

ECONOMIC DEVELOPMENT COMMITTEE EDC-18-00 (p2)

Date:	29 November 2000, 2:00pm – 5:30pm
Venue:	Committee Room 1, National Assembly Building
Title:	WELSH DEVELOPMENT AGENCY: Half-Year Review against Strategic Targets (A paper from the Minister for Economic Development)

Purpose and Action

1. This paper provides the Committee with background to the Welsh Development Agency's Half-Year Review (at *Annex A*).
2. The Committee is invited to note the Agency's progress against its strategic targets in the Half-Year Review.
3. WDA officials will attend the Committee meeting to present the Half-Year Review and field questions. They are: -
 - Sir David Rowe-Beddoe - Chairman
 - Graham Hawker - Chief Executive
 - Graham Moore – Executive Director, Strategic Policy; and
 - Richard Beaumont – Executive Director, Human Resources and Finance

Background

4. The Welsh Development Agency's Half-Year Review (at *Annex A*) sets out the Agency's achievements against its strategic targets in the first six months of the financial year 2000-2001. The First Minister announced these targets in a written statement on 14 June 2000, following consultation with the Committee on 1 March 2000 (EDC-04-00).
5. Strategic targets for the WDA for 2001 and beyond are currently being reviewed in order to make

them more compatible to the targets in www.betterwales.com. This process is likely to lead to a change in the way the Agency's performance is measured.

Summary

6. The first part of the document is a narrative section spelling out some of the main achievements of the Agency in the year to date, including individual projects, under the headings of the www.betterwales.com priorities. It then goes on to describe the Agency's performance on a region by region basis.

7. Appendix 1 of the document is a table of year to date outturns on the Agency's strategic targets.

Consideration

8. The Committee will note that the WDA is on course to hit the majority of its targets for 2000-2001.

9. Highlights include the number of jobs created/safeguarded through the Agency's Business Development and Capital programmes, and the number of jobs created/safeguarded in the Objective 1 area. The WDA is on course to exceed these targets.

10. There is some potential bad news, however, in that the Agency is not confident that it will hit its targets with regard to inward investment and private sector investment.

Compliance

11. The WDA was established by the Welsh Development Agency Act 1975 (as amended by the Government of Wales Act). Powers under that Act have been transferred to the Assembly and delegated to the Minister for Economic Development and his staff. There are no issues of regularity and propriety. The Assembly Compliance Office is content.

Financial Implications

12. The costs associated with the WDA's activities during this financial year will be met from within the WDA's existing budget provision. The draft budget published on 19 October includes planned expenditure by the WDA for each of the next 3 financial years. Financial Planning Division has been consulted and noted that there are no additional financial implications for the Assembly arising from this submission.

WELSH DEVELOPMENT AGENCY

2000/2001 STRATEGIC TARGETS: HALF-YEAR REVIEW FOR WELSH ASSEMBLY, SEPTEMBER 2000

Introduction

This report sets out the Agency's progress against the Performance Targets agreed in the 2000/2001 Business Plan. The attached table (Appendix 1) sets out the Assembly strategic targets and Agency achievements for the year to date. The table includes the targets by programmes for jobs and PSI, and by NUTs II areas: West Wales & Valleys and East Wales. The Agency is on course to achieve these Strategic Targets set by the National Assembly. The narrative includes a summary of achievements presented against the Betterwales.com priorities.

The Agency has contributed significantly to the planning process associated with Objective One Structural Funds both through major input to the Single Programming Document and the Regional and all-Wales Action Plans. The Agency has established a Structural Funds Unit in support of the Objective One Partnerships and is taking the lead on seven programme areas.

Summary

High value added investment has been secured through new and established operations, particularly in the automotive and semi-conductor sectors:

- Agilent Technologies will be the 'anchor tenant' at the Swansea Technium centre, concentrating on R&D in semi-conductor technology.
- A state of the art Advanced Learning Centre and Climatic Wind Tunnel has been opened at Calsonic's European Technical Centre in Llanelli
- DPS Composites which supplies the Formula One motor racing industry expanded to create 160 jobs in Pembroke Dock
- @Wales, Welsh Digital Media initiative launched in Cardiff Bay to support new and developing companies.
- Investments by NTL, HSBC and Manpower Services in three state of the art customer service centres in west Wales.
- Accelerate Wales Programme launched in partnership with NAW and the Automotive Forum to deliver comprehensive support to the automotive sector.

