

ECONOMIC DEVELOPMENT & TRANSPORT COMMITTEE

EDT(2) 13-05 (p2)

Date: 20 October 2005
Time: 9.30 am to 12:30 pm
Venue: National Assembly for Wales, Cardiff Bay
Title: ECONOMIC DEVELOPMENT & TRANSPORT
MINISTER'S REPORT

Economic Overview

- 1. Labour Market Statistics:** The Office for National Statistics has published new labour market statistics for Wales and the UK (12th October). These include new Labour Force Survey (LFS) figures for June to August 2005, and, new claimant count figures for September 2005. Headline data for Wales in summary: -

Employment

- Employment up by 16,000 over last year and by 13,000 over last quarter.
- Employment rate 71.9% amongst working age population in June to August, an improvement of 0.8% on the previous year and 0.1% on the previous quarter.

Unemployment

- The ILO unemployment rate is below the UK average at 4.6% (UK average 4.7%). Rate is unchanged from the previous year.
- The claimant count level in September rose slightly by 0.5% on the August level. This compares favourably with the UK rise which saw a month on month increase of 0.9%.

- 2. VAT registrations and de-registrations in 2004:** On 12th October the Small Business Service released new statistics showing VAT registrations and de-registrations during 2004. In summary the main findings are: -

VAT Registrations

- The number of VAT registrations in Wales during 2004 was 6,900, a decrease of 200 (2.1%) over 2003. This fall is below the 4.1% decrease experienced in the UK as a whole.

VAT De-registrations

- The number of VAT de-registrations in Wales during 2004 was 6,700, a decrease of 100 (1.0%) over 2003. Wales was the only UK region/devolved administration that experienced a fall in de-registrations, across the UK de-registrations rose by 7.0%.

VAT Registered Stock

- Total VAT registered stock in Wales increased by 300 (0.3%) during 2004, standing at 80,000 at the start of this year - the highest level since 1994.

- 3. Purchasing Managers Index:** The identified Wales as the strongest performing region in the United Kingdom. The data compiled for the Royal Bank of Scotland shows that for the second month running Wales has been the most resilient of the UK's 12 regions. The data also shows: -
 - Welsh private sector output has now risen for 30 months up to September '05. Growth has remained robust and significantly stronger than the UK average.
 - Private sector employment expanded for the fourth successive month in September.
 - The service sector continued to record robust growth, while manufacturing employment rose for the first time in 12 months.
- 4. Construction Statistics:** New figures from the Royal Institute of Chartered Surveyors show an increase in construction activity in the Welsh economy in the third quarter of 2005, with the commercial sector showing the largest increase.

Supporting Business

- 5. Commissioner Hubner's visit:** On 29th September I accompanied Commissioner Danuta Hubner of the European Commission on a visit to European funded projects in the Swansea area. These included the Swansea Apprenticeship project, Technium II, the SA1 Swansea Waterfront development and the National Waterfront Museum. The Commissioner congratulated the Assembly Government on the significant impact the strategic use of Structural Funds is having on regeneration both in Swansea, and in Wales as a whole.
- 6. WEFO Chief Executive:** I am pleased to announce that Bob Macey will take up the post of WEFO Chief Executive with effect from early November. Bob currently heads up Economic Policy Division and has a great deal of experience in all aspects of economic regeneration, which will prove invaluable in this key post.
- 7. Structural Fund Launches:** On 17th October I accompanied the First Minister and opened the National Waterfront Museum, Swansea

(Objective 1 ERDF £3.1m). As the new National Museum for Wales it replaces the former Wales Industrial & Maritime Museum (Cardiff) and the existing Swansea Maritime and Industrial Museum. Its principal objective is 'to tell the story of Wales, the world's first industrial nation'. I am sure it will make a substantial contribution to the regeneration of the Swansea Waterfront area.

