

ECONOMIC DEVELOPMENT COMMITTEE

REPORT TO PLENARY UNDER STANDING ORDER 9.9

April 2000 to March 2001

Introduction

1. The Economic Development Committee is one of the National Assembly for Wales' seven subject committees. The responsibilities of subject committees are set out in the National Assembly's Standing Orders, an extract from which is at Annex A.
2. This report is made under Standing Order 9.9 which requires Subject Committees to report to the Assembly from time to time on their progress in fulfilling their Forward Work Programme. This report covers the activities of the Committee from April 2000 to the end of the spring term 2001.

Membership of the Committee

3. The Committee was chaired during the year by Val Feld. Its other members at present are Alun Cairns, Chris Chapman, Glyn Davies, Ron Davies, Mike German (Deputy First Minister and Economical Development Minister), Chris Gwyther, Alison Halford, Brian Hancock, Dafydd Wigley and Phil Williams.
4. Membership of the Committee has changed during the period: in April 2000 it comprised 9 members and it was enlarged to 11 with effect from its meeting on 15 November. There have also been changes in the people serving on the Committee with Brian Gibbons, Helen Mary Jones, and Rhodri Morgan (as First Minister and Economic Development Minister) standing down after being members for part of the year.

The Committee's Remit

5. The Committee's remit is based on the portfolio of the Deputy First Minister and Minister for Economic Development which currently embraces:
 - Inward investment and trade, promotion of indigenous companies and regional development;
 - European economic issues, including structural funding;

- Innovation, energy and ICT development in the business sector;
- Industrial policy and business support, including demand-side employment issues (minimum wage, working time, etc);
- Tourism.

6. This includes oversight of the Welsh Development Agency (WDA) and the Wales Tourist Board (WTB).

The Committee's priorities.

7. The Committee's priorities covering the year were laid out in its draft Forward Work Programme for May 2000 to December 2001. These were derived from actions identified in "Better Wales" which set out a number of issues for early action by the Assembly. The Committee agreed to play a role in progressing the actions identified in Chapter 5 'A better stronger economy' and Chapter 4 'Better opportunities for learning'. In particular:

- A national economic development strategy to promote jobs and enterprise
- An effective European strategy and a new body to help deliver it
- A development fund to help small and medium-sized businesses
- A revamped export service and a state of the art marketing campaign for Wales
- An information age strategy to help all of Wales benefit from the information super highway
- Better links between education and business
- Promotion of entrepreneurship

Meetings held

8. By the end of the spring term 2001 (the last meeting was on 4 April) the Committee had held 18 regular meetings – 3 of which involved joint working with other subject committees. In addition, it held informal briefing sessions on a number of occasions including its work on the Review of Business Support and the National Economic Development strategy. It also met the Economic Trade and Investment Committee of the Northern Ireland Assembly for an informal discussion during its visit to Wales.

9. The Committee, primarily in connection with its Review, made visits to Ireland and Brussels to meet representatives of a number of European countries. It also undertook extensive consultations with others involved in economic development both within the UK. Details of this work were included in the Committee's Report and an extract from this is attached at

Method of Working

10. The Committee has continued to develop its open and inclusive style of working. It has been keen to hear from and work closely with organisations involved with economic development and has arranged meetings with a wide range of bodies. Details of many of these are included in Annex B and elsewhere in this report in respect of other aspects of the work.

11. The Committee recognises the speed with which the economy moves and has considered it a priority to keep abreast of topical and developing issues. In order to do this it has organised its agenda flexibly – balancing the need to maintain a considered view of on-going developments throughout the economy with the need to be aware of, and respond to, urgent matters as they arise.

12. In particular, Members have agreed that the Economic Development Minister should report on developments at every meeting and that his written report should be provided as close as possible to the meeting in order to ensure it is as up to date as possible. The Committee twice, at short notice, held discussions to discuss the Hyder takeover. They met senior representatives of Corus, and the ISTC, to obtain up to date information on the rapidly-changing, situation affecting the steel industry in Wales. The Committee has also been anxiously waiting to consider, with other committees, the proposed package of support from the Assembly, but the announcement of this has been delayed at the request of the unions. Most recently the Committee held an urgent discussion, involving representatives of the WDA, WTB and the British Tourist Authority (BTA) on the impact of the foot and mouth outbreak on the non-agricultural economy of Wales.

