

# Economic Development & Transport Committee

## EDT2 05-05(p1)

Date: 20 April 2005

Time: 9.00 am to 12:30 pm

Venue: Committee Room 1, National Assembly, Cardiff Bay

Title: Economic Development & Transport Minister's Report

### Heads of the Valleys

On March 31<sup>st</sup> I launched the consultation on the Heads of the Valleys Strategic Framework and announced the creation of a special fund. The Strategic Framework outlines the issues we must address and the actions we are committed to delivering to achieve a more prosperous future for the Heads of the Valleys. The document is the subject of a separate Committee Paper.

### Supporting Business

MG Rover: I made a statement on April 12<sup>th</sup> about the effects of the possible closure of Longbridge on the automotive industry in Wales. To reiterate what I said then, the automotive sector is of considerable importance to the Welsh economy, employing circa 24,000 people. When Rover first experienced difficulties 5 years ago, the Assembly Government was extremely concerned at the potential impact upon the Welsh economy and upon the jobs prospects for those employed in the sector. At that time we set up the Automotive Task Force. The Task Force determined the short-term support needed by those companies affected and plotted a way forward indicating how companies could seek to improve their business prospects and diversify their customer bases. The work of the Task Force led to the creation of the Accelerate Wales Programme that has been extremely successful in achieving these objectives for participant companies.

Consequently, the number of companies in Wales that have a high proportion of their business linked into MG Rover is very much more limited than was the case five years ago. Initial estimates put the number of jobs potentially affected in Wales at circa 600 in the manufacturing sector. The Welsh Automotive Forum has undertaken a survey of those companies affected. The survey's initial findings were discussed at a Task Force meeting on April 12<sup>th</sup>. The Task force has established a telephone help-line for companies in Wales affected by the proposals and is also staging a meeting with automotive companies to explore the matter in further detail. I will provide the Committee with an update on further developments on April 20<sup>th</sup>.

I was delighted to perform the official opening of Logica CMG's Waterton office on March 21<sup>st</sup>. The office houses the company's new 10,000 sq ft computer pod. This project will provide highly skilled and sustainable jobs, and has been supported by the Welsh Assembly Government through Regional Selective Assistance.

Also pleased to perform the official opening of the Dawn Pac Cross Hands facility on March 22<sup>nd</sup>. The company provides shelf ready retail packed fresh meat mainly for Sainsburys. The Welsh Assembly Government, WDA and Carmarthenshire County Council have helped facilitate this venture. The project has been supported through Regional Selective Assistance and Processing and Marketing Grants.

On March 4<sup>th</sup> WEFO approved £3.5m of Objective 1 funding towards total project costs of £9.5m to provide the necessary infrastructure to facilitate the development of 36 ha of land known as Parc Bryn Cegin, Gwynedd. The WDA will invest £4.9m. £1m of private sector funding will also be made available. The site could provide more than 70,000 sq metres of floor space, making Parc Bryn Cegin a key strategic employment site in North Wales with the potential to attract high quality investment.

The WDA's Land Development Team is developing factory space on 80 acres of land alongside Swansea West Industrial Park that could accommodate up to 2,000 jobs. Over the past year, Land Development has invested more than £1 million to prepare the site and initial interest in the site has been high. A master plan will be prepared by specialist consultants, dividing the site into plots suitable for local and international companies. The plots will be sold either directly to the companies, or to private sector developers who will build factories for sale or lease.

On March 15<sup>th</sup> I chaired the inaugural meeting of the Financial Services Sector Information Group at the Miskin Manor Hotel. The group consists of a variety of heads or senior members from banking, lending and insurance. Out of the lively discussion, the group has mapped the way forward to help us secure the future of financial services as a key sector with the potential to make a significant contribution to our economy.

On March 16<sup>th</sup> I opened the Wales Interreg III B & C Best Practice and Networking Event, at Jury's Hotel, Cardiff. The objective of the event was to bring together practitioners from across Wales who've approved Projects under Interreg III B & C. The purpose was to focus on the successful implementation of projects and to discuss the development of the co-operation objective post 2006. The event attracted over 80 participants with a wide range of expertise. Presentations were given on the current situation of the existing programmes, the Wales Spatial Plan, sustainable development and the latest position on the post 2006 co-operation objective.

