

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

WEDNESDAY 31 JANUARY 2000

## Exceptional items only (since last EDC – 17 January)

### 1. Latest Economic Assessment

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#### **Business Surveys announced**

CBI Quarterly Industrial Trends Survey. Key points are:

- Overall business optimism amongst Welsh manufacturers has fallen. The balance of firms reporting that they are more confident is -20%. This follows positive balances in the July and October 2000 surveys. Export optimism is also down.
- Domestic sales are reported to have fallen but are expected to pick up again over the next four months. The balance of respondents report falling employment.
- Once again the survey provides evidence of a squeeze on profit margins. The balance of respondents report a rise in average unit costs but a fall in average prices. The trend of rising costs and falling prices is expected to continue in the next period. This appears to be having an effect on investment intentions which are down.

Dun & Bradstreet Business Expectations Survey. Key points are:

- Business optimism in Wales has improved in all categories (indices for exports and new orders have not been calculated) compared to the last Dun and Bradstreet survey. Despite the apparent improvement in expectations, business leaders in Wales remain the least confident in the UK on many of the indicators. **Note:** the survey is based on a little over 50 respondents in Wales.

British Chamber of Commerce Quarterly Economic survey. Key points are:

- The balance of manufacturers reporting an increase in domestic sales in the last quarter is +38%. This is significantly higher than the balance for the UK as a whole. A small but positive balance of manufacturers reported an increase in employment in the last

quarter.

- An increased balance of service sector companies report an increase in domestic sales and orders. Export performance in the service sector appears to have deteriorated. Employment prospects appear to be brighter in the service sector than the manufacturing sector.
- Business confidence in the manufacturing sector is lower in Wales than any other UK region. Confidence in the service sector is also lower in Wales than in the UK as a whole.

### Employment Trends graphs

These are attached to this report as an Annex.

## **2. Major issues**

### **Corus**

I will make a separate oral report on this matter at the Economic Development Committee meeting.

### **3. Job news**

#### Losses

GE, Nantgarw

Officials met with the company last week to discuss the latest position, following speculation in the press about job losses. The company informed that a downturn in the world wide economy (declining aeroplane passenger numbers, high fuel costs, low ticket prices etc), coupled with engines being retired quicker than expected (more cost effective when fuel costs are high -new engines require less servicing and fuel). They had no choice but to announce 88 redundancies, no further cuts were envisaged but this could not be ruled out if the world economy deteriorated. However, of the 300 jobs lost since February ( contract and permanent staff) only 26 have been forced redundancies and all of the 36 apprentices they could not take on found other jobs in the aerospace industry. They also hope that most of the 88 new redundancies will be on a voluntary basis. The company was also very complementary about the support provided by the Assembly.

Takiron, Bedwas

Takiron (UK) Ltd, the first Japanese company to come to Wales - in 1972 - currently employs 57 staff in Bedwas, Caerphilly, in the manufacture of prefabricated sheeting. Continued losses over the past 6 years, totalling in excess of £6 million, have the Parent to review continued support for the plant, resulting in the plant's Directors having to make the decision to close the plant, unless a buyer can be found.

Takiron is therefore commencing consultations over redundancies, which it will continue, should a buyer for the operation not be found. The Parent has, apparently, indicated that it is prepared to make further monies available to be used as part of a redundancy package, which they envisage would be "substantially in excess of the statutory requirement".

The WDA and the local TEC are already in contact with the company to offer all possible assistance to affected staff, and also to try and secure a new buyer for the site.

### Other losses

Impress Packaging, Rhymney – 65 jobs to be lost by this steel company which manufactures steel "ends" for cans.

Kestrel South Wales, Crumlin – 77 redundancies at this plastic injection moulder, which has gone into receivership

Pioneer Stores, Port Talbot – 80 redundancies resulting from store closure, following lack of sales.

Eynons (Pontardawe) Ltd – 55 redundancies at this retail bakery, following insufficient profit potential to rebuild after a major fire at the premises

### Gains

Surface Technology Systems, Newport – creating 83 new jobs at their £4.7 million high-tech expansion project on Imperial Park in Newport. Assisted by RSA.

### Other announcements

#### Finance Wales Board of Directors appointments

These new Directors, together with Chairman Brian Howes, will guide the operation of the company in providing small and medium sized firms in Wales with financial backing and expert advice.

The Directors are:

**Mohammed Akteruzzaman** , Enterprise Development Officer for Cardiff County Council's Strategic Planning and Neighbourhood Renewal Department. He has been providing financial advice to small businesses for a number of years and has wide experience of accountancy and finance, having worked for a number of Cardiff-based accountancy firms. He was awarded an MBE for his services to the community.

**Susan C.Balsom**, runs her own company in Aberystwyth, FBA, specialising in public relations, design and publishing. She is Vice Chairman of the BBC Broadcasting Council and a Board member of the Welsh Development Agency. Her special interests include agriculture, food production and the promotion of rural businesses in Wales.

