

Enterprise, Innovation and Networks Committee

EIN(2) 01-06(p.1)

Date: Wednesday 3 May 2006

Venue: Committee Room 2, Senedd, Cardiff Bay

Title: Report from the Minister for Enterprise, Innovation and Networks

Economic Data

1. **Purchasing Manager's Index:** continues to show strong growth in our economy, with output continuing to rise for the 35th consecutive month. Furthermore, manufacturing employment continues to outperform the rest of the UK, whilst the Welsh export of goods also remains strong and continues to outperform the UK average, indeed rising by over 33% since 1999.
2. **Labour Market Statistics:** the latest LMS figures for Wales and the UK were published by the Office of National Statistics on 12th April. Key findings included:-
 - A slight fall of 0.9% on the previous year in the employment rate amongst the working age. The UK employment rate also experienced a slight decline on the previous year. In December to February the employment rate in Wales stood at 71.3% and Wales continues to maintain an employment rate well above its historical average.
 - The claimant count level in March experienced a slight rise of 1.6% on February's figure. The UK as a whole saw a similar increase of 1.4%.
 - There was a small rise in the unemployment rate (up 0.6% on the previous year). The rate in Wales at 5.0% remains below the UK average of 5.1%. Despite the small rise over the previous year the unemployment rate in Wales has fallen significantly to close the 30% gap with the UK rate that existed in 1999.
 - At 12.9%, the youth unemployment rate in Wales for the year to February 2006 was also below the UK rate, the first time that this has happened since 1992 when the quarterly Labour Force Survey started.
3. **Index of Production and Index of Construction for Wales:** Figures for Quarter 4 2005 were released on 6th April. Amongst the headline findings were: -
 - A fall in the Index of Production in Wales of 6.3% over the latest 4 quarters compared to the previous 4 quarters. The UK Index also fell (1.9%) over this same period.
 - Manufacturing output for the latest 4 quarters was 6.6% lower than over the previous 4 quarters. UK output also fell over the same period.

- Construction output for the latest four quarters was 3.1% down on the previous 4 quarters.

It is important to look at the long-term trends behind these figures. Sectors such as mining and quarrying have shown significant improvement, with productivity up by 11% over the last year. Other sectors such as textiles, chemicals and machinery also show signs of renewed strength.

4. **Construction Sector Forecasts:** According to figures released by the Royal Institution of Chartered Surveyors total workloads in the Welsh construction sector rose at a pace well above its long run average in the first quarter of this year with expectations amongst chartered surveyors in Wales for continued growth in the next quarter. Furthermore, according to research undertaken by international consultancy EC Harris, the Welsh construction sector is set to prosper in the next two to three years as construction tender prices rise. Tender prices are forecast to rise by 5% in the year to the first quarter of 2007. This compares to an expected 4% increase across the UK as a whole.

Supporting Enterprise

5. **Construction Sector:** On 30th March the Minister for Education, Lifelong Learning and Skills and I jointly launched the Construction Sector Strategy, Forum and Employment and Training Charter. We aim to maximise opportunities for growth and are developing a co-ordinated construction sector strategy linking support for the construction industry with skills development.
6. **Metrix Consortium:** Following the successful launch event in the House of Commons in March, on 5th April I spoke at the briefing delivered to AMs by the Metrix Consortium. The successful redevelopment of RAF St Athan is a top priority for the Assembly Government and the Metrix Consortium bid has our full backing. It is important that cross party backbench support is added to the support of the Assembly Government; the Wales Office and the Vale of Glamorgan County Council.
7. **Cardigan & South Ceredigion Regeneration Plan:** On 6th April I launched the Report on the initial 3 years of the Cardigan & South Ceredigion Regeneration Plan. I launched the plan a little over 3 years ago as a direct response to the closures of the Dewhirst Factory and the Ministry of Defence site at Aberporth. The report highlights the success of the Plan with several major projects completed or underway and the regeneration of Cardigan town centre providing a positive boost for the whole community. There are now more people in work than before the Plan and private sector investment levels have risen significantly. Work will now continue under the leadership of the Plan's Implementation Board, who propose building on the very secure foundations laid in the last 3 years to ensure that the regeneration of the region continues apace.