## **Establishing Wales in the World**

Very pleased to report that Wales' Export Performance continues to improve and rise to impressive levels. The latest Customs and Excise figures show the value of exports for Wales for the whole of 2004 broke through the £8 billion barrier for the first time Rising by £1,020 million (14.2%) compared to

2003 figures. The overall UK increase for the same period was only 0.8%. These figures are very encouraging, especially as the success is spread across both EU and non-EU countries, with increases of 10.3% and 22.4% respectively being achieved. This shows the quality of Welsh products is being recognised, and more importantly purchased in increasing quantities and, that Wales is playing a key trading role in international markets.

Delighted that WTI's performance for 04-05 has more than met the targets the organisation was set. It has secured over £200million of new business for Welsh companies and helped create over 80 new exporting companies. Final figures, still being collated, will see a further rise in the end year figure.

I hope, like me, Members of the Committee welcome last week's reports that following a very successful Easter, the majority of Tourism businesses in Wales are confident about their prospects for the forthcoming season. As I said in those reports, this fairly buoyant response from the tourism industry is heartening. Tourism is an important strand of the Welsh economy and has set itself a substantial target for growth of 6% per annum. If the degree of optimism is an indicator of the will to succeed then I think the Welsh tourism industry can look forward to a rewarding season.

Work continues on developing the manifesto commitment for a Statutory Registration of Tourist Accommodation in Wales. In the summer, WTB will begin consulting representatives of the trade and local authorities on the detail of how the scheme will work. On March 23<sup>rd</sup> I met with Richard Caborn and Don Touhig to discuss the proposals and how they might help take this forward. They indicated their continued support for such a scheme in Wales and agreed to assist the Welsh Assembly Government in securing the necessary primary legislation which will give the National Assembly for Wales the powers it needs to introduce a scheme in Wales.

On March 23<sup>rd</sup> I met with the other UK Tourism Ministers to discuss a range of issues. These included the changes to VisitBritain (VB)'s Overseas marketing activities which will result in VB focussing more on new and emerging markets, leaving the WTB and the other National Tourist Boards to lead on marketing their own brands in the key established European markets.

I am very pleased to note that demand for the take up of **Finance Wales'** micro-loan fund has been such that a total of over £1m has now been loaned to our SMEs. This reflects excellent ongoing activity. To date, Finance Wales has directly invested over £33 million in 955 SMEs, leveraging in a further £118.7 million of private sector funding. Overall, this has helped create and safeguard over 11,400 jobs. In addition, Finance Wales has indirectly assisted a 1285 SMEs with their funding requirements.

## **Encouraging Innovation**

I am pleased to announce the Technium earmarked for Cleddau Bridge in Pembrokeshire has now been given the go-ahead following confirmation of the injection of some £5.2 million Objective 1 funding in support of the project.

On March 15<sup>th</sup> I had one of my periodic informal meetings with representatives of the Wales Management Council. I was very encouraged to learn how the Council is working closely, and effectively with other key organisations to ensure management development issues are afforded due priority in the drive to improve the competitiveness of Welsh companies.

## **Promoting ICT**

According to BT statistics broadband coverage is available to 91% of addresses in Wales. There are 330 BT telephone exchanges in Wales that have been broadband enabled (of a possible 439). This represents 75% of all exchanges and 82% of BT deemed viable exchanges. In Wales, the proportion of broadband residents online has increased to one in four. This reflects the increased overall broadband take up levels, which, in less than a year have increased from 15% to 25% which compares favourably to the overall UK (Ofcom) figure of 23%. Broadband take up at speeds in excess of 512kbps (first generation broadband and above) has jumped from 11% to 17% of the total population of Wales. Improved national awareness of broadband has also improved with 93% of the Welsh population aware of the term (Welsh Assembly Government commissioned NOP research in January 2005).