13. The Committee has worked closely with other Committees – the discussions of Glas Cymru were held jointly with the Environment and Planning Committee. There are plans to hold discussions with the Education and Life-long learning Committee if the threatened job losses at Corus go ahead and on their review of higher education. Members were also invited to attend meetings of the Agriculture and Rural Development Committee while it was taking evidence in connection with its Review of Rural Economic Diversity. The Committee considered the economic potential of the cultural sector in a discussion on the Culture Committee's report A Culture in Common.

Work and Achievements in the past year

14. The Committee's work in the past year has focused on a number of key areas:

SO 9.7(i) - contributions to the development of the Assembly's policies within the fields for which the Assembly Secretary is accountable to the Assembly;

Review of Business Support and Development

15. Annex B details the work undertaken in respect of this review. The Committee published its reports in February 2001 and it was debated in plenary session on 8th February. Following this the Economic Development Minister launched a consultation exercise scheduled to conclude in early May.

16. The report contained a number of major recommendations. In particular, it urged the setting up of an Economic Policy Board to oversee the operation and development of support for business and the establishment of a Business Support Gateway as the entry point for all support to businesses. It proposed that the management of the latter should be undertaken through the Welsh Development Agency. Further details of these and the Committee's other recommendations can be found in the report of the review.

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National Economic Development Strategy

17. The Committee considers that Wales needs a clear National Economic Development Strategy and put a considerable amount of its time into assisting the Economic Development Minister in the development of this. During the course of the year it held a number of meetings to consider priorities for the strategy and issues of more detail. It heard evidence from the Employment Service and Disability Wales in a meeting concentrating on barriers to economic activity. On another occasion it discussed a Departmental paper on sustainable development and a paper on renewable energy. More recently it has heard the views of the Wales Wildlife and Countryside Link. It also considered papers on sectoral priorities including a thorough assessment of the role and impact of call centres in Wales.

18. The first stage of the development of the strategy concluded in February when the Minister presented the report at plenary as a basis for consultation. Members expressed their reservations about the report in its present form but noted that it was the Economic Development Minister's intention to publish it as the basis for further consultation. Both the Committee and the Minister recognise that this is only the first stage in the development of an

economic strategy and the Committee intends to continue to meet outside organisations and listen to their views in order to refine and develop this work.

19. The Committee expressed a strong desire that operating aid schemes be developed in Wales and called on the Minister to sanction the Assembly to introduce such schemes.

SO 9.7(ii) - keeping under review the expenditure and administration connected with their implementation.

European Structural Funds

20. EDC has been closely involved with the development of the European Structural Fund programmes and in the course of the year has considered and advised on various stages of a number of the Assembly's structural fund documents.

21. The Committee considers it essential to maintain an ongoing overview of progress with the funds, and as well as discussing progress with the Economic Development Minister, receives regular reports from the Chief Executive of the Wales European Funding Office and from the Chairs of the Programme Monitoring Committees (PMC). The Chair of the Committee, together with the Minister, inaugurated a series of meeting of Chairs, and representatives, of the PMCs for Objectives 1, 2 and 3.

22. Further work needs to be done to develop and refine the way in which EDC maintains an active overview of progress with the structural funds while recognising the formal responsibilities and accountabilities of WEFO and PMCs.

Economic Development Budget

23. The Committee has been closely involved with setting the priorities for the Assembly's economic development budget from consideration of a paper on priorities in the summer of 2000 to examining the draft detailed budget in the autumn. It also receives reports from the Minister when in-year changes are made and has a continuing concern about changes for the future.

24. The Committee identified the need to have greater clarity in the identification of sources of match funding and recognised that the absence of full match funding from H M Treasury will mean the Structural Funds programmes will have less impact than it would otherwise.

25. The Committee was concerned to ensure greater clarity in the source and distribution of resources being applied to the consequences of the Corus closure.

Office of National Statistics

26. The Committee considers it a priority for the Assembly to have sound information on which to base its economic monitoring and planning. It has considered papers by the Office of National Statistics on developments in the information collected and receives regular reports from them on progress.

Regional Selective Assistance

27. The Committee considered a detailed paper on the operational of Regional Selective Assistance in Wales and has considered options for its development. The Committee has asked for regular reports to be provided to it so it can maintain a continuing overview of the support being provided to businesses in Wales, and of the scheme and the way it is operating.

