Transferable lessons from the Enterprise Zones

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The Office of the Deputy Prime Minister
Eland House
Bressenden Place
London SW1E 5DU

Telephone 020 7944 4400
Web site www.odpm.gov.uk

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A report to the Office of the Deputy Prime Minister by Paul Syms, Sheffield Hallam University and Angus McIntosh, King Strurge

January 2004
Executive summary

Enterprise Zones have featured in the United Kingdom's urban regeneration policies since the early 1980's. The programme is due to come to and end in late 2006, when the last Enterprise Zones reach the end of their designated lives.

During the course of programme, the policy has received both praise and criticism. Supporters firmly believe that new factories and offices would not have been constructed in previously depressed areas without the fiscal incentives provided in the EZs. The detractors, on the other hand, view the zones as being too expensive in terms of the cost to the public purse of each new job created. Other critics focus on the polarising effect of concentrating new development within tightly defined spatial boundaries, to the detriment of surrounding areas, whilst supporters argue that the concentration is necessary in order to stimulate market activity.

Over the years the different locations of EZs have differed in size and character. Some have been made up of several dispersed sites, often across several local authority areas. Some Enterprise Zones have been located in the old industrial areas of inner cities, whereas others have been in more rural locations, or have addressed the problems left behind by declining industries such as coal-mining or ship-building.

In mid-2002, the ODPM asked Sheffield Hallam University and King Sturge International Property Consultants to identify transferable lessons from the remaining Enterprise Zones for current and future government policy. The objective of the report is to consider the Enterprise Zone initiative, to assess in general terms those aspects that have worked and the ways in which they have succeeded in meeting their objectives. The report identifies possible shortcomings and suggests ways in which the different elements of the EZ scheme might be adapted for use in other current and proposed urban policy initiatives.

The study is based on a series of regional workshops held in the areas of the remaining EZs and a questionnaire survey, to which responses were received from more than one-third of the organisations occupying premises in those zones.

Activity in the Enterprise Zones (Section 2)

Key findings from the questionnaire survey

- Of the organisations that responded to the questionnaire survey, 45 per cent classed themselves as being in manufacturing, with the second largest group being providers of 'services' at 20 per cent.
- Fifty-two per cent of the respondent firms were single site operations, i.e. only based in one of the EZs, and 28 per cent were organisations with multi-site operations in the UK, whilst the remaining 20 per cent were part of multi-site firms with premises in the UK and abroad.
- Between them the respondent firms employed more than 8,000 people at the date of the survey. They expect this number to grow significantly over the next five years. One-third of the responding organisations had, however, experienced difficulties in recruiting people with the required skills and listed a wide range of much needed skills.
- The respondents gave a number of different reasons as to why their organisations had decided to locate, or relocate, in an Enterprise Zone. The most important single reason given by firms that had relocated was the exemption from payment of Business Rates, closely followed by the potential to increase capacity. A small number of firms replied that the EZ had given them the opportunity to acquire new premises and a significant majority of the relocates responded that they had experienced increases in both output and productivity since relocating.
- Almost 20 per cent of the survey respondents had started new businesses and, for many of these people, the EZ benefits gave them confidence. The support of local authorities was also an important factor in setting up these new businesses.
Transferable lessons from the Enterprise Zones

- There was a low level of interdependency between firms in the Enterprise Zones, in terms of subcontracting, materials sourcing, sales and services provision.

- Very few of the organisations recruited the major part of their workforces from within the immediate vicinity (within 5 miles) of the Enterprise Zones. For many of them, significant percentages of their workforces travelled five or more miles from home to work. Often this was due to the location of the EZ sites being remote from centres of population and an issue often raised in the workshops was the inadequacies of public transport provision. This often meant that people had to travel to work by car, which for some of the EZ developments had created problems in terms of lack of car parking.

Key findings from the workshops

The regional workshops considered a wide range of issues, including the image aspects of the EZs; the simplified planning regime; buildings and tenure; workforces; transport and service infrastructures.

- The majority of workshop participants had a positive attitude towards the Enterprise Zones and most felt that they had succeeded in their objectives. There was general consensus on issues such as the importance of location relative to road networks and the need for these networks to be constructed or upgraded to such standards as necessary to cope with the increased traffic generated by the zones.

- There was also general agreement that the zones had concentrated development into areas of need, whereas development might otherwise have been more dispersed, possibly lacking the critical mass necessary to produce the desired regenerative impacts. This focusing of development activity more than counter-balanced any detrimental effect, due to loss of development activity outside the EZ boundaries, as developers and investors were encouraged to become active in areas they would have otherwise rejected.

- It was suggested that many new jobs had been created. Although it was accepted that the beneficiaries of these new employment opportunities had not necessarily been the same people who had lost jobs in the industries that had been formerly active in the areas.

- There were also suggestions that people were travelling into the zones from some distance in order to obtain employment. The corollary of this was anecdotal evidence of local people gaining skills and confidence from working in the EZs and finding a new mobility to seek work elsewhere.

The transferable lessons (Section 3)

The Physical Environment - including Transport

One of the most important lessons to be derived from Enterprise Zones was that, concentrating development into a relatively small number of locations, retaining a choice of sites, has given confidence to developers, investors and occupiers. Leaving aside the desire to regenerate deprived areas, the location of property-led area based initiatives is important if investors are to be attracted to the areas and long-term sustainability is to be ensured.

The Enterprise Zones have given some firms much needed opportunities to expand, in newly constructed buildings that were often constructed to specific requirements, and to employ more people. To some extent the movement of firms within the locality, from outside the EZs to within the zones, may be seen as boundary hopping. However, for many of these firms the EZ developments provided the only opportunities to acquire modern premises (leasehold or freehold) in pleasant, well serviced, environments. Some EZ authorities endeavoured to 'police' such moves, for example refusing to sell land to local firms, which caused some resentment as such firms felt that they were being discriminated against in favour of inward investors.
Transferable lessons from the Enterprise Zones

It should be noted that increasing the prosperity of an area, together with failure to upgrade public transport facilities in step with the creation of new employment, will both act to increase congestion on local roads and to create car parking problems.

*The regulatory environment*

Whilst a simplified or relaxed town planning regime may not be the most important component of the package of EZ measures, it can give confidence to property developers to supply buildings ahead of market demand. Coupled with other incentives it helps to stimulate regeneration activity and investment.

*The Economic environment*

The location of some of the sites in the remaining Enterprise Zones is such that market failure had not occurred, it was simply a case that there was never any market to fail in the first place.

The availability of capital allowances gave property developers and investors the confidence to develop product ahead of market demand and the exemption from Business Rates gave occupiers the confidence to commit to taking space in these new developments.

The success of the EZs can be attributed to a package of measures and this should be borne in mind in designing new urban policies.

*The Human environment*

The general impression, from the survey responses and the workshops, is that organisations located in the Enterprise Zones are well pleased with the quality of their labour forces. However, according to those present at the workshop, the supply of labour was now disappearing and initiatives should be explored to recruit staff from local towns and cities. Success may therefore have absorbed the available pool of labour.

Skills development and training are therefore an important component of ensuring the success of similar initiatives. Future policies should consider including a budget aimed at developing the skill levels of the labour force. Training provisions should be put in place at the outset, preferably through the provision of colleges on, or adjacent to, the designated development sites.

Evidence across the themes reinforces the need to consider long-term sustainability when identifying sites for any future initiatives. It is not sufficient simply to identify sites on the basis of deprivation or unemployment in a particular ward.

**Conclusions (Section 4)**

This study has shown that the Enterprise Zones have succeeded in stimulating new enterprise and in encouraging the growth of existing enterprises. Some 18.5 per cent of the organisations that responded to the questionnaire survey were 'new-start' business when they located in the enterprise zone. It is also true to say that, of the 335 organisations that were located in the five remaining zones in March 2001 48 were no longer present in December 2002 / January 2003\(^1\). For the most these were small businesses located in ‘nursery’ industrial units or in serviced office accommodation. Whilst it is impossible to say how many of these ‘new-starts’ and small business would have been established without the enterprise zone incentives, there does appear to have been a reasonable amount of ‘new enterprise’ activity within the Enterprise Zones.

As for those enterprises that relocated into the Enterprise Zones, a significant number have increased output and/or productivity. Assessing whether footloose industry\(^2\) has been taken away from other areas is difficult. In some of the 36 sites in the remaining five Enterprise Zones there was almost total

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\(^1\) Based on ‘gone away’ returns to the postal questionnaire survey.

\(^2\) Footloose industry – that which is unhampered by ties or other obligations to existing workforce, location and source of raw materials or other suppliers, or to customer markets and is therefore unconstrained in its locational decision making.
'market failure' in the industrial and commercial property markets. Sometimes the market was completely non-existent. Thus there was, in most locations, a lack of buildings suitable to accommodate footloose industry. Without doubt the incentives provided by the Enterprise Zones gave property developers and investors the confidence to provide the accommodation that attracted occupiers to the zones.
Section 1: Introduction

1.1 Overview

This report presents an initial review of the *Lessons from the EZs* based on the experiences of occupiers, developers and local authorities involved with the five remaining Enterprise Zones in the Dearne Valley (South Yorkshire), East Durham, East Midlands, Lanarkshire and the Tyne Riverside.

The assessment of the *Lessons from the EZs* is based on the following:

- A questionnaire survey of enterprise zone occupiers, undertaken in December 2002 and January 2003;
- A series of workshops held in the EZs, involving occupiers, developers, property agents, development agency and local government officers;
- Observation surveys for the 2001/02 monitoring report and a review of monitoring reports for the preceding two years.

1.2 Purpose of the report

The objective of the report is to consider the Enterprise Zone initiative, to assess in general terms those aspects that worked and the ways in which they have succeeded in meeting their objectives. The report identifies possible shortcomings and suggests ways in which the different elements of the EZ scheme might be adapted for use in other current and proposed urban policy initiatives.

The purpose has been to look at a wide range of issues and by analysing opinions to distil the lessons from the enterprise zones to inform future policy making in urban regeneration. Included in these policies might be, for example, the Government's initiative in Disadvantaged Areas, although it must be stressed that the report is not aimed at formulating or supporting any specific policy or programme.

Instead, the objective of this report has been to explore the views of those people most closely involved with the remaining enterprises zones - occupiers, property developers, estate agents and local authorities - and to assess which aspects of the zones have worked and also to consider where some degree of disadvantage may have occurred.

It must, however, be stressed that this report is not intended to be a full evaluation of the enterprise zone scheme. That is the purpose of the evaluation reports (see PA Cambridge Economic Consultants 1987 and 1995). The next evaluation is due in 2007, upon completion of the present round of monitoring exercises. Nor is it about assessing the value for money achieved by the different initiatives within the EZ programme.

1.3 The Enterprise Zone Scheme

Enterprise Zones were introduced in 1980 to test a new approach to industrial and commercial renewal in areas of urban dereliction. The experiment was based initially on the establishment for ten years of about half-a-dozen Enterprise Zones where firms would benefit from such incentives as tax concessions, exemption from rates and relaxation of controls (House of Commons Committee of Public Accounts, 1986). The idea was 'born as a speculative paragraph in an address to a congress of town planners in 1977' (Hall, 1981, p3). The enterprise zone scheme was one of a number of policy initiatives launched in the 1980's and 1990's. Hall had looked at some standard answers when considering how to tackle the decline of the larger, older inner city areas: 'inject science-based industry, develop services, encourage tourism'. By the end of the review he 'concluded pessimistically that none of the standard recipes could perform the miracle for the worst problem areas' (p5).

He saw the most important problem as being one of mismatch: 'for the most part, the new growing activities require skills and educational capacities that the inner-city resident lacks'. Hall's solution...
was 'small selected areas of cities would be thrown open to all kinds of initiative, with minimal government interference or control' (Hall, 1981, p6). In practice they were somewhat different in that they did not include the full freedom from UK taxation, social services, industrial and other regulations for which he had argued in 1977.

In addition the enterprise zone scheme has moved on from tackling the problems of inner cities, to addressing problems caused as the result of massive losses of employment in coal-mining areas and from steel-making, shipbuilding and other major sources of employment upon which entire communities were dependent. Nevertheless, the issues of skills deficiencies and the need for training to suit the labour force for new types of employment remain just as important.

A total of some 38 zones were designated, 25 of them by April 1984 (House of Commons Committee of Public Accounts, 1986). Each zone was designated to have a life of ten years. At the time of this research, Enterprise Zones remained in five geographic areas - Dearne Valley, East Durham, East Midlands, Lanarkshire and Tyne Riverside - although the Lanarkshire zone was due to reach the end of its designated life at the end of January 2003. This report has been based mainly on primary research undertaken in those five remaining Enterprise Zones and a review of relevant literature.

