

Enterprise Zones

Boldly going?

May 2018



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About the Committee

The Committee was established on 28 June 2016 to examine legislation and hold the Welsh Government to account by scrutinising expenditure, administration and policy matters, encompassing (but not restricted to): economic development; transport; infrastructure; employment; skills; and research and development, including technology and science.

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Chair's foreword

The statistics around Wales' eight Enterprise Zones make for curious reading. While all eight zones share the same name, they have little else in common.

Five years after (most of) the zones were established seemed a sensible time to take stock. Have they been the boost to jobs and growth they were trumpeted as, or not?

Alas, the answer is not a simple yes or no. In terms of job creation, there's little evidence that they have been transformational for the Welsh economy. Each of the Enterprise Zones has faced different challenges and different local circumstances. Inevitably, there have been different outcomes.

Cabinet Secretary Ken Skates used his appearance before the Committee to announce a series of changes to the way that Enterprise Zones will operate. He has mapped a future which we support in part, but there are areas where we believe he should reconsider.

The merger of the Anglesey and Snowdonia Enterprise Zones has a certain appeal. Both are dependent on nuclear power developments outside the Welsh Government's control; both are located in North West Wales. However, the Committee is concerned that this merger risks losing the specific focus on the very different challenges each area faces. Another way forward is possible.

For the Port Talbot Enterprise Zone, this review has come too soon to be meaningful. For them, we hope being part of this process has focused minds on how they report their successes and ambitions as they develop their plans.

We also await confirmation from the Cabinet Secretary that the Welsh Government will return to annual reporting, with clear data for each zone and a detailed breakdown of the assistance given to firms directly or indirectly supported by Enterprise Zones.

I would like to thank all the Chairs of the Enterprise Zones for their cooperation, and in particular John Idris-Jones and Neil Rowlands, for their assistance in arranging visits to their areas.

Enterprise Zones have been a series of place-based experiments, and will continue to merit further study as they continue over the coming years. The clear lessons – that there are real benefits to knowing your strengths and bringing together

partners around a shared vision – are valuable in the new regional approach to economic development the Welsh Government is developing.

A handwritten signature in black ink that reads "Russell George". The signature is written in a cursive style with a large, sweeping initial 'R' and a long horizontal flourish underneath the name.

Russell George AM
Chair
Economy, Infrastructure and Skills Committee

Recommendations

Recommendation 1. While Enhanced Capital Allowances have not to date been used, they are potentially an attractive tool. The Welsh Government should ask HM Treasury to extend these allowances for a further five years and support zones to make best use of these allowances. Page 17

Recommendation 2. The Welsh Government should take a strategic look at the availability of commercial property and industrial units and work with Local Government to ensure that money is available in areas of need to develop suitable units.....Page 20

Recommendation 3. The Welsh Government should return to annual reporting of the Enterprise Zones, with clear data provided for each zone and a detailed breakdown of the assistance given to firms directly or indirectly supported by them. There should also be more transparent reporting of investment in each of the Enterprise Zones, with accurate data for specific zone-related investment not conflating wider Welsh Government spending Page 23

Recommendation 4. The Welsh Government should continue to provide disaggregated annual data for jobs created, safeguarded and assisted in each zone..... Page 24

Recommendation 5. The Welsh Government should make its priorities for each of the Enterprise Zones explicit, publishing clear annual targets, and the Cabinet Secretary should commit to publishing a Written Statement outlining the Welsh Government’s policy on the future funding, roles and operational timespan of the Enterprise Zones. Page 24

Recommendation 6. The Welsh Government should ensure that the aims of any future regional approaches to economic development are, for each individual region or local area: clear and realistic; sufficiently detailed as to allow an understanding of the challenges faced; and accompanied by detailed, open, transparent and appropriate monitoring data..... Page 24

Recommendation 7. The Welsh Government should reconsider its proposed merger of the Anglesey and Snowdonia Boards. Page 26

Recommendation 8. The Welsh Government should set a clear direction of what it expects the Port Talbot Enterprise Zone Board to achieve, and a clear timetable to achieve it, so that the Board can be wound up once this work is completed. Page 33

Recommendation 9. The Welsh Government should clarify the relationship between the new regional directors heading up economic development and the Enterprise Zones, and the business community in areas where the Boards no longer exist.....Page 36

Recommendation 10. The Welsh Government should set out, where alternative governance arrangements are being established (Ebbw Vale, Deeside), full details of the way in which new bodies will operate, how they will continue the work of Enterprise Zone Boards, and where they will have different duties.....Page 36

1. Summary of Committee findings

This chapter sets out an overview of the Committee's findings

- 1.** The evidence that the Committee has heard paints a mixed picture of performance across the eight Enterprise Zones in Wales, This has made it somewhat challenging to come to a broad conclusion as to the effectiveness of the policy as a whole.
- 2.** It is useful, in the first instance, to consider the starting point of the policy in Wales, which was a rapid reaction to the UK Government's March 2011 announcement of the creation of Enterprise Zones in England. The Welsh Government sought quickly to follow suit with the creation of seven Enterprise Zones in Wales by January 2012, all with a stated objective to create jobs and growth.
- 3.** The zones chosen by the Welsh Government reflected a variety of approaches. Some, for instance Cardiff and Deeside, were chosen to exploit obvious economic strengths, while others, such as Anglesey and Snowdonia, were intended to address significant local challenges.
- 4.** There is a legitimate question as to whether Enterprise Zones were actually needed in some of the areas selected by the Welsh Government, particularly in Cardiff where the Committee heard the zone was "pushing at an open door" in economic terms.
- 5.** In contrast, the Committee also heard from the Chair of the Snowdonia Enterprise Zone Board that they had realised very early on that, given the challenges faced in their zone, they were never likely to be able to deliver significant impacts in terms of growth or jobs, at least in the short to medium term. Instead, their focus shifted to exploring the opportunities for the long term development of the zone. The Committee heard that a number of other zones were also in a similar position.
- 6.** The Committee feels that this change in focus for some of the zones was not widely communicated and, perhaps more importantly, was not reflected in the performance indicators published by the Welsh Government, initially at an all-Wales level.
- 7.** This Committee, following on from the work of the Finance Committee and the Enterprise and Business Committee of the Fourth Assembly, has been pushing for the Welsh Government to release detailed information on the