- 8. European Structural Fund Progress:** £1.51 billion has been committed through structural funds to 2,719 projects, representing some £3.62 billion of total project investment in Wales. Objective 1 has committed some £1.29 billion grant to 1,661 projects, representing around £3.1 billion of total project investment in West Wales and the Valleys. As well as the creation and safeguarding of thousands of jobs, over 360,000 beneficiaries have been assisted and over 10,000 SMEs created.
- 9. Brick Fabrications Ltd** has received Assembly Investment Grant support towards the purchase and refurbishment of their premises at Pontypool. The company manufacture special shaped bricks and prefabricated products for the construction industry, one of the 10 sectors recognised in WAVE as important for future economic growth.
- 10. Writemedia Partnership Ltd:** This Pembrokeshire-based company which manufactures bespoke software programmes and produces multi media products has received a £10,000 Assembly Investment Grant towards a drive to increase their products and services.
- 11. Spencer Environmental Care Associates:** The West Wales-based specialist environmental services contractor has announced a £100,000 investment in the latest mulching technology thanks in part to an Assembly Investment Grant and loan funding from Finance Wales. The investment will help the company to begin a new phase of development, in particular in exploiting the fast growing market for clearing and reinstating land.
- 12. Dwyfor Food Company:** The North Wales-based beverage supplier has moved to a refitted unit at Parc Dwyfor near Pwllheli thanks to the help of a Regional Selective Assistance Grant from the Assembly Government. The company's expansion has also been spurred by growing demand for Fair Trade products and has forged links with Fair Trade producers as well as working closely with the Fair Trade foundation.
- 13. Ethnic Business Support Programme (EBSP):** On 11th April I spoke at a conference on tendering for public sector contracts organised by EBSP. This was the 3rd in a series of events designed to provide business people from ethnic minority backgrounds with an insight into the opportunities that exist to compete for contracts in the public sector.
- 14. Heads of the Valleys Programme:** I can report that the Heads of the Valleys Programme has spent nearly £2 million on a package of 'early win' projects. This includes preparation work, co-ordinated action and exemplar activities tackling many of the key issues that will be priorities for the Programme going forward. Projects ranged from community clean ups of river banks and town centres, to studying the scope and potential of the area's tourism offer. It also includes an evaluation of the JobMatch scheme that helps workless people into jobs, and widening participation across local authority boundaries in an innovative youth and community transport initiative. In May I will publish the Heads of the Valleys Programme Strategy for the next 15 years, including a 3 year Action Plan for spending

£30m to lever in private sector investment and obtain maximum value from the estimated £1bn per annum public sector spend.

Promoting Innovation

- 15. University of Wales, Aberystwyth (UWA):** With £6 million worth of funding from the Assembly Government as well as additional funding secured from private sector partners Silicon Graphics Inc and Sun Microsystems the go ahead has been given for the visualisation centre of excellence at UWA. Work on building and equipping the new centre is expected to start in July of this year and be completed by September 2007. Once completed it will provide a world-class virtual reality environment in which to create new products through 3D visualisation.
- 16. Tinopolis:** On 30th March I visited Tinopolis Plc in Llanelli. This company, now one of the leading independent TV production companies in the UK, is precisely the kind of company that can be assisted both by the Creative Industries Hub and the Knowledge Bank for Business. Assembly Government support, through Regional Selective Assistance Grant has already played a part in the growth and expansion of the company. I expect that through the Creative Industries Hub and the Knowledge Bank for Business the Assembly Government will play a continued part in supporting future growth.
- 17. Wales TV Industry:** The growing strength of the Welsh TV industry is reflected in the trade journal's Broadcast 2006 league table of the UK's most successful independent TV producers. Amongst the Welsh companies included are; Llanelli based Tinopolis (at number 27); Cardiff based Boomerang Group (29); and Caernarfon's Nant (45).
- 18. FibreSpeed Open Access:** On 31st March I approved the procurement and implementation of the 1st Phase of the FibreSpeed Open Access project comprising 14 strategic business sites in North Wales. This followed the recent EU State Aid approval on 22nd February. The next step will be the publication of an OJEU Contract Notice in May advising the commencement of the procurement process.
- 19. DSL Max:** BT announced that it would be upgrading all of its enabled exchanges to deliver up to 8 Mbps broadband speeds through its DSL Max programme. This is a significant step for businesses across Wales, allowing them to take full advantage of the benefits that high speed internet brings. The exchanges to be upgraded as part of the Regional Innovative Broadband Support (RIBS) contract will be included in the DSL Max roll-out programme.

Investing in Networks

- 20. Railways Act 2005:** From 1st April the Assembly Government has been empowered with responsibility for all Arriva Trains Wales services in Wales and between Wales and England. The acquisition of these powers represents one of the biggest transfers of power, since the start of devolution and which, together with the franchise funding, offers us a real opportunity to use a coherent set of powers to build on our existing record.
- 21. Network Rail:** On 4th April I attended the launch of Network Rail's Business Plan, which outlines plans to spend £75 million in operating, maintaining and renewing the railway over the next 10 years. The Assembly Government is committed to delivering quality rail services and to the continued development of the rail network in Wales, we will continue to work with Network Rail to further those aims.
- 22. Ceredigion Free Bus Travel Week:** On 6th April I attended an event to mark the operation of Free Bus Travel Week in Ceredigion. Free Bus Travel Week is an interesting initiative developed by Ceredigion County Council and supported by the Assembly Government. Bus travel is critical to our objective of delivering an effective and efficient transport system throughout Wales, and initiatives like this provide a very good opportunity for those who do not normally use busses to see just how good and convenient bus travel can be.
- 23. Community Transport:** On 5th April I announced £800,000 of additional funding for the Community Transport Scheme I launched last month. This brings the total sum of funding for the Scheme to £3million, and allows the scheme to increase the scope of free travel from 10 to 15 community transport project areas. The new areas benefiting are Merthyr Tydfil; Denbighshire; Cardiff and Vale of Glamorgan; Rhondda Cynon Taf; and Monmouthshire.
- 24. Microgeneration Action Plan:** On 3rd April I launched a consultation on the action plan to develop the microgeneration sector. Producing renewable energy through microgeneration is a key component of our energy strategy and offers a tremendous opportunity not just to reduce CO2 omissions but also to act as an added driver to the Welsh economy. It is essential we have a coherent strategy in place to build on the investment, experience and partnerships that already exist to further develop this sector. The document will be out to consultation until 25th June and is available at www.wales.gov.uk/businessandconomy.
- 25. Green Energy Cluster:** This Environmental Goods and Services (EGS) initiative was launched on April 4th at the Millennium Centre, Cardiff, with a day of information for businesses. The Green Energy Cluster aims to support companies working in the microgeneration renewable energy sector in Wales. It will run initially for 12 months and provide practical support to SMEs through a series of workshops, focusing on business

planning, market information, and marketing support. The launch was well attended with nearly 100 delegates and the feedback was very positive.

