

# Economic Development & Transport Committee

## EDT2 02-05(p1)

Date: 19 January 2005

Time: 9.00 am to 12:30 pm

Venue: National Assembly for Wales, Cardiff Bay

Title: Economic Development & Transport Minister's Report

### Supporting Business

1. Structural Funds - A full report on the latest progress of the Structural Fund Programmes is provided in the Quarterly Report later on the meeting's agenda. However, I am pleased to report that all Structural Fund Programmes in Wales met their challenging decommitment targets for 2004 and that the Commission has issued formal Decisions on the Mid-Term Reviews of the Objective 1, 2 and 3 Programmes and the Community Initiatives Interreg IIIA and URBAN II.

2. Creative Industries - On 16 December I attended a meeting in London of the UK Government's Creative Industries Intellectual Property Forum. Intellectual Property (IP) is a key driver of economic development and growth. The foundations of successful creative and knowledge economies rest upon the sustained creation and distribution of IP.

3. This group has been formed to send a strong message to the creative sector that the UK Government recognises the vital importance of IP in future development and economic health. It will also provide a framework to consider key IP issues and to develop a joined up Government/industry strategy in addressing the issues.

4. The purpose of this meeting was to allow working groups to feed back regarding IP, Business Opportunities, Education, Crime and Communications. In addition to this, I used the opportunity to inform the forum on the work that has been carried out in Wales with the recent launch of my Welsh Creative Industries Strategy and the setting up of the Creative IP Fund.

5. Given the importance of Creative Industries on the Welsh economy it is important to ensure that we keep abreast of developments at a UK level, and continue to work closely with the UK Government on this matter.

6. Institute of Life Science, Swansea - On 6 January, I announced a £50 million investment to create one of the world's premier scientific and computing facilities for research into life sciences at the University of Wales Swansea.

7. Creation of the Institute of Life Science (ILS) is a key step in delivering the recommendations set out in Knowledge Economy Nexus, the final report of the Assembly Government's Higher Education and Economic Development Task and Finish Group, and the Wales: A Better Country commitment to "further develop the knowledge economy".

8. This project has the support of the First Minister, the Minister for Education and Lifelong Learning, and the Minister for Health and Social Services.

9. During the first five years of operation, the ILS will directly create 240 high added value jobs and estimated to create 30 new spinout companies. Over the same period, the ILS will increase spend in science and R&D to around £70 million, enhancing the science base in Wales whilst simultaneously providing considerable economic development and health sector benefits.

10. Located within the ILS will be the European Deep Computing Visualisation Centre for Medical Applications - in collaboration with IBM. This will house the fastest supercomputer in the world dedicated to life science research, and represents a significant commitment by IBM.

11. The Assembly Government is providing £17.5 million towards the project, directly and through the WDA and WEFO, subject to the Objective 1 project appraisal process.

## **Setting a Fresh Direction**

12. Proposed Batteries and Accumulators Directive - At the European Environment Council first reading of the proposed Directive on the 20 December, the Commission and member states agreed to an exclusion for nickel-cadmium batteries used in cordless power tools for 4 years from entry into force of the Directive. This exemption will be subject to a review 4 years after the Directive comes into force (approximately 2009-10).

13. Welsh Assembly Government officials have worked closely with the DTI, which was initially opposing a ban. The acceptance of an exemption for nickel-cadmium batteries used in power tools is a fall-back position I agreed to before the Environment Council.

## **Establishing Wales in the World**

14. Exports - The latest export statistics (qtr 3 -2004) are again encouraging and show a further increase in Wales' overseas trading performance. The value of exports for Wales for the four quarters up to and including quarter 3 2004 rose by £525 million (7.3%) compared to the previous 4 quarters. This compares to a total UK increase of 1.0%.

15. The export target in 'A Winning Wales' is to match UK growth over the period of the programme. Growth in exports from Wales for the 4 quarters up to and including quarter 3 2004 over the base year

(2001) was 8.4%, while the corresponding figure for the sum of the UK regions was 2.2%.

16. WTB Marketing 2005 Campaign - I attended the launch of the Wales Tourist Board's Marketing Campaign at the Millennium Centre on 15 December. The focus of the campaign is both entertaining and innovative, looking at Wales with both honesty and humour. The adverts are being shown across the UK from this month, and I am sure that they will build on the success of 'The Big Country' in 2004.

