

ECONOMIC DEVELOPMENT COMMITTEE

Annual Report under Standing Order 9.9

May 1999 to March 2003

Introduction

1. The Economic Development Committee is one of the Assembly's seven subject committees. 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 May 1999 to the end of the spring term 2003.

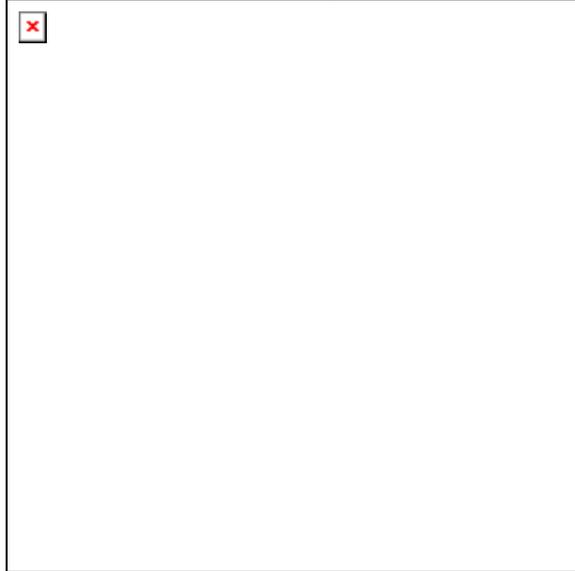
Membership of the Committee

2. The current members of the Committee are: Chris Gwyther (Chair), Mick Bates, Alun Cairns, Chris Chapman, Andrew Davies (Economic Development Minister), Ron Davies, Alison Halford, David Ian Jones, Elin Jones, Dafydd Wigley and Phil Williams.
3. The following Assembly Members have also served on the Committee during its first four years: Val Feld, Ann Jones, Rhodri Morgan, Brian Hancock, Helen Mary Jones, Michael German, Brian Gibbons, Glyn Davies and David Davies. Val Feld chaired the Committee for much of its first two years. She resigned as Chair due to ill health and sadly died in July 2001. The Committee greatly appreciated the part she played in setting the Committee on its course.

The Committee's Remit

4. The Committee's remit is based on the portfolio of the Minister for Economic Development which currently embraces:

- Inward investment, promotion of indigenous companies and regional



development.

- European economic issues, including structural funding.
- Industrial policy and business support, including demand-side employment issues (minimum wage, working time, etc).
- Innovation and energy.
- Tourism.
- Urban development and regeneration.
- E-Minister with strategic co-ordinating responsibility for ICT.

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

6. The responsibilities of subject committees are set out in Standing Orders – copy at Annex A.

The Committee's priorities.

7. Over its four year term the Committee's priorities have evolved and it has regarded its role as helping to build an advanced, dynamic and more diverse economy in which everyone has a chance to prosper. Its priorities within this have been to assist the Welsh Assembly Government in developing new policies and to scrutinise existing policies to ensure they deliver the best possible solutions for the people of Wales.

8. The Committee has had to react, in setting its priorities, not only to changes in the Government's priorities but also to external influences. In its first year members spent a lot of time focussing on the success of the establishment of the Structural Funds programmes. They recognised the vital opportunity these afforded Wales which could drive forward many aspects of the Assembly's National Economic Development Strategy.

9. In subsequent years their priorities have broadened and these are detailed in this report. The Committee has in all its business considered it important to take account of the Assembly's cross cutting themes of sustainability, social inclusion

and equal opportunities. These considerations have been central to all discussions on the economy generally and figured specifically in a number of discussions.

10. In assisting with the development of new policies the Committee has carried out its own reviews of Business Support and Development Services and Energy Policy in Wales which are described in more detail later in this report. The Committee has also undertaken an examination of policies in Wales for the development of Broadband ICT and reported on these.

