

DEVELOPMENT MINISTER'S REPORT TO THE ECONOMIC DEVELOPMENT COMMITTEE

WEDNESDAY 21 MARCH 2001

1. Latest Economic Assessment

Labour Market Statistics

1. 1 New figures were published on 14 March 2001. The main points are:

Unemployment

- **Claimant Count** unemployment fell by 2000 in **Wales** in February (rate remained at 4.4%). The revised figure for January 2000 now shows a fall in unemployment of 700 instead of the 900 originally reported - hence the figure for February is the same as the previously reported January figure.
- In the **UK** the claimant count fell by 10,600. The rate is now 3.4%. The claimant count total for the UK for February was 996,200, below a million for the first time since 1975 (on a seasonally adjusted basis); **Wales** also has the lowest claimant count total since 1975.
- On the **LFS** based ILO unemployment measure the numbers and the rate in **Wales** fell between August to October and November to January (-5,000 and -0.4 percentage points) though the movements are not statistically significant. Levels are below the same quarter a year earlier. The rate is now 6.1 per cent.
- In the UK ILO unemployed also fell, by 81,000 quarter on quarter, and the rate fell by 0.3 percentage points to 5.2 per cent.

Employment

- On the LFS based employment measure, total employment in **Wales** rose slightly (4,000) in the quarter to November to January, and is 17,000 above its level a year earlier.
- In the **UK** there was also a substantial rise (102,000) quarter on quarter, and also on a year earlier (325,000).
- New **UK** figures for production industry employees show a fall in employees in **manufacturing** of 109,000 in the three months to January 2001 compared to a year

earlier, and a fall of 7,000 in mining, energy and water supply industries. (No figures for Wales yet).

Vacancies

- In **Wales** 13,800 vacancies were notified to Job Centres in February, slightly more than in monthly figures for the latter part of 2000, but slightly lower than in February 2000.
- The **stock** of unfilled vacancies in Wales was 19,400 in February down a little from January but slightly up on February 2000.
- In the **UK** new vacancies notified in February were up on January (+10,300) and up slightly on February 2000 (+2,500). The stock of unfilled vacancies, at 391,000 was substantially greater than the figure for February 2000 of 343,400.

Business surveys

1.2 There have been no new surveys announced since the last EDC meeting on 7 March. However, I understand that Cambridge Econometrics are due to publish a Spring 2001 Forecast tomorrow.

2 Action arising from previous EDC meetings

2.1 For the 7 March 2001 EDC meeting, the following item was included.

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.

Detailed information on this issue has been emailed to Committee members direct.

3. Major issues

Corus

3.2 Corus and the Unions remain in dialogue on the Unions' proposals to mitigate and

minimise job losses. There are reports circulating that Corus has rejected the Unions' local plans for Llanwern and Ebbw Vale. We (and the UK Government) are continuing to honour the Unions' request not to intervene or comment on the situation while Corus/Unions discussions are taking place. The meeting between Corus and the Unions at national level arranged for 27 March is the pivotal event.

3.2 The Assembly continues to hold a wide range of discussions with the various interested parties, including the Unions, local authorities, Assembly agencies and the UK Government. Discussions are primarily concentrated on measures to support the Unions' proposals to mitigate the impact of job losses. However work is continuing on the preparation of contingency plans in the event of Corus confirming their decision.

4. Job news

Gains and safeguarded jobs

Toyota, Deeside – announced on 16 March a reorganisation of engine manufacturing operation at Deeside, including transfer of Yaris engine assembly to Valenciennes in northern France, alongside the vehicle assembly plant, and the transfer of production of the new Toyota diesel engine from Japan to Deeside. The Deeside engine plant will also double its engine component machining capacity and become Toyota's machining centre of excellence with components exported to the Group's engine plants for assembly in Valenciennes, Turkey, Venezuela, Brazil and South Africa. These developments will take employment at Deeside to 600 by 2003, 80 more than anticipated.

