

ECONOMIC DEVELOPMENT COMMITTEE EDC 11-01(p1)

Date: 11 July 2001
Time: 2.00- 5.30
Venue: Committee Room 1, National Assembly Building
Title : Economic Development Minister's Report

[Annex 1](#)

[Annex 2](#)

1. ECONOMIC SURVEYS ETC

Latest Statistics

Output figures for the first quarter of 2001 were released on 5 July 2001. The key points are:

- The Index of Production and Construction for the latest 4 quarters fell by 1.6% compared with the same period a year ago
- The Index of Manufacturing for the latest 4 quarters grew by 0.3 per cent compared with the same period a year ago. Growth in the UK was 1.5% during this period
- The Index of Production has fallen by 3.8% between 2000 Q4 and 2001 Q1. This has been largely due to declines in electrical and optical equipment and in basic metals and fabricated metal products

The charts given in the Annex show trends in various key economic indicators (output, unemployment and employment)

The full statistical First Release on the Welsh Index of Production and Construction can be found at: <http://assembly/aegis/Subject%20Index/Data%20Wales/Printed%20Sources/economy/2001/sdr30-2001.doc>

The latest monthly economic statistics brief can be found at:

<http://assembly/aegis/Subject%20Index/Data%20Wales/Printed%20Sources/economy/2001/sdb48-2001.doc>

Revised graphs are provided at [Annex 2](#)

2. MAJOR ISSUES

Corus

Following the meeting of the Steel Executive Group on 21 June in Newport, the Cabinet Working Group on Corus agreed the terms of the

draft consultancy brief on the regeneration of steel communities in SE Wales. A full report on the Wales-wide Corus Response Programme will be given to the All Wales Steel Task Force –which I Chair - when it meets on 18 July.

3. JOB NEWS

Gains

- Announcement on 3 July that US global multinational, **Borg Warner** has secured a contract with Kia which will safeguard all 200 jobs and the future of their plant in Margam. The Assembly has supported the company with Regional Selective Assistance.
- Announcement on 4 July that the **Pension Service** will create 500 quality jobs at the Swansea Enterprise Park. Two other centres are planned on existing Benefits Agency sites at Cwmbran and Wrexham. 360 existing Benefits Agency staff will serve the Wrexham operation while Cwmbran is likely to need around 60 new staff, increasing its workforce to 200.
- Announcement on 4 July that **Amman Springs Ltd.**, with support from the Assembly under Regional Selective Assistance, has invested £1 million in a water bottling facility in Ammanford. The project is set to create 21 jobs over the next 3 years.
- **Dixons Group**, the UK's leading retailer of consumer electronics, today announced that it expects to create 1,300 new jobs across the UK in the Group's 2001/02 financial year. In line with the Group's on-going commitment to customer service, the majority of new posts will be in existing stores or new Superstores. The main UK regions to benefit from the job creation will be the Midlands (125 new jobs), Scotland (90 new jobs), Wales (200 new jobs), the North East (120 new jobs), the South East (230 new jobs) and the South West (160 new jobs). Dixons who currently have 55 outlets in Wales have not yet announced which stores will benefit or whether the jobs will be accounted for by the opening of new outlets.

4. MISCELLANEOUS

Foot and Mouth

Access

Currently over 63% of the public rights of way network across Wales is open: the major gap in the network is in Powys. Unfortunately, the new cases in the Brecon area have resulted in the closure of the Central Brecon Beacons. But progress in re-opening Powys is still being made outside this area with a large section of the Montgomeryshire Canal re-opening recently.

Brecon Beacons

In the last fortnight, 5 new cases of foot and mouth disease have occurred in the Brecon area, specifically around Libanus. Most of these cases have been diagnosed on testing rather than on clinical signs. Testing is being carried out to determine the extent of the problem. A Brecon Control Area has been established around the outbreaks and this prevents the issuing of new licences for the movement of animals. Animals can though still be sent direct to slaughter. Carwyn Jones commented on Wednesday 4 July that early blood test results suggest the disease may not have spread into the sheep flocks on the Beacons themselves.

Anglesey

On Saturday 2 June Foot and Mouth Infected Area restrictions were lifted on Anglesey and the northern part of Gwynedd, around the Bangor and Caernarfon areas. This move released some 2,200 farms and smallholdings from Infected Area restrictions. The disease status for the Island is now an At Risk Area that extends across most of North Wales.

The movement restrictions associated with Infected Area status are onerous and can pose difficulties for the farming community. Carwyn Jones urged farmers across Wales to follow the example of their colleagues in Anglesey in co-operating with measures to control and eradicate foot and mouth disease.

Lifting restrictions in an Infected Area is a rigorous process. It involves veterinary inspections and laboratory testing of blood samples from animals on farms around infected premises to make sure infection has not been overlooked. It means that those farmers can apply for licences to move their livestock outside what was previously the Infected Area under the livestock movement schemes. They will no longer be restricted to licensed movements in their own Infected Area. But they will NOT be allowed to move to any farm in a Provisionally Free Area.

