

# Economic Events Diary

November 2007 - November 2008

## November 2007

The Welsh Assembly Government announced details of a £30m investment in the communications network in North Wales as the first part of a programme to upgrade bandwidth availability in the region. The **FibreSpeed project**, which will link 14 business parks in a fibre optic network, was to be part financed by European Structural Funds.

Business secretary John Hutton granted permission for a **wood chip fuelled biomass power station** in Port Talbot to be built by London based Prenergy Power. The station is expected to create around 150 jobs and burn 3m tonnes of shipped-in chippings.

Planning permission was granted for a £21m **mixed use development** on the brownfield **Jack's Pill** site in Newport. Work was expected to commence on the riverside development, comprising commercial space and 228 residential units, at the start of 2008.

Details of how the Welsh hotel market benefited from the Rugby World Cup 2007 were revealed in Deloitte's *Hotel Benchmark Survey*, with Cardiff experiencing a room revenue per available room (RevPAR) growth of 23% during the period of the competition.

## December

International Business Wales, the Welsh Assembly Government's export arm, ran a **trade mission to India** aimed at forging greater trading links. Amongst the reported outcomes of the event, led by Deputy First Minister Ieuan Wyn Jones, was an export order for EPS Steels (UK) of Bridgend and potential opportunities for SAL Consultants from Carmarthenshire, and Teddington Engineered Solutions of Llanelli.

**Admiral Motor Insurance**, launched in Cardiff in 1992, was admitted into the **FTSE 100 index** with a market capitalisation of £2.7bn. It became the first South Wales company to have achieved this.

HM Revenue and Customs figures highlighted that the value of **Welsh exports in 2007Q3 had fallen** by 4.1% or £383m on the previous quarter. Commentators attributed part of the reason for this to be the relatively high strength of the pound against the dollar.

## January 2008

The UK Government announced that the second smaller phase of the **£16 billion defence package** destined for the Vale of Glamorgan - the logistics and personnel training activities - had been dropped due to concerns around its affordability. The Metrix Consortium, the supplier behind the larger training academy, was to go-ahead as planned with the initial phase at **St Athan**.

Mining at **Tower Colliery** in Hirwaun came to an end after its official closure. It had been Britain's only mine owned by its workers after being bought using redundancy monies 13 years ago. Around 70 of the colliery's 260 workers were expected to transfer to Aberpergwm mine.

The problems of **economic inactivity in the over-50s** in

Wales were outlined in research for Prime Cymru, the Prince of Wales' initiative for mature enterprise. The report *Improving Employment Prospects for the Over-50s*, written by former chief economist of Barclays Bank, Christopher Isherwood, made the case for more flexible working arrangements to help those with care responsibilities; better disabled facilities in the workplace; and increased skill levels to help overcome discrimination.

**A new strategy for skills and employment in Wales** was launched as consultation began on *Skills That Work For Wales (STWFW)*. The strategy, which aims to address improving skills levels in line with business needs, included plans in its draft version to create a Wales Employment and Skills Board giving employers a greater say in the skills and qualifications system.

## February

Plans for a new £225 million **village development** near Bridgend were revealed. The **Parc Derwen** scheme, a joint venture between the Welsh Assembly Government and a consortium of property companies, includes proposals for 1,500 houses, as well as a small shopping centre and primary school. Meanwhile, St Modwen Developments signed contracts on the **Coed Darcy Urban Village** project to be built on the former oil refinery at Llandarcy. Around 4,000 homes are planned for the brownfield site over a 20 year development period.

**Tata**, the Indian conglomerate, unveiled a £60 million energy management technology **investment in Port Talbot** at its subsidiary company, Corus Strip Products UK. The announcement helped to alleviate some concerns for the site's future which had arisen when Corus was acquired by Tata in April 2007.

## March

Car manufacturer **Toyota** announced plans for a **£88 million investment** at its **Deeside** plant in North Wales to produce a new 1.3 litre petrol engine. Production of the engine, named the NR, is planned to begin during the latter part of 2009, and is expected to help safeguard existing jobs.

According to research by professional services company KPMG, in its *Report on Jobs* for the Recruitment and Employment Confederation, there was **increasing evidence of a general slowdown in the UK economy**. The decline in placements in the previous month was seen as a sign of the credit crunch, reflecting a general slowdown in the growth of demand for staff.

