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Llywodraeth Cymru
Welsh Government

The Rt Hon Dr Vince Cable MP
Secretary of State for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET

19 August 2013

Dear Vince,

UK Government's Balance of Competences Review – Research & Development evidence

I am writing in reply to your letter of 17th May, seeking views on the research and development aspect of the review of the balance of EU competences.

Research, development and innovation are critical to our priorities of jobs and growth. EU programmes in this area have been of real benefit to Wales in building capability, supporting business, promoting the mobility of excellent researchers and augmenting national funding. The programmes have complemented UK and Welsh activity, rather than replacing it, and this relative positioning should continue. I note the commentary in the consultation paper about the current competence, which I believe should for practical purposes be regarded as 'supportive' of national activity.

EU programmes rightly focus on research excellence. Whilst this selectivity should be encouraged it does tend to exclude newly emerging research groups and to reinforce existing research clusters. National programmes are therefore also needed to foster emerging science and research teams. Such support in Wales include the Sêr Cymru programme. These initiatives aim to build excellent capability in areas of research that are important for our economic and national development.

We believe there is a strong case for the EU to support R&D collaboration on a scale that could not be achieved nationally. As many companies and markets become more globalised, organising collaborative research at the EU level is a critical adjunct to national programmes. The EU should also support researcher mobility, large research infrastructure and the best basic research. Evaluations suggest, however, that the added value of EU programmes varies across programme areas and that the bureaucracy often remains a concern for a significant proportion of participants.

The complexity of the EU programmes poses barriers to entry especially for hard-pressed businesses. We believe that the UK system for engaging and advising businesses should be as focused and streamlined as possible. Our own Welsh Horizon 2020 Unit is also supporting engagement in these programmes and we welcome the opportunity of working closely with the UK-wide network of support.

Whilst EU funding for research in SMEs is a significant and welcome addition to national funding the EU should not seek to displace successful Member State led co-operation, such as through EUREKA. Collaborative research should be supported on a scale that is appropriate to the R&D need and only on a large scale when there is a clear rationale and thorough preparation. The EU's own institutions forming the Joint Research Centre should likewise be subject to disciplines of value for money and meeting genuine need.

The EU has in the past tended to focus more on the funding of research than on the vital pull-through to innovation. We therefore welcome the greater involvement of businesses in agenda-setting in recent years and the involvement of institutions such as the European Investment Bank in supporting innovation finance.

Overall the Welsh Government therefore strongly supports EU competence in research, technological development, innovation and space, provided that this continues to complement, rather than displace, national activity. In managing the evolution of EU programmes we feel that rigorous assessment of the efficiency of each element in achieving European added value will be important for its continuing success.

I attach an Annex to this letter covering specific areas in more detail.

A handwritten signature in black ink, appearing to be 'L. Jones', written in a cursive style.

Annex

Comments on Specific European RD&I Activity

Basic research – the long-term benefits of basic research are shared widely across nations. There is therefore a rationale for funding it internationally. The European Research Council has a record for efficient decision taking and funding.

Researcher mobility – there is a clear rationale for supporting mobility of talented researchers across Europe and a single EU programme seems appropriate.

Large research infrastructures – there is a good case for an integrated EU programme and support where required funding goes beyond national resources. National control and contributions are also important to allow a degree of prioritisation and help ensure value for money. The 'mixed' model adopted for funding European Space Agency projects, including 'mandatory' and 'optional' elements, might be suitable to employ in some other cases.

Large scale industrial collaborations - can, in principle, be more efficiently organised at the European level. They help Europe compete with the USA and other major economies, which also fund large industrially-oriented R&D programmes. At the same time they need to be clearly competitively run and have a strong rationale that justifies the complexity involved.

Business Exploitation of Academic Research Outcomes. The European Institute of Technology focuses on translational research through thematic 'Knowledge and Innovation Communities'. Whilst attractive in principle, questions remain over effectiveness. There should be a stronger focus on promoting business-pull and seeing national or regional programmes as the main route for supporting exploitation.

SME programmes – whilst SMEs are critical drivers of innovation, the administrative and bureaucratic burden imposed through EU programmes and their timescales have often been criticised. There needs to be a very clear rationale for accepting the extra burden of managing SME programmes at the European level and the EU should not seek to displace successful Member State led co-operation.

Joint Research Centre – The UK has successfully moved many of its research laboratories to become arm's length or independent institutions. Given the scale of EU funding now available and the EU's research capacity the case for EU-owned institutions needs to be kept under careful review against need and the potential efficiency of alternative operating models.

Space – the EU's role has been beneficial, including to Welsh researchers participating in major projects. The European Space Agency's variable geometry project structure helpfully allows differing degrees of national buy-in to programmes.

State Aids - previously contributed to a BIS consultation in support of making RD&I state aids arrangements more streamlined and coherent

European Structural and Investment (ESI) Programmes – As a significant beneficiary of ESI funds Wales supports continuing focus and alignment between RD&I related programmes. Earmarking provisions within the ERDF regulations require a clear focus on RD&I, as a core component of a suite of integrated operational programmes. We are keen to ensure that we utilise ESI funds alongside centrally managed programmes to enable appropriate support for each stage of the RD&I process.