SO 9.7(iii) - keeping under review the discharge of public functions in those fields by public, voluntary and private bodies:

Welsh Development Agency

28. The Committee works closely with the WDA. In the autumn it considered the Agency's Half Year Review and Draft Corporate Plan and discussed these with its Chair and Chief Executive. More recently the Committee has received the WDA's Draft Business Plan and advised on the draft of the Economic Development Minister's letter of strategic guidance for the Agency in drawing up its Corporate plan for 2003-2003 to 2004-2005. Alongside this the Assembly has been undertaking the Quinquennial review of the WDA and in the Autumn the Committee commented on the stage one results coming from this, and more recently considered the final report of the Review.

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Wales Tourist Board

29. The Committee considered in the autumn with its Chair and Chief Executive the WTB's Review of Achievements. More recently it has considered the WTB's forward plan and advised the Minister on his remit letter to the Board for 2001-2002.

Cardiff Bay

30. The Committee continues to be concerned about the arrangements for the development of Cardiff Bay and the barrage following the winding up of the Cardiff Bay Development Corporation. In the autumn it received an update on progress from the Lord Mayor and has been waiting to see the Business Plan for the Harbour Authority. Finalisation of this has unfortunately been delayed but the Committee expects to receive this soon after Easter. The Committee has also recently considered and commented upon the Audit Committee's Committee's report on the Cardiff Bay Barrage.

SO 9.8 - other responsibilities

Regulatory Reform Bill

31. In response to a request from Plenary, the Committee considered the Government's proposed regulatory reform bill which was announced in the Queen's speech. It offered advice on this to plenary.

Forward Work Programme

32. At the time of drafting, the Committee is finalising its work programme for May 2001 to December 2002. Its priorities have been developed from those of the year just ended. In relation to its scrutiny functions it will continue to keep a close oversight of the functions of the Economic Development Minister and a close overview of the development of the structural fund programmes and the operation of the WDA and WTB.

33. In relation to policy development it intends to develop the work it has started in the last year – the implementation of its proposals from the review of for business development and the continued development of the National Economic Development Strategy. It also will undertake a new review based on energy policy with the focus on sustainability through renewable sources and clean technologies.

ANNEXES

A. Responsibilities of Subject Committees

B. Extract from Review of Business Support and Development Services

Annex A.

RESPONSIBILITIES OF SUBJECT COMMITTEES

Standing Orders 9.7 and 9.8 set out the responsibilities of Subject Committees:

9.7 Each subject committee shall

- i. contribute to the development of the Assembly's policies within the fields for which the relevant Assembly Secretary is accountable to the Assembly;

(ii) keep under review the expenditure and administration connected with their implementation; and

keep under review the discharge of public functions in those fields by public, voluntary and private bodies.

9.8 Each subject committee shall also, within the relevant fields,

- i. advise on proposed legislation affecting Wales, including performing its functions under SO22;
- ii. provide advice to the Assembly Cabinet on matters relating to allocation of the Assembly's budget in accordance with Standing Order 19;
- iii. perform its function under Standing Order 21 (complaints);
- iv. perform any functions assigned to it under the Code of Practice on Public Appointments Procedure made by the Assembly under Standing Order 20; and
- v. consider matters referred to it by the Assembly within its fields."

2. Standing Order 9.9 requires the subject committee to maintain a rolling programme of work covering periods of at least 12 months.

ANNEX B

Review of Business Support and Development

This annex provides further details of the work carried out as part of the EDC Review of Business Support and Development

Terms of Reference and Expert Adviser

1. The terms of reference for the Review were considered by the Committee at its meeting on 15 December 1999. The Committee were content with the remit of the review (set out in EDC-12-99(p6)) and agreed to appoint an expert adviser.
2. Dr Jim Driscoll was appointed as the expert adviser in March following an open competition. Dr Driscoll was formerly a partner with PricewaterhouseCoopers and his experience included working with international and indigenous companies in Wales and elsewhere, a period on secondment to the Welsh Office as Industrial Director, and working for British Steel Enterprise.