performance of each zone in terms of job creation (the stated overall objective), along with detailed information on Welsh Government expenditure on each zone. The Committee welcomes the Cabinet Secretary's decision to release the most detailed information of this nature to date. However, it is most unfortunate that it has taken until the end of this Committee's inquiry to get to this point.

8. Over the last five or six years this has been a case study in how a drip-feed approach to the sharing of information with Assembly Members and Committees can prevent clear and objective scrutiny from taking place, while also creating the impression of under-performance and inefficiency.

9. It should not be this difficult, or take this long, for the Welsh Government to publish information that allows the performance and value for money of one of its flagship economic policies to be understood properly and scrutinised effectively. The Committee hopes that the Welsh Government takes this constructive criticism on board in the design and delivery of future policies.

10. The Committee believes that there is merit in a regional approach to economic development, and that a focus on supporting deprived areas is inherently a good thing and should continue. However, the Committee recommends that the Welsh Government should ensure that the aims of any future regional approaches to economic development are, for each individual region or local area: clear and realistic; sufficiently detailed to allow an understanding of the challenges faced; and accompanied by detailed, open, transparent and appropriate monitoring data.

11. The Committee does not wish to appear critical of the good work of the Enterprise Zone Boards, and certainly recognises the commitment, drive and professional expertise of all involved. However, the Committee has concluded that, on the whole, the Enterprise Zone concept has not proved itself to date in Wales.

12. The evidence the Committee heard suggests that the zones which have achieved against the Welsh Government's stated aims were those that were already in the best position to do so from the outset and that the specific Enterprise Zone incentives played only a minor part in their success (for instance Cardiff Central and Deeside). Other zones, which were starting from a very different place in terms of the challenges they faced, found the incentives to be of some benefit. The Committee recognises the fact that these zones, such as Anglesey, Snowdonia and Ebbw Vale, are still very much on a journey and have been focused on putting the building blocks in place for the long term, with

Snowdonia in particular yet to demonstrate significant successes against the Welsh Government's own published indicators.

13. Overall the Committee has concluded that the original aims of the Enterprise Zone policy, to create growth and jobs, have not been achieved across the board, and that these were probably unrealistic to begin with given the varying starting points of each of the Enterprise Zones.

2. Background

This chapter sets out how and why the Committee undertook this inquiry.

14. This Committee's scrutiny of Enterprise Zones builds on the work undertaken by both the Finance Committee and the Enterprise and Business Committee of the Fourth Assembly.

15. On 13 December 2017, the Committee agreed to undertake an inquiry which would invite the chairs of all eight zones to discuss the implementation and operation of the zones to date, and to consider what future provision the Welsh Government should make. The full terms of reference are produced at Annex 1.

16. The Committee took evidence from six of the eight board chairs in Cardiff Bay on 31 January 2018 and 14 February. Three Members of the committee travelled to Snowdonia and Anglesey to meet with the chairs of those Boards on 8 February 2018.

17. The Cabinet Secretary for Economy and Transport came to the Committee on 14 February and revealed his plans for the future of Enterprise Zones. His **written statement** called for streamlined governance, and an increased focus on delivery. To that end, he committed to continuing the zones, but explained that many of the Boards would not be renewed when their terms of office expire in July 2018.

Previous inquiries.

18. The Finance Committee inquiry¹ in 2013 considered what progress had been made in each of the Enterprise Zones, with a particular focus on the financial inputs and anticipated outputs from the zones. It made five recommendations, all of which were accepted by the then Minister.

Enterprise Zones in the 1980s

19. The Enterprise Zones of the 1980s which inspired their namesakes 30 years later, were very different in nature. While some of the current zone board chairs had looked at their legacy, it was clear that the very different incentives and circumstances meant they felt there was little to be learned from the 1980s.

¹ <http://senedd.assembly.wales/mgIssueHistoryHome.aspx?Ild=6587>

20. Similarly, there appeared to be little consideration being given by Board chairs or the Welsh Government to comparative performance in the current English Enterprise Zones.

3. Overview

This chapter gives an overview of the Enterprise Zones, their genesis, and some general issues that arose in a number of them.

Purpose and objectives

- 21.** There are eight Enterprise Zones in Wales, each with a specific sectoral focus:
 - Cardiff – focusing on the Financial and Professional Services sector.
 - Anglesey – focusing on the Energy sector.
 - Deeside – focusing on the Advanced Manufacturing sector.
 - Cardiff Airport and St Athan – focusing on the Aerospace sector.
 - Ebbw Vale – focusing on the Advanced Manufacturing sector.
 - Snowdonia – focusing on the Energy and Environment, and ICT sectors.
 - Haven Waterway – focusing on the Energy and Environment sector.
 - Port Talbot Waterfront – focusing on the Advanced Manufacturing, Energy and Environment and Construction sectors.

- 22.** The locations of the first five Enterprise Zones in Wales were announced in September 2011, with Snowdonia and Haven Waterway being added in January 2012. The Port Talbot zone was announced in March 2016.

- 23.** The Welsh Government's **stated objectives** are for the Enterprise Zones to:
 - grow the local economy and provision of new jobs;
 - act as a catalyst for growth elsewhere in Wales;
 - improve the attractiveness of the Enterprise Zone for investors;
 - strengthen the competitiveness of the Welsh economy.