Cable & Wireless – announced on 13 March "thousands of jobs to go" from this company across the UK. We understand that the majority of job losses follow consolidation of service/call centre operations. Services are being out-sourced to companies like Conduit. We therefore do not anticipate any net loss of jobs in Wales from this (any losses are likely to be offset by gains at Welsh call centres).

Losses

GHER, Conwy – company employs about 25 staff in the manufacture and installation of robotic equipment for production lines. We understand company went into liquidation last week. The company had secured the backing of more than £0.5 million from the public and private sectors. Assembly and WDA officials met the company to discuss possible assistance, but nothing could be done to save the operation.

5. Miscellaneous

5.1 The Budget

- The National Assembly of Wales will receive a consequential increase of £100 million over the next three years as a result of public expenditure increases announced in the budget
- Ministers will now consider how this extra money can best be spent in Wales - we will not automatically follow what happens in England. Instead, we will consider how to spend the additional allocations in the next budget planning round – so we can examine all of the options rather than rushing to make decisions now.
- The Chancellor announced consultation on a number of measures to help small firms by reducing their VAT administrative burden and easing their entry into the VAT system, helping to reduce compliance costs and encourage business growth.
- It is important to increase activity rates in Wales. The introduction of the Children's Tax Credit and increases in the Working Families Tax Credit and Disabled Persons Tax Credit will provide increases in the help given to families to assist with childcare costs through the childcare components of these tax credits. The increase in the National Minimum Wage and other changes to the tax system could also make work more attractive.
- The extension and strengthening of the *New Deal for 25 plus*, and the greater emphasis on helping economically inactive people into work (in particular lone parents and disabled people) are of value to Wales. The additional support for unemployed people with drug problems and those with basic skills deficiencies will provide extra resources to help people facing some of the most substantial barriers to employment to move into work.
- There were also changes in fuel tax and vehicle excise duty
- There will also be a package of fiscal variation measures to help regenerate urban and industrial areas Measures which include:
 - A complete exemption from stamp duty for all property transactions in Britain's most disadvantaged communities.
 - 150% payable tax credit for cleaning up contaminated land
 - Tax relief for residential conversions (VAT)
 - One hundred per cent first year capital allowances for bringing empty flats over shops back into residential use
 - A Community Investment Tax Credit scheme to provide tax incentives to companies investing in enterprise support in disadvantaged communities,
 - A Community Development Venture Capital Fund.
- Treasury policy resistance, as witnessed in the past in this Committee, to regionally or locally varied taxation has changed. These schemes set an important precedent.
- My officials will continue to liaise with Treasury on the detailed application of these incentives to Wales- and will also be communicating further suggestions upon

completion of the Consultants Report on Fiscal Variations.

5.2 Foot and Mouth

I am working closely with Rural Affairs Ministers and other Cabinet colleagues.

Further to my statement on 15 March:

- New access guidance covering Wales was issued on 20 March;
- I attended the Rural Task Force meeting on 20 March and will update the Committee on the outcome;
- I met the main Banks, insurance companies and mortgage lenders this morning (Wednesday 21 March) and can give a verbal update if required.
- Arrangements are in hand to establish a sub-group of the Rural Partnership Council to re-launch the industries and areas affected by the disease;
- A letter has been issued to local authorities regarding rateable values of businesses affected by the disease;
- The WTB will be launching a hotline for tourists on what attractions are open etc on 21 March;
- I have today launched The Tourism Charter - 21 March.

5.3 Voluntary Sector

I met with representatives of the voluntary sector on 9 March to discuss economic development issues including NEDS, European funding and the social economy. The voluntary sector put forward a number of interesting issues, and I am awaiting further details from them, especially on NEDS. There was general agreement on the key issues and the way forward.

4. Carbon Trust

This was launched yesterday (Tuesday 20 March). Assembly officials also attended and met the Chairman of the Trust afterwards to discuss service delivery in Wales. I met the Deputy Chairman the day before to discuss a full range of issues.