

Date: 30 January 2003
Time: 09:00 to 12:30
Venue: Committee Room 3, National Assembly for Wales, Cardiff Bay
Title : ECONOMIC DEVELOPMENT MINISTER'S REPORT

GOVERNMENT BUSINESS

Encouraging Innovation & Entrepreneurship

1. **Wales for Innovation:** I am keen to maintain and raise awareness of the importance of innovation and I have arranged to meet key players in the field. On 20 January I met **University Vice Chancellors and Principals of HEIs in Wales** to discuss 'Wales for Innovation' and a 'Winning Wales'. The particular focus on this occasion was on HE's third mission of maximising the economic development impact of our universities and colleges. The discussions were very productive.
2. **Cardiff Chamber of Commerce:** Earlier this week I spoke at a Chamber lunch on 'Wales for Innovation'.
3. **Enfis:** Based at the Technium development in Swansea, this company was a spin-off from University of Wales Swansea and is at the forefront of laser technology to treat acne. On 28 January, it announced a joint development, manufacturing and marketing agreement with BreconRidge, which is a global provider of electronic manufacturing services. This is very good news for Enfis as the potential global market for acne treatment is huge.
4. **Cardiff Innovation Network:** On Wednesday evening, 29 January, I am speaking at Cardiff University Innovation Network's latest event. With an audience of some 100 delegates, drawn from business, faculty and business support organisations, it will be another opportunity to reinforce the Welsh Assembly Government's commitment to innovation.

Promoting ICT

5. **BT Broadband:** I was pleased to see press reports concerning BT's recently announced broadband price cuts, which could amount to annual savings of as much as up to £100 to private consumers and £260 for businesses. As well as being good news for broadband users, these lower costs could also help to stimulate demand levels amongst those wanting to use broadband.

I was delighted by the very positive news concerning the review of BT's ADSL demand trigger levels at its exchanges. This review has resulted in lower threshold levels of

consumer interest now being required before an exchange is upgraded for broadband. 38 exchanges in Wales are benefiting from a reduction in demand trigger levels.

It brings the prospect of ADSL access nearer at many more exchanges in Wales and some exchanges such as Dinas Powys where the trigger level has been reduced from 300 to 250 and Barry, down from 450 to 350 can go straight into the build stage. I hope that this move will result in an acceleration of ADSL availability at exchanges across Wales.

6. **E - Business:** 10 projects have already been offered £15m in Objective One grant under Priority 2 Measure 2 'To Stimulate and support demand for ICT'. This represents nearly 40% of the total funding available in the measure. The 2 most recently approved projects are the Wales Tourist Board's E-Tourism Destination and the SCT (Wales) Ltd Wales Application Service Provider (WASP) projects.

Encouragingly, the approved projects offer a co-ordinated ICT support to SMEs in the Objective One area. Some projects stimulate demand by illustrating the benefits of ICT and others then provide the hardware and software to enable the SMEs to realise these benefits. The Information Society Regional Partnership Secretariat continues to proactively encourage and support bids from interesting projects, with many still being considered.

7. **Quadrant:** I visited Quadrant, the communications company, this week in order to view some of the latest developments in which the firm is involved. The innovative Q-stream web streaming service delivers a total 'one stop' service and facilitates total flexibility in producing and delivering against a client's need.

The Cardiff Internet Data Centre (IDC), a partnership between Quadrant and eLINIA in Cardiff Bay, will deliver the first purpose built Internet facility in Wales. The IDC will also provide businesses in Wales with a set of managed services that will enable them to operate e-businesses effectively.

8. **Gaia Technologies:** Last week I had discussions with Bangor-based Gaia Technologies – an IT solutions company – on its ideas for rolling out broadband across Wales using wireless technology. The company has already been heavily involved in wireless broadband systems rollout in Liverpool, Manchester and Cumbria.

Supporting Business

9. **Stamp Duty Exemptions** - Last week, the European Commission gave State Aid clearance to the Chancellor's proposal to enhance the Stamp Duty exemptions in deprived areas.

My paper on Fiscal Variations, put to the Committee on 12 December, set out the details of the areas in which Stamp Duty will be abolished on all business property transactions. 363 Electoral Divisions in Wales, covering 47 percent of the population which already benefit from the exemption from Stamp Duty of all property transactions below £150,000, will also benefit from this very important enhancement. Treasury plan for the new exemptions to come into force on Budget Day 2003.

