

**Date:** 27 June 2001  
**Time:** 2.00- 5.30  
**Venue:** Committee Room 1, National Assembly Building  
**Title :** ECONOMIC DEVELOPMENT MINISTER'S REPORT

## **1. LATEST ECONOMIC ASSESSMENT AND SURVEYS**

No new Surveys have been published since 13 June.

## **2. MAJOR ISSUES**

### **Corus**

#### Steel Executive Meeting

There was a further meeting of the Steel Executive Group, which I chair, on Thursday 21 June in Newport. The meeting agreed the terms of the draft consultancy brief on the regeneration of steel communities, which has been put forward to the Cabinet Working Group on Corus for approval. The Newport meeting also agreed the template for monitoring a wide range of dated targets for the WDA, EIWA, Employment Service, Careers Wales, local authorities and other agencies to ensure that the regeneration programme is moved forward swiftly and without interruption in the next few months

## **3. JOB NEWS**

### **Gains**

UGC Entertainment Ltd, Cardiff – 100 new jobs in Cardiff in the service sector

Euro Caps, Tredegar – soft gelatine capsule manufacturer – hopes to expand workforce from 69 to 180 to cope with demand for products

Faurecia Automotive Seating Ltd, Deeside – creating 240 new jobs with a £7 million investment in North Wales

Euro DPC, Llanberis - On 21 June, during a visit to the company, the First Minister announced that American owned Euro DPC, with the assistance of RSA, is to invest £1.4 million in its plant in Llanberis. The company, which manufactures and distributes medical diagnostic test

kits, is set to create 30 new jobs.

## **Losses**

ESM, Newport - 100 redundancies – WDA and NafW officials in constant touch with the company to see what can be done to help

AIWA (Wales) Ltd, Newbridge – 95 redundancies – Officials met the company on 19 June to discuss the problems faced by the company and will be monitoring the situation closely.

## **4. MISCELLANEOUS**

### **Foot and Mouth**

#### *Tourism*

##### Access

The vast majority of LAs in Wales are complying with the guidance issued by the Assembly on 23 May. As a result access is being restored to public footpaths across Wales except near to infected premises. The case last weekend at Libanus, near Brecon, is a blow in that access to part of the Brecon Beacons is now being closed off again

### **NEDS**

There is just over 1 week until the formal NEDS Consultation period ends on 6 July. I have currently received over 60 responses and over 200 people attended the regional meetings. Responses continue to come in; and I am arranging for all responses, as they come in, to be placed on the internet site. The reports of the four regional meetings will also be placed on the internet.

### **Opto-Electronic Materials Research Chemistry Laboratory**

Last Friday (22 June) the First Minister officially opened the new WDA supported Opto-Electronic Materials Research Chemistry Laboratory at UW Bangor. This was another significant development in the quest to improve academic/industrial collaborations, which will have a very positive effect upon the fast emerging, and increasingly significant optronics sector cluster in the locality

### **WTB Destination Management System (DMS)**

This is a £4.14 million three year project (2001/2 to 2003/4) to deliver an on-line source of information about Wales' tourism resources – including accommodation, visitor attractions, activities and events. Tourism bosses also have the option of allowing potential customers to make on-line bookings through the DMS.

There have been 4 meetings of the Futurology Group. These have proved highly successful in developing our thinking on the main issues. I am currently in the process of setting up a NEDS Project Task and Finish Group that will help oversee the development of the strategy through to the end of the project.

What is clear already is that the final NEDS will need to focus on a smaller number of strategic areas such as innovation, ICT usage, skills, infrastructure and internationalisation which – when implemented to world class standards – have the capacity to help us move decisively forwards in achieving our ambitious goals. I will bring a full report on progress to a future meeting of the Committee.

### **Enterprise Support Task & Finish Group**

The Group had its first meeting on 21 June. The main emphasis of the Group's work will be to advise on ways to improve the content of business support programmes with a view to providing a better fit with present-day needs of SMEs.

### **Best of Rural Wales Project.**

The Best of Rural Wales website project was developed in conjunction with a range of partners including Llwybr Pathway, Gwynedd Business Connect, the Wales Information Society and the County Councils of Carmarthenshire, Ceredigion, Gwynedd, Pembrokeshire, Powys, and the NAFW. Andrew Davies AM launched the project at the Royal Welsh Show in July of last year. The purpose of the project is to provide micro businesses with an opportunity to evaluate the potential of e-commerce. A key element of the project was the development of a Multi-Agency Rural Area Network (MARAN), by utilising a wireless microwave solution to address the traditional difficulties of delivering cost-effective and efficient bandwidth to a rural area, including dedicated connection to the internet.

The project has benefitted from financial support from the Assembly. Lindsey Jones, the Project Director, approached the Assembly in December seeking financial assistance for a marketing campaign to raise awareness and publicise the site. The NAFW contributed a sum of £10,000.

