

Enterprise and Business Committee – Enterprise Zones

Written Evidence Paper from the Minister for Economy, Science and Transport

Introduction

1. The purpose of this paper is to provide written evidence to inform and support the work of the Enterprise and Business Committee. It sets out a general overview of the Enterprise Zones, their incentives and performance measures. It concludes by summarising key delivery highlights in each Enterprise Zone to date.

Enterprise Zones – background and context

2. In April 2012, the first five Enterprise Zone locations went live (Anglesey; Central Cardiff; Deeside; Ebbw Vale and St Athan – Cardiff Airport). These were joined by a further two Enterprise Zones in May 2012 (Haven Waterway and Snowdonia). Each Enterprise Zone is focussed upon one or more key business sectors as follows:-

Enterprise Zone	Sectoral Focus
Anglesey	Energy and Environment
Central Cardiff	Financial & Professional Services
Deeside	Advanced Manufacturing and Materials
Ebbw Vale	Advanced Manufacturing and Materials
Haven Waterway	Energy & Environment
Snowdonia	Energy & Environment, ICT and Advanced Materials and Manufacturing
St Athan – Cardiff Airport	Advanced Manufacturing and Materials, especially aerospace.

3. The sector focus of each Zone is designed to promote sector clusters and supply-chain development, promoting growth and employment in locations that already display or have the potential to develop clusters of employment and business units. This opportunity-based approach to Enterprise Zones, centred on specific locations, activities and key sectors fits with our broader sector approach to the economy. Each Enterprise Zone also encourages broader economic development to support business growth, new jobs and the safeguarding of existing employment more generally.

Enterprise Zone Boards and approach

4. Each Enterprise Zone has a private sector-led advisory Board that provides advice on the vision, strategic direction and delivery priorities in each Enterprise Zone. Whilst their overall long-term objectives to support jobs and growth are broadly similar, each individual Enterprise Zone Board is adopting a different approach. For example, the approach for some Boards is improving infrastructure to encourage businesses to locate. For others, it can be securing a significant tenant as an anchor to attract others.
5. These differences in approach reflect the economic circumstances, opportunities and challenges at each location and is more responsive to local needs than a 'one-size-fits-all' approach. The strategic leadership and advice provided by the Boards ensures that each Enterprise Zone addresses the needs of the private-sector. Recognising the contribution of the Boards, I recently asked each Chair to look at the current membership to ensure they continue to be delivery focussed and take the opportunity to bring in fresh

knowledge to their business expertise, if required. I am also considering longer-term governance issues.

Incentives

6. Enterprise Zones benefit from a competitive range of financial and non-financial incentives. These include superfast broadband, business rates support, enhanced capital allowances and skills support.
 - **Superfast Broadband:** Enterprise Zones are a priority under the Superfast Cymru programme. For each Zone roll-out is underway or will start in spring 2014.
 - **Business Rates Support:** Following two application rounds, the Scheme has assisted 66 businesses and committed almost £4.5 million in funding.
 - **Enhanced Capital Allowances:** Enhanced Capital Allowances (ECAs) have been secured at specific sites within over half of the eligible Enterprise Zones. Work is continuing to enhance the infrastructure of the sites that have been assigned ECAs, so that they are investment ready.
 - **Simplified Planning:** Last month we published a Local Development Order and Enterprise Zones Good Practice Guide. To accompany the guide we plan to hold two information sessions and that these will take place in the Enterprise Zones.
 - **Skills:** All Zones benefit from our pan-Wales skills offer and we are continuing to work closely with the Enterprise Zone Boards to ensure the offer for Enterprise Zones in line with local requirements.
7. In addition, other interventions in Enterprise Zones include transport infrastructure developments to improve connectivity within and to the Enterprise Zones and bespoke land and property solutions.

Performance Indicators

8. At the end of last year we published the performance indicators against which we will monitor progress in key areas such as jobs, investment, land development, business support and enquiries. Overall targets for 2014/15 have also been published and these will help set the benchmark for delivery over the year. The indicators and targets were developed in close consultation with the Enterprise Zone Board Chairs who have considerable experience and are well placed to determine how we should track progress.
9. We will be reporting progress against the indicators in May, but it is also important that we get qualitative as well as quantitative information to assess performance. This is to enable a wider picture of how Enterprise Zones are developing. To this end, we are conducting a survey with businesses in Enterprise Zones to understand better their experience and requirements.

Delivery Highlights

10. Each Enterprise Zone faces distinctive opportunities and challenges that reflect the economic, geographical and demographic circumstances at each location. Whilst progress is being made across all seven Enterprise Zones, we recognise that progress

cannot be uniform. Some of the Zones are more mature and more investment-ready than others, but in all of the Enterprise Zones, developments are taking place that are laying the foundations for longer-term sustainable growth and jobs.

