

ECONOMIC DEVELOPMENT & TRANSPORT COMMITTEE

EDT(2) 05-06(p.1)

Date: 16 March 2006
Time: 9.00am to 12.20pm
Venue: Committee Room 3, Senedd, Cardiff Bay
Title: ECONOMIC DEVELOPMENT & TRANSPORT MINISTER'S REPORT

Economic Overview

- 1. Purchasing Manager's Index (PMI):** The Royal Bank of Scotland PMI figures show the Welsh economy made a healthy expansion at the turn of the year. The PMI's seasonally adjusted business activity index made further progress above the 50 (no change) level, reaching 55.2 at the start of the year, up from 54.4 in December.
- 2. Labour Market Statistics:** New labour market statistics for Wales and the UK were released on 15 February. The main findings for Wales were: -
 - Employment at about the same level as a year ago (a small fall of by 3,000). With the employment rate amongst the working age in October to December being 71.9% (down 0.4% on the previous year).
 - The unemployment rate stands at 4.9%, up on the previous year, but remaining below the UK average of 5.1%.
 - The claimant count level in January was down 400 (or 0.9%) on December, the first month-on-month reduction for a year. The UK as a whole also saw a reduction in January, of 0.2%.
- 3. Welsh Index of Distribution Quarter 3 2005:** Latest figures published on 16th February show: -
 - The Index of Distribution for Wales for the latest four quarters rose by 2.9% compared with the previous four quarters. The UK index rose by 1.3% over the same period.
 - Retail output for the latest four quarters was 4.5% higher than the previous four quarters. The UK index rose 1.8% over the same period.
 - Wholesale output for the latest four quarters was 6.1% higher than the previous four quarters. The UK rose by 1.9% over the same period.
 - Motor Trade output for the latest four quarters was 3.7% lower than the previous four quarters. The UK fell by 1.1% over the same period.

4. VAT-based survival rates for Wales: New statistics showing survival rates of VAT registered businesses were published on 16 February. The main findings were: -

- The survival rate for Wales for businesses registered in 2001 and still trading three years later was 70.0%, 1.0% above the UK average (68.9%), and higher than the figures for both Scotland and England.
- Following rises in the-mid 1990s, the rate in Wales has remained relatively stable around the 70.0% mark since 1997.
- The rate in Wales for businesses registering in 2001 was the sixth highest amongst the twelve UK countries and English regions. The highest rates were in Northern Ireland (74.7%), the South West (71.7%), and the South East (71.1%). London had the lowest rate at 64.3%.
- The rate in Wales for businesses registering in 2001 was up 5.8% on the equivalent figure for businesses registering in 1994. Rates across the UK as a whole rose by 6.2% over the same period.

Supporting Business

5. North America & Canada: During the week 19th - 26th February I visited North America on ministerial business. In Detroit I toured Motorola's intelligent vehicles test site. I also met members of the Governor of Michigan's Department of Transportation to establish links between Wales and the State of Michigan to share knowledge and best practice about Intelligent Transport Systems and Vehicle Infrastructure Integration. This follows on from my announcement last December to create a £30 million Institute of Advanced Telecommunications at Swansea University.

6. In Toronto I visited the Hydrogen Village Programme at the University of Toronto at Mississauga. This private / public partnership of 38 organisations is a leader in the development, applications and commercialisation of hydrogen and fuel cell products and services across North America. I discussed possible collaborative opportunities between Canada and Wales with several leading academics from the University, where fuel cells are being utilised to provide some its power requirements. There are clear synergies between Canada's Hydrogen Village Programme and the Hydrogen Valley Project planned for Carmarthenshire and the Swansea Bay region.

7. Invertek Drives: The Welshpool based specialist in the design and manufacture of energy saving speed drives used in electric motors is exploiting fresh business opportunities in Spain after launching a successful joint venture, Invertek Drives Spain. Wales Trade International has played an important role in supporting the company to make inroads into the global marketplace.