### **WalesTrade International**

Ocean Resources, Chepstow: Have the opportunity to tender for a potential £10million contract

thanks to assistance from WalesTrade International. They are a design and engineering house for the offshore oil and gas industry

Camseat, Pembroke Dock: Design and produce TV camera support system - already used at Millennium Stadium. Have attended Las Vegas trade fair, with WTI support. Won the National Association of Broadcasters most innovative product award and estimate some £250,000 sales from the exhibition.

Celtic Vacuum – Tenby: Specialists in design and build of vacuum recovery systems for oil, sewer cleaning, sludge and slurry. As a result of participating on the 1999 trade mission to the Gulf, the company eventually gained an order worth £124,000 for the design, manufacture and commissioning of a specialist vacuum recovery unit for Alba aluminium works in Bahrain. This is being shipped out next Tuesday. Celtic Vacuum is confident of further orders from Alba.

Shawley Ltd, Risca: CCTV specialists. New joint venture with Egyptian company. Estimate that first year sales will be £20million.

## **5. Action Arising from Previous EDC meetings**

### **Veterinary basis for 3 km rule around infected premises - clarification (item 6, 13 June EDC)**

The basis on which advice regarding access to the countryside (rights of way) has been modified follows amendment to veterinary risk assessment no.4. (available on the NAFW website). Essentially the revision of this risk assessment was made in order to take account significant changes in the disease situation in GB since the original risk assessment was made.

### **Underspend of some £2.3m in the Cardiff Bay Development Corporation BEL, 2000-01 (item 3.6, 13 June EDC)**

The budget covers succession funding to the Cardiff and Vale Councils following the wind-up of CBDC and the transfer of responsibilities to the Councils. The supplementary budget adopted by the Assembly in March was based on the Councils' projected 2000-01 out-turn figures that were available in January 2001, which were based on the best information available at the time. The underspend results from lower claims than expected being received from both Councils in March and on which the final payments were made.

For the Vale of Glamorgan Council, the main underspend related to a delay in taking forward preparatory work on the Penarth Link project involving the demolition of a car park and work to a linked pumping station. In Cardiff's case, there was increased spend on dredging, which was completed ahead of schedule, but there was significant expenditure slippage in relation to a variety of projects, including the purchase of vehicles and work on oxygenation, water quality

monitoring, control of algae and drainage.

Consideration will be given as to how this underspend can be carried forward. In the meantime, officials are reviewing expenditure details with the authorities concerned with a view to agreeing, very shortly, revised expenditure/budget profiles for 2001-02.

### **Wales TUC paper to go on BPC Agenda (item 4, 31 January EDC)**

This paper is item 4 on the agenda for the Business Partnership Council meeting on 29 June.

### **EDD and RSA Underspend in 2000-01 (item 3, 13 June EDC)**

A supplementary paper on this is attached as promised at the Annex.

**Annex A**

## **IN-YEAR MONITORING PROCESS FOR EDD BUDGETS AND OUTTURN FOR 2000-01 CORRECTED FOR MONIES TO BE CARRIED FORWARD**

### **Arrangements for 2001-02**

1. In line with Better Government, the Economic Development Department (EDD) was restructured in May to provide better customer service. A Business Unit was established to focus on services to Ministers and the Economic Development Committee.
2. The Unit is specifically responsible for monitoring EDD programme budgets and for co-ordination across EDD on budgetary matters. Previously, there was no single focus of activity and the changes will improve the way we use the available programme resources.
3. The Unit will report regularly to David Pritchard and me on progress against strategic objectives and the likely end-year position of EDD programme budgets. As pressure points and possible underspends are identified, I will bring forward proposals under Standing Order 19 to transfer funds between EDD programme budgets.
4. This will ensure we not only make maximum use of resources allocated to EDD but also make maximum progress towards the Assembly's strategic objectives. I will ensure regular reports are given to the Committee on these matters.

### **Process in 2000-01**

5. Programme budgets were monitored regularly throughout the year and all changes to

budgets were made under Standing Order 19, with the Committee being informed of changes affecting the Economic Development MEG.

6. Early in 2000-01, bids were made to carry-forward funds for commitments made in 1999-2000 but which were to be paid for in 2000-01. The Assembly agreed these changes, along with structural changes to the EDD budgets, following a statement by the Finance Minister in September.

7. I presented a report to the Committee in November on expenditure at the half-year stage. In this, I identified underspends in:

- the RSA budget as claims were lower than expected
- the WDA budget as LGEW Phase 2 was not likely to proceed in 2000-01; and
- the Pathway to Prosperity budget due to the delayed start to the Objective One programme.

8. Just after the half-year point, agreement was reached on £19.5m support for the Airbus A380 project to safeguard 3,000 jobs and create a further 1,700. As this was too late for the 2000 budget planning round, it was necessary to identify the funding from within existing budgets. The Finance Minister agreed that the monies from the emerging RSA underspend should be earmarked for this purpose, as no other source of funding was available.

