

ECONOMIC DEVELOPMENT MINISTER'S REPORT TO THE ECONOMIC DEVELOPMENT COMMITTEE

WEDNESDAY 7 MARCH 2001

Latest Economic Assessment

New regional GDP figures

1. The main points are:

- The new GDP per head figure for 1999, of 80.5 per cent of the UK average, is an improvement on that for 1998.
- The fall of Welsh GDP per head relative to the UK in 1998 to below 80 per cent has been revised away (it is now 80.2 per cent).
- Revisions to the back series from 1989 onwards show GDP per head in Wales around 82-84 per cent of the UK level up to 1996, falling to about 80 per cent in 1997, 1998 and 1999.
- [GDP growth in Wales during 1998/99 outstripped that of the UK and was faster than all other regions except the South East and Eastern Region.](#)
- The figures for these last 3 years are based on incomplete information. In particular, Inland Revenue income data is not available. The figures are therefore provisional.
- GDP for NUTs 3 areas are due to be published on Thursday 26th April.

Business surveys

2. No new surveys have been announced since 14 February 2001.

Action arising from previous EDC meetings

3. WEFO to provide note on whether 'scoring' system for ERDF caused delays. WEFO is not aware of delays resulting from the scoring system. The delay in *processing* applications is due mainly to:

- The over-subscription of certain measures, where projects will have to be taken to the new Strategy Partnerships; or
- The development of applications in order to gather the required information and raise project standards.

4. **ED Minister to provide a note on appeals system.** A draft Appeals Procedure has been agreed by the Objective One Programme Monitoring Committee. The procedure is under review and will need to be amended to bring it in line with the recommendations of the Task and Finish Group.

Major issues

Corus

The unions met with Corus on 14 February following the expiry of the 14 day moratorium. The discussions focused on the unions' proposals to reduce the severity of job cuts. [The Unions are scheduled to meet with Corus at the national level on 27 March to discuss the Unions' individual plant proposals.](#)

6. During this period, the Assembly Cabinet has had a wide range of discussions with the various stakeholders, including the unions, local authorities, Assembly agencies, the Westminster Government and the European Commission. The discussions have focused mainly on measures to support the unions' proposals to moderate the impact of the Company's plans. Work on contingency plans to deal with the worst case scenario has continued.

Job news

Gains and safeguarded jobs

7. **Bergstrom (Europe) Ltd, Ystrad Mynach:** the Company has taken over the former Kysor premises, safeguarding over 100 jobs. The RSA offer to Kysor been formally transferred to Bergstrom. This consolidates Bergstrom's European air-conditioning and heating operations at the Welsh plant.

8. **Scottish and Southern Energy, Cardiff Gate:** the Company has committed to Wales following its announcement on 26 February that it will locate it's customer service centre at Cardiff Gate.

9. **Lloyds TSB**: I issued a press release on 28 February welcoming Lloyds TSB's proposed expansion at Tredegar Park Newport, creating 250 new jobs.
10. Furniture company **Dunelm** announced on 1 March that it would create 140 jobs at the former UNO site on Newport Road in Cardiff.
11. **IKEA** announced on 2 March that it would create 500 jobs at a new store close to the Grangetown area of Cardiff.
12. **Total Engine Support** (maintenance and repair of aircraft engines) based at Navigation Park, Abercynon - announced on 14 February plans to expand its workforce from 25 to about 55 by 2003. The First Minister officially opened the Company's new offices.
13. I performed the ground-breaking ceremony for the fourth phase of the **St Asaph Business Park** in Denbighshire on 16 February. This will pave the way for the development of 12 small business units and the anticipated creation of 100 jobs.
14. On the same day, I also visited **Sintered Metal Products Ltd**, Llangefni. The Company manufactures specialist powdered metal components and is set to create 30 new jobs.
15. Last Friday, I attended the opening in Swansea of an extension by the highly successful chilled ready-meal manufacturer, **Ethnic Cuisine**. From start-up in 1994, and aided by RSA and WDA property grants, it has grown to nearly 400 employees today. The extension will double the Company's capacity and create a further 125 jobs over the next 3 years. The opening ceremony was performed by Sir Peter Davis, Chairman of Sainsbury's – which is the main customer for Ethnic Cuisine's products.