- 26. E.On UK:** On 5th April I met with representatives of E.on UK to discuss a number of issues including sustainable energy developments, particularly marine developments.
- 27. National Grid Transco:** On 5th April I met with David Mercer, Senior Project Manager at National Grid Transco. A number of issues were discussed including the delivery of strategically important infrastructure; progress on the Milford Haven to Aberdulais Pipeline; above ground installations; and communication and community issues.
- 28. Severn Tidal Barrage:** On 10th April I held a meeting with members of the South West of England Regional Assembly (SWRA) on the issue of the Severn Barrage. Members of the SWRA are understandably interested in the economic development benefits the barrage and possible new transport links might bring. It is estimated the barrage could use tidal energy to generate some 17,000 million kWh each year, or some 6% of the total electricity demand of England and Wales.
- 29. Hydro Electricity:** Wales' first community hydro electricity scheme was officially opened by the First Minister. The £90,000 project at Talybont on Usk, has taken more than 4 years to complete and is expected to bring in £17,000 a year which will be spent on more energy projects in the village. The utilisation of renewable energy is one of our key objectives, and small scale projects like that at Talybont will play an important role in helping meet our aim of producing 4 terawatt hours of electricity from renewable sources by 2010 and 7TWh by 2020.

Visit Wales

- 30. Achieving our Potential:** On April 11th I launched the revised Tourism Strategy for Wales - Achieving our Potential - at the National Waterfront Museum, Swansea. Achieving our Potential will drive forward tourism development in Wales up to 2013. The new museum is an excellent example of the high quality visitor attraction we are now developing in Wales, and which has attracted nearly 100,000 visitors since it opened in October last year.
- 31. Burry Port Marina:** On 30th March I opened the new and impressive marina at Burry Port. It provides for an additional 100 berths and along with the additional 90 berths to be built in the Outer Harbour completes the 1st phase of the transformation of Burry Port Harbour. Together with the new access road to the harbour and town this provides a major catalyst which will lead to the wider regeneration of Burry Port and surrounding area. The marine industry has the potential to become a major economic contributor to Wales, and developments such as that at Burry Port will help us fulfil that potential. It is important we see more coastal and marine

developments of this kind across Wales and our 'Catching the Wave' initiative will support them as it has so successfully done at Burry Port.

International Business Wales

32. Trade Development: I can report we exceeded our trade targets for 2005/06. During the year, we assisted Welsh companies to secure deals worth in excess of £150 million and helped at least 60 companies to trade internationally for the first time. Furthermore phase 2 of the Objective One 'Export Assist' programme, which I launched in last September, has hit the ground running achieving over £6 million of business in March alone. The merging of these international trade support programmes, along with the inward investment function into 'International Business Wales' puts us in an even better position to deliver more flexible, dedicated services to meet companies' needs and enhance our position as a global player.

33. Inward Investment: Wales' inward investment results will not be announced until late Spring/early Summer when the results for the United Kingdom as a whole are announced. It has been another very competitive year with some good projects announced – the highlights are the Quinn Group, MGN Gas Networks, Her Majesty's Prison Service and Airbus – and some attractive propositions are on the horizon. I have recently supported our inward investment team in meetings with potential inward investors although these must remain confidential at this stage.

34. Precious 2U: The Bridgend-based company behind Katkabin has won distribution deals in the US and the Republic of Ireland. Enhancing its competitive position has helped the company to expand into larger premises. The company has in the past benefited from Assembly Government and Finance Wales support and I am delighted by its continued growth.

Job Gains / Safeguarded

35. EADS: The aerospace and defence group is creating a further 100 jobs in Newport as part of a £35 million expansion. The company was part of the successful Atlas consortium that last year won the £4 billion 10-year contract to handle MoD defence IT requirements. The new expansion will see two new office buildings designed to accommodate 500 employees completed by late 2007.

36. Brian James Windows: The Treforest based manufacturer is expanding following a series of major investments, thereby almost doubling its current 16 strong workforce in the process. The Assembly Government through a Regional Selective Assistance Grant has supported the investment. This has assisted the company to attract new market opportunities and improve their competitive position.

- 37. Target Loan Servicing Limited (TLS):** On April 11th, Cardiff-based Target, a provider of software and services to the increasingly important financial services sector has announced the formation of TLS, a wholly owned subsidiary of Target Group. This initiative stands to create more than 225 jobs and has been supported by the Assembly Government through a Regional Selective Assistance grant of £1.6 million.
- 38. Jigsaw,** the financial services venture has taken a 10 year lease on an 11,000 sq. ft premises at Ravenscourt, Bridgend for the operation of a new contact centre that will create 100 jobs. Jigsaw Insurance Marketing (Wales) is investing a total of £525,000 in the project. This investment includes a Welsh Assembly Government Regional Selective Assistance Grant.
- 39. Serious Food Company:** The Llantrisant-based company has opened a new headquarters and manufacturing facility, creating 60 jobs. Supported by a Regional Selective Assistance Grant from the Assembly Government, the company has been well known for its fresh fruit juice and has now diversified into producing desserts for Waitrose.
- 40. Greenwood Services:** The South Wales-based company is set to become a key player in the recycling industry thanks to the opening of a £1.25 million plant near Bridgend. This investment supported by Finance Wales and £300,000 Assembly Government Regional selective Assistance grant will assist the company to handle more business and increase employment at the site to 63.
- 41. Corus Living Solutions:** The North Wales based steel company has been successful in winning a £92 million contract to build accommodation for British soldiers. The company believes the 6-year contract will help secure 120 jobs at its Shotton plant on Flintshire. The contract will involve the company designing, supplying and erecting living quarters for garrisons in Aldershot, Hampshire, and near Salisbury Plain in Wiltshire.