8. **Latest Structural Fund Figures (September 2005):** £1.38 billion grant has been committed to Structural Fund programmes, supporting 2,561 projects. This represents £3.32 billion of total project investment, including £1.94 billion of match funding. Thirty six percent of match funding has been provided by the private sector. The creation and safeguarding of around 122,933 jobs can be associated with projects match funded by Structural funds.
9. **Nemo Personal Finance:** On the 27th September I opened the new offices of Nemo Personal Finance at Trafalgar House, Cardiff. Wales is already home to a number of leading secured lenders and this latest investment supported by Regional Selective Assistance is further evidence of the region's developing reputation as a financial services hub.
10. **The Point:** A Marketing drive has been launched (29th September) to attract developers to spearhead a major office development scheme at the former Hotpoint Plant at Llandudno Junction. As part of the marketing campaign the site has been rebranded as The Point, and is a key site for the future economic development of the region, broadening the range of employment opportunities.
11. **Boots Alliance Unichem Merger:** - On 3rd October, Boots announced its intention to merge with Alliance Unichem. The merger will create a Group of over 90 pharmacies throughout Wales. Boots have made it clear that both companies run a lean operation and although there will inevitably be some streamlining and elimination of the duplication of functions the underlying rationale for the merger is based on growth rather than cost cutting. The company has made it clear that it does not plan to close stores - not least because of the synergy that exists in Wales between Moss pharmacies near GPs surgeries and Boots pharmacies and stores on the high street and in shopping centres on the edge of town.
12. **Create Solutions:** On 13th October I launched 'Create Solutions' (£0.13m ERDF). This project provides a base for a range of supported employment activities to assist adults suffering serious mental illness to access vocational support and training. Helping them to gain, or regain, skills and confidence to seek employment. This is the 100th project in Swansea to receive Objective 1 funding.
13. **St Brides Hotel:** On 7th October I opened the redeveloped St Brides Hotel, Saundersfoot. The hotel has received Objective 1 ERDF of

£1.2m via the Wales Tourist Board. It is using this to improve the hotel's public areas, conference facilities, restaurant and refurbish 35 bedrooms to offer distinctive and high quality accommodation. The project will raise the profile of Saundersfoot and West Wales.

14. **Equal Action 2:** On 26th Sept I launched Equal Action 2 (ESF £10.8m) which introduced 14 successful 2nd round Development Partnerships and allowed Action 1 Partnerships to show their work. Action 2 activities are varied and operate across Wales. All, in different ways, will test and promote new ways of combating discrimination and inequality.
15. **Equinex:** On 5th October the Deputy Minister for Transport launched another Equal Action 2 project – Equinex (ESF £0.95m). It will help disadvantaged groups participate in learning or gain employment.

Establishing Wales in the World

16. **2010 Ryder Cup:** New survey from the Wales Tourist Board has found golf tourism is worth more than £30 million to the Welsh economy in the last year alone. Welsh golf courses drew nearly 140,000 players from around the world in 2004, a figure that we intend to grow as we gear up to host the Ryder Cup in five years time.

Promoting ICT

17. **NTL/ Telewest Merger:** On 3rd October NTL announced a proposed merger with Telewest. The merger will create the second largest communications company in UK. It is an announcement of interest to Wales, as NTL has a footprint within the South Wales region. There may be future opportunities for the new company to exploit the potential to expand.

Setting a Fresh Direction

18. **1st Annual Report of Expert Panel on Resources Management:** Issued on the 12th October. The panel's remit is to evaluate an existing action plan and advise on future action. First years work illustrates the need for strong co-ordination of support in Wales and promotion of a simple single focussed message to help businesses develop sustainably whilst promoting innovation and creativity. The panel have produced framework for the future on which to develop recommendations in the coming year. A copy of the report can be found at www.businessenvironment.wales.gov.uk
19. **Welsh Local Government Association:** On the 4th October I spoke at the Welsh Local Government Association's Annual Conference. I took the opportunity to reinforce my vision of working in partnership with local government to deliver better, more transparent and accountable Welsh public service.

Improving Transport

20. **European Mobility Week:** Numerous events were held across Wales concluding with 'In Town Without My Car Day', which gained much publicity in numerous papers and on BBCNews24. A pause and review meeting is now taking place to analyse feedback and lessons learnt in order to make the event even more successful next year.
21. **TrawsCambria strategy:** My Deputy Tamsin Dunwoody launched the third and latest stage in the implementation of our TrawsCambria strategy in Aberaeron on 3rd October.

