

The Ebbw Vale Enterprise Zone (EVEZ) is a unique challenge. It is unlike the other EZ locations in Wales in that it does not have a distinct identity; it is not located on one discreet site, or has an obvious commercial attraction (runway, harbour etc.). The area in Blaenau Gwent is also recognised as an unemployment black spot in Wales.

However the area is home to many manufacturing businesses that are world class, Yuasa, Penn Pharmaceuticals, Continental Teves, and Monier etc. It is also an area that has a track record for significant regeneration following the closure of the steel works.

Some of the more obvious perceived weaknesses are in fact strengths. The fact that there is more than one location of the EZ is in fact strength in terms of marketing. It provides the opportunity for many different types of manufacturing, or support businesses to be attracted to discreet locations in line with particular business needs.

The EZ has two very distinct advantages over the other locations in the UK:-

- It has one large and significant development site, Rhyd Y Blew.
- The EZ is in a Tier 1 assisted area.

Therefore the EZ can accommodate even the most ambitious of projects in terms of size; the businesses involved in the project can then possibly claim the maximum level of state aid in all of the funding streams.

The EVEZ board is a private/public sector partnership and contains many CEO's of indigenous manufacturing operations that are imbedded in the area. This is combined with the CEO of the local authority and supported by senior WG officials with a strong connection to the Advanced Manufacturing & Materials (AM&M) sector. The board is therefore ideally placed to drive the project in an effective manner.

**Q 1. What is the scale of Welsh Government resource being targeted at Enterprise Zones?**

The EZ board is a private public partnership similar to the model of the Sector Panels providing advice to the Welsh Government. The terms and conditions of the board members are such that there is no direct visibility of the Welsh Government budgets. However the board will be aware of significant revenue and capital projects that are planned that provide an indication of the financial resource available.

The main role of the board is to provide governance to the link between the private and public sector; this includes Welsh Government and the local authority. The objective of the EZ is to provide the right infrastructure for long term sustainable development in the manufacturing sector

### **Business Rate Scheme**

A Business Rate Scheme is in operation across all seven Enterprise Zones in Wales. The Scheme is specifically targeted at SMEs and operates under the de minimus regulation. The Scheme is funded by £20 million (£10 million HM Treasury consequential and £10 million ES&T budget) spread across the financial years 2012/13 to 2015/16.

Welsh Government officials sought input from the Enterprise Zone board in fine tuning the Scheme criteria to ensure appropriate targeting and maximum impact.

Set out below is a summary of the scheme that is applied to all EZ's in Wales

- The scheme is discretionary and available in all seven Welsh Enterprise Zones.
- Operationally the Scheme works to lower the operating costs to business by reducing their Business Rates.
- A business would pay its Business Rates as normal and complete an application form to claim through the Scheme in arrears.
- An eligible business could receive 100% funding of Business Rates capped at up to £55,000 per annum.

### **Q 2. What influence are Enterprise Zone boards having on that Welsh Government resource?**

The Enterprise Zone Boards are influencing Welsh Government resources in line with the Boards Strategic Plan.

This includes;

- infrastructure
- Marketing
- ECA site boundaries
- Business Rate Scheme
- Pipeline of enquiries

### **Q 3. What are the strategic objectives of each of the Enterprise Zone boards?**

The board has submitted to the Minister a detailed high level strategic plan.

This plan clearly sets out the infrastructure requirements for the future. These include energy, ICT, skills, R+D support etc. The plan draws on some of the work covered in the Manufacturing Strategy for Wales in terms of identifying the needs of high value added manufacturing operations.

**Q 4. What are the specific incentives that are in place to encourage businesses to invest and locate in each Enterprise Zone in Wales?**

As a broad policy Enterprise Zones encompass financial and non-financial interventions / incentives that are intended to create positive impacts over the short, medium and long term, such as:

- Inward Investment assistance
- Access to finance
- International trade advice
- Workforce and skills development
- Industry networks
- Business rate support for SMEs
- Enhanced Capital Allowances
- Access to next generation broadband
- Simplified planning
- Investment in infrastructure

**Q 5. What are the specific outputs and outcomes that each EZ expects to achieve? (Such as number of jobs created, businesses supported, number of businesses benefiting from business rates reductions, number of businesses using the Enhanced Capital Allowances)**

EVEZ does not have specific job creation or number of businesses supported targets, these are a measure of the AM & M Sector itself and not the Enterprise Zone performance. As set out in the strategic plan the EZ's are long term in nature with benefits realisation occurring during and after the intervention has ended. Enterprise Zones only enhance the delivery of economic growth and job creation by acting as an enabler for delivery of the economic development strategies of EZ aligned Sectors.

