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#### **Notes for Contributors**

Authors should send papers for potential publication in the *Welsh Economic Review* to the Editor at the address given below, preferably via e-mail in a Word for Windows format. Papers are welcome on any topic that would be of general interest to the readership, and should be written in a style suitable for non-specialist readers. Papers should be approximately 3,000-4,000 words and any graphs or figures should be accompanied by the underlying data to allow reproduction.

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# Area Profile: South West Wales

Pembrokeshire and the neighbouring authorities of Carmarthenshire and Ceredigion are renowned for their natural beauty and quality of life. However, the mixed fortunes experienced by the South West Wales economy in recent times have culminated this year in a number of headline-making employment shocks.

By September 2002 well over a thousand jobs had been lost with the demise of ITV Digital (Pembroke Dock), the withdrawal of Dewhirst from clothing manufacturing in Wales, and redundancies at Dawn Pac's Crosshands meat processing plant. Further cuts are due in the next few months from the Ministry of Defence site at Aberporth, and the closure of CF Taylor's aircraft interior manufacturing facility in Dafen.

## Economic Overview

Historically, the economy of South West Wales has been land-based and agriculture continues to be important to the region. Around a third of the total Welsh agricultural labour force of 35,000 are employed in South West Wales (Labour Force Survey 2000), a majority of whom are self-employed (64% in 2000). However, depressed agricultural prices and incomes, supermarket domination with retailer-led supply chains, and high subsidy dependence, have threatened the sector in the last few years; exacerbated by the foot-and-mouth outbreak during 2001.

Maritime activities have played a vital role in South West Wales' development, providing employment and commerce opportunities. The ports of Pembrokeshire have witnessed the ebb and flow of the fishing, oil and tourism industries,

with the Milford Haven Port Authority currently overseeing the busiest port in Wales. Employment in fishing has fallen drastically over the years, and since 1991 the oil industry workforce has declined by over a third to the present level of less than a thousand. In spite of this Pembroke Dock remains an important oil centre with over one-fifth of all petrol used in the UK being produced at the Texaco and Elf facilities situated there. A change in focus has occurred recently with construction of a marina at Milford Haven to replace some of the old docks, adding to the travel and tourism ferry services provided from Pembroke Dock and Fishguard.

Traditionally a popular destination for short stay visitors and couples with young families, South West Wales has experienced growth in the tourism sector in recent years, with attractions like the Pembrokeshire Coast National Park, Tenby the internationally acclaimed National Botanic Gardens at Llanarthney, and Oakwood Theme Park near Narbeth. Amid news of falling visitor numbers in 2002, the Welsh Assembly Government provided a £360,000 grant to the Botanic Gardens in July, to help fulfil its potential as a tourism destination and science/education centre. The Oakwood theme park was developed on a former farm site that, having diversified its

operations, is now one of the main attractions in Wales for day-trippers.

The seasonality of the tourism sector, with most visits to South West Wales occurring between July and August, has had knock-on effects on employment contracts and earnings. However, this concern is being addressed through plans, currently in their early stages, to build an all-year round holiday village near Oakwood. Events such as the Sea Empress disaster of 1996 (where oil pollution impaired almost 120 miles of west Wales coastline) and the foot-and-mouth crisis, have had serious consequences on tourism income and local industry generally.

Since World War Two South West Wales has had a strong Ministry of Defence (MOD) presence. In the late 1930s an armaments depot was set up at Trecwn (near Fishguard) which remained active until the end of the Cold War. The immediate area, which largely depended on the plant for employment, has struggled to recover from its closure in 1995 when 500 workers were made redundant. For the past 30 years the MOD Royal Aircraft Establishment has been one of the two biggest employers in Cardigan (the other being Dewhirst), but recent cut backs have seen its workforce reduced to only about 200.

