

Enterprise and Business Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date:

4 December 2014

Meeting time:

09.15

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



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Agenda

Pre-meeting (09.15–09.30)

1 Introductions, apologies and substitutions

2 Enterprise Zones, City Regions and Metro (09.30–10.15) (Pages 1 – 29)

Gareth Jenkins, Chair of Ebbw Vale Enterprise Zone

John Idris Jones, Chair of Snowdonia Enterprise Zone

Attached Documents:

Research Brief

EBC(4)–31–14 (p. 1) – Letter from Chairs of Enterprise Zones

(Break 10.15–10.25)

3 Enterprise Zones, City Regions and Metro (10.25–11.15)

Roger Lewis, Chair, Cardiff Capital Region

Steve Phillips, Adviser, Swansea Bay City Region

4 Enterprise Zones, City Regions and Metro (11.15–12.00)

Jon Lamonte, Chief Executive, TfGM, Greater Manchester

Break (12.00–13.00)

5 Enterprise Zones, City Regions and Metro (13.00–14.30) (Pages 30 – 34)

Edwina Hart, Minister for Economy, Science and Transport

James Price, Director General, Economy, Science and Transport

Tracey Burke, Director, Strategy

Attached Documents:

EBC(4)–31–14 (p. 2) – Minister for Economy, Science and Transport

De–brief in Private (14.30–15.00)

Document is Restricted

9th October 2014

Edwina Hart MBE OStJ AC/AM
Minister for Business, Enterprise, Technology & Science
Welsh Government
Cardiff Bay
CF99 1NA

Dear Minister

Enterprise Zones

The Welsh Enterprise Zones Chairs have been discussing a number of common areas and have agreed to write to you with our views. Therefore on behalf of all of the Chairs please find below our collective and considered views on a number of issues.

Progress

First and foremost, we need to reflect that the Welsh Enterprise Zones are performing well and have made considerable progress. Many of the Enterprise Zones are having impact both within and beyond their boundaries, and we are pleased that Enterprise Zones are starting to make an important contribution to their local and wider economies.

Key Performance Indicators

This progress is reflected in the figures that have been published, and we are aware that you are now committed to publishing updates on these figures on a six-monthly basis. We agree that this will provide stakeholders and commentators alike with regular and current information on how the Zones are performing.

It is important that we express significant concerns about these figures being broken down to Zone level information for the public domain. As those closest to the delivery challenges faced by the Zones, we feel strongly that this focus on the prospects of individual Zones, within what is a national programme, is not in any way helpful to our delivery across zones. As discussed we believe that in many ways Enterprise Zones act as the catalyst for many other successful projects in and beyond Wales. We are concerned about the impact of sharing and breaking down commercially sensitive information involving the private sector. We are also concerned about the potential impact this could have on existing companies within Enterprise Zones, and companies considering expanding and locating their businesses to Zones.

We see the Welsh Enterprise Zones as a national branded programme and not seven individual projects. From the start of the project the Chairs have worked together geographically and within sectors to bring the maximum benefits to the Welsh economy. The Zones do not compete with each other; in fact for us collaboration is a core value. We regularly share best practise and debate common issues such as energy and skills

In our view the requests for individual Zone level information do not originate from within the private sector. We can therefore only conclude that such requests are from non-commercial interests with a particular motive. Whilst we always seek transparency, good governance and the support of the wider audience our first consideration must be commercial confidence. We can only see the negative impact of the release of sensitive information.

In terms of progress we openly acknowledge that all Zones are progressing at a different pace; they are not all the same and this has been recognised from the start. In some areas we are facilitating the development of “hot spots”. In other areas, we are tackling “cold spots” and doing what we can to stimulate economic activity within and around the actual Zone.

We regularly benchmark our progress against other EZ’s in the UK. On this basis we are not aware that the English Enterprise Zones are publishing individual Zone information of any depth, but we continue to monitor the situation. We are certain that the 20+ English Enterprise Zones do not operate in the same collective way that we do in Wales.

We have also discussed that the primary focus on jobs within the EZ’s and that in our view it is not an accurate indicator of economic progress in a modern economy. Our advice has always been that developed countries have moved from the view of the 1950-1980 periods where there was a fixation with the “quantity” of jobs. In 2014 a modern economy seeks to attract sustainable high value added activities which in turn create employment appropriate to these economic fundamentals. In other words it is about quality as opposed to quantity. Our view has been consistent from the start of the project that a pursuit of “jobs for jobs sake” would invariably lead to low value added unsustainable employment.

In a broader context the boards recognise that companies have different capital to labour ratios, therefore some investments will create less employment than others. On a national basis any differences in labour rates will probably reflect in the type of investment activity. An example would be that higher labour rate area would tend to attract higher capital intensive projects than a lower labour rate area with the obvious knock on effect.