- 8. Contact Centres:** I attended the Welsh Contact Centre Forum's annual awards ceremony which are an important means of rewarding best practice in an industry worth some £400 million to our economy. Over recent years contact centres have made a major contribution to a range of employment opportunities, and, from discussions I had with a range of employers at the awards it is clear that confidence and investment in the industry remains high.
- 9. Associated British Ports:** Has reported that it's South Wales's ports at Cardiff, Barry, Newport, Swansea and Port Talbot performed well in 2005 with cargo volumes nearly 4.5% higher than in 2004. Collectively the five ports handled around 16.5 million tons of cargo last year.
- 10. EU Structural Fund Progress:** Structural Funds have committed £1.55 billion to 2,675 projects, representing some £3.5 billion of total project investment in Wales. The Objective 1 Programme alone has committed some £1.26 billion grant to 1,633 projects, representing almost £3 billion of total project investment in West Wales and the Valleys.
- 11. Project Visits:** On 16th February, I visited a number of projects supported by EU Structural Fund Programmes that promote raising people's skill level and encouraging disadvantaged groups into employment or continuing education. These visits included: -
- **Drive Future Skills Project:** A beneficiary of some £750,000 of Objective 1 grant and aimed at overcoming the social exclusion and disadvantage faced by adults with learning difficulties in Rhondda Cynon Taf.
 - **Adaptive Learning for Disabled People Project Launch:** The project at the Remploy factory in Porth will increase the competitiveness of businesses employing disabled people in Rhondda Cynon Taf by raising the skill levels of the disabled workforce and by helping them adapt to structural changes in the re-cycling, manufacturing and service sectors. Almost £500,000 grant has been committed against a total project cost of £1.1 million.
 - **Neighbourhood Learning Centre (Merthyr Tydfil):** The project has links with JobCentre+, New Deal and the Home Office Youth Inclusion Programme and Youth Offenders Team. It aims to promote and engage people. The project has benefited from Objective 1 funds to the tune of £1.14 million.
- 12. National Strategic Reference Framework (NSRF):** A new consultation on how Wales will prioritise spending new EU funds was published on 28th February. The DTI launched the consultation on the draft NSRF (<http://www.dti.gov.uk/europe/nsrf.html>), which will establish what the priorities for Structural Funds spending in the UK are for the period 2007-2013. The main purpose of this consultation is to invite comments from

interested parties on the Government's draft framework. The Welsh Assembly Government, along with UK Government Departments responsible for Structural Funds, has collaborated closely with the DTI in developing the NSRF. The document contains a chapter on the approach in Wales to future Structural Funds programmes and outlines proposed priorities for the Convergence and Regional Competitiveness programmes. The consultation ends on 22 May 2006. The NSRF is scheduled to be discussed at Committee on 3rd May.

13. Additional Support for Project Providers Scheme: North Wales Chamber of Commerce is leading on this two year, £580,000 project that aims to match SMEs in Objective 1 and 2 areas of Wales with regional projects approved under the two EU programmes. The project is being supported by European Structural Funds and the Assembly Government.

14. North Wales Technology Park Ltd: Has announced it is to build 3 business units at the North Wales Business Park in Abergele. The development is part of a £1.7 million scheme supported by the Assembly Government and the WDA's Objective 1 property development grant fund.

15. Hugh James Exchange: On 15th February I spoke at the latest Hugh James Exchange event. The theme of my speech was how the new Department for Enterprise, Innovation and Networks will lead the way in development of the new public service ethos in Wales, combining direct democratic accountability and an innovative approach to customer service. I also took part in a question and answer session with fellow panel members that included Gareth Hall, Director Designate of the new EIN department and David Rosser of the CBI.

16. Centrica: On 16th February I met with Centrica to discuss a number of issues of vital importance to the Welsh economy including gas prices; security of gas and electricity supply and EU Energy Market Liberalisation.

Establishing Wales in the World / Tourism

17. Llanelli Waterside: A preferred developer for the first commercial scheme at Delta Lakes in Llanelli has been chosen by the Joint Venture. The name of the developer will be released once Heads of Terms are agreed, hopefully in the coming weeks.

18. Burry Port: Implementation of the additional 200 pontoons at Burry Port Harbour, funded by £700,000 from 'Catching the Wave' is well advanced. Work is expected to be completed in the next month.

19. Wales Tourism Alliance (WTA) Skills Summit: On 6th March I attended the WTA's skills summit where delegates discussed plans for a new Skills Action Plan as part of the National Skills Strategy. Training and investing in our people is vital to maximise the visitor experience so that people keep coming back, and to put Wales firmly on the map as a top quality holiday destination.