Losses

16. Since the last meeting of EDC, a number of companies have announced plans to reduce their work forces:

Salisbury UK Ltd	Crumlin, Gwent	Service	50
AB Connectors	Abercynon	Manu	35
Friction Dynamics	Caernarfon	Manu	36
KTH (BSK)	Llandidloes	Manu	225
Christie Tyler (Creative)	Bridgend	Manu	184
Christie Tyler (Outline)	Bridgend	Manu	60
Christie Tyler (Arkana)	Caerphilly	Manu	60
George Wimpey	Cardiff	Service	38

M K Electric	St Asaph	Manu	14
General Electric	Nantgarw	Service	88

17. Following the announcement of job losses by KTH, senior management of the Company met Assembly and WDA officials to discuss a range of development options. I met the Company shortly afterwards to reinforce the message that no stone should be left unturned in an effort to maintain the Company's operations in Wales. A number of action points have been agreed and these are being taken forward urgently by both the Assembly and the WDA.

Graduate Tele-working Initiative

18. The First Minister visited the **Graduate Teleworking Initiative**

at the Valleys Innovation Centre, Abercynon on 14 February. He saw at first hand the immense benefits to be gained through adopting an innovative approach to ICT.

19. This highly successful initiative, developed by the University of Glamorgan (with ERDF and WDA support) has provided invaluable help to graduates of the University and Pontypridd College seeking to set up their own businesses involving links through ICT to commercial centres in Cardiff Bay and elsewhere. Initiatives such as this are playing an invaluable role in ensuring that leading edge skills are not lost to the local economy.

Visit of the Taoiseach

20. One of the highlights of St David's Day was the very welcome and high profile visit to Wales and the Assembly of An Taoiseach, Bertie Ahern TD. He combined his visit to us with a keynote address to our Forum on Wales, Europe and the World at the Celtic Manor Resort in Newport.

21. The Forum attracted representatives from other EU Member States and many members of the London-based Diplomatic Corps including High Commissioners and Ambassadors. Without exception, those who attended felt that the event, and An Taoiseach's contribution, had been an outstanding success. It could well form a model for future events to mark the celebration of our National Day.

22. The British Ambassador to Ireland, Sir Ivor Roberts, also attended the Forum. I subsequently met him on 2 March and we discussed the potential for inward investment from Ireland and the export potential there for Welsh businesses in the light of the continuing strong performance of the Irish economy. The Ambassador has strong Welsh links and is keen to assist us in promoting Welsh products and produce. The possibility of a reception for Irish companies who might wish to invest in Wales was also discussed. I have asked for a package of information to be prepared for the Ambassador to assist him in helping promote Wales in Ireland.

Wales World Nation

23. St David's Day also saw the launch of *Wales World Nation* – a newly developed suite of promotional material about Wales. The aim of the package is to provide the Assembly with an advanced, integrated communication package with which to promote Wales on the World stage. The target audience is outside of Wales.

24. The new promotional material and associated brand is designed to help position Wales as a premier location in which to invest, locate, live and study – so meeting a key commitment in our strategic plan, betterwales.com

25. The package in its current form and stage of development is made up of 4 components: a fully interactive CD Rom; an information pack for journalists; a "coffee table" book and a website – www.walesworldnation.com

Off-shore consents

26. The Secretary of State for Trade and Industry has issued a consultation document on a new consents process for offshore wind or water-driven generating stations. He is seeking views on the appropriate way forward.

27. The reason for this review is that the current consents process does not include a mechanism for capturing the regulatory requirement for the submission of an Environmental Statement (ES) for offshore wind or water driven generating stations with an installed generating capacity of 50 MW or less.

28. The DTI, in consultation with the other consenting authorities, is seeking to develop a new streamlined process which will address this gap and ensure compliance with the requirements of the European Community Directive 85/337/EEC, as amended by Directive 97/11/EC (the "Environmental Impact Assessment (EIA) Directive").

29. The proposed way of achieving compliance with the EIA Directives is to bring all significant offshore wind or water-driven generating stations within the scope of the Electricity Act 1989 (S. 36) and thereby subject to the Electricity Works (Environmental Impact Assessment) England and Wales Regulations 2000. This would be achieved by an order specifying a low generating capacity threshold for offshore wind or water-driven generating stations (of perhaps 1MW) which would bring all developments above this capacity within the scope of S. 36, and therefore subject to the EIA Regulations.

30. I have been fully involved in the process leading to the launch of this consultation and will continue to ensure that Welsh interests are fully taken into account during the analysis of responses, decision-making on the way forward and implementation.

31. We will issue the consultation document in Wales in mid March, seeking views first and foremost on the proposed consents process but also on the role that the Assembly might play in the consent process for applications in Welsh territorial waters. In particular, we will seek views on the potential benefits and/or disadvantages of the Assembly having responsibility for giving consent, for example, to schemes in its territorial waters of between 1MW and 50 MW. In accordance with normal practice, the draft covering letter and consultation document have been posted to the intranet.

Mexico Trade Mission 11-17 February 2001

32. The company representatives on the recent trade mission to Mexico City were pleased that their objectives had been met. Prospective orders worth over £1.2m are anticipated by a number of the group. Three companies were so pleased with the reception they received from potential customers and agents in Mexico that they intend to return within 6 weeks to consolidate their business links.