Meetings held

11. By the end of the spring term 2003 the Committee will have held 72 formal meetings. It has felt it important that people across Wales have the opportunity to attend meetings and has held several formal meetings outside Cardiff at the North East Wales Institute of Higher Education in Wrexham, the National Botanic Gardens at Llanarthne and most recently at Shotton Paper in Deeside.
12. In addition to these, the Committee has held a number of informal meetings/briefing sessions and roadshows including visits in connection with its policy reviews. The Committee visited Dublin and Brussels in connection with its review of Business Support and has, at the invitation of the US State Department, visited the US to look in particular at economic regeneration and the issues surrounding the development of Broadband ICT. They also visited the Västra Götaland Region in Sweden to examine similar issues.

Method of Working

13. 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 sought to organise its agenda flexibly to be able to respond to urgent issues as they arise. It has on several occasions, at short notice, held meetings with a wide range of organisations to discuss critical issues such as the Hyder takeover, the redundancies at Corus and the foot and mouth outbreak.
14. Recognising the wide-ranging portfolio of economic development the Committee has worked closely with other subject committees on matters of joint interest. This included a number of joint meetings with the Local Government and Environment Committee to discuss the winding up of the Cardiff Bay Development Corporation; a joint session with the Education and Lifelong Learning Committee to scrutinise the Ministers' package of assistance to mitigate the effects of the job losses at the Corus plants in Wales and with the Environment Planning and Transport Committee to consider the Hyder takeover of Welsh Water.
15. EDC Members have also been invited to join discussions at the Agriculture and Rural Development Committee to discuss the Rural Recovery Plan following the outbreak of foot and mouth, and the Local Government and Housing Committee to look at how housing can contribute to economic regeneration. The Committee

extended an open invitation to Environment Planning and Transport Committee members to attend all relevant meetings in connection with its Review of Energy Policy.

16. Working with other Committees has been very valuable and is something the Committee sees as an important priority for the future.

Work and Achievements

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

Review of Business Support and Development Services

17. The Committee's first policy review was to look at the effectiveness of, and overlaps between, existing business support mechanisms. Its report titled Review of Business Support and Development was published in January 2001 and was put out to consultation by the Minister for Economic Development following its debate in plenary session on 8 February 2001. An initial summary of the responses from the consultation was put to the Committee in June 2001 but at that time a number of key organisations had indicated that they could give final views only in the context of the National Economic Development Strategy consultation, which had not yet ended. A further report was put to EDC in October 2001
18. The Committee welcomed the Minister's acceptance of most of their recommendations but was deeply disappointed with the decision not to establish an economic policy board, the recommendation for which had had cross-party, and largely unanimous, support from the Committee.
19. EDC has continued to take a keen interest in the key recommendations which the Minister has progressed which included the setting up of the Economic Research Advisory Panel and the transfer of the Business Support Gateway (Business Connect) to the WDA. It has continued to follow the development of these policies very closely.

Review of Energy Policy in Wales.

20. The Committee began its second policy review in November 2001. It recognised that energy policy was something that involved not just Wales and the UK but also Europe and the rest of the world. It, therefore, considered it important to approach this review from a practical perspective and to look at the specific issues facing Wales in the context of the need to ensure the sustainability of the sources of supply and the wider effects of global warming. In order that the review should not be the cause of delays in decisions on investment or development within the energy sector it decided to address the subject in stages.
21. It took evidence from a wide range of sources and has produced two reports for consultation. The first report on Renewable Energy went out to consultation in

April 2002 and the Committee was very pleased that it stimulated a wide-ranging debate on what are difficult and sometimes extremely emotive issues. The Committee considered all of the views and produced a final report in January 2003. The Minister responded to the report in a statement to plenary on 5 March 2003. The second consultation report covered Energy Efficiency and went out to consultation in December 2002. The Committee will produce a final report before the end of the spring term which it expects the Government will respond to after the election.