10. **Milford Docks:** Following my intervention the Dry Dock gate, which is on the verge of collapse, is to be replaced thanks to a grant from the WDA. The replacement is essential to the continuation of maintenance work at the site and is of strategic importance as it is the only facility of this kind in West Wales. It provides employment for 40 full time workers as well as a number of subcontractors. A local firm, Ledwood Mechanical Engineering, has won the contract for the construction of the new gate.
11. **Envases (UK) Ltd:** On 17 January I visited Envases (UK) Ltd at Baglan which received RSA in January 2000. The expansion of production facilities at this aerosol aluminium can plant has made the Baglan facility the company's most productive plant. This is a good example of investing for the future, and I was particularly pleased to see the emphasis the company places on innovation and training, and its links with local university research departments.
12. **Arm Plastics, Pontycymmer, Bridgend:** On Monday 27 January I visited Arm Plastics, a manufacturer of quality plastic fuel tanks to the automotive industry. Whilst there I was able to see the new technology and machinery that the firm had installed as part of an investment supported by a £240,000 RSA grant.
13. **Roberts of Port Dinorwic:** Whilst in North Wales on 23 January I visited Roberts, one of the UK's leading food processors. This award-winning firm has benefited from RSA support to help reach its current position.
14. **Gwernafalau Cyf:** Last Thursday 23 January I met with Osborn Jones, managing director of Gwernafalau Cyf – trading as Picosorb Ltd – who briefed me on the company's development of bio-diagnostic products. It has had assistance from Finance Wales and is currently in receipt of a SPURplus grant.
15. **Celtic Spirit Company:** I was pleased recently that the Celtic Spirit Company, which has grown 30-40% year on year since it was formed in 1997, has recognised the importance of the support given to it by the Welsh Assembly Government. Last year, thanks to an RSA grant, the company was able to move to a state of the art facility at Abersychan. The company is now looking to expand into exports after attending a number of WDA trade exhibitions.
16. **Caerphilly locker manufacturing company Garran Lockers** is experiencing strong growth, following public sector backing. The firm, which employs 60, has recently obtained a capital equipment grant from the WDA to improve flexibility and efficiency.

Setting a Fresh Direction

17. **THGL**, based at Broad Haven in Pembrokeshire, West Wales, will be one of two companies to receive a grant of £1.6m from the DTI to develop a tidal stream system. Welsh firms are already at the forefront of this technology. However, it is essential that they move from the R&D phase into a full commercial application of the product. This grant will facilitate the process.
18. **Bio-energy**: The New Opportunities Fund (NOF) lottery distributor on 23 January awarded £347,970 to a Welsh based company, Welsh Biofuels Ltd. This will assist the development of bio-energy projects in Wales and forms part of a UK wide grant of £4.5m. The funding is targeted at project developers and organisations considering investing in heat or electricity generating projects fuelled by energy crops.
19. **Aberthaw Power Station**: During my recent visit to Aberthaw coal-fired power station I was able to discuss with Innogy, which owns the power station, its plans to explore the feasibility of fitting a Flue Gas Desulphurisation (FGD) plant. This would reduce sulphur dioxide emissions, enabling it to meet the tougher 2008 European environmental constraints. The Environment Agency regards FGD as the "best available technology" for the reduction of sulphur dioxide. Aberthaw produces about a third of the electricity needs of Wales and FGD would reduce sulphur-dioxide emissions from the plant by about 90%.
20. **Valleys Energy**: Valleys Energy propose to construct an Integrated Gasification Combined Cycle (IGCC) 450MW clean coal-fired power station at Onllwyn in the Dulais Valley. The advanced technology would reduce most emissions to the level of a gas-fired power station and offer the potential for CO₂ capture and storage bysequestration. The station would help address the shortage of generating capacity in South Wales and provide a boost to the coal industry, and form a potentially crucial element in the development of the hydrogen economy.

The £350M project would be financed by the private sector. Valleys Energy are liaising with the WDA in consultations with DEFRA. A Section 36 application, under the Electricity Act, was submitted to DTI earlier this month and the Assembly will be a consultee. Construction of the plant, which would take 2 ½ years, could commence in 2004.

Establishing Wales in the World

21. **Escol Electronics Ltd**: I was pleased to note that Neath-based Escol Electronics Limited has signed a deal with Dutch supplier Secumatic bv after receiving export support and advice from WalesTrade International (WTI). This contract marks a significant development in Escol's drive to extend its business into overseas markets and is estimated to be worth in excess of £14m. Its products will now be marketed widely across mainland Europe.
22. **E2L**: This Monmouth-based company, which I met while leading the WTI trade mission to Poland and the Czech Republic in December, is returning to Prague shortly for further negotiations on a potential deal. This is in addition to the contracts that the company

recently signed in Poland and Sweden, worth in excess of £100,000 a year.

