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1 EXECUTIVE SUMMARY

- Brief: This study builds upon the Wyn Thomas Gordon Lewis (WTGL) Study in 2001 and reviews current availability of land and premises; quality and age of stock; reviews sectors; and assesses supply / demand changes / influences vis-à-vis the level of provision over the specified local development plan period up to 2021.
- Regional Setting & Context: Bridgend straddles the M4 mid-way between Cardiff and Swansea with a growing population and 71% of working age. It is located in the West Wales & Valleys area for the purposes of Objective One Funding (shortly to be replaced by the new Convergence Funding Regime being offered by Europe). Well connected by road, rail and the nearby Cardiff International Airport, there is room for growth in Bridgend with regeneration projects under way in Bridgend, Maesteg, Portcawl and the Garw Valley.
- Supply / Demand Equation:
 - Previous WTGL Report 2001: The original study concentrated on 13 sites that were deemed to be strategic. They were categorised using a matrix system and ranked according to their 'deliverability' in the short, medium and long term. Since the report, Wern Fawr (135.7 acres) and Sarn Park (160.9 acres) have been removed from the UDP and Island Farm (33.1 acres) is currently subject to a judicial review. A review of the remaining sites indicates that Bridgend CBC and WAG have been proactive in attempting to bring forward sites.
 - Wales/South Wales Valleys/South East Wales Economic Forum – over the last 5 years.
 - Wales:
 - Supply of land was in decline, but demand for 0-5 acres, 5-10 acres exceeded supply significantly.
 - Offices: demand exceeding supply across all categories especially 0-5K sq ft; 5-10K sq ft.
 - Industrial/Warehouses: demand exceeding supply in all size categories especially 0-5K sq ft; 5-10K sq ft and 10-15K sq ft. The broad picture reveals that supply has been in decline whereas demand has been increasing especially with a peak in the 0-5K sq ft category.
 - South Wales Valleys (SWV's):
 - Land: Demand for land has exceeded supply consistently over the last 5 years.
 - Offices: Combined supply and demand shows that demand has consistently exceeded supply by a factor of nearly 3 times.
 - Industrial/Warehouse: Demand has exceeded supply in most if not all categories of industrial space over the last 2 years.
 - SEWEF:
 - In the guise of 12 tables, our report compares and contrasts SEWEF data from 1999 with the latest data collected in June 2005.
 - Land: a paucity of small sites is available now.

- Offices: have increased in quantum. The figure of available space for 2005 exceeds the figure in October 1999 by circa 2.5 times.
 - Industrial: there has been a reduction in the number of units in the smaller categories but with an increase in the quantum of space in large buildings.
 - The SEWEF analysis for June 2005 indicates that within the South East Wales area there were only 6 sites over 40 hectares in size (including Brocastle from Bridgend) and that there were a low number of modern industrial buildings in the 25-50K sq ft size.
 - Bridgend:
 - Land: demand exceeded supply in the 0-10 acre category by a factor of 2.4X in 2005 and a factor of 3X in 2004.
 - Offices: generally demand has exceeded supply of offices in most categories.
 - Industrial: demand exceeding supply in most categories especially for small units in the size range 0-1K sq ft and 1-2.5K sq ft. Also, there has been relatively strong demand for the size category 25-50K sq ft.
 - In terms of the supply/demand equation for land, offices and industrial/warehouse space, the marketplace is such that demand is exceeding supply in almost all size categories.
 - A contrast between this report and the WTGL report is that demand has improved significantly - leading to a marked additional supply of offices, limited additional supply of industrial space and no significant improvement in the availability of smaller parcels of land.
- Employment Land Availability (ELA):
- The availability of land has fallen since the WTGL report in 2001. A land-take of 7.09 hectares (17.53 acres) per annum compares with 10.11 hectares (25 acres) per annum mentioned in WTGL report. In part, this reflects the downturn in inward investment / FDI.
 - Figures produced by BCBC for the 5-year period 2001 – 2005 indicate an average take-up (for allocated sites) of 5.7 hectares (14 acres) per annum.
 - Short-term land and land 'immediately available' added together gives 137.61 hectares – a supply of between 19.40 and 24.4 years respectively.
 - Over 60% of land within the 'immediately available' category is in public ownership, 91.5% falls into the 'short term' availability category and just under 70% falls within the medium term availability category.
 - Figure 9 in the report shows the strategic ownership of land and manifests the key role of the public sector in bringing forward difficult parcels of land.
 - An exercise is required to assess the compatibility of each of the strategic sites against a matrix of factors (rent, use, constraints, planning, site boundaries, future requirements etc). This would include TAN 15 – flood plain consequences assessment and should form the basis of a further study.

➤ Age & Quality of Existing Stock:

- Wales has the newest factory floorspace, with 16% built after 1990 compared with 5% in London. A likely explanation for this is the significant inward investment activity in Wales – including Bridgend – in the 1980's / 1990's.
- In Wales, the bulk of this space was built by the public sector.
- Apart from Mid-Glamorgan Science Park and bespoke buildings, buildings constructed previously by the WDA were functional, non-fussy and fit for purpose.
- There are examples of good quality offices in Bridgend, namely, Ravens Court developed by the WDA and converted / new buildings in the Town Centre developed by Compute.
- The economics of property development have improved and this should result in not only greater development activity but improved design – influenced by the sustainability agenda.

➤ Planning Permission Analysis:

- 240 full planning applications were received between 2001 and 2005.
- 15 applications were received for new offices compared with 59 for new industrial over the 5 year period.
- 16 applications for office extensions compared with 62 applications for industrial extensions.
- 11 applications were received for office refurbishments compared with 19 for industrial refurbishment.
- In excess of 54% of commercial planning applications were centred on the Bridgend area followed by 8.71% for Maesteg; 13.63% Pyle and 11.76% Sarn. Over the last 5 years activity in Bridgend has exceeded activity in Maesteg by a factor of 6X.

➤ Overview of Property Market: Bridgend:

- Manufacturing
 - For a long time the backbone of Bridgend, this sector has lost 20% of its' manufacturing base.
 - But this has been countered by recent successes creating 232 jobs, namely: Days Healthcare; Astra Games; Steinhoff UK Upholstery Ltd; Greenwood Services.
 - There is negligible speculative development with the exception of the Clerical & Medical speculative development (65,000 sq ft) at York Park.
 - There is a shortage of smaller, well located parcels of land for development.
 - There is a proposal by WIP to provide 2 no. speculative units of 40,000 sq ft and 50,000 sq ft respectively.
- Service Sector
 - Five years ago, the office market in Bridgend was non-existent. Now it is prominent. Of 444,000 sq ft in the pipeline, 128,000 sq ft has been built so far.
 - New development reflects confidence in this market sector, the ascendancy of the service sector vis-à-vis manufacturing and improved market conditions in terms of contracting investment yields and stronger capital values.
 - WISP intends to develop 80,000 sq ft of B1 space at Pencoed Technology Park.

- Availability of Employment Land
 - Demand for smaller parcels of land up to 10 acres is exceeding supply by a factor of approx. 3 times.
 - WAG/BCBC own a significant portion of land in the 'immediate', 'short' and 'medium' term categories: 60%, 91% and 70% respectively.
- Housing Land
 - Investment in housing – particularly in the Mid-Ogwr areas has been positive and reflects confidence in the area. It is not coincidental that Mid-Ogwr encompasses most of the major employment locations.
- Small Unit Centres
 - Occupancy exceeds 92% for small unit centres demonstrating strong demand from SME's.
 - FSB research indicates that many small companies have confidence in the future.
 - The research suggests that the creation of a Centre of Excellence or manufacturing business hub (providing bespoke training and business support packages) could benefit the manufacturing industry as a whole in Wales.
 - A core concern is around the lack of appropriate and affordable incubator space and 'follow-on' business accommodation.
- Agent Feed-back
 - The office market has improved immeasurably. Agents suggest that better quality space will attract companies such as Jigsaw and Creditsafe.
 - Whilst the industrial market is mixed, the fact remains that Bridgend is well located (J's 35, 36 & 37 of the M4) with good access to the airport. Furthermore, it is located in a grant area. These are material facts and will help Bridgend.
 - Agents suggested that they were not worried about the quantum of available space – actually quite a lot has been recycled already. Its' availability presents an opportunity.
 - There is a distinct move away from manufacturing to warehousing.
 - The speculative development of 65,000 sq ft at York Park, and the fact that recent lettings / transactions will be removing 963,752 sq ft from the market place does not suggest all gloom and doom.
- Investor / Developer Activity
 - This is best described as 'bullish' with investor interest from parties such as Formacion and Curzon properties.
 - Macob, Bailey Commercial, Mannings, Jehu and Charnwood are pursuing office development opportunities.

➤ Regional Selective Assistance

- In a Welsh context, from 2000 to 2005, BCBC secured 11 ½% of new jobs and safeguarded 17 ¼% of all jobs pan Wales. CAPEX represented just less than 19% of total CAPEX for Wales.

- Notable strengths appear to be in Construction and allied industries, Pharmaceutical, Plastics, Automotive, Software / IT and Call Centres.
- The total number of projects has remained relatively consistent but new job creation / jobs safeguarded have declined.

➤ Factors Likely to Influence Future Supply / Demand

- Socio-economic factors
 - In the context of the WIMD indices, Bridgend is preceded by Merthyr Tydfil, Blaenau Gwent, Rhondda Cynon Taff, Neath Port Talbot and Caerphilly.
 - Major employment locations in Bridgend are located in the least deprived areas.
 - NOMIS labour profiles indicate that manufacturing's share of the working population was 29.7% - now it is 21.2%. In the service sector, the percentage was 65% - now it is 73.4%. This reflects the structural changes within industry and business.
 - Bridgend has a high % share of business in the 10-49 employee category. In the larger employer category (250+ EE's) Bridgend had been the third highest after Merthyr Tydfil and Torfaen. The impact of the loss of industry over the last 12 – 15 months has been significant.
 - 'Creations' and 'Deletions' appear to have been consistent over the last 5 years with creations more or less being cancelled out by deletions: i.e. businesses starting and businesses finishing.
- Current Economic Factors
 - In the UK, there was 1.8% growth last year and the long term is expected to be 2-4%.
 - There was a modest reduction in GVA last year but with improvements due in 2006/2007.
 - There was a significant decline in manufacturing output in 2005.
 - According to the British Chambers of Commerce (BCC) growth in the UK was 1.75% in 2005. It will be 2.1% in 2006 and 2.4% in 2007.
 - The Welsh Economy is forecast to grow by less than 1% in 2005, increasing slightly to 1.2% in 2006 and 2007.
 - Wales is more vulnerable to the manufacturing slowdown, which is a facsimile of the decline in Foreign Direct Investment (FDI) with job losses linked to the exit of previous inward investment companies.
 - Growth in the Welsh economy will continue to lag behind the UK average.
 - Welsh GVA per capita will remain around 80% of the UK average.
 - Interestingly, whilst the financial services are likely to see growth over the next decade, there are areas of financial and business services that are susceptible to globalisation, restructuring and rationalisation.
 - Few parts of manufacturing are expected to see consistent growth of output or employment.

- The Welsh Economic Research Unit (WERU) suggests that Wales will continue to bump along. Increasing employment is not increasing the gap on critical factors such as GVA.
- Deloitte's report 'Trading Places' suggests that the UK (currently ranked 6 amongst 25 World economies as the most competitive place in the world to do business) is projected to slide to 12. Manufacturing business leaders were the most negative about the UK (based on a survey of 300 companies) as a place to do business with. Indeed, only 24% of manufacturers surveyed believed that the UK is a good location for their operations. The research expects a further 20% of UK production to relocate offshore over the next 5 years. Whilst there is an improvement in skills and innovation, UK regulation and the current tax regime remain as disincentives.

o Political Factors

- Commissioned by the Treasury, Sir George Cox was asked to prepare a review of creativity in business. The emphasis of the study was on the use of creative skills by SME's, which account for 50% of the UK's GDP.
- The review noted: *'What is impressive and worrying about the emerging economies is not where they stand today but how they are positioning themselves for the future. Alongside the enterprise and vigour that characterise their economic growth, they are building up new technology based industries and improved capabilities in scientific research, and investing massively in education, technical skills and creative capabilities. As a consequence, it is now the high skilled jobs in the hitherto leading economies that are coming under threat'*.
- BRIC countries currently have a combined GDP which is 20% that of the G6. By 2040, the review suggested they will overtake the latter effecting a huge change in economic power.
- In essence, the UK and 'Wales Plc' need to get smarter and become more innovative.
- Partly to tackle the issue of developing innovative, smart and ambitious companies, WAG has devised a Knowledge Bank for Business (KB4B) initiative aimed at delivering support to high growth Welsh businesses. At the time of preparing this report, there were 54 KB4B companies pan Wales, with 85% in South Wales and 6.5% in Bridgend.

o Environmental Factors

- Demand for locations and employment sites will be influenced by the quality of the environment.
- The importance of the environment is underlined in WAVE, Landscapes Working for Bridgend, A Smart Future 2005 and Creating Sustainable Places. All of this is aimed at making Wales an even better place to live in – a clear recognition that the environment has a key role to play in the demand equation.

- Technological Factors
 - One of the key planks of 'A Winning Wales' is encouraging innovation and was recognised as far back as 1996 in the guise of the Regional Technology Plan.
- Culture of the Authority
 - BCBC adopts a proactive collaborative approach to get things done.
- Review of Extant Policy
 - PPW: policy and strategic review which promotes sustainable patterns of development.
 - Wales Spatial Plan: seeks to promote a sustainable economy and its' objectives include to achieve a critical mass of population and business activity in the key economic areas of Wales (including Bridgend) for Wales long term European and International competitiveness.
 - A Winning Wales: the plan strives to achieve Welsh GDP per person rising to 90% of the UK average over the next decade with the ultimate aim of achieving parity. It aspires to a higher share of employment in high growth, high skill and high value-adding industries – with businesses moving up the value chain. It aims to encourage innovation through increasing the number of incubator facilities and with a clear focus on key business sites.
 - BCBC – UDP: adopted in May 2005, it forms the statutory development plan for the area. It affirms the importance of providing an adequate supply of land to meet employment needs. 252 hectares for commercial and industrial development is considered to be more than adequate to cater for the requirements of the county. It is recognised that the needs of industry are so diverse that industrial land supply should exceed estimated demand to provide choice and flexibility which will assist in the successful marketing of sites. 22 sites are allocated for general industrial and commercial development, 11 for small business uses and 5 acres allocated for 'special employment allocations'.
 - Community Strategy: the medium term objective is to provide improved infrastructure, communications and land development which attracts and retains local businesses.
 - Economic Regeneration Strategy (BCBC) – A Smart Future: targets are geared towards increasing business density, maintaining high-tech manufacturing employment, increasing knowledge intensive services employment and Green Dragon companies. Furthermore, there is a clear aim to increase the area of land prepared for immediate development – the target is to increase this by 60 hectares by March 2008. The strategy identifies the need to promote the area as an attractive location for employment as well as identifying that some improvements are required to bring sites forward for development.
 - Property Strategy for Employment in Wales (2004 – 2008): a research report by PriceWaterhouseCoopers and King

Sturge reveals that there is a shortage of quality property. It presents a strategy for developing new employment sites and premises across Wales over the 4 years. The following points are relevant to this study:

- 70% of UK FDI projects are in the service sector;
 - There were only 6 new 'Greenfield' FDI manufacturing projects in the UK in 2002/2003 – the bulk of FDI manufacturing projects took the form of expansions.
 - Wales has a relatively small share of the UK's IT/software, telecoms and financial services FDI markets but a much higher share in the food & drink, automotive and electronic sectors.
 - The fastest growing sectors 2005 – 2010 are expected to be financial and other services, whilst fastest declining includes manufacturing.
 - The quality of the property product is an increasingly important consideration from a demand perspective.
 - WAG's property strategy is about plugging gaps in the market place in order to cater and compete for existing and new businesses in Wales – using appropriate mechanisms to assist e.g. WISP, WIP, Dragon Partnership, and property and regeneration grants.
- WAVE: now adopted as the strategic economic framework for economic development in Wales with two high level economic measures of success:
- Increasing employment;
 - Raising the quality of the job.

