

Education and Lifelong Learning Committee

(Joint Meeting) Economic Development Committee

Date 23 May 01

Time 1.30pm

Venue Committee Room 3, National Assembly for Wales Building

CORUS SUPPORT PACKAGE

Purpose

1. To provide the Committee with information on the planned package of measures to mitigate the effect on the people and communities affected by job losses announced by Corus.

Timing

2. This is the first opportunity to discuss the support package with the Committee since it was announced on 3 May.

Summary

3. This paper details the job losses following decisions on restructuring of its facilities by Corus. It gives details of the overall support package of £66 million being made available for the people and communities affected by these decisions, and provides information on the proposed business support measures and regeneration activities. A separate paper (EDC-08-01(p2)) provides information on the support being provided for education, training and employment services. Representatives of key agencies will be present to provide more detailed information.

Background

4. In June 2000, Corus announced it was to rationalise its R&D facilities resulting in the loss of 190 jobs at Port Talbot. In July 2000, it announced a further 1,300 job losses across 7 plants in Wales and 2 in England with the majority of these losses being in Wales. On 1 February this year Corus announced a major restructuring of its facilities in England and Wales with the loss of a further 2,500 jobs in Wales and 3,000 in England.

5. Following lengthy and protracted discussions, Corus decided on 3 May to proceed with the job losses it had originally announced on 1 February. In Wales, the cuts were as follows:

- **Llanwern:** the closure of iron and steelmaking operations; the closure of the annealing and tempering facilities; and a reduction in activity levels at the hot strip mill and cold mill operations (**1,340 job losses**);
- **Ebbw Vale:** site closure (**780 job losses**);
- **Shotton:** the closure of the pickle line, cold mill and one electro-zinc line (**319 job losses**);
- **Bryngwyn:** site closure (**127 job losses**).

6. This represents a total of 2,566 direct jobs although the figure for job losses in Wales rises to 4,201 when those previously announced are included. Across Wales, a further 1000 jobs will be lost from on-site contractors.

7. Indications are that Bryngwyn will close early this summer and that the redundancies at Llanwern and Ebbw Vale will begin shortly afterwards. The position in Shotton is not as clear.

Support package

8. On 3 May in his Statement to the Assembly, the First Minister referred to the practical support that was needed for the individuals and communities affected. He announced a £66 million programme to aid recovery: £50 million of this is to come from the Assembly and following discussion with the local authorities affected and with the agencies involved in the response, the programme is made up of 5 main strands:

- **£7million for training** ;
- **£2 million on business support measures** to help the suppliers who will be badly hit by the Corus closures to find alternative markets;
- **£32 million** to assist in the regeneration and redevelopment of the areas affected by the

job losses at **Ebbw Vale** and **Llanwern**;

- **£4 million** for the areas affected by the closure of Bryngwyn ;
- **£5 million** unallocated for the present should strategic priorities emerge from the consultation process that is ongoing.

9. The remaining £16 million is part of a package announced by the UK Government and is in the form of social aid payments under the European Coal & Steel Community (ECSC) Treaty to workers in the steel industry affected by restructuring.

10. The All Wales Steel Taskforce has agreed that Graham Moore, Executive Director of Strategic Projects, WDA, will work closely with the Assembly and its partners to help manage the regeneration process across Wales and to ensure that the Assembly gets the best return from the resources being made available.

11. On 15 May, in the Plenary debate on Corus, the First Minister put some flesh on the bones of the planned programme and the delivery framework. This paper gives brief information on the work to be taken forward by the WDA, the local authorities and other agencies on business support measures and regeneration of the areas concerned. A separate paper (EDC-08-01 (p2)) provides information on the planned education, training and employment activities. Representatives of the key agencies involved will be present to provide further information.

Business Support Measures

12. The £2 million being made available for additional business support measures will take the form of:

- additional work, through the WDA's Source Wales programme, with existing Corus suppliers/contractors to enable them to diversify order books
- an expanded business start-up programme which will focus on workers made redundant by Corus, and other redundant people in the areas affected, who wish to start their own businesses.

Regeneration

13. Regeneration will take place within a strategic framework that is currently being developed by the Executive Committee of the All Wales Steel Task Force chaired by the Minister for Economic Development. A small sub -group, comprising a representative of each of the local authorities, representatives of the WDA and Assembly officials, has been established to prepare a scoping report for the strategy. The scoping report is expected to be presented to the meeting of the Executive Committee scheduled for the 24 May.

14. Initial indications of the priorities for utilising the regeneration resources announced in the support package are as follows.

- **Bryngwyn** - A Development officer is being appointed to work with the local community to develop a consensus plan for upgrading and further developing the commercial area of Gorseinon – which is immediately adjacent to the Bryngwyn works. This is regarded as central to supporting the local communities and to maintain a vibrant commercial area. Funding will be made available to implement the plan as it is developed.

The WDA has agreed with Swansea City and County Council to refurbish existing premises at West Street, Gorseinon and to construct new starter units as soon as possible. This would provide ten new units to supplement the fifteen already being used. The project should be completed within eighteen months.

- **Port Talbot** - Additional funding will be made available to develop new premises for business on the Baglan Energy Park, adjacent to the Port Talbot Steelworks. These will provide a diversity of employment opportunities in this area; some 100 jobs are expected to be created. Construction is scheduled to be completed during 2002.

Meanwhile the WDA has been looking into the feasibility of establishing a Centre for Advanced Materials at Port Talbot. The initial work has been very positive and a business plan is now being developed.

- **Ebbw Vale and Llanwern** - The £32 million being made available will be used to implement the regeneration plan being developed with the partners referred to above. The plan will be completed by the late autumn of this year. Projects that have already been identified include the construction of managed workshop space at Tredegar, (due to be completed by late summer 2002), additional premises at Oakdale and the development of the Valleys Information Technology Communications Centre, also in Tredegar.

15. Meanwhile the WDA has been asked to press ahead with a number of projects already in its Business Plan, and funded out of its existing budget, which will complement the regeneration plan. These include the construction of new premises at Rhyd-y-Blew and at Blaina and a New Innovation Centre at Llantarnam Park, Cwmbran.

Compliance

16. All expenditure will be through programmes where the necessary powers have been transferred to, or made exercisable by, the Assembly and have been delegated to the relevant Minister and officials.

Financial Implications

17. As the Minister for Finance made clear in the debate on 15 May, the £50 million package will be funded by the Assembly. This will be met by utilising uncommitted and unspent resources carried forward from previous financial years under the end-year flexibility (EYF) arrangements and by drawing from the Assembly's reserve budget as necessary. The Minister will also use the forthcoming budget planning round to examine budgets and where appropriate will re-profile expenditure to more accurately reflect spending requirements.

18. Mrs Hart will make a statement on the EYF position and other in-year changes to the Assembly's budget in due course in accordance with Standing Order 19.

Action required by the Committee

19. The Committee should note the background leading up to the need for this support package and the measures described in this paper and the associated paper on education, training and employment (EDC-08-01(p2)) to mitigate the effect on the people and communities of the job losses announced by Corus.

Contact Point

20. Business Unit, Investment and Corporate Management Division, Economic Development Department