Job Losses

- 42. TH Sutcliffe & Caernafon Abattoir:** Administrators have been appointed for both companies and redundancies confirmed numbering 70 in Newport and 64 in Caernafon. Commercial considerations are the underlying factor behind the closures. The Assembly Government will now work closely with the key agencies to find alternative employment opportunities for former employees and new potential uses for the sites.

Other Announcements

43. Airbus: An announcement was made on 6th April that BAE Systems intend selling their 20% stake in Airbus to EADS. Airbus has no reason to believe that the sale will have an impact on the jobs in Broughton. EADS have two very successful defence based sites in Newport which the Assembly has supported in the past via Regional Selective Assistance.

Annex A

EDTC ACTION OUTSTANDING

1. EDT(2)13-05, 20 October, 2005

The EIN Minister agreed to provide further information on the financial arrangements that exist in relation to the WDA Land Division (Item 2).

Land Division was an integral part of the WDA and had been since 1998 when the Land Authority for Wales was abolished. The Land Authority was established in 1980 as a public corporation and as such its budget did not come within the former Welsh Office's departmental budgeting boundary. However, when the Land Authority's powers transferred to the WDA in 1998, the trading activities could have moved within the boundary in line with the treatment of executive Assembly Sponsored Public Bodies, but this did not happen. The trading activities of the former Land Authority for Wales remained a separate self financing operation within the WDA.

From 1 April 2006 the Land Divisions activities that have transferred to the Assembly will score in the Assembly's budget and be subject to the normal budgeting rules.

It has been agreed that the trading activities of the ex WDA Land Division should be retained post merger and extended to cover all other EIN infrastructure activity relating to commercial property. This would include land acquisition, disposal, the provision of site infrastructure, and property development and funding.

Therefore the Land trading activities will continue to be managed on a separate trading basis, allowing retention and recycling of self generated receipts to be subsequently used to meet the objectives of the infrastructure programme.

The policy rationale for extending the trading activity is to ensure there continues to be an adequate supply of property and land available to meet Wales future economic and social development needs within the context of the Wales Spatial Plan.

2. EDT(2) 16-05, 8 December, 2005

The EIN Minister agreed to provide a paper to the Committee on public sector spending and GVA in Wales (Item 4).

Introduction

This note sets out the relationship between public expenditure and the government sector's contribution to Gross Domestic Product or Gross Value Added.

Summary

The main points are:

- Public expenditure as a percentage of GDP/GVA does not represent the public sector's contribution to the economy. The latter is significantly lower than the former.
- There are no regular official estimates of the public sector's overall contribution to GVA in Wales.
- However, the available evidence suggests that this contribution is likely to be a bit bigger in Wales than the UK as a whole, mostly because Wales has a relatively small private sector.

UK figures

1. Public expenditure expressed as a percentage of Gross Domestic Product (GDP) is often used at the UK level to describe the scale of public sector activity, particularly over time. However, this percentage does not represent the public sector's contribution to GDP. A substantial part of public expenditure is accounted for by transfer payments such as social security benefits. These payments do not contribute to GDP; they redistribute income via revenue raised through general taxation.

2. Information from this year's Budget documentation published by the Treasury can be used to illustrate this point. Total UK public expenditure (termed Total Managed Expenditure) in 2004-05 represented 42 per cent of UK GDP¹. However, the public sector's main contribution to GDP, via government consumption, was around 21 per cent of total GDP.

3. The main components of GDP are summarised in the table below. (There is also a small public sector contribution to GDP within the fixed investment component in the table but this does not alter the overall message.)

¹ Budget 2006: Table C26.

Table 1: Main UK GDP components 2005

	£ billion, chained volume at market prices	Percentage of total GDP
Household consumption	750	66
Government consumption	232	21
Fixed investment	188	17
Change in inventories	3	0
Net trade in goods and services	-43	-4
GDP at market prices	1,129	100

Source: Budget 2006: table B10

Wales

4. The only regular and reasonably comprehensive estimates of public expenditure in Wales are published by HM Treasury in *Public Expenditure Statistical Analyses*. These estimates include identifiable expenditure in Wales financed by both the Welsh Assembly and by Whitehall departments. A consistent time series is available for 1999 to 2004.

5. These sub-UK estimates are compiled on the basis of which part of the UK benefits from the expenditure. Some parts of public expenditure are not included in these estimates, as the benefits cannot be identified geographically. The most prominent examples are defence spending and debt interest payments.