**Table 8: Key Statistics for the South West Wales Economy**

Economic Indicators	Carmarthenshire Ceredigion / Pembrokeshire	All Wales
Total Population 2000 <sup>1</sup>	356,000	2,946,200
% Change in Population 1991- 2000 <sup>1</sup>	1.7	1.9
Total Employment 2000 <sup>2</sup> (employees only)	108,900	1,077,600
% Change in Employment 1991- 2000 <sup>2</sup>	15.1	11.8
Economic Activity Rate 1999 <sup>3</sup>	71.2	73.8
Unemployment Rate (workforce) August 2002 <sup>4</sup>	4.2	3.6
Average Gross Weekly Pay 2001 (£'s) <sup>5</sup>	290.91	319.83
Average House Prices (Land Registry figures <sup>6</sup> )	72,220	79,487
GDP £ per head 1998 <sup>7</sup>	8,258	10,063
Firm Formation Rate 2000-01 <sup>8</sup>	5.9	8.3

Sources:

<sup>1</sup> Mid year population estimates *Digest of Welsh Local Area Statistics 2002*

<sup>2</sup> *Annual Business Inquiry 2000* and *Census of Employment 1991* NOMIS ONS

<sup>3</sup> *Annual Labour Force Survey 2000* NOMIS ONS

<sup>4</sup> Claimant count unemployment NOMIS ONS

<sup>5</sup> *New Earnings Survey 2001* NOMIS ONS

<sup>6</sup> Residential Property Prices from HM Land Registry 31/07/02

<sup>7</sup> *Local Area GDP Figures 1993 to 1998* ONS

<sup>8</sup> VAT Registrations/ Deregistrations by industry 2000/01 NOMIS ONS

Further concerns were raised in the area in July 2002 with the announcement that the military range at Aberporth is to be scaled down. Expectations are of 147 job losses as part of a £300m MOD long term cost cutting campaign.

The industrial structure of South West Wales is characterised by low levels of participation in higher earning sectors (such as financial services and manufacturing) and relatively high employment in lower paid work (such as tourism activities). Prosperity, as indicated by Gross Domestic Product per capita, lags behind the all-Wales level and significantly behind the EU average. This has occurred to such an extent that, as part of the 'West Wales and the Valleys' area, Pembrokeshire, Carmarthenshire and Ceredigion became eligible in 2000 for the highest level of European funding support, being granted 'Objective 1' status until 2006.

### Key Statistics

Covering an area of 5,778 sq. km, the three South West Wales authorities were home to an estimated 356,000 people in 2000, or 12% of the Welsh population. This area is characterised by low population density, low population growth and a high proportion of people over retirement age relative to the Welsh average.

According to the 2000 Annual Business Inquiry, there were an estimated 108,900 employees in employment in the three authorities, accounting for 10.1% of the Welsh total. Employment grew at a faster rate than the Welsh average between 1991 and 2000, although a higher proportion of jobs are part-time (36% in South West Wales compared to the Welsh average of 32%). A factor contributing to this high proportion of part-time working is the concentration of employment in tourism related activities (7.5% of all employees in employment in 2000). Wages in this sector also tend to be relatively low, depressing overall income levels. Average gross weekly pay and average house prices for South West Wales were both below the all-Wales figure.

'High value' sectors such as manufacturing and business services are underrepresented in the South West Wales economy. In 2000 only 13.9% of the area's employees in employment were in manufacturing and 10.6% in business services, compared to 18.6% and 12.1% respectively for all-Wales. One of the reasons for this has been the difficulty of attracting inward investment, competing against less peripheral localities in south east and north east Wales, as well as the rest of the UK.

The economic activity rate is the

percentage of people of working age (16-64 years males and 16-59 years females) who are economically active (i.e. those in work and those seeking a job). The Annual Labour Force Survey by ONS showed that the total economic activity rate in South West Wales was 71.2% in 2000, just below the Welsh average (73.8%).

Unemployment was above the all-Wales figure in August 2002, the workforce rate standing at 4.2%. However, disparities existed within the area, the rate in Ceredigion being a relatively low 2.7%.

Although a far from perfect indicator with which to assess the underlying economic and social progress Gross Domestic Product (GDP) continues to be the main benchmark against which economic progress is measured, and also a key indicator for the EU in the allocation of structural funds. In 1998 GDP per head in South West Wales was £8,258, which was 65.8% of the UK average. Comparative figures for all-Wales were £10,063 per head or 80.2% of the UK average.

