

Industrial Communities Cross Party Group

Minutes of the Meeting of the Industrial Communities Cross Party Group held on 28th June 2023 via Microsoft Teams

1. Present

Vikki Howells MS, CPG Chair
Roger Maggs (Speaker), Interim Chair, Celtic Freeport
David Gwynne (Speaker), Interim CEO, Celtic Freeport
Alice Jones, Associated British Ports
Prof. Peter Tyler (Speaker), Cambridge University

David Rees MS
Cllr. Steve Hunt, Leader, Neath Port Talbot County Borough Council
Cllr Anthony Hunt, Leader, Torfaen County Borough Council
Cllr Huw David, Leader, Bridgend County Borough Council
Cllr Gareth Jones, Chair, Alliance Wales and Rhondda Cynon Taf CBC
Cllr. Jeremy J. Hurley, Cabinet Member, Neath Port Talbot CBC
Cllr. Andrew Dacey, Neath Port Talbot CBC
Julia Silezin, Office of Beth Winter MP
Suela Martini, Office of Stephen Kinnock MP
Robin Lewis, Office of Vikki Howells MS
Owen Thomas, Office of John Griffiths MS
Emily Hearne, Office of David Rees MS
Henry Davies, Office of Huw Irranca-Davies MS
Adil Pirmohamed, Senior Economic Development Officer, Neath Port Talbot CBC
Julie Davies, Economic Development Officer, Neath Port Talbot CBC
Sarah Gaze, International Trade Support Officer, Caerphilly CBC

Prof Steve Fothergill, National Director, Industrial Communities Alliance
Prof Calvin Jones, Cardiff University
Dylan Henderson, Cardiff University
Phillip Omara, National Secretariat Industrial Communities Alliance
Meirion Thomas, (CPG Secretary) Director Wales Alliance

1. Welcome

The Chair of the Cross Party Group, Vikki Howells MS, welcomed those attending the CPG and gave particular welcome to the speakers for the session.

At the request of a number of those invited to attend but unable to join the meeting on the day, the Chair asked whether anyone participating had any objection to the meeting being recorded for later distribution to those invitees specifically requesting it.

No objections being made, the meeting was recorded from this point.

2. Apologies

The following apologies were received:-

Joel James MS; Peredur Griffiths MS; Llyr Gruffydd MS; Beth Winter MP and Stephen Kinnock MP.

3. Minutes of previous meeting held on 7th February 2023

Approved with one amendment to Item 6 of the Minutes of 7th February requested by Cllr Gareth Jones RCT that the text be adjusted to more correctly state that his question to Lisa Nandy MP was:

“whether the Swansea Bay Barrage, which the then Prime Minister Theresa May had come to Swansea ready to endorse only for it to be rejected by Westminster, now had the support of the Labour Party.”

The amendment was agreed as drafted above.

4. Correspondence arising from the previous meeting of 7th February.

Following the meeting of 7th February the Chair of the Cross-Party Group had an exchange of letters with Vaughan Gething MS, Minister for Economy (copies attached to the meeting papers). The exchange followed on from the presentation to the Cross Party Group meeting by Lisa Nandy MP and the discussion that followed.

At the invitation of the Chair Professor Steve Fothergill, National Director of the Industrial Communities Alliance, provided an update on the continuing dialogue between the Alliance and the UK Ministers and officials.

The proposals on the possible streamlining of Levelling up funds across the UK has still not appeared and may be overtaken by other discussions that are ongoing. In particular, the argument in favour of maintaining a separate strand for Shared Prosperity Funding in future Levelling Up funding seems to be gaining traction with favourable consideration being given to this possibility by local authorities across the UK, at the All Party Parliamentary Group at Westminster and in dialogues with senior Whitehall civil servants charged with these arrangements.

Similarly, on the provision of and arrangements for longer term levelling up funding the Alliance continues in its dialogue and engagement with the UK Treasury and others. This effort is likely to continue for the near future.

5. Freeport and Investment Zones

a) Celtic Freeport

The Chair welcomed Roger Maggs (interim Chair) and David Gwynne (Interim Chief Executive) and thanked them for their willingness to address the CPG.

(The presentation was shared between the two speakers and illustrated by slides. Copies of the slide presentation and a transcript of the presentation are attached.)

The Celtic Freeport project, led by the Port of Milford Haven, Associated British Ports, Neath Port Talbot CBC, and Pembrokeshire County Council, aims to exploit

the potential of the Celtic Sea for the generation of electricity through Floating Offshore Wind (FLOW) developments.

The proposed project aims to make Wales a global leader in FLOW, create export opportunities while both preserving existing jobs and skills and generating a high number of new, high-quality jobs.