6. The table below shows total identifiable public expenditure on services in Wales and the UK and as a percentage of Gross Value Added. (The percentage for the UK is a little different from that quoted in para 3 because of the different definition for both the numerator and denominator in this calculation.) The percentage is higher in Wales than the UK but increased by a similar amount between 1999 and 2004.

Table 2: Public spending and Gross Value Added, Wales and UK

	Identifiable public expenditure on services (£bn)		Headline Gross Value Added (£bn)		Identifiable public expenditure as a percentage of GVA	
	Wales	within UK	Wales	UK*	Wales	UK
1999	15.0	267.7	30.5	785.0	49.3	34.1
2000	16.0	284.6	31.7	819.5	50.5	34.7
2001	17.2	312.1	33.5	862.2	51.2	36.2
2002	18.7	334.6	35.3	910.2	53.0	36.8
2003	20.3	367.1	37.4	961.5	54.3	38.2
2004	21.6	395.6	39.2	1005.4	55.1	39.3

Source: Public Expenditure Statistical Analyses 2005, Regional Accounts

* Exc. Extra regio

7. As noted earlier, public expenditure as a percentage of GVA does not represent the public sector's contribution to GVA. Unfortunately, the component analysis which identifies the government's contribution to GDP in the UK, as shown in table 1, is not available for Wales.

8. There was an exercise by the Office for National Statistics to produce regional government accounts a few years ago. This produced some experimental estimates for 1998, but has not been repeated since. General government output in Wales was estimated at £8.1 billion (around 27 per cent of GVA in 1998) compared to £159.6 billion for the UK excluding extra-regio (around 21 per cent of GVA). This definition is broadly equivalent to government consumption in table 1. However, without subsequent estimates for different years, it is very difficult to judge the robustness or variability of these figures.

9. The best available indicator of the public sector's contribution to the economy in Wales is probably public sector employment as a percentage of total employment. Table 3 summarises the figures for Wales and the UK published last year. This indicator for the UK is close to the share of GDP accounted for by government consumption.

Table 3: Public sector employment as a percentage of total employment

	Wales	UK
1999	23.9	19.2
2000	24.4	19.3
2001	24.6	19.4
2002	24.6	19.7
2003	24.3	20.0
2004	23.2	20.3
Year to June 2005	23.3	20.3

Source: Public Sector Employment Trends 2005

10. It should be noted that the higher share of employment in the public sector in Wales than in the UK is mainly due to a relatively small private sector in Wales, rather than a large public sector. Public sector employment over the year to June 2005 represented 10.3 per cent of the resident population in Wales, only a little higher than comparable figure for the UK (9.7 per cent).

3. EDT(2) 02-06, 8 February 2006

If available, the EIN Minister agreed to provide the Committee with figures on personal debt and bankruptcy in Wales (Item 2).

Introduction

This note sets out the availability of official statistics for Wales regarding personal debt and bankruptcy. It also provides a summary of this information.

Availability of statistics

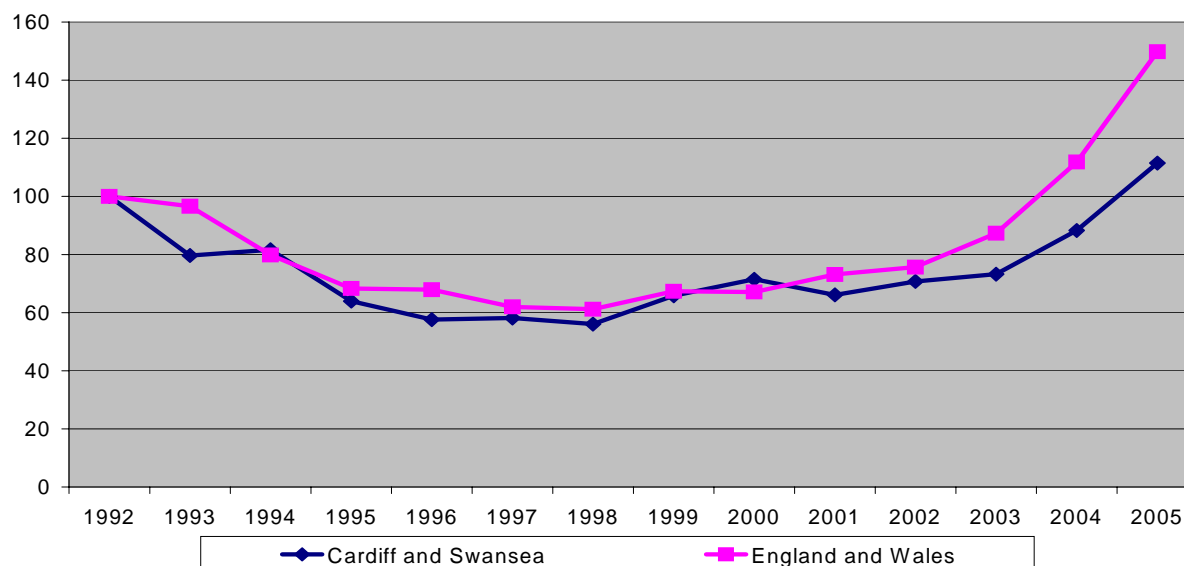
There are no official measures of household or personal debt below the UK level. There are figures relating to bankruptcies and bankruptcy petitions available from the Insolvency Service and the Department for Constitutional Affairs (DCA) respectively.