- SPX Contech established a new facility in Welshpool to manufacture steering and power train components.
- General Domestic Appliances invested £26 million at Kinmel Park, safeguarding over 1,000 North Wales jobs.
- SmE-Business programme launched to help indigenous businesses make effective use of Information and Communication Technologies.
- Strong support for adding value to food products through farming innovation programmes and new investment by Aeron Valley Cheese at Felinfach.
- Finance Wales Plc successfully established and the Investment Funds and Programmes of the Agency transferred to the new body.

Direct support to companies by the Agency resulted in Welsh firms securing over £17 million in new sales, already exceeding the target for the year.

The number of jobs supported in indigenous firms through business support and capital projects reached 5,459, just over 50% of the annual target.

Of these, 3,660 jobs have been created or safeguarded in indigenous firms engaged in Agency programmes to support supply chain development, to introduce innovation and technology and other activity such as Agri-food initiatives.

The balance between jobs safeguarded and new jobs has shifted. Of the total jobs supported in indigenous firms, half year estimates indicate that whilst 14% of jobs were new in 1999/2000, in 2000/2001 new jobs now represent 25% of the total to date.

In a difficult market affected particularly by high exchange rates, investment from overseas will create 930 jobs, 37% of target. Inward investment in total secured an associated capital investment of £44 million and 3,735 jobs.

The Assembly has set the Agency a challenging target that this year 12,500 of the total of 19,000 jobs (i.e. 65%) should be located in western parts of Wales and the Valleys. At the half year point over 6,300 jobs (69%) of the total to date have already been created or safeguarded compared to 2,831 (31%) in the east.

Highlights

Participation: Increasing the number and quality of jobs and reducing economic inactivity (*Betterwales.com*)

Participation and Enterprise programmes

Additional support has been given to Business Connect, the Entrepreneurship Action Plan and programmes such as the Graduate Placement Schemes and SME Equality programmes.

Key projects included a WDA partnership with Business Connect and Chwarae Teg to set up a series of

workshops in Mid Wales to encourage more women to take up training and education courses, and to develop start-up enterprises.

The Investment Funds and Programmes of the Finance Programmes Department of the WDA transferred to Finance Wales Plc. A wholly owned subsidiary of the WDA, Finance Wales provides an extensive range of investment funds and management support programmes, according to Cardiff Business School research, 'one of the most extensive and comprehensive suites of financial products available at a regional level anywhere in Europe.'

Inward investment

Appendix 2 lists the projects so far attracted to Wales. As far as the distribution between West Wales & the Valleys and East Wales is concerned, £33 million of PSI (74%) and 2,959 jobs (80%) were generated or sustained in West Wales & the Valleys compared with the year end targets of 57% and 71% respectively, showing the impact on Objective One areas.

International marketing: raising the international profile and influence of Wales (*Betterwales.com*)

Vigorous marketing programmes have been carried out overseas to sustain the pipeline of new projects currently facing pressure from changes in the inward investment market-place as it moves away from traditional large scale manufacturing projects.

The current pipeline of projects is comparable with last year in terms of job numbers. Strong promotional campaigns have been conducted in support of the Agency's work, particularly in terms of the announcement of results and individual investments, and in support of individual programmes: new in-flight video, promotion of the Automotive and Aerospace sectors in Wales, and the Welsh Open Golf Tournament.

Forward planning is in place for a major Automotive conference to be held in conjunction with the Network Q Rally and there has been close involvement with the bid to host the Ryder Cup Golf Tournament in 2009.

Added Value: Building an advanced competitive and more diverse economy, with a dynamic small & medium enterprise sector. (*Betterwales.com*)

Competitive Development

Programmes include supply chain development to improve productivity and support for application of innovation and technology. The major theme of the Corporate Plan for 2001-2004 is to encourage the creation of a knowledge based economy in Wales.

