

Response to Further
Questions from the
Economy, Trade and Rural
Affairs Committee,
Senedd Cymru /
Welsh Parliament



Table of Contents

Introduction:.....	1
How much of a barrier is infrastructure to Wales attracting more inward investment? What are the key challenges Wales faces, and how should these be addressed?.....	1
To what extent do businesses in your area currently benefit from inward investment supply chains, and how can they be better supported to do so by the Welsh and UK governments?	6
With only four months until the next Senedd election, what would be your top three inward investment priorities for the next Welsh Government to take forward from May 2026, and why?	11

Introduction:

Following the provision of evidence to the ETRA Committee by Ken Poole, MBE, Head of Economic Development, Cardiff Council. The Chair of the Committee has asked the Council for further evidence based upon the following questions:

How much of a barrier is infrastructure to Wales attracting more inward investment? What are the key challenges Wales faces, and how should these be addressed?

Infrastructure remains a material and, in certain sectors, decisive barrier to Wales attracting higher levels of inward investment. While Wales offers strong fundamentals - competitive operating costs, skilled labour, university strength, and quality of life - investors consistently assess three enabling conditions before committing capital:

1. Availability of high-quality commercial property
2. Access to serviced, development-ready land
3. Strategic transport and energy infrastructure capacity

In each of these areas, constraints, particularly in Cardiff and South East Wales, are inhibiting Wales' ability to compete effectively for foreign direct investment (FDI).

1. Availability of High-Quality Commercial Property

Grade A Office Supply – Cardiff

Cardiff remains the principal gateway for inward investment into Wales. However, the city currently faces a constrained supply of Grade A office accommodation. For many international occupiers (particularly in financial services, tech, professional services and life sciences) modern, ESG-compliant, centrally located office space is a prerequisite.

The speculative development market has stalled due to:

- Elevated construction costs
- Higher financing costs
- Increased build quality and sustainability requirements
- Investor risk aversion in the post-pandemic office market

Without speculative development, supply becomes reactive rather than proactive. FDI decisions are often made within tight timeframes; if suitable accommodation is not immediately available, investors will redirect to competing UK cities. If Cardiff — as Wales’ primary commercial centre — cannot stimulate private sector speculative office delivery, this will constrain Wales’ overall FDI performance. The absence of available Grade A space signals limited market depth and reduces investor confidence.

“The ongoing shortage of both new build and refurbished space is unlikely to change in the near future. The development pipeline remains constrained with only one scheme underway. No 1 John Street, Cardiff is fully let and due to complete within the next 12 months. Beyond this, the schemes in the pipeline require a substantial prelet before starting on site”. **JLL Commercial Property Agents**

As it stands, if a high value service sector office based business sought to come to Wales with any sizable quantum of jobs, we simply would not have the accommodation for them. Furthermore, we are also at risk of existing, mobile, businesses leaving the country for other UK Core Cities.

Manufacturing and Industrial Premises

The challenge is equally acute in manufacturing and advanced production.

Cardiff and its City Region (and across Wales) lack sufficient:

- Large-scale, modern industrial units
- Immediately available advanced manufacturing space
- Fully serviced development-ready employment sites in strategic investor locations

International manufacturers require:

- Buildings capable of accommodating advanced production processes
- High power capacity

- Immediate operational readiness

Currently, many sites require long lead-in periods for planning, servicing, and infrastructure upgrades. This undermines Cardiff and Wales' competitiveness compared to regions that can offer turnkey solutions.

Cardiff has been unable to respond effectively to two recent FDI technology projects because of the lack of suitable property. For a biomedical investor, the city and the city region was unable to identify available property with a clean room to meet the locational needs of a US investor. In addition, on a recent enquiry from a tech manufacturer looking for 30,000 square feet of modern industrial space in Cardiff, no options were available and across the city region the limited options available there were all limited to aged industrial buildings.

“With no further speculative development of units over 50,000 sq. ft currently underway and very limited smaller scale developments, the supply of new-build space in Wales has reached critically low levels. Cardiff is no exception with close to a 200,000 sq. ft decrease in supply over the last 12 months “. **Alder King Industrial Property Agents**

2. Lack of Readily Available and Serviced Sites

An investor concern is the limited pipeline of:

- Strategically located
- Fully serviced
- Power-enabled
- Development-ready land

The issue is not land availability in principle, but deliverable land at pace in the right locations.