A copy of a Press Notice from the Finance Minister dated 9 July 2001 regarding assistance to SMEs, is at [Annex 1](#).

Friction Dynamics

The industrial dispute continues with the Union planning to take the Company to the Employment Tribunal. The Company is recruiting 60 casual workers on 6 week probation contracts. At the end of this period, if the individuals are suitable, they will be converted to permanent contracts with benefits. The Company expects the permanent workforce to be around 110, with the possibility of further increases in employment when the workforce and production rates stabilise.

Solectron

Solectron issued a Press Release on 28 June. In this they confirmed that, following the 90 day consultation period, a Global Services presence would be maintained at its facility in Cwmcarn. This would involve the retention of 168 employees and a further 17 new jobs will be created as a result of winning a new account. Global Services provides after-sales repair, warranty, upgrade and other services for a variety of electronics products. At the Cwmcarn site, the facility will offer primarily repair and product upgrade services for the UK and other European markets.

WDA and Officials continue to work closely with the Company regarding the future of the Services and Repair facility.

Joint Venture between LG Electronics/Philips - LG Philips Displays

This joint venture was announced in Hong Kong last Thursday. Following the announcement, I issued a press release welcoming the formation of the new Company. I am delighted that Wales will play a key role in the development of this partnership. The cathode ray tube plant at Newport will transfer to the new Company and around 1,600 people will continue to be employed there. LG Electronics Wales Ltd will continue to operate in Newport assembling computer monitors and will continue to employ around 400 people. This joint venture does not

affect the semiconductor operation in Newport, which is now owned by Hynix.

Hynix (formerly LG Semicon/Hyundai)

The Welsh Development Agency (WDA) and senior officials of the Assembly have been pursuing detailed negotiations with Hynix over the medium and long term future of the semiconductor facility at Newport. I expect that these negotiations will come to a satisfactory conclusion in the near future. I will make a statement as soon as the outcome is known.

LG Project - implications for Economic Development Budget

Committee members will recall that there have been amounts ring-fenced in the Agency's budget lines for LG Semicon (£21.5 million in 1999-2000) and LG Electronics (£21.5 million in 2000-01). In accordance with Standing Order 19, these amounts have been declared to the Committee as underspends (EDC 05-00 p2 15 March 2000; EDC 09-01 p4 13 June 2001), and have been included in the Finance Minister's statements to the Assembly (22 March 2000; 29 March 2001). There is a further £10 million ring-fenced in the Agency's budget for this year.

The Finance Minister has given an undertaking that, should the money be required in the future for LG Semicon, it will be made available for this purpose. In respect of LGEW, I am considering how best to use the £10 million available in the WDA's monitors budget. I will also be discussing with the Finance Minister how the Assembly can make best use the £21.5 million carried forward from last year.

Carbon Trust

The first Board meeting is to be held in London on 13 July.

Tom Delay, a Chartered Engineer with extensive experience of the energy supply sector, has been appointed as CEO. He took up the post full time on 2 July.

Consultation meetings, with levy payers, business organisations and the research community, are being undertaken throughout Wales. The feedback from the meetings is informing the drafting of the Trust's Service Delivery Plan for Wales. Forthcoming meetings are taking place in Wrexham on 24 July, Bangor on 25 July, Swansea on 26 July and Newport, Pembrokeshire on 27 July.

WDA / Objective 1 Infrastructure Partnership

There has been some delay in establishing a Regional Partnership for Infrastructure. The WDA has agreed to accept WEFO's invitation to lead this partnership, which brings together a range of policy areas: officials from WEFO, various policy divisions across the Assembly, and the WDA have been working closely together to identify those individuals across Wales who are most appropriate to be invited to sit on the Partnership.

Arrangements are now in place for the first meeting to be held in mid-Wales on 10th August. I expect that the question of providing adequate resources for the Agency to fulfil its obligations, in terms of the Objective 1 partnerships that it leads, will be resolved shortly.

5. Action Arising from Previous EDC meetings

Underspend of £2.357m in the CBDC Budget for 2000-01

The Economic Development Minister's Report to the Committee's 27 June meeting (EDC 10-01(p1) in paragraph 5) explained the reasons for this underspend. Officials are currently considering the final out-turn information from both Cardiff and Vale Councils and a detailed report to EDC will follow. This will indicate the variances compared to original budget profiles and also how this will affect profiles for the next 4 years.

Dredging

In April 2000, Cardiff Council/Harbour Authority's overall succession budget included two amounts for dredging - £4m (£2.497m in 00-01 and £1.5m in 01-02) in the context of the Barrage Project for basic dredging to meet basic water quality standards; and £1.5m (00-01) for enhanced dredging to facilitate water usage. The total was £5.5m and was based on figures obtained by CBDC the previous year.