## **Setting a Fresh Direction**

Sponsorship of the Carbon Trust in Wales: In year activity (2004-05) resulted in over 200 energy surveys being undertaken which target the small to medium sized enterprises together with the provision of expert specialist support which targeted 35 large energy users in the Private Sector. There was a continued roll out of the NHS pilot assisting all NHS Trust to develop a Carbon Management strategic approach together with a Local Authority Carbon Management programme.

On behalf of the Welsh Assembly Government, the Carbon Trust successfully awarded a tender to Fusion who are undertaking the development of an "Energy Saving Wales" Energy Portal which is envisaged for launch by mid 2005.

Regulations to transpose the Waste Electrical and Electronic Equipment (WEEE) Directive into law will be passed into law in Summer 2005. Producer responsibility obligations for household and non-household WEEE and take-back obligations for retailers/distributors will be implemented from January 2006.

On February 11<sup>th</sup> WEFO approved £1.6 million Objective 1 ESF funding towards total project costs of £3.6 million for the Coleg Gwent - The Welsh Rugby Industry project. The key objective of the project is to establish training and learning in this newly evolving professional industry. The package aims to provide a supportive programme, developing a fully skilled individual on and off the field, strengthening the profession's long-term economic potential.

## **Improving Transport**

On March 8<sup>th</sup> I launched PLUSBUS in Wales. This is a new initiative to make it easier for travellers to switch modes of transport by using one ticket covering both the whole of the bus network and the 25 participating stations. And on March 22<sup>nd</sup> I attended a pre-opening rail trip on the Vale of Glamorgan line.

The Deputy Minister has also participated in a number of transport related engagements and initiatives including introducing the Cymru National Transport Awards at Cardiff Castle on March 15<sup>th</sup>; Speaking at the SouthEast Wales Transport Alliance (SEWTA) seminar on women's transport issues on March 17<sup>th</sup>; And launching the enhanced X94 bus from Wrexham to Barmouth on March 21<sup>st</sup>.

The Great Orme Tram in Llandudno has now been reopened following four years of renovation work costing some £4.5 million including Objective 1 funding. This involved building a new halfway station, refurbishing the track and improving disabled access.

## **Job and Investment News**

Cwmni Cig Afron Abattoir has been purchased by Caernarfon Abattoir, a wholly owned subsidiary of T H Sutcliffe, Newport. Cwmni Cig Arfon was acquired out of administration in a move safeguarding 40 jobs. The acquisition was aided by a Regional Selective Assistance grant.

## **Job Gains**

The First Minister recently attended the official opening of the refurbished CDL offices in Cardiff. The company delivers 3G handsets to the UK market and employs in excess of 90. RSA has been offered to the company to set up a new centre in Swansea, housing CRM functions, corporate sales and support and website support. It is expected the Swansea operation will create 100 jobs and as a result, the Cardiff operation will create a further 100 jobs.

## **Job Losses**

Iceland announced on March 14<sup>th</sup> that it was reducing staff numbers at its Deeside headquarters by 400. I understand this decision is a consequence of huge overheads created by the previous management regime. The rationalisation exercise is designed to safeguard the long-term future of Iceland.

Elliot's announced on March 15<sup>th</sup> that a further 70 jobs are to be lost at Newtown. This latest round of redundancies is a result of the company embarking on a rationalisation programme.

On 31<sup>st</sup> March, Panasonic announced that up to 60 redundancies are to be made at their Newport facility. The rationale behind these job cuts is that the facility will now only be producing goods for the European market - previously they served both European and US markets. Initially, the company will

release temporary staff and are looking for voluntary redundancies.

On April 1<sup>st</sup> Calsonic Kansei announced plans for 60 voluntary redundancies at its plant in Llanelli. The Assembly Government and the WDA have assisted Calsonic in the past. Officials have arranged to meet the company later this month to discuss the current position.

Technicolor recently announced there will be 64 job losses at its plant in Cwmbran. The company is moving away from CD manufacture (being transferred to a sister site in Poland) and concentrating on making DVDs. There is no long-term threat to the remaining Cwmbran site.