Each zone was expected to have a land area of about 500 acres (203 hectares) and firms located in the zones would benefit from a package of measures Including:-

- 100% tax allowances for capital expenditure on constructing, improving or extending commercial or industrial buildings (initially this was subject to a clawback provision if buildings were sold within 25 years of construction);
- exemption from Development Land Tax (DLT) (this was normally levied at 60% of the difference between base value and the disposal value of a site - the tax was abolished in the March 1985 budget);
- exemption from local authority general rates (now Business Rates) for industrial and commercial property;
- exemption from industrial training levies, and from the requirement to supply information to industrial training boards;
- simplified planning procedures, where developments conforming to the published scheme for each zone would not require planning permission;
- faster processing of applications for firms requiring warehousing free of Customs duties; and
- a reduction in Government requests for statistical information.

This "imaginative experiment" would run for ten years (Catalano, 1983). In the view of Peter Hall, because the zones did not go far enough in relaxing controls and removing taxation, 'the worry is that in practice they will not achieve very much, and what they do achieve will be counter-productive' (Hall, 1981, p7). In particular, what he was referring to was the need to 'genuinely encourage new enterprise where no enterprise existed before'. What he feared was that 'what they might easily do is attract footloose industry to locate just within the Enterprise Zone boundaries, taking it away from areas that are almost as deserving just on the other side of the line'. This was certainly an issue with some of the early Enterprise Zones, where 'boundary-hopping' was commonplace (see Erickson and Syms, 1986) and, perhaps to a rather lesser extent, this still remains an issue of concern today. Certainly there is some resentment on the part of firms located just outside the boundaries, or denied the opportunity to locate in the zones due to 'boundary-hopping' controls, in that those firms inside the zones gain some competitive advantage.

Having posed the question as to whether Enterprise Zones will succeed on their own, Hall concluded that, in his belief 'other complementary policies will need to be developed, particularly in areas of training and financing' (Hall, 1981, p12). The present study has indeed shown this to be the case, as many EZ occupiers have needed to obtain additional public sector funding in order to enable them to
establish themselves in the zones. In some areas it has also been necessary for massive amounts of public money to be expended in providing the infrastructure necessary to open up the enterprise zone sites for development, although in some cases this has been partly recouped through land sales. The study also suggests that, in some locations, some form of on-going support may be needed once the remaining zones come to an end if businesses are not to fail and property markets collapse.

Time has rendered some of the incentives to be no longer relevant, e.g. the exemption from DLT, and others such as the exemption from the payment of training board levies to be of relatively low importance. Having considered the relevant literature the study team has concluded that it is widely accepted that the three most important incentives are the 100% tax allowances on construction works, the exemption from the payment of rates and the simplified planning regime. The relative importance of these incentives varies according to whether they are being viewed by a landowner, a developer, an owner-occupier or a tenant. These different perspectives are considered later in the report.

Cadman (1981, p17) made the point that 'the property development process works in conventional conditions and ... is entirely dependent upon capital and substantially dependent upon institutional funds that look for security of income and shy away from unconventional and uncertain conditions'. He made the point that many developments are entirely dependent upon satisfying the criteria of the investment funds, which tended to be 'the same fairly narrow set of criteria for determining what is and what is not acceptable' (p18). What Cadman had failed to anticipate, however, was that a whole new investment industry would develop, driven largely by higher rate individual taxpayers who wished to reduce their tax liabilities. Through the creation of special 'Enterprise Zone Investment Trusts' and other similar vehicles, such individuals were able to participate in property development and to offset their investments against their tax liabilities. Such arrangements were often the means of providing the fuel that enabled developments to take place in the Enterprise Zones.

A notable difference between those sites designated in 1981 in the first round and the final zones remaining in 2003 is that, for the most part, the boundaries of the early zones were drawn in such a way as to be contiguous, whereas all of the remaining zones are based on multiple sites, often several miles apart. This has enabled prospective occupiers, whether wishing to rent or buy their premises, to have a variety of choice, both in terms of location and developer. It may also have had the effect of ensuring that occupiers received a fairer share of the zone incentives, through the competition process, than was the case in some of the early zones.

1.4 Research methodology

The research for this report was undertaken between September 2002 and February 2003. Several research tools were used in order to obtain as broad a range of views as possible. There are a number of different actors who may hold differing views as to the benefits arising out of the EZ experiment as well as with regard to the transferability of EZ incentives to other programmes. These actors include landowners, property developers, property investors, owner-occupiers and tenants of buildings in the zones, local authority planning and economic development functions and development agencies. The views of firms located outside the zones may also be pertinent and, whilst the study team did not specifically canvass these views, a small number of unsolicited telephone calls were received by members of the study team from people in this type of situation.

In order to gain information as to the types of organisations that occupy premises in the EZs and their motives as to the acquisition of premises, a questionnaire survey was undertaken in December 2002 and January 2003. The purpose of the questionnaire extended beyond the needs of the present report and much of the information obtained was needed to revise and reinforce existing EZ data. Those parts of the survey relevant to the transferable lessons study are reported upon in section 2.

All information obtained from the questionnaire survey is confidential. In order to ensure confidentiality and statistical rigour the Statistics and Survey Research Centre (now the Centre for Research and Evaluation) at Sheffield Hallam University was appointed to undertake the survey work. The topics to be examined and the form of the questions were agreed with the ODPM. Firms were asked to respond to a total of 30 questions, some of which comprised several parts, with topics
ranging from the nature of the business to reasons for locating in the EZ to investment plans and workforce skill requirements.

The questionnaire survey was sent out under cover of a letter from ODPM. A follow-up letter was sent out one month later and telephone chasing was undertaken a further two weeks later. A total of 48 letters from the first mailing were returned, marked 'gone away' and a further 10 were returned marked 'not relevant - moving'. In addition to these two firms indicated during the telephone follow-up that they had not returned the questionnaire as they were in the process of moving out of the EZ premises.

In total some 124 usable responses were received. After taking account of the 'gone away' and 'moving' returns to arrive at the population of firms occupying premises in the remaining Enterprise Zones this response equates to around 35 per cent of the enterprise zone occupiers, based on the 2000/01 monitoring report, which was used as the main database for the survey. The study team regards this as a reasonably robust sample upon which to formulate statistically meaningful conclusions about the transferable lessons that may be derived from the EZs.

In addition to the survey, four workshops were held, in the Dearne Valley, East Midlands, the North East and Lanarkshire, to which the occupiers of enterprise zone buildings, property developers, estate agents, development agency and local authority representatives were invited. Each workshop was also attended by at least one member of the study team. Participants in the workshops were assured of confidentiality in order that they could freely express their views. A total of 35 people participated in the workshops. The workshops were held between November 2002 and February 2003 and are reported upon later in section 2.

Ever since Enterprise Zones were first introduced in 1981 they have been subjected to some forms of monitoring and evaluation. In mid 2002 the team from Sheffield Hallam University and King Sturge assumed the responsibility for the monitoring process. Between then and the production of this report each of the remaining enterprise zone sites have been visited on at least two occasions by members of the study team. These visits have been made for the purpose of conducting observation surveys to inform the monitoring process and the principal researchers on the study team have conducted them.

At the time of the 2001/02 monitoring report a total of approximately 1,348,000 square metres of industrial and commercial floorspace had been developed on the five remaining Enterprise Zones, providing around 33,200 jobs. For the most part the buildings appeared to be well designed and constructed to good standards of specification, often in well landscaped surroundings. The primary purpose of the visits to the Enterprise Zones was to obtain the data required for the March 2002 and March 2003 monitoring reports as well as for this report.

The three main components of the research methodology are therefore the questionnaire survey, the workshops and the annual monitoring process.

1.5 Structure of the report

Section 2 - reviews activity in the remaining Enterprise Zones under six topic headings:
- About the organisations that occupy premises in the Enterprise Zones;
- About the buildings they occupy;
- About the decision to locate in the enterprise zone;
- About the people they employ;
- About their investment in production plant and in research and development;
- About their relationship with other organisations in and around the EZ.
Transferable lessons from the Enterprise Zones

It also looks at how the Enterprise Zones have met the expectations of those people who have been most closely involved with them - the occupier, property developers, estate agents, development agencies and local authorities.

Section 3 - describes the lessons that can be derived from the Enterprise Zones.

Section 4 - presents the overall conclusions and key policy implications from the report.
Section 2: Activity in the enterprise zones

2.1 Introduction

This section describes the organisations located in the Enterprise Zones, the premises they occupy and why they chose to go there. It also considers the people employed by those organisations. Current and proposed levels of investment in production plant and in research and development are also described, and the degree of interdependency between organisations in the EZs.

One aspect of the Enterprise Zone scheme is a reduced amount of reporting by firms to government departments. Thus it may well be the case that statistical information that would normally be collected may not be available for EZ areas. In order to obtain additional information for this report, a questionnaire survey of EZ occupier firms was undertaken. There was precedent for this, in that surveys had been undertaken as part of earlier evaluation exercises (see for example PA Cambridge Economic Consultants 1987 and 1995).

2.2 The questionnaire survey

The following section summarises the responses received from the postal survey of EZ occupiers. Not all respondents answered all questions and where the total population is fewer than the full response of 124 organisations this is noted either in the text or as a footnote and, where appropriate in tables. In some instances the results refer to sub-samples and these are also noted in the text or by reference to the sample size (given as 'n =') in the tables.

2.2.1 About the organisations that occupy premises in the Enterprise Zones

Enterprise zone organisations cover a wide range of business activities, although there is a strong bias towards industry. As can be seen from table 2.1 below, 55 survey respondents regarded themselves as being in manufacturing - 46 per cent of respondents as four failed to complete this question. The second principal activity was given as 'other services' and the third most common was 'Distribution, Hotels and Restaurants' - 15 respondents, almost all of which were engaged in distribution. Two responses were received from housing associations, one from a charity and one from a primary care health trust. Otherwise all responses were from commercial firms - these include private and publicly quoted companies, partnerships and sole traders. In reporting the results of the survey therefore, the term 'organisation' has been used when referring to the population as a whole and 'firm' where the responses relate specifically to private sector commercial concerns.
Table 2.1 - Principal Activities of the Survey Respondents - n = 120

<table>
<thead>
<tr>
<th>Activity description</th>
<th>Number of organisations</th>
<th>Percentage of sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Forestry &amp; Fishing</td>
<td>1</td>
<td>.8</td>
</tr>
<tr>
<td>Transport &amp; Communication</td>
<td>2</td>
<td>1.7</td>
</tr>
<tr>
<td>Mining, Energy &amp; Water</td>
<td>3</td>
<td>2.5</td>
</tr>
<tr>
<td>Public Administration, Education &amp; Health</td>
<td>4</td>
<td>3.3</td>
</tr>
<tr>
<td>Financial &amp; Business Services</td>
<td>6</td>
<td>5.0</td>
</tr>
<tr>
<td>Construction</td>
<td>10</td>
<td>8.3</td>
</tr>
<tr>
<td>Distribution, Hotels &amp; Restaurants</td>
<td>15</td>
<td>12.5</td>
</tr>
<tr>
<td>Other Services</td>
<td>24</td>
<td>20.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>55</td>
<td>45.8</td>
</tr>
</tbody>
</table>

Sixty-four (52 per cent) of the respondent firms were single site operations and 35 (28 per cent) were organisations with multi-site operations in the UK, whilst the remaining 25 (20 per cent) were part of multi-site firms with premises in the UK and abroad.

Of the multi-site organisations, six occupied only one UK site and 12 were located on two sites. At the other end of the scale three firms responded to the effect that they had more than 100 sites in the UK. Firms with non-UK sites ranged from those with a single overseas location to those with 20 or more locations outside the UK (8). Thirty one per cent (18) of the firms with multi-site operations responded that their head office was located at the EZ to which the survey response related and a further two companies indicated that their head office was at another EZ site.

All but two of the 124 respondents provided an indication of the annual turnover in relation to activities from the subject EZ site. Seventy four per cent (90) respondents indicated annual turnovers in excess of £1 million with 26 per cent, 32 firms, stating that the turnover at the EZ site was in excess of £10 million.

2.2.2 About the buildings they occupy

Slightly more than 56 per cent of respondents indicated that their organisations occupied their premises on occupational leases. Of the remainder 28 occupied under long leases, defined for the purpose of the survey as being in excess of 25 years, whilst 25 owned the freehold interest.

The most common duration of the occupational leases was for terms of between 5 and 10 years (26 respondents), followed by 13 responses from organisations occupying under leases with terms of less than five years. Twelve organisations held leases for terms of 16 to 20 years and only six respondents stated that their occupational leases were for periods of more than 20 years - and thus by definition for less than 25 years.