The sectors that are agreed to be of central importance to the future of the Welsh economy include high technology, automotive, aerospace, agri-food, tourism, financial services and creative industries. The sectoral agenda will be driven forward by WAG in the guise of DEIN (the former WDA).

- Extant Research Papers by IWA and GEM.
- 'Innovating to Succeed – Creating Competitive Advantage in the Welsh Economy'.
 - 'World Best Practice in Regional Economic Development'.
 - 'Competing with the World' (A study of Economic Development Strategies of some of the world's Richest Regions) – the premise being that successful regions attach a great deal of importance to the development and vigour of the SME sector.
 - 'Creating an Entrepreneurial Wales'
 - 'Knowledge and the Welsh Economy'.
 - The Global Entrepreneurship Monitor 2004: Wales Executive Report.
 - South East Wales Development Strategy (Enter the Dragon Economy) contains the 10-year strategy for the development framework for SEW. The vision is that SEW (which includes Bridgend) is on the way to becoming one of the most prosperous regions in Europe, providing opportunities for every individual, enterprise and community to share in that prosperity. The strategy acknowledges that opportunities will shift towards graduate level and professional level knowledge economy jobs.

Furthermore, there is an increasing acceptance that South East Wales (the Capital Region) is a genuine economic entity.

➤ Property Overview in a National & Welsh Context

- Property remains as the best performing UK asset over 5-10 years with offices outperforming industrials.
- Rental growth in Bridgend has improved for industrial and office space with a more marked increase for the latter.
- Yields have contracted and the combination of improved rents and yields has encouraged enhanced developer activity.
- According to research by Experian, people involved in financial and business services in the UK will increase from 5.91M in 2005 to 6.64M in 2010.
- Technology is driving changes in interior design – in the next 20 years the amount of social space will double and there will be 50% less fixed address (permanent) space and offices.
- UK flexible managed office sector has grown threefold and is poised for further growth. Serviced office space in the UK will grow by 20% in the next 3 years.
- In future, airports that offer dedicated freight services rather than carrying freight in the belly hold of passenger jets are most likely to generate demand among freight operators: e.g. Cardiff.
- With regard to Ports, the UK's ports are struggling to match demand for container capacity. Regional ports are set to benefit.

➤ Opportunities / Threats for Bridgend

- The SWOT analysis from the Shared Intelligence Report 2004 allows for reflection on what is happening and what is not happening.
- Current Opportunities
 - EU Structural Funds programme 2007-2013: In east Wales the priorities are focussed on building a knowledge based economy, enhancing the environment, improving skill levels, increasing employment and tackling inactivity.
 - Joined-up thinking in new DEIN: DEIN's mission is to help create investment in more and better jobs and an improved environment for growth. The 2006 / 2007 business plan builds upon WAVE and highlights the need for a manufacturing strategy. It states that the structural funds programme 2007-2013 will be vital components in the delivery of the WAVE vision. The revision and adoption of WAVE will help to ensure that future structural fund investments are fully consistent with domestic policy priorities.
 - The Lyons Report which identified governmental relocation from London.
 - Valleywood: when built this will be the only purpose built film, TV and multimedia complex in the UK. Under Lord Attenborough's chairmanship, the aim is to be a major destination for the international film and TV industries.
 - Metrix: like Valleywood this project could have a significant impact on the capital region and BCBC. Metrix (a consortium of technology, training, property and support organisations) has submitted a proposal for St Athan to be awarded the opportunity to create a national centre for training

excellence. Specialist training would include engineering, communications and IT, logistics, training, language, intelligence and photography. The initial contract could create 4,000 jobs on site and 1,500 off site.

- Budget 2006: the expansion of R&D tax credits was welcome but corporation tax remains a big issue for business. Indeed, the cost to business of major regulations introduced since 1998 has risen to over £50 billion.
- Clustering / Sectors: the SEWDS places a clear emphasis on key sectors e.g. chemical / Pharma / Bioscience; financial services; technology (incl. electronic); aerospace; automotive. Also, there is a clear wish to support creative industries / clusters. WAG's strategy for Creative Industries acknowledges that for 1997 – 2004, employment in the UK in creative industries grew at a rate of 3% per annum compared to a rate of 1% for the economy as a whole.
- Sale & leaseback: This presents an opportunity to stave off relocation especially for manufacturers, or to raise capital to inject into the business.

o Current Threats

- Rising energy costs and 'build' costs.
- In-migration.
- Globalisation.
- TAN 15: Development and Flood Risk: as assessment of the impact of TAN15 on the authority's employment land assessment register needs to be carried out.
- PGS: the jury is still out on this governmental proposal. A property industry report believes that it would be detrimental.
- Barriers to Growth (FSB): this research states that barriers to growth need to be reviewed and lessened to encourage and sustain entrepreneurial activity.

2 BRIEF & OBJECTIVES

Robert Chapman & Company Commercial Property & Regeneration Consultants were appointed by the Welsh Development Agency in March 2006 to undertake a supply/demand market study for the Bridgend area.

Building upon the foundation report prepared by Wyn Thomas Gordon Lewis (WTGL) this up to date study assessment of Bridgend County Borough will identify:

- The current availability of sites and premises and their planning potential.
- Consider the quality and age of current stock.
- Review sectors.
- Assess likely demand/changes in the market place.
- For the purposes of the Local Development Plan, identify what level of provision should be made over the specified period up to 2021.

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4 REGIONAL SETTING AND CONTEXT

Bridgend is located almost midway between Cardiff and Swansea on the M4 corridor in South Wales but with a coastal zone. Geographically it comprises three distinctive local economies / sub-areas:

- The coastal strip to the South based around the seaside resort and residential town of Porthcawl.
- The M4 corridor across the centre of the County Borough based on Bridgend itself but including the smaller settlements of Pencoed to the East and Kenfig Hill, Pyle and North Cornelly to the West.
- The Valleys area to the North of the M4 where there are three valleys; the Llynfi to the West which contains Maesteg, the largest town in the sub-area and the second largest in the County Borough, the Garw and the Ogmore.

The 2001 census revealed that the County Borough had a population of 128,645 people. According to the latest 2004 mid-year estimates, this has increased to 130,400 people of which 71% is of working age. A socio-economic analysis shows that the North of the County Borough is more deprived than the areas to the South of the M4.

Population in the Borough is forecast to rise steadily up to 2016, with the largest increase forecast in the elderly population. The number of households is estimated to rise by 4744 in the period 2006 - 2016 as the population rises and average household size falls. Much of the new housing will be located outside the Valley area.

Over the years Bridgend County Borough has been a focal point for relatively high levels of Inward Investment, particularly South of the M4. The nature of employment is changing and this is discussed later on in this report.

The County Borough has potential for growth. New developments are proposed for sites close to the M4. The regeneration of Bridgend and Maesteg town centres is underway and the Council is pursuing regeneration proposals for Porthcawl and the Garw Valley, each with active community involvement.

The County Borough is part of the West Wales and Valleys Objective 1 area whose wealth or gross domestic product (GDP) is lower than 75% of the European average. This will be replaced by the EU's new convergence funding arrangements.

The County Borough has an excellent transport infrastructure which includes Intercity and local rail networks, the M4 motorway, access to Cardiff International Airport and access to the nearby ports of Cardiff and Barry (the South Wales ports of Cardiff, Barry, Newport Swansea and Port Talbot performed well in 2005 with cargo volumes nearly 4.5% higher than in 2004).

Appendices 1 and 2 show the principal towns and villages within the Borough as well as the strategic employment sites.

5 THE SUPPLY/DEMAND EQUATION

5.1 PREVIOUS WYN THOMAS GORDON LEWIS REPORT 2001.

The WTGL report was the starting point for the current study. The conclusion section on the Supply and Demand for Land, Industrial, and Offices is enclosed in **Appendix 3** of this report. The salient conclusions from that report were as follows:

Land

- The overall supply of employment land was more than adequate.
- The level of servicing, status and profile of sites needed to be prioritised.
- Past take up rates had benefited from windfall large-scale industrial take up due to major inward investment or indigenous expansion. Would this be the case in the future? It was suggested that a large site, up to 50 acres, could offer the flexibility of accommodating an inward investment project for large indigenous expansion but at the same time could be divisible into smaller areas of up to 10 acres. In the absence of an advance factory programme it was suggested that sites up to 10 acres in size, fully serviced, should be aimed at medium sized units of 25,000 sq ft to 100,000 sq ft.
- There was an unsatisfied demand for smaller sized freehold plots of 1 to 5 acres serving the local market and capable of accommodating units of 5,000 sq ft to 25,000 sq ft in size.
- There was no strong demand for land for distribution purposes.

Industrial Property

- There was a good supply of industrial units compared with demand levels.
- The profile and image of existing estates was of mixed quality.
- The perception of estates was that those located to the West of the Borough were of less appeal.

Offices

- There were indications of a mismatch of supply and demand and the poor quality of existing town centre space meant that local occupiers were looking to upgrade to modern buildings etc.
- Bridgend was beginning to attract demand from larger office projects, especially call centres, moving out from traditional centres.
- There was an indication that the establishment of a high quality business park/campus with incremental development of offices would help to accommodate existing indigenous business as well as technology led development.

The study concentrated on 13 sites that were deemed to be strategic. A matrix scoring system was adopted to measure each site against environmental, economic, social and deliverability indicators. A summary of the evaluation and percentage scores for each of those sites is included in **Appendix 3**.

Appendix 3 includes the site evaluation percentages and ranking from the previous WTGL report. Finally, the sites were categorised in terms of short, medium and long-term time scales. The resume is shown in **Table 1**.

The order of 'deliverability' is a key consideration because if the site is not deliverable then other indicators such as environmental, economic and social factors are meaningless. An up to date review of the 13 sites mentioned in the WTGL report is shown as **Table 2**. Since the WTGL report, Wern Fawr and Sarn Park have been removed from the UDP and Island Farm is currently the subject of

a judicial review. An inspectors report (on appeal) has accepted the case for retaining Ty Draw as a special employment site.

Category	List of sites	Timescale
High quality prestige sites (large)	Pencoed Technology Park Sarn Park (mixed use development)	Short-medium Medium-long
High quality prestige sites (small)	Island Farm Triangle site	Short-medium Short
General industrial sites (large)	Brocastle Wern Fawr Llynfi Power Station	Short Medium-long Long
General industrial sites (small)	Waterton (A & B) Brackla Industrial Estate Land adjoining the Ford factory Land at Tondy	Short-medium Short-medium Short Medium
Sites suitable for alternative uses (for example, residential)	Ty Draw Farm	Long*

* Long if employment use is to be retained.

Table 1: **Site categories and timescales: Extract from WTGL Report 2001**

Order of Deliverability	Name	Hectares @ 2001	Acres @ 2001	Comments
1	Waterton A	4.0	9.9	Currently the subject of a master planning exercise. TAN 15 issues still to be resolved and agreed with Environment Agency. Part in VOG
2	Waterton B	3.8	9.4	Currently the subject of a master planning exercise. TAN 15 issues still to be resolved with Environment Agency.
3	The Triangle, Pencoed	13.1	32.4	Otherwise known as Bocam Park, the final phase of the development is about to start.
4	Brackla I.E.	27.5	68.0	Part of this site - approx. 6 acres - is in the process of being sold. It is likely that the balance of the land will require a master planning exercise. Tesco currently have an option on part of the site and this will not expire until 2008.
5	Pencoed Technology Park	37.8	93.4	WDA is just about to commit to a £9M infrastructure project. Works will commence in April 2006
6	Ty Draw, North Cornelly	6.2	15.3	An inspector's report on appeal has accepted the case for retaining this site as a special employment site. After J's 35 and 36, it is the next strategic M4 junction: J37. May require master planning exercise.
7	Island Farm	13.4	33.1	Currently the subject of a judicial review at the High Court, the outcome will be known within the next 3 months.
8	Brocastle	46.7	115.0	Preliminary infrastructure is in place. A link road between Waterton and Brocastle is desirable; however this access is not currently included in the UDP for VOG. Masterplanning will be required if the intention is to move away from the current outline planning approval for 3 single large users.
9	Land adjacent to Ford factory	11.7	28.9	Currently the subject of a master planning exercise: Parc Afon Ewenny. This study includes the BCBC Waterton Depot and the Ewenny Industrial Estate. TAN 15 and biodiversity issues still to be resolved.
10	Llynfi Power Station	18.8	46.5	It is affected by TAN15.
11	Land at Tondy	31.4	76.6	Employment land included in larger regeneration site: other uses include residential and a waste transfer station.
12	Wern Fawr	54.9	135.7	Allocation removed from UDP.
13	Sarn Park	65.1	160.9	Allocation removed from UDP.
		334.4	825.10	

Table 2: Up to date Review of 13 Strategic Sites mentioned in WTGL Report 2001

Table 2: **Review of Strategic Sites – WTGL Report 2001**

It is clear from our quick review of the existing sites that both Bridgend County Borough Council and WAG have been proactive in attempting to bring forward sites. This includes ongoing master-planning exercises for Waterton A and Waterton B and also Ewenny Business Park (Parc Afon Ewenni) which includes the land adjacent to the Ford factory. It is also notable that WAG is just about to commit to a £9million infrastructure project concerning Pencoed Technology Park.

Private sector developer Macob has been developing Bocam Park. The first phase was a great success and the final phase of development will start on site soon.

5.2 WALES, SOUTH WALES VALLEYS AND SOUTH EAST WALES ECONOMIC FORUM (SEWEF): REVIEW OF SUPPLY AND DEMAND OVER THE LAST 5 YEARS.

The aim of this section is to review supply and demand at national, sub-regional and SEWEF levels. Reliance has been placed upon the statistical data provided by BCBC and the WDA (now WAG). There is no qualitative assessment of the enquiries. Therefore, it is only fair to **caveat** the results (shown in graphic form) by saying that they represent an imprecise theoretical demand. The enquiries do not reveal whether they were seeking freehold or leasehold premises; whether they were local or national; whether they were specific to Bridgend or 'foot-loose' or whether they were existing unsatisfied enquiries. For the purpose of this report, the assumption is that each enquiry represented a serious enquiry as opposed to a nebulous one but the sum of the enquiries should be treated with a degree of caution and should not be taken as providing a definitive answer.

5.2.1 WALES (Data provided by the WDA)

5.2.1.1 Supply of and demand for Commercial Land: All Wales

Graphs showing the supply of and demand for land in Wales are enclosed in **appendix 4**. Supply of land in the 0 - 5 acre category was in decline between 2003 and 2005 and yet demand for land in that size category was in the ascendant, peaking in 2004 with 606 enquiries. What is self-evident over the last 5 years is that demand for the land in the 0 - 5 acre and 5 – 10 acre categories has exceeded supply significantly.

5.2.1.2 Supply of and demand for Offices: All Wales

Graphs showing the supply of and demand for offices are enclosed in **appendix 5**. Generally demand appear to be exceeding supply across the different category ranges. Demand is particularly strong in the 0 – 5000 sq ft and 5000sq ft – 10,000 sq ft categories. Interestingly in 2005 the number of enquiries for units between 25,000 sq ft to 50,000 sq ft numbered 138 compared with the supply of 8 No units.

5.2.1.3 Supply of and demand for Industrial/Warehouse Units: All Wales

Graphs showing the supply of and demand for industrial are enclosed in Appendix 6. In broad terms demand is exceeding supply across all size categories particularly in the 0 - 5000 sq ft, 5000 sq ft – 10,000 sq ft and 10,000 sq ft - 15,000 sq ft categories. The broad picture is that supply has been in decline whereas demand has been on the increase with a particular peak in the 0 – 5,000 sq ft category in April 2003.

5.2.2 South Wales Valleys (SWV) (Data provided by WDA)

For the purposes of the WDA statistics, the South Wales Valleys (SWV) includes: Torfaen (North part only from Mamhilad across to Pontypool), Blaenau Gwent, Bridgend, Caerphilly, Merthyr Tydfil, and Rhondda Cynon Taff.

Individual supply and demand graphs for the respective categories of land, offices and industrial warehouse are enclosed in **appendix 7**.

The combined graphs for supply and demand for land, offices and industrial/warehouse units in SWV can be seen in **figures 2, 3 & 4**.