20. Tourism Roadshow: On 7th March I opened the first of four WTB regional tourism roadshows in Cardiff. Now in their third year, the tourism roadshows are a must for all tourism operators and those who work in the tourism industry in Wales. They represent an ideal opportunity for operators to get the most out of the wide range of business support available from the Wales Tourist Board and partners.

Encouraging Innovation

21. Inside Welsh Industry: On 13th February I attended the 'Inside Welsh Industry' annual dinner at the Miskin Manor Hotel. 'Inside Welsh Industry' is a long running and highly regarded programme, fully funded by the Assembly Government. The programme brings together SMEs and larger companies to share best practice and provide support and mentoring for smaller companies. This typifies the co-operation embedded in the 'Team Wales' approach.

22. Innovation Conference: On 27th February I delivered the keynote speech at the *Innovate: Fast Forward to your Future* conference organised under the Assembly Government's Innovation Action Plan Communications Campaign - (www.wda.co.uk/innovationworks). The conference stressed that innovation can take place in any company, large or small, in any business sector and by any employee.

Encouraging Enterprise

23. Global Entrepreneurship Monitor: On 28th February I launched the Global Entrepreneurship Monitor (GEM) Wales 2005 Report. GEM is the largest independent annual barometer of entrepreneurial activity worldwide and is a very useful benchmarking tool for us. This year, a combination of WDA, European and University funding has enabled the survey to be based on a much bigger sample. This means that the Welsh GEM data is now richer than most other participating nations. That is very welcome. Amongst the Wales findings were:-

- The rate of established business total entrepreneurial activity (TEA) is 4.6%, similar to other countries such as the USA, the UK, Japan, Belgium, Denmark and the Netherlands etc.
- The survival for early stage enterprises is higher in Wales than many higher income UK regions such as London, the South East.
- There has been an increase in the number of people in Wales expecting to start a business in the next three years, to 7.4% of the adult population.

Setting a Fresh Direction

24. Heads of the Valleys programme: On 15th February I chaired the latest meeting of the Heads of the Valleys programme board. The period October 2005 to February 2006 has been one of intense activity on the part of the Heads of the Valleys Programme Team and other stakeholders. The next task facing the team is the development of the full 15-year Strategy for the Heads of the Valleys, which will be published in April.

25. Tidal Power: Marine Current Turbines a world leader in tidal energy development is to lead work on identifying locations around the Welsh coastline where tidal stream technology could be suitable. The project is being funded by the Assembly Government and is drawing upon support from the WDA. Wales is already playing a major role in renewable energy generation. The future exploitation of renewable energy resources including marine, tidal and wave will add to our renewable energy mix and lead to fresh opportunities for economic development.

Improving Transport

26. Community Support Staff on Railways: On March 2nd I announced a joint funding agreement with British Transport Police and Arriva Trains Wales (ATW) to create an additional twenty one Police Community Support Officers to improve safety and security for the rail user on the ATW network. Safety remains a top priority and this latest announcement follows on from a series of joint initiatives between the Assembly Government and ATW to boost safety and security for the travelling public.

27. Arriva Trains Wales: On 15th February I had the latest in a regular series of meetings with Arriva Trains Wales. Issues discussed in the meeting were the company's performance on the rails franchise; the Standard Pattern Timetable, investment for 2006 and the franchise post 1st April 2006.

28. Railways Act 2005: The Department for Transport published a consultation document on 27th January about implementation of provisions in the Railways Act 2005 relating to network changes.

29. A483: The resurfacing of the last section of A483 North of Gresford, the Gresford interchange started on Monday 6th March. It is the last in a programme of 6 schemes, costing approximately £6.5 million to resurface approximately 17 km of concrete A55 and A483 carriageway.

Promoting ICT

30. Fibre Speed Project: On 23rd February the European Commission approved the FibreSpeed project as compatible State Aid. The Fibre Speed project is part of the Welsh Assembly Government Broadband Wales Programme, and, aims to ensure strategic business sites / locations have access to very high-speed broadband services at an affordable price.

A final decision on the project's implementation will be made later this year.

- 31. Exchanges:** Following successful trials BT announced on March 2nd that it will be upgrading all enabled exchanges within the national network to deliver broadband up to speeds of 8 Mbps (dependent upon the distance from the exchange).

Jobs and Investment News

Job Gains / Safeguarded

- 32. Communication Direct Ltd (CDL):** Subject to planning permission from Cardiff County Council, CDL has announced plans to build a £4 million headquarters in Cardiff, a move which will create 100 new jobs. CDL is one of the fastest growing mobile communications companies in Europe.