In the view of the study team the trend away from long-term commitments towards shorter leases is common to the industrial and commercial property markets as a whole. However, it is interesting to note that 60 per cent of the respondent organisations holding premises under occupational leases did
so for terms of ten years or less. Whether or not this formed part of a deliberate policy of reducing post-designation exposure to risks is a possible area for further research\(^3\).

One hundred and seventeen of the 124 respondents to the survey provided information as to the floor area of premises that they occupied in size bands, see table 2.2.

**Table 2.2 - Floor area of the space occupied - \( n = 117 \)**

<table>
<thead>
<tr>
<th>Floor area band</th>
<th>Number of organisations</th>
<th>Percentage of sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 100m(^2)</td>
<td>15</td>
<td>12.8</td>
</tr>
<tr>
<td>100m(^2)&lt;250m(^2)</td>
<td>5</td>
<td>4.3</td>
</tr>
<tr>
<td>250m(^2)&lt;500m(^2)</td>
<td>11</td>
<td>9.4</td>
</tr>
<tr>
<td>500m(^2)&lt;1000m(^2)</td>
<td>12</td>
<td>10.3</td>
</tr>
<tr>
<td>1000m(^2)&lt;2500m(^2)</td>
<td>22</td>
<td>18.8</td>
</tr>
<tr>
<td>2500m(^2)&lt;5000m(^2)</td>
<td>18</td>
<td>15.4</td>
</tr>
<tr>
<td>5000m(^2)&lt;7500m(^2)</td>
<td>14</td>
<td>12.0</td>
</tr>
<tr>
<td>7500m(^2)&lt;10000m(^2)</td>
<td>6</td>
<td>5.1</td>
</tr>
<tr>
<td>more than 10000m(^2)</td>
<td>14</td>
<td>12.0</td>
</tr>
</tbody>
</table>

For the purpose of estimating the floor area occupied by the respondent organisations the mean floor area in each band was adopted. For responses indicating occupation of less than 100 square metres a standard area of 75 square metres was adopted, whilst for premises in excess of 10,000 square metres the premises in question were identified from the 2001/02 observation survey and the actual floor area was used for the calculation.

On this basis the study team has estimated that the floor area occupied by the 117 organisations that provided information totals approximately 450,000 square metres. Extrapolating from this an estimated floor area of about 475,000 square metres, over five million square feet, has been arrived at for the occupier sample as a whole. Clearly there is scope for imprecision in this figure, especially if one of the seven organisations that failed to respond to this question turned out to be a large space occupier. However, in the opinion of the study team the figure is likely to be an under, rather than over, estimate of the floorspace occupied. With this qualification, the respondent organisations occupied approximately 42 per cent of the occupied floorspace in the five remaining Enterprise Zones as at 31 March 2002.

Slightly more than half of the respondents (63) stated that the premises occupied by their organisation had been purpose built to meet their requirements. Seventeen responded that they had added floorspace by extending their existing building and eleven by taking more space in an existing building. The percentages by which the respondent organisations had extended their floorspace are shown in table 2.3. Three respondents replied that they had reduced the floor area that they occupied

---

\(^3\) It should be noted that only in exception circumstances, for example where buildings were already in existence at the date of EZ designation, could occupiers benefit from anything near to the 10 years rates exemption provision in the EZ scheme. This is due to the fact that the 10-year life of the incentives ran from the date of designation of the individual EZ and not from the date the buildings were completed or occupied. Hence there was often a considerable lag whilst land was reclaimed, infrastructure provided and buildings were constructed.
and one that the premises were currently vacant due to a reduction in the size of operations. For the other 92 organisations the area occupied was unchanged.

Table 2.3 - Percentage increases in floorspace occupied - n=117

<table>
<thead>
<tr>
<th>Percentage by which floorspace occupied has increased</th>
<th>Number of respondents</th>
<th>Percentage of sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in occupied floor area</td>
<td>4</td>
<td>3.2</td>
</tr>
<tr>
<td>No change in occupied floor area</td>
<td>92</td>
<td>74.2</td>
</tr>
<tr>
<td>Increased by 10% or less</td>
<td>4</td>
<td>3.2</td>
</tr>
<tr>
<td>Increased by 25%</td>
<td>4</td>
<td>3.2</td>
</tr>
<tr>
<td>Increased by 33%</td>
<td>6</td>
<td>4.8</td>
</tr>
<tr>
<td>Increased by 50% to 74%</td>
<td>4</td>
<td>3.2</td>
</tr>
<tr>
<td>Increased by 75% to 100%</td>
<td>3</td>
<td>2.4</td>
</tr>
<tr>
<td>Increased by more than 100%</td>
<td>7</td>
<td>5.6</td>
</tr>
</tbody>
</table>

Three firms informed the study that they had acquired additional land within the enterprise zone site - in 1998, 1999 and 2000. One firm indicated that the land had been acquired for expansion purposes, another had acquired land partly for expansion but primarily for further car parking as the existing site has limited spaces for an operation incorporating a call centre. The third firm had acquired land purely for additional car parking.

The fact that 17 organisations had physically extended their premises, as opposed to taking more space in an existing building suggests that one advantage of Enterprise Zones may be the ability to plan for the future through the acquisition of expansion land at the outset. Another lesson may be derived from the fact that of the two firms that acquired additional land they had done so to provide increased car parking. The inadequacy of normal 'office standard' car parking ratios, at say one car space per 25 square metres of floor area, when applied to buildings used as call centres was an issue mentioned during at least one of the workshops. This was very apparent during the 2002/03 observation surveys, with overflow car parking from call centre buildings lining the roads in some EZ sites. Compared to normal office occupancy, employee to floor area ratios in call centres are more likely to be one person per nine square metres, or even as high as one per 6.5 square metres. If developments are remote from centres of population and are poorly served by public transport, especially for people working split shifts, travel by car is often the only viable means of getting to and from work.

2.2.3 About the decision to locate in the Enterprise Zone

Seventy-nine (65 per cent of a sample of 122) survey respondents indicated that the decision to locate in the enterprise zone came about through a decision to relocate an existing business. Twenty respondents replied that the EZ premises were an additional branch of an existing business, whilst the remaining 23 (19 per cent of the sample) were new start-ups when the EZ premises were acquired.
Respondents from organisations that had existed before relocating to an enterprise zone site were asked to indicate, in rank order, the three main reasons for choosing the EZ site. Their responses are summarised in table 2.4, with the reasons being weighted with a score of 3 for first choice, 2 for second and 1 for third choice reasons.

Table 2.4 - Reasons given for relocating or acquiring additional premises within the Enterprise Zone - n= 99

<table>
<thead>
<tr>
<th>Reason for selecting the Enterprise Zone</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>Weighted score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exemption from payment of rates</td>
<td>15</td>
<td>23</td>
<td>18</td>
<td>109</td>
<td>1</td>
</tr>
<tr>
<td>More capacity available</td>
<td>19</td>
<td>10</td>
<td>5</td>
<td>82</td>
<td>2</td>
</tr>
<tr>
<td>Better location to market</td>
<td>8</td>
<td>3</td>
<td>6</td>
<td>36</td>
<td>3</td>
</tr>
<tr>
<td>Capital allowances</td>
<td>4</td>
<td>7</td>
<td>7</td>
<td>33</td>
<td>4</td>
</tr>
<tr>
<td>Access to local workforce skills</td>
<td>3</td>
<td>5</td>
<td>8</td>
<td>27</td>
<td>5</td>
</tr>
<tr>
<td>Purpose built facility</td>
<td>4</td>
<td>1</td>
<td>6</td>
<td>20</td>
<td>6=</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>1</td>
<td>6</td>
<td>20</td>
<td>6=</td>
</tr>
<tr>
<td>Increase in workforce</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>20</td>
<td>6=</td>
</tr>
<tr>
<td>Supportive local authority / development agency</td>
<td>1</td>
<td>3</td>
<td>8</td>
<td>17</td>
<td>9</td>
</tr>
<tr>
<td>Better technology infrastructure</td>
<td>-</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Relaxed planning regime</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>2</td>
<td>11</td>
</tr>
</tbody>
</table>

From table 2.4 it should be noted that 'more capacity available' was given by the most respondents as their first reason for locating on an enterprise zone site. However, the 'exemption from payment of rates' was by far the most common reason, being one of the three main reasons given by 45 per cent of respondents. It should also be noted that the relaxed planning regime in Enterprise Zones was seen as being of little importance to occupiers, with only one respondent including it among the three main reasons for locating in the EZ.

The organisations that had relocated to the Enterprise Zones were asked how their output and productivity had changed since relocation. Their responses are set out in table 2.5.

Table 2.5 - Changes in output and productivity since relocation

<table>
<thead>
<tr>
<th>Extent of Change</th>
<th>Output n = 93</th>
<th>Productivity n = 96</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of firms</td>
<td>%age of sample</td>
</tr>
<tr>
<td>Significantly increased</td>
<td>47</td>
<td>50.5</td>
</tr>
<tr>
<td>Increased slightly</td>
<td>22</td>
<td>23.7</td>
</tr>
<tr>
<td>No change</td>
<td>13</td>
<td>14.0</td>
</tr>
<tr>
<td>Decreased slightly</td>
<td>7</td>
<td>7.5</td>
</tr>
<tr>
<td>Significantly decreased</td>
<td>4</td>
<td>4.3</td>
</tr>
</tbody>
</table>
Whilst 34 firms had indicated that one of their three main reasons for locating to the EZ site was to gain an increase in capacity, 47 firms had in fact significantly increased their capacity and 38 had significantly increased their productivity. It should also be noted that some firms had experienced decreases in output and productivity. The questionnaire survey was not intended to probe more deeply into aspects such as business decline, so it cannot be determined from the responses whether these decreases are attributable to general market conditions or are firm specific.

The twenty-three firms that had been 'new-starts' when they acquired enterprise zone premises provided information relating to site selection. In order to determine whether or not the location decision was based on workplace familiarity, respondents were asked if the founders of the business had previously worked in the area, to which nineteen of the respondents answered No. The respondents were then asked to indicate, in rank order, their three main reasons for selecting an EZ site. Their responses are summarised in table 2.6, weighted in the same way as those in Table 2.4.

Table 2.6 - Reasons given for locating in the Enterprise Zone - n = 23

<table>
<thead>
<tr>
<th>Reason for relocating in the Enterprise Zone</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>Weighted score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exemption from payment of rates</td>
<td>4</td>
<td>7</td>
<td>2</td>
<td>21</td>
<td>1=</td>
</tr>
<tr>
<td>Supportive local authority / development agency</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>21</td>
<td>1=</td>
</tr>
<tr>
<td>Good location to market</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>19</td>
<td>3</td>
</tr>
<tr>
<td>Capital allowances</td>
<td>2</td>
<td>1</td>
<td>5</td>
<td>13</td>
<td>4</td>
</tr>
<tr>
<td>Access to local workforce skills</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>Better technology infrastructure</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Relaxed planning regime</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>2</td>
<td>7</td>
</tr>
</tbody>
</table>

Although the 'new start' subset is too small to draw any meaningful conclusions, it should be noted that the exemption from payment of rates was the most dominant reason for choosing to locate in an EZ site. Support from local authorities and development agencies was ranked of equal importance and, from this, it may be concluded that such support is more important to new businesses than to the firms that were relocating. Once again, the relaxed planning regime was regarded by the 'new-start' organisations as being of little importance.

Respondents from the 'new-start' businesses were also asked to provide an indication as to the importance of enterprise zone benefits in enabling them to start the business. Only four of the 23 respondents stated that they had been essential, although most thought that they had been of some benefit. Their responses in respect of the individual benefits are summarised in charts 1 to 3.
Transferable lessons from the Enterprise Zones

Charts 1-3 - Importance of the Enterprise Zone benefits in starting the business by number of responses - n = 23

Chart 1. Freedom from payment of rates

![Chart 1: Freedom from payment of rates](image)

Chart 2. 100% capital allowances

![Chart 2: 100% capital allowances](image)
Transferable lessons from the Enterprise Zones

Chart 3. Relaxed planning regime

From these results it is clear that not having to pay business rates was an important factor to most of the founders of new business in the Enterprise Zones. For some the availability of 100% tax allowances was also important and, although the relaxed planning regime only factored in the locational decision making process of one respondent, was seen as being relevant to some of the business start-ups.

