04/02/2009 20:14:51 32-33 Media Wales CharlesBoase 05/02/2009 MAIL Feb 05 Thurs

Minister defends strategy

SOME businesses are still performing well, despite the challenging wider economic climate, Secretary of State for Innovation, Universities and Skills, John Denham, said yesterday.

The minister was on an official visit to South Wales, which included meetings at Cardiff University and the UK Intellectual Property Office in Newport.

Mr Denham said: "I am not saying anything other than it being a difficult time for many people, including those who have lost their jobs like in South Wales.

"However, talking to businesses, it is clearly a patchy picture. For some businesses in the right sector, they are doing well."

The minister said that some people were also seeing the benefits of falling mortgages and cheaper petrol bills.

Mr Denham also defended his Government's actions on bailing out the banks, as well as a commitment to bring public sector projects forward, as a way of boosting the recession-hit economy.

He added: "In Wales, public spending is proportionally higher than the overall [UK] economy. If we were do to what the Opposition is calling for and cut back, Wales would be hit badly."

The minister said that the policy – fuelled by increased borrowing – was the right one to ensure the economy came out of recession quicker than otherwise.

"If we shrunk spending the recession would be much deeper and longer," he added.

Mr Denham's UK responsibilities are devolved to the Welsh Assembly Government.

On university commercialisation of research he said it was his Government's policy to fund the "best research" in the UK.

He added: "I have spoken to Jane Hutt [Assembly Minister for Education, Skill and Lifelong Learning] and there is drive to make the best of the research that takes place in Wales."

VISIT: John Denham, the Secretary of State for the Department of Innovation, Universities and Skills, who was in South Wales yesterday on an official visit PICTURE: Rob Norman

Welsh tourism ventures nervous as families put off holiday decisions

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But fall in sterling could lure Brits and foreign visitors

TOURIST operators in South Wales have reported a sharp fall in bookings as more people defer decisions on holiday destinations in the current economic climate.

A survey commissioned by the South East Wales Tourism Forum and the Wales Tourism Alliance, has revealed that most tourism businesses in the region are nervous about the year ahead. Nearly two thirds (65%) said levels of inquiries were down on a year ago (January 2008).

And just over 68% said their bookings were lower compared to the same time last year, for the whole year ahead.

One business owner questioned said: "Uncertainty is the biggest factor in the lack of bookings. People are afraid to make a commitment as they don't know if they will still have a job in the near future."

The South East Wales Tourism Forum is affiliated to the Assembly-backed body, Capital Region Tourism.

The forum's strategy director, Peter Cole, said: "We can take some comfort in knowing that holidays and breaks will be more resilient than other purchases.

"As an industry, we must grasp the great opportunity that presents itself – that many consumers will be thinking of changing their usual holiday habits and will be shopping around. Added value and exclusive offers will be important in a competitive marketplace."

Mr Cole said that in the current climate it was important to "target more tightly" defined market segments, to maximise chances of positive returns.

He also said it was vital to present information "smartly" to ensure the "Wales message" was at the forefront of people's minds when researching or choosing a break or a holiday.

"Sustained investment in skills, product development and marketing is also essential to meeting customers' expectations, regardless of the size of businesses," he said.

"Tourism businesses will need strong leadership and a solid framework to work in too. And significant investment in activity tourism in the South Wales Valleys is already starting to bear fruit.

"There is still a crucial need for Welsh Assembly Government, Visit Wales, the private sector and local authorities to work in concert and support investment in such key projects as inward routes to Cardiff Airport, a dedicated conference centre in the region and sophisticated destination management systems."

And he said the sector had become more competitive because of the strengthening of the dollar and euro against sterling.

"The major benefit of the current exchange rate situation for tourism in the region will be from UK visitors who decide not to go abroad this year.

"Where foreign visitors are concerned, London is still perceived as expensive. We need to reassure those visitors that we provide value here in the region [South East Wales].

"The appeal of Wales is going to be mainly to those overseas visitors who have already been to Wales.

"These will tend to be European visitors, or Americans with Welsh connections."

Andrew Fryer, who owns the five-star Wern Watkin bunkhouse in Crickhowell, said his bookings position was positive.

He said: " I'm 80% booked for 2009, mainly with groups and families."

Activity provider and management training company Call of the Wild said it was also performing well.

Director of the Neath-based company Mike Soanes said bookings were a third up on the same period in 2008.

He said: "We did experience a number of companies postponing events towards the end of last year.

"However, the flipside to this is that we gained work from others who would normally leave the UK for their events as a result of being more prudent given the economic climate."

RBS ramping up support for SMEs in Wales by £250m

SMALL business in Wales will have access to around £250m funding from part-nationalised bank RBS, owner of NatWest.

