

Ken Skates AC/AM
Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith
Cabinet Secretary for Economy and Infrastructure



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref P-05-709
Ein cyf/Our ref KS/06332/16

Mike Hedges AM
Chair - Petitions Committee

SeneddPetitions@assembly.wales

19 September 2016

Dear Mike,

Thank you for your letter of 24 August regarding Petition P-05-709 the Circuit of Wales.

The Heads of the Valleys Development Company was established in 2009 with the purpose of developing and operating the proposed race track and, as I stated in an oral statement on 13 July, the Welsh Government has been engaged with the company since 2011. The company has sought financial support from us at each key stage in the project's development.

The developers have identified that on completion the Circuit could create 170 full time jobs with a further 1500 part time positions. The 2 year construction programme will also create significant employment opportunities. This level of new employment would clearly greatly benefit the Heads of the Valleys and for this reason the Welsh Government have sought to facilitate delivery of the project.

Earlier this year the Circuit of Wales sought a Welsh Government guarantee to underwrite 100% of a project finance facility provided by Aviva Investors of £357.4 million. The previous Minister for Economy, Science and Transport, decided that it would be an unacceptable risk to underwrite the entire investment for the project, but stressed that our door remained open if sufficient private investment could be secured that represented a fair sharing of risks between the public and private sectors.

The most recent proposal put forward by the Circuit of Wales in April asked the Welsh Public Sector to underwrite around 83% of the total £370 million cost of the project. This leaves only around 17% of financing risk being taken by the private sector. That amount of risk falling on the Welsh taxpayer, through Welsh Government and local authority support, is unacceptable, especially at a time when we are facing significant economic uncertainty following the EU referendum result.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

In my view, this project does not currently provide the level of value for money necessary for the amount of public funding being put at risk. On that basis, I have told the developer that I believe further work is needed on this proposal. My door remains firmly open and I have urged them to revise their bid in such a way where the private sector takes more of the risk in order for this project to be taken forward.

At least 50% of this project should be funded and 50% of the risk underwritten by the private sector to justify value for money for Wales, and they have accepted this principle.

My officials continue working constructively with the Circuit of Wales team to seek a funding solution that enables this project to be successful and delivered to benefit the local economy of Ebbw Vale and Wales at large.

Yours ever,



Ken Skates AC/AM

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