A Winning Wales

22. From the start the Committee considered that Wales needed a clear National Economic Development Strategy and it put a considerable amount of time into assisting the Economic Development Minister in the development of this. During the period that the Minister was drafting the strategy the Committee took evidence from a wide range of organisations to try to identify the priorities in more detail. Early in 2001 members expressed their reservations about the report in its current form but noted that it was the Economic Development Minister's intention to publish it as a basis for consultation. In February 2001 the Minister presented the report to plenary as a basis for consultation.
23. Following consultation the report was published as A Winning Wales in January 2002. Many members still felt that the report was inadequate because it lacked detail concerning policies, resources and realistic targets. Since this document lies at the heart of the Welsh Assembly Government's economic strategy, the Committee has continued to monitor performance against the strategy.

Broadband Policy in Wales

24. Although the Committee has not formally launched a review into Broadband ICT it has for some time been concerned about the availability of Broadband ICT in Wales. It has considered various papers at different times from a range of sources as well as looking at the subject on its visits to the United States and Sweden, and considered it appropriate to prepare a report summarising its conclusions.
25. In addition to its own review the Committee has contributed to the policy reviews of other subject Committees. It contributed to the Education and Lifelong Learning Committee's review of Higher Education in Wales specifically concerning the vital links that need to exist between higher education and economic development. It considered and offered advice on the effects of economic development on the Welsh language, in connection with the Welsh language review undertaken by the Culture Committee.

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

European Structural Funds

26. As mentioned previously the Committee has always considered it a priority to ensure that maximum benefit is achieved for Wales from the European Structural Funds programme. It regularly discusses these with the Economic Development Minister, as well as receiving regular quarterly reports from the Chief Executive of the Wales European Funding Office and from the Chairs of the Programme Monitoring Committees (PMC).
27. The Committee's focus has primarily been on ensuring wider accessibility of structural funds through the voluntary and private sectors particularly ensuring representation of under-privileged groups and also more recently in seeking to avoid de-commitment.
28. The Committee is also concerned about the future of these funds following the enlargement of the EU and has had several discussions on this issue. Members of EDC attended a conference in May 2002 at the European Commission in Brussels to discuss the EC's Cohesion Report and continue to receive papers on progress.

Regular scrutiny of Minister

29. The Committee has always considered it an important part of their remit to rigorously scrutinise the Economic Development Minister. For each meeting he has provided a written report detailing latest developments and responded to issues raised at previous meetings. He has also provided an oral update at each meeting covering more recent news. Discussions of these reports have formed a major part of most meetings.
30. The Committee also receives regular analytical reports on the economy in the form of the Quarterly Economic Report for Wales and the Quarterly Statistical Bulletin and a quarterly report on the operation of the Regional Selective Assistance scheme.
31. The Committee has continued to monitor the development of economic statistics as it considers it essential for Government to have sound information on which to base economic monitoring and planning. It has had a small number of informal sessions to try to learn about the figures in more detail and has recently had discussions with the Office for National Statistics regarding the problems with producing up to date GDP figures.

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

Welsh Development Agency.

32. The Committee works closely with the WDA. It has regularly considered the remit letter to the Agency with the Economic Development Minister and the Agency's draft corporate plans, business plans and outturn performance on a half-yearly basis with the Chief Executive. It has also considered the role of the WDA in the implementation of the recommendations arising from the

Committee's Review of Business Support and Development. The Committee was closely involved with the Quinquennial Review of the WDA commenting on both the stage one results and the final report.

Wales Tourist Board

33. The Committee has a close working relationship with the WTB and considers its remit letter each year with the Minister. It considers the Board's corporate plans, business plans and outturn performance on a half-yearly basis with the Chair and Chief Executive. It also considered and advised on the terms of reference for the Quinquennial review of the Wales Tourist Board and considered the draft report in November 2002. In the course of the last year the Committee has also received briefings from the WTB on various developments including its proposals for a Statutory Registration Scheme for Tourist Accommodation.

Cardiff Bay

34. The Committee had concerns from its earliest days about the arrangements for the development of Cardiff Bay and the barrage following the winding up of the Cardiff Bay Development Corporation. In 2000 it received an update on progress from the Lord Mayor. It invited Grosvenor Waterside to present a paper giving a commercial perspective on the development of Cardiff Bay and in January 2002 considered the long-overdue business plan for the Cardiff Harbour Authority and passed comments to the Lord Mayor. It has also considered the Audit Committee's reports on Cardiff Bay. The Committee continues to be concerned that this investment yields benefits for the whole of Wales and feels it important to maintain a continuing overview of it.