Anglesey Enterprise Zone

11. The Anglesey Enterprise Zone supports and complements the Energy Island Programme, set up to bring high-skilled jobs to the area and establish the island as a centre of excellence in low carbon energy generation. Foremost amongst the developments in the pipeline are those associated with the decommissioning of the existing nuclear power station and the proposed new nuclear station at Wylfa. These nuclear developments are not devolved, but are of central importance in presenting supply chain opportunities for local businesses and those locating to the Enterprise Zone.
12. Setting aside progress tied into the nuclear developments, the Zone is helping to accelerate investment to support economic regeneration, infrastructure and property activities. These include:-
 - Funding support to Stena which has helped to deliver the Holyhead Port Development Master plan. This has now reported and the next phase of options appraisal is underway.
 - The seeking of expressions of interest from developers to undertake development in the Zone. We are also taking forward our ongoing discussions with developers who have already expressed an interest.
 - Our £2.2million funding commitment to support plans led by Conygar Investment Company PLC to develop the first phase of a logistics and distribution hub at Parc Cybi Business Park.
 - Significant success in creating jobs in the Zone, including our work with Boparan Holdings which has resulted in the creation of over 310 jobs in addition to 330 jobs safeguarded.

Central Cardiff Enterprise Zone

13. Developments in the Central Cardiff Enterprise Zone are helping to reinforce Cardiff's position as an attractive location for financial services investment. We are acting upon the Board's strategic priorities to ensure that there is suitable office accommodation to attract key tenants. This includes:-
 - Site EO4, Callaghan Square is currently out to tender for the selection of a preferred building contractor for the design and construction of the 90,000 sq. ft. Grade A office building.
 - Building 1 Capital Quarter, which comprises 80,000 sq. ft. of Grade A offices, is progressing towards anticipated completion at the end of this month. Business enquiries and potential pre-lettings of the building are also progressing.

- Building 2, Capital Quarter, which comprises a further 85,000 sq ft of Grade A offices has received planning consent. To be assisted by a Property Development Grant, the developer is currently considering a construction start date during 2014.

Deeside Enterprise Zone

14. Deeside Enterprise Zone has a substantial existing business base which includes major employers like Airbus, Toyota and TATA Steel. Incentives within the Zone are supporting businesses to invest and expand. This includes major anchor companies and SMEs such as Westbridge Furniture, which has announced plans to expand their workforce and create more than 150 new jobs.
15. The positive business environment within the Zone has also been key to internationally mobile investments choosing Deeside ahead of other locations. For example, ConvaTec chose Deeside ahead of competition from other sites across the world as the place to expand their operations.
16. The development of the Northern Gateway site remains a key focus for the Enterprise Zone Board. There are in on-going discussions with the private-sector developers to take this forward. We are also actively taking forward planning and procurement stages of the flood defence works required to protect the Northern Gateway site.

Ebbw Vale

17. Ebbw Vale Enterprise Zone is making steady progress. This includes work to develop site infrastructure, securing electricity power supply to development sites and improving access to the Zone.
18. A number of existing businesses have expanded, for example, over the last two years and with the support of our incentives, Cardinal Packaging has become a significant employer in the Zone. In addition to supporting the expansion of existing businesses, we have also seen some success in attracting new businesses to the Zone, with examples including DT Civils (Construction sector) and Kiwa (Life Sciences sector).
19. Transport infrastructure is particularly important to the Enterprise Zone and work on the £160 million section of the A465 dual carriage way is underway. We are also taking forward the £11 million extension of the railway line from Parkway to the Ebbw Vale Works site.

Haven Waterway Enterprise Zone

20. The Haven Waterway Enterprise Zone is offering energy businesses and the supply chain, a variety of sites and access to universities with expertise in energy-related fields. The Waterston and Blackbridge sites are critical to the success of the Zone. Both sites are now on the market and over 30 enquiries have already been received.
21. An initial skills plan has also been undertaken to take forward the development of energy and maritime skills in the Zone, working with Pembrokeshire College. In addition, following advice received from the Board, an extension to the boundary of the Haven Waterway Enterprise Zone has been agreed to address some anomalies and better support some key businesses.

Snowdonia Enterprise Zone

22. The Snowdonia Enterprise Zone has two key sites: the Trawsfynydd site with its energy infrastructure and Llanbedr Aviation Centre and Enterprise Park, which has the capacity to accommodate a range of uses. There is encouraging progress being made. In particular, the delivery of a strategic options assessment for the Trawsfynydd site and a masterplan for the Llanbedr site are already helping to set the foundations for longer-term investment.
23. There are currently around 700 people employed at the Trawsfynydd site. Its future is, of course, closely tied to nuclear decommissioning which is non-devolved. We are working with the Nuclear Decommissioning Authority (NDA) as they seek to appoint a new Parent Body Organisation (PBO) for the management and operation of the site, looking, where possible, to influence the decommissioning programme. At the Llanbedr site there has been significant business activity and two further companies have recently signed leases to move onto site in Spring 2014..

St Athan – Cardiff Airport Enterprise Zone

24. The St Athan – Cardiff Airport Enterprise Zone is providing the environment and incentives that have been critical to attracting quality businesses like E Cube and Cardiff Aviation. There continues to be strong interest in the Zone and following on-going discussions with the Ministry of Defence, the development of a contract to facilitate opening of the airfield remains on course to obtain seven day operations by April. This development will add to the attractiveness of the Zone to investors.
25. Work has also started on a road straightening project, costing almost £3million, to improve access to the St Athan and Cardiff Airport Enterprise Zone, which will improve access to the site and open up more investment opportunities there.

Conclusion

26. Progress is being made across all seven Enterprise Zones and this paper identifies some significant highlights in each Zone. Two years into delivery it is too early to make a definitive assessment of outcomes, as concluded by the Finance Committee's Report on Enterprise Zones published at the end of last year. Nevertheless we can be encouraged by the progress that is being made and the positive changes that are already taking place.