Our ambition must always be to attract investment where the value added activity is higher than the existing local average. This will have the maximum impact on Welsh GDP per head and enhance the employment multipliers into the wider economy. This type of “externability” is not captured by the simple measure of job creation within a Zone.

In our view Wales is a modern economy and we need to pursue high value added investments as a priority. This is what we are actively engaged with and have been from the start of the project.

The EZ programme is by its very nature a long term economic strategy. At the present time the only time bound components of the programme are the availability of Enhanced Capital Allowances from HM Treasury and the forthcoming round of EU structural funds. As Chairs we need to progress with delivering what is on hand, focusing on creating and supporting

successful Enterprise Zones. Our boards are largely constituted from the private sector as volunteers and do not wish to be distracted by any fixation with short term progress but will seek to be as transparent as possible.

We have recommended that it is good governance for boards to monitor progress across the Zones, and that is why we fully support the longitudinal survey for Enterprise Zones which you are undertaking.

Enhanced Capital Allowances

We are aware of recent discussion about whether more areas which could attract Enhanced Capital Allowances. We acknowledge the allocations already made to Welsh Enterprise Zones but clearly we would be interested in the possibility of further sites being able to attract ECAs. We would be willing to lend support to any further enquiries you might make of HM Treasury or HMRC as to the opportunities for and costs of further ECA sites.

European Structural Funds

Our discussions and experience across the Enterprise Zones is revealing some common themes that we would like to explore further. In particular, we believe there are opportunities to use EU Structural Funds to support the shared challenges raised by critical issues such as energy, skills and infrastructure. We would appreciate discussing this with you further and if possible also with the Minister for Finance, given her responsibility for EU funding.

Planning

A number of the Zone Chairs also have issues about planning within their Zones, where the issue could become a barrier to achievement. We would be happy to provide you with further information in that regard if required.

To conclude, we feel that the Zones are developing well, they are understandably developing at different paces given their differing starting points, but all are seeing some positive economic activity. These Zones however are not short term fixes, they are preparing longer term foundations and we hope will provide opportunities for jobs and growth for many years to come.

Regards

Gareth Jenkins

Chair, Ebbw Vale Enterprise Zone

On behalf of:-

David Jones, Chair, Deeside Enterprise Zone, John Idris Jones, Chair, Snowdonia Enterprise Zone, Neil Rowlands, Chair, Anglesey Enterprise Zone, Professor Garel Rhys, Chair, St Athan and Cardiff Airport Enterprise Zone, John Antoniazzi, Chair, Central Cardiff Enterprise Zone

Agenda Item 5

Enterprise and Business Committee

City Regions, the Metro, and Enterprise Zones

Paper from the Minister for Economy, Science & 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.
2. The paper provides information on City Regions, the Metro and Enterprise Zones. These are part of a broader and strategic approach on the economy, which focuses on priority economic sectors, supports the retention of existing employment, the creation of new jobs, and acts as a stimulus to business and infrastructure investment.
3. The paper begins with an overview of the City Regions in terms of background, context and latest developments, before turning to the Metro and Enterprise Zones.

City Regions

4. The case and rationale for City Regions in Wales draws upon an evidence base which highlights the strong link between cities and growth. This evidence base was considered in detail by an independent advisory group, chaired by Dr Elizabeth Haywood. The Group considered that the Cardiff Capital Region, and the Swansea Bay City Region, displayed the potential critical mass, traffic flows and community identification that underpin successful City Regions. It recognised that both Regions constitute functional economic areas, within which people, businesses, and communities, interact across local administrative boundaries for work and leisure.

The Boards

5. To take this agenda forward, I established Boards in both the Cardiff Capital Region and the Swansea Bay City Region with strong engagement from the private sector, as well as Local Authorities and Higher and Further Education. The Boards are well placed to act as powerful advocates for their Region, providing advice to Welsh Government on the opportunities for their respective Regions. Their remit is to:
 - provide the leadership, vision and strategic direction

- prioritise projects which demonstrate the potential to achieve transformational economic change across the Region
 - engage with wider stakeholders to encourage and support a collaborative approach to make the City Region a success.
6. Within the context of their remit, the Boards will also identify the time-frame and key milestones for delivery.
 7. In the Cardiff Capital Region, the Board is chaired by Roger Lewis, whilst in Swansea Bay; Sir Terry Mathews has recently taken on the chairmanship of the Board.