Changes in the stock of VAT registered businesses are an indicator of company performance and economic vibrancy. During the year 2000 to 2001, South West Wales saw very little net overall movement. At the start of 2001 there were 14,625 registered enterprises in the area, down 1.1% on the stock at the start of 2000. More interesting is the composition of VAT registrations by industry where, in South West Wales, over two fifths (42.8%) of all registrations are in agriculture and fishing, compared to under a quarter in all-Wales (23.1%). South West Wales has a relatively low firm formation rate (new registrations divided by stock) at only 5.9% (the Welsh average being 8.3%), partly reflecting the continuing difficulties in the agricultural sector.

### Recent Employment Shocks

Despite being on the periphery of the UK, South West Wales has not been sheltered from the general unease in international trade. A number of large companies, on which local communities were strongly dependent, have made cutbacks in 2002. As in the case of the Trecwn armaments closure of 1995, these have been keenly felt.

ITV Digital's demise, after its ill-fated deal with the Football League, resulted in Pembrokeshire's flagship call centre at Cleddau Bridge making over 900 workers redundant in early May 2002. The call centre, which opened in September 1999, was created by a £1.8m partnership investment by 7C (the customer relationship management company) and Manpower. It had been

heralded as a major tonic to past job losses locally in the oil industry and armed services, being the largest private employer in Pembrokeshire, and a beacon for Pembrokeshire's 'Cyber Bay' in its role of helping create hi-technology jobs.

There was some good news for former Pembrokeshire ITV Digital workers from NTL. Over 200 of those who had lost their jobs were re-employed by the cable TV company, initially on short-term eight to ten week contracts. A special task force comprising of the WDA, ELWA, community leaders and politicians was set up to find new clients for the centre, which is emphasising the experienced and 'available now' workforce as a major inducement.

Manufacturing industry in the UK has been experiencing difficult times over the last couple of years. Poor world economy conditions and the sustained strength of the pound have made the UK a less competitive manufacturing base. Although not as reliant as other Welsh regions on manufacturing, the sector's downturn has also impacted on South West Wales.

Clothes manufacturer Dewhirst has suffered from the withdrawal of orders from high street retailer Marks & Spencer. The company announced in July of this year that its factory in Cardigan would close (November 2002) with the loss of 325 jobs. In August Dewhirst gave notification of the forthcoming closure, after a 90 day consultation period, of its Fishguard plant where a further 168 jobs would be lost. This would mean an end of manufacturing for the company in Wales (their Swansea factory having closed in August 2002, with the loss of over 400, following previous shutdowns in Lampeter and Ystalyfera). With production relocating to lower labour cost countries, employment prospects in the Welsh textiles sector are poor. The GMB union has sought help from the Welsh Assembly Government to put together strategies to aid the workers affected. At present worries over these workers' futures remain, as there are no obvious alternative jobs within the area.

The aftermath of September 11<sup>th</sup> and a general economic downturn in the aerospace industry are being blamed for further job losses in South West Wales. BE Aerospace owned, CF Taylor, announced plans to close its aircraft interiors factory at Dafen, near Llanelli, next February with the loss of 270 jobs. Five factories worldwide are earmarked for closure as part of restructuring. The company had operated in the Llanelli area since the late 1980s, being taken over by BE Aerospace in 1998, and had provided well-paid jobs.

Irish owned Dawn Pac are one of Europe's leading food-processing companies. As a direct result of a massive fire at its meat processing plant in Cross Hands in June 2002, a total of 183 workers were made redundant (almost half of the total workforce). Whilst limited production continues at the plant, the company is considering cost and time factors before deciding whether to rebuild the part of the factory destroyed by the fire.

**New Investments**

There have however, been a number of success stories in the South West Wales region in recent years. One of the 'traditional' Pembrokeshire industries, oil refining, has demonstrated its continuing commitment to the area. Texaco initiated a £44million investment in 2000 to produce cleaner fuel in line with EU specifications and safeguarding some 750 jobs at Pembroke Dock. In September 2002, Exxon Mobil, the world's biggest oil company confirmed it was investigating the potential of taking up the former Esso site at Milford Haven. The company is looking for a location for its first UK Liquefied Natural Gas terminal, and if the Pembrokeshire site were chosen, major employment opportunities would be created in the construction phase as well as at the facility itself.