- 33. Firstplus:** Has announced it will create 100 additional jobs in Cardiff as well as plans to move to larger headquarters in Cardiff. The additional vacancies should be filled by the summer and will take the company's Cardiff-based workforce from 300 - 400.

- 34. Picture Financial Group Ltd:** Newport based financial services company has announced it is to create at least a further 120 jobs and create a further 20,000 sq. ft of office space at its Headquarters.

- 35. Afonwen Services Limited:** The Pwllheli-based linen hire supplier is to build its own water treatment works thanks to a £650,000 investment which includes funding from the Assembly Government's Regional Selective Assistance. The investment is helping secure some 100 jobs.

- 36. Melloy Ltd:** The South Wales die cast aluminium and zinc products venture has moved to new 60,000 sq. ft headquarters. Previously based in Pontyclun, the 60 strong workforce has now moved to Treforest Industrial Estate thanks to the offer of £50,000 Assembly Investment Grant.

- 37. Nimbus Foods:** Has announced a fresh £350,000 investment in new equipment to extend its manufacturing capacity and product range at its plant in Dolgellau. This investment is being supported by a Regional Selective Assistance grant of some £130,000. Although there are no immediate plans to increase the workforce - the investment allows for increased production that may generate further employment in the future.

Job Losses

- 38. DS Smith:** Has announced it is to close Sudbrook Mill, in Monmouthshire with the loss of 140 jobs. The closure is to take place in May. My officials, Careers Wales, Business Eye and Monmouthshire County Borough

Council have already met with the company to discuss available support to the workforce.

- 39. Hills Industries:** Following a consultation exercise the company has announced that it will cease manufacturing at its Caerphilly site later this year. The site will be closed between May and October with the loss of 87 jobs. The company has blamed competition from cheaper imports from China for the closure.
- 40. Dairygold:** The company has announced its factory at Felinfach near Lampeter is to close by mid April with the loss of 115 staff. The company has blamed market forces for its decision to close.
- 41. Kwik Save:** Some 236 posts in Wales at supermarket chain Kwik Save are likely to be lost following the decision of owners Sommerfield to sell the Kwik Save brand. Thirteen Kwik Save shops in Wales have been identified for closure, while 55 remaining stores will be re-branded or sold to other companies.
- 42. Iceland:** The company has announced that some 80 call centre jobs are being lost at its Flintshire Headquarters. The call centre is part of Iceland's Expert alliance Care division in Flintshire whose losses were £2 million in the past year.

EDTC ACTION OUTSTANDING

EDT(2)15-05, 16 November 2005

Officials agreed to provide a note to Members on the how many projects are not expected to submit their claim by the proposed deadline and the possible reasons for this. (Item 4)

As reported at EDTC on 16 November WEFO encounter problems with under performing projects both in terms of expenditure slippage and failure to submit regular claims. This can impact upon WEFO's ability to meet annual N+2 targets. For 2005, it resulted in WEFO needing to ask sponsors to submit one-off claims to the end of November 2005 to maximise 2005 spend.

WEFO had an excellent response to this with the vast majority of projects submitting November claims and therefore bringing them up to date. This resulted in sufficient spend to meet all of the N+2 targets.

As part of its regular monthly monitoring activity, WEFO highlights projects which are behind forecast and/or behind on claims. Where necessary, WEFO's senior management team takes action to raise issues with sponsors at the highest level.

There now remain some twenty projects that are significantly behind on claims (spread across measures). WEFO is working with those sponsors to resolve the issues involved and pressing for the outstanding information. Where there remains an ongoing problem, as a result of mismanagement by the project sponsor, action will be taken to recover grant.

The more general problem of project slippage is more difficult to address, especially where capital projects are involved.

The reasons for problems vary between projects. A very common problem is underestimating the time needed between project approval, project start and full implementation. Others include slow take-up of services at the start of projects, recruitment difficulties, the time taken to organise competitive tenders, and problems with getting information from project partners. There can be particular problems with delegated grant schemes – where the project sponsor awards grants to businesses, but cannot claim from WEFO until it has paid those grants, which in turn is dependent on the businesses implementing their projects fully and in a timely manner. For example, this has been a problem under the grants measures in Objective 1 Priority 1 (ERDF) and Priority 5 (EAGGF), but both these measures are now delivering significant spend.