Bankruptcy statistics are available according to the areas assigned to Official Receivers and the county courts where cases are heard. There are two Welsh areas identified; Cardiff and Swansea. The coverage of these areas is not defined and is clearly far from comprehensive for Wales as a whole. The bankruptcy petitions data from DCA do identify Wales separately.

Bankruptcies

Data covering individual bankruptcies are available back to 1992 from the Insolvency Service. As noted these are not available for Wales as a whole. The chart below shows the trend for cases assigned to Cardiff and Swansea compared to the whole of England and Wales, using an index based on the 1992 level. The trend was very similar until around 2002, with a decline until the mid-1990s and then a gentle increase. Since 2002 there has been a sharper increase, which has been more accentuated in England and Wales as a whole than in Cardiff and Swansea.

Bankruptcies index (1992=100)



Source: Insolvency Service

Bankruptcy petitions

The table below shows the number of bankruptcy petitions filed in Wales and England in recent years.

Bankruptcy petitions

	Wales			England		
	Creditor	Debtor	Total	Creditor	Debtor	Total
2000	490	755	1,245	16,730	12,002	28,732
2001	446	770	1,216	15,125	14,214	29,339
2002	382	876	1,258	15,948	15,631	31,579
2003	410	836	1,246	16,848	18,487	35,335
2004	373	1,175	1,548	17,086	25,601	42,687
2005	462	1,531	1,993	20,315	35,366	55,681

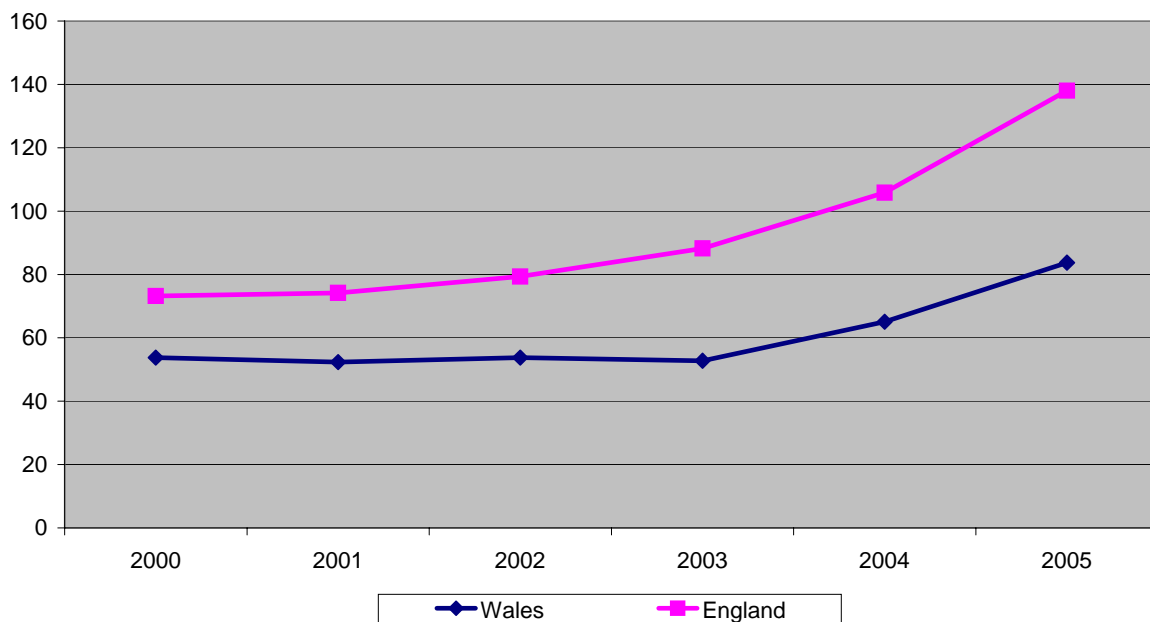
Source: Department for Constitutional Affairs

It should be noted that the number of petitions entered does not represent the actual number of bankruptcies as recorded in the Insolvency Service statistics. However, there is a similar sharp increase over the last two years. The bulk of the increase has been in debtor petitions; those filed by the potential bankrupt rather than by his or her creditors. This trend will at least partly reflect changes in the law since April 2004, arising from the Enterprise Act 2002, which have probably led to bankruptcy being seen as a more attractive option. The majority of bankruptcies are now discharged within 12 months, whereas under the previous rules the bankruptcy period typically lasted between 2 and 3 years.

The chart below shows the data in the table represented in relation to the adult population. Firstly, it is important to note that even with the recent increase, there are only around 80 bankruptcy petitions per 100,000 of the adult population per year in Wales, less than 0.1 per cent. Overall the incidence is lower in Wales than in England and the recent increase has been less sharp.

Source: Department for Constitutional Affairs

Bankruptcy petitions per 100,000 adult population



4. EDT 16 March Item 2

The EIN Minister agreed to provide a note of clarification in respect of project capacity on the Tidal Lagoon project.

From the information available the project's capacity could be around 60MW.

5. EDT 16 March Item 3

The EIN Minister agreed to provide the Committee with the post merger structural chart, including the structures for the energy and rural divisions.

Please see Annex 2.