The network of Innovation and Technology Counsellors giving expert advice to help SMEs adopt more innovative practices has been doubled with the support of the Assembly.

The Wales smE-Business programme was launched to provide more than 10,000 small and medium enterprises with information and direct support to increase competitiveness through the application of Information and Communication technologies.

Strong investment has been secured in the high value added end of the automotive sector, research & development in semi-conductors and the establishment of leading edge customer service centres:

Opening of a state of the art Advanced Learning Centre and Climatic Wind Tunnel at Calsonics's European Technical Centre in Llanelli.

SPX Contech announced the expansion of its global components manufacturing capability by the establishment of a new facility in Welshpool, Powys to manufacture aluminium steering and power train components.

Hitachi Cable, the leading Japanese automotive company has taken over the former Lucas Varsity Power steering Plant in Ebbw Vale and in North Wales.

Tokai Rika will invest over £6 million in a facility to manufacture switches.

Agilent, the leading Californian semi-conductor research company located its UK operations in Swansea. The company will design and test the latest innovations in communication science and technology. This investment is seen as paving the way for other global hi-tech companies to create research and development laboratories.

Strategic Area Development

Business Infrastructure

Business infrastructure programmes include the development of strategic sites, investment in telecommunications infrastructure and the provision of advance premises. Key projects which got underway in the first half of the year included the launch of a public/private sector partnership between the WDA, BP Amoco and Neath Port Talbot County Council and the Princes Foundation to transform the disused oil refinery site at Llandarcy in west Wales to create a 'sustainable' urban village. The development is set to create over 2,000 jobs and secure investment of £500 million over a twenty year period and provide around 1,800 new homes.

Regeneration and Land

On 1 April 2000 the Land Division assumed responsibility for the residual portfolio assets of the former Cardiff Bay Development Corporation. The Agency is on target to generate the receipts required by the National Assembly. Following the acquisition the Division has actively been marketing and disposing these assets which to date has included the Custom House, Penarth, land at the Graving Docks and the Exchange Building in Mount Stuart Square.

Other disposals include the sale of the former Mid-Glamorgan CC offices in Greyfriars Road, Cardiff vested in the Residuary Body for Wales with the proceeds distributed amongst the councils of Rhondda Cynon Taff, Vale of Glamorgan, Cardiff, Caerphilly, Bridgend and Merthyr.

Further housing sites were brought to the market at Caerleon near Newport, Denbigh and at North Pentwyn, Cardiff.

Expected acquisitions include the former Ely Paper Mills in Cardiff and land at Shotwick Road, Deeside which could provide a major employment site. Shotwick Road is presently subject to a Public Local Inquiry which commenced in September 2000 where the Agency is promoting the site with the support of Flintshire CC.

Major infrastructure works programmed to commence include works at Ruabon Business Park, Wrexham, the former Hotpoint site at Llandudno Junction and Brocastle in Bridgend.

Rural activity

Business Connect and the Agency's Mid Wales Division launched a new retailers award to promote enterprise in small shops and stores in rural Wales. A Farming Fair was sponsored by the Food Directorate aimed at bringing farming families together to find out about new innovations in the farming industry, improved farming methods and adding value to existing products.

The Graduates Means Business programme, which provides practical help on setting up business to graduates living in Mid Wales recorded that since its launch six participants had successfully started their own businesses.

Two Brecon based companies Brooke Thompson and Beacon Foods undertook major expansions which resulted in the creation and safeguarding of 194 jobs in Wales. Aeron Valley Cheese opened its new cheese production and storage plant at Felinfach, delivering a major boost to the regions dairy farmers and creating 65 new jobs.

Regional Highlights

North Wales

Key projects completing in the half year have included a speculative 100k sq ft unit at Deeside with the

potential for attracting 150 jobs and capital investment of some £3 million. Support for rural areas has been increased through the establishment of the Farm Machinery Network Support programme which has already safeguarded and created 163 jobs.