24. The Welsh Government describes Enterprise Zones as “where we create the best possible conditions for your business to thrive”.²

“So, when you choose to locate to one of the eight Enterprise Zones in Wales you can rely on support from a pro-business government, the skills you need to grow, first-class virtual and real-world infrastructure, a wide range of property and development opportunities, highly competitive overheads and some of the highest levels of financial incentives in the UK.”³.

Genesis

25. The Enterprise Zones in Wales were a direct response to the creation of such zones in England.

26. Chris Sutton, chair of the Cardiff Central Board said:

“The Chancellor George Osborne actually came to Cardiff and announced enterprise zones for England, and, therefore, Welsh Government had to respond in due course. That was in March 2011, and, therefore, we moved through the Assembly election in May 2011, and we had five enterprise zones then established in September/October 2011. Another two were established shortly thereafter, and then, in response to the steel crisis, a further enterprise zone was created 18 months ago or so.”⁴

Incentives

27. The Enterprise Zones in Wales offer the following support and incentives:

- Infrastructure support;
- Business Rates support – under the latest round of support eligible companies can apply up to a maximum of £55,000 to offset the cost of their business rates incurred during 2017-18 financial year or their rates bill paid, whichever is the lower;
- Enhanced Capital Allowances - enabling businesses to claim a 100 per cent first year allowance for the capital cost of investment in plant and

² <https://businesswales.gov.wales/enterprisezones/what-enterprise-zone>

³ ibid

⁴ Para x, 31 January 2018

equipment made before **31 March 2020**. ECAs are available in Deeside, Ebbw Vale, Haven Waterway and Port Talbot Waterfront;

- Next generation broadband;
- Simplified and more efficient planning process – planning authorities are able to use new Local Development Orders to make planning simpler within the Enterprise Zones;
- Business support, and training and skills provision – support provided by the Welsh Government can also involve assisting businesses to make links with academia.

28. The Welsh Government’s 2014 Longitudinal Study reported that:

“Just under half of businesses surveyed had taken advantage of one or more of the benefits offered to them due to their location in an Enterprise Zone.”⁵

29. There were mixed views from the chairs on whether the incentives were effective in attracting businesses to set up.

30. Roger Maggs, chair of the Port Talbot Enterprise Zone, told the Committee:

“The reason people go to Cardiff or Port Talbot or Anglesey is not because of things like financial incentives; it’s because what they have in that zone that is different. And that’s normally skills, access to markets, infrastructure, alliances, stuff like that. And every product is different.”⁶

“The financial incentives have a role. It shows that the zone is serious. It shows that the Welsh Government is serious. If you said that there are no financial incentives, I think it would be negative. But the decisions that people make are not primarily, in my view—I don’t know what my colleagues would say—about rate rebates. They’re about the skills and they’re about markets. They’re about things like, ‘Is there a cluster? Is there a sector excellence?’ Those are the things that attract specific businesses.”⁷

⁵ Welsh Government Longitudinal survey, March 2014 <http://gov.wales/docs/det/report/140326-longitudinal-survey-enterprise-zones-en.pdf>

⁶ Para 80, 31 January 2018

⁷ Para 83, 31 January 2018

31. Chris Sutton of Cardiff Central described the benefits as “lightweight”. He added:

“I think there’s a profile and a marketing angle to enterprise zones. They put places on the map. There is activity there. There’s a recognition—the local stakeholders see that there’s a focus upon that particular area for whatever reason, due to steel or a nuclear power station or whatever. In terms of Cardiff, the financial services, the growth, the legal services—Cardiff needs to be put on the map. We are not the size of Manchester or indeed Bristol. We need to be fighting on that sort of national stage, and an enterprise zone allows you, and has allowed us...”⁸

32. Asked whether any incentive in particular had been effective, David Jones of Deeside said:

“I suppose the answer is ‘no, not really’, other than we’re offering the same as the others and there’s a lot to build on [in Deeside] already...”⁹

33. Mark Langshaw from Ebbw Vale Enterprise Zone added:

“From my perspective, I think if we didn’t have the enterprise zones offering the similar sort of benefits that we’d see in England in the LEPs then that’s a reason not to come.”¹⁰

34. He said that inward investors’ first priorities are the availability of property, then the availability of labour, and then how they can match that labour to the skills’ requirements for their business.

Conclusion 1. The Committee has heard that the individual incentives on offer in enterprise zones are not in themselves the key draw, but that not having them may be a disadvantage. It is not clear to the Committee whether any of the individual incentives have been useful or value for money beyond collectively providing a focus for marketing messages. This suggests that future place-based promotion could be effective without the full suite of incentives, provided there is widely agreed vision and indigenous strengths in a given area.

Recommendation 1. While Enhanced Capital Allowances have not to date been used, they are potentially an attractive tool. The Welsh Government should

⁸ Para 84, 31 January 2018

⁹ Para 55, 14 February 2018

¹⁰ Para 57, 14 February 2018

ask HM Treasury to extend these allowances for a further five years and support zones to make best use of these allowances. .

Governance

35. Each Enterprise Zone has an independent private-sector led advisory board to advise the Welsh Government on the implementation and delivery of action plans and priorities. Their responsibilities include: strategic advice towards investment opportunities; encouraging supply chain development; identifying property and infrastructure needs; and marketing and promotion of Enterprise Boards.

36. In a **written statement** in July 2017 the Cabinet Secretary for Economy and Infrastructure stated that he had been “reviewing the Enterprise Zone governance arrangements” as part of his broader review of advisory boards and that he would “update Members as appropriate as the current Boards reach the end of their current terms in July 2018”.