## **Promoting Information and Communication Technologies**

17. Broadband Wales Programme's marketing campaign was again present throughout Wales over the Christmas period. From the week commencing the 13 December nearly 700,000 leaflets were dropped through letterboxes in nearly every Unitary Authority throughout the Country. The campaign targeted households in enabled exchange areas, (or exchanges about to be enabled) in order to ensure that the significant rise in the availability of broadband technology in Wales are matched by an increased take up of these facilities. These activities were designed to build upon the success of the Bill Board and Streetline (buses) advertising that started earlier this year and continue to be evident throughout Wales.

## **Job & Investment News**

### **Job Gains:**

Since the last report to Committee, I am pleased to announce a number of RSA and AIG projects including:

- Envirowales Limited has announced that they are to open a lead acid battery recycling facility in Ebbw Vale, creating a total of 128 jobs. This project has been supported by RSA.
- Pure Wafer - RSA supported company Pure Wafer of Swansea, a microchip recycling company, announced its successful flotation on the London Stock exchange. The company had raised £7 million on the float. The company intends to use the net proceeds to continue the expansion of the company.
- Newbridge based Axiom Manufacturing Services announced that it has increased its turnover in the past 12 months from £14.8 million to a projected £16.4 million. This hi-tech company is a leading mid-sized contract electronics manufacturer (CEM). The Assembly has aided Axiom via an RSA grant.
- RSA funded Picture Financial of Newport has announced further expansion by recruiting a further 60 staff. The company deals in the secured loans market.
- Ford Bridgend – I visited the company to mark the last Zetec engine roll off the production line

for the last time. This model will be replaced by the more efficient, all aluminium Zetec SE engine.

- Scan Design - The First Minister visited one of the World's leading producers of greetings cards, gift wrap and crackers over the Christmas period. Hirwaun based Scan Design has received support from the Welsh Assembly via RSA.

### **Job losses:**

18. On 16th December 2004, Yuasa Battery (UK Ltd based in Ebbw Vale announced that due to the battery market in Europe coming under pricing and cost pressures, they will reduce the manufacturing size of their facility, resulting in 220 shop floor staff and management will be made redundant. These redundancies are expected to be made before the end of March 2005. The company will concentrate on the manufacture of lower volume, higher value products.

19. Trelleborg Bonded Seals (Newtown) who currently employ 121 people in the production of components for industry have announced that they propose to reduce the workforce with the possible loss of 70 jobs. Trelleborg Bonded Seals state economic pressure within its sector as the reason for the cuts. If this proposal is enacted the cuts will be phased over 2005.

20. Merton Packaging, Aberbeeg - Workers returned to work in early January to find factory gates locked - told by security guards that business had ceased trading. 95 people were employed in the manufacture of cardboard boxes.

21. Budelpack, Rhymney - Company is a specialist contract packer for the pharmaceutical, personal care and home care markets. 52 staff were made redundant prior to Christmas, current workforce level is 136. Company has referred to tough trading conditions as the reason for the announcement.

### **Action Outstanding from EDTC 1 December 2004**

**Wales Tourist Board to provide Member with a breakdown of the 16 different sources of EU funding (Action Point 2.9)**

### **Capital Grants Profile – 2004/05**

<b>Description</b>	<b>Comment</b>	<b>2004-05</b> <b>£000</b>
Assembly Core Funding	Core GIA funding is unchanged	4,150

Regeneration - Corus	Now includes Herian	308
Regeneration – Fishguard/N. Pembs	Confirmation from WAG - August 2003	427
Regeneration – Cardigan/S. Ceredigion	Confirmation from WAG - August 2003	232
Rural Development Grant – Farming Connect	Approved by WAG May 2004	80
ERDF – Objective 2 – IBS Core & Transitional (Part 1)	Approved by WEFO July 2003	195
ERDF – Objective 1 – IBS retrospection	Approved by WEFO November 2003	1,084
ERDF – Objective 2 – IBS retrospection	Approved by WEFO November 2003	808
EAGGF Objective 1 – Farming Connect	Approved by WEFO March 2003	160
ERDF – Objective 2 - Adfywio retrospection	Approved by WEFO December 2003	133
ERDF Objective 2 IBS (Part 2)	Approved by WEFO February 2004	720
ERDF – Objective 1 – IBS Phase III	Approved by WEFO  September 2004	1,000
EAGGF – Adfywio (P5M4)	Prospects are good	800
PTP: Obj 2 match funding – IBS Core/ Transitional	Approved by WAG August 2003	511
PTP: Green Seas Beaches Infrastructure	Drawdown agreed with WAG October 2003	578
PTP: Obj 2 match funding – IBS (Part 2)	Approved by WAG March 2004	720
Total		11,906

## Welsh Development Agency to provide Members with a breakdown of costings for individual Business Eye offices (Item 3, point 2)

The Business Eye budget is funded through the core GIA of the WDA. Funds are allocated to cover a

number of discrete activities within the service. The majority of funds are allocated to front-line delivery – either through the contractual relationships with local deliverers or through use of funds from the other budgets. For example, the WDA supports front line delivery through training of staff (Quality), local marketing and networking (Marketing) and Provision of information resources for staff (Information team).

