National Assembly for Wales

Economic Development and Transport Committee

Manufacturing and the Mid Wales Economy

May 2005

Members of the Committee

Chris Gwyther (Chair)	**Carmarthen West and South Pembrokeshire**
Leighton Andrews	**Rhondda**
Alun Cairns	**South Wales West**
Andrew Davies (Economic Development and Transport Minister)	**Swansea West**
Janet Davies	**South Wales West**
Tamsin Dunwoody-Kneafsey	**Preseli Pembrokeshire**
Lisa Francis	**Mid and West Wales**
Elin Jones	**Ceredigion**
Jenny Randerson	**Cardiff Central**
Carl Sargeant	**Alyn and Deeside**

Manufacturing and the Mid-Wales economy

Introduction

The Committee has heard a number of concerns in recent months about the cumulative effect of job losses announced in Mid Wales over the past year or so. In particular a number of these affected Newtown and the surrounding area and many were in the manufacturing sector. The Committee decided that it would like to examine trends in the Mid-Wales economy in greater detail and arranged to hold a meeting in Newtown to discuss the specific issues with representatives from both the public and private sector in that area.

The Committee invited representatives from the WDA, ELWa and Powys County Council who are the main agencies offering support to business. In addition, they invited representatives from local manufacturing companies to discuss the more specific challenges that they face in operating in Mid Wales. A list of those who attended the meeting is attached at Annex A.

Background

Mid Wales is predominantly a rural area, especially in comparison to some of the other regions in Wales. Much of the region is remote with a relatively high concentration of agriculture and tourism. These distinctive characteristics affect not only the relative performance of the region's economy, its markets and competition, but also its skills requirements.

The region has a population age balance which is skewed towards the elderly, and there is significant population movement characterised by outward migration of young people and in migration of older families and retired people. A significant proportion of employment is in land based industries and thus the economy is disproportionately affected by changing agricultural practices. The region receives relatively low levels of inward investment and the majority of private sector employment is in indigenous micro, small and medium sized enterprises. Mid Wales has a well networked, small scale manufacturing sector. While closure of any one of these relatively small companies may not make 'headline news', the loss of only a relatively small number of jobs can have a much greater impact on small rural communities where the opportunities for re-employment may be limited.

Issues raised in the meeting

Full Employment and wages

The Committee was told that the region had recently moved to a position of full employment from a past where there had been unemployment black spots. However, Mid Wales is geographically a large area with various sub-economies and there were still small pockets of unemployment in some towns across the region. It was said that relatively low wages and low rents were still a feature of the Mid Wales

economy but the Mid Wales Manufacturing Group (MWMG) argued that while some companies were attracted by low rents, companies in the area paid fair wages for comparative jobs. A production worker in a factory in Newtown was paid a very similar rate of pay to a production worker in Birmingham, Manchester or Leeds. The 'low wage' perception was more related to the fact that there were few head offices in the region and so fewer highly paid executive jobs than in other parts of the country which had, in turn, an effect on the average wage.

Demography

There was clear evidence that the region's young people tend to move away either for higher education or better jobs and there is an inward migration of older people. This is creating an increasingly older population with fewer people available for work. The lack of affordable housing impacts disproportionately on young people in the region and a better balance was needed between wages and opportunities, in terms of purchasing homes. Demographic changes over the next 10 years will mean significantly falling school numbers which will mean that difficult decisions will have to be made in terms of changing patterns for schools, sixth forms and so on.

Physical Infrastructure

One of the key issues that the representatives from the manufacturing sector raised was the transport infrastructure. This had an impact on getting goods in and out of the area but also on the movement of workers. While there was full employment in the Severn Valley there were pockets of unemployment in towns not so far away but the transport infrastructure to allow people to travel very far to obtain work did not exist. Increasingly there was an expectation of 24 hour turnaround for delivery of orders and couriers were just not prepared to guarantee that from outlets in Mid Wales. While the manufacturers did not advocate building huge highways through Wales there was a need to find solutions for speedier transportation, particularly north to south and east to west.

Broadband take up in Mid Wales was low and it was suggested that this could indicate that business in Mid Wales was not modernising at the same rate as business elsewhere. It was recognised however that full ADSL availability was still in the process of being enabled so it had not been possible to market extensively so far. It was also noted that SDSL availability was now being rolled out in other parts of Wales, which could lead to Mid Wales still lagging behind areas like the South East Wales. While recognising the benefits that increased connectivity could bring, Members were concerned that the public sector agencies did not seem to have carried out a great deal of demand analysis or understand the types of applications and services that this improved connectivity could provide.