The graph in **figure 2** shows the combined supply and demand for land in the South Wales Valleys. Salient points are as follows:

- Demand for land in the 0 – 5 acre category has exceeded supply consistently over the last 5 years. In April 2005, there were 66 number enquiries for 26 number sites.
- In 2005 the demand for the 5 – 10 acre category (29 No) exceeded the supply (19 No).

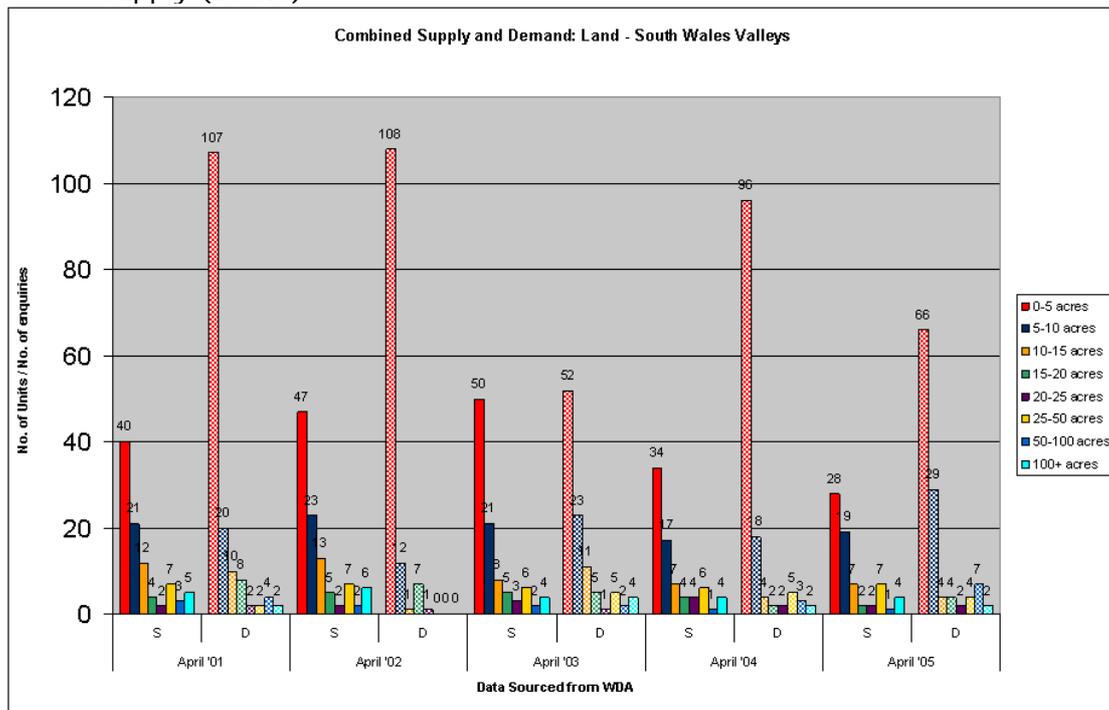


Figure 2: Combined Supply & Demand for Land - SWV

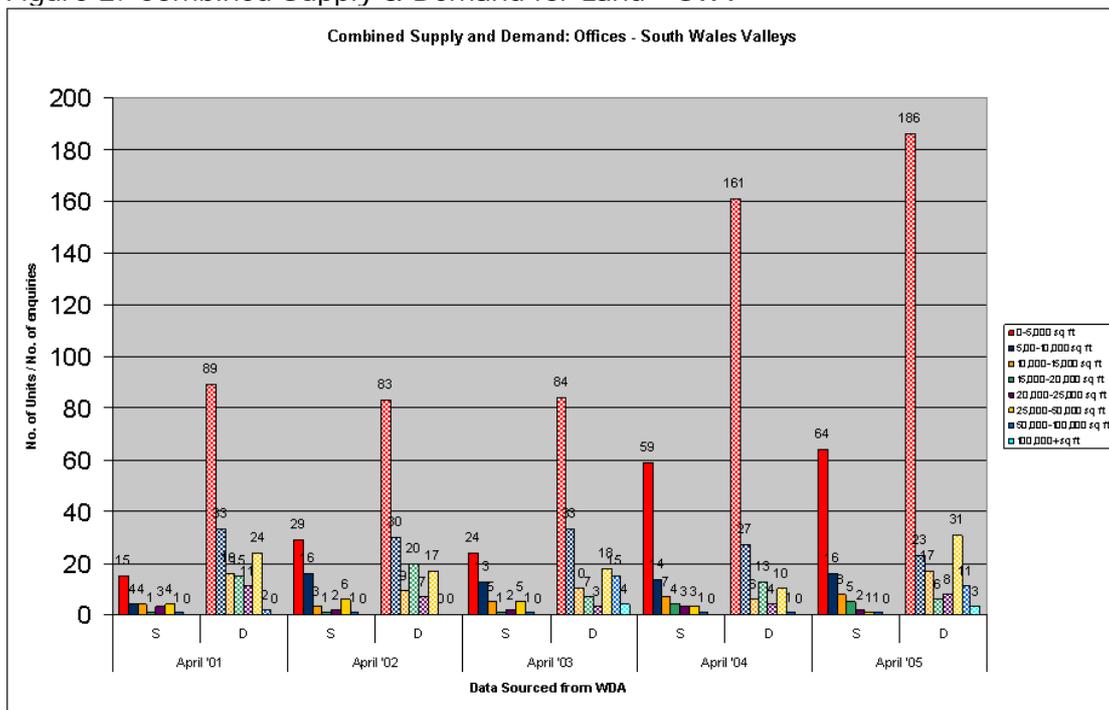


Figure 3: Combined Supply & Demand for Offices – SWV

Figure 3 shows the combined supply and demand graph for offices within the South Wales Valleys. What is clear is that demand has consistently exceeded supply over the 5 year period in the 0 – 5000 sq ft category. In 2005 demand exceeded supply by a factor of nearly 3 times. Indeed, demand exceeds supply for the 5000 – 10,000 sq ft categories and the other size bands.

Figure 4 shows the combined supply and demand graph for industrial within the South Wales Valleys. The supply of smaller industrial units in the 0 – 5000 sq ft category peaks in 2003 whereas the supply of industrial units in the 5000 sq ft – 10,000 sq ft category peaks in 2004 and thereafter falls away.

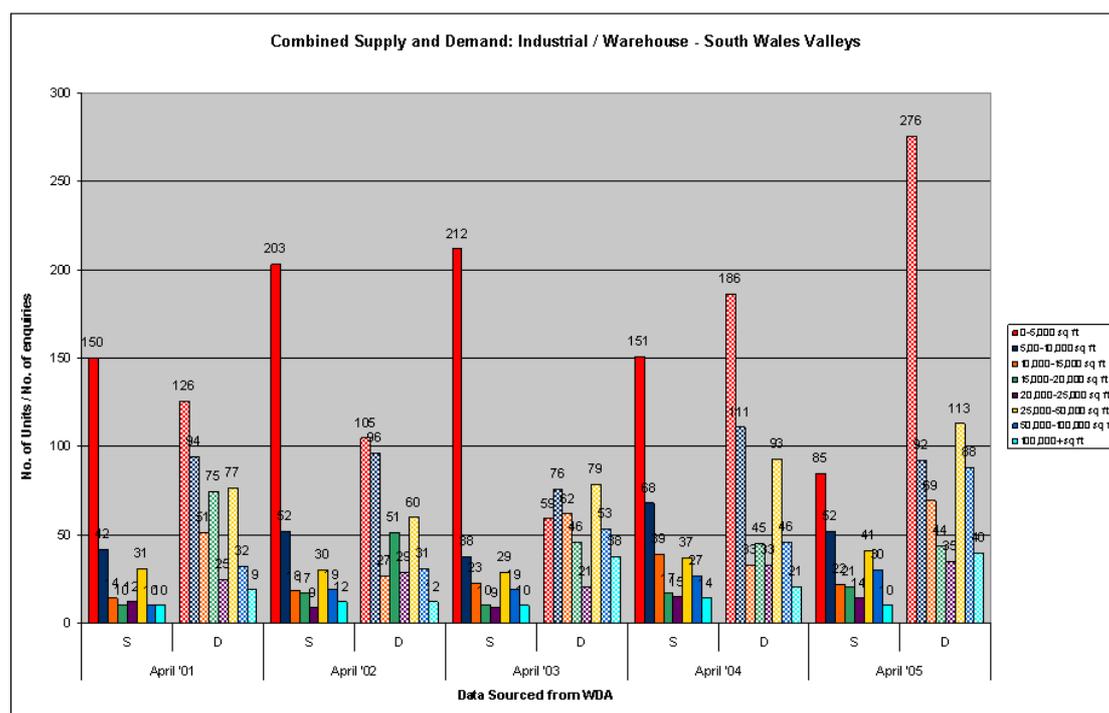


Figure 4: Combined Supply & Demand for Industrial – SWV

What is self-evident is that demand has exceeded supply in most, if not all, categories of industrial space over the last 2 years (2004/2005).

Individual graphs showing supply and demand for each of the categories; Land, Offices, Industrial are enclosed at **appendix 8**.

5.2.3 **The South East Wales Economic Forum** (SEWEF) is an informal collaborational partnership of local authorities interested in the economic welfare of the sub-region and therefore the contribution that property makes to its' economic wellbeing. Bridgend is included within the South East Wales Economic Forum area.

The first survey of employment land and premises by SEWEF took place in 1999 with some small revisions in 2000 and subsequent surveys in 2002 and 2003. The latest, and most current, survey (2005) is the fourth in the series. It enables a comparison between the data collated in October 1999 with the data collated in June 2005. Allowing for possible discrepancies and the caveats mentioned earlier, it helps us to identify possible trends during the last 5 years.

Twelve tables have been prepared and these are enclosed in **appendix 9**. A brief commentary on each of these is as follows:

- Table S1-Size Distribution: it is particularly noticeable that in June 1999 there were 43 No sites under 10 acres whereas in June 2005 there were only 3 suggesting that there is only a paucity of small sites available now. This point is echoed across the South East Wales area where there were 317 sites under 10 acres in June 1999 compared with 163 in June 2005. In terms of area in hectares – as at June 2005, Bridgend represented 15.76% of the SEWEF area.
- Table S2-Development Area Status: As at June 2005, Bridgend represented just in excess of 27% of the South East Wales Area in terms of land benefiting from development area status.
- Table S3-Programme for the Valleys Area: Bridgend had just under 22% in the PVA.
- Table S4-Journey time the M4: In June 1999 there were 53 and 56 sites in the categories of journey time to the M4 up to 15 minutes and 30 minutes respectively. By June 2005 this had declined to 15 and 19 sites respectively.
- Table S5-Ownership: In June 2005 the WDA land represented just over 25% of the total South East Wales area. Bridgend County Borough Council's land holding represented 26% of the SEWEF area: similar to the WDA. Private sector ownership represented just over 17%.
- Table S6-Greenfield/Brownfield status: In June 1999 Bridgend Greenfield areas represented 16.26% of the SEWEF area whereas by June 2005 this had decreased to 12.64%. On the other hand the area of Brownfield land had increased from 11.5% in June 1999 to just under 15% by June 2005. In part, one assumes that this reflects Government policy.
- Table S7-Development Plan Allocation: In June 2005, Bridgend represented just in excess of 16% of the total SEWEF area in terms of development plan allocation.
- Table S8-Planning Permission/Proposed Use: Bridgend's allocation of B1 office and light industry area against the total SEWEF area increased from just in excess of 15% in June 1999 to just under 17% in June 2005. There were similar increases for B2 General Industry and B8 Warehousing from 14% to 21% and just over 12% to just under 19% respectively.
- Table S9-Site Availability: Land immediately available in Bridgend in June 1999 (36.76 hectares) improved to 74.78 hectares in June 2005 for a lesser number of sites (9 versus 41). Short term availability remained broadly the same whereas medium term availability improved from 12.4 hectares to 24.05 hectares whereas long term availability declined from 63.26 hectares to 26.12 hectares.
- Table S10-Investment Required: Table S10 shows that the difference between June 1999 and June 2005 was insignificant in relation to reclamation, foul drainage and surface drainage. Notably investments in decontamination decreased by 36.12 hectares in June 1999 to 3 hectares in June 2005. Also, investment in access to land declined from just under 147 hectares in June 1999 to just under 92 hectares in June 2005.
- Table S11: Vacant Office Unit Comparison October 1999 – June 2005: For the office categories under 1000 sq ft and between 1000 sq ft and 2500 sq ft, between October 1999 and June 2005, there was a reduction in the

number of units from 9 to 6 and from 11 to 7 respectively. For the size categories 2500 sq ft to 5000 sq ft, 5000 sq ft to 10,000 sq ft and 10,000 to 25,000 sq ft the numbers available in June 2005 exceeded the numbers available in October 1999 presumably showing a supply of office space coming on stream. In October 1999 there was a total of 39,142 sq ft of vacant office space in Bridgend. By June 2005, this had increased to 101,347 sq ft of office space: an increase exceeding 2.5 times the figure in October 1999. Furthermore, Bridgend's vacant office portfolio represented 1.63% of the SEWEF area in October 1999 whereas in June 2005 its office portfolio had increased to 3.29%. The reason for the increase in the office portfolio is explained by the development of phase 1 of Bocam Park.

- **Table S12: Vacant Industrial Unit Comparison: 1999 – 2005** Across the five categories of vacant industrial units there was a reduction of units under 1000 sq ft, units of between 1000 sq ft to 2500 sq ft, 2500 sq ft to 5000 sq ft, 5000 sq ft to 10,000 sq ft, and 10,000 sq ft to 25,000 sq ft. The 25,000 sq ft to 50,000 sq ft vacant industrial unit category remained the same between September 1999 and June 2005 whereas the number of units available above 50,000 sq ft increased from one to four (an increase from 71,387 sq ft to 582,143 sq ft). Overall the increase broadly doubled from 365,000+sq ft in September 1999 to a figure just in excess of 780,000 sq ft in June 2005. The proportion of the Bridgend vacant industrial unit portfolio as a proportion of the total SEWEF portfolio increased from 5.35% in September 1999 to 9.07% in June 2005.

The resume SEWEF report (analysis of Employment Land and Premises availability – 2005) identifies a number of issues for the South East Wales Economic Forum. Of immediate interest to Bridgend County Borough Council is the fact that there were only six sites over 40 hectares: one of the sites includes Brocastle, Bridgend which is described as having an area of 52 hectares (130 acres) and being available in the short term. One of the conclusions from the industrial premises analysis suggests that there is a low number of 25,000 sq ft to 50,000 sq ft industrial units in the Bridgend area. In this regard – a point referred to later on in this report – it is understood that in the guise of the WDA Initiative Welsh Industrial Partnership (WIP) there is a proposal to build two speculative (advance) industrial units of 40,000 sq ft and 50,000 sq ft respectively.

5.3 Bridgend

Again, reliance has been placed upon the statistical data provided by BCBC and the Welsh Assembly Government (referred to as WAG in the remainder of this report). There is no qualitative assessment of the enquiries. Therefore, it is only fair to **caveat** the results (shown in graphic form) by saying that they represent an imprecise theoretical demand. The enquiries do not reveal whether they were seeking freehold or leasehold premises; whether they were local or national; whether they were specific to Bridgend or 'foot-loose' or whether they were existing unsatisfied enquiries. For the purpose of this report, the assumption is that each enquiry represented a serious enquiry as opposed to a nebulous one but the sum of the enquiries should be treated with a degree of caution and should not be taken as providing a definitive answer.

Individual supply and demand graphs for the respective categories of land, offices and industrial / warehouses for Bridgend CBC are enclosed in **appendix 10**.

