

## ECONOMIC DEVELOPMENT MINISTER'S REPORT TO THE ECONOMIC DEVELOPMENT COMMITTEE

WEDNESDAY 1 NOVEMBER 2000

### Exceptional items only

#### Latest Economic Assessment

##### Business Surveys announced since 18 October 2000

- The latest CBI Quarterly Welsh Industrial Trends Survey reports an increase in overall business confidence for the second successive survey. The business confidence index for Wales remains above that for the UK as a whole.
- The latest Dun & Bradstreet Business Expectations Survey reported a decline in business confidence in Wales. The survey found that Wales was the least confident region in the UK.
- The latest set of forecasts from Business Strategies limited predicts output growth of 1.7% in Wales in 2000, compared to a rate of 2.8% in the UK. Although output growth in Wales is forecast to accelerate in the coming years, the rate is expected to remain below the rate for the UK as a whole. Employment growth in Wales in 2000 is forecast to be double the rate in the UK as a whole.

#### Major issues

##### Electronics industry

- Since the last meeting of the Committee, **850** (400 permanent, 450 seasonal), redundancies have been announced at **Sony**, Bridgend and **1,400** (700 permanent, 700 seasonal) at **Panasonic**, Cardiff. In both cases, the main reason for the redundancies is the transfer of low technology manufacturing to Eastern Europe. Manufacture and development of digital television equipment will remain in Wales.
- I made a statement to Plenary on 26 October about the situation. I also visited Panasonic on 27 October, jointly with the Chairman of the WDA, where we discussed the latest situation in more detail and sought guidance from the company as to the range of Assembly (mostly WDA) assistance required. The issues arising during the meeting were:

a) Company converting from high volume, low value products to lower

volume high value products (involving change from analogue to digital TV production).

- a. Plant in the Czech Republic, which is to produce the lower value analogue TVs, is controlled by the Pentwyn plant.
  - b. Increase in anticipated job losses compounded by SKY's decision to reduce its requirements for set top boxes.
  - c. Microwave oven manufacture proving very successful. Considerable workforce involved using state of the art technology. Panasonic moving into providing full sale and service packages on much of the equipment produced, ie Lap Top computers.
  - d. Company thought there was scope for possible assistance with difficulties encountered over its supply chain and with skills development. Appreciate key suppliers being encouraged to locate near to Pentwyn. WDA taking forward.
- I also attended a meeting of the Welsh Electronics Forum yesterday. The Forum intends to set up a Task Force to address the long term future needs of the industry. I will provide the Committee with an oral report of the meeting.

### Steel Task Force

- At the last EDC meeting, I agreed to update Members on the Steel Task Force. Appended to this note are the minutes of the Task Force's meeting, held on 5 October, for information.

### Innovation Summit

- On Wednesday 25 October, the First Minister and I met with a small group of leading industrialists and academics to consider a number of key issues which will influence, inform and guide the future direction of the Assembly's emerging industrial policies.
- It was a very helpful discussion, addressing such diverse matters as funding, skills and graduate retention, promoting innovation through company spin-outs, communications infrastructure, and the academic base. Officials have begun to map those issues against current and proposed programmes and initiatives. And the group has agreed to come together again at Easter time next year to review where matters then stand.

## **ALL WALES STEEL TASK FORCE: MEETING ON 5 OCTOBER 2000**

## **Present**

### **National Assembly**

Mrs Edwina Hart, Finance Secretary (Chair)

David Pritchard, Director, Economic Development

John Clarke, Chief Executive, WEFO

Rod Hough, Adult Training and Welfare to Work Branch

Linda Somme Dew, Training Finance Management Division

Alan Cummins, Chief Press Officer

Lynn Griffiths, Steel Policy Branch

Paul Harrington, Steel Policy Branch

Clive Nurton, Steel Policy Branch

### **Corus**

#### **Stan Booth, Director of Human Resources**

John Cavanagh, Marketing and Communications Manager

### **ISTC**

#### **Eddy Lynch, Assistant General Secretary**

Alwyn Jones, Divisional Officer

Tony Myhill, Research Officer

### **Local Authorities**

#### **Newport: Cllr John Jenkins, Deputy Leader; Sandy Blair, Chief Executive**

Neath Port Talbot: Cllr Noel Crowley, Leader; Ken Sawyers, Chief Executive

Blaenau Gwent: Cllr D. Wilcox, Deputy Leader; Roger Leadbeter, Chief Executive

Swansea: Cllr Roger Smith; Dr Mel Edwards, Economic Development

Flintshire: Cllr John Aldridge; Phillip McGreevey, Chief Executive

Monmouthshire: Cllr Colin White. Leader; Clive Hamerfley, Assistant Director, Planning & Economic Development

**WDA Brian Willot, Chief Executive**

**Employment Services Bernadette Jones, Newport District Manager**

**South East Wales TEC John Taylor, Chief Executive**

## **Introduction and remit**

1. Opening the meeting, Edwina Hart AM said that the All-Wales Task Force's remit was to address the immediate human resource issues arising from the Corus job losses and to assess and monitor the actions proposed within each local authority area.
2. In discussion, **it was agreed** that:
  - the remit should be extended to allow the Task Force to reinforce the case for the development of the steel industry as an important part of the economy of Wales.
  - The Task Force should establish links with the UK Government through the Secretary of State for Wales.
  - The Task Force should consider making representations to the UK Government about the alleged "dumping" of steel in the UK market and the suggestion that multi-national companies were able to exit from the UK more easily than from other EU countries owing to differences in employment protection legislation (ISTC would provide further information on this allegation).
  - The Task Force should consider the possibility of arranging a meeting with the Secretary of State to discuss these issues, including representation from the Task Force.
  - The Task Force should be supplemented by an executive group of officials which would conduct the bulk of its business electronically.