<b>AREA OF SPEND</b>	<b>Amount (£000s)</b>	<b>% of total</b>
Contracts to deliver the local element of Business Eye	2788	50.6
Quality Monitoring and Training	273	4.9
Marketing, sponsorship and events	1220	22.1
Contact Centre (including staff costs)	572	10.4
Information Team (including staff costs)	344	6.2
Website	123	2.2
Commissioned Research	44	0.8
Client Management System (including pan-Wales core WDA costs)	117	2.1
Miscellaneous (e.g. legal costs, meetings)	44	0.8
<b>Total</b>	<b>5525</b>	

## **Contracts to deliver the local element of the Business Eye service**

The majority of Business Eye funds is allocated to organisations delivering the local element of the service through formal contracts. These contracts were awarded following competitive tender in 2002. The current contracts are as follows:

<b>Contract Holder</b>	<b>Local Authority areas covered</b>	<b>Contract Value 2004-05 (£000s)</b>
Torfaen CC	Torfaen	82.5
Merthyr Tydfil CC	Merthyr Tydfil	82.5

Business In Focus	Cardiff, Bridgend, RCT, Vale of Glamorgan, peripatetic service for SE Wales	438.5
Newport CC	Newport	82.5
Monmouthshire CC	Monmouthshire	94.5
Caerphilly CC	Caerphilly	82.5
Blaenau Gwent CC	Blaenau Gwent	82.5
Neath Port Talbot CC	Swansea, Neath Port Talbot	210
Pembrokeshire CC	Pembrokeshire	161
Carmarthenshire CC	Carmarthenshire	157
Powys CC	Powys	230
Ceredigion CC	North Ceredigion	48
Antur Teifi	South Ceredigion	64
Wrexham CC	Wrexham, Flintshire	306
Denbighshire CC	Gwynedd, Anglesey, Denbighshire, Conwy	665

## Local Delivery from 2005

The WDA is currently in the process of evaluating tenders to deliver the service from 2005 on a local level. These tenders are being evaluated on value for money, through an assessment of quality and costs.

Given the need for continuous improvements to the customer experience and anticipated growth in demand, the WDA is working to further maximise value for money in the tender evaluations through:

- Wider implementation of ‘peripatetic’ services, allowing greater flexibility and use of personnel. These services cover a number of contracts - providing back up and cover when demand is high, thus negating need for additional fixed staff within centres.
- Detailed negotiation with identified preferred suppliers to maximise cost efficiencies.
- Focus on a flexible, proactive awareness raising process within the service to improve take-up of the service in local areas and amongst business groups where use is comparatively low.

These measures will allow Business Eye to offer its services to all businesses in Wales at a consistent and high-quality level whilst maintaining optimal efficiency in use of public funds.

## WDA to provide Members with information on WDA links with Community organisations and Community partnerships (Item 3, point 2)

The following table sets out some of the Community Groups and Partnerships across Wales that are supported by the WDA. It is not exhaustive and covers a range of activities including the funding of Community Development Officers, consultancy, marketing, support for social enterprise, environmental improvements, IT training facilities, Welsh language initiatives, town improvement grants, community cafes and workshops.

Region	Community Groups Supported
Mid	<p>Blaenau Ffestiniog; Tregaron Penrhyndeudraeth; Menter Aberteifi</p> <p>Bala; New Quay; Trawsfynydd; Dolgellau; Llanbedr Pont Steffan</p> <p>Pentir Pumlumon; Llandysul &amp; Pont Tyweli Ymalen; Menter Aberystwyth; Llanidloes; Rhayader; Welshpool; Abercraf</p> <p>Newtown; Builth Wells; Llandrindod Wells; Antur Dwy Afon</p> <p>Brecon; Eco Dyfi Partnership</p>
North	<p>Holyhead; Rhyl; Llandgefnï; Bangor; Caernarfon; Pwllheli; Llandudno</p> <p>Penmaenmawr; Llanfairfechan; Denbigh; Ruthin; Holywell; Connahs Quay</p> <p>Shotton; Flint; Queensferry; Wrexham; Rural Llyn; Slate Valleys; Rural Ynys Mon; Llanwrst &amp; Conwy Valley</p>
Leader +	<p>Adventa; Cadwyn Clwyd; Glasu; Mentor Mon; Northern Marches; PLANED; Rural Conwy; Antur Teifi; Conwy Council; Llwyddo'n Lleol; PAVO;</p>
Article 33	<p>Monmouthshire CC; Vale of Glamorgan CBC; Flintshire CC;</p>