The Harbour Authority, which assumed responsibility from CBDC, sought tenders for dredging. The projected cost, which emerged from that exercise, was about £8.m (including port dues and fees). The principal reason for the increase in costs was the strengthening of prices for dredging. In January 2001, the Council/HA requested a further increase in the dredging budget of some £0.1m to cover some of the potential additional costs identified as a result of a problem identified in the 'saline sump' area. The overall dredging budget is currently £8.2m.

Officials are examining the Council's overall out-turn figures for 2000-01, but the indications are that although the dredging costs exceeded the original budget, the out-turn was about £7.5m – just over £0.75m below the revised budget.

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Entrepreneurship implementation plan – Business Birth-Rate Strategy and entrepreneurship in growth businesses

(Ref. EDC 10-01 minutes. Follow up to item 3.9)

Officials met with Phil Williams AM on 3 July to discuss a number of issues.

They:

- Discussed figures set out in the Implementation Plan on projected increases in business births and agreed to take these up with the WDA's Entrepreneurship Unit, seek more detail from them and report back;
- Confirmed that robust procedures were in place to consider and evaluate all the projects which formed part of the Plan; and
- Confirmed that progress reports would be presented to the Committee on a six-monthly basis, the next one being due in October.

ANNEX 1

EDWINA HART REAFFIRMS COMMITMENT TO BUSINESSES STRICKEN BY FOOT AND MOUTH

Assembly Minister for Finance, Local Government and Communities, Edwina Hart announced today 9 July her intention to reallocate unspent special grant money between local authorities to ensure that businesses in the worst hit areas get the financial support they need.

Mrs Hart said: "I have always made clear that I would review the use of the special grant money, and consider at that point what more might need to be done to help affected businesses. We have written to all local authorities asking them to let us know whether they have unused money that we can redistribute to those areas whose economies continue to suffer as a result of the outbreak.

In the light of that information and the latest evidence on the impact of foot and mouth on rural businesses will decide how best to target the reallocation of grant money to help those that are struggling to survive."

Notes

On 27 March, Mrs Hart announced to the Assembly that she would be making £12 million available to local authorities in 2001-02, to enable them to make extensive use of their powers to grant rate relief and provide other support to businesses in their areas whose trade has been adversely affected by the foot and mouth outbreak.

Details of how this additional money has been allocated to individual authorities are contained in a special grant report approved by the Assembly on 5 April. The report also includes some guidelines on how the local authorities may operate a scheme.

On 19 June the Assembly approved a further special grant report which extends the deadline for using the special grant money already given to councils to 31 July.


ANNEX 2

Latest claimant count figures are for May 2001.


Figures for June 2001 are published by ONS on 20 July 2001.

Seasonally adjusted claimant count figures (Source: Benefits agency administrative system)



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- Claimant count figures for May 2001 are the lowest since September 1975 (UK lowest since December 1975).
 - Since July 1999, claimant count unemployment has fallen by 11,000 (or 17%), compared to a fall of 264,000 (or 21%) for the UK.
 - Women have made up an increasing proportion of the overall claimant count, increasing from 15% in April 1974 to 23% in May 2001 – the proportion was higher during the 1980s and was at its highest in 1980 (30%). There has been an almost identical pattern for the UK as a whole.

Rolling 12 month average ILO unemployment figures (Source: Labour Force Survey)

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- Since July 1999, unemployment on an ILO basis has fallen by around 15,000 (or 15%). This compares to a fall of 253,000 or 14% for the UK as a whole.
 - Since 1992, the start of the quarterly LFS series, ILO unemployment has fallen by 45,000 (or 35%), compared to a fall of 1.4 million (or 47%) for the UK as a whole.
 - The overall trend is determined mainly by unemployment among men.



Rolling 12 month average employment figures (Source: Labour Force Survey)

- Since July 1999, employment has increased by around 23,000 (or 2%). This compares to an increase of 531,000 or 2% for the UK as a whole.
- Since 1992, the start of the quarterly LFS

series,
employment has
increased by
90,000 (or 8%),
compared to a
fall of 2.3 million
(or 9%) for the
UK as a whole.

- The overall trend
is similar for men
and women.



Rolling 4 quarter average production figures (Source: Welsh Index of Production and Construction)

- Since the third quarter of 1999, output for all production industries has increased by 0.7% (2.2% UK); output for manufacturing industries has increased by 2.3% (2.4% UK) and output for construction industries has fallen by 11.9%

(up 1.4% for UK).

- Since 1991, the start of the current series, output for all production industries has increased by 9.4% (17.0% UK); output for manufacturing industries has increased by 14.9% (14.3% UK) and output for construction industries has fallen by 0.7% (up 5.2% for UK).