Jobs & Investment News

Job Gains / Safeguarded

22. **Airbus:** The Airbus A350 has been given the formal go-ahead. Work on the new aircraft will help safeguard 6,500 jobs at Broughton and could create further employment opportunities.
23. **Doncasters, Blaenavon:** 100 jobs expected to be created over the next 2 years at a new facility opened by the First Minister at the Doncasters specialist engineering plant in Blaenavon. The redevelopment programme has benefited from almost £1 million in RSA support from the Assembly Government.
24. **Aldi:** Completed the purchase of a 28 acre site at Capital Business Park in Cardiff upon which it will build a 400,000 sq. ft regional headquarters and distribution centre. Development represents one of the largest distribution schemes ever constructed in South Wales at which Aldi hopes to employ around 300 staff.
25. **Morrisons:** To build an 83,000 sq. ft store on the site of the Cardiff International Sports Village. Building work will start before the end of the year on the store that is expected to create 350 jobs.

Job Losses

26. **Imperial Tobacco Group:** Announced the loss of 134 jobs at its cigarette rolling papers factory in Treforest. The closure of the plant will be complete within a year, and follows the loss of 200 jobs at the firm's plant in Berlin, Germany. The company has stated the closure of the Treforest plant is a commercial decision that is part of a restructuring exercise that aims to realise annual savings of around £3m from 2007.
27. **Krupp Camford:** Announced on 29th September a further 70 redundancies at Llanelli. Redundancies comprise 30 direct operators, 30 other shop floor workers (such as fitters and electricians) and 10 administration and management staff.

28. **Thomson Broadband UK:** Announced that severe UK market cost pressures have led to a reorganisation of its Llantrisant site that will lead to its current workforce of 160 at Llantrisant being cut to an estimated 85 staff - a total reduction of 75 jobs.
29. **Longlows Food Group:** Company has announced it is to shut its dairy at Mochdre, near Colwyn Bay, with the loss of approximately 100 jobs. Company has blamed a fall in business on a general move by large milk buyers to reduce their supplier base.

Annex A

EDTC ACTION OUTSTANDING EDT2 09-05

Economic Development and Transport Minister agreed to circulate to the Committee further information on the 50 companies selected for the Knowledge Bank for Business (KB4B) project.

Knowledge Bank for Business (KB4B): Launch Companies

1. At the time of launch, 56 companies had been referred to the KB4B team as prospective clients. So far, the KB4B team has met or spoken with 42 of these companies as listed below:

- Acorn Group, Newport
- Admiral Group, Cardiff
- Airbus (UK), Broughton
- Axiom Manufacturing Services, Newbridge
- Biotrace International, Bridgend
- Bon Bon Buddies (UK) Ltd, Crumlin
- Boomerang, Cardiff
- British Biocell International, Cardiff
- Buy As You View, Llantrisant
- CDL Europe, Cardiff
- Comtec (Europe) Ltd, Cwmbran
- Deepstream Technologies, Bangor
- EADS/Cogent, Newport
- Electroimpact (UK) Ltd, Deeside
- Energist Ltd, Swansea
- Enfis, Swansea
- Envases (UK) Ltd, Port Talbot
- Finsbury Foods/Memory Lane Cakes Ltd, Cardiff
- General Dynamics (UK) Ltd, Oakdale
- IG Doors, Cwmbran
- International Rectifier, Newport
- IQE, Cardiff
- Logica CMG Cymru, Bridgend
- Newport Networks, Chepstow
- Pace Telecom, Wrexham
- Paramount Interiors, Cardiff
- Penn Pharmaceutical, Tredegar
- Pensord Press, Blackwood
- Picture Financial, Newport
- Protectagroup, Williamstown
- Pure Wafer, Swansea
- Saygrove Electronics, Buckley
- Serious Food/Sunjuice Ltd, Llantrisant

- Simbec Research Ltd, Merthyr Tydfil
 - Stradform, Cardiff
 - Target, Cardiff
 - Therma-Tru, Treforest
 - Tinopolis, Llanelli
 - Trikon/Aviza Technologies, Newport
 - Ty Nant Spring Water, Llanon
 - UDEX Holdings, Newport
 - UPL, Cardiff
2. Each of these 42 companies has confirmed that they would like to work with KB4B on a pathfinding basis over coming months.
 3. The KB4B team has contacted the remaining fourteen companies with a view to meeting them in the near future – the companies are:
 - ASSE/Irvin-GQ, Bridgend
 - Control Techniques Drives Ltd, Newtown
 - CreditSafe.com (UK) Ltd, Caerphilly
 - Euro Foods Group, Newport
 - Euro/DPC Ltd, Llanberis
 - Gyrus Medical, St Mellons
 - National Britannia Group, Caerphilly
 - Nu-Aire, Caerphilly
 - Ortho-Clinical Diagnostics (J&J), Cardiff
 - PHS Group, Caerphilly
 - Protherics, Llandysul
 - Provalis, Deeside
 - Stephens & George, Merthyr Tydfil
 - Ubiquity, St Mellons
 4. A full list of KB4B client companies will be published via the Assembly Government's webpages shortly, and will thereafter be regularly updated.