The long established food production sector in South West Wales has a prosperous outlet in retailer Cegin Cymru. The company, set up in 1992 to supply the Garden Festival of Ebbw Vale, in 2002 was celebrating turnover exceeding £1 million; leading the way in Welsh food and drink promotion.

New industries in the South West Wales region are vitally important to diversify the industrial base and bring in more highly paid employment. A number of hi-technology companies have created jobs in the vicinity. In 2000, with the help of the local authority and the WDA, Dps Aerospace, part of Kowhai International Ltd, opened a 25,000sq-ft purpose built facility in the area. Over 50 staff are employed in the aerospace composites

company, which was reported to have been attracted to the area by the availability of high quality workforce and competitive business set up prices.

This year Magstim, an electronic medical equipment manufacturer based in Carmarthenshire, invested £1 million in a new headquarters including a laboratory, 13,000sq-ft factory and offices. Operating in a niche market, mainly supplying hospitals and research departments, the company exports around 85% of its output. The expansion was aided by the Welsh Assembly through a regional selective assistance grant.

Discussions are currently being held regarding the viability of a technology park at Aberporth, with the potential to create hundreds of new jobs. A partnership of the WDA, Ceredigion County Council, ELWa, DDA (Defence Diversification Agency) and private industry are exploring options to re-invigorate the locality.

SME's have also been in the news in South West Wales. Newcastle Emlyn based Micropharm biopharmaceutical company (who specialise in the production of anti-venoms to cure snakebites) recently opened new production facilities at Antur Teifi Business Park. The site was visited by the Nigerian Minister of Health in April of this year. The Welsh Assembly's new culture strategy *Creative Future: Cymru Greadigol* was launched at Steer Multimedia studios in Tairgwaith, Ammanford. The studios were presented as an example of how culture ventures can help replace employment opportunities lost in some of Wales' more traditional industries.

As well as being major employers themselves, the two universities of Ceredigion based in Lampeter and Aberystwyth have forged development partnerships with industry to expand and exploit research, offering consultancy, training and technology transfer services. The 'Centre for Advanced Software and Intelligent

Systems' in Aberystwyth University for example has undertaken collaborative projects with a range of companies from multi-nationals (such as Ford Motor Company Ltd.) to SME's.

**Objective 1 Funding**

Economic commentators have stressed that qualifying for Objective 1 status should not be seen as a cause for celebration, but rather reflects the need for economic modernisation. The aim of Objective 1, to promote the development and structural adjustment of regions in order to speed up their economic growth, is achieved through projects that address one of the six priorities of the programme.

These are:

- Developing and expanding the small and medium sized enterprise (SME) base.
- Developing innovation and the knowledge-based economy
- Community economic regeneration
- Developing people
- Rural development and the sustainable use of natural resources
- Strategic infrastructure development

Between 2000 and 2006 around £1.2 billion from European structural funds is expected to be deployed throughout north and west Wales plus the valley areas. An indication of the funding for Approved Projects in south west Wales is shown in table 9.

It is up to the local people and business community to come forward with ideas for projects, which are then facilitated by local partnerships in each unitary authority area. Schemes to benefit from Objective 1 monies in south west Wales will be the Theatr Mwldan Development Project in Cardigan, and a business development centre in Nantyci. The former involves a substantial investment of £6 million from a variety of sources, including European funds, to finance the centre for live performances and films, which is due to be completed in May 2004. The latter will be a £1.2 million one-stop shop for rural regeneration in Carmarthenshire.

**Table 9 Approved Objective 1 Projects in South West Wales.\***

Area	Number of Projects	Value
Pembrokeshire	41	£8,688,046
Ceredigion	19	£5,610,095
Carmarthenshire	25	£9,698,069
<b>Total</b>	<b>85</b>	<b>£23,996,210</b>

\*As of 3 Sept 2002.  
Source: www.wefo.wales.gov.uk