<u>DATE</u>	<u>SQ FT</u>
-------------	--------------

June 2001	65,758
Dec 2001	86,691
June 2002	47,026
Dec 2002	27,842
June 2003	50,730
Dec 2003	59,421
June 2004	31,844
Dec 2004	55,879
June 2005	40,065
Dec 2005	74,835

Table 3: Vacant Office – Bridgend CBC

Tables 3 and 4 highlight two interesting points namely:

- Vacant office property within the Borough increased to 74,835 sq ft in December 2005 reflecting the increase in supply of predominantly new and refurbished offices coming forward within the Town Centre, Bocam Park, Waterton Cross, Waterton Park and Raven’s Court.
- Industrial space – on the other hand – started at just under 562,000 sq ft in June 2001 falling to a low of just under 300,000 sq ft in June 2004 but then peaking at just under 1.8million sq ft of vacant industrial space in December 2005. This included the following large building space:
 - The ex-Sony space at Bridgend Industrial Estate - 610,950 sq ft of lettable space.
 - Ex-Dioplastics, Waterton – 310,000 sq ft.
 - Ex-Wrigleys space – approx 164,000 sq ft.
 - Ex-Contour Mobel – 123,310 sq ft.
 - Sony, Pencoed – approx 180,000 sq ft.

DATE	SQ FT
June 2001	561,994
Dec 2001	385,095
June 2002	442,455
Dec 2002	488,601
June 2003	564,888
Dec 2003	575,678
June 2004	297,620
Dec 2004	464,936
June 2005	646,091
Dec 2005	1,799,334

Table 4: Vacant Industrial / Warehouse – Bridgend CBC

Figures 5, 6 and 7 within this report show combined supply and demand graphs for land, offices and industrial in Bridgend CBC

Figure 5 shows the combined supply and demand for **land** within the Borough for the five year period ended 2005. The graph shows that demand exceeds supply in the 0 to 10 acre category by a factor of approx. 2.4 times in 2005 and a factor of 3 times in 2004. Figure 6 shows the combined supply and demand for **offices** within the Borough for the five year period ended 2005. Generally, demand has exceeded the supply of office space in most size categories but not quite so distinctively as the smallest category. The fact that demand is exceeding supply – especially for smaller offices – does encourage developer interest and in part this may well explain why the first phase of Bocam Park has been so successful.

Bocam Park's first phase appears to have satisfied in part local demand and even though it provided in excess of 60,000 sq ft of office space there was only 74,835 sq ft of available office space Borough wide as at December 2005.

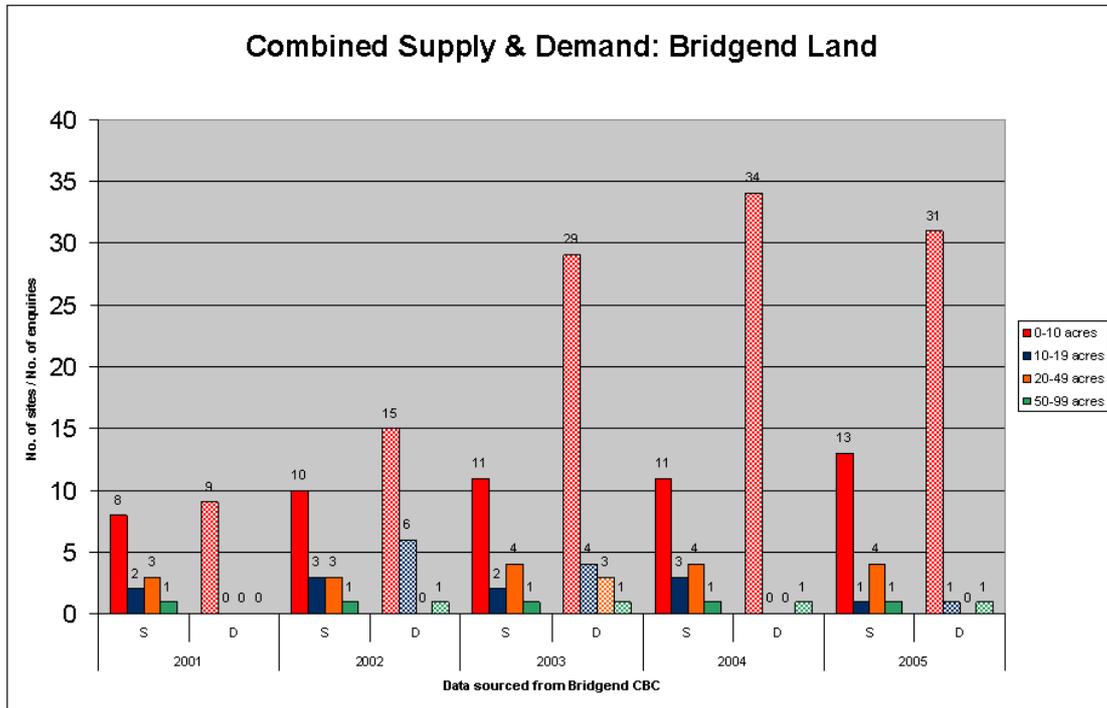


Figure 5: Combined Supply & Demand for Land – BCBC

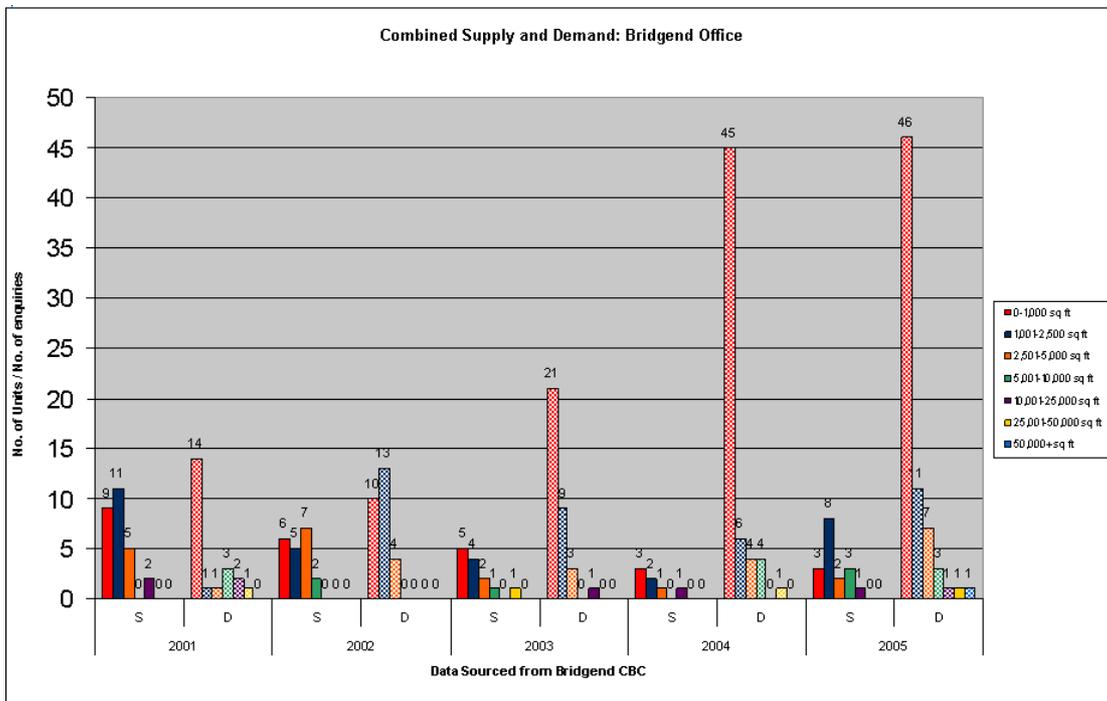


Figure 6: Combined Supply & Demand for Offices - BCBC

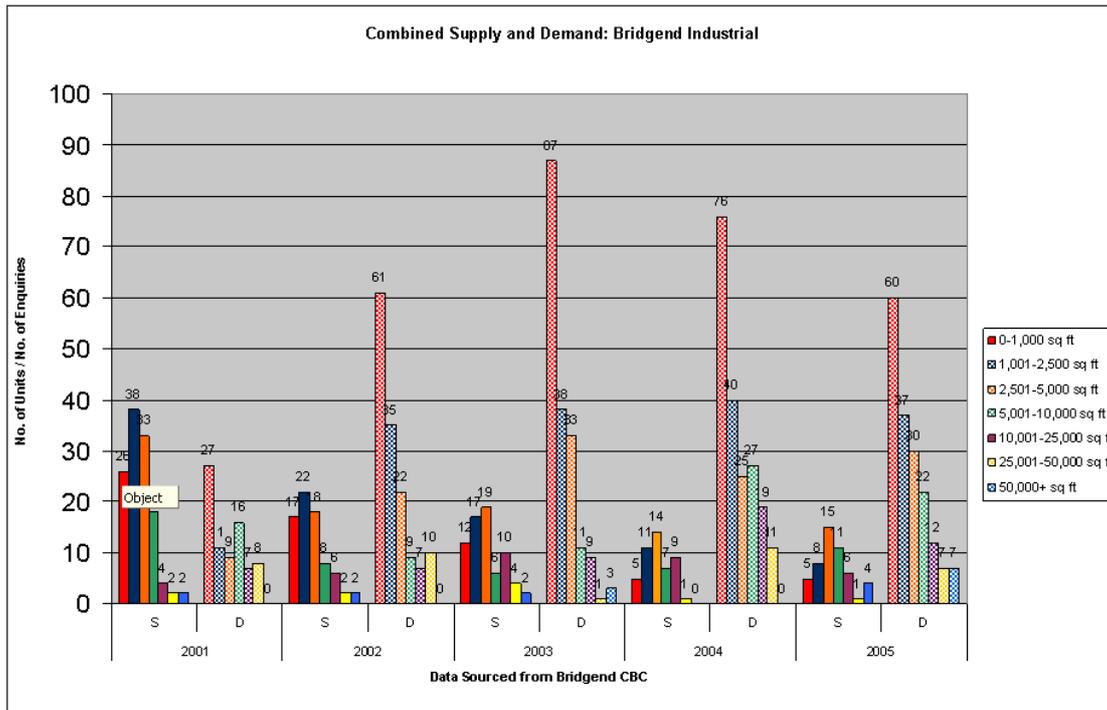


Figure 7: Combined Supply & Demand for Industrial – BCBC

Figure 7 shows the combined supply and demand for **Industrial** within the Borough for the five year period ended 2005. At a glance, one can see from the graph that demand is exceeding supply in most categories and there is a general upward movement in the scale of demand (measured by the number of enquiries) as the years pass by from 2001 to 2005. What is particularly noticeable is the upward growth in demand for units in the small unit category 0 to 1000 sq ft and 1000 sq ft to 2500 sq ft respectively. Also, the growth in demand in the category for 25,000 sq ft and 50,000+_sq ft units where demand exceeded supply in 2004 and 2005.

Because of the balance between supply and demand, where demand in 2005 is exceeding supply by a factor of 12 for the smallest category and a factor of 2 in the 10,000sq ft to 25,000 sq ft category – it is perhaps not surprising that there has been a little bit of speculative industrial development in the guise of York Park, Bridgend Industrial Estate. This has been developed by Clerical and Medical. However, the biggest surprise is that there hasn't been any further speculative industrial activity in the smaller unit category. This may be because of the lack of well located, serviced and available small parcels of land.

In terms of the supply and demand equation for land, offices and industrial/warehouse space, the marketplace is such that demand is exceeding supply in almost all categories.

Tables 5, 6 and 7 show the supply and demand stats for land, offices and industrial within the Borough. These figures substantiate the earlier comments in this report, namely that demand is exceeding supply particularly for smaller parcels of land or smaller office/industrial spaces.

The following points should be noted:

- South Wales Valleys (SWV) which includes Torfaen (Part Only – North - basically from Mamhilad across to Pontypool), Blaenau Gwent, Bridgend, Caerphilly, Merthyr Tydfil, and Rhondda Cynon Taff.

- Supply - Floorspace/Land Availability Figures are based on the maximum size of Properties and Sites. Figures have been produced as at 24th March 2006.
- Demand - Based on the Maximum Size of Properties and Sites requested by clients. Figures have been produced for the period 1st April 2005 to 31st March 2006.

Land:	SWV	SWV	Bridgend	Bridgend
	Supply	Demand	Supply	Demand
Up to 5 Acres	25	61	12	60
5 to 10 Acres	19	18	2	17
10 to 15 Acres	5	11	0	10
15 to 20 Acres	3	6	1	6
20 to 25 Acres	2	3	1	3
25 to 50 Acres	11	10	2	10
50 to 100 Acres	0	5	0	5
100 Acres +	3	1	2	1

Table 5: Supply and Demand statistics for land: 2005 / 2006

Office:	SWV	SWV	Bridgend	Bridgend
	Supply	Demand	Supply	Demand
Up to 5,000 Sq Ft	87	153	28	139
5,001 to 10,000 Sq Ft	24	34	5	33
10,001 to 15,000 Sq Ft	6	13	0	13
15,001 to 20,000 Sq Ft	2	9	0	9
20,001 to 25,000 Sq Ft	8	9	1	9
25,001 to 50,000 Sq Ft	1	21	0	20
50,001 to 100,000 Sq Ft	1	10	0	10
100,001 Sq Ft +	0	1	0	1

Table 6: Supply and Demand statistics for offices: 2005 / 2006

Industrial / Warehouse:	SWV Supply	SWV Demand	Bridgend Supply	Bridgend Demand
Up to 5,000 Sq Ft	187	275	26	242
5,001 to 10,000 Sq Ft	45	83	12	76
10,001 to 15,000 Sq Ft	26	62	10	61
15,001 to 20,000 Sq Ft	14	34	1	33
20,001 to 25,000 Sq Ft	12	38	4	36
25,001 to 50,000 Sq Ft	32	87	2	83
50,001 to 100,000 Sq Ft	27	70	6	66
100,001 Sq Ft +	13	48	4	48

Table 7: Supply and Demand statistics for Industrial /WH: 2005 / 2006

6 EMPLOYMENT LAND AVAILABILITY IN BRIDGEND COUNTY BOROUGH COUNCIL

Tables for employment land availability within the Borough over the last five years are enclosed in **appendix 11**. ELA assumes that the whole site is developable and the site per se is suitable.

Figure 8 below provides a summary statement of the land availability over the last 5 years. There were 324.01 hectares (800 acres) available in 2001. This had fallen to 235.23 hectares (581 acres) by the end of 2005. Excluding the allocation of Sarn Park (53.31 hectares) this gives a difference of 35.47 hectares or 7.09 hectares (17.53 acres) per annum if averaged over 5 years.

Employment Land Availability in Bridgend County Borough Comparison of last five years

<u>Industrial Sites</u>	<u>Total</u>	<u>Remaining</u>	<u>*Availability (hectares)</u>			
			<u>Immediate</u>	<u>Short</u>	<u>Medium</u>	<u>Long</u>
<u>Total</u>	<u>Area</u>	<u>Area</u>				
<u>(hectares)</u>						
2001	795.07	324.01	78.43	101.14	64.42	80.02
2002	775.44	299.53	89.20	84.72	45.59	80.02
2003	776.58	301.13	93.80	85.42	42.85	79.06
2004	726.81	236.37	82.35	85.42	42.85	**25.75
2005	733.07	235.23	72.75	64.86	71.84	26.62

Figure 8: Summary of ELA – Bridgend 2001 to 2005

Take up of 7.09 hectares (17.53 acres) per annum compares with an estimated take-up of 10.11 hectares (25 acres) per annum mentioned in the WTGL report in

2001. Data provided by Bridgend County Borough Council planning department for land take-up indicates the following:

- 2001 – 5.66 hectares.
- 2002 – 5.51 hectares.
- 2003 – 2.62 hectares.
- 2004 – 10.53 hectares.
- 2005 – 4.22 hectares.

Supporting information for this take up is enclosed at **Appendix 12**. It should be noted, however, that 'take-up' just relates to new development of allocated land in the UDP and does not reflect redevelopment or intensification of development on low density existing plots which would not be defined as 'vacant' land.

The data pertains to the development of previously undeveloped, but allocated sites in the UDP. It excludes existing brownfield sites.

Over the 5 year period 2001 - 2005, according to figures provided by BCBC, the average take-up for sites allocated in the UDP was 5.7 hectares (14 acres) per annum.

In summary, whilst it is difficult to be precise, current take up of land appears to be in the order of 5.7 hectares (14 acres) per annum and 7.09 hectares (17.53 acres) per annum. Based on land defined as 'immediately available' in 2005, this would give a supply of between 10.26 and 12.76 years respectively.