**Karen Bellis**, a former lecturer in agriculture and land-based subjects at Carmarthenshire College of Technology and Art and founder director of LiveWIRE Cymru. She is now Director of International Development for ShellLiveWIRE - a programme that encourages those aged between 16 and 30 to consider starting a business.

**Graham Thelwall Jones**, a stockbroker and investment banker who is a former Chairman of the Liverpool Chamber of Commerce and a founder director of the Merseyside Special Investment Fund - which pioneered the use of European funding to provide support for small and medium sized enterprises.

**Professor Dylan Jones-Evans**, Professor of Enterprise and Regional Development at the University of Wales, Bangor and Director of the Centre for Enterprise and Regional Development. His main research interests are the development of world class small firms, the study of fast-growth businesses and linkages between academia and industry. He is co-editor of a best selling new textbook - "Enterprise and Small Business" - published by the Financial Times.

**Meirion Thomas**, head of the Observatory of Innovation and Business Development at Cardiff Business School. He was previously an Executive Director of the WDA responsible for investment management having gained industrial and banking experience with Lloyds Bank and Ford. He is Chairman of St.David's Forum, a Director of the Institute of Welsh Affairs and is a non-executive director of a number of Welsh SME's as well as having his own business interests

**Peter Wright**, a professional advisor to fast growing small and medium sized firms. Mr.Wright worked for the Nat West Bank for 31 years - which included periods as head of the bank's Specialised Finance Unit and as the Corporate Director of bank's largest London-based company business centre which focussed specifically on fast growth firms in the technology and e-commerce sectors.

## Fiscal Variations

I expect to be in a position shortly to recruit expert advisers to help develop specific proposals tailored to the needs of Wales and for them to complete their work by the end of March. I will keep the Committee informed of progress

## Regulatory Reform Bill

Of the 2 Bills affecting Wales being considered in the House of Lords, The Regulatory Reform Bill was announced in the Queen's Speech for the 2000/2001 session and introduced in the House of Lords on 7 December. It was discussed in Committee last week (23-25 January). Report is due in about 2 weeks and the third reading immediately afterwards. The Bill should be in the Commons by early March and should become an Act by early April.

The purpose of the new power is to reform legislation with a view to removing or reducing burdens on those carrying on activities, including businesses, charities, the voluntary sector and the wider public sector and individual citizens. The general expectation is that such reforms would tend to reduce the overall cost of regulation.



**ANNEX 1**

Employment Trends Graphs (see Excel file Jan31EDC.xls)

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**ANNEX 2**

Report of EDC meeting on 29 November re Ombudsman – Business Connect.

## Economic Development Committee

30 January 2001

**Venue:**

**Committee Room 2, National Assembly Building**

**Title :**

Ombudsman - Business Connect

### **Purpose of Paper**

1. At the EDC meeting on 29 November the Committee asked the Economic Development Minister to consider issues involved in establishing an ombudsman in connection with services received from Business Connect.

### **Summary/Recommendations**

#### **Main findings**

2. A separate ombudsman would be inappropriate for the present organisational structure of Business Connect.
3. There are clear guidelines for complaint handling, including mechanisms for external adjudication at the local level, within Business Connect.
4. The number of recorded complaints about the quality of service provision is very low in relation to the number of service transactions carried out on behalf of Business Connect.

#### **Recommendations**

5. The board of Business Connect Wales Ltd (BCW) is invited to formulate proposals for collating and monitoring complaint data on a systematic basis.

#### **Background**

6. In very general terms, a body can be added to the list for the Welsh Administration Ombudsman if it is established by government, is funded by the Assembly (at least 50%), and if the Assembly appoints any of its members. Whilst Business Connect Wales Ltd broadly meets these criteria except the Assembly does not appoint the board's members. The BCW board comprises members from the business community and the principal public sector business support bodies. It would be a straightforward matter to amend its constitution so that the Assembly appointed one or more members – the Assembly currently nominates an observer.
7. However at the point of service delivery Business Connect does not operate as a single legal entity with its own employees. The Business Connect gateway services are provided through its partners who are

principally the WDA, TECs, Local Authorities and Enterprise Agencies. From 1 April 2001 the CETW will take over the TEC skills-related business support services and the WDA will take over all other business support activities from the TECs.