I regret to announce the closure of Technical Product Solutions Ltd, a sheet metal fabrication and engineering company based in Goat Mill Road, Merthyr Tydfil. The Assembly Government and the WDA have both assisted the company in recent years, but the company got into financial difficulty and appointed an administrator in March. The administrator has attempted to sell the business as a going concern. Whilst several expressions of interest were received no firm bids materialised. However, the Assembly Government and the WDA are monitoring the situation and will do what is possible to assist any viable proposal to save at least some of the jobs.

On July 3<sup>rd</sup>, it was announced that Llangadog Creamery, Carmarthen, would be closing with the loss of 200 jobs. My Ministerial colleague, Carwyn Jones AM, is responsible for leading on this closure.

### **Action Outstanding from EDTC2-03-05, 9 February 2005**

#### **Economic Development and Transport Minister to raise the issue of the knock-on effect of the new Great Western timetable arrangements with the franchisees (Item 3.8)**

Raised with both FGW and ATW and awaiting response from them.

Action Outstanding from EDTC2-05-05 9 March 2005

#### **Economic Development and Transport Minister to provide estimate figures on the rail investment that would need to be made to achieve the strategic objectives for Mid Wales in the Spatial Plan (Item 2.5)**

The Spatial Plan area actions are for incremental improvement to transport infrastructure. The Welsh Assembly Government has as an aspiration of improving the frequency of the rail service between Shrewsbury and Aberystwyth to hourly. This will require infrastructure investment in a passing loop or loops and also a revenue subsidy. There is no current estimate of these costs but the Strategic Rail Authority is currently undertaking a study on these infrastructure requirements that should clarify this. In addition, there are discussions about improving services on the Heart of Wales line between Swansea

and Shrewsbury but again there are no detailed cost estimate as options are still being finalised.

## **Economic Development and Transport Minister to raise the issue of tracking the funding of the WSP with the Minister for Finance, Local Government and Public Services (Item 2.9)**

The Minister is due to meet Huw Brodie, Director, Strategy and Communication Group to discuss WSP.

## **Economic Development and Transport Minister agreed to provide a fuller response on the provision of 'Fibre Speed' to Business Parts/Locations which was closely linked to the WDA Property Strategy (Item 2.10)**

As part of the Broadband Wales Programme the WDA have developed a project (called 'the FibreSpeed project') aimed at creating competitively priced next generation broadband services initially to business parks and other strategic locations. The envisaged solution requires the development of a public sector owned national backbone within Wales with an access network connecting individual buildings on business parks and other strategic locations to the nodes or points of presence on the national backbone. This project has been notified to the European Commission as possible state aid and the Commission have yet to respond. Furthermore, the project's business case needs to be fully evaluated by Assembly Government officials from a cost benefit analysis perspective. Both the European Commission approval and my approval are needed before the project can be implemented.

The WDA is considering possible solutions regarding operation and maintenance of the backbone and access network with the period of the concession or contract proposed to be in the region of 10-15 years. The contractor or concessionaire would be required to activate, operate and maintain the network on an open access basis and market the dark fibre and wholesale services to service providers.

The sites targeted by FibreSpeed have been identified in line with the Property Strategy for Employment in Wales 2004-2008 as the Property Strategy highlights the areas of Wales of key economic strategic importance. Specifically in non-objective 1 areas – there are 12 business parks and strategic locations that will be targeted as part of the initial FibreSpeed project roll-out. This could increase over time as demand requires. FibreSpeed also creates the potential for service providers to develop their own networks across Wales and these areas will include non-objective 1 areas.

The WDA has been working for some time with its' regional property teams and have already installed infrastructure (underground ducts & chambers) in sites which could participate in the FibreSpeed project. This means that these sites already have the opportunity to access a range of retail broadband providers through this ducting and chambers rather than being restricted to just one retail operator (which was often the case before the ducting/chambers were installed). Therefore some businesses at these sites are already making cost savings resulting from supplier choice. This choice and cost savings could be further enhanced if the FibreSpeed project is implemented – these savings will be evaluated

through the business case evaluation described above.