WEFO will continue to work closely with project sponsors to ensure more accurate spend estimates are submitted and will challenge those and reassess projects where they continue to fall short. WEFO recognises that

as we near end of the current Programmes it will become even more important to identify projects which can't deliver to ensure that money can be reallocated to projects that can spend.

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

The EDT Minister agreed to provide a note to the Committee on the Creative Industries and specifically who will be replacing Sgrin. (Item 4)

The functions of Sgrin relating to the cultural aspects of film will be discharged by Ffilm Wales, the board of which has been appointed with recruitment of staff underway. All other matters relating to economic development aspects of the creative industries will be discharged by the new Creative Industries Hub, the business support service which became operational on 3 January 2006. The service will serve the sector both by providing direct services and by supporting a series of 'spoke' organisations with a specific remit relating to particular aspects of the Creative Industries

Structure of the Creative Industries

The Creative Industries Hub, in conjunction with the relevant business support departments and agencies, will provide a comprehensive, structured, and targeted business support service for the creative industries. Within the Hub there resides expertise relating to the sectors currently catered for, namely music, film, television and new media. A series of "spoke"-organisations, Welsh Music Foundation; Cultural Enterprise Service; and Ffilm Wales, all of which receive WAG support, will work closely with the Hub as will Skillset, the Cultural and Creative Sector Skills Council and NESTA (the National Endowment for Science, Technology & the Arts.) The future of the screen location service currently operated by the Welsh Screen Commission is currently under review.

The Hub and the range of 'spoke'-organisations will shortly re-locate to a new address in Cardiff Bay where they will co-locate with TAC, the trade association for independent film and television producers, and Cyfle, the industry training provider for the film, television, and new media sector. This will provide a true "one stop shop" for creative businesses.

The Chairman and vice Chairman of Ffilm Wales have been appointed and the selection interviews for the board are currently underway. The post of Chief Executive has been advertised.

The Service has an all-Wales remit and is putting together a structure which will reflect this and ensure that businesses in all parts of Wales benefit from the service.

Detail of The Hubs Creative Panel

Dai Davies

Dai is a native of Carmarthenshire, though from the age of eighteen made his career in London.

At the age of 21, he was appointed publicity and marketing manager for David Bowie. He ran the highly successful campaigns for albums such as “Ziggy Stardust” in both UK and the USA.

Three years later he formed his own music company, which was to become the principal promoter of punk rock in London. Artists such as the Sex Pistols, Ramones and Elvis Costello played their first public shows at his venues. His management and music publishing companies represented some of the most successful musical artists of the seventies and eighties including The Stranglers, Joe Jackson, the Art of Noise and Lou Reed.

In 1992, Dai became Managing Director (and later CEO) of Sanctuary Music Productions, a musical services and copyright company which became a PLC in 1995. This company has grown to be the UK’s largest provider of recording studio facilities and one of the world’s largest owners of recorded music copyrights.

Dai is a Board member of the Arts Council of Wales.

Ann Harrison

Ann was born in South Wales, and is a qualified solicitor specialising in copyright and contract law for the entertainment industry. She worked for a large West End company as partner and Head of Music before setting up her own company in 2004. Ann is a Director of Welsh Music Foundation and an author on legal matters.

Gareth Hopkins

Gareth was brought up in Cardiff and has a law degree from Southampton University. He worked for a city law firm specialising in the entertainment business before joining EMI in 1983.

Gareth has held a number of senior positions at EMI and is currently Senior Vice President, Legal and Business Affairs EMI worldwide. He sits on IFPI International Legal Committee and has previously been Director of Phonographic Performance Ltd.

Peter Edwards

Peter has a wide range of experience in TV and film over 25 years. He has specialised in international TV programming, co-production and producing a number of feature films. Peter spent 10 years with BBC from 1978 – 1988

being involved with programmes such as “District Nurse”, “EastEnders” and producing “That Uncertain Feeling” by Kingsly Amis. He has a whole range of productions to his name and a list of awards including BAFTA, Best Series, Best Feature and Best Film. Peter is chair of the Production Advisory Group in Sgrin.

Rhys Davies

Currently Managing Director of Glendower Capital Ltd, a London based investment and advisory company which he established in 1998. Rhys has over 10 years experience of making investments in public and private companies. He is also a non-executive director of Tinopolis, a leading Wales based TV Production Company based in Llanelli. Tinopolis is currently Britain’s third largest independent TV producer outside London.