Officials agreed to re-circulate table 2 in the Quarterly Statistical Bulletin to include year by year comparisons

Employment, unemployment and inactivity: West Wales and the Valleys and East Wales¹

levels in thousands

		1999	12 months to May 2004	12 months to May 2005	Change over latest year	Change over 1999
Employment^c						
West Wales and the Valleys	<i>level</i>	737	791	792	1	54
	<i>rate (%)</i>	66.0	69.4	69.5	0.1	3.6
East Wales	<i>level</i>	477	521	510	-11	33
	<i>rate (%)</i>	74.0	77.8	75.4	-2.4	1.4
Wales¹	<i>level</i>	1,215	1,312	1,302	-10	87
	<i>rate (%)</i>	68.9	72.5	71.7	-0.8	2.9
United Kingdom¹	<i>level</i>	27,043	28,007	28,200	193	1,157
	<i>rate (%)</i>	74.0	74.6	74.7	0.1	0.7
ILO unemployment^d						
West Wales and the Valleys	<i>level</i>	61	44	41	-3	-20
	<i>rate (%)</i>	7.7	5.2	4.9	-0.3	-2.8
East Wales	<i>level</i>	33	21	20	-1	-13
	<i>rate (%)</i>	6.5	3.9	3.7	-0.1	-2.8
Wales¹	<i>level</i>	94	65	61	-4	-34
	<i>rate (%)</i>	7.2	4.7	4.5	-0.3	-2.8
United Kingdom¹	<i>level</i>	1,695	1,438	1,393	-45	-303
	<i>rate (%)</i>	5.9	4.9	4.7	-0.2	-1.2
Economic inactivity^e						
West Wales and the Valleys	<i>level</i>	311	291	292	1	-19
	<i>rate (%)</i>	28.4	26.6	26.7	0.2	-1.7
East Wales	<i>level</i>	129	123	142	19	13
	<i>rate (%)</i>	20.8	19.0	21.6	2.6	0.8
Wales¹	<i>level</i>	440	414	434	20	-6
	<i>rate (%)</i>	25.7	23.8	24.8	1.1	-0.8
United Kingdom¹	<i>level</i>	7,539	7,766	7,815	49	276
	<i>rate (%)</i>	21.3	21.4	21.5	0.0	0.2

1. Data for sub-regions of Wales are only updated on a quarterly basis, as opposed to the Wales level data in table 1, which are updated monthly.
2. Levels are for those aged 16 and over, rates are for those of working age (males aged 16-64, females aged 16-59).
3. Levels and rates are for those aged 16 and over. The rate is as a proportion of economically active (employed plus ILO unemployed). The International Labour Organisation (ILO) definition of unemployment covers those who are out of work and want a job, have actively sought work in the last 4 weeks and are available to start work in the next two weeks; plus those who are out of work, have found a job and are waiting to start in the next 2 weeks.
4. Levels and rates are for those of working age (males aged 16-64, females aged 16-59).

Source: Labour Force Survey (LFS)

Economic Development and Transport Minister agreed to provide an update to the Committee on the Corus Gateway project

Deeside Rail Freight Opportunities

- North and Mid Wales Rail Study identified potential for growth of rail freight across region. Role of Deeside in acting as a catalyst for this process was viewed as pivotal.
- Wales Spatial Plan further highlights the critical role rail infrastructure plays in the economic performance of Deeside and North East Wales. Subsequent workshops held with key stakeholders identified rail improvements as key to the continuing regeneration of the sub-region. This task is now being taken forward by Taith on behalf of the Welsh Assembly Government.