Deputy First Minister for Wales, Ieuan Wyn Jones, attended the launch of an **aerospace training partnership** between Deeside College and Barry College. Repair, maintenance and manufacture of aircraft training are offered by the partnership to apprentices and existing workers in the sector. The scheme, which has been granted a Civil Aviation Authority licence to act as an official training provider, will provide support to Welsh and other UK businesses.

## April

According to figures from the Bank of Scotland **confidence levels amongst Welsh small businesses** fell for the fourth

quarter in a row. The Small Business Confidence Index for Wales had fallen 25% (or 12 points) since April 2007 in the wake of turbulence in the financial markets. These findings were echoed in a UK wide survey by the Small Business Research Trust, with the Forum of Private Business, which highlighted the negative impact of the credit crunch on investment. The Trust called for urgent action on the bureaucracy faced by small firms, the burden of tax and late payments.

**IBM** announced they were setting up a **research centre** at Technium Pembrokeshire for environmental sciences and renewable energy. The centre of excellence was to be part of a collaboration with Swansea University.

The **Welsh Assembly Government** unveiled **new arrangements to deliver all its business support finance** through a single investment fund, replacing the many capital grants and business support programmes that were on offer. This bid to become more customer focused will see the merger of tourism industry section 4 grants, regional selective assistance, property development and assembly investment. A dedicated phone number for business enquiries has been set up along with a single application form.

According to figures from the Royal Institution of Chartered Surveyors (RICS), growth in the **construction sector in Wales** had stalled in the face of the credit crunch and low housing demand. The organisation's construction market survey also indicated that anticipated workload growth was at its lowest level since 2003Q3.

## May

The Welsh Assembly Government launched **Jobmatch**, a £38m regeneration scheme to help people back into work in the Heads of the Valleys. After an initial pilot of the scheme in Blaenau Gwent where 1,300 people were aided, the scheme was to be rolled-out to Caerphilly, Torfaen, Merthyr Tydfil and Rhondda Cynon Taff with the aim of helping 10,000 people into work by 2012.

Aviation company **Airbus** unveiled a £103m investment in next generation wing technology at its Broughton, Flintshire site. The Welsh Assembly Government contributed £7.5m towards the research and development programme that is hoped will help safeguard 7,000 jobs in North Wales.

Evidence of the **slowdown in the residential housing market** was highlighted by the cancelling of a city centre development in Cardiff as part of a £150m mixed-use scheme. The developers, JR Smart, backed away from proposals to build 765 flats and were instead considering putting forward plans for commercial units at the site.

The M4 motorway in Wales was hit as part of **national fuel price demonstrations** by haulage drivers protesting against increasing fuel charges in the UK.

## June

The Assembly Government and the Department for Work and Pensions announced the extension of the joint initiative **Want2Work** with the aim of helping 5,000 of the unemployed in Wales to get back into employment. A further £32m of funding for the project was secured through the European Social Fund and match-funding.

The local authority led **South West Wales Business Finance Scheme** was launched with the aim of creating job opportunities in Carmarthenshire, Neath Port Talbot, Pembrokeshire, and Swansea. Around 2,000 grants of up to

£5,000 will be available to existing and new start-up businesses through the scheme.

The **Alphasteel** factory in Newport, which was closed in December 2007 with 350 workers being made redundant, was acquired by Libala, a company controlled by Russian entrepreneur Vadim Varshavsky. A memorandum of understanding has reportedly been signed with creditors to explore recommencing production at the plant.

## July

The new Assembly legislative programme for 2008/09 was revealed by First Minister Rhodri Morgan, notably including plans to designate areas of housing pressure and suspend the "Right to Buy" on social housing for a limited time.

According to figures from the Royal Institution of Chartered Surveyors **demand for commercial property in Wales had fallen** by more than a third in 2008Q2 compared to 2008Q1.

Research from Oxford Economics, the economic analysis and advice unit, found that Wales was a net drain on the UK economy. Using regional public spending and tax receipt data from 2006/7 it was found that the Principality received £9.1bn more in Government spending than it raised in taxes.

## August

Evidence of the continued effects of the credit crisis and slowdown of the economy were evident as the **Quinn Group postponed investment plans** for a £67m production facility for insulation panels next to its existing radiator facility in Newport. The Irish company revealed that the plans were likely to be on hold until there were signs of an upturn in the UK construction sector.

**Bellway Homes Wales halted work** on their Quayside and Prospect Place luxury developments in Cardiff Bay following concerns about the downturn in the housing market.

According to figures from the Nationwide's monthly price index survey **house prices in Wales and England were falling at a record rate**, with an average home having lost 8.1% of its value over the previous year.