Rhys serves on the Advisory Board of Interactive Rights Management Ltd; a London based interactive rights Exploitation Company. From 2001 to 2004, Rhys was Director of Interactive Media at Celador International, responsible for digital strategies.

Rhys has also worked at Schroeder Investment and holds degrees at Cardiff University and Imperial College.

Dafydd Hughes

Dafydd is from North Wales and is currently the Chief Executive of TAC (Welsh independent Producers). This involves providing leadership for a trade association representing around 80 independent film and TV production businesses supplying content for a range of broadcasts. TAC promotes a wide range of services including lobbying and general representation in relation to government. Previously Dafydd has worked for the WDA as Regional Director and for Arfon Borough Council. He is currently Chair of Sgrin Cyf, a private sector business development consultancy and is on the Board of Cultural Enterprise. He also chairs the North Wales Economic Forum, ICT and Communications group.

Huw Davies

Currently Huw is Chief Executive and part owner of Channel TV, which is the ITV company serving the Channel Islands. Huw is from Llangynog in Montgomeryshire, educated at Llandovery College and Pembroke College, Oxford. He has extensive expertise in the sector having been

Director/Producer, Chief Executive and President of HTV over a 30 year period. Huw has also been Chairman of Square Circle Production Ltd, a director of Winchester Entertainment PLC. He is a member of the Gorsedd of Boards, Governor of the Welsh College of Music and Drama and a member of the Advisory Board Cardiff School of Journalism.

The WDA agreed to circulate copies of the Aerospace Strategy when its becomes available (Item 3)

The Aerospace and Defence strategy will go out for consultation. Consultation period expected to be completed by 31 March 2006 and the strategy submitted for debate by the committee in due course.

EDT(2) 02-06, 8 February 2006

The EDT Minister agreed to update the Committee on the situation regarding Wylfa power station and the possible impact on Anglesey Aluminium and to provide routine updates thereafter. (Item 2)

The First Minister has held a discussion with Allan Johnson, Secretary of State for Trade and Industry regarding Wylfa. Officials have had senior level discussion with DTI.

The Welsh Assembly Government recognises the potential impact that the proposed closure of Wylfa could have on Anglesey Aluminium Metal Ltd and on the Isle of Anglesey more widely. The Assembly Government and the Welsh Development Agency have therefore sought to work proactively with the Isle of Anglesey County Council, the UK Government, the companies involved and other key stakeholders to give early consideration to the potential impacts and look at how all those with an interest can best work together to help the individuals, organisations and communities that are likely to be affected.

The recent report from the consultants jointly commissioned by the Assembly Government, WDA, Isle of Anglesey County Council, Magnox Electric Ltd, Anglesey Aluminium Metal Ltd and the Nuclear Decommissioning Authority represents a useful step in this process. The Assembly Government will be working with the Isle of Anglesey County Council and other stakeholders to consider the report and develop approaches for addressing issues identified, building on the significant support and investment in the area in recent years.

The EDT Minister agreed to provide an update on the Margam deep mine. (Item 2)

Corus has been granted a licence from the Coal Authority for a preparatory feasibility study into developing a deep mine at Margam. If coal were to be worked at this site it could supply coking coal for its Port Talbot works. Corus has appointed consultants to assess the project.

The EDT Minister agreed to provide a note to the Committee on the percentage split in Wales between Public and Private sector employment and the net transfer of jobs to Wales following the Lyons Review. (Item 2)

According to *Public Sector Employment Trends 2005* published by the Office for National Statistics, over the year to June 2005, the public sector accounted for 23.3% of employment in Wales. (Those doing paid jobs in the voluntary sector are counted as part of the private sector for the purpose of these statistics. Those doing unpaid work are generally not included in the employment statistics.)

The Lyons review identified a range of Civil Service posts across Whitehall departments that would be suitable for relocation to parts of the UK outside London and the South East of England. The Review fed into the current Spending Review but covers the period up to 2010. This means that many departments are still in the process of developing their relocation strategies and that those strategies may be subject to change. In addition, the Review was only completed in 2004 so it is still too early in the process for a clear picture to have emerged. Therefore, the current situation in terms of net numbers of staff relocating is both incomplete and changing.

