

Date: 26 June 2002
Time: 13:30 to 16:25
Venue: Principality House, National Botanic Garden, Llanarthne, Carmarthenshire
Title : ECONOMIC DEVELOPMENT MINISTER'S REPORT

1.1 GOVERNMENT BUSINESS

Assembly Investment Grant (AIG)

On 19 June I visited Vixen CNC Ltd of Llanberis, a small company specialising in the manufacture of precision machined components. It was the first company in Wales to be awarded an Assembly Investment Grant. During this visit I also announced AIG support of almost £300,000 to nine businesses located in North Wales, promising the creation of 50 new jobs and the safeguarding of 81 jobs. The companies were:

- Select Furnishings, Holywell
- Action Makers Ltd, Bala
- Talacre Beach Caravan Sales Ltd., Rhyl
- Design Reality Ltd, Rhyl
- Prima Board Converters Ltd, Hawarden
- Vannplastic Ltd, Flintshire
- Design 2 Print Ltd, Conwy
- NWK Ltd, Conwy

1.2 RECENT ENGAGEMENTS

On 13 June I launched Port Tawe Innovation Park in Swansea. The following day I represented the Welsh Assembly Government at the British Irish Council meeting in Jersey for discussions on developing the Knowledge Economy. On Monday 17 June I visited the Baglan Energy Park and toured the new power station which is under construction.

The following day I met the Chair, the Chief Executive and members of the British Hospitality Association, before travelling to North Wales for a programme of visits on the next day. This included a meeting on developing the local economy with Huw Griffiths, the Head of Economic Development on Ynys Mon council together with the local MP Albert Owen.

I opened the Business Connections 2002 event at the Anglesey showground and visited Dinorwic Power Station, before launching the Duffryn Ogwen Broadband Wireless Project in Bethesda and visiting Vixen in Llanberis. Later that week I launched the Framework for

Supported Employment in Wales, and presented the e-commerce awards at Wales Regional Gala Lunch Awards Ceremony in the National Botanic Gardens.

Earlier this week I met with Chris Boulton of the Youth Hostels Association. Before arriving here today at the National Botanic Gardens I met with the South West Wales Economic Forum, and attended an Assembly Government seminar on tackling economic inactivity.

1.3 OTHER NEWS

I was delighted to hear last week that Robert Wynn & Sons Ltd of Newport have been awarded an £8.5m Freight Facilities grant by the Department for Transport to develop an innovative transportation system making best use of short-sea routes and inland waterways.

I also welcome news from Gyrus Medical Ltd in St Mellons who last week unveiled news that its new Diego System (for the removal of diseased tissues in the nasal cavity and sinuses) has been launched. A significant clinical advance in sinus surgery, I hope that this system will open up lucrative markets in the US for this unique plant in Wales.

I was also pleased to see media reports on Monday that work is now to commence on the redevelopment of the former Brymbo steelworks site. Brymbo Development Limited (BDL) plan to build houses, recreation areas and business premises on the 240 acre site, creating between 750 and 1,000 jobs. Wrexham County Borough Council, BDL and the WDA formed a unique partnership to bring forward this work, which was part of a Welsh Assembly Government initiative to see the whole area of west Wrexham improved.

2. MAJOR ISSUES UPDATE

Steel tariffs/EU counter-measures

Pressure continues on the US, but it is not known if the EU will apply tariffs. The EU is not likely to do anything until the US announces the complete list of exemptions (expected in July). It is hoped that the threat of retaliatory measures may increase the chances of a negotiated settlement.

3. JOB NEWS

3.1 Job Gains (50 and over) since the previous EDC

- Norwich Union, Cardiff – to expand existing Cardiff offices, creating an additional 425 jobs
- Argos, Wales – as part of UK expansion plans, this catalogue retailer is opening over 100 new stores in the UK over the next 3 years, creating 6,000 new jobs. At least 200 of

these new jobs will be in Wales.

- Matalan, Rhyl. – to create up to 100 jobs at a new stores in Rhyl. The store is due to open next month and will bring a mixture of full and part-time jobs.
- Everest, Treherbert - this double glazing firm will safeguard 80 manufacturing jobs at its manufacturing facility on the Treherbert Industrial Estate, with support from the Assembly's Regional Selective Assistance scheme.

3.2 Job losses (50 and over) since the previous EDC

- Federal Mogul, Cardiff - up to 100 jobs could be lost at this automotive component firm in Llanishen in Cardiff. A 30 day consultation period with the Unions has commenced. If talks are unsuccessful, the operation could close later this year. The decision follows difficult trading at the site in recent months, and a sharp reduction in the competitiveness of its products.

Action Outstanding Annex A

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I have sent the following letter to David Davies:

LEVELS OF TAXES

I am sorry that you did not personally receive a substantive answer to your written question. The main thrust of my reply was in fact included in my written report to EDC on 22 May. The answer that I approved is as set out below but an oversight meant that this did not follow on from the holding reply.

WAQ17750: What information does the Minister have which would allow him to compare the level of taxes paid by businesses in Wales in comparison with the other EU nations, the USA, Hong Kong, Singapore, Taiwan and South Korea, and if he will make this available.

In comparing the level of taxes paid by small businesses in Wales, I rely on the Chancellor of the Exchequer's recent budget speech stating that the UK now has the most favourable corporation tax for small businesses in any of the advanced industrial countries. This results from the starting rate of tax cut from 10p to zero and the small companies rate down from 23p in 1997 to 19p now. With regard to the main corporation tax rates there is data from the Inland Revenue that allows comparison with the G7 countries and EU countries that are not in the

G7.