2.2.4 About the people they employ

Survey respondents were asked to provide general information about the people employed by their organisations at the enterprise zone sites. In order to examine changes and to gain an indication as to expectations they were first asked to provide information as to the number of people employed at the site at certain key dates - when they first occupied the EZ premises; in March 2002 (for use in the 2002 Monitoring Report); at the date of the survey (Dec 2002 / Jan 2003); projected one year from the survey and projected five years from the survey. The figures provided by EZ occupiers are shown in Chart 4 below.
Even allowing for the slight differences in sample sizes, it is clear that employment by organisations in the Enterprise Zones is increasing and is expected to increase significantly over the next one to five years. At the date of the survey the sample firms employed 1.8 persons per 100 square metres of floorspace. Given the variety of buildings and uses in the Enterprise Zones, there will be considerable differences between occupiers in terms of occupancy rate, ranging from very intensive use in some call centres at one person per nine square metres (or less) to large warehouses that may only have one person per 500 square metres (or more).

Responding to a question about the skill levels of the workforce, 14 organisations (11.4 per cent of the sample) stated that their entire workforce was highly skilled and a further 41 respondents (33 per cent) indicated that a higher proportion of the workforce was more skilled than unskilled or semi-skilled. Forty-seven organisations (38.2 per cent) responded that the workforce comprised an equal mix of highly skilled, semi-skilled and unskilled people. Only two organisations replied that their workforces were 100 per cent unskilled. See Chart 5.

---

4 The same number of organisations did not provide data for each question. Number of responses as follows: At date of first occupation (120), At March 2002 (120), At date of survey (123), Projected 1 year from survey (119), and 5 years from survey (111).

5 One organisation did not answer this question.
The responses regarding skill levels suggest that skills development may be an important factor in Enterprise Zones and this was borne out by the responses to other questions relating to skills. Forty organisations (33 per cent) stated that they had experienced difficulties in recruiting employees with the appropriate skill levels. In the view of the study team this seems to be a rather high percentage and an issue of concern, especially in light of some of the training initiatives discussed during the workshops - see Section 3.

Eighty-six respondents who described the skills that have been lacking cited many different skill requirements. These included the skills listed in Box 2.1:

**Box 2.1 Reported skills shortages in the Enterprise Zones**

<table>
<thead>
<tr>
<th>Administrative and computer skills</th>
<th>Furniture manufacture for health care and education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applied biological sciences</td>
<td>General trades, bricklayers, plumbers, fitters etc.</td>
</tr>
<tr>
<td>Architectural technician and architects</td>
<td>Knowledge of freight forwarding industry</td>
</tr>
<tr>
<td>Basic manufacturing working</td>
<td>Managerial and senior secretarial, use of spoken</td>
</tr>
<tr>
<td>Basic reading, writing and numeracy, as well as attention to detail</td>
<td>English and communication skills</td>
</tr>
<tr>
<td>Competent welders and skilled brace press operators</td>
<td>Pharmaceuticals, quality and analytical</td>
</tr>
<tr>
<td>Construction management</td>
<td>Production management</td>
</tr>
<tr>
<td>Customer care basic skills, including telephone etiquette and sales skills</td>
<td>Optical engineers</td>
</tr>
<tr>
<td>Degree qualified engineers of 5+ years experience</td>
<td>Sales</td>
</tr>
<tr>
<td>Embroidery machinists</td>
<td>Semi-conductor engineering</td>
</tr>
<tr>
<td>Engineering experience</td>
<td>Traditional hand skills - machine shop and simple assembly</td>
</tr>
<tr>
<td>Fork lift truck driving and materials handling skills</td>
<td>Warehouse and distribution - telesales</td>
</tr>
<tr>
<td></td>
<td>Wireless networking specialists</td>
</tr>
</tbody>
</table>
In addition to these specific skills a number of respondents made general references to the labour force in general, such as not enough people having a desire to work or having basic industry experience.

Respondents were asked to provide an indication as to the home location of the workforce relative to the place of work. Three organisations, did not answer this question. The reduced sample of 121 firms employed 7,540 people and, as can be seen from Chart 6 the majority (52 per cent) travelled more than five miles from home to work and only a small number live within 1 mile.

Chart 6. Distance from home to work of employees in the enterprise zones - n=7,540 employees from 121 firms

Whilst therefore it might appear at first sight that the Enterprise Zones firms are not attracting a significant proportion of their workforces from the immediately surrounding areas, it should be noted that many of the sites in the remaining zones are remote from major centres of population. The data suggests that people are prepared to travel in order to obtain jobs, especially when consideration is given to the numbers of firms where a significant percentage of employees are travelling five or more miles to work.

2.2.5 About their investment in production plant and research and development

Respondents were asked to provide an indication of expenditure made in respect of plant and machinery (at the enterprise zone site) and organisation expenditure on research and development.

From the responses, it would appear that some firms are unlikely to make any significant investment in production plant or in R & D, whilst others are prepared to make very considerable commitments. Obviously the expenditure in these areas will vary greatly between types of businesses. It is not possible to determine without further research whether the pattern in the enterprise zone is any different to that which exists elsewhere in the country.

The survey responses are summarised in chart 7.
Thirty-nine firms (one third of a sample of 118 responses) reported that their investment in production plant had been assisted by Regional Selective Assistance (RSA) and eight firms replied that they had received support from European Objective 1 or Objective 2 funds. One organisation had received a grant from the Millennium Commission or Lottery Funds.

With regard to their expenditure on Research and Development, 69 firms that had relocated into the EZ from elsewhere replied that this had increased since relocation, whilst six stated that it had decreased. Forty-four firms had received grant aid or other financial support in respect of their R & D expenditure. Thirty-seven firms had received training grants and 15 had received other forms of grants or financial benefits.

Looking to the future, respondents were asked to provide an indication as to their likely level of expenditure on production plant and research and development over the next year and the next five years. Their responses are summarised in charts 8 and 9.
Transferable lessons from the Enterprise Zones

Chart 8. Anticipated expenditure on Production plant and Research and Development in the EZs over the next year

![Chart 8](image)

Chart 9. Anticipated expenditure on Production plant and Research and Development in the EZs over the next five years

![Chart 9](image)

Respondents were also asked to state their anticipated expenditure over the next year and five years as percentages of the annual turnover of the business on the EZ site. Their responses are summarised in tables 2.7 and 2.8.
Table 2.7 - Anticipated expenditure on Production plant and Research and development in the EZs over the next year, as a percentage of turnover

<table>
<thead>
<tr>
<th>Percentage of turnover</th>
<th>Production plant</th>
<th>Research &amp; Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of firms</td>
<td>%age of sample</td>
</tr>
<tr>
<td>Nil</td>
<td>20</td>
<td>20.8</td>
</tr>
<tr>
<td>1.00 or less</td>
<td>27</td>
<td>28.0</td>
</tr>
<tr>
<td>1.10 to 4.00</td>
<td>22</td>
<td>22.9</td>
</tr>
<tr>
<td>5.00 to 10.00</td>
<td>19</td>
<td>19.8</td>
</tr>
<tr>
<td>10.10 to 20.00</td>
<td>4</td>
<td>4.2</td>
</tr>
<tr>
<td>Above 20.00</td>
<td>4</td>
<td>4.2</td>
</tr>
</tbody>
</table>

Table 2.8 - Anticipated expenditure on Production plant and Research and development in the EZs over the next five years, as a percentage of annual turnover

<table>
<thead>
<tr>
<th>Percentage of annual turnover</th>
<th>Production plant</th>
<th>Research &amp; Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of firms</td>
<td>%age of sample</td>
</tr>
<tr>
<td>Nil</td>
<td>21</td>
<td>21.9</td>
</tr>
<tr>
<td>1.00 or less</td>
<td>17</td>
<td>17.7</td>
</tr>
<tr>
<td>1.10 to 4.00</td>
<td>21</td>
<td>21.9</td>
</tr>
<tr>
<td>5.00 to 10.00</td>
<td>26</td>
<td>27.1</td>
</tr>
<tr>
<td>10.10 to 20.00</td>
<td>6</td>
<td>6.3</td>
</tr>
<tr>
<td>Above 20.00</td>
<td>5</td>
<td>5.2</td>
</tr>
</tbody>
</table>

When asked about the funding of their proposed investment in production plant and research and development, 47 firms (out of 101 responses) stated that this would be found from internal resources within the business unit. Thirty-seven replied that funding would come from internal resources within the group. So far as external funding was concerned, 31 stated that this would be provided by normal bank borrowings and 16 replied that they would seek funds from a merchant bank or finance house. Ten firms indicated that they would be seeking public sector grants or loans, such as European Objective 1 funds. Five firms said that they would be seeking other types of funding, for example venture capital.
2.2.6 About their relationships with other organisations in and around the EZ

In order to gain an understanding about the interdependency of firms in the Enterprise Zones and the surrounding areas, respondents were asked to provide information about the extent to which they traded with other local firms.

Firstly, they were asked about the percentage of the EZ site turnover that was derived from work sub-contracted to other firms within the EZ; work sub-contracted to firms within two miles of the EZ; work sub-contracted to firms two to five miles from the EZ; and to firms more than five miles from the EZ. The responses received from the firms are shown in chart 10.

**Chart 10. Firms not deriving any turnover from sub-contracting - n=103**

Respondents were then asked to provide information as to the sourcing of materials used at the enterprise zone site. Eighty-six respondents (84.3 per cent) replied that they did not source any materials from local firms based in the EZ area one firm each sourced 10 per cent, 25 per cent and 50 per cent respectively of their materials from EZ based firms. Chart 11 shows the reliance of firms within the Enterprise Zones on sourcing materials from the local areas.

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6 22 respondents did not answer this question.
Finally, the respondents were asked to indicate the percentage of their product sales, or services provision, to firms in the local area. Eighty-two respondents (83.7 per cent) stated that they did not sell, or provide services, to other firms in the enterprise zone, whilst one firm replied that 100 per cent of its business was with other EZ firms. Eighty-four firms stated that they did not sell, or provide services, to firms within two miles of the EZ and 62 did not sell, or provide services, to firms within two to five miles of the EZ. The responses, in terms of the provision of sales and services, are summarised in chart 12.

Chart 12. Firms not deriving any product sales, or providing services, within the local area - n=98

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7 26 respondents did not answer this question.
The response to this section of the survey suggest that, whilst a small number of firms have quite strong relationships with other firms in the local area, there is for the most part a very limited degree of interdependency in terms of sub-contracting, materials supplies, sales and services provision. This tends to confirm that Enterprise Zones are not just about local businesses for local people. It also suggests that, in the event of serious economic downturn, firms that have located in Enterprise Zones will not be any more prone to failure, as the result of dependent relationships, than firms in other, non-EZ, locations.

2.2.7 Conclusions from the questionnaire survey

The survey looked at a broad range of topics under six headings - the organisations, their buildings, their location decision making, their people, their investment and their interdependency on other EZ organisations.

The respondent organisations represent a wide range of activities, with a small majority (55%) being engaged in manufacturing of one form or another and 34 per cent in business, service provision or administration and the rest in various activities including transport, distribution and construction. The activity make up of the sample differs slightly from the EZ population as a whole, as the 2001/02 monitoring study found that only 43 per cent of occupiers were engaged in industry, with 23 per cent in business, administration and service type activities. Occupiers involved in distribution were under-represented in the survey sample at 12.5 per cent, compared with 17.4 per cent in the 2001/02 monitoring study.

The buildings that they occupy are, almost without exception, ones that have been constructed since the Enterprise Zones were designated - i.e. less than ten years old. They are therefore modern in appearance and construction. It is interesting to note that more than half of the respondents occupy their buildings on occupational leases, which means that the taxation benefits from the capital allowances will have been received by people other than the occupiers.

For the most part the decision to locate in the Enterprise Zones came about through the decision to relocate an existing business. Many organisations will have seen the Enterprise Zones as providing an opportunity to acquire modern premises, which might not have been otherwise available in speculative developments. For many firms relocation provided the opportunity to increase capacity, a decision that was often borne out by experience in practice.

The respondent organisations employed over 8,400 people at the date of the survey and the majority were confident about the future, predicting an overall growth in employment of 35 per cent over the ensuing five years. Some firms are already encountering difficulties in recruiting people with the skills they require. In part this may be due to national shortages of some skills but, more generally it does tend to suggest a skills gap which might result in the firms being unable to meet their employment aspirations.

For the most part the investment in plant and research and development by the respondent organisations is relatively modest, although some are investing significant sums of money. All but 22 of the respondents intended spending more than five per cent of turnover on production plant and only 29 of the respondents expected future investment in research and development to exceed 10 per cent of turnover.

Interdependency between firms in the Enterprise Zones generally is not strong, although in some zone sites there are agglomerations of similar activities, most notably call centres. This may provide some comfort in that employment in these areas is not so dependent on a single employer as it was in the past, although sectoral shifts may have adverse effects in some areas.

2.3 The workshops

The four workshops held with enterprise zone actors varied in size and composition. For example the North East workshop, covering the East Durham and Tyne River EZs, comprised mainly of local
authority officers and property people. The composition of the Dearne Valley workshop was similar to that of the North East one, whereas occupiers were represented at the Lanarkshire workshop.