West	<p>NPT area: Warm Zone; Ystalyfera Healthy Living Centre; Amman Valley Trotters; NPTCVS; Awel Amman Tawe; Dove Workshop Ltd.; Glynneath Training Centre; Croeserw CA Ltd.; New Sandfields Sustainable Regeneration; Dulais Valley Partnership; Ystalyfera Development Trust; Steer Studios.</p> <p>CCS area: Clydach Development Trust; Ty Fforest House; SCVS; Phoenix Development Trust; Mumbles Development Trust; Communities Mean Business; Menter Iaith Abertawe; BPP (Blaenymaes, Penplas, Portmead) Development Trust; Cornerstone; Hafod; GSP (Grenfell Park, St. Thomas, Port Tennant) Partnership; Pontardulais; Gorseinon Development Trust; Penlan Communities First; Mawr; Penclawdd</p> <p>CCC area: Peniel; Trimsaran; Cydweli; Pencader; Whitland; Antur Cwm Taf Tywi; Seaside Community Association; The Mount (Carmarthen Town); Carmarthenshire Tourism Association (this one is support to CTA to develop community websites with various groups, and will support about 20 communities across the county)</p> <p>PCC area: Menter Iaith Sir Benfro; Maenclochog; Pembroke 21C; Johnston</p>
South	<p>Job Match, Blaenau Gwent; RCT Community Training Partnership; Barry Steam Railway; Llanhilleth; Newport Association for the Single Homeless; St Pauls Church, Newport; Garw Regeneration Partnership (BAVO, Bridgend Valleys Railway; Communities First Coordinators; Creation Development Trust; Garw Valley Chamber of Commerce; Garw Valley Cooperative; Garw Valley Regeneration Forum; Groundwork Bridgend &amp; Neath Port Talbot; Mynydd Carn Adventure; Gurnos Estate, Merthyr; Princes Trust; Scarman Trust; Switch Project Cardiff ( Scarman Trust, Bawso; Gypsy Sites Group Shirenewton; Somali Advice Centre; Yemeni Community Association; Butetown Slipper Baths Centre; Cardiff Action for the Single Homeless; Sikh Community Riverside, Bangladeshi Women, Riverside; Adamsdown Community Group; Samaj at the Gujerati Community Centre); Merthyr Tydfil Housing Association</p>

### **WDA to provide Members with details on the underwriting of rental as a new funding mechanism (Item 3, point 2)**

Funding proposals have yet to be submitted to the Minister for his consideration and approval. It would not be appropriate to provide a paper on the funding mechanisms to Committee until his approval has been given.

### **WDA to provide Committee with a copy of the response on P2P funding issues (Item 3, point 2)**

Information awaited.

**Deputy Economic Development and Transport Minister to provide Members with a copy of "Streets for All" presentation (Action Point 4.5)**

Information sent to Committee Clerk for distribution.

**Economic Development and Transport Minister to provide Members with more information regarding Mountain Bike Trails (Action Point 4.5)**

Information awaited.

**Economic Development and Transport Minister to provide Members with information on the Review of Transport Policies (Action Point 4.7)**

Information awaited.

**Economic Development and Transport Minister to provide Members with information on Objective 1 funding for Swansea Waterfront (Action Point 4.11)**

<b>Project Title</b>	<b>Project Sponsor</b>	<b>Description</b>	<b>Grant Received (£m)</b>	<b>Total Project Cost (£m)</b>
Fabian Way Gateway	Welsh Development Agency	Construction of a primary gateway leading from Fabian Way into the Port Tawe Development. The development will occupy an area of 40 hectares of former dockland, with the potential of creating up to 2000 new jobs.	1.7	4.8
National Waterfront Museum Swansea	National Waterfront Museum Swansea	Creation of a nationally significant tourism and leisure destination within the Maritime / Waterfront development.	3.71	28.27