The bank is making the funding available for businesses to help manage capital and cashflow through the downturn.

The Government has a 70% stake in RBS and the banks said the money was part of a commitment made to increase lending to UK borrowers by an additional £6bn.

The locally administered fund will offer customers a range of financial support, including flexible business loans, which allow customers to postpone capital repayments, invoice finance products which may guarantee debtor payment, effective ways to release cash through using the assets already owned by the business and short-term trade finance essential to keep imports and exports flowing.

Accessed via customers' existing dedicated business relationship managers, the fund will also offer small and medium sized enterprise (SME) customers lower priced loans from the £250m funding the bank has recently secured from the European Investment Bank.

First Minister Rhodri Morgan said: "Supporting businesses through this difficult time is one of the Welsh Assembly Government's key priorities and I very much welcome this initiative by NatWest and RBS.

"Now it is for Welsh businesses to ensure that they take up this loan availability and to ensure they find a particular loan package that suits them. We also expect to see this NatWest and RBS allocation being available to leverage Finance Wales loans and investments to meet the needs of Welsh industry in taking advantage of business opportunities that still exist, despite the difficult economic conditions."

Barry Evans, regional director of NatWest and RBS business and commercial banking for Wales, said: "This initiative couldn't come at a better time for local businesses and will provide a welcome boost to the Welsh economy.

"Bolstering SMEs' access to finance will be important in limiting the extent of the current economic downturn. SMEs are the lifeblood of our regional economy, accounting for around 60% of all Welsh jobs and supporting them supports everyone."

Services sector cutting staff at an 'unprecedented rate'

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Competition forcing firms to cut prices and reduce staff

FURIOUS price-slashing in the services sector has caused firms to shed staff at "an unprecedented rate", figures showed yesterday.

The Chartered Institute of Purchasing and Supply (CIPS) said fierce competition meant service companies cut prices at a record rate in January.

Its latest industry survey blamed the resulting drop in profit margins and a marked reduction in sales for the sharpest fall in services employment in 13 years as the UK grapples with recession.

The CIPS data showed activity in the sector near historic lows despite easing slightly from December. The survey gave a reading of 42.5 for January, where a score less than 50 indicates industry contraction.

Roy Ayliffe, director of professional practice at CIPS, said: "With competition heating up, companies were forced to reduce their prices and axe staff at an unprecedented rate.

"But as overall levels of sector activity fall, it's clear that such efforts are superfluous: only the fittest will survive." He said hotels and restaurants were the worst hit by the tough trading conditions.

The survey, which covers transport and communication, financial, business and personal services as well as IT, hotels and restaurants, found sentiment in the industry remained historically low in January, despite a slight pick-up from the previous month.

CIPS said reduced activity was linked to sharply falling levels of new business, which declined for the ninth successive month, albeit at a rate that was "markedly improved" from the severe drops at the end of last year.

Paul Smith, of survey partner Markit Economics, said: "While improvements in the activity and new business indices are encouraging and provide further tentative evidence that we may be passing through the deep point of the recession, the sector remains in a very weak state."

Separate research yesterday showed that the pound's slump is beginning to push up some shop prices.

Overseas demand for beef due to the fall in sterling drove a 1.8% month-on-month rise in food prices during January, the British Retail Consortium (BRC) said.

Although most non-food goods were cheaper than last year, the impact of the struggling currency was filtering through to higher import costs and slowing the rate of price falls, the BRC added.

The pound has slumped in value by almost a third against the dollar in the past six months – falling to a 24-year low of 1.35 dollars when the UK's recession was confirmed two weeks ago.

Moreover, it was confirmed that the manufacturing sector is growing at its slowest rate for four years.

The annual rate of pay growth in the sector fell steeply during January, dropping from 2.4% in December to 1.4% – its lowest level since September 2004, according to payments group VocaLink.

The group, which processes 90% of UK salaries, said the subdued rate reflected the sharp contraction in the UK manufacturing sector as it suffered its worst recession since 1980.

By contrast, pay growth in the services sector remained broadly stable, at an annual rate of 3.1%, compared with one of 3% in December.

The overall take-home pay index, which measures annual pay growth across both sectors, fell to its lowest level since November 2006 of 2.7%, down from 2.9% during the previous month.

The rate at which wages are growing has been steadily declining since July last year when it peaked at 4.5%.

Richard Cooper, marketing director at VocaLink, said: "Weakening inflation and employment prospects have caused earnings growth to decline significantly, as shown by a two-year low in the VocaLink take-home pay index.

"The dramatic fall in industry pay also illustrates that, as the recession worsens, the credit crunch is now being felt the hardest in the capital intensive manufacturing sector."

Douglas McWilliams, chief executive of the centre for economics and business research, said: "Inflation is collapsing, to the extent that we expect it to turn negative over the next quarter.