The timing of the Lanarkshire workshop was particularly important, as it was held less than one week before the enterprise zone came to the end of its 10-year life. At the time of the workshop approximately 3,550,000 square feet (329,800 square metres) of buildings had been constructed but, according to an estimate from Scottish Enterprise, sufficient land remained available to accommodate a further 2,000,000 square feet (185,800 square metres) of buildings. Rather than see the tax allowances being lost, the landowners and developers were busy entering into 'golden contracts' with building contractors, under which buildings could be constructed at any time within the ensuing ten years.

Several occupiers, developers and other interested parties had indicated a wish to be present at the workshops but were unable to attend. Wherever possible telephone discussions or face-to-face interviews have been held with these people. Participants were advised that comments would not be attributed to them by name, unless they requested attribution of specific points.

Although formal agendas were not used for the workshops the chairpersons were provided with a set of guidelines suggesting topics that should be covered. These topics have been adopted as the basis for reporting. [In some instances issues raised and comments made were common to more than one workshop and in the following summary the workshops at which points were discussed are identified as follows - Dearne Valley (DV), East Midlands (EM), Lanarkshire (LK) and East Durham & Tyne Riverside (NE).

**2.3.1 Reality**

The purpose of this topic was to explore how the reality of the enterprise zone compares with expectations. It is important to note the different development stages of the EZs being considered in the workshops, the Lanarkshire zone was at the end of its life, whereas the Tyne Riverside zone was little more than half way through its life. Regardless, however, of the different stages of the Enterprise Zones, the general consensus was that the outcome was much as expected.

One issue raised in the Lanarkshire workshop was that a number of sites in fairly close proximity to EZ sites appeared to have prospered without having the benefit of enterprise zone status. The reasons appeared to be that there are a number of prime sites in the area and not all of them need assistance and that the EZ authorities have exercised fairly strict control over who is allowed to go into EZ buildings. This had caused some resentment among local firms that had been denied the opportunity to relocate, as they felt they were being discriminated against in favour of overseas investors.

An important message from the East Midlands workshop was that variety of site types was required to serve different markets. People attending the Dearne Valley workshop felt that there was still a demand for accommodation, even though the call centre demand seemed to have slowed down, and therefore other sites were needed. Concern was also expressed at the Dearne Valley workshop regarding the availability of labour and the ability to recruit staff as the buildings were being developed.

Other points made about reality included:

- The built environment was a credit and high quality. (DV, LK)
- There was a need to broaden the attraction of the area as a working environment. At present there were no amenities for staff and travel to work was also an issue. (DV, NE)
- Location is more important than incentive - the footloose will look at location first, then benefits. (LK, NE)
- In location terms, there could be an image problem on some sites related to the local crime rate but this was not confined to EZs. (EM, LK)
The EZ had made a dramatic change and improvement to the area in both economic and social terms. (DV, NE)

The EZ was set up to encourage businesses into the area by providing financial incentives and had therefore created a market where one did not previously exist. (DV, NE)

Although other development sites were available the EZ was seen as critical. (DV)

The EZ was seen as encouraging companies to develop and provide products. (DV, NE)

Small units were helpful to local people and businesses, although they were not attractive to investors. (EM)

The EZ had benefited from the call centres and the creation of out-of-town offices. (DV, LK, NE)

The EZ was gaining new momentum but it was slightly disappointing that the call centre market was decreasing - there had been no major new enquiries for this facility. (DV)

There was concern among employers that existing employees were thinking about career development, including employment outside the EZs and there was a lack of availability of new employees. (DV)

There was a concern that the larger occupiers were now looking to relocate abroad as a result of cheaper labour rates. (DV)

It was difficult to fulfil the jobs criteria (25 jobs per acre for new businesses or 25 net new jobs per acre for transfers) as developers rarely met the targets. (EM)

Summary - The reality of the EZs had worked out much as expected but the explosion in demand for call centres could not have been anticipated. The zones had not been without problems but the good news is that they have been able to accommodate the dramatic shift in employment patterns brought about by the growth in demand for call centres. Enterprise zone status had provided a competitive advantage in responding to demands for new types of properties but there were concerns over long-term sustainability.

2.3.2 Image

Many of the sites in the remaining Enterprise Zones are located in areas which have suffered from image problems, often related to former industries. Participants in the workshops were asked to consider whether the enterprise zone has helped to improve the image of the area.

The view from the Dearne Valley was that the image of the EZ had been difficult to market for historical reasons relating to the miners' strike. The view from Lanarkshire was that it is important not to just 'rebadge' old industrial areas, as witnessed by the successful redevelopment of the former Caterpillar factory to form a modern business park. This had involved extensive site clearance, the demolition of old buildings and the provision of new infrastructure in order to arrive at a well landscaped environment.

Comments were made at several workshops about the need to improve marketing. In the East Midlands the marketing had been the responsibility of each site owner but possibly the EZ might have benefited from collaboration on marketing. In Lanarkshire the marketing had possibly been better co-ordinated through Scottish Enterprise than had been the case with the English EZs.

An important message was that, because an enterprise zone exists, it attracts attention even if the eventual decision to locate within the EZ may have very little to do with the availability of taxation incentives.

Other image related observations included:

- Foreign direct investment enquiries had dried up and the concentration was now on national and regional enquiries. (DV)
Transferable lessons from the Enterprise Zones

- A phased designation would have been a good approach as companies liked to see that they can move onto the site and immediately start operations. Phasing would have been particularly beneficial when infrastructure was needed; otherwise some of the benefits, especially the rates exemption, were lost before buildings could be occupied. (DV, EM, NE)

- Many people were not aware of the developments in the area. (DV)

- Care needs to be taken not to 'blight' surrounding areas. (LK)

- It needed the financial incentives to attract occupiers such as call centre operators to locate in the area. (NE)

- The focus at first had been on industrial hi-tech companies rather than call centres, although the original EZ did provide for some higher-class office accommodation. (DV, NE)

- Call centres were now looking to locate in city centres due to amenity issues. (DV)

*Summary* - In general the EZs had helped to improve the image of the areas but, in some cases, this could have been helped further by dedicated marketing budgets. Concentrating resources, and property development into one location has helped to lift the image of areas, which would not have been achieved by spreading the same amount of development over much wider areas. In regions where relatively little development had been happening, the fact that the EZs stood out as development poles would have had quite a profound effect. For the most part marketing of the EZs has been very fragmented, with no dedicated marketing budget being allocated. This was noted as a particular frustration in the North East, which would have benefited from a dedicated marketing budget covering the East Durham and Tyne Riverside zones.

*Photograph 1.* Balliol Business Park East -a newly completed office/call centre in the Tyne Riverside EZ.
Photograph 2. Innov@te building—a newly completed office building, for multiple occupation, on the site of the former Manvers colliery in the Dearne Valley EZ.

2.3.3 Planning regime

Workshop participants were asked to consider the importance of the relaxed planning regime to the success of the EZ. Most people felt that it had been important but only to a limited extent, although the benefit of 'speed to market' had been particularly important. This has enabled developers to create product in advance of requirements and also assisted occupiers, once they had decided on a location, to move extremely fast. Providing the necessary infrastructure was essential, together with the financial incentives, to encourage companies to relocate and it was felt that the relaxed town planning regime had speeded up the process.

One view from the East Midlands workshop was that the relaxed town planning regime had not been a benefit as overall it took time to finalise deals, by which time planning issues could be resolved. In the North East town planning relaxation was considered to be a key incentive but there was some concern that sites may have been over-developed or developed in the wrong place. In Lanarkshire high speed processing of planning applications was considered essential when companies have to move fast, for example after a fire.

As with the questionnaire survey, the overall view of the importance of the relaxed planning regime was mixed, with the developers and other involved in the provision of buildings regarding them as important. The degree of importance declined the further away the individual (e.g. the occupier of a speculative industrial unit) was from personal involvement in the planning process.

Other comments included:

- The simplified planning process was felt to be working satisfactorily and should not be made more difficult. (DV)
- The effective use of relaxed planning regimes depended on the attitude of the planning officers within the local authority. (DV)
- The perception of trouble-free fast planning was important, even if the local planning authority had a good performance record on sites outside the EZ. (LK)
- It was felt that a relaxed planning consent was not that important as the legal aspects often took several months to finalise. (DV)
- It was felt that the regime should not be changed but that the lessons learnt could be taken into consideration outside of the EZ in order to speed up the planning process. (DV)
In some instances developers had been prepared to pre-order the steel before contracts had been signed with the purchasers because of confidence regarding planning. (LK) This resulted in a reduced construction time.

In some cases developments would not have received planning permission had the EZ scheme not been in place. (LK)

Summary - Although views differed in respect of the simplified planning regime, the widely held view was that it helped more in terms of perception than in practice, as for the most part, the enterprise zone local authorities were keen to welcome new investment and would have been prepared to deal with planning applications in an expeditious manner. Most of the comments focused on the development control processes within planning, rather than the more strategic aspects of development promotion that plans should be aiming to achieve. Indeed, it could be argued that some of the difficulties highlighted in the workshops, such as insufficient car parking or the lack of amenities for workers, represent failures in the forward planning components of the planning regime to anticipate and tackle issues of this nature. There is often a different perspective about planning from people concerned with the process of making development happen, as compared with people who are the medium/long term occupants of that development. Some of these divergent views were clearly evident in the workshop discussions.

2.3.4 Buildings and tenure

Virtually all of the buildings in the five remaining Enterprise Zones have been constructed since the EZs were designated. The exceptions are a few buildings that had been constructed prior to designation but were unoccupied at the date of designation and a few old colliery buildings that have been retained on one of the East Midlands sites. Participants in the workshops were asked to consider whether the quality of buildings in the EZ is any different to that found on non-EZ developments and whether there is there a mix of owner-occupiers and tenants.

Several people commented that buildings of the higher quality found in the EZs would not have happened without the incentives and that buildings were in general much better specified than in other areas. In Lanarkshire the strategy had been to have buildings available on all nine sites, as the availability of product was far more important than plans or ideas. In the North East, however, there were some instances where the use of speculative development to meet market demand may have been taken too fast in the past, prior to 2000, with a number of buildings remaining empty.

As for tenure, there is a mixture of owner-occupiers and rentals in the Dearne Valley, with most corporates wishing to own rather than rent but this situation may change when the rates allowances finish. Lease terms on the Lanarkshire sites are usually for 15 years but sometimes leases have been entered into for ten years.

Other comments included:

The number of developers was useful, as it provided a choice of buildings, but did not necessarily encourage companies to move to the EZ. (DV)

Small units were an issue for developers as they were not seen as economical. (DV)

There is a higher turnover of occupiers in small units and smaller users are more likely to 'boundary hop'. (LK)

Summary - It was felt to be very important to have a variety of sites suitable for a range of activities. There is a need for speculative buildings, as well as land for purpose built units. The provision of small industrial units and managed office space, although not contributing to any great extent in terms of investment or new jobs, was seen to be important for some sites, because of the need to provide for 'start-up' businesses. Having a range of tenures, freehold and leasehold, was also important.
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Photograph 3. Ashton Seals, Cortonwood - a modern industrial building on a former colliery site in the Dearne Valley EZ.

Photograph 4. Silverwood Court, Manvers, Dearne Valley EZ. The provision of small, modern, industrial units has been an important feature of several EZ sites.

2.3.5 Rents and prices

In the light of experience from the early zones, where there was a marked difference between in-zone and out-of-zone rents, participants were asked to consider whether the rents and prices in the zone are significantly different to those outside. The view from the Dearne Valley, where most of the available land is held by private developers was that land values in the EZ were particularly high at the moment and a number of other sites had the benefit of Objective 1 funding which made them cheaper. Similar views were expressed in Lanarkshire and the North East where it was felt land prices in the zones are too high - sometimes four or five times those outside.