S.O. 9.8 – other responsibilities

Economic Development Budget

35. The Committee has been closely involved with setting the priorities for the Assembly's economic development budget each year. Each year it has examined expenditure performance in the current and previous years before considering the ED Minister's priorities for the coming year. Each autumn it has considered the economic development part of the Cabinet's detailed budget. It has also received reports from the Minister when in-year changes were made.

Public Appointments

36. Committee Members have been involved in the appointments of the new Chair of the WDA and of members to the boards of the WDA and the WTB.

RESPONSIBILITIES OF SUBJECT COMMITTEES

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

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

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.

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

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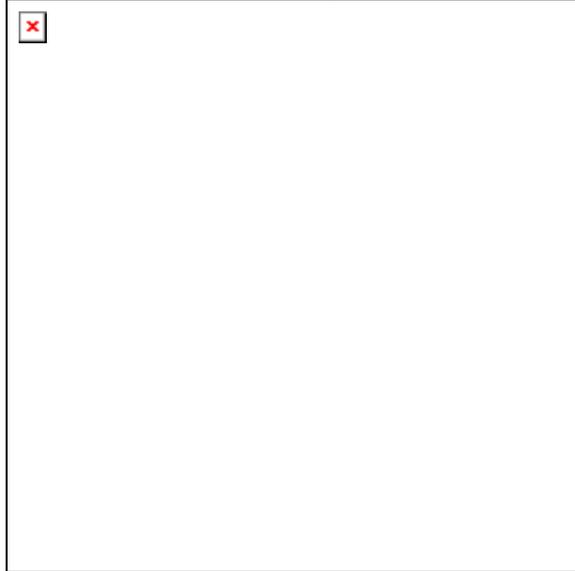
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49. EDC has continued to take a keen interest in the key recommendations which the Minister has progressed which included the setting up of the Economic Research Advisory Panel and the transfer of the Business Support Gateway (Business Connect) to the WDA. It has continued to follow the development of these policies very closely.

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Broadband Policy in Wales

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

European Structural Funds

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Committee's Review of Business Support and Development. The Committee was closely involved with the Quinquennial Review of the WDA commenting on both the stage one results and the final report.

Wales Tourist Board

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S.O. 9.8 – other responsibilities

Economic Development Budget

65. The Committee has been closely involved with setting the priorities for the Assembly's economic development budget each year. Each year it has examined expenditure performance in the current and previous years before considering the ED Minister's priorities for the coming year. Each autumn it has considered the economic development part of the Cabinet's detailed budget. It has also received reports from the Minister when in-year changes were made.

Public Appointments

66. Committee Members have been involved in the appointments of the new Chair of the WDA and of members to the boards of the WDA and the WTB.

RESPONSIBILITIES OF SUBJECT COMMITTEES

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

Each subject committee shall also, within the relevant fields,

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

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

SUGGESTED THEMES FOR NEW ECONOMIC DEVELOPMENT COMMITTEE

Background

1. The Government of Wales Act states that the functions of Assembly Subject Committees shall follow the portfolios of the Ministers in the Assembly Government. There is therefore no guarantee that after the election there will be an Economic Development Committee or that its remit will be the same or similar to that of the existing Committee. But it seems likely there will be a Committee with a remit that corresponds to much of what EDC does.
2. The work programme and priorities for the new Committee are for that Committee alone to decide. But it has been suggested that new Subject Committees might find it helpful to receive a 'legacy' paper highlighting issues that the outgoing Committee considers the new Committee might wish to consider in determining its work programme.