**Economic Development and Transport Minister agreed to provide more information on the pilot scheme for an RSA grant premium initiative for employers, who take on economically inactive people as part of an RSA assisted project (Item 2.11)**

The original intention was to offer a premium to employers for each person they employ who is on a New deal scheme, as part of an RSA funded project. In developing the proposal, officials have had discussions with Job Centre Plus.

The measure has not so far been successful in a similar scheme in Scotland. To help avoid the same experience, our proposals are now being extended to cover a wider range of economically inactive people and to facilitate a proactive involvement from Job Centre Plus in Wales.

We expect the measures to be in place by May 2005. We will pilot the initiative and review its success over 12 and 24 months, making any adjustments that may be necessary.

**Economic Development and Transport Minister agreed to provide a report on the issue of coterminosity between Structural Funds and Regional Aid Map and the process through which the European Commission will reach its decision on the review of Regional Aid Guidelines (Item 4.6)**

To be covered at EDTC on 20 April.

**Economic Development and Transport Minister to provide update on the issue of sites for hazardous waste after meeting with Minister for Environment, Planning and Countryside (Item 5.4)**

I have raised this with the EPC Minister and am awaiting a response.

**Economic Development and Transport Minister to provide a note on the projected number of jobs created by the construction of the South Hook Terminal in Milford Haven (Item 5.6)**

The project is at a very early stage. The aim is to maximize the wider economic potential for Wales and we are working closely with the WDA to achieve this.

**Economic Development and Transport Minister agreed to provide the**



## **feedback from Local Authority representatives on the Visit to Navarre (Item 5.7)**

"A big thank you for inviting local government to get involved in the visit - I know from speaking to the Councillors involved that they were impressed with what they saw."

From my point of view it was great to see how a thriving renewable energy industry, focused mainly on wind, has been developed at a regional level and delivered environmental benefits, significant employment generation and wide-spread community acceptance.

The challenge for us in Wales is how we can learn from this model to maximise the economic and environmental benefits from a growing renewable energy industry to deliver sustainable development.

### **Aled Thomas Welsh Local Government Association (WLGA)**

"The visit was very enlightening and will be very useful in the weeks to come when we will be discussing Tan 8. Thank you and the Minister for the opportunity."

### **Cllr Emlyn Davies Conwy CBC**

"I found the trip very exciting. The idea that the Spanish Region of Navarra has, in only 15 years, developed a substantial renewable energy economy is brilliant. It shows what is possible with strategic planning by a Regional Government, and the determination to drive the changes through. It shows what is possible in Wales if we choose to grasp the opportunity before us."

### **Cllr. Rob Speht Swansea CBC**

"Thank you for the opportunity to comment on our Visit to Navarra. I felt it was a very important visit.

The value of it was above and beyond expectations and demonstrated the very considerable Importance of Renewable Energy and how Northern Spain had the Vision to develop this belief into a vast Industry employing many thousands of people at all skill levels in the Manufacturing process, as well as providing Seventy percent of its Energy Requirements."

### **Cllr John Thompson Powys CBC**

"Visit was extremely interesting and the way they have taken "on board" the renewable energy agenda is amazing. Whilst, I was always very much in favour of energy from renewables, the "Spanish" experience was almost mind blowing.

I am acutely aware that we must work in partnership to capitalize on this but we need a very firm steer from WAG."

**Cllr Pam Palmer**  
**Carmarthenshire CBC**

"I was very impressed by the determination and success of the national and regional governments in taking on the large scale development of renewable energy.

This positive attitude is one we should be adopting in Wales to resolve our future shortages in our energy supply. I thought the visits to the national energy centre and the wind farms were particularly interesting -I had quite a surprise at the size of the turbines."

**Jim Prosser**  
**Welsh Local Government Association (WLGA)**

"I was most impressed with the visit, what I was able to see and particularly the way the trip was organised. The factory tours were very interesting, informative and enlightening.

The wind farms tour – again very interesting and in particular issues relating to noise etc. It proved that given the right location there are immense advantages to promoting this type of energy.