A commonly held view was that headline rents in the Enterprise Zones were significantly reduced by rent-free periods and fitting out allowance - sometimes were equivalent to three years rent and may have been more than was really necessary to secure the deal. In the North East rents on EZs can often be equal to or higher than rents for equivalent buildings outside the zones. The view from Lanarkshire was that it was sometimes difficult to compare rents inside and outside the zone as, in some cases, the EZ buildings were constructed to a higher specification than those on non-EZ sites.
Other comments included:

- EZ land value increased over the years and was therefore attractive to investors. (DV)
- The local authority, as owner, needed to obtain the highest value and this may work against EZs. (DV)
- The artificial boundaries had stimulated business and, as there had not been much new development elsewhere, the EZ had a polarising effect on development. (DV)
- The tax allowances gave the developers confidence to build 'product', rather than wait for tenants. (LK)
- There are no immediate outside zone developments with which to compete. (DV)
- EZs need to be concentrated in certain areas to retain a focus and to create a market where one did not exist before. (DV)
- From an occupier's point of view, the overall costs may be the same, or lower, as a result of not being required to pay Uniform Business Rates for a specific period of time. (NE)
- Boundary hopping had been controllable as the land was owned by the public sector but some companies had felt they were being discriminated against in favour of foreign investors. (LK)
- There had been a small amount of boundary-hopping but was so minor that no policing had been necessary. (DV)

Summary - Where comparisons can be made rents and prices are probably higher than those outside the EZs, especially where the EZ forms part of an industrial estate that existed before designation. However, in areas of low development activity the EZs may have acted to concentrate development, with an inevitable effect on land and property values in the areas of concentration. It is also the case that building specifications might also be higher for buildings in the zones (due to investor and occupier demands) and that 'headline' rents in leases may be higher than real 'in-zone' rents due to the rent free periods and fitting out allowances.

2.3.6 Transport infrastructure and utilities

For some of the enterprise zone sites, especially in the Dearne Valley and East Durham, there had been considerable expenditure on highways infrastructures, whereas other sites had often had to 'make do' with the road networks that had existed at the time of designation. Many of the Dearne Valley sites and the Fox Covers site in the East Durham EZ were not viable development locations until the highway infrastructures had been provided.

Workshop participants were asked to consider whether the transport infrastructure, particularly road networks and public transport, was adequate for the development of the EZ sites and whether the utilities provision was adequate.

People in the Dearne Valley felt that the first few years of designation had been wasted, as the location had no transportation access at that time. In the North East, the EZ developments have generated extra traffic, resulting in the Highways Agency realising that restrictions should now be applied on other sites to be developed. The situation could perhaps have been alleviated through better public transport provision, although there were no specific complaints about the inadequacy of public transport serving the EZ sites. In Lanarkshire the road system is already creaking at the seams and strategic links are inadequate, no-one had thought to look at the traffic implications of EZ designation but now that development of the zone sites is nearly finished, the trunk roads are to be improved. The view from the East Midlands was that the highway infrastructure is important, especially on local roads.

Other thoughts on the transport infrastructure and utilities included:
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- Transport users look first at the map and not the rates benefit. (LK)
- Road building investment was vital to the economy of the EZ. (DV)
- Public transport was still not satisfactory, routes go down the main roads but do not reach sufficiently well into the surrounding area. (DV)
- It was difficult to demonstrate that there was a demand for public transport. (DV)
- The priority was seen to be investment opportunities with transportation issues further down on the list. (DV, LK)
- Car parking facilities are often provided off the enterprise zone sites, thereby maximising the development of the sites but having the effect of generating even more traffic. (NE)
- Car parking facilities are inadequate for call centre use, especially at shift change times. However, for profit reasons, developers needed to maximise development of sites rather than provide car parking space. (DV, NE)
- On one site there was insufficient water and sewerage capacity for industrial use, so the focus was on warehousing and 'high-tech' use. (LK)

Summary - It is essential to have adequate infrastructure, including ensuring that public transport provision meets the needs of EZ firms and their workers. The full impact of some incentives may be diminished due to delays in providing the necessary infrastructure. Even when this is in place, failures to respond to the needs of firms and workers through the adequate provision of public transport may also have the effect of reducing the effectiveness of incentives. It possibly indicates the need for some revenue support until such time as the EZs are well developed and public transport services are commercially viable. The point was made at the Dearne Valley workshop that EZ development would not have been successful without the linkroad, and that the linkroad would not have been built without the EZ designation.

Photograph 5. Inadequate car parking provision was seen as a problem associated with several of the call centre developments.

2.3.7 Workforce and training

People are essential to the success of programmes such as Enterprise Zones, if firms are unable to find enough people to employ, with the right skills or an aptitude for training, then they will fail.
Workshop participants were asked whether occupiers had been able to recruit the workforce they need and whether adequate training had been provided.

In both the Dearne valley and Lanarkshire the occupiers had been able to recruit locally, either with the necessary skills or with an aptitude for training. Public funding had been available in the early days for training courses in the Dearne Valley, with a college being established immediately adjacent to the largest site in the zone and a campus of Sheffield University being constructed in the zone. It was felt to be important that training facilities were targeted at the area as a whole and not just at the EZ, although the training support was an incentive for companies moving into the EZ.

In the North East it was felt that education and training are key issues where more resources are needed in the future and in the East Midlands most of the jobs created were permanent but at low skill levels - unskilled or semi-skilled.

Other comments on workforce and training issues included:

- A main benefit of the EZ has been the large supply of unemployed people ready and willing to be trained. (DV)
- Unemployment rates in the area had seen a significant reduction, greater than national figures. (DV, LK)
- The workforce had adapted readily to the new skills required, although jobs had been created mainly for the wives and children of coalminers, rather than for the miners themselves. (DV)
- There was still a labour force for industrial companies. (DV)
- Ex-coalminers were employed in the manufacturing units but some units did recruit from the wider area. (DV)
- The growth of call-centres was not envisaged and this sector is now one of the region's most important employers. (NE)
- The EZ had been successful and had created many jobs but it should have been set up before the closure of the coalmines. (EM)

Summary - Occupiers are generally pleased with the workforce but there are some skill shortages. Also, in some areas, the EZs have already absorbed the available labour pool, so that there are now some difficulties in recruiting. Training provision is essential and the provision of colleges or other training facilities in, or immediately adjacent to, the Enterprise Zones is an important benefit.

2.3.8 General

Many other issues were raised during the course of the workshops, including the need to provide amenities within developments for workers to do their shopping or to spend leisure time and it was suggested that in planning any future schemes of a similar nature, retail outlets should be included in the masterplan so as to provide amenities for the workforce.

With time limited initiatives, such as Enterprise Zones, the road infrastructure should be either in place or under construction before a zone is designated and the land should be designated on a phased base, for supply and demand reasons, rather than all at once.

Golden contracts were regarded as being an important mechanism by which the effectiveness of EZ benefits could be extended long after the designated life of the zones came to an end. Of the five zones under consideration only the East Midlands zone was expected to be fully developed by the time the EZ designation came to an end.

There were mixed views on call centre developments. In the Dearne valley the demand for call centres was decreasing and when the EZ comes to an end they may move abroad. It was also felt that call centre demand is changing from very large centres using local staff to smaller centres situated
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around the UK. However, there was flexibility of use for the buildings within the Dearne Valley EZ. In the North East there was concern that call centres could be the "next coalfields", as a result of rapid changes in technology and work practises. In Lanarkshire, however, the view was that call centres have a long-term future but their use is evolving, some have a sales role as well as call handling, often linked to the web.

**Photograph 6.** Modern call centre buildings to let, Manvers, Dearne Valley EZ. The EZ benefits encourage developers to provide product ahead of demand, as in the case of these two modern call centre buildings.

Other general comments included:

- A suggestion to impose business rates, which would be "re-invested" in the EZ (tax incremental regeneration), was not felt to be beneficial. (DV)
- The EZ created activity in areas in need of regeneration. (DV)
- The EZ strength was that it was simple and straightforward and the rules were clearly understood - simplicity was the key issue. (DV)

**2.3.9 Conclusions from the workshops**

To summarise, the majority of workshop participants had a positive attitude towards the Enterprise Zones and most felt that they had succeeded in their objectives. There were a number of differences of opinion, with almost directly opposed views being held on some issues. However, there was general consensus on issues such as location relative to road networks and the need for these networks to be constructed or upgraded to such standards as necessary to cope with the increased traffic generated by the zones. There was also general agreement that the zones had concentrated development into areas of need, whereas development might otherwise have been more dispersed, possibly lacking the critical mass necessary to produce the desired regenerative impacts. This is perhaps one of the most important lessons to be derived from Enterprise Zones, concentrating development into a relatively small number of locations, but still with a choice of sites, has undoubtedly given confidence to developers, investors and occupiers.

Focusing development activity into relatively small, clearly defined areas, with the benefit of tax incentives and, quite often, new infrastructure and site preparation undertaken by the public sector, encouraged developers to become active in locations they might not otherwise have been prepared to consider. This more than counter-balanced any detrimental effect, due to loss of development activity
outside the EZ boundaries, as in many cases such developments might have been problematical, with buildings constructed only to the order of prospective occupiers. Whereas, in the EZs developers were prepared to build in advance of demand and to higher specifications than would otherwise have been the case for speculative buildings. The EZs also created a new type of investment market, individuals and trusts, or single purpose vehicles through which higher rate tax-paying investors were encouraged to become active in areas they would otherwise have rejected.

A great many new jobs had been created, although the beneficiaries of these new employment opportunities had not necessarily been the same people who had lost jobs in the industries that had been formerly active in the areas. There were suggestions that people were travelling into the zones from some distance in order to obtain employment. The corollary of this was anecdotal evidence of local people gaining skills and confidence from working in the EZs and finding a new mobility to seek work elsewhere. The North East workshop in particular highlighted that the Enterprise Zones have been particularly useful, being referred to as "the only act in town". This comment was made despite the problem over fragmented and uncoordinated marketing.

The movement of firms within the locality, from outside the EZs to within the zones, may be seen as 'boundary hopping', leading to allegations that these firms were gaining an unfair advantage over their competitors that were unable to move. However, in many of the EZ localities the developments in the zones were the only new construction activities taking place in areas of market failure. For many firms in these areas the EZ developments provided the only opportunities to acquire modern premises (leasehold or freehold) in pleasant, well serviced, environments. Some EZ authorities endeavoured to 'police' such moves, for example refusing to sell land to local firms, which caused some resentment as such firms felt that they were being discriminated against in favour of inward investors.

Call centres are distinctive features in four of the five remaining sites, although they are almost totally absent on the fifth, East Midlands. This EZ has also adopted a policy of imposing employment related criteria in order to vet firms wishing to locate into the EZ. Although it has not always been possible to meet the required criteria, this policy has been used to control 'boundary-hopping', thus preventing firms from moving simply to gain the financial benefits of the zones. Vetting of prospective occupiers, to prevent 'boundary-hopping' has also been undertaken in the Lanarkshire zone but here some local companies have complained that they have been discriminated against in favour of 'in-comers'.
Section 3: The lessons

The primary objective of this study has been to identify a number of lessons that may be learned from the enterprise zone experiment and to suggest which of these may be carried forward into other, current or proposed, urban policies. The nature of this exercise means that the assessment is essentially subjective in nature. It is not possible to quantify effects across all 38 EZs that have been designated since 1981, nor is it possible to generalise to the extent that the lessons described apply to all zones, or can be applied in all future situations. Each enterprise zone site is unique, with its own set of economic, environmental, employment and property market factors. The study has been based on the five remaining Enterprise Zones and therefore the lessons described in this section need to be carefully weighed against the specific circumstances attaching to individual sites.

3.1 The Physical Environment

3.1.1 Location

This is without doubt the most important issue to consider for long-term sustainability when deciding upon sites for property-based incentives. That is not to say that incentives should be directed to sites in 'prime' locations, rather they should be capable of becoming high quality locations if the impact of the measures is to continue beyond the duration of zone designation. It is a matter of sustainability and it is possible that, once benefits are no longer available, the property market in some locations will collapse to such an extent that buildings will become unlettable or unsaleable. There are already signs of this starting to happen in some locations, for example East Shawhead in the Lanarkshire EZ where, as the designation came to an end, around 50% of the floorspace was vacant, with some buildings being vandalised.

At Seaham Grange in the East Durham EZ, newly constructed buildings are standing empty and there is some concern about whether these buildings will ever be occupied. In contrast, there are examples of other sites in the remaining EZs where development would almost certainly have taken place without the regeneration incentives, for example Sherwood Park in the East Midlands and Eurocentral in Lanarkshire. The pace of development on these sites might, however, have been slower without the incentives.

When sites are being considered under an area based initiative (ABI), care should be taken to assess the locational aspects of the site by reference to factors such as motorway junctions, local road networks, crime and the fear of crime, surrounding premises and general image.

3.1.2 Room to grow

Many of the organisations that responded to the questionnaire survey gave their main reason for locating in an enterprise zone as the ability to increase capacity. A significant number had also expanded their premises since first occupation, either through building extensions or by taking more space in the same building.

Provision needs to be made for firms to expand. If firms can grow within their existing location they are less likely to move to other locations and the development is therefore more sustainable in the long-term.