8. A separate ombudsman would not therefore be appropriate within the present organisational structure of Business Connect.
9. We have looked at the existing complaints procedures within Business Connect to see what level of assurance it provides. We can confirm that clear national written procedures and service standards exist. These are laid down in the Business Connect Quality Manual, supplied to all frontline centres, and a Customer Service Statement which is supplied to customers. The text of the complaints procedures and the Customer Service Statement are attached as Annex A & B.
10. Business Connect's complaint procedures are drawn up on the basis that each of the partners has its own system of independent redress using some form of external complaint adjudication. For example TECs are required to make arrangements to employ an independent external complaints adjudicator whilst the Welsh Development Agency comes under the remit of the Welsh Administration Ombudsman and the local authorities come under the Commission for Local Administration for Wales. The CETW will be required to develop a procedure for handling complaints and we anticipate that the Council will, like the WDA, be brought within the remit of the Welsh Administration Ombudsman once it comes into operational effect on 1 April.
11. The complaint procedure systems in use within individual centres, as defined in the Quality Manual, are subject to annual scrutiny by independent consultants.
12. We have sought to get quantitative data on the number of complaints but this is not collated in a consistent manner at the regional and national level. The numbers of complaints readily identified were in low single figures.
13. The number of recorded complaints is a low against the 20,000 enquiries received through the all Wales telephone number.
14. Business support tends to be holistic in nature rather than fitting in discreet "boxes" of information, referral, advice etc. Consequently it is not always simple to identify where the Gateway service ends and the delivery of services by the partners begins. Nonetheless we believe it would be worthwhile for the board of Business Connect Wales Ltd to seek to harmonise procedures for collating complaints data and reviewing it at the regional and national level.
15. We have sought to identify examples of best practise with officials in the Small Business Service England and the devolved administrations. The responses show that procedures within the UK are broadly similar.

## **Compliance**

16. The Assembly's powers to sponsor Business Connect Wales Limited derive from Section 11 of the Industrial Development Act 1982. The relevant functions have been delegated to the Economic Development Minister.

**Annex A**

*(EXTRACT FROM BUSINESS CONNECT QUALITY MANUAL)*

### **11. COMPLAINTS PROCEDURE**

## **11.1. Purpose & Scope**

11.1.1. The purpose of this procedure is to ensure that all Business Connect complaints are dealt with efficiently and to the client's satisfaction. Wherever feasible, client complaints should also be used as an opportunity to secure improvements in processes and ways of working, and in the nature and coverage of services.

11.1.2. This procedure covers any complaint relating to services and facilities provided by any Partner or Associate in response to a Business Connect enquiry.

## **11.2. Procedure**

11.2.1. All Business Connect Partners and Associates will nominate an individual to be responsible for dealing with Business Connect complaints.

11.2.2. Any written or verbal complaint will be acknowledged within 2 (two) working days. Both written and verbal complaints will be documented and filed.

11.2.3. Remedial actions will be initiated and the client advised accordingly within 10 (ten) working days.

11.2.4. Each complainant will be advised of the process of redress in the event of the reply being deemed unsatisfactory.

## **11.3. Corrective Action**

11.3.1. Each Partner or Associate organisation is responsible for taking the necessary action to address a complaint and to ensure wherever possible that it will not recur.

11.3.2. Where a complaint relates to a Business Connect procedure, or there is otherwise value in sharing the information, the Partner or Associate will provide a summary of the complaint and the corrective action to the Business Connect Co-ordinator.

11.3.3. Wherever possible the details of the complaint and the corrective action taken will be tabled at the subsequent Consortium meeting and maintained on file.

## **11.4. Redress**

11.4.1. It is expected that each Business Connect Partner or Associate will have its own process of redress in the event that a complaint remains unresolved. This will be used wherever appropriate.

11.4.2. In the event that such a process does not exist, or the matter remains unresolved, the complaint will be referred to Business Connect Co-ordinator, who will place the matter before the appropriate Consortium body.

## **Annex B**

### **Customer Care Statement**

#### **Services**

Business Connect provides access to a range of services, via telephone and face to face support to help new and existing businesses in Wales. Assistance, support and guidance to improve performance and competitiveness includes help with:-

- Access to all aspects of training and management development
- Advice on current Business issues (e.g. Euro, Millennium Bug etc)
- Business Expansion
- Business Planning
- Business Premises
- Business Start Up
- Design, Patent and Environmental Advice

- Export Support
- Finance – Grants and Loans
- Innovation and Technology
- IT Support
- Marketing

## **Business Connects Promise to you**

When you Contact Business Connect you can expect;

- That we will deliver a professional service through staff who are trained in their specialist areas, have an empathy with the needs of Welsh Businesses, and who will clearly explain services that are relevant to your Business.
- We will treat all client information in the strictest commercial confidence
- Impartial advice will be offered, recommending options, which represent the best value for the strictest commercial confidence.
- Courteous, speedy and efficient service by a named contact.
- That Business Connect Services will be available between the hours of 9.00 a.m. and 4.30 p.m. Monday to Friday and that phones to be answered within five rings.
- All requests for information will be actioned promptly and a response, or information on the progress of a response, given within two working days.
- That we will use language and terminology which is both clear and understandable
- If you are referred to another organisation, then we will use our best endeavours to see that high quality service standards are applied and that you are satisfied with the service provided by that organisation.

## **Choice**

We will offer you choice and flexibility whenever possible

## **Value**

Business Connect is accessible for the cost of the other services, for businesses, are available free of charge.

## **Continuous Improvement**

We know that we can learn from comments received from customers, including complaints. Therefore if you feel our service has not met the standards you expected, then please tell us. In the first instance, contact our local Business Connect Centre, or if you wish, ask to speak to the local Business Connect Co-ordinator who Co-ordinates the management of the centres in your area. Any complaints will be thoroughly investigated and responded within 10 working days.