37. Looking at the future role of the zones in light of the “Prosperous and Secure” commitments in *Taking Wales Forward* he said:

“The Enterprise Zones have much to contribute to our Prosperous and Secure commitments, in particular those to create new jobs, reduce business rates bills and create apprenticeships. I place great importance on a place-based approach which is tailored to local needs and circumstances and I am reviewing the Enterprise Zone offer to ensure that it will continue to deliver against a more regional approach to economic development.”¹¹

38. The Cabinet Secretary concluded the July 2017 statement by saying “we remain committed to the existing 8 Enterprise Zones located across Wales”.

39. However, the Economic Action Plan, published in December 2017, made no reference at all to Enterprise Zones. Also in December 2017 the Cabinet Secretary gave the following update in a response to a WAQ:

“As part of the review of advisory bodies in my portfolio, discussions have taken place with chairs and members of a range of groups including Sector Panels and Enterprise Zone Boards. These are ongoing and will result in a number of groups either drawing to a close, undergoing transition to new forms or continuing according to

¹¹ <https://gov.wales/docs/strategies/160920-taking-wales-forward-en.pdf>

the outcomes of the review. A number of groups including Sector Panels, will be replaced by an overarching Ministerial Advisory Board, which will be a tight, focussed group of individuals, providing strategic advice on economic development. I will be making further announcements on this and the broader advisory structure that will support it early in 2018.”¹²

40. At the Committee’s meeting on 14 February, Mr Skates confirmed that the Zones would continue, but that he had concluded his review of governance and would be making changes. These changes are covered on a zone-by-zone basis in the following chapter.

Conclusion 2. While the Committee is broadly supportive of the decision to review and revise governance arrangements, it takes issue with the merger of the Snowdonia and Anglesey Zones. The Committee’s thinking and recommendation are set out in more detail in the following chapter.

41. The Committee agrees with the views from the boards themselves that some still have work to do. However, this work should be focused and time limited.

42. David Jones, chair of Deeside Enterprise Zone, told the Committee:

“I understand why over in the west they need to extend their enterprise zone boards, certainly for a little bit longer, but I would say that if you’ve got enterprise zone boards over there in five years’ time, I think we’ve got a problem, to be honest. I think, over the next two years or so, they need to be moving things forward so that things progress.”

Conclusion 3. The Committee supports the Cabinet Secretary’s proposals to allow some Enterprise Zone Boards to continue for a limited time in order to complete their work.

Property

43. A recurrent theme among Enterprise Zone chairs was the lack of available property for businesses.

44. In Anglesey, the Committee heard that there was a shortage of units for small businesses. And that low rents made it unlikely that the private sector would meet this demand.

45. Chris Sutton said:

¹² Response to WAQ 75427/8, 20 December 2017

“There is a lack of modern floor space across Wales and there is a case to do that. On Anglesey, to go back to this, there is nothing available. Now, the problem is that the rents do not support speculative development by the private sector. However, what we have done—I know this wearing my property hat—is that we have introduced a property development grant scheme to incentivise private sector developers to build floor space, and a limited amount has been built in Anglesey, a limited amount has been built in Deeside. But if you look across the whole of Wales there are perhaps only two or three vacant industrial buildings, and apart from one square mile of our capital city, there is no speculative development to note anywhere.”¹³

46. Stan McIlvenny, chair of the Haven Waterways Enterprise Zone, also agreed that “there is market failure outside the capital”.¹⁴ Mr Sutton added:

“I think there is a shortage of units across the board, and in particular the SME market, those small units. If you look at them, they’re quite expensive to build. You’ve got more doors, more toilets, more services. So, per square foot, small starter units are more expensive to build. If you look at the Valleys, they are all at 95 per cent to 98 per cent occupancy, those schemes. They are, and you’ll often find a terrace where you’ve got the same tenant in all of them because there’s no follow-on space. I honestly think—this is not enterprise zone, necessarily—you could build 500, 600 starter units across south-east Wales or south Wales generally, and the market wouldn’t blink.”¹⁵

Recommendation 2. The Welsh Government should take a strategic look at the availability of commercial property and industrial units and work with Local Government to ensure that money is available in areas of need to develop suitable units.

¹³ Para 220, 31 January 2018

¹⁴ Para 246, 31 January 2018

¹⁵ Para 250, 31 January 2018

Planning

47. While simplified planning and the creation of Local Development Orders (LDOs) is one of the incentives available to Enterprise Zones, none of the Welsh zones have used them.

48. None of the chairs said that planning had been a particular problem, with local authorities keen to work closely with developers on major projects. The Havens' chair Stan McIlvenny highlighted the complexity of getting permission for a new power generation facility.¹⁶

49. Chris Sutton said:

“However, planning needs to be more responsive in the round. I think that [then Minister] Mrs Hart missed a trick back in 2011 when she handed out the enterprise zones, or allocated them, because I think the sensible thing then would have been to say, ‘We are going to create some enterprise zones. I invite nominations for where they should be located. The only prerequisite is that you must have a valid local development plan’. That would have helped force through local development plans. For example, Cardiff was given one, and it didn't have a valid LDP until 2015. So, it could have nudged and influenced behaviour to deliver those LDPs.”¹⁷

Conclusion 4. Given the importance that many businesses attach to swift planning processes, it seems odd that the apparent benefits of creating Local Development Orders have not been explored in the eight Welsh Enterprise Zones.

¹⁶ Para 93, 31 January 2018

¹⁷ Para 222, 31 January 2018

4. Value for money

The Committee found that the headline statistics available to assess the effectiveness of Enterprise Zones provided an incomplete picture of their successes or failures.