If the "short term land" is included with the land "immediately available" – and take up is assumed to be the same – a total of 137.61 hectares would give a supply of between 19.40 and 24.14 years respectively. This would be sufficient for the period covered by the forthcoming Local Development Plan.

The above-mentioned method (projections of past land-takes for employment) of forecasting future need for employment land is not infallible. An alternative method would be based on data from projections of the economically active population, converted to a land-take by an assumed employment density. The South East Wales Strategic Planning Group recognises that there are significant problems with both of these approaches in which case it might be concluded that both should be used as background to making informed decisions on future land requirements.

It is interesting to note that in the South East Wales Economic Forum table entitled "Table F5 – Ownership", the quantum of private sector land as a percentage of the total SEWEF area for June 2005 was just over 7%. This is lower than the respective percentages for Local Authority land and WAG land which are just in excess of 25%. As at June 2005 WAG's landholding was 71.49 hectares whereas that of the Local Authority was 55.34 hectares which compared with the private land ownership of 53.39 hectares. The ownership of land is a material consideration because it does influence whether or not a parcel of land is made ready and brought forward for development sooner rather than later.

In considering the employment land availability data as at October 2005, it was considered appropriate to analyse the potential impact of public sector ownership on development simply because land ownership was known i.e. WAG or Bridgend County Borough Council. On the other hand, land in private ownership would undoubtedly comprise several individuals of unknown ownership.

Figure 9 shows the analysis. What is striking is that whilst public sector ownership is just over 50% of the total employment land availability (ELA), the

stark fact is that of the land that falls within the immediately available category just over 60% of it is in public ownership, 91.5% falls into the 'short-term availability' category and just under 70% falls into the 'medium-term availability' category. What this demonstrates very clearly is that because of the strategic ownership of land, the public sector has a key role in being able to make land available for development in the immediate, short and medium term albeit (in general terms) public sector land is probably the most difficult to bring forward.

Employment Land Availability (ELA) in Bridgend County Borough - October 2005								
Areas in hectares								
No.	Policy	Industrial Site	Total Area	Remaining Area	Availability			
					Immed.	Short	Medium	Long
1	E3(1)	Abergarw Industrial Estate	9.23	5.56	5.56	0	0	0
3	E2(1)	Brackla Industrial Estate	59.1	23.1	16.1	0	7.00	0
6	E2(3)	Brocastle Waterton	52.13	52.13	0	52.13	0	0
8	E3(3)	Brynmenyn Industrial Estate	34.72	7.7	1.27	0	6.43	0
9	E3(4)	Coegnant Maesteg	8.12	8.12	0	0	0	8.12
26	E6(1)	Island Farm Bridgend	25.95	25.95	0	0	25.95	0
36	E6(4)	Pencoed Technology Park	30.57	7.23	0	7.23	0	0
37	E3(18)	Penllwyngwent Ogmore Vale	11.85	5.15	0.44	0	4.71	0
44	E6(5)	Ty Draw Farm, Pyle	6.04	6.04	0	0	6.04	0
45	E3(20)	Village Farm Industrial Estate Pyle	45.8	3.76	3.76	0	0	0
46	E2(4)	Waterton Industrial Estate	124.62	16.67	16.67	0	0	0
Total Public Sector Ownership			408.13	161.41	43.8	59.36	50.13	8.12
Total ELA			733.07	235.23	72.75	64.86	71.84	26.62
Public Ownership as % of whole ELA			55.67%	49.62%	60.20%	91.52%	69.78%	30.50%
Bridgend CBC land ownership			135.64	56.24	11.03	0	37.09	8.12
% proportion of whole ELA			18.50%	23.91%	15.16%	0.00%	51.62%	31%
BCBC % proportion of public sector land			33.23%	34.84%	25.18%	0.00%	73.98%	100%
WDA land ownership			272.46	105.17	32.77	59.36	13.04	0
% proportion of whole ELA			37.16%	44.71%	45.04%	91.52%	18.15%	0%
WDA % proportion of public sector land			66.75%	65.15%	74.81%	100.00%	26.01%	0%

Figure 9: Analysis of Public Sector Land in ELA 2005

The terms 'immediate', 'short', 'medium' and 'long' term are based on the definitions taken from the South East Wales Strategic Planning Guidelines which in turn was taken from a former Welsh Office document. Essentially, short means within one year; medium means within 2 to 3 years, and long means upward of 3 years plus.

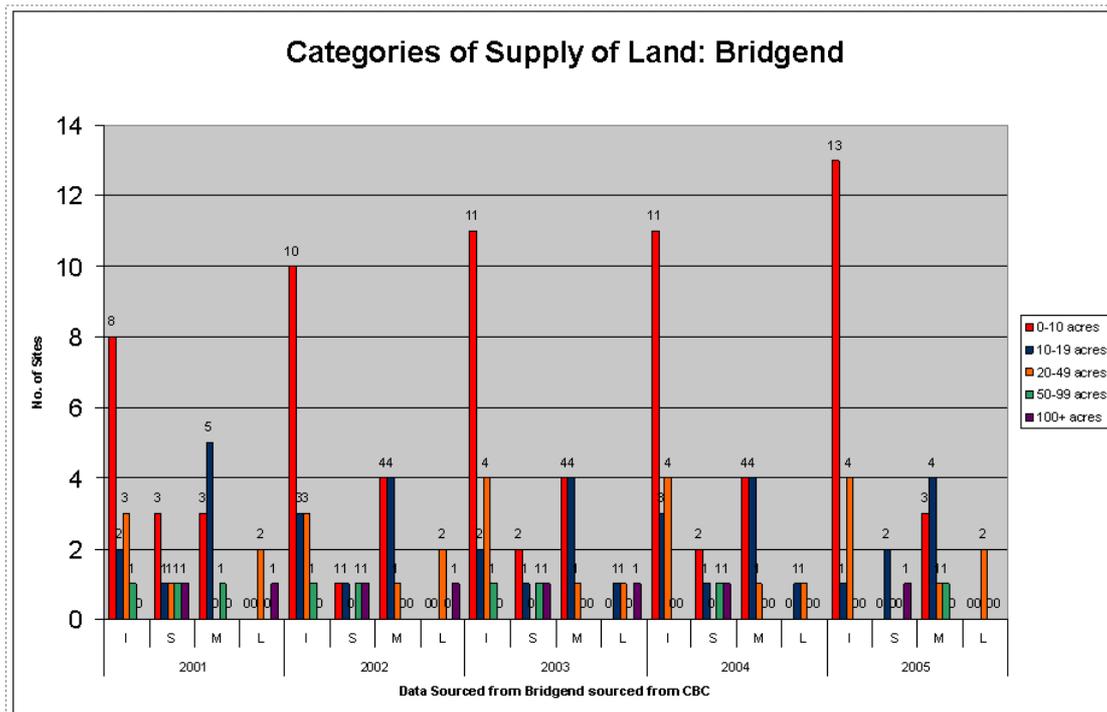


Figure 10: Visual representation of the categories of supply of land within BCBC

In the context of development (having identified demand or perceived demand) a range of locations need to be considered. A number of factors have to be assessed in relation to each site viewed and the compatibility of each site in relation to these factors will ultimately provide a short-list of probabilities. Some of the considerations include:

- Rental demand and cost of land.
- Proposed usage.
- Constraints and Local factors.
- Planning.
- Site boundaries.
- Future requirements.

A matrix of these factors could be applied to each and every site within the schedule of employment land availability but this current brief does not permit this research. This should form the basis of a further study.

The following brief comments are applicable in relation to each of the factors namely:

1. Rental Demand: From a rental demand point of view the level of rent reflects the acceptability of locations. Indeed, the medium of rent expresses the relative advantages or disadvantages of any particular location and is a significant factor.
2. Usage: The requirements of potential users should be considered in relation to acceptable locations for example: communications, accessibility, market and labour proximity, environment. Different types of industry obviously have different requirements when considering their "ideal site". Development/estate uses can be categorised as follows:
 - Light Industry.
 - General Industry.

- Special Industry: e.g. waste recycling / transfer minimisation.
- Wholesale warehousing.
- Retail warehousing (cash & carry).
- High technology uses: research and development.
- Offices.
- Land suited for occupiers to build to their own requirements.
- Land suited to speculative building.
- Land required for future schemes (land bank).

Under the heading of Usage, consideration should be given to the following criteria when the range of site uses has been identified and each location assessed in the light of predicted requirements:

- Accessibility to communication networks.
 - Proximity to workforce.
 - Proximity to other related/compatible industry.
 - Proximity of product market for distribution, or essential suppliers of raw materials.
 - Requirements for abnormal accommodation e.g. substantial parking.
 - Proximity to surrounding environment where bad neighbour use is envisaged.
 - Quality of environment.
 - Competition from other users/estates in the proximity.
3. Constraints and Local Factors: Local factors are relevant in any consideration. A site may be more or less attractive due to a variety of factors including: the quality of workforce, security or vandalism. For example, hidden costs associated with flood consequences assessments within flood risk areas, remediation of contaminated land and / or mitigation of loss of biodiversity interests.
 4. Planning: The availability of existing or detailed planning permission is pertinent.
 5. Site Boundaries: The general shape, topography and surroundings of a site should be studied as these may be a limiting factor for certain locations.
 6. Future Requirements: This is to do with phasing, expansion and future use.

A review of the above-mentioned factors explains why – for example – locations such as Pencoed, Bridgend I.E., Waterton, Brackla, Brynmenyn and Pyle are successful. Prevailing socio-economic conditions in these locations are favourable (including the availability of skilled labour), and because of the juxtaposition of these sites to the M4 accessibility is excellent and development is viable.

7 AGE AND QUALITY OF EXISTING STOCK

In March 2005 the office of the Deputy Prime Minister published a report entitled "Age of Commercial and Industrial Stock: Local Authority Level 2004 (England & Wales)". Relevant extracts are enclosed in **appendix 13** of this report.

What is noticeable in the graph entitled "Age distribution of factory floor space by region" is that Wales has the newest factory floor space, with 16% built after 1990 compared with 5% in London. In part, this may be due to the significant push in attracting inward investment and therefore building large modern buildings. It is likely that these will have been built by the WDA.

Coloured cartographic plans of England and Wales are enclosed in **appendix 13** which show the proportion of floor space built before 1940 for factories, offices and warehouses and also show the proportion of floor space built between 2001 and 2003.

It is fair to say that a significant portion of the Industrial stock in Bridgend County Borough was built either by the WDA or with the assistance of the WDA. A quick review of the portfolio that was once owned by the WDA reveals the following:

- Penllwyngwent Industrial Estate: Units 1 & 2 were completed in April 1981 and Units 3 – 6 were completed in October 1982.
- Spelter Industrial Estate: Unit 4 was completed in July 1972; Units 6 & 7 were completed in September 1979; and Units 8 – 13 were completed in October 1982.
- Bridgend Industrial Estate: This is one of the premier Industrial Estates in Bridgend County Borough and the dates when buildings were built range from the late 1940s to the 1980s. There are some specific dates for different parts of the estate and these are as follows:
 - Kingsway Buildings was completed in June 1983; Ogmoré Crescent was completed in 2 parts – April 1969 and August 1976; Raven Close was completed in October 1981; Kestrel Close was completed

in September 1981; Coity Close was completed in July 1981 and New Street was completed in December 1989.

- Mid Glamorgan Science Park: This was completed in September 1988.
- Heol Ty Gwyn: Units 1 – 4 were completed in January 1990 and Units 1 – 8 were completed in April 1992.
- Pencoed: Sony Pencoed was completed in the early 1990s and more recently the Sony Technium at Pencoed was completed in January 2005.
- Waterton: The Diaplastics building was completed in March 1992; the Training Centre was completed in April 1997; Units 1 – 9 Waterton were completed in February 1982 and Units 10 – 13 in November 1981. The ex-Wilkinson Sword building was completed in February 1971 and the ex-Creative Upholstery building was completed in December 1975.

Turning to the subject of quality, a number of images of various estates are enclosed in **Appendix 14**. With the exception of Mid Glamorgan Science Park and possible bespoke buildings, the buildings built previously by the WDA were functional, non-fussy and fit for purpose.

If one excludes the stock of new employment space built by the WDA between 1970 and the 1990's it would be fair to say that the quality of other types of property built by the private sector (or by owner-occupiers on an adhoc basis) reflected the market place at the time which resulted in relatively low grade industrial. Nowadays the difference between cost and value has improved because of improving rents and lower yields. This is why (over the last four years or so) there has been a surge in developer interest in providing office space (such as Tremains Road and Bocam Park) whereas there has been a rather more subdued approach to providing speculative industrial units.

It is in the nature of things that quality will be commensurate with the marketplace - excluding intervention products provided by the public sector. Ravens Court, in the centre of Bridgend, is an example of a development undertaken by the WDA (now WAG) aimed at raising the quality of the built environment. The quality of the design and specification is exemplary – indeed, the building has a 'very good' BREEAM rating (this relates to sustainability / energy efficiency). In most instances, this type of building could only have been built by the public sector, not the private sector. A notable exception is of course the very high quality office developments that have been undertaken within Bridgend town centre conservation area by Compute Bridgend.

In future the design of new offices or industrial / warehouse buildings will improve because of the statutory requirements to comply with the sustainability agenda. Examples of this include the new Part L Building Regulations and the EU energy certification for new and existing buildings. Whilst design issues can be dealt with in part by the planning department of the Authority, one of the other ways in which the design quality of buildings will improve is where WAG is offering gap funding or Environmental Improvement Grant and through that medium is able to influence design quality and the environment. Apart from planning (design) approval the local authority is able to assist with its' Industrial Improvement Grant (up to £25K) and targeted Industrial Estates Improvement Programme.

8 PLANNING PERMISSION ANALYSIS

An analysis of planning applications submitted to the planning authority for the period 2001 – 2005 was undertaken to see if there were any noteworthy trends in the context of this supply/demand study.

Table 8 shows the number of applications submitted each year for the period 2001 – 2005. Notably, a significant portion of the applications is for full planning consent demonstrating certainty on the part of the applicant.

Bridgend CBC: Planning Applications for Industrial and Commercial Development - 2001 to 2005

<u>Year</u>	<u>Full</u>	<u>Outline</u>	<u>Relax</u>	<u>Misc</u>	<u>Total</u>
2001	50	1	2	1	54
2002	53	4	5	-	62
2003	41	-	2	5	48
2004	50	1	1	2	54
2005	46	-	-	-	46
Total	240	5	10	8	264

Table 8: Number of Applications submitted to BCBC

Table 9 shows the categorisation of the planning applications in terms of whether they were office, industrial or other. Furthermore it breaks the categories down into new, refurbishment or extension. Without knowing the nature of each application in detail the analysis is somewhat subjective but nevertheless revealing in that it demonstrates a reasonable amount of development activity. What it does not reveal are those refurbishment schemes not requiring planning permission.

<u>Year</u>	<u>OFFICE</u>			<u>INDUSTRIAL</u>			<u>OTHER</u>	<u>TOTAL</u>	
	<u>New</u>	<u>Refurbishment</u>	<u>Extension</u>	<u>New</u>	<u>Refurbishment</u>	<u>Extension</u>	<u>Miscellaneous</u>		
						<u>Office</u>			<u>Industrial / Warehouse</u>
<i>2001</i>	4	3	4	10	4	3	11	15	54
<i>2002</i>	3	3	6	10	3	4	9	24	62
<i>2003</i>	3	2	3	11	1	3	6	19	48
<i>2004</i>	2	2	1	17	7	2	6	17	54
<i>2005</i>	3	1	2	11	4	-	8	17	46
Totals	15	11	16	59	19	12	40	92	264

Table 9: Categorisation of Planning Applications within BCBC 2001 – 2005

Perhaps of greater interest is **Table 10** which shows the geographical distribution of planning applications within Bridgend County Borough Council. In excess of 54% of commercial planning applications were centred on the Bridgend area followed by 8.71% for Maesteg; 13.63% for Pyle and 11.74% for Sarn. Pencoed is just under 5%. Applications in Cornelly, Ogmore, Aberkenfig, Blackmill and

Porthcawl represented just under 7% of the total number of industrial and commercial applications for the 5 year period.