6. EDT(2)06-06, 29 March, 2006

The EIN Minister agreed to provide the following information in relation to the WDA merger:

- **The number of agencies affected by budget cuts;**
- **The level of the budget cuts;**
- **Whether there would be any job losses as a result;**
- **The impact on business;**
- **The impact on Business Focus. (Item 2)**

In October 2005, changes in the budget for Entrepreneurship activity were signalled to the Committee as part of the overall budget changes. The Paper which came to the EDT Committee at that time stated ; *“I plan to redirect £4.5m of the Entrepreneurship programme and £1.5m from business promotion programme to increase our capacity to boost innovation and regeneration. However the resources remaining in these spending programmes continue to be significant. Notable outcomes have already been achieved. Entrepreneurship activity continues to rise rapidly in Wales. I intend now to build on this by targeting investment into areas that will deliver best growth”*. Whilst a number of areas have been reviewed, the main area from which these programme changes have been found is general business support.

Alongside this re-prioritisation, a decision was taken to streamline and merge two programmes - General Business Advice Service and the New Business Starts programme. In the financial year 2005/6, there were over 50 contractors across Wales delivering these two programmes, with over a quarter of contracted providers delivering both. These providers range from companies that are active across Wales to solo or small contractors who operate within a particular geographic area. The decision to create the new General Support for Business (GSB) was taken in order to rationalise services and reduce client confusion, achieving both more efficient business support and increased value for money. This was underscored by the ambition to move away from a grant and towards an investment culture and adopt a more

discretionary approach to business development and to provide more flexibility for the client.

In bringing this new service together, a competitive re-tendering exercise was undertaken. In fact, irrespective of the decision to integrate these programmes, such a re-tendering exercise would have had to be undertaken for post-start support. As part of this process, on-going discussions were held with existing service providers in October 2005 regarding changes to existing contracts and new tendering arrangements. Further discussions detailing the new service, strategic direction, priorities and the more discretionary nature of the service were also held. Providers submitted tenders on a competitive basis to deliver 'post-start' support from April 2006. This competitive procurement process has been on-going and has significantly limited the level of discussion regarding award and indicative value of contracts that could be held.

In one sense all providers have been affected by bringing the programmes together, but some have been affected by the budget changes outlined above. Providers themselves do not have 'budgets'. Contracts are on the basis of delivering specific targets and the new contracts harmonise delivery arrangements. It is not appropriate to list the providers and their contract values year on year, nor to discuss the impact on individual providers, as this is commercially sensitive information, but some providers, particularly those with the largest contracts have been most affected. We have heard from four providers to date, stating specifically that there will be job losses within their organisations as a result of the budget changes and new programme contracts. Clearly, this is a concern and we are in contact with those organisations affected to ensure the most effective and appropriate approach is taken to managing the changes.

We are also engaged with providers to manage the changes in relation to existing clients. General Support for Business is only part of the support provided by the Welsh Assembly Government. Its remit is to provide general support for existing and potential businesses. Clients are also able to access a wide range of information and more specialist provision from the public, private and voluntary sector.

EIN is committed to continuing to improve its services to businesses in Wales and streamlined delivery of General Support for Business is part of this process. A review of Enterprise is currently being undertaken by Vanessa Griffiths, the new Director of Enterprise to determine the direction and focus moving forward. We will share the conclusions of this review (due to be completed in June) with the Committee, alongside the EIN Business Plan next term.

7. The EIN Minister agreed that the EIN business plan would be brought to the Committee next term (Item 2).

The Business Plans for the former ASPBs were brought to Committee in July of each year, along with the annual results which are published at this time. This co-incided with the attendance of the ASPB Chairs and Chief Executives at the Committee.

Under the new arrangements, it is proposed that the Business Plan for EIN will be brought to the Committee no later than in previous years (i.e. July) and, if possible, prior to this. Many of the activities are already in place, but time has been required to consider the responses to the WAVE consultation for this year's planning.

8. The EIN Minister agreed to provide a report to the Committee on operating aids for the new round of European funding (Item 2).

Not all potentially permissible forms of operating aid are within the competence of the Assembly Government, with tax and social security issues both UK responsibilities.

Notwithstanding that I do not propose to place substantial emphasis on operating aids in the Assembly Government's proposals for the use of Structural Funds or my economic policies more generally. While I see a continuing role in some areas, such as sharply-focussed advisory services, I believe such aids can too readily encourage inefficiency, and support a subsidy culture, running directly contrary to the vibrant investment and incentive-based economy my policies are creating in Wales.

For State Aid to be permitted under Article 87(3) of the EC Treaty, it must aim to induce an undertaking to do something they would not otherwise do under normal market conditions. The aid must be necessary to offset some economic, regional or structural handicap and be justified in relation to specific Community objectives.

Operating aid relieves an undertaking of the expenses it would normally have to bear in its day-to-day management or its usual activities. The Commission has always taken a very negative position on operating aid as it is considered to be very distorting – in economic terms DG Competition consider that allowing operating aid can have the effect of tolerating or even encouraging inefficiency. As such, operating aid can only be authorised in exceptional circumstances, and must be proportional to the handicaps it seeks to alleviate. Such aid can take various forms including government guarantees or the purchase of a State shareholding on favourable terms, tax exemptions, and reductions in social security contributions. [It must be both time limited and progressively reduced.]

The Regional Aid Guidelines 2007-2013 do identify allowable levels of aid to provide incentives to support business start ups and the early stage of

development of small enterprises. This could include elements of operating aid with the definition of eligible expenditure set out in the guidelines.

Any such aid scheme established in line with these guidelines should be notified in advance and subsequently approved by the EC.