Data table

At the request of the Committee, the Welsh Government published a complete data table of jobs created, safeguarded and supported for each of the Enterprise Zones, and the amount spent, broken down by the year. The overall totals from this table are reproduced below.

Table 1 All Wales Zones¹⁸

Jobs Created	2998.1
Jobs Safeguarded	4359.0
Jobs Assisted	3169.4
Total Jobs Created, Safeguarded or Assisted	10706.5
Total Welsh Government expenditure	£221.1m
Cost per job created, safeguarded or assisted	£20,655

50. Further data is shared in chapter 5 looking at the performance of individual zones.

51. Board chairs suggested that much of the transport and infrastructure investment which the Welsh Government has included in its data for Enterprise Zones would have happened anyway, or in the case of the Heads of the Valleys work in Ebbw Vale, had been programmed before the Enterprise Zone even existed.

52. Roger Maggs argued that major investments should be considered over a longer time period. He suggested that such investment should be “amortised over 20 years”, and told the Committee he would be asking more questions about how the figures are calculated.¹⁹

53. Julian Verity, Chair of the Cardiff Airport and St Athan Enterprise Zone Board, added:

¹⁸ Created from Welsh Government data.

¹⁹ Para 173, 31 January 2018

“...a lot of these capital projects that have had our figures would have been put in place anyway. The money would have been spent on those infrastructure projects. It seems slightly unfair that it could be put down entirely to us.”²⁰

Conclusion 5. In the course of our inquiry it became clear that looking purely at money in and jobs out is to oversimplify the work of boards. The Welsh Government’s decision to include expenditure on transport projects supporting Enterprise Zones can give a misleading picture.

Monitoring

54. A number of chairs felt that assessing the true impact of the Enterprise Zones would require longer term monitoring, than a snapshot assessment after five years.

55. Julian Verity said:

“I think one has to look at the 10-year picture, as it were. We’re [the Board] sort of going halfway through.”²¹

56. To measure the effectiveness of Enterprise Zones and understand fully what value they offered, it will be necessary to continue to monitor the jobs created and safeguarded in each area even after the Boards cease to operate.

57. Stan McIlvenny questioned whether looking at the direct and indirect impacts of creating and retaining jobs “might be more reflective of what the true cost is”²². This data would better capture the impact on the community.

Recommendation 3. The Welsh Government should return to annual reporting of the Enterprise Zones, with clear data provided for each zone and a detailed breakdown of the assistance given to firms directly or indirectly supported by them. There should also be more transparent reporting of investment in each of the Enterprise Zones, with accurate data for specific zone-related investment not conflating wider Welsh Government spending.

Conclusion 6. While the Welsh Government has published figures relating to Enterprise Zones at the request of this and other Assembly Committees, this drip-feed of data has failed to tell the full story. For many of the zones, the

²⁰ Para 174, 31 January 2018

²¹ Para 167, 31 January 2018

²² Para 178, 31 January 2018

original aim of “jobs and growth” has morphed in to a more complex role of developing sites and skills for potential future opportunities. The monitoring data kept and published should better reflect the change of emphasis.

Recommendation 4. The Welsh Government should continue to provide disaggregated annual data for jobs created, safeguarded and assisted in each zone.

Recommendation 5. The Welsh Government should make its priorities for each of the Enterprise Zones explicit, publishing clear annual targets, and the Cabinet Secretary should commit to publishing a Written Statement outlining the Welsh Government’s policy on the future funding, roles and operational timespan of the Enterprise Zones.

Recommendation 6. The Welsh Government should ensure that the aims of any future regional approaches to economic development are, for each individual region or local area: clear and realistic; sufficiently detailed as to allow an understanding of the challenges faced; and accompanied by detailed, open, transparent and appropriate monitoring data.

5. Zonal Marking

What has been achieved, and how much has been spent, in each Enterprise Zone?

Anglesey

The Board accelerated delivery of a new road around Llangefni, unlocking land to develop new facilities at the local college, plus new housing and other developments.

It is working to ensure the area is ready for a final decision on Wylfa Newydd – the potentially game-changing development of a new nuclear power station at Wylfa.

Table 2 Anglesey²³

Jobs Created	502
Jobs Safeguarded	444
Jobs Assisted	88
Total Jobs Created, Safeguarded or Assisted	1,034
Total Welsh Government expenditure	£6.4m
Cost per job created, safeguarded or assisted	£6,184

58. Committee members met Neil Rowlands, chair of the Anglesey Enterprise Zone, and other board members during a visit to North Wales on 8 February 2018.

59. Mr Rowlands is the General Manager at the Tre Ysgawen Hall Country House Hotel & Spa, Llangefni.

60. Members were impressed by the passion of the board, and their sense of a work in progress. There are a number of impressive projects underway, and a sense that the job can't be completed until a definitive decision is made about the new nuclear power station at Wylfa Newydd. The Board sees that it has a role in ensuring that all is ready for the island to benefit from the go-ahead of the new power station, or to mitigate the consequences that would arise were it not to go ahead.

²³ Data from Welsh Government.

Next steps

61. The Anglesey board was keen to continue, and opposed to merger with Snowdonia. Board members were concerned that the Board's current focus on Anglesey might be watered down in the merger, and the wider regional focus being adopted by the Welsh Government.

Conclusion 7. While merging the Anglesey and Snowdonia boards has a certain instinctive appeal, it also risks muddying the clarity of vision that both zones have, and the strength of the advocacy they provide. Given the need for strong voices to champion the area as key decisions are being made about the future of energy generation in the area, it makes sense to the Committee to allow the Anglesey Board to continue, at least until there is clarity about the Wylfa Newydd development.

Recommendation 7. The Welsh Government should reconsider its proposed merger of the Anglesey and Snowdonia Boards.