The project takes advantage of the Celtic Sea's extraordinary potential with the highest level of mean annual wind speeds in the world, and two of the finest, deepest ports in Europe, at Milford Haven and Port Talbot.

FLOW (Floating offshore wind) is a concept which is still currently being scaled up. There is a current existing floating offshore wind farm off the coast of Scotland (Hywind Scotland) that proves the concept and shows it can be done however, the Hywind project is quite small in terms of scale when compared with the Celtic Sea potential.

The wind turbine structures envisaged to be built at Port Talbot are massive (a 200 MW turbine structure will be around about 300 metres high) and will require significant investments in infrastructure, logistic coordination, and successful policy initiatives to get them operational.

When not required by the Grid, the energy generated by the turbines may potentially be stored as hydrogen, positioning the Celtic Freeport to generate about 1/5 of the UK's hydrogen target.

The project builds on many of the current existing strengths in the regional economy. The team has partnered with major companies such as RWE and Tata in Port Talbot. They also mentioned utilizing the expertise at the hydrogen centre at Port Talbot and the gaseous product handling facilities at Milford Haven.

Plans are underway to create a governance board for the Celtic Freeport, aligning the objectives of the Welsh Government, the Westminster Government, and the UK Department for Levelling Up.

The team highlighted the need to match public and private sector investment incentives, creating new sector growth, and developing new business rates for the region.

The team submitted bids in November 2022 and were announced as a successful location in March 2023.

The process for final approval of the business case will likely extend into summer 2024.

The Chair invited comments and questions from the CPG participants:

Councillor Steve Hunt, the leader of Neath Port Talbot County Borough Council, expressed gratitude to Roger and David for their presentation, acknowledging the challenges and opportunities associated with the project.

He emphasised the potential benefits of the project not only for specific areas like Milford Haven, Haverfordwest, and Neath Port Talbot but also for the entire southwest Wales region, including North Wales with Anglesey.

Councillor Hunt highlighted the importance of maintaining cross-party support and the need for confidence in the market, given past projects that did not materialise.

Councillor Gareth Jones shared his excitement about the project as a representative from Rhondda Cynon Taf and stressed the importance of seeking maximum opportunity for in-Wales production that will 'spill-over' to communities and areas outside the Freeport site itself. He also raised concerns about outside investment heavily influencing the project and expressed his desire for most of the investment to come from within the country where possible.

Finally, the Chair mentioned the potential of the Infrastructure Wales Bill for streamlining the planning process for large infrastructure developments.

David and Roger responded to the points raised, mentioning the need to align planning processes, respect existing regulations, and work with organisations like ABP (Associated British Ports) to ensure compliance.

The speakers also acknowledged the challenge of attracting investment to Wales and the risk associated with large sums of foreign investment but stressed the potential benefits in terms of job creation, revenue generation, and knowledge transfer.

The Chair thanked the speakers for their presentation and looked forward to following the progress of the exciting opportunities that lay ahead.

b) Investment Zones

The Chair welcomed Professor Peter Tyler, Professor in Urban and Regional Economics, Department of Land Economy, University of Cambridge to address the meeting on his analysis of and experience with Enterprise/Investment Zone programmes from a 30 year overview based on global experience of such policies.

(The presentation was illustrated by slides. Copies of the slide presentation and a transcript of the presentation are attached.)

Prof Tyler explained that Investment zones and enterprise zones have been used for several decades to attract investment and stimulate economic activity in specific areas. The concept originated in the 1980s, with the idea of reducing tax burdens and planning controls to encourage industrial and commercial investment. Over time, the approach has evolved, and different variations including as enterprise zones and investment zones and more recently, opportunity zones have been implemented in various countries, including the United States.

The main objectives of these zones are to generate additional economic activity in the designated areas and contribute to their physical regeneration. They often involve tax exemptions on buildings and investments, accompanied by infrastructure development. The success of these zones depends on effective management and delivery, as well as the proximity to economic opportunities.

The cost of these zones varies depending on their success and the resources invested. On average, it has been estimated that the cost to the government can be around £40,000 per job created.

The availability of suitable premises and the attraction of investment flows are crucial factors for the success of these zones. Tax breaks and other incentives, such as enhanced capital allowances, play a role in attracting investment, but their impact can be internalised into property market values implying that taxation benefits experienced by businesses may be reduced when higher property rental costs in the Zone are considered.

While these zones can create jobs and stimulate economic development, there have been criticisms regarding the displacement of activity from other areas. However, roughly speaking, historically around 2/5 of activity on zones has been displaced, meaning that not all jobs created are additional to the local area. However, local people tend to benefit significantly from the job opportunities created within the zones.