Private Sector Demand

- Flintshire County Council, supported by funding provided by the WDA, appointed the Railway Consultancy to enable transport providers and policy makers to facilitate sufficient investment in rail freight facilities to serve Deeside.
- Initial study of demand for rail freight demonstrated significant potential opportunities for the movement of freight both to and from Deeside and its immediate catchment.
- More significantly it confirmed a positive reaction from the rail industry and operators to respond to this demand. Most notably EWS who have now restructured to create a more “customer focused” business.
- Based on these encouraging early results the brief to the Railway Consultancy was extended to enable a more detailed business case to be developed. This focused on a number of key companies:-

Corus - has traditionally moved all its inbound steel by rail. Increasing quantities of finished product are now being transported by rail with the development of compatible freight facilities at other Corus Sites across the UK and Europe.

Toyota - have been working closely with the consultants to identify opportunities for transferring goods from road to rail as part of its wider environmental strategy. With the completion of a rail head at its Burnaston Plant, Toyota are anxious to instigate a service between Deeside and Derby for the movement of completed engines. The company are also in discussion with EWS regarding the transshipment of Yaris engines to Valancienne, France.

UPM Shotton Paper - Strategic change within UPM following its move to 100% recycled paper has required it to completely rethink its distribution

process. Railway Consultancy has been working closely with the company to analyse in detail the flows of paper to the site together with the onward movement of finished product. Further discussions have taken place with 7 different suppliers of waste who expressed an initial interest in moving waste by rail. Because of the change in philosophy within EWS the company has introduced a new service from Deeside via Bescott and Daventry in response to UPM's demands and the emerging needs of Toyota to supply its European Plants.

Wood Fibre - Following its relocation to Deeside, Wood Fibre has been successful in securing a major contract with B&Q for composite boarding. Consequently the company is sourcing increasing quantities of its raw material from Europe and particularly Poland. The advantages of moving raw materials by rail are of increasing interest to the company. Again the Railway Consultancy has undertaken a detailed analysis of the business to demonstrate the opportunities that rail might offer.

Airbus - are very keen to explore in detail the potential advantages of moving larger components and materials by rail. Deeside and the Corus site in particular are of continuing interest to a number of Airbus's First Tier Suppliers who are actively seeking to relocate closer to the Broughton site.

Castle Cement - Recent investment at the Padswood site near Mold has significantly increased the capacity of the plant. Company has recently instructed the Railway Consultancy to evaluate the option of transferring elements of their business to rail.

Economic Development and Transport Minister to provide a note to the Committee on the possibility of opening an Aerospace training and maintenance academy

- In February, following the North Wales Aerospace Academy consultation exercise which concluded in January '05, consultants were appointed by the AMTA steering group to assess the viability of establishing an Aerospace Maintenance Training Academy at Mona (Ynys Mon) for the provision of EASA66 training.
- Following discussions with a number of potential partners, it was concluded that although market opportunities exist within this sector in North Wales, the economic case for a stand alone facility at Mona could not be made at that time.
- The development activity has therefore concentrated on establishing a commercial collaborative agreement between existing academic providers in North and South Wales, to exploit the opportunities that exist within the aerospace maintenance sector. Potential commercial opportunities for a partnership offering are being explored, but due to commercial sensitivities it is not possible to provide further details at this time.

- The AMTA steering group has representatives from; WDA, ELWA, Aerospace Wales Forum, Barry College, (Anglesey CC was represented from Jan-Mar 05).

Economic Development and Transport Minister agreed to provide a note to the Committee on the progress with Pathway to Work programme.

PATHWAYS TO WORK

- Results from the Department for Work and Pensions initiative, *Pathways to Work*, continue to be encouraging. For Wales, figures as at June indicate since the pilot started in October 2003 in Bridgend and Rhondda Cynon Taf, that almost 3,000 people have been helped into employment. Moreover, over 1,000 people have accessed the specialist health help and support provided by the innovative Condition Management Programme, run by the NHS. In addition, the NHS health specialists are working closely with Jobcentre Plus Personal Advisers and GPs in helping to shape customers' perceptions about their ability to return to work.
- Because of this success, the programme is being rolled out across other areas in Wales, including Swansea Bay and West Wales from April 2006, and the Eastern Valleys from October 2006.