Cardiff Central

Projects in the Cardiff Central Enterprise Zone include: inward investments from Deloitte and Alert Logic; relocations into the zone from Admiral, BBC and HMRC; investment in skills with a new further education college for Cardiff and Vale; and an expansion for the University of South Wales with Atrium 2 and 3.

There is also a proposal from Cardiff Met University for a new creative campus and from Cardiff University for a new school of journalism.

Table 2 Cardiff Central²⁴

Jobs Created	481.5
Jobs Safeguarded	73.0
Jobs Assisted	1,300.4
Total Jobs Created, Safeguarded or Assisted	1,854.9
Total Welsh Government expenditure	£61.9 million
Cost per job created, safeguarded or assisted	£33,422

62. Chris Sutton, chair of the Cardiff Central Enterprise Zone, appeared before the Committee on 31 January 2018.

²⁴ Data from Welsh Government

63. Mr Sutton told the Committee the Board had served its purpose:

“So, in terms of the advisory board, I think we’ve served our purpose and done that. But no, the job in Cardiff isn’t finished, and I think there’s always a follow-on.”²⁵

64. But he emphasised the ability of the Cardiff Zone to offer unique opportunities that other parts of Wales could not:

“Central Cardiff enterprise zone actually reaches parts of the economy that other cities and other towns in Wales can’t reach, in the same way that London can reach parts of the economy that Cardiff can’t reach. So, we mustn’t hold back Cardiff; we must promote Central Cardiff in terms of its financial and professional services and allow it to compete on that national and international field. And what the enterprise zone has done is allowed us to find areas and promote that, as, indeed, other enterprise zones can also promote their particular specialities—the sectors and the geographies and the factors that influence those various locations.”²⁶

Next steps

65. The Cardiff Central Enterprise Zone Board has achieved high numbers of jobs created, albeit in a site where the market is buoyant. The Board is content with the Welsh Government’s proposal to wind it up by July 2018.

Conclusion 8. The Committee supports the winding up of the Cardiff Central Board.

²⁵ Para 57, 31 January 2018

²⁶ Para 50, 31 January 2018

Deeside

The Board has brought the strategically important 200 acre Northern Gateway site on stream.

It has been working with the Welsh Government to develop the Advanced Manufacturing Research Institute (AMRI).

“...those two things together can be real legacy issues for the future of Deeside in the same way that Deeside industrial park today is a legacy of people who had the foresight to deal with that 20 or 30 years ago.” – David Jones, Chair, Deeside Enterprise Zone

Table 3 Deeside²⁷

Jobs Created	1,290.0
Jobs Safeguarded	3,380.0
Jobs Assisted	1,344.0
Total Jobs Created, Safeguarded or Assisted	6,014.0
Total Welsh Government expenditure	£29.1m
Cost per job created, safeguarded or assisted	£4,837

66. David Jones, chair of the Cardiff Central Enterprise Zone, appeared before the Committee on 14 February 2018. He felt that the Board had completed its work.

67. Since then, the AMRI has received planning permission.

Next steps

68. The Deeside Enterprise Zone Board is being wound up, although a new board is being established to oversee the AMRI. In his statement, the Cabinet Secretary implied that this new board would be the mechanism through which Welsh Government and its new lead officer for North Wales could gather the views of business.

69. The Cabinet Secretary said:

“I see the governance arrangements on the AMRI as replacing the governance arrangements for the enterprise zone.”²⁸

²⁷ Data from Welsh Government

²⁸ Para 163, 14 February, 2018

Conclusion 9. The Committee notes that Deeside has created more jobs than other Enterprise Zones and agrees with the Cabinet Secretary that the work of the Board has reached a natural conclusion.

See Recommendation 10 regarding the need for more detail on the AMRI governance arrangements.

Ebbw Vale

The Board has been developing infrastructure so that potential investment sites are “shovel-ready”. The Enterprise Zone has received significant investment in road and rail links.

The Board has developed a strong network of the business community and established a shared apprenticeship scheme is now up and running supporting 52 apprentices and with 14 companies participating.

Table 4 Ebbw Vale²⁹

Jobs Created	175.5
Jobs Safeguarded	70.5
Jobs Assisted	144.0
Total Jobs Created, Safeguarded or Assisted	390.0
Total Welsh Government expenditure	£94.6m
Cost per job created, safeguarded or assisted	£242,493

70. Mark Langshaw, chair of the Ebbw Vale Enterprise Zone Board appeared before the Committee on 14 February 2018.

Next steps

71. The Ebbw Vale Enterprise Zone Board will cease to exist in July 2018. The Cabinet Secretary said his officials were working with the Board to ensure a “smooth transition” to the Tech Valleys³⁰ governance arrangements.

²⁹ Data from Welsh Government

³⁰ Tech Valleys is a 10-year £100m initiative which is expected to include innovation in areas including the development and testing of battery and motor technology, 5G activity and the infrastructure needed for automated and ultra low emission vehicles.

<http://gov.wales/newsroom/businessandconomy/2017/171218-valleys-to-be-globally-recognised-for-emerging-technologies-by-2027/?lang=en>

72. Mr Langshaw had expressed a wish that the board would continue. It is unclear how the new Tech Valleys board will influence the Enterprise Zone, or whether this is a better arrangement.

73. The Committee would welcome further detail on how this will work (see Recommendation 10).

Conclusion 10. The Ebbw Vale Enterprise Zone is the least impressive in terms of concrete outputs compared to money put in. However, those closest to the Zone talk of a “strong pipeline” of potential investors and developments. Ensuring this pipeline is translated in to real jobs and opportunities will be the challenge for the Welsh Government, and the Tech Valleys “board” when it is established.

Haven Waterway

The Board highlighted a new wave energy demonstration zone which has been established off the Pembrokeshire coast. The Waterstone site has been sold to Ednedol Ltd, which is seeking planning permission to turn it in to a centre of renewable energy excellence.