The **Corus Centre of Excellence** was launched at Cardiff University's School of Engineering as part of a £1.2m partnership agreement to aid training provision and research in the steel industry in Wales.

## September

Deputy Minister for Regeneration, Leighton Andrews, joined Mr. Hiroyuki Takao, the president of Japanese automotive company **Takao**, at the unveiling of a **new production facility** for the firm in Ebbw Vale. The £15.5m expansion has doubled the size of Takao's factory which supplies components to Toyota and Honda.

A memorandum of understanding was signed between **CBI Wales and the Welsh Local Government Agency** forming a commitment to building public/private partnerships to help exchange best practice.

Following the credit crisis in the US financial markets, with the collapse of investment bank Lehman Brothers/takeover of Merrill Lynch by the Bank of America, the Bank of England intervened in the UK market to offer £40bn to the banking sector in an effort to ease capitalisation pressures.

The first meeting of the Welsh Assembly Government's **Strategic Capital Investment Advisory Panel** took place. The group has the role of advising on the most effective ways to spend a £400m capital investment fund over the next three years, seeking to deliver value for money and better public services.

## October

It was revealed that **£78m of Welsh public sector funds**, including £60m from nine Welsh local authorities, was sitting in **frozen accounts in failed Icelandic banks**. Amidst Government efforts to have the accounts unfrozen, finance minister Andrew Davies stated that financial compensation from the Assembly Government to the Welsh public bodies was not an option.

In an attempt to curb the instability in the banking sector the UK Government announced it was to take a significant stake in three UK banks- LloydsTSB, Halifax Bank of Scotland, and Royal Bank of Scotland.

**Ford Motor Company** confirmed it was investing £70m in its Bridgend engine plant to produce a new generation of low CO<sub>2</sub>, energy efficient petrol engines. The investment, which includes a £13.4m grant from the Welsh Assembly Government, was however accompanied by news that temporary staff lay-offs could be expected in the near future due to a significant reduction in the volume of engine orders.

## November

The **second session of the All-Wales Economic Summit** took place in North Wales. The event, organised by the Welsh Assembly Government, was to help prepare the Principality to face the current global economic climate. Improving skills training - through raising the *Workforce Development Programme* intervention rate for SMEs, and increasing the capacity of the *ReAct* programme - was one of the areas addressed for action.

Research by global information services company Experian showed a **marked increase in the number of Welsh business failures** over the last year. Comparing 2008Q3 with 2007Q3 there had been a 47% increase in the number of companies in Wales going out of business.

A plan to reduce the environmental impact of activities in Wales, committing the region to using only its fair share of world resources, was launched by the Assembly Environment Minister, Jane Davidson. The consultation paper for **One Wales: One Planet** sets out targets that include an 80 - 90% cut in carbon-based energy over a 30 - 40 year timescale.

## Comings & Goings: Companies' Activities in Wales

In November 2007 **Therma-Tru**, a US owned specialist door manufacturer, announced it was to close its Nantgarw facility with the loss of 150 jobs. The decision followed a review of the company's UK business and market conditions.

The manufacturing sector in Wales continued to experience employment shocks at the start of the New Year as **Everwhite Plastics**, who employed 140 workers in Aberdare producing uPVC building products, and Mold based cylinder maker, **The Keating Group**, employing 90 workers, both moved into administration.

The **Cameo Sofa Company** announced it was to move production from its Treforest factory to a lower cost base in

Lithuania. Around 150 workers at the former Christie Tyler site were to lose their jobs.

**3M** revealed that it was to cut 185 jobs over the next year at its adhesive and tape production facility in Gorseinon. The decision was part of a move by the company aimed at reducing costs through consolidating its manufacturing base.

**Corus Packaging Plus** announced plans to reduce its workforce in Trostre, Llanelli, by 300 due to overcapacity in the global tin market. Around 460 workers were to remain employed at the site after these cuts and the previous shedding of 100 jobs in 2007.

**Financial Services Data Management**, a debt advice firm, announced in January plans to expand its call centre workforce by 200 moving to a new office location in Swansea. Increases in debt levels due to the onset of the global credit crunch were reportedly a determining factor in the decision.

Supermarket chain **Waitrose** revealed it was to open a store in Pentwyn, Cardiff, creating more than 100 jobs.

In February **Siemens Medical Solutions** announced it was transferring work from its Los Angeles facility to Llanberis in North Wales, in a move creating 192 jobs, and helping to safeguard those of the existing 327 employees. Medical and diagnostic testing equipment are manufactured at the facility.