Phase 2 (Zones B & C) Port Tawe Innovation Village	Welsh Development Agency	Development of the second phase of infrastructure provision for the Port Tawe Innovation Village, which will be a fully integrated mixed-use development with a focus on quality, added-value employment and knowledge-based businesses. It has the potential to be a flagship Waterfront development providing a strategic site of international standard.	1.86	5.0
SA1 Swansea Waterfront Office Development	Welsh Development Agency	SA1 Swansea Waterfront is proposed as a mixed-use development within a high-quality urban design setting. It will provide highly attractive, waterfront sites for knowledge-based development, essential to the city's prosperity with good links to the city centre and wider transport corridors.	0.8	4.0
Technium 2	Welsh Development Agency	The Technium business incubation centre provides optimum environment for young companies and spinouts to achieve their high-growth potential, while also providing an attractive base for international satellite R&D projects.	3.25	6.62

Express Bus Route	City and Council of Swansea	The project seeks to link Fabian Way Park and Ride site to the City Centre via a dedicated bus route. It will also serve to create a sustainable transport/cycle route from the eastern approaches linked to the express bus route. The scheme will also address traffic congestion issues by introducing a new gyratory system incorporating the two existing river bridges located by the Waterfront.	0.96	3.33
Eastside Energy Infrastructure Development	Welsh Development Agency	Provision of the required energy infrastructure to enable the Port Tawe development to proceed. The development will occupy an area of 40 hectares of former dockland, with the potential of creating up to 2000 new jobs.	0.75	2.5
Total				

### **Economic Development and Transport Minister to provide Members with a full cost analysis of the ASPB merger (Action Point 4.13)**

Information awaited.

### **Economic Development and Transport Minister to pursue the issue of the European Parliaments' eagerness to phase out the use of nickel cadmium batteries for power tools (Item 7.2)**

To date, the Commission proposed Directive on batteries and accumulators decided against a ban on nickel-cadmium rechargeable batteries but instead sought a recycling rate of minimum of 160g per inhabitant of which 80% of NiCad batteries would have to be collected. However the European Parliament (EP), in its 1st reading vote in April 2004 chose to opt for a full ban on NiCad use.

The Council Environment Working Group has been considering the draft Directive since the EP 1st reading approval in April. Currently the Dutch Presidency has signalled a wish to attain a 1st reading

common position at the Environment Council on 20 December, however, this is as yet uncertain.

Once the Environment Council reaches a common position (either under the Dutch Presidency or subsequent Presidencies) the proposed Directive will return to the European Parliament for second reading consideration.

## **Economic Development and Transport Minister to seek a meeting with the Minister for Environment, Planning and Countryside on the disposal of hazardous waste (Item 7.3)**

Information awaited.

## **Oral Up-date from EDT2 02-05, 19 January 2005**

In addition to my Written Report, I raised the following item:

### **Airbus**

- Yesterday was a very important day for the Welsh economy with the reveal of the A380 super-jumbo in Toulouse.
- The giant 33-metre long wings for the world's biggest passenger aircraft are all made at the Airbus West factory in Broughton, Flintshire.
- Airbus has become Wales' biggest private sector employer. Broughton also has the largest apprentice training programme in the UK, with approximately 300 apprentices currently in training.

### **GE Engine Services**

- A further boost to the Welsh aviation sector came with confirmation that GE Engine Services of Nantgarw have been named as the first link in a world-wide network of service centres for the GP7200 engines, that will power the Airbus A380.
- The contract is worth several million dollars and will introduce a new product line into the South Wales overhaul facility.
- GE Engine Services won the contract against significant competition world-wide and has been supported by the Welsh Assembly Government with a Regional Selective Assistance Grant.

### **Phurnacite, Abercwmboi**

- I am pleased to announce that work has begun on the cleaning up of the site of the former Phurnacite plant in Abercwmboi. The Welsh Assembly Government and Welsh Development

Agency have invested £12.5 million in the clean up of one of the largest areas of contaminated land.

## **Genesis Childcare Project**

- I was pleased to be able to take part in the launch of the extension of the Genesis Project in Tonyrefail yesterday.
- The Genesis Project first piloted in Rhondda Cynon Taff provides advice, support and child-care for people wishing to access work, training or learning opportunities. The overall aim of the project is to remove barriers to people finding employment and as a result improving the economic activity of the people of Wales.
- Further £12.5m of Objective 1 and 3 funding have been secured from the Welsh European Funding Office to roll out the project across Wales. Each local authority will be invited to undertake the Genesis project in their area.