Planning permission has been granted for a £110m combined heat and power plant which will allow Valero to be self-reliant in terms of future energy costs.

Table 5 Haven Waterway³¹

Jobs Created	356.0
Jobs Safeguarded	561.5
Jobs Assisted	196.0
Total Jobs Created, Safeguarded or Assisted	1,113.5
Total Welsh Government expenditure	£9.3 million
Cost per job created, safeguarded or assisted	£8,368

74. Stan Mcilvenny, chair of the Haven Waterway Enterprise Zone, appeared before the Committee on 31 January 2018.

³¹ Data from Welsh Government

Next steps

75. The Havens Waterway Board will continue until July 2021. The Cabinet Secretary said he has asked for specific work to look at the potential with regard to free ports and a distinctive post-Brexit offer for Wales.

76. The Committee discussed Free Ports as part of its New Powers: New Possibilities work earlier this year, and has also received evidence from Milford Haven Port suggesting such a designation would “super-charge” the economy around Wales’ ports and airports. The Committee will take an interest in the outcome of the Haven Waterway Board’s work.

Conclusion 11. The Committee supports the time-limited extension of the Haven Waterway Board.

Cardiff Airport and St Athan

The high profile investment of Aston Martin in the zone has been the headline achievement, and the jobs figures to date are expected to grow markedly over the coming months.

Table 6 Cardiff Airport and St Athan³²

Jobs Created	137.6
Jobs Safeguarded	0.0
Jobs Assisted	85.0
Total Jobs Created, Safeguarded or Assisted	222.6
Total Welsh Government expenditure	£13.8 million
Cost per job created, safeguarded or assisted	£62,009

77. Julian Verity, Chair of the Cardiff Airport and St Athan Enterprise Zone appeared before the Committee on 31 January 2018.

78. Mr Verity said the Board had three aims when he took over as chair: maximise the property portfolio and finalise the masterplan; raise the profile of the zone; and investigate and address the skills shortage:

“The focus has been high-tech, high-end manufacturing and aerospace. We approach a point of job complete... and are winding down.”³³

³² Data from Welsh Government

³³ Para 17, 31 January 2018

79. Mr Verity said his zone had achieved its objectives, but added that it was vital that the civil servants taking forward the work don't "take their foot off the accelerator now".³⁴

Next steps

80. Mr Verity was clear that the Board's work had been completed and that winding down was now in progress.

Conclusion 12. The winding down of the Cardiff Airport and St Athan Enterprise Zone Board seems sensible. It will be up to Welsh Government to ensure that the projects put in place are delivered effectively.

Port Talbot

The Port Talbot Zone has not been in operation as long as the other zones and has a different focus. Rather than the creation of jobs, its aim is to mitigate potential job losses at Tata and to seek to diversify the local economy.

Table 7 Port Talbot³⁵

Jobs Created	49.5
Jobs Safeguarded	8.0
Jobs Assisted	0.0
Total Jobs Created, Safeguarded or Assisted	57.5
Total Welsh Government expenditure	£3.8 million
Cost per job created, safeguarded or assisted	£66,046

81. The Port Talbot EZ was created in response to the threat of job losses at Tata Steel. That specific threat appears to have receded in the years since the Zone was established. However, the vulnerability of the Port Talbot operation to changes in tariffs and the global steel market remains a live issue.

82. Given the over-reliance on a single industry in the area, it remains prudent to have plans in place to diversify the economy. Enterprise Zone chair Roger Maggs appeared before the Committee on 31 January 2018.

³⁴ Para 287, 31 January 2018

³⁵ Data from Welsh Government

Next steps

83. The Board has been asked to continue for the time being. The Cabinet Secretary confirmed a three year extension to July 2021 when he appeared before the Committee.

Conclusion 13. Given the limited time it has been in operation it seems sensible to extend the life of the Port Talbot Board for a further three years on a task and finish basis, in the context of clearly defined objectives.

Recommendation 8. The Welsh Government should set a clear direction of what it expects the Port Talbot Enterprise Zone Board to achieve, and a clear timetable to achieve it, so that the Board can be wound up once this work is completed.

Snowdonia

While the Snowdonia zone has created only a handful of jobs to date, the Board has established a clear, practical and aspirational vision for an area which does not have some of the commercial advantages of other zones. It has also ensured the area is in the first rank if the UK Government decides to invest in SMR nuclear technology.

Table 8 Snowdonia³⁶

Jobs Created	6.0
Jobs Safeguarded	2.0
Jobs Assisted	12.0
Total Jobs Created, Safeguarded or Assisted	20.0
Total Welsh Government expenditure	£2.2 million
Cost per job created, safeguarded or assisted	£108,333

84. Committee members met John Idris Jones, chair of the Snowdonia Enterprise Zone, during a visit to Trawsfynydd on 8 February 2018. He told them that after assessing the strengths and weaknesses of the area, it became clear there were unlikely to be any immediate ways of securing jobs.

85. Members learned of the work done to date in preparing the two sites, the power station site at Trawsfynydd and the Snowdonia Aerospace Centre at

³⁶ Data from Welsh Government

Llanbedr. The access to 7,100km² of airspace and ultrafast broadband at the latter site, make it ideally suited for testing of drones.

86. The Trawsfynydd site – which as a former power station site has excellent connectivity to the Grid, and a local workforce used to the safety aspects of working with nuclear power – appears to be well-placed for Small Modular Reactors (SMR). These are mini nuclear reactors which could be used to generate electricity. However, it is not clear that the UK Government will invest in SMR technology.

Next steps

87. As noted with regard to Anglesey, while merging the two north Wales boards has a certain appeal, it also risks muddying the clarity of vision that both zones have, and the strength of the advocacy they provide.