General Domestic Appliances, parent company of Hotpoint, one of North Wales largest employers has safeguarded over 1,000 jobs by investing £26 million to build a range of advanced washing machines. This state of the art production facility at Kinmel Park was won in the face of competition from eastern Europe.

Mid Wales

The overall performance of the division, in terms of actual to date and forecasted, for jobs and PSI is encouraging. The main capital schemes to make a significant contribution to the strategic targets include the bespoke extension for Aeron Valley Cheese, Felinfach, unit lease for the Burger Company, Builth Wells and a unit lease for Nimbus Foods, Dolgellau

In addition, the Division's Business Development programmes, such as Business Connect, continue to play an important part in terms of strategic output performance.

The main capital scheme due to be completed in the second part of the year is the Section 10 Infrastructure project to facilitate the improved electricity infrastructure at Blaenau Ffestiniog. This scheme will save at least 250 jobs and provide the potential for the creation of a considerable number of new jobs in the area through releasing additional land for development.

South West

Highlights in the first half year include investments by NTL, HSBC, and Manpower Services in three state of the art customer service centres, creating between them over 1,200 jobs. DPS Composites which supplies the Formula One motor racing industry expanded into an advance unit at Pembroke Dock creating 160 jobs and investment of £0.75 million. 3M created 107 and safeguarded 63 more with and £2.7 million investment at their Gorseinon plant. In addition Chinese shoe manufacturer Athlons created 141 jobs establishing their business at Thornton Industrial Estate at Milford Haven. The Technium Centre also saw the exciting investment of Agilent Technologies

South East

@Wales, the Welsh Digital Media Initiative, was established to support new and developing companies in the high growth multi-media sector. Incubated companies will be provided with office facilities, high bandwidth internet access, rack space and servers at the @Wales building in Cardiff Bay. Also support from specialists in IT, Business, Marketing, etc.

The Accelerate Wales Programme commenced following extensive consultations with automotive sector and approval of funding from NAW. This is the first extensive and comprehensive Business Development Programme designed by the companies in the sector, under the auspices of the Wales Automotive Forum, and will also be delivered through the main companies in the sector.

Cleppa Park, Newport – Principal terms agreed between WDA/Newport CBC/Cardiff University for JV with Morrison Development Ltd for phased development of 45 acres, as a mixed science/business park including hotel complex, in accordance with Masterplan agreed with JV partners. Morrison's to provide £1.5m of infrastructure and first phase 60k sq ft speculative HQ office building. Subsequent phases to be developed within 5 years. Possible receipt to WDA over 5 years is estimated at £2.5m. This site, together with the nearby Imperial House Phase II, will provide a major opportunity to attract high growth, high technology companies to South Wales.

The attraction of One 2 One to Merthyr Tydfil, securing nearly 1000 jobs, is providing much needed employment opportunities in the deprived areas in and around Merthyr. One 2 One are based on the Rhydycar Business Park, developed as part of the long term strategy between the Agency and the local authority to deliver new high quality employment sites within the Borough.

The Environment Working for Business programme is progressing well in the pilot areas of Merthyr Tydfil and Blaenau Gwent and may be extended shortly to Bridgend, Caerphilly and Torfaen. The scope of the programme could be extended if Objective One funds are secured.

APPENDIX 1

WELSH DEVELOPMENT AGENCY

2000-2001 STRATEGIC TARGETS REPORT TO WELSH ASSEMBLY

AS AT SEPTEMBER 2000

	2000/2001	YTD
	Target	Actual
<u>JOBS SUPPORTED</u>	19,000	9,194
Business Development/Capital Programmes	10,500	5,459
Inward Investment	8,500	3,735
Of Which :		
Overseas New Projects	2,500	930
* IBB Criteria		6,714
<u>PRIVATE SECTOR INVESTMENT</u>	£580m	£127m