WANT2WORK

- All three delivery locations are operational. Cardiff and Vale commenced in December 2004; Merthyr Tydfil and Neath Port Talbot in January and February 2005, respectively.
- To the 2nd September 2005, *Want2Work* has engaged with 581 beneficiaries, of whom 83 have moved into employment. Figures need to be viewed within the context of ongoing recruitment and training of Advisers, between January and June, particularly in Neath Port Talbot. Although the project is currently running behind profile, it is now recruiting in the region of 25 new beneficiaries per week, an increase on the average of 15 per week reported in May.
- *Want2Work* is reaching out to the hardest to help – 87% of clients are in receipt of an “inactive” benefit (for example, Incapacity Benefit or Income Support); 34% have been inactive for more than 5 years; 62% have no formal qualification.
- A brief overview of client characteristics in *Want2Work* shows that:
 - The project is achieving a good equality balance (male 53%; female 47%);
 - The majority of clients are aged between 26 and 49 (66%), followed by those aged 50 and over, who account for 19% of clients;

- People in receipt of “inactive” benefits account for 87% of all project beneficiaries;
- The project is supporting people who have been away from the labour market for significant periods – 34% for more than 5 years; 77% for more than a year.

Economic Development and Transport Minister agreed to provide further information on the financial implications of the implementation of the recommendations.

FINANCIAL INFORMATION ON IMPLEMENTATION OF RECOMMENDATIONS

- With the exception of the information already provided in response to recommendations 2, 9, and 21, no further information on the financial implications of accepting the recommendations can be given at this stage.
- For many of the other recommendations, as identified in the respective responses, action is already in place and costs are already planned as part of existing and agreed Assembly Government budgets. For recommendations concerning childcare, transport and health, future financial implications will be determined by the outcome of future planned reviews and evaluations. For those recommendations urging actions that fall to the UK Government, there are no cost implications for the Welsh Assembly Government.
- The following spells out the specific response in relation to each recommendation:-

Recommendation 1 – Analysis and presentation of information

- Action is planned within existing Assembly Government budgets and there are no additional costs identifiable at this stage.

Recommendation 2 – Focusing Programmes to overcome Internal Barriers

- Action is planned across a range of Assembly Government policy areas and there are no additional costs identifiable at this stage.

Recommendation 3 – Targeting Economically Inactive

- Costs on the part of Jobcentre Plus action fall to the Department for Work and Pensions (DWP). Action in respect of the Welsh Development Agency falls within existing budgets and it is not possible to identify additional costs at this stage.

Recommendation 4 – DWP Financial Assistance

- The cost of providing a £40 per week return-to-work credit as part of the UK Government employment programmes would fall to DWP.

Recommendation 5 – Introduction of ‘Passport’ back to benefit

- As for recommendation 4, costs would fall to DWP.

Recommendation 6 - Development of sector-based employment routeways

- Action will be funded from within existing budgets and there are no additional financial implications in this area.

Recommendations 7 and 8 - Work with National Council – ELWa

- The responses to recommendations 7 and 8 both indicate there are no additional financial implications arising from acceptance of these recommendations. Work in these areas is already in progress, within planned budgets.

Recommendations 9 and 13 – Role of the Voluntary Sector

- Proposed costs of action to be taken forward by Voluntary Sector have been outlined in response for current financial year. Additional costs of enhancement to New Deal 50plus will fall to DWP.

Recommendation 10 – Broad range of work experience without loss of benefit

- There are no costs identifiable, at this stage, to the Assembly Government.

Recommendations 11, 12 & 16 - Development of ILMs to support childcare and transport provision

- Recommendations 11 and 12 are accepted, but only in principle. Financial implications are therefore not known at this stage. Recommendation 16 is rejected.

Recommendations 14 – 18 (except 16) - Provision of childcare

- It is not possible at this stage to provide any further information on financial implications.

Recommendations 19 – 22 - Community transport

- It not possible at this stage to provide any further information on financial implications.

Recommendations 23 – 26 - Interaction with the health sector

- It not possible at this stage to provide any further information on financial implications.

Officials agreed to provide further information relating to the Welsh Development Agency pension liability at the appropriate time.

- There is a funding shortfall estimated to be in the order of some £38million (updated figure taken from the latest WDA audited accounts as at 31/03/05) between the assets of the WDA Local Government Pension Scheme (LGPS) and the liabilities for WDA staff.