9. The EIN Minister agreed to provide further information on the budget line used to fund the ‘Inspiring Success’ Programme.

Total Project Cost: £1,708,729
ERDF: £879,995
Project start date: 1 November 2005
Project end date: 30 June 2008

The project is funded by Objective 1 under Priority 1 Measure 2 (Promoting Entrepreneurship and Increasing the Birth Rate of SMEs) and awarded almost £880k ERDF grant in December 2005 against a total project cost of £1.7m.

The match-funding package includes £260k from P2P, £45k provided by the sponsor and over £500k of project income.

10. The EIN Minister agreed to provide an update to the Committee on the Gateway project (Item 2).

This report is prepared on a quarterly basis to review progress in bringing forward the Northern Gateway Site on Deeside which is being led a Task and Finish Group comprising public/private sector partners facilitated by my officials in the Assembly Government. The report up-dates key stakeholders on progress achieved in agreeing a masterplan for the site since the last note issued on 10 January. The key issues to be addressed by the consultants (Axis Planning) in preparing the masterplan highlighted in that note included:

- Transport and Traffic
- Flood Risk
- Planning policy/UDP
- Consultation
- Site Sustainability Assessment

Following consultations with the relevant bodies the first two elements identified above were found to be the “crunch” issues to be resolved before the consultants could proceed to complete the first stage of the masterplan. As a result of further discussion with Flintshire County Council it was also agreed that Axis should address the third issue relating to the emerging UDP. To inform the UDP process Axis have prepared a submission to the County Council which is to be fed into the formal review stage of the plan and provide a framework for an outline planning application later this year.

The decision to move towards the submission of a formal planning application has been given added impetus following the acquisition of Corus's interest in the site by a consortium known as Pochin Rosemound (Deeside) Ltd formed between Pochin PLC and Rosemound Developments.

The need to submit a planning application is also reinforced by the proposed changes within DARA who occupy substantial space on the East Camp. As a consequence of the loss of MOD contracts at RAF St Athan it would appear that there is a real prospect that additional work might be secured to the Sealand Site. The Assembly Government have held initial discussions with DARA and its suppliers/partners to explore the potential for developing East Camp as an Advanced Manufacturing/Aerospace Park as part of this initial application.

Transport and Traffic

The draft traffic report agreed by the Task and Finish Group on the 8th December was circulated to colleagues at Transport Wales and the Highways Agency in England immediately following the meeting.

The issue of highway capacity serving the site was raised at a meeting held on 26 January between Flintshire County Council and myself. This meeting confirmed that following the recent improvement of the A550 any constraints on trunk road capacity would only be an issue for the Highways Agency in England. The capacity of Woodbank Junction pending the outcome of the public local enquiry being the single most significant obstacle to the development of the site.

At a subsequent meeting arranged with highways officials on 9 March however additional concerns were identified from both Transport for Wales and Highways Agency. Both agencies agreed to provide Axis with additional information to enable them to undertake a further assessment of capacity prior to the next meeting of the Task and Finish Group.

Flood Risk

Formal agreement has now been reached with EAW on flood risk following the meeting held on 8th December.

The proposed solution agreed with the EAW involves raising the level of the development plateau by removing material from the lower part of the site adjacent to the River Dee. This will have the effect of creating a wetland area which would mitigate against any flood risk and at the same time provide a valuable recreational resource for the both the site and local community. This solution would also reduce the potential flood risk to existing properties within Garden City and adjoining residential areas as well as businesses within the existing Deeside Park.

Draft Flintshire UDP

At the last Task and Finish Group meeting Flintshire CC representatives provided an up-date on the timetable for presenting the proposed modification on the UDP to the council. This had now slipped further to the second quarter of 2006. To provide the County Council with a broad indication of likely development mix of the site Axis prepared a detailed submission which was lodged with Flintshire last month. This document will be vital in assisting the Local Planning Authority in developing appropriate policies for the site as part of the statutory planning process.

Consultation/Community Awareness

Given the regional significance of the site and the level of interest that this study will generate a dedicated website www.northerngateway.co.uk has been created to manage enquiries and comments on the proposals. A number of meetings have been held with key stakeholders to elicit their input to the study and ensure the proposals for the site fully embrace the aspirations of the wider community.

Site Sustainability Assessment

A key requirement of the brief to consultants is to complete a sustainability assessment of the site. This is being carried out in accordance with the Assembly Government's Working Differently Guide: Integrating Sustainable Development and Design into Regeneration and Development. Once the initial scope of the development has been agreed it is proposed to hold a separate workshop chaired by Axis to undertake an appropriate appraisal in accordance with these guidelines.

Next Steps

The results of the further consultations on highways and planning these issues were considered by the next meeting of the Task and Finish Group held on 12 April. At this meeting the group were asked to agree:

- A comprehensive strategy for the mitigation of flood risk based on a raising of levels and the creation of development plateau.
- Further detailed traffic assessment and surveys to support a planning application for a mixed use development of the site.
- A timetable for the submission of an outline planning application for the site.
- The scope of additional tasks required to be completed prior to the submission of any planning application.

The proposed planning application would be based on a joint submission by Pochins/Rosemound and Defence Estates. This would ensure a comprehensive approach to the development of this strategic site was achieved thereby securing the maximum strategic economic impact.

Enterprise Innovation and Networks Department

Structure April 2006