Without intervention to:

- De-risk site servicing
- Underwrite infrastructure provision
- Accelerate planning
- Support speculative development

the private sector suggest they are unlikely to bring forward sites at the scale and speed required.

Some form of targeted intervention is therefore necessary. Potential mechanisms include:

- Public-private risk sharing models
- Infrastructure funding packages tied to employment outcomes
- Development guarantees

- Strategic site enabling funds
- Power infrastructure co-investment

This will not be straightforward in the current fiscal environment, but without enabling property and serviced land in the right locations, particularly Cardiff and the M4 corridor, Wales will struggle to secure transformational FDI.

3. Energy and Power Constraints

Energy infrastructure is emerging as a critical constraint.

Businesses report:

- Grid connection delays
- Insufficient power capacity in key employment locations
- Uncertainty over upgrade timelines

This is particularly acute for:

- Advanced manufacturing
- Electrified production
- Large logistics operations
- Data centre investments

Data centre investors, in particular, require:

- Very high-capacity grid connections
- Certainty of supply
- Speed of connection
- Access to renewable energy

Current constraints are already deterring investment enquiries. If power availability cannot be guaranteed within commercially acceptable timescales, Wales risks exclusion from rapidly expanding sectors such as hyperscale and AI data infrastructure.

A coordinated approach is required involving:

- UK grid operators
- Welsh Government
- Local authorities
- Strategic landowners

Energy infrastructure planning must align with economic development priorities, not follow them.

4. Strategic Transport Constraints

The M4 Corridor

The M4 motorway at Newport remains the primary gateway into South Wales and Cardiff.

Persistent congestion around the Brynglas Tunnels and surrounding sections of the M4:

- Impacts logistics reliability
- Reduces labour mobility
- Increases business operating costs
- Signals infrastructure fragility to investors

For advanced manufacturing and logistics investors, network resilience is a core site selection criterion. The lack of long-term resolution to M4 congestion continues to feature in investor due diligence assessments.

A sustainable and deliverable solution to improve capacity and resilience on the M4 corridor is essential to strengthen South Wales' competitive positioning.

Local Transport Connectivity

Whilst there has been significant rail investment in the form of the SW Metro, there are still significant gaps in public transport infrastructure within the city. Much of the Metro enhancement scheme has seen investment in the Core Valley Lines, the vast majority of which lie outside the city boundaries. This investment is important to the city but still leaves swathes of the city underserved by public transport infrastructure, including the east of the city which has neither a single railway station nor suitable road connections into the city. This constrains the city's labour market with the inevitable impact on competitiveness for businesses.

Cardiff as the Test Case for Wales

Cardiff's success is disproportionately important to Wales' inward investment performance. As the capital city and principal tech and commercial centre, its infrastructure readiness shapes investor perception of the entire nation.

The key challenges are clear:

- Limited Grade A office supply
- Insufficient modern manufacturing premises
- Lack of serviced, development-ready employment land
- Power and grid capacity constraints

- M4 congestion at Newport

If these constraints are addressed through coordinated intervention, particularly enabling speculative development and infrastructure servicing, Cardiff's role as the leading investment location in Wales can be significantly enhanced.

If they are not addressed, Wales and Cardiff risks losing competitive ground to other UK and City regions.

Inward investment decisions are time-sensitive and infrastructure-led. Without property, power and connectivity in the right place at the right time, Wales cannot expect to fully compete for global capital.

To what extent do businesses in your area currently benefit from inward investment supply chains, and how can they be better supported to do so by the Welsh and UK governments?

1. Current Position: A Service-Led Supply Chain Model

Cardiff's supply chain dynamics differ structurally from those of manufacturing-led regions. As Wales' leading service, financial and technology centre, the city's inward investment impacts are primarily:

- Knowledge-based
- Skills-intensive
- Professional services-driven
- Cluster-accelerating rather than vertically integrated

Over the past 30 years, Cardiff has successfully transitioned from an economy heavily concentrated around the public sector to a diversified, private sector led service hub.

The initial attraction and the subsequent growth of financial services businesses such as Admiral Group and Legal & General established a critical mass in financial and business services. This anchored:

- Actuarial, risk and compliance functions
- Legal and accountancy expansion
- IT and digital services growth
- Back-office and shared service operations

These investments created deep local labour pools and specialist supplier ecosystems. As a result, Cardiff was able to transition organically into:

- Fintech
- Cyber security

- Data analytics
- Digital financial services

This evolution demonstrates a strong “second-order” supply chain effect: inward investors stimulating indigenous firm formation and scaling.