The obvious minus for this type of energy in Wales is whether or not we can accommodate the numbers that we saw in the Navarre region. This is debatable due to the topography/geography of the region.

Given the choice between clean coal technology/coal powered power stations and nuclear power stations, I would have thought that if the electorate in Wales were balloted it would come out in favour of wind farms provided they were set up sympathetically."

**Cllr Alun Thomas**  
**Deputy Leader**  
**Neath Port Talbot County Borough Council**

**Economic Development and Transport Minister agreed to provide greater detail on progress with a number of strands of the Corus Response Plan, particularly the learning action centres (Item 5.11)**

Corus Regeneration – Learning Action Centre Update: March 05

Learning Action Centres (LAC) have been opened in Torfaen October 2004. (Opened by Education Minister).

Blaenau Gwent has opened Satellite learning action centres in Cwm, Rassau and Wichestown.

Other LAC's coming on stream in April to June include Torfaen with the establishment of a further 4 LAC's and 13 satellites.

Caerphilly will commence openings in May 2005 including one mobile facility. Monmouthshire have opened 1 Satellite LAC in Monmouth town.

Newport will be making some location changes to their network by April 2005, but openings are scheduled for spring 2005.

By March 2006 a minimum of 25 LAC's and 50 satellite LAC's will be established across 5 counties. The overarching aim is to attract 10,000 new learners across Greater Gwent by March 2006.

### **Economic Development and Transport Minister to provide the Committee with the WDA review of the Knowledge Exploitation Fund (Item 5.11)**

Please see Annex B

### **Economic Development and Transport Minister to consider providing the Committee with the notes from the meetings of the St Athan steering group (Item 5.13)**

I will consider your request in accordance with the Freedom of Information Act, and a response will be sent to you in due course

### **Economic Development and Transport Minister to provide a more detailed report at the next meeting on the dredging issue in the Dee and the impact for Airbus (Item 5.15)**

Port of Mostyn has applied to dredge and dispose of 300,000 cubic metres of sediment per annum within the Dee Estuary. Consent for the Port's applications are required from three Regulators: the Environment Agency, UK Department for Transport and Welsh Assembly Government. The Dee Estuary has internationally important conservation designations and consideration of the applications has to comply with the requirements of the EU Habitats Directive.

The outcome of the Regulators' appropriate assessment of the applications was that they could not conclude that the Port's proposals to dredge and dispose would meet the Directive's requirement of having "no adverse effect" on the Estuary's conservation objectives.

As a consequence the Regulators moved on, as required under the Directive, to consider 'alternatives' to the Port's proposals. Detailed technical advice commissioned from independent experts on the feasibility of alternatives has been completed and the Regulators are considering this advice in relation to the decision making process.

In the meantime Airbus wingsets shipments, which commenced in June 2004, continue to be moved through the Port of Mostyn using the deeper draft Ville de Bordeaux. Regulators are working closely with the Port of Mostyn and Airbus to ensure that wingset movement is not disrupted. The existing navigational channel is being monitored fortnightly and access is being achieved currently by making optimum use of the tidal cycle, supplemented by adjustments to navigational aids and where necessary plough dredging to remove localised high spots from the channel. To date wingsets have been transported in accordance with Airbus' requirements.

### **Economic Development and Transport Minister agreed to provide further information on the Gateway Project in Flintshire and the impact it was having on Corus' future plans (Item 5.15)**

The inaugural meeting of the Northern Gateway Task and Finish group was held on 9 February 2005. The Group consists of Assembly Government Transport officials, the Welsh Development Agency, MOD Estates, DARA and Corus, and will look at issues raised by the project including land availability, access and transport.

The preparation of a masterplan is acknowledged by all partners as a critical first stage in the process of bringing the site forward in a way that secures a comprehensive yet sustainable development. A development brief has been issued to a shortlist of multi-disciplinary consultancies with a view to interviewing and appointing a Master-planning team by the end of April.

Each party will consider its response to the report on the basis of its contents and recommendations. The Group has agreed that any disposal strategy by the partners will be influenced by the need to achieve a comprehensive and planned development of the site that will deliver the best outputs for both the partners and the wider community.