9. Although the RSA, WDA and Pathway to Prosperity budgets appeared to be underspending, commitments for these budgets were being carried forward. As alternative sources of funding could not be identified in future years, underspends needed to be earmarked for these commitments and could not be used for other purposes.

10. Finance Planning Division carried out monitoring rounds in November and January to identify underspends that could be used to meet unexpected demands such as the floods and the anticipated Corus support package. However, because of the future commitments no monies were taken from these budgets.

11. Some monies from RSA were used to meet pressures elsewhere at year-end and £4.050m was vired to other budgets in the Supplementary Budget agreed by the Assembly in March. This information was given to the Committee before the Finance Minister's statement, in accordance with Standing Order 19.

12. A further carry forward from the RSA underspend was approved in principle in October 2000 which included £17.5m earmarked for the Airbus A380 project. Approval in principle has also been given to carry forward monies for Pathway to Prosperity projects and for projects to

support innovation.

13. These will be formally agreed in due course by the Assembly when the Finance Minister makes a statement about the use of carry forward monies. In line with Standing Order 19, the Committee will be informed of changes to the Economic Development MEG before the statement is made in plenary.

### **Corrected Outturn for 2000-01**

14. The picture given by underspends shown on the Management Information System for EDD programme budgets is factually accurate regarding the cash position at the end of year. However, it does not present an accurate picture of the true position on funding that was available to be re-deployed for other purposes.

15. To get a true picture, you need to take account of:

- Commitments for which funding needs to be available in 2001-02 and no other source of funding has been identified - this includes funds in the RSA and WDA budgets, and funds for the delayed Pathway to Prosperity projects in the Pathway to Prosperity, International Trade and International Relations budgets
- Agreement in principle carry-forward for innovation projects such as the recently re-launched Centres of Excellence project
- Monies for running costs in the International Trade budget that were not transferred in-year to the Central Administration budget.
- Receipts that were not transferred to the new International Trade budget
- Invoices sent in error from DTI

16. This still leaves a significant underspend in the:

- RSA budget but this only equates to a few large claims that were not submitted as promised; and
- CBDC budget where funds were made available in line with Cardiff County's best estimate in January but expenditure on certain projects was delayed and I am reporting separately to the Committee on this.

17. The Table below shows the picture once these factors are taken into account.

	Budget (£000s)	Outturn (£000s)	Balance (£000s)	Carry- Forward (#) (£000s)	Corrected Balance (£000)
RSA-Projects & Business Improvement Support	56,630	35,644	20,986	18,355(a)	2,631
MISS	743	264	479		121
International Trade	4,491	3,868	623	210*	47
International Relations	834	590	244	200*	44
SMART WALES	4,052	3,721	331		331
Innovation Design & Technology	2,300	1,170	1,130	400	730
<b>RSA &amp; Other Business Support</b>	<b>69,050</b>	<b>45,257</b>	<b>23,793</b>		<b>3,904</b>
Pathway to Prosperity Fund	7,922	2,708	5,214	4,777	437
<b>Pathway to Prosperity Fund</b>	<b>7,922</b>	<b>2,708</b>	<b>5,214</b>		<b>437</b>
WDA Receipts	-2,283	-2,294	11		11
WDA –Current Grant-in-Aid	32,156	35,747	-3,591		-3,591
WDA – Capital Grant-in-aid	96,147	72,764	23,383	21,500(b)	1,883
WDA – NLF/PDC	1,771	0	1,771		1,771
<b>Welsh Development Agency</b>	<b>127,791</b>	<b>105,717</b>	<b>22,074</b>		<b>74</b>
CBDC – Capital Receipts	24,940	22,583	2,357		2,357
<b>Cardiff Bay Development Corporation</b>	<b>20,240</b>	<b>18,383</b>	<b>2,357</b>		<b>2,357</b>
WTB – Grant in Aid – running costs	4,211	4,205	6		6
WTB – Grant in Aid Other Costs	8,572	8,578	-6		-6
WTB – Grant In Aid Capital Costs	3,546	3,636	-90		0
<b>Wales Tourist Board</b>	<b>16,329</b>	<b>16,419</b>	<b>-90</b>		<b>0</b>
Labour Force Survey	260	260	0		0
Unallocated	906	0	906		0
Misc European Support Services	400	330	70		70
Evaluation, Research, Publicity	120	24	96		96
<b>Other Economic Development</b>	<b>1,686</b>	<b>614</b>	<b>1,072</b>		<b>166</b>
<b>TOTAL</b>	<b>243,018</b>	<b>189,098</b>	<b>53,920</b>	<b>45,442</b>	<b>6,938</b>
		<b>% of Budget</b>	<b>22.2%</b>		<b>2.9%</b>

# Agreed in principle subject to review in September

\* Approval being sought

a. – includes £17.5m for future years for Airbus A380 project earmarked in October 2000



(b) – Ringfenced for LGEW Phase 2