3.1.3 The highway infrastructure

There would seem to be a fairly common theme around the importance of good highway infrastructures to Enterprise Zones schemes. In some cases, such as Lanarkshire, the EZ scheme has been imposed on an existing trunk road network that has proved to be incapable of coping with the additional traffic. Elsewhere, as in the case of the Dearne Valley, a complete new road infrastructure had to be provided in order to open up the sites for development, in some cases resulting in substantial delays to the development, which eroded the value of the rates exemption benefit. Even where EZ sites have been located adjacent to motorway or major trunk road junctions, some junctions have
proven to be inadequate to cope with the additional traffic, with vehicles queuing back along the slip roads at peak times.

**Full consideration should be given to potential highway and traffic problems, which may be caused as the result of an area based initiative designed to stimulate property development and job creation.**

3.1.4 Cars and Public transport provision

The enterprise zone incentives provided the opportunity for developers and local authorities to respond quickly to the demand for call centres. These are far more intensively used than conventional offices and, unless this is taken into account at the design stage, there may well be an under provision of car parking spaces, unless there is adequate access to alternative means of transport, see section 3.1.5. As the economic well-being of people in formerly depressed areas improves it is not unnatural that they will wish to acquire a car. Unless public transport is made a more attractive option they are likely to wish to use their cars for travel to work.

A number of sites in the remaining Enterprise Zones are remote from centres of population, to the extent that even 'locally recruited' employees might have to travel five or more miles in order to reach their place of work. The effect of this might well be to deny work opportunities to the most economically disadvantaged members of society.

This study has also shown that, far from providing employment solely for local people, workers are drawn to Enterprise Zones from a wide area and for them there may be no other viable means of travelling to work than by car, especially for those working part-time, split-shifts or unsocial hours.

It has been apparent throughout this study that public transport, or the lack of suitable services, is an important issue in several of the Enterprise Zones. The Social Exclusion Unit in 'Making the Connections: Final Report on Transport and Social Exclusion' (Social Exclusion Unit 2003a) defines what it means by accessibility, "..... can people get to key services at reasonable cost, in reasonable time and with reasonable ease", in the context of this report substitute 'services' with 'places of employment' and the message is the same.

According to the SEU accessibility depends on several things:-

- Does transport exist between the people and the service?
- Do people know about the transport, trust its reliability and feel safe using it?
- Are people physically and financially able to access transport?
- Are the services and activities within a reasonable distance?

It is questionable whether future regimes will be targeted to such car-dependent locations. The Social Exclusion Unit report (SEU, 2003a) makes the point that two out of five jobseekers say lack of transport is a barrier to getting a job and one in four jobseekers say that the cost of transport is a problem getting to interviews. The Government's strategy for improving accessibility has two main pillars:

- A new framework of 'accessibility planning'. This will ensure that there is clear responsibility for identifying accessibility problems and deciding how to tackle them.
- National policy changes to enable improved public transport, better land-use planning, safer streets, and improved specialist support to help people get to work, learning, healthcare and food shops. (Social Exclusion Unit, 2003a)

When considering a simplified planning regime, careful thought should be given to the likelihood of increased car usage and to the creation of viable alternatives such as public transport. If regeneration policies are to be put in place there may be a need for improvements to the public transport networks. For any future regeneration initiatives provision should be
made for public transport to be available from the outset to meet the needs of workers and their employers, if necessary through the provision of subsidies until such time as the services become financially viable.

3.2 The regulatory environment

3.2.1 A relaxed town planning regime

Relaxation of town planning was seen by property developers and agents as being a fairly important benefit but possibly at a rather lower level than the financial incentives available in EZs. To occupiers responding to the questionnaire survey, the relaxation of planning controls was regarded as being of little importance, perhaps because all of the regulatory aspects of providing buildings were seen as being the responsibility of the property developers and their project teams. It is not fully appreciated that EZs do not provide a planning "free for all" and that planning schemes, which have the purpose of excluding certain uses, are in force. Views were mixed on the issue of whether it would be useful to have a relaxed planning regime in future urban regeneration policies, although it was recognised that an effective (i.e. one that does the right things) and efficient (i.e. one that operates quickly and reliably) planning process was necessary in order to succeed in regeneration.

Whilst a simplified or relaxed town planning regime may not be the most important component of the package of measures, it can give confidence to property developers to supply buildings ahead of market demand. Coupled with other incentives it helps to stimulate regeneration activity and investment. It has encouraged firms to locate in Enterprise Zones, especially when a 'fast-track' construction programme is required. However, for these same occupiers to remain satisfied with their decisions over the medium to long term, the planning process has to be effective and efficient.

3.3 The Economic environment

3.3.1 Addressing market failure

The creation of area based initiatives, such as Enterprise Zones, may be seen as addressing the problems associated with 'market failure'. Market failure in this context occurs in situations where the rents or prices, obtainable from industrial or commercial buildings, are below the levels at which it is economically viable to construct new buildings. Such situations can apply even if land is included in the development equation at zero value and public sector augmentation may be seen as the only means by which market activity can be stimulated.

In the view of the study team, the location of some of the sites in the remaining Enterprise Zones is such that market failure had not occurred, it was simply a case that there was never any market to fail in the first place. Thus market activity was artificially created to such an extent that there is a risk that it might not be sustainable beyond the life of the enterprise zone initiative. In other cases, such as several of the Dearne Valley sites, the remoteness of the location was overcome by considerable capital expenditure in addition to the EZ benefits.

When identifying sites for any future initiatives, due regard should be given to the long-term sustainability of developments in particular locations. It is not sufficient simply to allocate sites on the basis of deprivation in a particular ward, it may be more appropriate instead to introduce improvements commercially to the public transport system, so as to enable residents to access employment in more viable locations.

3.3.2 Output and productivity

One important aspect of the Enterprise Zones is the enhancement of the working environment provided by the new developments. The availability of modern industrial and office buildings has provided opportunities for relocating firms to grow and to improve both output and productivity. One third of the survey respondents had experienced a significant increase in output since relocating and
Transferable lessons from the Enterprise Zones

30 per cent had also gained in terms of productivity. Without the availability of premises in the Enterprise Zones many of these firms might have suffered severe curtailment of their activities in premises that were unsuited to growing businesses.

In considering the need for any future 'property based' incentives, and in assessing the outcome of any such incentives, due regard should be given to the potential for businesses to grow their output and productivity.

3.3.3 Capital allowances

Undoubtedly the most important EZ incentive is the availability of capital allowances for the construction of new industrial and commercial buildings. This incentive is so important that an entire industry has grown up around it, with investment companies being formed to enable individual investors, usually higher rate tax payers, to take advantage of the benefits. This is not a new phenomenon; such companies have existed since the days of the earliest zones.

Reference was made in the workshops to 'Golden Contracts'. Such contracts have the effect of preserving the tax allowances until the buildings are constructed. This extends the life of one enterprise zone incentive by as much as a further ten years, ensuring that any buildings constructed on land remaining undeveloped at the end of the designation period will continue to benefit from the favourable tax regime in the future. In at least some cases the contracts being arranged at the end of the life of the Lanarkshire EZ were being entered into through limited liability companies specifically incorporated for each plot or building. This type of structure gives the developer the ability to convey the land with the benefit of the contract direct to either an investor or an occupier. It also has the effect of significantly reducing the liability for Stamp Duty, currently at a rate of 4% on transactions over £250,000.

The need for 'golden contracts' was also envisaged in the Dearne Valley, as a site of around 32.5 hectares (80 acres) in the Manvers zone remained to be reclaimed and was unlikely to be developed before the enterprise zone designation expired. In contrast to this, participants in the East Midlands workshop felt that all the remaining land was likely to be developed long before the designation expired.

Without the availability of capital allowances property developers are unlikely to build product ahead of demand, other than in the most economically viable locations. Similarly, manufacturers, office users and warehouse operators may be reluctant to move to new premises and may be more inclined to 'make do' with their existing accommodation, which may be unsuited to increased output or improvements in productivity.

3.3.4 Grants and other support measures

Many of the firms that responded to the questionnaire survey had received grants and other forms of financial support as well as benefiting from the EZ incentives. For some the additional support may well have been crucial to their decision to start a business or to locate into the enterprise zone.

Incentives such as those available in the Enterprise Zones should be viewed as part of a total package of measures designed to secure urban regeneration, and not as a stand-alone solution.

3.3.5 Rates exemption and the impact on local property markets

It has been suggested that, through the saving in total occupation costs from not having to pay rates, Enterprise Zones have the effect of creating a dual property market (Erickson and Sym, 1986). In the early Enterprise Zones rents inside the zones were found to be significantly higher than those in the areas immediately outside, with developers and landowners expropriating in excess of 60% of the benefit derived from the rates exemption. This had a stigmatising effect on property values close to, but outside, the zones.

The boundaries of many of the sites in the remaining Enterprise Zones have been drawn round buildings that existed (but were probably fairly new) at the date of designation and some sites are
extensions of industrial estates that were already under development - with the result that occupiers of premises on one part of the estate enjoy the benefits whilst those on the other part do not. It was also clear, from the limited contact made with firms (landlords and occupiers) with premises on the periphery of the zones, that there is a degree of resentment felt in some organisations that have been denied the EZ benefits simply because they were 'brave enough' to take the decision to invest in the area before the zones were designated.

Although the present study has not included a quantitative analysis of rents inside and outside the remaining zones, discussions at the workshops suggests that such rent differentials are less likely to be the case than with the early zones. This may be due, at least in part, to the dispersed nature of the enterprise zone benefits across several sites in each of the remaining zones, instead of them being restricted to a single geographic location. Even where the headline rents stated in leases are higher than those obtainable in the surrounding area, the differences may be significantly reduced by the generous rent free periods and fitting out allowances made available by some EZ developers.

Instances were also cited of building specifications being higher in the zones than outside and of occupiers being prepared to pay for a higher standard of accommodation than might otherwise be available.

For any future 'property-based' ABI, care should be taken to disperse the benefits across a number of sites. Sites selected for incentives should be in locations that are not in direct competition with 'non-assisted' developments and selection should include a range of site types and tenures for different activities.

3.3.6 Land prices

Even when land is at zero or minimal value developers may be unwilling to construct new buildings on a speculative basis, as they would regard such a depressed market as representing an unjustifiable risk. Even if developers were prepared to take the risk, the land holders are unlikely to release the land for development, preferring instead to hold it against the expectation of a possible increase in value at a future date.

Part of the role of public sector intervention in the property market, through Area Based Initiatives (ABIs), should therefore be seen as providing the stimulus that brings land to the market. One of the complaints frequently levied against Enterprise Zones, however, is that land prices in the zones are unreasonably higher than values in the surrounding area. Thus a significant proportion of the fiscal incentives may simply be going to enhance land prices.

One option for any future scheme might be for all land within the ABI to be vested in the public sector. However, that is unlikely to overcome the problem on its own, as local authorities are required to sell land at the market value. Another solution therefore may be for developments to be carried out as public private partnerships (PPPs), possibly involving a mix of public and private land, with prices set at an appropriate level. Prices would need to be above those in the surrounding area but below those that would otherwise exist if no constraint were imposed. This type of arrangement would necessitate a clawback provision if the premises were resold or relet within the lifetime of the scheme.

Greater emphasis should be placed on the role of public/private partnerships in land ownership/price issues in order to achieve regeneration objectives.

3.4 The Human environment

3.4.1 The labour pool

The general impression, from the survey responses and the workshops, is that organisations located in the Enterprise Zones are well pleased with the quality of their labour forces. A recent survey of call centre staff in the Dearne Valley showed that 75% were from the local area. However, according to those present at the workshop, that supply of labour was now disappearing and initiatives should be explored to recruit staff from local towns and cities. Success may therefore have absorbed the available pool of labour.
In spite of successes such as the one described in the Dearne Valley, and even though unemployment in Britain is at its lowest level for 27 years, there are still some neighbourhoods across the country with many people out of work as described in the scoping paper 'Jobs and enterprise in deprived areas' (Social Exclusion Unit, 2003b). Concentrations of worklessness in particular wards, neighbourhoods or even streets can cause additional problems for both individuals and communities.

The Government's long-term goal is to ensure a higher proportion of people are in work than ever before by 2010. A key objective is high and stable levels of employment so everyone can share in growing living standards and job opportunities ((Social Exclusion Unit, 2003b). In 2004 the Government intends that pilots will be introduced in twelve of the most deprived neighbourhoods in the country providing a more intensive regime, for example through accelerated access to the Job Seekers Allowance, New Deal and more frequent work-focussed interviews.

The Social Exclusion Unit project, described in the scoping paper, will consider how effective and joined-up frontline delivery is in addressing the particular problems that face people in areas with high concentrations of worklessness.

In any future schemes efforts should be made to relate the development potential of designated areas to the available labour pool. They should be strategically located so as to ensure long-term sustainability. Attention should be paid to ensuring that adequate public transport infrastructures are in place to enable people to access the new employment opportunities.