88. Snowdonia is in something of a holding pattern while the UK Government decides whether to adopt SMR generation. Strong advocacy will be key to encouraging the right decision. While this is the case it would make sense to retain the Zone Board, whose members can be powerful ambassadors for the area, and the idea. See Recommendation 10.

89. If there are issues around cost and/or capacity, it may be possible to reduce the frequency of Board meetings/activity at Snowdonia, while sustaining the pressure on the UK Government to reach a decision on SMR nuclear technology.

6. Next steps

The future of Enterprise Zones in Wales

90. The terms of office for Boards and chairs were due to expire in July 2018. The Committee had hoped to be able to influence the Welsh Government's decision on next steps.

91. However, the Cabinet Secretary for Economy and Transport set out his plan for Boards in his statement on 14 February. He indicated that if the Committee made a "compelling case" he could change his mind.

92. The Committee believes there is a strong case for a rethink regarding the two North West Wales zones.

93. In our visit to both zones, Committee members were struck by the passion and sense of mission displayed by both Boards. In both cases the EZs are awaiting decisions by external bodies. Removing a strong group of ambassadors for the area, at the precise moment when advocacy is most needed, seems counter-productive. Both EZs need an extra push over a potentially short period, which could be best provided by allowing both Boards to continue separately.

94. In a submission to the Committee following the oral evidence sessions, the Port of Milford Haven argued that ports and airports could be the future focus of zones:

"The Port of Milford Haven would like to see ports, airports and other major economic centres in Wales prioritised as economic zones – providing leadership and a regulatory environment which makes it easy for businesses to operate, invest and employ."³⁷

95. Whether these were badged as Enterprise Zones, or free ports, the idea is simple – to create spaces where it is easier for development to happen. It is unclear at this stage how such deregulated zones could be compatible with recent Welsh Government legislation and guidance. The Cabinet Secretary has asked the Haven Waterway Enterprise Zone Board to look specifically at this issue, and the Committee will take an interest in its findings.

³⁷ Correspondence from the Port of Milford Haven, received 14 March 2018.

Enterprise Zones and the Regional economic approach

96. The emerging emphasis from the Cabinet Secretary on a regional approach to economic development in Wales means that the future prospects of the Zones will be part of that context.

97. It is too early in the process to expect clarity on the exact relationship between the new regional economic development leads in Welsh Government and the Zones, but this relationship will be crucial to ensure that work started by the boards will be completed and deliver jobs and growth.

98. Roger Maggs expressed concern in evidence that senior civil servants may not have the freedom to think unthinkable thoughts that Boards have been able to do:

“One of the things the board does, and is uniquely able to do because of who’s on it and what kind of people they are, is that they can make fools of themselves. They can say outrageous things, have outrageous ideas and they can think outside the box, which you can’t really do if you’re in a council or in the Welsh Government civil service.”³⁸

Recommendation 9. The Welsh Government should clarify the relationship between the new regional directors heading up economic development and the Enterprise Zones, and the business community in areas where the Boards no longer exist.

99. In Deeside and Ebbw Vale, other bodies are being established as successor bodies to the Enterprise Zone Boards. The Governance arrangements for AMRI and Tech Valleys will by necessity be very different from the Enterprise Zone Boards. It is not clear to the Committee how the balance between continuity and differentiation will be achieved.

Recommendation 10. The Welsh Government should set out, where alternative governance arrangements are being established (Ebbw Vale, Deeside), full details of the way in which new bodies will operate, how they will continue the work of Enterprise Zone Boards, and where they will have different duties.

³⁸ Para 119, 31 January 2018

Annex 1

Terms of reference

To assess the implementation and operation to date of the Enterprise Zones, including:

- the extent of progress against the Welsh Government's stated objectives for the Enterprise Zone policy (and how this progress is monitored and evaluated);
- the achievements to date of each zone, alongside the resources used in the process;
- the use made of the range of incentives offered on each zone;
- the evidence base for the current Enterprise Zone policy;
- the performance of Enterprise Zones in England.

To consider the Welsh Government's future plans for the Enterprise Zones, including:

- the specific targets and objectives for each zone, and the resources needed to achieve these;
- the role of the Enterprise Zone Boards;
- the fit with the Welsh Government's regional approach, Economic Action Plan and other place-based initiatives, such as the Valleys Taskforce, city regions and city deals.

Annex 2

Further breakdown of costs received from the Cabinet Secretary following the Committee's meeting on 14 February. All figures 2012-2017, rounded to nearest pound, as provided by Welsh Government in correspondence.³⁹

	Anglesey	Deeside	Port Talbot
Direct Business Support	£3,920,635	£27,330,531	£1,714,505
Transport	£2,331,161	£1,611,250	£2,066,000
Infrastructure	£105,084	£121,853	£17,162
Property	£40,369	£32,049	£-
Total	£6,397,249	£29,095,683	£3,797,667
	Cardiff Airport & St Athan	Ebbw Vale	Snowdonia
Direct Business Support	£3,584,281	£5,307,005	£1,124,198
Transport	£10,178,000	£88,340,000	£1,236,872
Infrastructure	£28,861	£915,896	£219
Property	£12,103	£9,738	£-
Total	£13,803,245	£94,572,639	£2,361,289
	Cardiff Central	Havens	Wales totals
Direct Business Support	£14,866,983	£6,681,296	£74,129,435
Transport	£33,980,000	£2,326,500	£132,649,783
Infrastructure	£13,135,577	£203,635	£14,275,076
Property	£12,755	£107,033	£4,993,065
Total	£61,995,315	£9,318,464	£226,047,359

³⁹ Letter to the Chair of EIS, 6 March 2018