**Next Generation Data** revealed that it was to build a £200m green data centre at the site of the former LG Semicon plant in Newport, creating around 100 skilled jobs.

US conglomerate **Doncasters Group** unveiled plans to expand its Blaenavon facility with a £16m investment creating 125 aerospace jobs. The company manufactures products for gas turbine engine makers.

Call centre contractor **Ventura** announced the closure of its Cardiff base in June with the loss of 600 jobs. The company, the UK's largest call centre outsourcer, had taken over the former Serco site in 2004. The move was seen as evidence of the effects of the credit crunch impacting along the financial services sector supply chain.

**Paramount Foods** revealed that it was cutting 156 jobs from its Deeside toppings factory, as well as a possible 144 jobs in Salford, as a result of reductions in orders from its main supermarket customers.

**McKesson** the US healthcare IT solutions company announced it was to create a further 300 jobs in Bangor over the next three years providing support services for the NHS. The investment had been secured with support from Assembly Government grant aid.

Motor insurers **Admiral** unveiled plans to expand into Newport in the autumn of 2008 creating an initial 90 jobs at Langstone Business Park. This employment figure was expected to rise to around 450 over the next three years. In July Admiral also revealed it was to create a further 100 jobs in Cardiff by the end of the year.

A restructuring of its UK operations by cards and gift-wrap supplier **International Greetings** resulted in 210 jobs being cut in South Wales, with the company retaining around 60% of its workforce in Wales based in Hengoed and Pentre.

**Draka** confirmed it was to close its copper wire factory in Llanelli with the loss of 135 jobs. High transportation costs were blamed for the closure, with UK operations now to be consolidated in Derby.

In August **HBOS** announced it was to close its mortgage service centre in Cardiff with the loss of 150 jobs as part of a streamlining of its mortgage business. Around half of the staff affected were found alternative roles within the group. In September the bank revealed it was cutting a further 118 jobs at two further sites in the Capital - Cardiff Gate Retail Park and Cardiff Bay. These losses were attributed to a downturn in the company's credit card and loans business.

**RCT Homes**, a housing Community Mutual organisation, revealed it was to create 120 new jobs and training opportunities with a £170m refurbishment programme of its homes in Rhondda Cynon Taff. The investment was required in order to meet the Welsh Housing Quality Standard. As part of the organisation's commitment to support the economic regeneration and development of the area main contractors were tied into utilising locally-based suppliers.

**Capita Symonds**, the engineering consultancy, signed a deal with the local authorities of Bridgend, Merthyr Tydfil and Rhondda Cynon Taff to help deliver £75m of capital projects. Around 130 jobs are expected to be created over the next five years as part of the private-public venture which replaced the Glamorgan Engineering Consultancy (GEC) joint venture between the authorities.

The transport costs of imported raw materials were reportedly a major factor in the decision by cosmetics company **L'Oreal** to transfer work abroad from its Talbot Green, Llantrisant site. Around 200 jobs are expected to be lost, leaving only 60 staff at the site to help supply the UK market.

**David McClean**, the Deeside based housing company went into administration in October with 134 staff initially being

made redundant. The remaining workforce of around 200 were being kept on while a buyer was sought. The property downturn impacting on the company's cash flow was highlighted as the reason for the company's position.

There were a number of job announcements in Wales during November as difficult trading conditions continued to hit the world economy. **Corus**, the steelmaker, revealed plans to cut around 400 distribution jobs across the UK, with 100 jobs expected to go in Shotton, north Wales and 50 in south Wales.

**Hoover** revealed plans to cut 337 jobs at its Merthyr washing machine factory, where it has operated since 1948, due to difficulties in making competitively priced products at the site.

An announcement was made that 250 jobs were at risk at the Miskin facility of automotive company **Bosch** following a decline in customer orders. The company started a 90-day period of consultation with its plant council.

Cosmetics maker **Budelpack Cosi**, went into administration threatening 389 jobs in Maesteg, and 200 staff at the Llantrisant site of **Sun Juice** faced redundancy following restructuring. Furthermore, the UK and Welsh economies are likely to face a number of redundancies in the next year following the announcements that retailer **Woolworths** and furniture maker **MFI** were moving into administration. Both companies employ more than 1,000 people across the UK.

Health care business **Pastoral Cymru** announced that 180 jobs are expected to be created in their new 44 bed mental health facility in Cardiff, due for completion in autumn 2009.