With the Business Rates Scheme the final position for 2012/2013 is that 6 companies were approved to a value of £193,000. This is a slightly disappointing outcome and actions are underway to increase the level of engagement with indigenous businesses in the area.

**Q 6. What are the achievements of each Enterprise Zone to date?**

In Ebbw Vale the board has identified the key sites for development and an agreement on ECA's is in place with HMRC.

The process of preparing the main development site at Rhyd y Blew is underway with the conclusion of the environmental study in 2013.

The plans are in place to make each of the sites “kerbside ready” and presentable to potential investors in mid-2013.

Due consideration has been given to the energy requirements of companies within the EZ over the long term. This will be a key consideration for any investor in the UK. Whilst securing the existing local supply there has also been consideration of local generation.

There has also been significant work done on the skills supply pipeline.

**Q 7. What is the latest position in relation to the use of Enhanced Capital Allowances and what potential is there for extending their use to more Enterprise Zones in Wales?**

Welsh Government Officials successfully negotiated the availability of ECAs in Wales with HM Treasury. The maps of where the ECAs will apply have been published. Use of Enhanced Capital Allowances is non-devolved and businesses investing in an ECA area against eligible criteria liaise directly with HMRC.

In Ebbw Vale ECA’s may be of lesser importance to companies when viewed against the level of Tier 1 intervention that is possible. Each company will be different and it is an advantage to have both levers at our disposal.

**Q 8. What is the expected impact on areas neighboring or outside Enterprise Zones?**

In the strategic plan there is a full study of the use of EZ policy globally over the last forty years. This clearly highlights the successes and failures of such projects. One issue identified is the successful engagement of the indigenous businesses in and around the EZ. This is true for any location but in particular Ebbw Vale.

The board is constructed in part of CEO’s of local manufacturing businesses. In volunteering for an unremunerated position they clearly signal their desire to support the local area.

In bringing any investment to the area there are some key elements to consider

- Sustainability
- Impact on the skills pipeline
- Supply chain activity
- R+D activity

Therefore the ideal investor is

- High value added in its operation
- Prepared to invest in skills and not deplete the local pipeline
- Committed to Wales for the long term
- Has a commitment of bringing its supply chain to the locality.

In recognising the “ideal” there are plans in place to support the skills development in the area and for WG to proactively support supply chain activity.

**Q 9. How can the impact of Enterprise Zones on the local economy be maximised? (Such as through the development of supply chains that use local businesses)**

The answer to question 8 does provide part of the answer to this question.

The AM&M sector strategy and the EZ strategy outline the need to work with companies on their supply chain. There is no accurate figure for the level of imports by the sector in Wales; however the figure will be significant. We all operate in a global environment within the sector but there is a clear case to be made for localizing supply. There is clear evidence that employment is created on a 4 to 1 ratio in the supply chain relevant to the host company. The EZ board needs to ensure that all the necessary mechanism is in place to maximize the opportunity.

The level of employment is another significant factor in the economic mix. By their nature companies in the AM&M sector will require highly skilled employees in large numbers over the long term. This should not be achieved by drawing from the workforce of the indigenous businesses. We already have a significant skills gap in Wales and the age demographic of the sector is particularly unhelpful. Therefore this is a key development area.

**Q 10. Are the processes in place to ensure that Enterprise Zones are monitored and evaluated effectively?**

The terms of reference for the board are set by the Minister.

In the past twelve months the board have focused upon getting the Enterprise Zone sites established with a competitive offering of financial and other incentives. Measuring the effectiveness of these incentives is important.

WG expect to publish indicators by the end of this year. The Minister is seeking the views of the Enterprise Zone Board on what those indicators should be.

**Q 11. What approach is used to ensure that Enterprise Zones in Wales create additional economic activity?**

The EZ Board recommendations are considered in the broader context of Sector Strategies, in this case manufacturing. There is also due consideration given to the broader infrastructure requirements such as ICT and logistics that may drive economic benefits for the community.

**Gareth Jenkins**

Gareth M Jenkins  
Chair, EVEZ  
Chair, Advanced materials and Manufacturing Sector Panel

29<sup>th</sup> May 2013