EDC 03-01(p1) ECONOMIC DEVELOPMENT MINISTER'S REPORT TO THE

ECONOMIC DEVELOPMENT COMMITTEE

WEDNESDAY 14 FEBRUARY 2001

Exceptional items only (since last EDC – 31 January)

1. Latest Economic Assessment

Business Surveys announced

There have been no new Surveys announced since 31 January 2001.

Monthly Economic Statistical brief.

The latest Brief is available on the Intranet, at:

http://assembly/aegis/Subject%20Index/Data%20Wales/headlinestatisticswales/Economy/2001/hdw_KeyEconomicStats_e.htm

Index of Production and Construction

The latest Index is available on the Intranet, at:

http://assembly/aegis/Subject%20Index/Data%20Wales/headlinestatisticswales/Economy/2001/hdw200101112.a_e.htm

Labour Market Statistical Releases

New employment/unemployment figures are released at 9.30 a.m. on Wednesday 14 February. These are available on the Internet, at:

http://www.statistics.gov.uk/pdfdir/lmswales0101.pdf

http://www.statistics.gov.uk/pdfdir/lmsuks0101.pdf

I will give a separate verbal report if required.

Regional Trade Data (imports/exports)

Data produced by Customs & Excise on imports/exports is available on the Internet, at:

http://assembly/aegis/Subject%20Index/Data%20Wales/ogr/other.htm

Action Arising from Previous EDC meetings

EDC meeting 29-11-00.

At the EDC meeting on 29 November 2000, it was noted that the baseline figure for Business Enterprise R&D in Wales of 1.2% of total UK expenditure seemed low when compared to 1.8% for 1999. The Economic Development Minister agreed to provide a note clarifying the figure of 1.2%.

Comments

- The baseline figure of 1.2% has been confirmed as correct.
- Between 1993 and 1998, business R&D in Wales has varied between 1% and 1.4% of the UK total.
- Business R&D in the UK is dominated by the East, the South East and the North West, which in 1998 accounted for 60% of the total. The contribution in Wales is broadly in line with that for the North East and Northern Ireland, a characteristic exhibited in many other economic indicators, e.g. contribution to UK GDP.
- In the UK in 1998, Business R&D accounted for 63% of total R&D, whilst in Wales it is only 43%. R&D expenditure in Higher Education institutions accounts for 39% of the total compared to only 20% for the UK. Government R&D accounts for the remaining 18% in Wales compared to 14% in the UK. Proportionally, Wales spends more on non-business R&D than the UK as a whole and all regions bar London and Scotland.
- Data on business expenditure on R&D are derived from sample surveys, and as a result it is possible that the lower figures prior to 1999 were partly as a result of proportionally lower levels of sampling and response rates in Wales. The doubling of the sample size in 1999 has resulted in more accurate estimates of R&D expenditure.

2. Major issues

Corus

Since last summer Corus has signalled an intention to reduce its workforce in Wales by more than 4,000. Allowing for reductions among on-site contractors, the loss facing us amounts to more than 5,000. A multiplier effect of only one to one would take the total effect on the economy to over 10,000. Others would put the total effect far higher. It is worth remembering that a steelworker earns almost twice the average income per head in Wales.

The numbers and locations of those directly affected by the latest Corus job losses are:

Llanwern 1340 Ebbw Vale 780

Functional Support 200 (LLW and PT) Whiteheads 20

Shotton 319 Newport (Orb) 30

Bryngwyn 127 **Total 2816**

Corus has agreed a moratorium until a meeting with the unions on 14 February; this period is being used for the unions to produce proposals to avoid the job cuts and closures announced by Corus.

On a contingency basis, the Assembly has been putting in place the processes to respond if Corus continued dramatically to favour its overseas operations while seeking to downsize its UK operations.

There has been an all-Wales Steel Task Force in place since the last round of large-scale Corus redundancies in July. This met again on Friday 9 February and though the topics covered were inevitably restrained by the Corus/unions moratorium, there was progress in clarifying the position of contractors and suppliers affected by the decision.

An informal meeting of the key agencies and local authorities was held on Monday, 5 February. This agreed an *outline* contingency plan covering employment, training, infrastructure, new business and regeneration and a range of social measures.

The Assembly is continuing to respond to the unions' wishes that we will **not** finalise or implement a recovery package until after the moratorium has ended and the Company's intentions are clear. Discussions have taken place with the unions and DTI on what could be done to persuade Corus to change its mind .

3. **Job news**

<u>Losses</u>

Dairy Crest - Marshfield and Carmarthen

I very much regret these job losses, which were outlined in a Statement made by the Agriculture Minister, Carwyn Jones, on 1 February. The local Training and Enterprise Agencies, and other Assembly Sponsored Public Bodies, will continue to work with the company to provide all possible assistance to affected staff.

Coats Viyella – a total of 31 redundancies at 5 outlets in Wales (either 6 or 7 redundancies at each outlet)

Gains

Port of Mostyn – announced 8 February 2001 - £17 million investment in North Wales, set to create 85 new jobs.

Halifax Card Services, Cardiff – have already created 400 new jobs following their recent take-over of the US company Bank One’s UK credit card operation. Jobs associated with the project, being supported by RSA, are estimated to rise to around 1,000 new jobs in Cardiff over the next 5 years.

Ford, Bridgend – capital investment of £240 million, creating 640 new jobs. Been offered assistance by the Assembly.