	Business Development/Capital Programmes	£290m	£83m
	Inward Investment	£290m	£44m
*	IBB Criteria		£59m
<u>NUTS II – WEST WALES & VALLEYS</u>			
	No of Jobs	12,500	6,363
*	Percentage		69%
	Business Development/Capital Programmes	6,500	3,404
	Inward Investment	6,000	2,959
	Private Sector Investment	£330m	£59m
	Business Development/Capital Programmes	£165m	£26m
	Inward Investment	£165m	£33m
<u>NUTS II – EAST WALES</u>			
	No of Jobs	6,500	2,831
*	Percentage		31%
	Business Development/Capital programmes	4,000	2,055
	Inward Investment	2,500	776
	Private Sector Investment	£250m	£68m
	Business Development/Capital Programmes	£125m	£57m
	Inward Investment	£125m	£11m
<u>BUSINESS DEVELOPMENT</u>			
*	Business Secured	£12.9m	£15.825m
			**
<u>LAND RECLAMATION</u>			
*	Area Reclaimed	49Ha	20.35Ha

LAND DIVISION		
* Disposal of Land		
Hectares	31Ha	23Ha
Value	£17m	£12m
Floorspace	16,000 sq m	14,000 sq m
* MANAGEMENT RUNNING COSTS (maximum)		
	£28.844m	£13.402m
* Not A Strategic Target		
** As At August		

APPENDIX 2

Projects Completed as at September 2000		Division	NUTS	PSI	JC	JS	Total
Planetree Printing	Powys	Mid	East	£35,000	6	0	6
The Burger Co	Powys	Mid	East	£780,000	65	0	65
Forsheda Ltd	Powys	Mid	East	£1,100,000	30	0	30
Kimberly-Clarke	Flintshire	North	East	£7,500,000	0	270	270
Tokin UK Ltd	Cardiff	South	East	£0	2	0	2
Ellis & Buckle	Cardiff	South	East	£0	200	0	200
Triplex – Williams Ltd	Cardiff	South	East	£2,000,000	0	203	203
			East Total	£11,415,000	303	473	776
Aeron Valley Cheese – Felinfach	Ceredigion	Mid	WW&V	£2,200,000	75	0	75
Cycle Citi Corp	Gwynedd	North	WW&V	£1,500,000	20	0	20
Soten UK Ltd	Merthyr Tydfil	South	WW&V	£2,270,000	47	0	47
Yarwood Cutting Concepts	Rhondda Cynon Taf	South	WW&V	£309,000	11	0	11
First Scientific Ltd	Blaenau Gwent	South	WW&V	£0	5	0	5
Brook Thompson	Blaenau Gwent	South	WW&V	£1,540,000	42	23	65
R-Tek Ltd	Merthyr Tydfil	South	WW&V	£550,000	14	29	43
Reynolds Industries Ltd	Torfaen	South	WW&V	£0	15	0	15
Eurocaps Ltd	Blaenau Gwent	South	WW&V	£422,000	9	0	9
Lifton Excavators	Blaenau Gwent	South	WW&V	£2,340,000	53	13	66
AB Automotive Electronics	Rhondda Cynon Taf	South	WW&V	£600,000	12	23	35

One 2 One Personal Comm	Merthyr Tydfil	South	WW&V	£12,530,000	810	0	810	
Lucas Varity TRW	Blaenau Gwent	South	WW&V	£1,200,000	0	36	36	
Kestrel (South Wales) Ltd	Caerphilly	South	WW&V	£1,400,000	111	0	111	
NTL	Swansea	West	WW&V	£0	500	0	500	
Manpower Services – Cleddau Bridge	Pembrokeshire	West	WW&V	£2,400,000	600	0	600	
Athlons Ltd – Thornton Ind Est	Pembrokeshire	West	WW&V	£817,000	141	0	141	
3M'S – Gorseinon	Swansea	West	WW&V	£2,700,000	107	63	170	
Sea Baits – Port Talbot	Neath Port Talbot	West	WW&V	£250,000	30	0	30	
HSBC – Llansamlet	Swansea	West	WW&V	£0	120	0	120	
Dewhurst – Parc Hendre	Swansea	West	WW&V	£0	50	0	50	
				WW&V Total	£33,028,000	2772	187	2959
				Grand Total	£44,443,000	3075	660	3735