Welsh Export Award winners

33. The Welsh Export Award winners are being announced at 12.00 noon on Wednesday 7 March. A list of winners will be circulated during the EDC meeting.

Restructuring Tourism Support

34. At the last meeting we talked about possible redundancies in the tourism sector because of the Wales Tourist Board's proposals to restructure support for the tourism industry through the establishment of four new Regional Tourism Partnerships.

35. I promised to come back to you on this. Much has happened over the past few weeks and the Wales Tourist Board wrote to all Assembly Members on 23 February setting out the latest position.

36. There will be an opportunity later today to discuss this matter in more detail under Agenda Item 4.

Business Partnership Council

37. BPC meets regularly three times a year, usually March, July and December. There have been five meetings so far; the last one, held on Thursday 15th February, was an extra meeting held specially to review four key policy documents:

- Assembly Review of Business Support and Development Services
- National Economic Development Strategy
- Transport Framework for Wales
- Planning Policy Wales

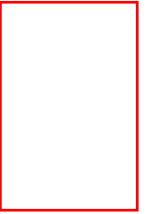
38. The last regular meeting was held on 1st December 2000; the next regular meeting is scheduled for Monday 19th March 2001. The booked venue for this meeting, Conference Rooms 2&3 in CP, has been taken over for an emergency (the Foot & Mouth crisis); alternative facilities are being set up in the Thistle Hotel, Park Place.

39. The proposed Agenda for the next meeting (19 March 2001) will include a presentation by Jane Davidson on Education Learning Wales (ELWa) with a discussion to follow; the state of Trade; a presentation by Andrew Davies on Information and Communications Technology (Wales On-Line/Cymru-ar-Lein) with a discussion to follow.

End Year Flexibility – EC Structural Funds

40. The Committee recently discussed end-year flexibility arrangements for Structural Funds. The position is set out for clarification in the letter attached as an Annex.

Annex



Cynulliad Cenedlaethol Cymru

The National Assembly for Wales

Mark Parkinson

DCR Expenditure Team

HM Treasury

Parliament Street

London

SW1 3AG

Parc Cathays / Cathays Park

Caerdydd / Cardiff

CF10 3NQ

Eich cyf / Your ref

Ein cyf / Our ref

Dyddiad / Date 27 February 2001

Dear Mark

EUROPEAN STRUCTURAL FUNDS

The purpose of this letter is to seek clarification of the rules governing end-year flexibility for the Assembly's DEL provision insofar as it relates to resources to cover European Structural Fund receipts.

The Assembly's budget provision to cover all Structural Funds receipts (i.e. ERDF, ESF,

EAGGF, FIG) over the next 3 years, which has now been published on the Assembly's web site, is £135.239 million, £170.263 million and £182.700. The provision is derived from the SR2000 settlement of £113 million, £148 million and £160 million, plus baseline provision and a sum to enable the Welsh European Funding Office to provide appropriate support to the Programme Monitoring Committees, and to obtain professional expertise when necessary to appraise and evaluate projects.

Everyone acknowledges that these figures can represent no more than our collective best estimates of the rate at which programmes will proceed over the first few years. The tendency in the past has been for structural funds expenditure to be taken up more slowly than forecast, but we need to take account of the possibility that - for the Objective 1 programme in particular - the programme and therefore programme expenditure will move more quickly than the forecasts represented by these figures.

I am therefore writing to record our agreed understanding of what the funding rules say. The intention is that the rules for carry forward of unspent provision into future years is the same for Structural Funds as for any other element of unspent DEL provision. In addition, and exceptionally in the case of Structural Funds payments, if requests for payments exceed forecasts and thus provision for Structural Funds in that year, then we may request that up to 20 per cent of the following year's provision for Structural Funds may be brought forward to meet that need, subject to the DEL provision being reduced in the following year by the same amount so that there is no overall increase across the two years. If, later in the second year, and following the DEL reduction, requests for payments exceed forecasts and thus provision for Structural Funds in the second year, then we may request that up to 20 per cent of the following year's provision for Structural Funds, subject to the DEL provision being reduced in the following year by the same amount. In this scenario there is no overall increase across the three years.

If in year 1, therefore, claims exceeded provision the Assembly would be able to apply for access to the Reserve to draw up to 20 per cent of the year 2 provision. Using the figures in paragraph 2, this would mean an extra £34 million or so. In the highly unlikely event that even with the addition of 20 per cent, claims still exceed provision, then the usual end-year and other budget flexibilities will be available to the Assembly to increase structural funds provision in order to meet demand within our overall existing provision.

Yours sincerely

Mike Chown