**Action: National Assembly**

## Progress report by Corus PLC

3. The Group acknowledged that Corus' decisions were driven almost exclusively by global and commercial considerations and were heavily influenced by factors such as the general state of UK manufacturing and exchange rate differentials. Representations by the TUC and CBI to the UK Government reinforced the need for action to support the competitiveness and strength of the manufacturing sector. The Task Force endorsed this policy which it was hoped would form a key part of the National Economic Development Strategy for Wales.

4. Corus presented the latest information on the profile and location of its redundancies:

End December 2000 March 2001

Llanwern 80 40

Port Talbot 100 40

Ebbw Vale - 80

Shotton 60 -

5. In the case of the R&D facilities at Port Talbot, 50 redundancies would occur at the end of October with the balance being implemented by the end of 2001. A very small number of R& D specialists will be posted to individual Welsh plants.

6. Corus had decided to rationalise and relocate its R&D facilities, probably to Sheffield. This would place the facility closer to its main UK customers. The company were continuing to discuss with the WDA and Swansea University the prospects of establishing a technology centre at Port Talbot.

7. Corus explained that every effort was being made to identify volunteers for redundancy/early retirement. At Llanwern and Port Talbot, a high proportion of the workforce are aged 50 and over and more likely to accept voluntary redundancy. There would be fewer volunteers at Ebbw Vale and Shotton, where the workforce is younger. Corus will cross-match volunteers in different areas of work and locations to maximise opportunities within the Company. This will often involve re-training.

8. By the end of 2001, Corus expect around 700 volunteers - mainly at Llanwern and Port Talbot. Corus' approach is to make maximum use of the Employment Service (ES): there will be a meeting between Corus and the ES on 9 October where details of ages

and skills will be shared and discussed.

## Local Authority progress reports

9. Each local authority highlighted the key issues and actions in their draft response plans, which had been developed with their partners. In discussion, the following points were made:

- Figures on the number of jobs to be lost together with those remaining needed to be confirmed. In particular, the job loss figures for Ebbw Vale needed to be clarified. **(Action: National Assembly and Employment Service: the issue would be resolved on 9 October).**
- The wider effects of the redundancies was acknowledged; it was inevitable that other businesses along the supply chain would be affected: the broader economic impact of this on the local and wider economy was noted.
- There was concern, particularly at Ebbw Vale, that further redundancies could be announced. Flintshire was confident that the local economy had the capacity to absorb the latest redundancies. In Monmouthshire, the main concern was the potential impact on small businesses and the need for early information on how many of those to be made redundant were resident in the county.
- Corus was not represented on local task forces. The Company considered that their contribution was more valuable at the All-Wales level where action and quality of service issues could be co-ordinated. The Company emphasised their close dialogue with the Employment Services: they considered this to be the best way of ensuring that each site received an equitable level of support. **It was agreed** that the National Assembly would discuss the issue of local representation with Corus.

## Issues arising

10. Following the discussion of the draft response plans a number of issues were raised by Task Force members:

- Objective 1: the availability and allocation of resources within the programme would become clearer in the next few months. The Programme Monitoring Committee was meeting on 16 October and plans with budgets amounting to over £90 million were likely to be agreed. Match funding would be announced as part of the Budget process. There would be a Budget statement later in October when the key priority would be to provide the funding to ensure that Objective 1, 2 and 3 was a success. The Objective 3 programme was already operational and Objective 2 would be operating from April 2001.
- EC State Aid rules for steel: it was recognised that these were among the most restrictive regulations for an industry anywhere in the world focusing as they did on

support generally for reducing capacity. Nonetheless, the rules did allow for limited support in a number of areas and the Company, the Assembly and DTI were continuing to explore what could be done to improve the local business environment. Support for certain kinds of R&D, environmental protection activity and training was being evaluated prior to approaching the Commission informally for an assessment of the likely acceptability of the measures involved.

- Rateable values: through discussions with the Valuation Office Agency (VOA) a reduction in rateable value for Port Talbot and Llanwern in excess of £4M had been achieved. This had transformed an increase in rate bills this year into a reduction.
- Discretionary rate relief for businesses: advice had been sought on whether payment of such relief would breach State Aid rules. Guidance on this would be available shortly and it would be shared with local authorities who would, in any event, need to make the final decisions.

## Next steps and action

11. Once Corus had provided the Employment Service with more details of those likely to be affected by the job losses, the local response plans would need to be revised and the related action confirmed. The revised plans and related progress reports should be submitted to the Task Force by mid November prior to the next meeting of the Task Force in December.

12. The local action partnerships should establish good networks and communications to ensure that quality of service was universally high and that good ideas for responding to the job losses were shared. **(Action:**

### **local action partnerships).**

13. Given the concerns about the impact of the job losses on other businesses and the wider economy, it was agreed that the WDA should develop marketing strategies for each of the areas affected. Also, consideration would be given to what might be possible to encourage the manufacturing sector in Wales to source more of their rolled steel requirements locally. **(Action: WDA).**

## Date of next meeting

14. To be arranged for early December.

Energy Sector Policy Branch

Economic Development Department

National Assembly for Wales

6 October 2000

Copies to: all those attending