3.4.2 Skills and training

Concern was expressed by a number of people, in survey responses and at the workshops, about the 'skills gap'. Undoubtedly there are shortages in some skill areas but these may simply reflect national shortages of some trades and professions. The local population may lack the skills required by employers moving into an area but, for the most part, employers viewed the local populations in the vicinity of the EZs to be adaptable and ready to learn new skills. Provision of suitable training is, however, of the utmost importance. Skills development and training are therefore an important component of ensuring the success of similar initiatives.

Future policies should include a budget aimed at developing the skill levels of the labour force. Training provisions should be put in place at the outset, preferably through the provision of colleges on, or adjacent to, the designated development sites.
Section 4: Conclusions

4.1 Overview

This study has shown that the Enterprise Zones far from failing to attract new enterprise have succeeded in stimulating new enterprise and in encouraging the growth of existing enterprises. Some 18.5 per cent of the organisations that responded to the questionnaire survey conducted as part of this research, see Section 2, were 'new-start' business when they located in the enterprise zone. It is also true to say that, of the 335 organisations that were located in the five remaining zones in March 2001 48 were no longer present in December 2002 / January 2003. For the most these were small businesses located in 'nursery' industrial units or in serviced office accommodation. So, whilst it is impossible to say how many of these 'new-starts' and small business would have been established without the enterprise zone incentives, there does appear to have been a reasonable amount of 'new enterprise' activity within the Enterprise Zones.

As for those organisations that have relocated into the Enterprise Zones, a significant number (30% of the sample) have increased output, whilst even more (33% of the sample) have increased productivity. Assessing whether footloose industry has been taken away from areas that are 'almost as deserving on the other side of the line', is also difficult to achieve. In some, although not all, of the 36 sites in the remaining five Enterprise Zones there was almost total 'market failure' in the industrial and commercial property markets. In some instances the market was completely non-existent. Thus there was, in most locations, a lack of buildings suitable to accommodate footloose industry. Without doubt the incentives provided by the Enterprise Zones gave property developers and investors the confidence to provide the accommodation that attracted occupiers to the zones.

It is possible that some of the EZ locations may have had detrimental effects on local property markets by acting as a magnet for new industrial and commercial developments but, in conditions of market failure, such effects more often may be theoretical rather than factual. Even if some such detrimental effects did occur, these were outweighed many times by the development activities that were attracted to the areas benefiting from the EZ programme. The movement of some firms from locations outside, but close to the zones, into new premises in the EZs should not be regarded as a detrimental effect. Very often the EZ developments provided such firms with the only opportunities to relocate to modern, often purpose built, premises. For the most part the firms that relocated into the EZs experienced increases in turnover and productivity, as well as providing new employment opportunities.

4.2 Strategic Issues

4.2.1 Location

Selecting the right location is most important for any property related ABI if the developments created are going to be sustainable beyond the lifetime of the initiative. This means choosing locations with good access for both customers and workers. Critical mass is also important in ensuring success, however, it must be recognised that in providing the critical mass needed in one location, some disadvantage may be experienced in other areas through the loss of development opportunities. Nevertheless, the benefits arising out of the concentration of development, rather than 'pepper-potting', should result in the advantages out-weighing the disadvantages.

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8 Based on ‘gone away’ returns to the postal questionnaire survey.

9 Footloose industry – that which is unhampered by ties or other obligations to existing workforce, location and source of raw materials or other suppliers, or to customer markets and is therefore unconstrained in its locational decision making.
4.2.2 Infrastructure provision

There may be a temptation to provide investment and employment opportunities in every disadvantaged area but a more sustainable option may be to provide the public transport and highway improvements needed to ensure that those in greatest need could access employment opportunities. It was clear from the questionnaire survey responses that most people are prepared to travel to find work in congenial surroundings. Consideration also needs to be given to the needs of those people who, for one reason or another, are unable to travel to a place of work and to policies aimed at reducing commuting distances. Therefore it is necessary to strike the right balance and consider the need for regeneration initiatives on a regional or sub-regional basis. It may be more appropriate to make strategic decisions, rather than to focus in too closely at, say, ward level and thus make decisions that will have limited benefits for relatively few people.

4.2.3 The need for continuing support

In situations where property related ABIs are deemed to be necessary in less than ideal market locations, it should be recognised that some degree of market fragility will continue to exist, or even reappear, when benefits such as rates exemption come to an end. Consideration therefore should be given to the need to provide transitional support to the businesses that have established themselves in the zones. Clearly, however, these benefits should not be allowed to continue indefinitely.

4.2.4 Attracting private investment

In order to have any real impact on the regeneration of deprived areas through attracting private investment the benefits offered to investors have to be significant. Tax based incentives are essential if developers are to be encouraged to construct buildings in areas of perceived low demand and if investors are to be encouraged to invest. There was considerable scepticism when Enterprise Zones were introduced about the willingness of investors to provide the necessary financial resources to make the scheme work. Those concerns have proved to be ill-founded, as the incentives offered were sufficient to attract new types of investors and investment vehicles.

4.3 Implications for future policies

A clear general transferable lesson is that Enterprise Zones and other ABIs need to be considered in a broad policy context, particularly in terms of linkages and synergies with other initiatives, including training initiatives. ABIs and labour supply need to be considered jointly to maximise impacts.

From several of the workshops there was a clear message that the Enterprise Zones, whatever their problems or constraints, had made a positive contribution to the local economies. Indeed at the North East workshop the word 'lifeline' was used to describe their significance. There was a strong view that, in this area at least, without the EZs, economic and social conditions would have been far worse. One advantage of the Enterprise Zones has been their ability to respond to the creation of new types of employment, especially call centres. The availability of tax incentives, an available labour force and relaxed planning regimes have together provided the type of environment needed to attract this new type of employment activity. Some doubts are being expressed about the long-term future of this type of employment but, even if it is relatively short-lived, it will have provided several years employment for a large number of people.

It is perhaps this ability to respond rapidly to new markets, through the supply of suitable buildings, that is the strongest single argument in favour of what is without doubt primarily a property market initiative. Having sites and buildings ready for use in good locations in, or near, areas of relatively high unemployment is a significant argument in favour of continuing some form of intervention to augment weak property markets.

Other initiatives, such as exemptions from Stamp Duty, are unlikely to have any significant impact on their own, without some mechanism by which to encourage investment. Anyway, as mentioned above, developers already have the means at their disposal, through the use of Single Purpose Vehicles, to minimise their Stamp Duty liabilities. It is clear that, in at least some of the remaining
Transferable lessons from the Enterprise Zones

Enterprise Zones, one aspect of the enterprise programme - namely the 100% tax allowances on new construction - is likely to continue long after the zone designation itself has come to an end. Whilst this may be sufficient to encourage developers to build speculative product, it will be interesting to see whether occupiers will still be drawn to the former zones without the advantage of the Business Rates exemption and the extent to which developers have to pass on the tax benefits in the form of rent-free periods and fitting out allowances.

From the property developers' perspective the overall impact of the Enterprise Zones may be summarised as having:

- attracted developers who would otherwise not have looked at some of the areas;
- resulted in a modest amount of speculative development ahead of the market, providing an important benefit through the ability to respond rapidly to a changing market;
- enabled developers to create space that is of higher quality than that already existing in many of the areas.

Although the availability of tax breaks may be seen as being the single most important incentive in attracting new investment to Enterprise Zones, a rapid decision making process for town planning consent is also seen by property developers as a necessary requirement. An alternative to the system currently existing in Enterprise Zones could be the creation of Priority Planning Areas (PPAs), which may in some regards be similar to the proposed Business Planning Zones. An area designated as a PPA would have a comprehensive development brief, prepared through a partnership of the local planning authority, local businesses and the local community, including inputs from developers and estate agents. Applicants making a planning application for industrial or commercial use in the PPA would have to be notified within seven days from receipt of the application whether or not it conformed to the brief. A decision on the application would then be made within a further three weeks, or if no response were forthcoming it would be deemed to have gained consent.

From the occupiers' point of view the Enterprise Zone scheme has meant having:

- a supply of readily available buildings, or ones that can be constructed very quickly;
- an availability of accommodation at a higher standard than might otherwise have been found in the area;
- a saving in the total cost of occupation of new buildings, although perhaps not to the full extent of the Business Rates relief.

It has not been possible to determine whether or not the existence of schemes such as Enterprise Zones encourages firms to increase their investment in production plant, or in research and development. Certainly some of the respondents have made substantial investments in both areas and plan to continue doing so in the future, whereas for others the level of investment is very low in relation to turnover. It is suggested that further research be undertaken to establish whether any correlation exists between the availability of incentives and increases in investment.

The selection of sites for any future property-based initiative should take the fullest possible account of location criteria including, main road networks, local access, any proposed infrastructure improvements, as well as other issues such as labour force availability and crime or the fear of crime. Site selection should not be made on a political basis, e.g. because a site is designated in one ward or local authority area should not be sufficient reason for one to be designated in the adjoining ward or local authority area, unless appropriate locational criteria can be met.
4.4 Key Policy implications and transferable lessons

4.4.1 Key policy implications

This study has highlighted a number of important aspects of the Enterprise Zones initiative, which should be taken into consideration when formulating new urban regeneration policies. These are as follows:

<table>
<thead>
<tr>
<th>Key policy implications</th>
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<tbody>
<tr>
<td>1. When sites are being considered under an ABI, care should be taken to assess the locational aspects of the site by reference to factors such as motorway junctions, local road networks, crime and the fear of crime, surrounding premises and general image.</td>
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<tr>
<td>2. There is a need for improvements to the public transport networks as part of the process of designing regeneration policies. For any future regeneration initiatives provision should be made for public transport to be available from the outset.</td>
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<tr>
<td>3. When identifying sites for any future initiatives, due regard should be given to the long-term sustainability of developments in particular locations, specifically development sites should not be designated in locations simply because there is a high level of unemployment in one ward but instead they should be strategically located.</td>
</tr>
<tr>
<td>4. Incentives such as those available in the Enterprise Zones should be viewed as part of a total package of measures, employment, physical, social, environmental and economic, designed to secure urban regeneration.</td>
</tr>
<tr>
<td>5. In any future schemes efforts should be made to relate the development potential of designated areas to the available labour pool, so as to ensure long-term sustainability and attention should be paid to ensuring that adequate public transport infrastructures are in place to enable people to access the new employment opportunities.</td>
</tr>
<tr>
<td>6. Future policies should include a budget aimed at developing the skill levels of the labour force. Training provisions should be put in place at the outset, preferably through the provision of colleges on, or adjacent to, the designated development sites.</td>
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### 4.4.2 Transferable lessons

The key transferable lessons of what worked in the Enterprise Zones are summarised below:

<table>
<thead>
<tr>
<th>Key lessons</th>
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<tbody>
<tr>
<td>1. Firms were given the opportunity to expand and many of the enterprise zone sites met that requirement. If firms can grow within their existing location they are less likely to move to other locations and the development is therefore more sustainable in the long-term.</td>
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<td>2. Entrepreneurs were encouraged to start new businesses and the availability of modern premises meant that they had somewhere to work from.</td>
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<td>3. Because of capital allowances, property developers were able to build product ahead of demand. Without such incentives speculative development is unlikely to happen, other than in the most economically viable locations. The lack of modern industrial and office premises means that businesses are unable to develop to their full potential, with the result that they either go into decline, or they relocate elsewhere further depressing an already depressed area.</td>
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<tr>
<td>4. Similarly, without incentives, manufacturers, office users and warehouse operators may be reluctant to move to new premises and may be more inclined to 'make do' with their existing accommodation, thereby removing the potential to capture new business and to create new jobs.</td>
</tr>
<tr>
<td>5. Whilst a simplified or relaxed town planning regime may not be the most important component of the package of measures, it can give confidence to property developers to supply buildings ahead of market demand. Coupled with other incentives it helps to stimulate regeneration activity and investment. It has encouraged firms to locate in Enterprise Zones, especially when a 'fast-track' construction programme is required, however, for these same occupiers to remain satisfied with their decisions over the medium to long term, the planning process has to be effective and efficient.</td>
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<td>6. For any future 'property-based' ABI, care should be taken to disperse the benefits across a number of sites. Sites selected for incentives should be in locations that are not in direct competition with 'non-assisted' developments and selection should include a range of site types and tenures for different activities.</td>
</tr>
<tr>
<td>7. Greater emphasis should be placed on the role of public/private partnerships in achieving regeneration objectives.</td>
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</tbody>
</table>
Section 5: References


Social Exclusion Unit, 2003b 'Jobs and enterprise in deprived areas' a scoping note, SEU, Office of the Deputy Prime Minister, London.