CORPORATION TAX RATES 2002		Main national rate %	Effective total national and local rate %
G7	UK (2001-2002)	30	
	United States	35	40 ¹
	Canada	26. ²	35.2-43.1
	France	34.33	
	Germany	26.375 ³	36.375 - 41.375 ⁴
	Italy	36	40.25
	Japan	30	42 ⁵
Other EU	Austria	34	
	Belgium	33.99	
	Denmark	30	
	Finland	29	
	Greece	37.5	
	Ireland (2001-2002)	16	
	Luxembourg	22.88	30.38
	Netherlands	34.5	33
	Portugal	30	
	Spain	35	35.75
	Sweden	28	

Notes to table

- 1) State taxes vary considerably. The figure shown is an approximate average effective rate.
- 2) Includes federal abatement for provincial tax at 10% and a surtax of 4%.
- 3) 25% plus 5.5% solidarity surcharge.
- 4) The figure quoted includes the local business tax, which varies by municipality. The effective rates range from approximately 10%-15%.
- 5) Rates vary. The figure shown is an approximate average effective rate.
- 6) The main rate is 39% with an "austerity surcharge" of 3% levied on all companies.

Source: Inland Revenue, based on latest known information.

As can be seen, the UK has the lowest effective rate of corporation tax in the G7. No data is readily available at the moment on the South East Asian countries.

A copy of this letter goes to the library for their records.

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A more detailed table is attached showing expenditure and planned provision in the 2001 Budget at BEL level.

ECONOMIC DEVELOPMENT MEG: EXPENDITURE AND PLANNED PROVISION BY BEL

(Planned provision is from 2001 budget round)

Expenditure Groups	£'000				
	2000-01	2001-02	2002-2003	2003-2004	2004-2005
	Expenditure	Expenditure	New Plans	Indicative Plans	Indicative Plans
ECONOMIC DEVELOPMENT					
RSA-Projects & Business Improvement Support	35,644	49,733	44,551	44,551	44,551
Communication Development	264	60	168	168	168
SMART Wales	3,721	4,259			
International Trade	3,868	5,244	4,934	5,938	5,938
International Relations	590	831	1,172	1,231	1,231
Innovation Design and Technology	1,170	3,270	4,309	6,409	6,409
Energy and Environment		906	2,450	2,450	2,450
Enterprise Development and Support		681			
Assembly Investment Grant			1,000	1,000	1,000
Business Birth Rate Strategy			1,000	4,000	4,000
RSA AND OTHER BUSINESS SUPPORT	45,257	64,983	59,584	65,747	65,747
Public Sector Network			4,320	3,250	3,250
All Wales Network of ICT Support Centres			750	750	750
Broadband Telecommunications		3,989	6,100	6,000	6,000
ICT Advice Infrastructure		3,989	11,170	10,000	10,000
Pathway To Prosperity Fund	2,708	3,563	3,333	974	974

Pathway To Prosperity Fund - Match Funding		9,818	18,000	19,000	19,000
Euro Facilitators		279	500	500	500
Pathway To Prosperity Fund	2,708	13,661	21,833	20,474	20,474

WDA Running Costs			32,210	32,210	32,210
WDA: Capital Expenditure	72,764	139,836	46,674	50,321	50,321
CBDC Inheritance		6,403			
WDA Capital Receipts	-2,294		-4,833	-4,175	-4,175
WDA Current Expenditure	35,747	43,326	155,910	151,936	151,936
WDA Current Expenditure – Finance Wales		3,350	4,546	4,500	4,500
WDA Current Receipts		-44,126	-76,787	-70,868	-70,868
WDA NLF/PDC		1,883	599	599	599
WDA Depreciation/ Cost of Capital (AME) (2)			40,813	38,268	38,268
WDA Provisions (AME) (2)			1,100	1,100	1,100
WDA Structural Funds Partnership		479	1,810	1,878	1,878
Enterprise functions from TECs		10,075			
Welsh Development Agency	106,217	161,226	202,042	205,769	205,769
CBDC - Capital Receipts	22,583				
	-4,700				
Transfers to Local Government from Cardiff Bay Development Corporation		11,677	16,019	15,819	15,819
Transfers to Local Government from Cardiff Bay Development Corporation	17,883	11,677	16,019	15,819	15,819

Corporation

WTB Running Costs	4,205	4,580	4,912	4,700	4,700
WTB Current Expenditure	8,578	11,820	14,376	16,027	16,027
WTB Current Receipts			-4,060	-4,361	-4,361
WTB Capital Expenditure	3,636	2,760	5,220	5,220	5,220
Rural Recovery		4,680			
WTB Depreciation/Cost of Capital (AME) (2)			300	304	304
Wales Tourist Board	16,419	23,840	20,748	21,890	21,890
Local Authority Special Grant Report		8,616			

Rural Recovery Plan		8,616			
Labour Force Survey	260				
Miscellaneous European Support Services	330	208	450	450	450
Economic, Research and Evaluation	24	222	130	145	145
Other Economic Development	614	431	580	595	595
European Regional Development Fund	57,633	97,516	99,221	110,051	110,051
European Social Fund	0	43,703	58,000	58,000	58,000
European Structural Funds Programme Support	100	356,189	542	779	779
FIFG	17	55	1,300	1,470	1,470
EAGGF	5,020	4,783	11,200	12,400	12,400
Local Authority Projects – Match Funding	0	9,584	33,588	33,588	33,588
WEFO – European Funding	62,769	155,999	203,851	216,288	216,288
TOTAL	251,867	444,421	535,827	556,582	556,582