Creating Strong Communities

23. **Llanhileth Regeneration:** Work is due to start next month on creating a "model village" in an area of post-industrial dereliction. The total cost of the scheme to regenerate the area is estimated at £10m. Welsh Assembly Government is providing £5.6m, with the remainder from other public sector sources. It is hoped that this will create a model village that other local authorities across Wales will wish to copy.

Tourism

24. **North Wales Visit:** During my visit to Anglesey last week, I took the opportunity to visit Tal y Foel Accommodation and Riding Centre and Tafarn y Rhos. Both have benefited from Wales Tourist Board grants to improve their accommodation and facilities.

Support Rural Wales

25. **The 'Uplands Footpath Erosion Control and Access scheme'** in Snowdonia has benefited from EU Objective 1 funding. The project opens up areas of the park to which access has not previously been possible and last week I saw at first hand the impact of this greater access on the area.

OTHER NEWS

26. **Business in Pontypridd Forum-** On 17 January I addressed the Pontypridd Business Forum outlining the general economic overview for Wales and our aspirations for Pontypridd and the Valleys.
27. **Emta survey** - Welsh engineering firms are outperforming their English competitors when it comes to training young people. According to a survey by Emta, the National Training Organisation for Engineering Manufacture, nearly half (49%) of engineering firms in Wales have youngsters in training (aged between 16 and 24), compared with only 36% in England.
28. **Intersolar (UK) Ltd** – I was pleased to learn that Intersolar (UK) Ltd the Bridgend based Photo-Voltaic cell manufacturer which went into liquidation on 7 January has been acquired by ICP Solar Technologies of Montreal, Canada. I understand that the acquisition means that up to 40 jobs are safeguarded and a centre of excellence in PV manufacture is maintained here in Wales.

Job Gains/Safeguarded (50 and over) since the previous EDC

29. **ATL Telecom Ltd:** The jobs of 220 workers at ATL Telecom Ltd., which supplies voice

and data products to the telecommunications industry from its St Mellons, Cardiff base, have been secured thanks to RSA and other grants.

Job losses (50 and over) since the previous EDC

30. **Alcoa, Waunarlwydd:** Manufacturing giant Alcoa announced it is closing its extrusion and finishing facility at Waunarlwydd, Swansea with the loss of 120 jobs.
31. **The What Everyone Wants** discount chain is closing all its shops with the loss of up to 155 jobs (8 stores in Wales - Llanelli; Llantrisant, Merthyr, Bridgend, Newport (2), Swansea (2) - 155 jobs).
32. **Alexon, Pontypridd:** Clothing manufacturer closing down its Hawthorn operation with the loss of 190 jobs.

ACTION OUTSTANDING FROM PREVIOUS MEETINGS

EDC Minutes 28 November 2002 (para 2.11) – Minister to provide information on Energy Summit and advise when TAN 8 and Spatial Plan are to be published.

It is intended to publish the Wales Spatial Plan for consultation in summer 2003.

Although no publication date for the revised TAN 8 has been formally agreed, a draft will be issued for consultation in the first half of this year. Members will be aware that neither of these issues is an EDD responsibility.

EDC Minutes 28 November 2002 (para 2.11) – Minister to provide Reaction to Queen's speech.

The Queen's speech although interesting did not cover any issues that had an impact on the delivery of economic policy in Wales therefore I do not feel that it is appropriate to comment.

EDC Minutes 16 January 2003 (para 2.3) – Progress of the TRAC negotiations.

Negotiations are progressing. We continue to press the European Commission for a timetable for reaching a final decision. In the meantime the Commission have agreed to our request to extend the deadline for introducing revised arrangements from 31 December 2002 to 31 March 2003.

EDC Minutes 16 January 2003 (para 3.8) – Why ELWa training schemes are available to commercial organisations working within economic development but not to social

enterprises.

The National Council - ELWa has agreed a compact with the Voluntary Sector in Wales that includes recognising the value of the voluntary and community sectors as employers and developing ways to support their distinctive training needs. The Council has now made changes to historic funding programmes, which now recognise voluntary organisations as businesses, in terms of support that is available.

The National Council is continuing to develop its services to business, including the voluntary sector. The Council plans to issue new guidance to businesses, setting out the support available.

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