



Fumbling in the dark

Wales is to get five new enterprise zones, but the details are vague and there are suspicions, says Mark Smulian, that the initiative is nothing more than a knee-jerk reaction to the loss of a substantial motor industry investment

Wales has five new enterprise zones, but they have no defined boundaries, no announced incentives for occupiers or developers, and each is designated for a single industry, with only £10m to spend between them.

Welcome to the strange and curious world of Welsh economic development.

Business minister Edwina Hart announced the zones in September but revealed no specific boundaries and left the property industry in the dark as to what incentives will be offered to locate in them.

Hart says that, far from being needlessly vague, "we have an opportunity to take a targeted approach in Wales and design a bespoke Welsh solution that doesn't just automatically replicate the approach taken in England".

She told *Estates Gazette* that she "remains open to opportunities as they arise in other areas of Wales, where we are already in discussion with local partners".

But that is where the answers end. Unsurprisingly, Welsh property players want clarity, and fast.

There is some suspicion of haste – that seeing English enterprise zones emerging on Wales' borders, and facing

calls from the business sector to "do something", Hart rushed to announce the zones without settling the details.

A further spur to "do something" may have been the failure in September to lure Jaguar Land Rover's new engine plant to South Wales. Instead, the £355m investment will go to Wolverhampton.

The property industry has been pleased that something is happening on economic development, but irritated and baffled by the lack of information.

Gareth Hooper, a partner at planning consultancy DPP, says he is at a loss over how to advise clients. "The lack of detail is endemic to things the Welsh government announces, so opportunities

go elsewhere," he explains.

"The government needs to be clear so that we can tell our clients what they need to be doing, and at the moment we can't, so people will go to Bristol [enterprise zone]," he adds. "I think [the EZ initiative] was a knee-jerk reaction to the loss of Jaguar."

Hooper also disputes the designation of a single industry for each zone. The Welsh government is "really missing a trick by not just saying that these zones will be open to any industry", he says. "They are focused too narrowly."

Everything in turmoil

"Turmoil" is the way John James, a director at Fletcher Morgan, describes the fall-out among developers arising from Hart's announcement. He says: "It's not very good: we have been told there is £10m but not where it will be spent, and we do not know the benefits."

"It has put everything into turmoil. Everyone is running around asking 'is my site in it or out? That affects people's decisions on whether and how to develop sites."

His property clients are already lobbying to get sites included in zones, says James, who adds: "I fear people will want to move into a zone even if, financially, it would not make a lot of difference to them."

He also questions the whole premise of enterprise zones, arguing that the £10m "would have been better as a pan-Wales fund for infrastructure".

In practice, he suggests, most of this would be spent in south east Wales "because that is where the bulk of the population is", but some would also go to north east Wales.

Even councils that have been awarded zones are cautious. Neil Hanratty, chief officer for city development at Cardiff city council, says: "We were not asked to apply to have an enterprise zone but we had been lobbying the Welsh government for two years for tax increment financing,



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Edwina Hart, MP

which would enable us to borrow for infrastructure and mitigate the risk by borrowing against business rates."

He hopes TIF, whose legal status in Wales is unclear, will be allowed within the zone to help develop Cardiff's central business district (see p76).

How this will progress is debatable as a further blow was dealt to Cardiff recently when the council abandoned its local development plan, adding more uncertainty to the CBD and enterprise zone (see feature p78).

DPP's Hooper says: "Without at least some form of interim guidance to direct development, the knock-on effect for business in south east Wales is likely to be dangerous – particularly given Cardiff is supposed to be bringing forward an enterprise zone."

"While over the border the Westminster government is providing clarity to places such as Bristol that have been designated enterprise zones, thereby priming the areas for inward investment, no such direction has been provided in Cardiff."

"Was the enterprise zone designation merely a hollow political move to prove the Welsh government's supposed 'delivery' agenda? Let's hope this cynicism is proved wrong."

Dave Heggarty, head of regeneration at Flintshire county council, has been told that Deeside will have a zone and "the Welsh approach will be different [from England], but we don't know any more".

But there is some support for Hart's approach. Tim Gent, director of planning

at Savills in Cardiff, says the zones are "very good news, but maybe a bit late".

He adds: "They are probably in the right places. England has chosen some very market-friendly sites and we have to compete by choosing places where we can get some growth quite quickly."

However, Gent is surprised that Newport missed out.

So is Newport. Council leader Matthew Evans said he was "bitterly disappointed and angry" at the omission and predicted that Newport's economy "will now be squeezed by [zones in] Bristol and Hereford on one side, and in Cardiff and Ebbw Vale on the other".

Influenced by politics

Inevitably, there are disputes about the choice of zones, not least as three are in or near Cardiff.

Rhys James, senior director at DTZ's Cardiff office, thinks decisions were unduly influenced by politics and that Hart felt obliged to spread the zones around Wales. "If you were looking just in regeneration terms, you would concentrate on the M4 corridor, which is more likely to attract investment," he says.

James, too, has found confusion: "I have been to meetings with senior local authority people, and even they do not yet know the boundaries or benefits."

He is not alone in questioning the zones' locations. Robin Shepherd, a partner at Barton Willmore, doubts that Anglesey, which already has its "energy island" regeneration programme, needs a zone. Choosing Ebbw Vale, he says, is "like finding a needle in a haystack", and adds that almost all the surrounding valleys area needs an economic stimulus more than Cardiff.

Hart will have to come up with some satisfactory answers on the zones to convince developers to invest in them.

Matt Phillips, a partner at Knight Frank, rates Hart as a "no-nonsense lady" and says: "The private sector is frustrated by red tape, bureaucracy and lack of decision-making, and she doesn't fall into that camp." But he adds: "Now it is time to say 'this is what we are doing'."

Until that clarity comes, the Welsh property industry can only wait, with bemusement, to see what will happen.

THE SUCKING EFFECT

There are fears that whatever incentives are ultimately offered to investors, Wales' new enterprise zones will simply suck in development from nearby areas, rather than generate new investment.

Gareth Hooper, a partner at planning consultancy DPP, says: "The government has picked industries that are already in these areas anyway. For example, with financial services in Cardiff, anyone you could attract to Wales in that field is already there; it will

just displace things around Cardiff, maybe by only a few metres."

Damian Barry, associate director at LSH, says it is what happened in Wales 20 years ago, enterprise zones then merely "sucked investment into them from elsewhere".

He explains: "Generally, the experience was that once the tax breaks ran out people went off chasing the next ones – in Ireland, for example. Investment drifted into the zones and back out again."