

9<sup>th</sup> 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