This analysis is one way of researching the level of demand for particular locations within the Borough and what is clear is that Bridgend is the principal centre for investment and activity followed by Pyle, Sarn and then Maesteg. Over the last 5 years activity in Bridgend has exceeded activity in Maesteg by a factor of over 6 times.

Distribution of Planning Applications for Industrial & Commercial Development within Bridgend CBC: 2001 - 2005

<i>Town / Place</i>	<i>Name</i>	<i>Number</i>	
<i>Bridgend</i>		Site number	Percentage Distribution
	Town and surroundings	46	
	Brewery Lane, Bridgend	2	
	Bridgend I.E.	41	
	Waterton / Waterton I.E.	16	
	Waterton Cross Business Park	2	
	Brocastle	4	
	Litchard I.E.	8	
	Bridgend Science Park	5	
	Brackla I.E.	19	54.16% (143)
<i>Maesteg</i>			
	Town and surroundings	13	
	Heol Ty Gwyn I.E.	2	
	Forge I.E.	8	8.71% (23)
<i>Pyle</i>			
	Town and surroundings	6	
	Village Farm I.E.	30	13.63% (36)
<i>Pencoed</i>			
	Village and surroundings	4	
	Triangle site / Bocann Park	5	
	East of Sony Pencoed	2	
	Rodkwool Pencoed	2	4.92% (13)
<i>Sarn</i>			
	Brynmelyn / Brynmelyn I.E. / Abergarw I.E.	31	11.74% (31)
<i>Cornelly</i>			
	South Cornelly Estates	5	1.89% (5)
<i>Ogmore</i>			
	Ogmore Vale	2	
	Penllwynqwent I E	2	
	Pontycymmer	2	2.27% (6)
<i>Aberkenfig</i>			
	Aberkenfig	1	0.38% (1)
<i>Blackmill</i>			
	Blackmill	1	
	Isfryn I.E.	2	1.14% (3)
<i>Porthcawl</i>			
	Town and surroundings	3	1.14% (3)
	TOTAL		100% (264)

Table 10: Geographical distribution of planning applications 2001 – 2005

Of course, whilst geographical location is one factor, another key factor for a developer is whether land is 'allocated'. Allocated sites will steer demand and will

be of interest to developers subject to the points mentioned earlier – **factors relevant to each site.**

From a manufacturing point of view, applications for the 5 year period were submitted by the following manufacturing companies – demonstrating either expansion or consolidation:

- Day's Medical Aids Ltd, Litchard Industrial Estate.
- Bayer Diagnostics, Western Avenue, Bridgend I.E.
- GQ Parachutes, Bridgend I.E.
- Ford Motor Company, Waterton Industrial Estate.
- Coppice Alupack Ltd, Islwyn Industrial Estate, Blackmill.
- Biomet Merck Ltd, Waterton Industrial Estate.
- Biotrace, Bridgend Science Park
- Harman Becker, Bridgend I.E.
- Logica UK Ltd, Bridgend Science Park.
- J W & E Morris & Sons Ltd, Bridgend Industrial Estate.
- Rockwool FireSafe Insulation, Pencoed.
- Golden Vale Dairies, North Road, Bridgend Industrial Estate.
- Dunraven Manufacturing Ltd, Pyle.
- Industrial Pipework Ltd, Ty Gwyn Industrial Estate, Maesteg.

Manufacturing Sector

The year 2005 saw a significant decline in Bridgend's Manufacturing capacity when an estimated 20% of its' manufacturing base was lost, notably with the demise of the following companies:

- Wrigley (KRAFT) unit at Waterton – 165,380 sq ft (loss of 170 jobs).
- Pendragon premises Bridgend I.E.: approx. 109,000 sq ft Kingsway unit and 129,752 sq ft modern unit respectively. }
- Contour Mobil (Christie Tyler), Waterton – 123,310 sq ft + 2.63 acres} (loss of 200 jobs for both factories)
- Dioplastics, Waterton – 310,000 sq ft (loss of 100+ jobs)
- Sony, Bridgend I.E. - 610,000 sq ft (loss of 400 jobs)
- Sony, Pencoed – 180,000 sq ft (loss of 250 jobs)

The above-mentioned available space represents approx: 1,627,442 sq ft of floorspace. Latterly, however, there has been some encouraging news in the manufacturing sector. More than 232 new jobs will be created and another 100 safe-guarded in Bridgend with 4 companies investing nearly £12M in new facilities over the next three years. Furthermore, Sony at Pencoed has refocused its' strategy in terms of the use of the factory: part of the plant houses a Technium, part is retained by Sony and the balance of 310,000 sq ft is available to let. A microchip manufacturer is relocating from Abercynon to land south-west of junction 35.

- Days Healthcare UK Ltd intends to establish its' European HQ in Bridgend. A long established Bridgend manufacturer and distributor of rehabilitation and mobility aids, it is now part of DCC plc (an Irish based support services group with a turnover of £2.6Bn E). The choice in location was between Bridgend and Germany: the company chose the former. The company has moved to larger premises on Bridgend I.E. An investment of £3.65M will safeguard 108 existing jobs and create 30 new ones over the next two years.
- Astra Games (part of the Austrian owned Novomatic Group), manufacturer of amusement games for the UK and international markets is relocating to one of the former Pendragon premises at Bridgend I.E. They will employ highly skilled software and graphic engineers among its' 90 strong workforce and will create 50 extra jobs.
- Steinhoff UK Upholstery Ltd (part of major South African owned group): intends to re-establish the design and development element of the former Pendragon furniture operation and to resume manufacturing in the former Pendragon factory involving a total CAPEX of £3.2M and creating 120 – 150 jobs.
- Greenwood Services has almost completed work building Wales' first commercial Materials Recycling Facility based at Grove Quarry South Cornelly. With an investment of over £1M – including £300,000 RSA – the Materials Recycling Facility will create an additional 32 jobs. It will process a variety of materials including glass, cardboard and plastics. The end product will be sold to manufacturers across the UK, Belgium, France, Portugal, Malaysia and China.

- Sony's plant in Pencoed will have a new lease of life as a manufacturing base for the film industry and the UK repair hub for the multinational giant. Pencoed is to receive major investment in optics and robotics. The new facilities at Pencoed will make high definition cameras for use in the film and television industry, and also repair the playstation portable games console. It will be the main site for all Sony's general maintenance and repair business in the UK.
- As previously mentioned, a Technium centre has been created within part of Sony's Pencoed plant. Housing 8 incubator units, Technium Digital @ Sony offers potential tenants unrivalled access to Sony's specialist manufacturing and testing equipment as well as the expertise of their experienced engineering staff. Technium Digital@Sony is a satellite to Technium Digital located on campus at the University of Wales Swansea and is suitable for knowledge-based businesses specialising in digital technologies. Further information about the Technium is available in Appendix 15.
- A bespoke building is being built for Sanken (micro-chip manufacturer) at J35 Pencoed adjacent to Lloyd's TSB call centre: planning was obtained recently for approx. 20,000 sq ft with 40 jobs being transferred from Abercynon and the potential for 40 more to be created.

Table 11 shows the impact of the Astra Games and Steinhoff projects on take-up of space.

Recent take-up of Vacant Industrial Space by Manufacturing Companies

<u>Company</u>	<u>Name of Property</u>	<u>Sq Ft</u>
Astra Games	Kingsway Bridgend I E	109,000
Steinhoff	Modern Building Bridgend I E	129,752
Total		238,752

Table 11: Recent Take-up of Industrial Space

Just less than 240,000 sq ft of space has been subtracted from the total available floorspace leaving a balance of 1,388,690 sq ft of large unit space.

Despite the high level of demand for the smaller range industrial units (see figure 7 and table 7) there has been negligible speculative development. Perhaps the explanation for this is the shortage of smaller parcels of well located and 'immediately available' private sector land. The notable exception is York Park which has been developed by Clerical & Medical, the owners of the majority of Bridgend I.E. York Park is a speculative small unit scheme of 65,000 sq ft in 3 blocks: main block comprising 40,000 sq ft (4 x 10K sq ft with 7 ½ K sq ft being the smallest); second block comprising 15,000 sq ft (3 x 5K sq ft with 3,700 sq ft being the smallest unit); and third block comprising 10,000 sq ft (2 x 5K sq ft).

In essence, the smallest unit is approx. 3,700 sq ft and the largest is 40,000 sq ft. So far the flexibility of the unit combinations has attracted a good level of demand. This speculative development was supported with a European grant (ERDF) through WEFO (Welsh European Funding Office).

The last sizeable (manufacturing) industrial new build project in the Bridgend area was Sony at Pencoed constructed in the 1970/1980's.

Some of the last smaller 'new build' developments were as follows:

- Approx. 25,000 sq ft of new small units - in a terrace in New Street, Bridgend I.E. – built by the WDA in late 80's / early 90's.

- 40,000 sq ft (2 no. 20K sq ft units next to next) built by the WDA on Bridgend Industrial Estate in late 80's / early 90's (occupied by Punch Precision).
- Trade Counter space built by Manning Construction near to the entrance to Bridgend I E. in the early nineties.
- More recently – in 2003 - Roma Medical built a bespoke unit of 47,362 sq ft on Bridgend Industrial Estate with the assistance of a significant Property Development Grant.

Completed in December 2005, the Clerical & Medical small unit scheme is to be welcomed. Notwithstanding the fact that the units are available to lease only (not to buy freehold), the availability of these units is very timely and should enable the investment fund to capitalise on the strong (actual) demand for smaller units.

There is certainly market failure when one considers new, large units. In the absence of a pre-let or bespoke development, private sector developers will not build large speculative units. And yet there appears to be demonstrable demand evidenced by the graphs in figures 4 and 7. Even the latest resume SEWEF report in June 2005 suggested that there was a lack of units within the 25,000 sq ft to 50,000 sq ft size category in the Bridgend area. The lack of supply of modern (new) buildings reflects private sector concerns about risk and return – even though capital values and investment returns have improved. This is why the WDA's Welsh Industrial Partnership (WIP) initiative is considering the speculative construction of two large units (40,000 sq ft and 50,000 sq ft respectively) on Waterton Park where they are likely to abut the main road in between Lidl and Ford. Demand for these units is based on research arising from the WDA's Employment Strategy and in accordance with sustainable construction policies they will be built to good BREEAM standards.

Table 12 summarises new and proposed new industrial development.

NEW INDUSTRIAL DEVELOPMENTS				
<u>Name of Scheme</u>	<u>Total Speculative Space</u>	<u>Speculative Space built so far</u>	<u>Bespoke</u>	<u>Bespoke space built so far</u>
York Park (small unit scheme)	65,000 sq ft	65,000 sq ft	-	-
Waterton Park:WDA	40,000 sq ft	Nil		
	50,000 sq ft	Nil		
Pencoed: Sanken			20,000 sq ft	Nil
Totals:	155,000 sq ft	65,000 sq ft	20,000 sq ft	20,000 sq ft

Table 12: New Industrial Developments - Bridgend

65,000 sq ft of new modern industrial space has been built with the prospect of a further 90,000 sq ft being built by the public sector within the next 15 months.

Service Sector

Until about four years ago, the office market in Bridgend was almost non-existent. The initial catalyst for new office development was the Lloyds TSB call centre at Junction 35 where a new 50,000sq ft B1 office was built as a pre-let in 2000/2001. This was followed a few years later by Manning Construction's successful office development at Tremains Road (approx. 26,000 sq ft of office space built three years ago as two detached buildings with four suites in each: let at £10.75psf to £11.00psf to the Probation Services, BCBC and Inland Revenue) and Macob's office development at Bocam Park. This has encouraged other developers (Bailey Commercial, Jehu and Charnwood) to enter the fray with

developments either underway or proposed at Waterton Cross, Waterton Park and Charnwood Park respectively. Of course, WAG have built and let a prestigious 22,000 sq ft office development – Raven’s Court - in the centre of Bridgend at Brewery Lane.

The new (proposed) office developments are summarised below:

- Pencoed Technology Park: The Welsh Investment Strategic Partnership initiative (WISP) has noted Pencoed Technology Park, Bridgend as a possible location for ‘flexible office / production facility’.

Location	Type of property	NIA (m ²)	Comments
Pencoed Technology Park, Bridgend	Flexible Office /Production Facility	Phase I 7,430 Future Phases Total 20.2 h available	WDA to prepare the site with major infrastructure investment prior to being available to WISP

Table 13: Second Round of WISP Schemes

Phase I will be about 80,000 sq ft. WAG will prepare the site with major infrastructure investment prior to being available to WISP. Following three initial schemes in Swansea, Newport and Parc Nantgarw, six further schemes will follow including this one in Bridgend.

- Bocam Park – Phase II (MACOB): 16-acre Business Park close to J35. Phase I of 64,500 sq ft is complete. The next phase will bring forward 85,000 sq ft of office space across a range of suites and buildings. So far lettings have been to Clay Shaw Thomas; Nike Design; Council for Local Administration in Wales; Fire Brigade Union; Welsh Blood Service (the latter being a 12,330 sq ft letting – the largest letting since Lloyds TSB).
- Waterton Cross Business Park (BAILEY COMMERCIAL) – circa 31,330 sq ft: this office development has changed from what was proposed originally. Units 2 and 3 (2,930 sq ft and 5,900 sq ft respectively) will be built as planned. However, units 1, 4, 5 and 6 are being replaced by a single three storey office building of approx. 22,500 sq ft. According to the agent, the change reflects cost efficiencies, the flexibility of being able to let floor by floor and the fact that the demand for freehold office units appears to be declining.
- Waterton Park (WATERTON ESTATES: a development by JEHU): 24,606 sq ft is to be developed with 6,500 sq ft pre-sold in ‘Number One’ (unit D): a striking four storey building. Marketing agents indicate that flexible office accommodation ranges from 1,137 sq ft up to 7,758 sq ft. Construction of units A (3,879 sq ft), B (3,879 sq ft), C (3,411 sq ft) and E (3,411 sq ft) will start on site in July 2006 and are likely to be available in early 2007 at a quoting rent of £12.95 per sq ft and a sale price of £145 per sq ft.
- Charnwood Park (Charnwood): a development of approx.29,510 sq ft comprising 5 self-contained office buildings. Unit 1 is to be split into three (2,220 sq ft, 2570 sq ft and 2,220 sq ft respectively). Unit 2 (5,500 sq ft) has been pre-sold and units 3 (5,500 sq ft), 4 (5,500 sq ft) and 5 (6,000 sq ft) will be built according to demand at a quoting rent of £13.50 per sq ft and a sale price of £145 per sq ft.
- Raven’s Court, Brewery Lane (FORMER WDA) (22,000 sq ft in total) approx. 11,000 sq ft has been let to Marketsafe (sister company to Creditsafe): a call centre operation involved in financial services. The other half has been let to

Jigsaw: a call centre dealing with niche market insurances on behalf of blue-chip companies such as the RAC, ACE, Sterling and Pinnacle etc. 100 people will be employed in the first phase. This 'deal' achieved the highest headline rent in Bridgend at £14.25 per sq ft.

- **Brackla Park (LAND DIVISION – WDA):** 6 acres approx available for employment use. This site has been acquired by Manning Construction (in partnership with a veterinary practice wishing to establish to a flagship facility). Mannings will have the opportunity to build the Veterinary Hospital as well as building approximately 54,000 sq ft offices.

New office developments are summarised below.

OFFICE				
<u>Name of Scheme</u>	<u>Speculative quantum</u>	<u>Space built so far</u>	<u>Start Date</u>	<u>% of total Let / Sold</u>
Pencoed Technology Park	80,000 sq ft	-	Infrastructure Started May' 06	-
Bocam Park	176,860 sq ft	64,500 sq ft	2004	36.46%
Waterton Cross	31,330 sq ft	8,830 sq ft	2005	-
Waterton Park: Jehu	24,606 sq ft	6,500 sq ft	2005	22%
Charnwood Park	29,510 sq ft	-		-
Tremains Road	26,000 sq ft	26,000 sq ft	2003	100%
Raven's Court: WDA	22,000 sq ft	22,000 sq ft	2004	100%
Brackla Park	54,000 sq ft	-	2006	-
Totals:	444,306 sq ft	127,830 sq ft		

Table 15: New Office Developments – Bridgend

It is logical to deduce that active office development reflects confidence in an area because of demand and viability. Since 2001, approx. 127,830 sq ft of new office space has been built (more if Lloyds TSB included). Currently, the public sector's contribution to this is about 17%. If all current and proposed private sector and public sector office schemes are 'built out' this would give a total of 444,306 sq ft of which the public sector's contribution would be about 23%. Clearly, market conditions have improved and returns and profitability are no longer such a threat to viability – hence the scale of speculative development. This trend reflects the ascendancy of the service sector compared with the manufacturing sector.

