

Cynulliad Cenedlaethol Cymru	National Assembly for Wales
Pwyllgor yr Economi, Seilwaith a Sgiliau	Economy, Infrastructure and Skills Committee
Blaenoriaethau ar gyfer Pwyllgor yr Economi, Seilwaith a Sgiliau	Priorities for the Economy, Infrastructure and Skills Committee
EIS 01 M-SParc	EIS 01 M-SParc

SUGGESTION FOR EARLY PROGRAMME OF WORK ECONOMY, INFRASTRUCTURE AND SKILLS COMMITTEE BY MENAI SCIENCE PARK (M-SParc)

The Welsh economy faces a number of challenges in the wake of the Brexit vote on the 23rd June 2016. One of the most pressing is the impact of the withdrawal of EU Structural Funds on R&D&I and the lack of clarity on how the funds would be replaced by the UK and Welsh Governments.

In recent years, the Welsh economy has gone through a programme of restructuring. Successful Welsh Governments have promoted a high value economy, based on the commercialisation of R&D and promoting innovation in a number of growth sectors and Grant Challenge Areas identified **in Economic Renewal: a New Direction, Innovation Wales and Science for Wales**. This has been a response in part to the contraction of investment in low value manufacturing primarily in the electronic and automotive sectors, and the increasing reliance on the service industries such as retail.

Evidence of the Welsh Government's approach, encouraged by the European Commission, is the budget allocation for R&D in the new ERDF funding programme for 2014-20. €388m has been allocated for Research and Innovation, with matching funds (primarily from the Welsh Government) of €167.5m, making a total investment (including funds from other sources) of €630m. This accounts for 27.5% of ERDF funds. This of course excludes the funding for R&D from Innovate UK and RCUK. Nevertheless, since the stated aim of the Welsh Government is to increase funding from these sources, this task will be made much harder by the loss of EU Structural Funds. In addition, the potential loss of EU Horizon 2020 funding and other EU research funds would have a severe impact on Welsh academics and businesses to fund collaborative projects with European partners in academia and in industry.

Given the above, the impact would not only be financial, such as the loss of access to Structural Funds, but in the failure to attract partners for collaborative ventures. It would be extremely difficult for the Welsh Government to make up the loss of Research and Development funding at an average of £54m (at current value) per annum, given

that the total budget, resource and capital for Economic Development is currently around £160m (2016/17).

This challenge comes at a time when investment in Innovation is at a record high in Wales. As well as the current remaining former Technium Centres (such as Optic, Pembroke and Swansea) , new investments are being developed at the Menai Science Park (M-SParc) (£20m), Cardiff Innovation Centres and Semiconductor Catapult (£300m) and the new UK Innovation Campus on the Gogerddan site owned by Aberystwyth University (£35m). Taken together are creating an innovation eco system not seen in Wales before and their future development is being placed at risk.

The Committee could consider looking at the impact of Brexit on the developing Innovation ecosystem in Wales, how the Welsh Government might negotiate with the UK government for the replacement of Structural Funds in this area, the practicalities of establishing a Welsh arm of Innovate UK with dedicated research funds, how Welsh universities could be encouraged to capture an increasing share of RCUK funds, and how current and future Innovation centres can be encouraged to contribute to the growth and development of the economy.