Consideration of the future of the TEC enterprise function

3. The Committee's first task as part of the review was to make recommendations on the future of the Training and Enterprise Councils' enterprise functions. The TECs will be disbanded at the end of March 2000 and replaced by the Council for Education and Training in Wales (CETW). The training-related functions of the TECs will be transferring to CETW, but the Committee was asked to consider what would be the most appropriate location for the remaining enterprise-related functions. (26 January and 1 March 2000: EDC-02-00(p2) and EDC-04-00(p6))
4. The Committee visited a TEC to discuss with practitioners from all TECs the work which was currently being carried out and options for the future.
5. The Committee was also keen to hear views on options from those who had experience of using and supplying such support and development services. A wide consultation exercise was undertaken. (12 April 2000: EDC-08-00(p6))
6. The results of the consultation were inconclusive and the Committee invited Business Connect Wales (and its Regional Consortia) along with Business Wales and the Federation of Small Businesses to submit further views. Representatives of these organisations discussed proposals with the Committee. (22 June 2000: EDC-11-00(p4)(p5)(p6))
7. Based on these discussions, the Committee recommended to the Assembly Secretary that responsibility for the enterprise functions be transferred to the Welsh Development Agency, but that delivery should continue to be determined at a local level. (6 July 2000: EDC-12-00(p8)). The Assembly Secretary accepted the Committee's recommendations.

Considering Initial Proposals for a Development Fund

8. The proposals for a Development Fund were considered by the Committee at its meeting on 12 April 2000. The Committee broadly welcomed the proposals. It asked to

see further details of how the Fund would work in practice once this was determined. (12 April 2000: EDC-08-00(p4))

Considering the Recent Past and Current Arrangements for Providing Services

9. One of the main tasks of the review was to map the provision of business support services. This proved to be particularly difficult as there was no central source of comprehensive information. As a result the review team drew up questionnaires which were sent to service providers in both the public (over 225 issued) and private sectors (over 1,200 issued directly and the association of Chartered Accountants also circulated its members in Wales). Questionnaires were also available on the website.
10. The questionnaire sought information on services provided (split between indigenous support and inward investment), spending, size of clients supported, sources of funding and support for other organisations, cooperation, overlap of services and general comments on business support mechanisms.
11. The response was reasonably good from the public sector (almost 40 per cent, but including the main deliverers in terms of expenditure). Over 100 private sector providers responded (and their input and comments were particularly valuable), but this was a small proportion of the estimated well over 1,500 providers.
12. The analysis of the responses allowed broad conclusions to be drawn about the scale of support and the focus of support. (Many organisations cited the difficulty of isolating their business support activities from other activities and splitting expenditure between support for indigenous businesses and inward investors.)

Consulting a Wide Range of Organisations Providing Business Services

13. The Committee and the review team consulted a large number of organisations providing business services in Wales and elsewhere. Organisations met include: WDA (various divisions including regional offices), WTB, Business Connect, ICT organisations, Business Partnership, Business Partnership adviser, IOD, CBI, FSB, Chambers of Commerce, Enterprise Agencies, WLGA, Local Authorities, CETW, Economic Forums, TECs, Council of Welsh TECs, National Assembly officials, Management Council for Wales, Scottish Executive, Invest UK, researchers and academics.
14. Literature and reports relating to performance and value-for-money were also considered, as well as similar studies covering support in Scotland, the North East of England and the English proposals for small firms.
15. Towards the end of the Review the Committee had a further meeting with representatives of WDA, WTB, CETW, WLGA, Business Connect, Business in Focus, Wales Enterprise to discuss the emerging conclusions.

Consulting Business Users

16. The Committee felt it was very important to hear directly from business users. Four regional meetings were held to which business people were invited (over 3,000 invitations were issued). The meetings were held in Swansea, Bangor, Newtown and Cwmbran in October 2000. Over 150 people attended in total.
17. The Committee had a further meeting with representatives of business: CBI, FSB, IOD, Chamber Wales and the Wales TUC to discuss their draft report and the emerging conclusion

Reviewing the Business Services Arrangements for Some Comparator Locations

18. The Committee visited the **Republic of Ireland** in September 2000 and held a series of meetings with representatives of the Department of Enterprise, Trade and Employment, the Irish Development Agency, the Irish Business and Employers Confederation, the Economic and Social research Institute, the Bank of Ireland, the British Irish Inter Parliamentary Body.
19. In October the Committee visited Brussels and held meetings with representatives from various European regions (**Central Sweden, Flanders, Baden-Wurttemberg, Nord Pas de Calais, Catalonia, Emilia Romagna**) and the **European Commission**.

All papers which have been considered at formal Economic Development Committee meetings, and the minutes of those meetings, are publicly available either on the National Assembly for Wales website (www.wales.gov.uk) under Business>Committee Business>Economic Development or by contacting the Committee Clerks.