However, based on figures that have been published so far the situation for Wales looks like this:

Job gains	2441
Job losses	669

The figures above include some transfers that have already occurred as well as those planned. The figures exclude Revenue & Customs who have not yet finalised their plans – they are relocating 5,000 out of London and cite Cardiff as one of their “strategic zones” but it is also likely that there will be some job losses. The figures also exclude the 500 job losses that have been recently announced at DARA St Athan.

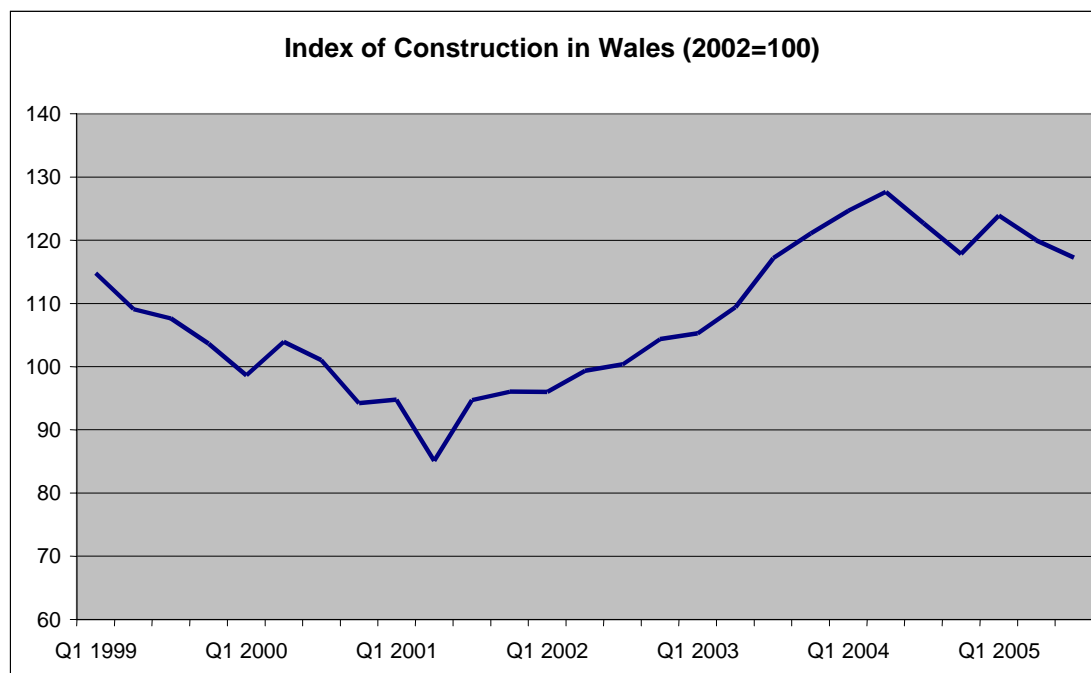
The EDT Minister agreed to provide an update on enhancing the National Grid (Item 2)

To achieve our renewable energy target there will be a need for electricity grid strengthening. Discussions are taking place between the Assembly Government, Distribution Network Operators and National Grid Transco with the aim of carrying out work to examine the routing and connection issues.

The EDT Minister agreed to provide the Committee with a breakdown of construction output for commercial and domestic and public and privately funded. (Item 2)

Recent changes in the index of construction for Wales

1. The chart below shows the recent time series for the index of construction for Wales.



2. The table shows the contributions of the different categories of construction to the overall percentage change in the index. Comparisons of the latest 4 quarters (year to Q3 2005) are made with the previous 4 quarters and with the average for 2001, (when the index started to trend upwards).

Decomposition of changes in the index of construction for Wales

	Change in the year to Q3 2005 compared to:	
	2001	Year to Q3 2004
New Housing	4.8%	-0.8%
Infrastructure and public works	9.3%	-1.8%
private industrial & commercial	7.1%	-1.0%
Housing repair and maintenance	6.1%	0.0%
Other repair and maintenance	1.9%	0.3%
Total	29.2%	-3.4%

Source: Welsh Index of Construction and supporting data

3. Over half of the very recent reduction in the index of construction is attributable to infrastructure & public works and the rest roughly split between private industrial & commercial and new housing.

4. By contrast, it is notable that the infrastructure & public works category also accounts for nearly a third of the 29 per cent increase in the index since 2001, with further substantial positive contributions from the other two categories mentioned above.