All of this has created a deep eco-system that includes a range of actors, including Higher Education, Further Education and the range of other service sector businesses that interact with the fintech and knowledge exporting services sector.

2. Supply Chain Impacts in the Tech and Cyber Sector

In the tech and cyber space, supply chain effects are less about physical procurement and more about:

- Talent circulation
- Spin-outs and start-ups
- Collaboration with universities
- Professional advisory services
- Venture and innovation networks

Former employees of major financial services inward investors and spin outs from the higher education sectors have founded or staffed fintech and cyber firms. The city’s ecosystem now includes:

- Cyber security SMEs
- Digital consultancies
- Software providers
- Regulatory technology firms

However, these supply chain relationships are often informal and talent-driven rather than contractually embedded. This makes them more fragile and dependent on continued ecosystem coordination.

3. Creative Sector: A Cluster-Strengthening Model

The creative industries demonstrate a clearer cluster amplification model.

The attraction of companies such as:

- Bad Wolf
- Great Point Media

alongside other major studio and post-production investments, has reinforced Cardiff’s position as one of the UK’s largest creative clusters outside London and Manchester.

Supply chain impacts include:

- Growth in local post-production firms
- Expansion of set construction and technical services
- Costume, design and specialist creative SMEs
- Freelance and contractor ecosystem deepening

In this sector, inward investment has demonstrably expanded local business capacity and reputation. Cardiff now competes nationally for production work.

4. The Key Challenge: Deepening Local Embedding

While Cardiff businesses benefit significantly from inward investment, the principal challenge is deeper economic embedding.

Risks include:

- Footloose service operations
- Limited local procurement strategies
- Talent leakage to larger UK markets
- Weak formalised supply chain mapping

Embedding requires structured aftercare and coordinated partnership.

Cardiff Council recognises this and is prioritising enhanced aftercare across:

- Local authority
- Welsh Government
- UK Government
- Universities
- Industry networks

Effective aftercare should include:

- Proactive supplier brokerage programmes
- Cluster networking
- Innovation funding alignment
- Graduate retention initiatives
- ESG-linked local procurement incentives

Embedding must move from passive presence to active integration.

5. The Financial Constraint: Competing UK Offers

One of the structural weaknesses in Wales' inward investment proposition is the scale of financial incentives available.

Evidence from international FDI consultants OCO Consulting suggest Wales is increasingly disadvantaged relative to regions such as Scotland, where larger and more flexible grant offers are routinely deployed to influence investment decisions.

Scotland's ability to shape outcomes through stronger capital and revenue support packages has been widely acknowledged within the investment community.

In contrast, Wales faces:

- More limited discretionary funding
- Tighter intervention thresholds
- Less flexibility in structuring bespoke support

This constrains the ability to:

- Secure higher-value mandates
- Encourage R&D-intensive functions
- Anchor headquarters operations
- Strengthen local supply chain commitments

If Wales is to maximise supply chain spillovers, inward investment wins must be:

- Higher value
- More strategically targeted
- Accompanied by embedding conditions

This requires enhanced financial resources.

We are also seeing policy decisions put Wales in a less competitive position – for example the rates retention element of the Investment Zones in Wales is only 50% - half of that in England. This means that the same areas in England have significantly higher capacity to invest in infrastructure in their Investment Zones.

6. What Governments Can Do

Welsh Government

- Increase scale and flexibility of grant intervention
- Develop structured supply chain integration programmes
- Link financial support to local procurement commitments
- Expand cluster development funding (cyber, fintech, creative)
- Strengthen aftercare resource capacity

UK Government

- Align UK-wide sector strategies with Welsh clusters
- Ensure grid and digital infrastructure upgrades support growth
- Expand R&D tax and innovation incentives regionally
- Enable greater devolution of economic development flexibility

Cardiff businesses do benefit meaningfully from inward investment supply chains, particularly in:

- Financial services and fintech
- Cyber and digital technology
- Creative industries

However, the supply chain effects are ecosystem-driven rather than manufacturing-led and therefore require active coordination to deepen and sustain.

The next phase of policy should focus on:

- Embedding investors more firmly within the local economy
- Strengthening formal supply chain connections
- Scaling financial intervention tools
- Ensuring Cardiff retains its competitive edge within the UK

With stronger aftercare, enhanced financial capability, and coordinated delivery across partners, Cardiff can further consolidate its role as Wales' primary inward investment engine and ensure broader economic spillovers across the nation.