"Whether the UK is in for a prolonged period of deflation resulting from the commodity price collapse remains in the balance.

"The extent to which wages are bid down, as indicated by the VocaLink take-home pay index, will be a key determinant in this."

city marketreport

THE FTSE 100 Index pushed ahead yesterday as better than expected overseas news cheered investors.

Early trading in US markets gave London a boost after news that the American services sector shrank in January at a slower pace than the previous month. The FTSE closed up 64.1 points at 4228.6.

But London trading was thin on the ground as traders awaited today's expected interest rate cut.

Miners led the way after traders said Kazakh-based firms **Eurasian Natural Resources** (ENR) and **Kazakhmys** would benefit from a devaluation of Kazakhstan's currency, the tenge. Kazakhmys was the leading Footsie riser, up 36.25p to 280.25p or 15%, followed by ENR, up 47.5p to 377.75p.

Other mining stocks also featured on the risers' board including **Xstrata**, up 92.5p to 719.5p, and **Antofagasta**, gaining 53.75p to 477p.

Private equity giant **3i** nudged ahead, up 11%, despite Nomura cutting its target price on the firm. Shares were up 24.75p at 236.75p.

Life and pensions firm **Aviva** was also in the leading pack after better than expected new business figures for last year. The stock was up 11%, or 37.25p to 370p.

Other risers included transport firm **FirstGroup**, which rose 23.5p to 278p as the sector was cheered by a Goldman Sachs upgrade for **Stagecoach** in the FTSE 250. Stagecoach added 11p to 130p, while **Go-Ahead** cheered 57p to 970p.

Drugs giant **AstraZeneca** led the top-flight fallers board after shares turned ex-dividend. The group fell 145p to 2622p, or 5%.

Software group **Sage** – another ex-dividend stock – was a loser after a gloomy trading update sent shares 5%, or 9.1p lower to 176.5p.

Elsewhere sportswear chain **JD Sports Fashion** added more than 13% or 29p to 242p, after the firm said it had maintained its strong Christmas sales momentum.

Chipmaker **Wolfson Microelectronics** gained more than 6% despite warning of "uncertain" market conditions. Shares rose 6.5p to 77.75p

The biggest Footsie risers were **Kazakhmys** up 36.25p at 280.25p, **Xstrata** up 92.5p at 719.5p, **Schroders** up 78.5p at 666.5p and **Antofagasta** up 53.75p at 477p.

The biggest Footsie fallers were **AstraZeneca** down 145p at 2622p, **Sage Group** down 9.1p at 176.5p, **Unilever** off 61p at 1483p and **British American Tobacco** down 60p at 1854p.

Sing your way to a happy working life

TWO singers have launched a business to help reduce workplace sickness and motivate staff.

The idea of singers and vocal coaches Georgina Jones and Andrea Beardshaw, Inspire provides vocal health sessions aimed at motivating staff, team-building and reducing sickness and absenteeism.

Inspire is already working with Admiral Group at its Cardiff headquarters, developing a choir of more than 40 staff members through a monthly two-hour singing session over a six month period.

The Admiral choir is working towards a performance in front of thousands of colleagues at the company's staff general meetings at St David's Hall, Cardiff, and the Swansea Grand Theatre this spring. Their repertoire includes hits by Queen, The Blues Brothers, and OutKast.

Inspire has also won a contract to provide vocal health training sessions at inductions for all new call centre employees at Admiral – providing expertise on how to use their voices effectively, prevent sore throats, manage infections and other vocal issues that may affect their work.

They now plan to target other major UK call centres, businesses and organisations with the Inspire brand, and have already received interest from other high profile organisations.

Ms Beardshaw said: "Both Georgina and I have a business background in call centre management, as well as our experiences in the music industry, so we understand what companies are looking for when they invest in our services.

Ms Jones added: "All call centre managers should be asking themselves how much money their business is losing by not addressing vocal health issues. If a member of staff comes into work healthy, but having lost their voice, they can't do their job. Through our unique vocal training sessions, teaching staff to look after their voices, managers can reduce absence levels and ensure service levels are met and money is being brought into the business.

"The same principle applies to other professions who rely on their voices, such as broadcasters and teachers."

She added: "Singing's proven health benefits also include boosting the immune system through the release of nitric oxide, as well as releasing mood lifting endorphins, benefiting staff's overall welfare in the workplace, and reducing sickness and absence."

Ceri Assiratti, head of human resources at Admiral, said: "Inspire has been a great morale booster for all those involved in the project at Admiral. Those working with the Inspire team say they feel highly motivated yet relaxed after the choral sessions."

SING IT LOUD: Georgnia Jones and Andrea Beardshaw of Inspire are motivating workforces by song