using iron ore. The Corus Port Talbot works uses 15% scrap, CELSA in Cardiff and Alpha in Newport use 100% scrap. We want that to continue as it is preferable to old cars rusting away in landfill.

Another conflict might be identified between those who seek to exploit clean energies and those who wish to protect the landscape as the number of wind farms proliferate in Wales.

On the Assembly web-site you will find the final report of the Economic Development Committee which reviewed energy policy in Wales and was the product of a public consultation (Welsh Assembly Government, 2003). The go-ahead for the proposed Cefn Croes wind farm was a Department of Trade and Industry (Dti) decision. We did not make a recommendation regarding this proposal. The Dti had to decide whether to approve it without a public enquiry or whether to go to public enquiry. One of the issues is whether it better to have a series of small wind farms or one much larger wind farm which confines the loss of landscape to a small area, and also has the advantage of a cheaper grid connection - which is better?

Does the Welsh Assembly have a view on how to proceed with regard to wind farm developments?

No, we haven't. We do think that wind is an important source of energy generation. However, we cannot say as a matter of guidance that all wind farms will be given planning approval. If they are under 50 megawatts, they go to the local planning authorities and then only come before the Assembly under appeal. Cefn Croes is unique. It is the first onshore wind farm in Britain over 50 megawatts, and therefore falls under the jurisdiction of the Dti.

Recent headlines inform us of a continuing decline in manufacturing jobs, while more people are employed in the service sector. However, some of these service sector jobs, certain call centres for example, are not particularly well paid. How do you see these trends impacting on Wales' prosperity?

There are five grades of call centre; some of which pay very well, and hopefully we have some of these in Wales. They create jobs very quickly, though they can also disappear very quickly. Where they employ people in their first job, the pay may not be so good. One issue is whether call centres should receive industrial incentives from public funds. The Irish government only supports the top two grades of call centre. We have recently re-evaluated the use of Regional Selective Assistance (RSA) and we are trying to push up the quality end of the market. Nevertheless we recognise that some of these companies that come into Wales, unlike manufacturing companies, are able to provide several hundred jobs in the space of 12 months, but on the other hand they might go – this is the nature of the industry, but this type of employment should not be dismissed out of hand.

With reference to pay more generally, an element of wages catch-up is occurring with the rest of the UK, partly because, for example, merchant bankers and stock brokers in the South East of England are not getting bonuses. Wales had a bad time in 2000, beginning with problems in the steel industry. The Pound is no longer over-valued against the Euro and the Welsh Economy has started to perform relatively well, as the South East takes a pause.

There are a number of external factors over which the Assembly has no control – a strong Pound will negatively impact on manufacturing, particularly where the products made here face competition from cheap imports into Europe and the UK.

However, more recently people do see that the Welsh economy has actually been doing relatively well – they understand that unemployment now is at levels not generally seen for a generation, although they will notice how difficult it is for manufacturing, even today, despite a weaker Pound. I am sure people in Wales are less concerned whether we are or are not catching up with the rest of the UK but are more concerned with their own prospects.

The interest in our prosperity relative to the rest of the UK is a function of the availability of the statistics which means that, as an administration, we tend to measure ourselves against these benchmarks.

If a manufacturing job pays £30,000 and a service sector job pays £15,000 then we will need two service sector jobs to replace the one manufacturing job in order to maintain the GDP impact.

However, in terms of what can we do to correct the weaknesses in the Welsh economy, it is lack of services not an excess that is the problem. The most prosperous parts of the UK, the South East, London and the East have far less manufacturing and far more services. Existing services in Wales tend to be basic grades rather than merchant bankers, stock brokers and advertising agencies and so on. So, encouraging the higher grades is the challenge. We now target Regional Selective Assistance much more at the quality end of the market; towards research and development in manufacturing, company head-quarters, marketing etc – instead of just focusing on the production unit as RSA was structured in the past.

How achievable are the National Economic Development Strategy targets, in terms of GDP?

Well, closing the GDP gap between Wales and the UK is an aspiration – the actual *targets* were fourfold, including the creation of some 135,000 jobs. If these specific targets are achieved, then a halving of the GDP gap relative to the UK would be a consequence.

One of the hopes of having an Assembly was that it would become a locus of power, attracting the business head-quarters that we seem to lack now. Do you think that this might happen?

That is the hope. Certainly this happens with the voluntary organisations but applies less to business. However, this might have had an impact on, for example, Evershed's decision to locate their regional headquarters for Wales and the West of England in Cardiff rather than Bristol.

How well do you think the Assembly communicates with business?

The short lines of communication with business are certainly in place. The business community in Wales knows that they have an open door. Business

support in Wales is better than in the South East but the idea that this may attract headquarters from London is not feasible.

If you had an economic policy wish, what would it be?

I would like to see the Pound as a weak currency over the next five years – that would be of enormous benefit to Wales.

A final thought on what you most love about Wales....

My wife and I have a caravan on Cardigan Bay. We always holiday there. This summer my wife swam with a seal. I had a wonderful experience this year of actually hearing a dolphin breathing in and out through its blowhole. This illustrates what I love most about Wales – it's unspoilt nature.

Thank you, First Minister.