Developments in Swansea Bay City Region

8. The Swansea Bay City Region Board is focussed on strategic priorities for the Region. They have been considering how to ensure best value for money from the forthcoming European funding round, reaching regional consensus, and examining regionally significant projects. In September, a planning workshop was held to support the development of proposals for the Swansea Bay City Region. This brought together a range of senior experts on international architecture; major civil engineering infrastructure project design and delivery solutions; planning and regeneration.

Developments in Cardiff Capital Region

9. The Cardiff Capital Region Board is developing a Strategic Plan which will consider the challenges and opportunities for the Region and will inform, shape and guide its strategic economic development. The Board will complete this task early in the New Year. The Board has also agreed three strategic themes for the Region - Connectivity, Innovation and Skills. The Board has identified the Metro as a foremost priority for the Region, recognising it as a strategic intervention that will have an impact on people, business and communities across the City Region.

Funding

10. City Regions do not currently have a designated, ring-fenced budget because their delivery has clear linkages with other programmes, interventions and activities..

The Metro

11. The progress we have made to date on the Metro, the immediate actions that have been identified for the next phase of delivery, and some new ideas that can be tested out further ahead of future investment are all set out in the update

report that we published in the summer. This update report is available on the Welsh Government's website..

12. Progress on the Metro is an important element in delivering an integrated transport solution, which drives economic activity, and is transformational in effect. Key linkages are being made between the Metro, economic development, regeneration, and planning. There are limitations to our current powers in relation to bus and rail services, but we are seeking additional powers in both these areas. With this in mind, we will give further consideration to how additional powers, if conferred, might be used to enable integrated service provision.

Enterprise Zones

13. Four of the seven Enterprise Zones are located in the City Regions and both City Region Boards are very clear in viewing Enterprise Zones as key strategic employment sites of regional significance. The success of the Enterprise Zones is not just about activity within their boundaries, but activity outside of the Enterprise Zones at the strategic, regional level.
14. The links between the Enterprise Zones and the priority economic sectors underscore their regional significance. In Swansea Bay, the focus of the Haven Waterway Enterprise Zone on the Energy and Environment sector is of importance to the region as a whole, given the strength of the supply-chain and employment flows which support communities across the Region, far beyond the boundary of the Enterprise Zone. The three Enterprise Zones in the Cardiff Capital Region focus on financial and professional services and manufacturing. These are of regional significance in supporting economic activity and jobs in the wider region.

Recent developments in the Enterprise Zones

15. Each Enterprise Zone is different and faces its own challenges and opportunities. The Enterprise and Business Committee received an evidence paper earlier this year, setting out developments and progress in each of the seven Enterprise Zones. We have also published a detailed update report on our website. Recent developments are leading to investments in our Enterprise Zones, north and south, such as Alert Logic's European HQ in the Central Cardiff Zone and the welcome new inward investment from Japanese company, Calbee in the Deeside Enterprise Zone. Other highlights include:
 - the investment in Building 1, Capital Quarter, in the Central Cardiff Enterprise Zone which has already resulted in successful lettings that are

generating an economic return

- a major feasibility study into the potential for an Advanced manufacturing Skills and Technology Centre within the Deeside Enterprise Zone
- shared apprenticeship schemes for the Haven Waterway and Deeside Enterprise Zones, which will support companies that provide high quality training opportunities
- opportunities for commercial property development have been investigated at Deeside, Anglesey and Ebbw Vale Enterprise Zones.

16. I have published performance data for the period April 2012 to March 2014. I have recently committed to publishing data on a six monthly basis and I will be providing this information shortly.

17. We have undertaken research into Local Development Orders (LDOs) and issued a Research Report on Local Development Orders to Local Authorities in Wales. We published a paper which summarises the findings of the report and outlines the potential benefits of LDOs for Enterprise Zones.

18. In addition, we hosted four roadshows across Wales earlier this year to raise awareness of the benefits of LDOs amongst Welsh Local Authorities. Representatives from six of the Authorities in which Enterprise Zones are located participated in the events. However, ultimately the take-up of LDOs is a matter for Local Authorities.

19. On governance, I commissioned the Public Policy Institute Wales to provide advice on best practice governance arrangements for Enterprise Zones. I anticipate that their report will have been finalised at the end of November and I will be happy to share this with the Committee.

Summary of Key Points

20. City Regions, Enterprise Zones and the Metro are three aspects of a coherent policy approach in which their interrelationships, interdependencies and interaction are fully recognised. These are not three separate areas of activity that are being taken forward in isolation, rather they support our broader approach on the economy focussed around priority sectors.

21. The pace of progress is different and the City Regions, Enterprise Zones, and the Metro are at different stages of development and maturity. However, all three areas our policy development and delivery is strongly influenced by a strong role for the private sector, and within in that there is interaction between the City Region and relevant Enterprise Zone Boards.