With only four months until the next Senedd election, what would be your top three inward investment priorities for the next Welsh Government to take forward from May 2026, and why?

With only four months until the next Senedd election, there is an opportunity to set a clear and credible inward investment agenda for the incoming Welsh Government. If Wales is to accelerate growth, productivity and innovation, inward investment policy must move from being a supporting tool to being a central pillar of economic strategy.

The following three priorities could help shape the next government's programme:

1. Prioritise FDI as a Core Economic Growth Instrument

The first priority must be a clear policy reset: fully recognising foreign direct investment (FDI) as a primary driver of growth, innovation and cluster formation — not simply a job creation mechanism.

Other UK regions such as Scotland and Northern Ireland and other competitor small nations treat FDI as a strategic lever to:

- Accelerate sectoral transformation
- Attract R&D-intensive activity
- Anchor high-value functions (HQ, design, innovation)
- Build new clusters around emerging technologies
- Internationalise domestic firms

Wales has demonstrated this potential in financial services, cyber, fintech and the creative industries. However, investment attraction must now be more resourced, more targeted and more assertive.

Key actions should include:

- Increasing the financial resources available for strategic investment wins
- Prioritising R&D-led and innovation-driven investments
- Embedding supply chain and local collaboration requirements into support packages
- Fully aligning FDI targeting with Wales' strongest sectoral capabilities

International evidence is clear: regions that invest in professional, well-resourced, sector-specialist inward investment teams secure disproportionate returns. If Wales underinvests in attraction capability, it will continue to be outcompeted by better-resourced UK regions and global peers.

A significant change in resource, both capital and revenue, is required.

2. Position Cardiff and its City Region at the Forefront of International Marketing

We believe that successful investment ecosystems are city-led. Wales also needs to recognise that in seeking to attract mobile, competitive investors, it needs to put forward its best and most appropriate proposition, and in doing so get the best value for any public sector involvement.

Global investors assess cities and regions — not nations in isolation. Cardiff and the Cardiff Capital Region are Wales’ most internationally recognisable economic assets and must be positioned accordingly.

The next Welsh Government should consider:

- Placing Cardiff and its region at the centre of national and international marketing campaigns
- Empower city-regional leadership in sector promotion
- Co-brand Wales’ offer with its strongest urban assets
- Develop coordinated international promotion strategies

Cardiff’s strengths in:

- Financial and professional services
- Fintech and cyber
- Creative industries
- Digital and data-driven sectors

provide a compelling platform for international positioning.

If Cardiff performs strongly, the wider Welsh economy benefits through supply chain, skills and reputational spillovers. International experience from Scotland, Ireland and other European regions, demonstrates that concentrating effort on globally competitive cities increases national returns.

A mature inward investment strategy recognises that strong cities enhance national performance.

3. Benchmark and Reform Wales’ Investment Attraction Model

The third priority should focus on institutional and operational reform.

Wales should conduct a structured review of its current inward investment arrangements, benchmarked against best practice in:

- Scotland
- Ireland

- The Netherlands
- Selected English combined authorities- Manchester, Birmingham

Key review questions should include:

- Is the scale of financial support competitive?
- Are decision-making processes sufficiently agile?
- Is sector expertise embedded within teams?
- Is aftercare as strong as initial attraction?
- Are city actors like Cardiff fully integrated into delivery?

Research and market intelligence indicate that Wales is increasingly disadvantaged in the scale of grant intervention compared to Scotland. If competitors can offer materially larger and more flexible packages, Wales will struggle to secure transformational investments.

Reform should therefore focus on:

- Increasing funding flexibility
- Accelerating approval processes
- Enhancing aftercare and embedding services
- Strengthening public–private collaboration
- Introducing clearer performance metrics focused on value and impact, not just volume

Investment attraction must be treated as a professional, globally competitive function — not an administrative process.

The next Welsh Government faces a critical choice.

If Wales wishes to close productivity gaps, grow its innovation base and build globally competitive clusters, inward investment must become:

- Better resourced
- More strategically targeted
- More city-led
- More internationally benchmarked

The top three priorities from May 2026 should therefore be:

1. Elevate and resource FDI as a central growth and innovation tool.
2. Position Cardiff and its region at the forefront of global promotion.
3. Reform and strengthen Wales' investment attraction model based on international best practice.

If these priorities are pursued with clarity and commitment, Wales can enhance its competitiveness, deepen cluster development and secure a stronger long-term growth trajectory.