

Date: 3 April 2003
Time: 9:00am – 11:55am
Venue: Committee Room 1, National Assembly for Wales, Cardiff Bay
Title : LG PROJECT (A paper from the Economic Development Minister)

Purpose

1. As requested at EDC on 20 March, to provide Members with the information supplied to Alun Cairns in answer to a series of written questions about the LG project.

Summary

2. A copy of the responses to the written questions is attached at the Annex, they can also be accessed on the Intranet at:

<http://assembly/rop/ROP/Answers%20to%20Written%20Questions/March%202003/WAQ030320fv7.pdf>

State Aids

3. Financial assistance to companies has to comply with EC guidelines on State Aid. Because of the scale of the LG project, the then Welsh Office made an ad hoc notification to the Commission before the offers of assistance were confirmed.

Payments

4. Offers of financial assistance, such as for Regional Selective Assistance or from the Welsh Development Agency, contain details of trigger points for investment or job numbers against which payments will be made.

Meetings with companies

5. Team Wales is in regular contact with potential investors and investors who have received offers of financial assistance. This is everyday business for officials who hold many hundreds of such meetings each year.

Confidentiality

6. We have an agreement with companies to make public limited details of offers at or around the time that a project commences. Prior to this, because a company's investment plans are commercially confidential, no information is released about contact or meetings with individual companies without their agreement.
7. Similarly, details of actual investment made or progress with a particular project are commercially confidential and we do not disclose details of our meetings, grant payments, dates of grant payments or any information given to us in confidence by the company concerned.
8. If we were to break this confidentiality, it could significantly affect our ability to do business with companies interested in investing in Wales and damage our prospects of attracting future investment and job creation.

Further Information

9. I have supplied details of information that is in the public domain about the LG project and I will not provide any further information. To do so, would break the confidentiality that is necessary for us to continue to do business with investors.

Action for the Committee

10. This paper is for information only. The Committee should note the answers supplied to Alun Cairns in response to his written questions and that I am not able to provide any further information

Contact Point

11. David Hobbs, EDD Business Unit ICM3.

EDC 06-03(p1a annex)

WAQs 23287–94 on LG Electronics Wales Ltd and LG Semicon Wales Ltd

- **Alun Cairns:** Would the Minister list individually all funding support LG Electronics Wales Ltd had received from the public purse? (WAQ23287)
- **Alun Cairns:** Would the Minister list individually all funding support LG Semicon Wales Ltd has received from the public purse? (WAQ23288)
- **Alun Cairns:** How much funding was paid to LG Semicon Wales Ltd following the offer

aimed at attracting the firm as an inward investor? (WAQ23289)

- **Alun Cairns:** What scale of funding was offered to LG Semicon Wales Ltd in seeking to attract the firm as an inward investor? (WAQ23291)
- **Alun Cairns:** What scale of funding was offered to LG Electronics Wales Ltd in seeking to attract the firm as an inward investor? (WAQ23292)

Andrew Davies: In 1997, the then-Welsh Office coordinated offers to LG Electronics Wales Ltd and LG Semicon Wales Ltd of public sector funding packages of £129.5 million and £117.5 million respectively. The combined package of £247 million comprised:

- regional selective assistance of £69.5 million;
- £10 million infrastructure work funded by the Welsh Development Agency;
- WDA property grants of £118.9 million;
- site development support of £17 million;
- land to the value of £14.2 million; and
- training support of up to £17.6 million.

This related to anticipated investment of over £1.6 billion and 6,100 jobs.

- **Alun Cairns:** Would the Minister list the dates on which payments were made to LG Electronics Wales Ltd? (WAQ23290)

Andrew Davies: Companies dealing with the Welsh Assembly Government expect details such as dates and amounts of payments to be handled confidentially.

- **Alun Cairns:** Would the Minister confirm that European state aids rules have not been broken in relation to any payments made to LG Electronics Wales Ltd or LG Semicon Wales Ltd? (WAQ23293)

Andrew Davies: The LG support package was referred to the European Commission as an ad hoc notification in view of the scale of the project. The Welsh Assembly Government has informed the commission of the progress of the projects.

- **Alun Cairns:** Would the Minister make a statement on grant aid offered to LG?
(WAQ23294)

Andrew Davies: Following the announcement of the Welsh Office's intentions by the then-Secretary of State for Wales, the Right Honourable William Hague MP, a package of support to LG Semicon Wales Ltd and LG Electronics Wales Ltd was approved by the European Commission in 1997. Since then, considerable private sector investment has gone into the Newport site in terms of infrastructure, buildings and equipment with assistance from the public sector. A significant number of jobs was created by LG Electronics Wales Ltd and, subsequently, the joint venture LG Philips Displays, but the volatility of the semiconductor sector and issues in the Korean economy meant that the semiconductor plant has not proceeded into production.