Under this heading, it is worth mentioning the unusual barn conversion (Chapel Barnes) at Merthyr Mawr which provided a quality, niche office product. All of the office units have been let. The success of that scheme reinforced the point made by Wales Trade International that some 'up and coming' companies like to be in a unique 'working village' environment preferably where there is access to amenities such as a café, shop, bank, post office etc – but still within touching distance of an urban centre.

Whilst recognising the quantum of new office development it is notable that a number of properties in Bridgend Town Centre have been acquired and refurbished by Hegaty Developments (Compute Bridgend), namely: the Old Post Office; the former Cottage Hospital; the former police station and refurbished offices in Court Road (5/7). Apart from recycling the use of buildings in a different form, encouraging employment in the Town Centre adds to the vibrancy of Bridgend and developments / refurbishments of this nature appear to have been successful.

Finally, in the context of BCBC's Asset Management Plan, section 5 highlights likely future (demand) requirements for BCBC, namely:

- The need to increase office accommodation by some 25,000 sq ft.
- The need for strategic decisions in terms of future investment in the Council's depots. This could mean relocation of certain depots to make available more valuable land: e.g. Waterton Depot, near Ewenny Industrial Estate.

Availability of Employment Land

With reference to the graph in figure 5 showing the supply of and demand for employment land, demand for smaller parcels of land up to 10 acres is exceeding supply by a factor of approx. 3 times. This suggests that land of the right size and in the right location is not readily available unless its' potential is unlocked.

There are two examples that demonstrate this point, namely:

- Robert Hitchings have acquired the freehold of the Harman Motive factory on Bridgend I.E. by way of a sale and leaseback. It is understood that 8 acres of land may well be brought forward for development. This is where the potential of land is being unlocked whereas before it had been lying idle in anticipation of expansion.
- Land adjacent to Décor Frame (approx. 3.88 acres) has being sold and a planning application has been submitted by the Headlam Group for industrial / business use. Again this land had lain idle for some time and there is the prospect now that it will be developed to meet demand.

Turning to strategic parcels of land, Brocastle is referred to in the latest SEWEF report (June 2005) as a key strategic site in the Bridgend area. Noting that some land has been sold to Hafod Housing for a nursing home and close-care units, the balance of 100 acres is available for employment. The UDP states that this land is reserved for 4 single users – 'sizeable developments' of approx. 300,000 sq ft each. The WAG wishes to explore whether this statement could be amended to take account of current economic circumstances (E.g. units of 50K, 80K and 100K sq ft respectively). This would aid the marketability of the site as would the construction of a vital piece of infrastructure from Waterton Industrial Estate.

In essence, whether private sector land comes forward is a matter for the market place. However, an analysis of public sector land (figure 9) shows that the WAG / BCBC have a significant portion of land in the 'immediate, short and medium term' categories: 60%, 91% and 70% respectively. With an economic development brief, both the WDA and local authority have the opportunity to bring sites forward for development.

Housing Land

This study does not require an assessment of housing supply and demand. However, it is worth noting that investment in new housing does indicate confidence in an area. Data for housing completions (2000 – 2005) is enclosed in Appendix 16. Apart from year 2000 – 2001, year 2004 – 2005 represented the best year for housing completions (652) with just under 80% being in the Mid Ogwr area (Bridgend, Bryncethin, Brynmenyn, Kenfig Hill, North Cornelly, Pencoed, Sarn, South Cornelly, Tondy). It is not co-incidental that Mid Ogwr encompasses most of the major employment locations (see employment map).

Small Unit Centres

Business in Focus owns and manages over 230 workshops / studio / office units of which about 40% is based within the Borough: 29 at Brynmenyn; 57 at Tondu plus Maesteg Business Centre (approx. 6,000 sq ft) and Pyle Enterprise Centre (approx. 13,000 sq ft) managed on behalf of Bridgend CBC. Both centres were purpose built to meet local demand for modern units and facilities primarily for new business starts. They include meeting room and conference room hire.

The average occupancy for Tondu and Brynmenyn is 92%. There is nothing available at Pyle (there is a waiting list sufficient to fill three times the existing space) and both available units at the Maesteg Centre are under offer: such is the demand that someone comes in every week looking for either units or small offices. The majority of the occupiers are service sector orientated.

Recent research by the Federation for Small Businesses (FSB) shows that many small businesses appear to have confidence in the future. The trading environment has remained largely stable for many with increases in sales leading to increases in employment and, crucially, investment. A high level of new starts and some companies growing by up to 30% in terms of turnover indicate a thriving regional economy. Russell Lawson comments:

'Workforces are well established, they live locally and employment is high. Wales is perceived to offer many advantages, and a good quality of life. It is no coincidence that this has happened alongside a rise in the ranks of those who work for themselves. In Wales, around 95% of our 150,000 businesses are either sole traders, partnerships, single Director Companies or self-employed owner managers. At present those that are doing well include:

- *Adaptable service businesses with low overheads;*
- *Businesses that have spotted a genuine gap in the market but have flexibility to exploit others;*
- *Those that manage to plug into an enduring recession proof niche.*

Russell Lawson goes on to say that to maintain a competitive edge in the manufacturing sector – in view of the fierce competition from the likes of China – there is a need for innovation as well as partnerships and collaborative working.

He suggests that: *'The creation of a Centre of Excellence or manufacturing business hub providing bespoke training and business support packages could benefit the manufacturing industry as a whole in Wales'.*

Furthermore, he suggests: *'Demand for office space in the private sector and urban regeneration in housing, health and education and transport in the public sector is driving growth. The varied digital and creative sector in Wales is characterised by a strong entrepreneurial spirit. Universities have a pool of talent already being exploited and they have a positive influence on the sector in Wales'.*

And concludes by saying: *'A core concern is around the lack of appropriate and affordable incubator space and follow-on business accommodation which is hampering growth'.*

FSB carried out research looking at 'Barriers to Growth'. The data from this research is enclosed in Appendix 17.

Agent Feedback

On the subject of **offices**, agents observed that the office scene had developed considerably (near Bridgend) within the last 5 years. As a location, agents perceive Bridgend to be reasonably well regarded: well connected and a grant

area to boot. One agent was cautious and suggested that Bridgend had a finite market fuelled by local businesses catering for a local audience and 'local covenants'. This seems to fly in the face of lettings procured by the Hegatty family in providing quality office space in the Town centre and indeed the lettings of Raven's Court. On the other hand, another agent was much more upbeat. Most of the new offices are now located on the periphery of Bridgend providing greater accessibility. This trend has taken a number of local businesses out of the Town Centre in a move away from older second hand office space (Celtic Court / Derwen House / Brackla House / Avon Court) to more contemporary (DDA / Building Regulation compliant) space. It was suggested that better quality office space would have a greater chance of attracting occupiers such as Jigsaw and Creditsafe.

Turning to the subject of **Industrial**, the perception is that Bridgend CBC is well located (Junctions 35, 36 and 37 of the M4; access to Cardiff International Airport as well as access to Ports), lies within a Tier 1 grant area, possesses decent industrial estates and has a decent pool of skilled labour. An agent suggested that there was no embarrassment in taking people to Bridgend. Furthermore, the area seems to generate its' own enquiries which are predominantly local. Further agent feedback suggests that there is a shortage of small decent quality units – indeed a shortage of land which, for example in the case of Abergarw, led to an increase in land value from £60,000 per acre to £100,000 per acre.

A parallel situation occurred in Maesteg when a number of ex-WDA units at Spelter became available to purchase. At first, the agent thought it would be difficult to sell the units in a relatively remote area. However, all units were snapped up in a very short period of time.

One agent suggested that there was good company churn and that the market place **was as good as it gets**. He was not too worried about the quantum of large space. This point was echoed by another agent who felt that the outlook was reasonably bright. In his view, the availability of large space is an opportunity.

Most interest was from companies outside of Bridgend wanting to move into the area with a clear move away from manufacturing to warehousing. Historically, demand for well located second-hand manufacturing units has come from third party distribution companies and retailers looking for localised distribution hubs. This appears to reflect what is happening in Bridgend which is competing robustly with Kenfig as a desirable location for storage and distribution.

The 'bullish' nature of some of these comments is supported by leasehold transactions. At the ex-Sony factory on Bridgend I.E., terms have been agreed and solicitors instructed on a 120,000 sq ft unit (which could increase to 250,000 sq ft); two 25,000 sq ft units and a 80,000 sq ft unit.

Indeed, the ex-Dioplastics unit (310,000 sq ft) has been let to Addis. Interestingly, in response to a previous research enquiry, Curzon Properties indicated that they had been dealing with a requirement whereby goods would be imported from China to Portsmouth and – potentially – from Portsmouth to Bridgend for onward distribution to the UK.

York Park – the only significant speculative development – has 2 no. 5,000 sq ft units under offer and terms are out on 1 no. 10,000 sq ft and 1 no. 15,000 sq ft unit respectively. This is despite the fact that the units are available to rent only – not to buy.

Assuming a 'best case' scenario, if all of the above mentioned 'deals' result in transactions then a total of 725,000 sq ft would be taken off the market. Added

to the recent take-up of space by Astra Games and Steinhoff (238,752 sq ft) this would give a total of 963,752 sq ft: a situation that does not convey gloom and doom!

Investor / Developer Activity

From an investor / speculator point of view, the availability of large industrial

<u>Company</u>	<u>Name of Property</u>	<u>Sq Ft</u>
Curzon Properties	Former Diaplastics, Waterton I.E.	310,000
Formaction	Ex Sony, Bridgend I.E.	610,000
Formaction	Ex Wrigley, Waterton I.E.	165,380
Total		1,085,380

Table 16: Recent take-up of Industrial Space by Investors

space has presented an opportunity to the likes of Curzon and Formaction (see tables 11 and 16). Both operators know this market very well and will 'work' the assets to provide flexible space at flexible rents. The latest acquisition of a large unit (Ex-Wrigley) was by Formaction.

From a developer point of view, action speaks louder than words particularly in the office market where Macob, Bailey Commercial, Manning Construction, Jehu, and Charnwood have been active. Notable as well is that Dovey Estates have acquired Ewenny Industrial Estate and – if what is reported is true – Robert Hitchins Developers from Cheltenham will also be moving into the area very soon having acquired the former Bayer Diagnostics manufacturing facility. Both Dovey and Hitchins will pursue development opportunities on land within their 'holdings' that is currently vacant. What is surprising is that so far only Clerical & Medical has committed to a speculative industrial development when all the signs suggest robust demand – seemingly this is set to change.

10 Review of Regional Selective Assistance

Bridgend has had a very good track record of attracting investment and this is manifested by reviewing Regional Selective Assistance statistics for the five year period ended March 2005.

INWARD INVESTMENT
WALES
01 APRIL 2000 - 31 MARCH 2005

Division	Number of Projects	Capex £m	New Jobs	S/eguarded Jobs
Overseas Total	287	1,784.850	18,981	14,417
United Kingdom	219	497.318	12,466	9,500
Total	506	2,282.168	31,447	23,917

INWARD INVESTMENT
UNITARY AUTHORITY OF BRIDGEND
01 APRIL 2000 - 31 MARCH 2005

Division	Number of Projects	Capex £m	New Jobs	S/eguarded Jobs
Overseas Total	21	395.444	2,116	1,564
United Kingdom	10	29.084	1,514	171
Total	31	424.528	3,630	1,735

The above tables include all projects irrespective of WDA involvement. It should also be noted that the figures regarding jobs and capex are based on those stated by the companies at the time of the decision to invest and do not take into account any subsequent developments.

Source: WDA Database

In a Welsh context, Bridgend CBC secured 11 ½% of new jobs for the period April 2000 to March 2005 and 7 ¼% of safeguarded jobs for the same period. Capital expenditure within the Borough represented just less than 19% of the total CAPEX for Wales.

The tables below give a sector analysis of projects where one can review how Bridgend compares with Wales. Notable strengths appear to be in Automotive, Construction, Pharmaceuticals, Plastics and Software / IT. A number of these are mentioned as key sectors within **Wales: A Vibrant Economy** which confirms the overall strategic economic framework for economic development in Wales.

WALES

01 APRIL 2000 - 31 MARCH 2005

Sector	Number of Projects	Capex £M	New Jobs	Siguarded Jobs
Aerospace	17	108.916	2752	5680
Agriculture/Forestry/Fishing	3	12.270	64	12
Automotive	48	502.386	3228	5216
Banking/Finance	13	10.354	901	94
Biotechnology	7	18.428	108	446
Broadcast Media/Multimedia	6	45.785	265	0
Business Services	27	88.336	1930	481
Call Centres	35	55.362	6608	733
Chemicals/Oils	9	88.304	208	179
Clothing/Footwear	4	1.100	95	60
Construction/Allied Products	16	62.754	378	200
eBusiness	18	92.911	1225	718
Education/Training	2	0.300	38	135
Electronics	32	122.738	1453	1605
Energy	2	0	12	34
Energy Renewable	4	0.633	43	72
Engineering - Electrical	5	1.397	175	20
Engineering - General	17	32.755	462	109
Environmental Goods/Services	8	13.565	380	44
Food/Drink	36	134.431	1347	2628
Furniture/Wood Products	9	5.345	581	23
Health & Fitness	1	0.250	71	40
Healthcare	2	6.283	25	0
Medical Devices/Equipment	6	4.424	215	30
Metals/Metal Products	17	35.259	561	756
Optoelectronics	3	19.200	40	198
Other Manufacturing	37	271.402	1396	1933
Packaging	20	59.850	537	423
Pharmaceuticals	11	82.890	685	368
Plastics/Paper	20	181.904	1112	1381
Printing/Coating	3	3.485	78	0
Publishing	5	1.912	156	0
Sales/Distribution	12	3.844	164	5
Semi-Conductors	5	75.111	714	0
Software/IT Applications	24	20.921	1419	9
Telecommunications	7	22.290	722	30
Textiles	2	1.700	207	150
Tourism/Leisure	2	30.951	532	0
Transport/Logistics	3	13.331	125	80
Utilities	3	41.145	83	0
Warehouse/Distribution	5	7.946	352	25
TOTAL	506	2,282.168	31,447	23,917

UNITARY AUTHORITY OF BRIDGEND

01 APRIL 2000 - 31 MARCH 2005

Sector	Number of Projects	Capex £M	New Jobs	S/guarded Jobs
Aerospace	3	7.370	220	171
Automotive	3	294.145	953	438
Broadcast Media/Multimedia	2	1.620	35	0
Call Centres	2	5.164	502	0
Construction/Allied Products	3	28.007	69	150
Energy Renewable	3	0.633	35	72
Engineering - General	2	9.873	148	54
Other Manufacturing	2	7.100	150	425
Pharmaceuticals	1	29.977	338	0
Plastics/Paper	3	25.365	60	425
Software/IT Applications	4	13.474	770	0
Transport/Logistics	1	0.500	20	0
Utilities	1	1.300	80	0
Warehouse/Distribution	1	0	250	0
TOTAL	31	424.528	3,630	1,735

The above tables include all projects irrespective of WDA involvement. It should also be noted that the figures regarding jobs and capex are based on those stated by the companies at the time of the decision to invest and do not take into account any subsequent developments.

Listed below are details of the 8 publicly announced projects (of 31 in total) for the period March 2000 to March 2005.