Since one of the challenges with these zones is minimizing displacement and ensuring that investment is not simply shifted from one area to another, the current focus on the role of place and clusters is crucial. The new investment zones aim to address this issue by promoting the development of clusters and leveraging the advantages of specific locations, and to generate additional economic benefits beyond displacement effects.

Lessons from previous experience globally suggest as a tool to attract investment and stimulate economic activity, the success of investment zones and enterprise zones depends on effective management, proximity to economic opportunities, and minimizing displacement. While tax breaks and incentives are important, other factors, such as suitable premises and the development of clusters, also play a significant role.

Prof Tyler suggests that a strategic approach to developing the zones, considering factors like site size, land remediation, land assembly, and master planning, is crucial.

Prof Tyler also emphasises the importance of clear development strategies, effective management, and successful implementation in the success of these zones. They also highlight the role of promotion and marketing in attracting investors and businesses to the zones. Prof Tyler mentions that the availability of suitable premises and good local area economic development are crucial factors for success.

The package of incentives to be offered in the current round of Investment zones includes business rate relief, enhanced capital allowances, structures and buildings allowance, National Insurance contributions relief, and stamp duty land tax relief. In particular, Prof Tyler notes that the flexibility provided in the new Investment Zone prospectus is an improvement from previous approaches, allowing partners to choose how to allocate the investment incentives between tax breaks and other grants.

Overall, Prof Tyler believes that investment zones and enterprise zones can be effective in stimulating economic development if implemented and managed well, and if they align with the specific needs and opportunities of the local area.

The Chair invited questions and comments.

Councillor Steve Hunt (Leader Neath Port Talbot County Borough Council) asked what is there to ensure economic activity and the incentivising of it beyond the duration of the time limited tax breaks?

In response Prof Tyler commented that there is indeed a need for a strategic approach to economic development if the use of time-limited tax break incentives is to be maximised. Because while the incentives provide a boost to investment and growth, their short duration (5 years) means that taking the long-view is essential to ensure sustainability and maximize the impact gained from the tax incentives. This was underlined when discussing the Freeport opportunities alongside the Investment Zone – Roger Maggs and David Gwynne were discussing the transformation of South Wales and Wales itself from its industrial past needing to take a long view – 20, 30 or even 40 years.

Prof Tyler highlighted the importance of effective use, strategic alignment, and timely implementation of incentives because it's important not to wait too long to take them up, along with the need for a clear and strategic approach to land assembly and planning so that businesses and investors can invest with confidence that the incentives will not run out before the investment has been completed. That's where a strong good coherent strategy helps to build by playing to the advantages of the longer term things, you're doing for the area that helps to retain the investment.

Overall, therefore, a comprehensive and forward-thinking approach is crucial to ensure that the benefits of the incentives and long-term economic growth in the region is maximised because the clock will be ticking as soon as the Zone is in place.

David Gwynne concurred with the points raised by Councillor Hunt and Prof Tyler and commented that though the tax incentives may well get extended, investors want to know how long those breaks are going to be available for because when we think about all of the other constraints - planning; negotiations with land owners; building facilities; infrastructure etc - 5 years can very quickly be gone. There is a risk of a cliff edge which can become counterproductive to the investment you're seeking. From the freeports perspective, and the English freeports are making this argument as well, we are arguing for a longer window and extending that time in which you can claim those tax benefits to be able to move away from that particular cliff edge risk.

The Chair thanked Prof Tyler for his expert presentation and critical perspectives based on his extensive experience from around the world. This will provide significant food for thought as the IZ project goes forward.

The Chair left at this point for First Ministers Questions and Meirion Thomas (secretary to the CPG) assumed the role of Chair for the remainder of the meeting.

6. Topics for Future Meetings

The Chair noted that looking back over meetings in 2022 future topics suggested have covered, amongst other things,

- steel decarbonisation,
- transition to the green economy
- young people and the labour market
- public transport

It was noted that the Industrial Communities Alliance had, within the last month either been involved in or had published two important reports that are relevant to the list of future topics mentioned:

- A report on Apprenticeships in the UK called “**Vocation, Vocation, Vocation**” that is relevant to the suggested young people and labour market topic.
- The recent (June 12th) **Coalfield Communities** report launched by the Westminster All Party Parliamentary Group chaired by Alex Davies-Jones MP, with which the Alliance was heavily engaged.

The Chair suggested that either of these could form a useful and highly relevant backdrop for the October CPG meeting which, it was noted, would also be the Annual General Meeting of the Cross Party Group.

7. Any other business

None reported.

8. Closing comments

The Chair in closing the meeting reiterated the Group’s thanks and appreciation for the two highly informative presentations.

Copies of the two presentations, the transcript of the presentations and if required the recording of the main part of the session could be made available.