Core business

3. EDC's core business has revolved around the economy generally, the work of the two main economic development ASPBs - the Welsh Development Agency and the Wales Tourist Board – and the management of the EU Structural Funds by the Wales European Funding Office. Key concerns are monitoring the Government's progress in implementing A Winning Wales and overseeing the development of the Structural Funds. The new Committee is likely to want to continue to monitor progress in the implementation of A Winning Wales.
4. A major issue for the new Committee is likely to be the development of the Structural funds post 2006 and, particularly, the transitional arrangements that will apply when Wales' support from the exiting structural funds comes to an end. The Welsh Assembly Government will undertake a key consultation exercise beginning in May and the new Committee will clearly need to play a role in that consultation including making an official Committee response.
5. Another key issue will be the development of the work of the Economic Research Advisory Panel which EDC considers to be one of the most crucial areas of work for the Assembly.

Policy Reviews

6. EDC has undertaken 2 major policy reviews. The first was the Review of Business Support and Development. A report on this was published in February 2001. The second was the Review of Energy Policy in Wales. This led to 2 consultation reports and two final reports. Stage 1 on Renewable Energy was concluded in January 2003; Stage 2 on Energy Efficiency in March 2003.
7. There are two areas that EDC suggests as possible candidates for a future Review:
 - a. **The need for a comprehensive National Assembly science policy.** Concerns were highlighted in a paper to EDC in November last year (EDC 17-02 (p2)) that science expenditure in Wales lags significantly behind that in the rest of the UK. While Wales has well-developed policies to promote innovation

these are of limited value if a healthy science base does not underpin them. Following a paper from the Welsh Assembly Government (EDC 06-03 (p4)) there was a further discussion at the Committee's last meeting on 3 April. In the discussions the Committee achieved a wide degree of cross-party support for the view that Wales needed a coherent science and technology policy, which encompassed not only innovation and commercialisation but also the development of a strong R&D infrastructure. EDC considers this to be a priority area for further detailed consideration.

- b. **Further work in connection with the energy review.** The Review just completed looked at renewable energy and energy efficiency. There was some discussion during the Review of looking next at the impact on industry in Wales of trends in energy supply, and energy prices, and whether these suggest the need for action by the Assembly. Other possible issues are the main energy sectors in Wales: coal, nuclear, oil, gas and electricity and the issues they face. Consideration could also be given to looking into issues related to the proposed Severn barrage and tidal energy more generally.

8. Past EDC Reviews have had broadly-based terms of reference and have involved a substantial amount of work and evidence gathering. This has inevitably taken a considerable amount of time. The new Committee might also wish to consider whether in order to achieve speedier and more focused conclusions it should pursue more narrowly focused Reviews.

Specific Issues in which EDC has expressed an interest

9. The new Committee might wish to be aware of the ongoing elements of EDC's work. As well as receiving regular reports at each meeting from the ED Minister, the Committee has received a series of regular 'factual' reports including:

- a Quarterly Report on the EU Structural Funds;
- a Quarterly Economic Report;
- a Quarterly Statistical Bulletin;
- a report on Regional Selective Assistance and the Assembly Investment Grant.

10. In addition to this 'core' business EDC has considered it important to maintain an overview of a number of specific issues. It has requested regular reports on the following:

- The implementation of the recommendations in the Review of Business Support and Development and, particularly, the work of the Economic Research Advisory Panel and the development of BusinessConnect;
- Progress with implementing the recommendations of the two reports in the Energy Review – and particularly the development of renewable energy and improvements in energy efficiency;
- The Entrepreneurship Action Plan;
 - Wales for Innovation (The Innovation Action Plan);
 - The Business and Environment Action Plan for Wales;

- Statutory registration of tourist operators;
- Progress in developing Operating Aids and powers to apply fiscal variations in Wales;
- The Knowledge Exploitation Fund (this currently rests with the ELL Minister but the Committee has suggested it be transferred to the Economic Development portfolio;
- EU enlargement

- Better Regulation -action being taken to alleviate the burdens on business arising from Government regulations;

- The continued development of Cardiff Bay;
- Cardiff – European Capital of Culture;

- The development of official statistics on the Welsh economy;
- The development of alternative indicators of economic well being (ie broader measures to supplement GDP figures).