Property market

The Committee were told that the WDA's annual asset disposal target created certain problems in Mid Wales. Once property transferred into private ownership it tended to degenerate as private landlords were not as likely, in most cases, to

maintain the property to the same standard as the public sector. Private sector landlords tended to charge higher rents, although Members were not able to see the argument for a private sector landlord buying a property, increasing the rent and then not being able to let it or gain a return on their investment. The WDA said that it was often small private investors, trying out the market, and those ventures were often unsuccessful. A lack of available property restricted the WDA's ability to respond quickly to both indigenous and inward investors as well as making it difficult to offer a 'product' to get investors to think about the area in the first place. The Committee discussed at length the role of the WDA in the property market and agreed that the Committee should carry out further work in this area, recognising that the WDA's property strategy needed to address the different needs of the sub-economies across Wales.

Skills and staff retention.

ELWa told Members that there was evidence of a downward spiral in terms of skills with a fairly low demand from adults in the region to engage in training and development. The consequence was that there was not the level of skills available that an employer needed and they downgraded their expectations. If you set this against the issue of globalisation in terms of competition from abroad it indicated that cheap labour costs were not the only issue as there were highly skilled workforces available in India, China etc.

There was some concern amongst Members that providers of skills training were not assessing the future needs of business or planning to meet these. Rather, they were providing training in response to the demand from employees. This was backed up by the manufacturers who said that a demand led system of training needed to be developed. They were critical of the dialogue that existed between ELWa and local companies. The MWMG said that they did organise a number of training events with the support of ELWa but there was contrary evidence from the individual companies represented at the meeting.

A small group of manufacturers in somewhere like Newtown would need a very diverse set of skills which it was recognised would be difficult for ELWa and the local colleges to provide given the small numbers. The representatives from the manufacturing sector referred to the 'shared apprentice scheme' which had been set up and had subsequently failed because of a lack of support from ELWa and the WDA. The scheme would have resulted in something like 10 apprentices a year coming through and would help address the issue of training small numbers of people in very specialist skills.

The region traditionally has a high level of academic achievement and this could act as a negative force. High A level achievement can be a passport out of the region and there was some evidence that there was a need for a better mix of academic and vocational training. The manufacturers said that attracting highly skilled workers to the area was an ongoing challenge. Actia UK Ltd said that money was not the issue as they paid above average to attract software engineers but after a few years they move on because the social infrastructure was simply not strong enough to attract young people.

ASPB merger

The Committee did not specifically discuss the merger but Members were concerned about the impact it would have on economic development services in Mid Wales. The WDA said that it could potentially have a great impact and called for maintenance of regional delivery through regional offices. They also hoped that the merger would give more subsidiarity to regions through an increased range of delegations. There was some concern from Members that the merger process in itself was leading to a slower decision making process during the transitional process.

Conclusions

The Committee welcomed the discussion they had with the representatives from the region and agreed that there were a number of key areas that could help improve the situation, particularly for manufacturers in Mid Wales:

- **Property Strategy.** Members were concerned that that applying blanket targets for asset disposal across Wales means that they are not necessarily sensitive to local areas. They agreed that the Committee should look at the WDA Property Strategy in greater detail, in particular the need for different approaches in different parts of Wales.
- **Transport Infrastructure.** The Committee identified the need to look in more detail at the long-term transport strategy for Mid Wales and to discuss with the Economic Development and Transport Minister what solutions might be found for speedier transportation throughout the region.
- **Demand for Broadband.** Further work needs to be carried out in Mid Wales by the public sector agencies and Welsh Assembly Government in relation to demand analysis for Broadband and gain a better understanding of the applications and services that improved connectivity could provide.
- **Skills Training.** The Economic Development and Transport Minister had told the Committee previously that the manufacturing task and finish group was using Future Skills Wales to look at the specific training needs of employers. This did not seem to be happening and the Committee urges the Welsh Assembly Government to consider how interaction with the private sector can be improved, in terms of the sort of skills provision that is required.

The Committee was very grateful to the representatives from both the public and private sector who gave their time to discuss these issues with them. They will be submitting this report to the Minister for Economic Development and Transport and will consider his response in due course.

May 2005

Annex A

List of attendees

Jeremy Wright - Head of Economic Development Services, Powys County Council

Geraint Davies - Executive Director, Welsh Development Agency

Mike Bacigalupo - Business Development Manager, Welsh Development Agency

Robin Beckmann - Regional Director, ELWa

Eamon Ford - Managing Director, William O'Hanlan Ltd and Member of Mid Wales Manufacturing Group

Michael Neave - Finance Director, Actia (UK) Ltd

Bob Millard - Director of Operations, Makefast Ltd

Bob Brown - Chairman, Makefast, Ltd