Project Name	Description	Type of project	Cap.Inv.	Jobs New	Safeguarded	Date Sec.	On
Astra Games Ltd	Design & manufacture of amusement machines	Acquisition				22/02/2005	Aus
Ensinger Ltd	Manufacture of plastic components	Expansion	7.051	48	54	31/03/2004	Ger
Ford Motor Co	Manufacture of V8/V6 powertrain	Expansion	246	640		27/03/2001	US
Ford Motor Co Ltd	Manufacture of In-Line 6 Engine	Expansion	47	298	416	24/03/2004	US
Georgia Pacific	Investment in paper converting capacity	Expansion	10.59		205	25/09/2001	US
Irvin GQ Ltd	Manufacture of parachutes	Expansion	2.084	141		19/12/2002	Engl
Rockwool Ltd	Manufacture of fire safe sandwich panels	Expansion	4.8			23/06/2003	Denr
Lidl UK GmbH	Regional HQ and distribution centre	New		250		21/02/2001	Ger
Grand Total			317.525	1,377	675		

Source: WDA Database

There is no discernable trend concerning the number of projects attracted to Bridgend or retained. The table below highlights the 'peaks and troughs' of new projects, CAPEX, new jobs and safeguarded jobs.

INWARD INVESTMENT
UNITARY AUTHORITY OF BRIDGEND
01 APRIL 2000 - 31 MARCH 2005

Year	Division	Number of Projects	Capex £m	New Jobs	Siguarded Jobs
2000/01	Overseas	2	246.000	890	0
	UK	2	7.076	431	28
	Total	4	253.076	1321	28
2001/02	Overseas	5	23.590	290	710
	UK	2	3.508	67	143
	Total	7	27.098	357	853
2002/03	Overseas	2	30.427	338	29
	UK	1	2.084	141	0
	Total	3	32.511	479	29
2003/04	Overseas	7	83.534	471	663
	UK	3	16.236	865	0
	Total	10	99.770	1336	663
2004/05	Overseas	5	11.893	127	162
	UK	2	0.180	10	0
	Total	7	12.073	137	162

The above tables include all projects irrespective of WDA involvement. It should also be noted that the figures regarding jobs and capex are based on those stated by the companies at the time of the decision to invest and do not take into account any subsequent developments.

The number of projects has remained relatively consistent over the 5-year period but new job creation has declined as has the number of jobs safeguarded.

11 FACTORS LIKELY TO INFLUENCE FUTURE SUPPLY/DEMAND

The following factors will affect demand for property and / or land and should also be taken into account. This section provides a review of those other factors which will have a varying impact on the economic prospects of the Borough.

11.1 SOCIO-ECONOMIC FACTORS

Supply and demand is influenced by prevailing socio-economic conditions measured by factors such as income, employment, health, education, housing, environment etc. In Bridgend, the major employment locations are in less disadvantaged areas centred around the M4: e.g. Pencoed, Bridgend / Waterton I.E.'s, Pyle etc. The most disadvantaged areas are generally to the north of the Borough where there are fewer employment sites.

From a socio-economic perspective, Bridgend has made some improvement if one compares the Welsh Index of Multiple Deprivation 2000 - Local Authority Analysis - with the 2005 Index but much more needs to be done. WIMD 2000 is enclosed in **appendix 18** and WIMD 2005 (revised date December 2005) is enclosed in **appendix 19**.

An extract from the WIMD 2005 report summarising the overall level of deprivation for each Local Authority compared with the median rank for Wales is shown below in **Figure 11**. This compares Bridgend with other local authorities throughout Wales in terms of the factors mentioned above.

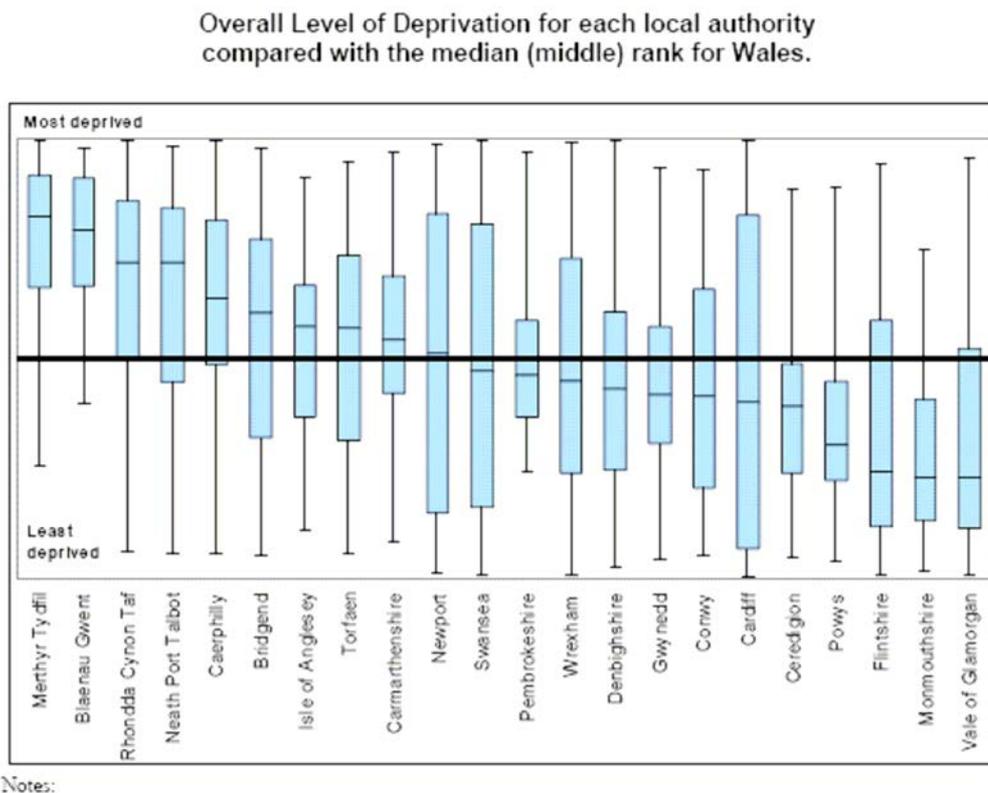


Figure 11: WIMD 2005

The cartographic map of Bridgend enclosed in this report at **Appendix 20** shows the lower level super output areas for the Borough. It is interesting to note the

correlation between this map and the map showing employment locations as well as noting where most new housing development is taking place.

This section is not an in depth analysis of the socio-economic characteristics of Bridgend County Borough. Rather it is merely a reflection on current prevailing socio-economic conditions and how they might influence supply and demand.

The latest NOMIS Labour Profile for Bridgend is enclosed in **appendix 21**. This is supported by further data in **appendix 22** which highlights socio-economic trends. Of particular note is the fact that in 1995 manufacturing employee jobs stood at 29.7% whereas in the latest NOMIS Labour Profile it stood at 21.2% representing a significant downward trend. On the other hand, service employee jobs in Bridgend stood at 65% in 1995 compared with 73.4% in the latest NOMIS Labour Profile. These trends reflect the downturn in the manufacturing sector and the upturn in the service sector.

Size band analyses of enterprises active in Bridgend both in terms of enterprise count and employment are enclosed in **appendix 23**. Not surprisingly there is a high percentage of micro-businesses (0-9 employees) but what is also of interest is that on the enterprise count table Bridgend has one of the highest percentage shares of small businesses in the 10 – 49 employee category. With regard to the large employers (250+ employees) Bridgend has the third highest share after Merthyr Tydfil and Torfaen.

In the 'medium to large' employment categories, Bridgend has a relatively large proportion of employee numbers and in the light of recent events over the last 12 months there has been a consequent greater impact on employment in Bridgend because of the demise of companies like Christie Tyler, Wrigleys, Diaplastics etc.

Tables 17 and 18 below show the 'creations' and 'deletions' of VAT business registrations/de-registrations from 2000 to 2004 applicable to middle layer Super Output Areas (SOA's) within Bridgend. By extrapolation, one can ascertain the main geographical locations within the Borough where most businesses are established.

	Creations 2000	Creations 2001	Creations 2002	Creations 2003	Creations 2004
Bridgend 001	5	10	5	10	10
Bridgend 002	15	5	15	10	20
Bridgend 003	10	10	10	10	5
Bridgend 004	10	5	10	5	5
Bridgend 005	5	10	10	10	5
Bridgend 006	10	5	10	20	20
Bridgend 007	15	10	10	15	15
Bridgend 008	20	20	25	30	20
Bridgend 009	20	15	20	30	20
Bridgend 010	5	5	10	10	10
Bridgend 011	10	10	10	15	10
Bridgend 012	5	0	0	5	5
Bridgend 013	15	15	15	15	10
Bridgend 014	30	40	25	35	25
Bridgend 015	25	25	25	30	20
Bridgend 016	5	10	5	5	5
Bridgend 017	15	15	5	10	20
Bridgend 018	25	20	20	20	25
Bridgend 019	15	10	10	25	10
Total	260	245	240	305	255

Table 17: NSO Creations (VAT Businesses) 2000 – 2004. Data as at March 2005

	Deletions 2000	Deletions 2001	Deletions 2002	Deletions 2003	Deletions 2004
Bridgend 001	10	0	10	5	5
Bridgend 002	15	5	15	10	5
Bridgend 003	10	10	10	10	15
Bridgend 004	5	5	10	5	0
Bridgend 005	10	5	15	15	5
Bridgend 006	5	15	5	15	10
Bridgend 007	10	5	5	10	10
Bridgend 008	15	15	20	15	25
Bridgend 009	20	25	20	25	15
Bridgend 010	10	5	5	15	5
Bridgend 011	10	15	15	10	5
Bridgend 012	5	5	5	5	5
Bridgend 013	10	15	10	15	15
Bridgend 014	30	30	20	20	30
Bridgend 015	10	15	30	25	25
Bridgend 016	5	5	5	5	5
Bridgend 017	5	10	10	15	10
Bridgend 018	25	20	20	35	20
Bridgend 019	25	20	15	15	10
Total	230	215	245	275	240

Table 18: NSO Deletions (VAT Businesses) 2000 – 2004. Data as at March 2005.

Plans for each of the 19 super output areas – middle layer – are enclosed in **appendix 24**.

For example, SOA's 8 and 9 represent Village Farm I.E. and North Pencoed respectively. SOA's 14 and 15 represent Bridgend (Brackla) and Bridgend I.E. / Waterton I.E. respectively. SOA's 18 and 19 represent Portcawl West and East. It should be noted that VAT registered businesses also includes shops.

11.2 CURRENT ECONOMIC FACTORS



Economic Outlook: UK

2006/07:

- UK growth edging up over 2006, but still below trend
 - Consumption spending remaining below trend
 - Business investment subdued
 - Public spending stimulus begins to fade

	2005	2006	2007
GDP	1.8	2.2	2.5
Consumption	1.9	2.0	2.2
Investment	3.3	3.9	3.1
Exports	5.2	4.1	4.2
Imports	4.8	4.7	4.1
Current a/c (% of GDP)	-1.8	-2.2	-2.1
CPI (Q4)	2.1	1.9	2.0
Unemployment (Q4)	1.42	1.45	1.44
PSNB (% of GDP)	3.0	3.1	2.8
Base rates (Q4)	4.50	4.25	4.25

Figure 12 above: CBI Economic Outlook UK

Doug Godden, **Head of Economic Analysis for the CBI** suggests that the World

economy is robust with 4% growth last year despite increases in oil prices and metals. With regard to the UK economy there was 1.8% growth last year and the long term average is expected to be about 2.4%. See Figure 12.

Research by the CBI reveals that last year there was a modest reduction in gross value added overall but with improvements due in 2006/2007. There was a significant decline in manufacturing output in 2005 but according to Experian Forecasts this is likely to improve in 2006/2007.

Graphs showing the economic outlook in Wales can be seen in **Figure 13**.

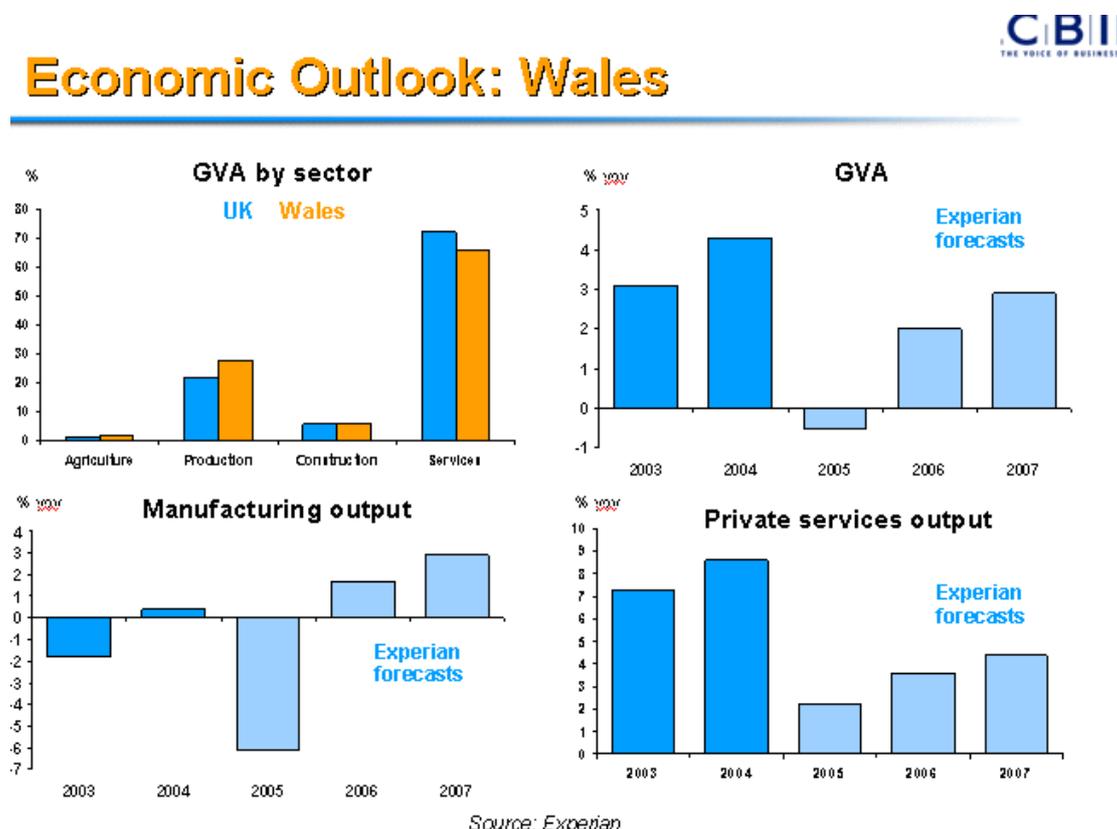


Figure 13: CBI Economic Outlook in Wales

According to the British Chambers of Commerce the prospects for 2006/2007 are benign overall but Global growth is set to continue at the same mediocre pace as in 2005. In both 2006 and 2007 GDP is forecast to grow by 3.3% to 3.4% in the US; 2.1% - 2.2% in Japan and 1.8% to 1.9% in the EuroZone. Growth in the UK (according to the BCC) will be 1.75% in 2005, 2.1% in 2006 and 2.4% in 2007.

Table 19 shows forecasts for the Welsh economy for the period 2005 to 2007. Partly as a consequence of UK economic developments and of a slow growing Euro Area Economy these Welsh forecasts have been revised downwards by the Welsh Economy Research Unit. The downturn trend in Welsh manufacturing output over the last 12 to 18 months is significant. Whilst the manufacturing sector is only a part of the economy, Wales is more vulnerable to manufacturing slowdown than the relatively more service-sector dominated UK economy. The Welsh economy has experienced job gains in service sectors however, the generally lower value added nature of such employment means it will not directly replace outputs lost by manufacturing. The Welsh economy is forecast to grow by less than 1% in 2005 increasing slightly to 1.2% in 2006 and 2007.

	2005	2006	2007
Wales	0.9	1.2	1.2

Table 19: Forecast change in real GVA % - WERU

At a recent property conference, Professor Max Munday from the Welsh Economic Research unit (WERU) of Cardiff University summarised the contemporary situation for Wales as follows:

- GDP per capita approx 79.1% of UK average.
- Manufacturing approx 15% of employment.
- Market Services approx 40% of employment.
- Non-market services approx 33% of employment.
- Unemployment up circa 3% (but what about inactivity rates).
- Disposable household income is 88.2% of the UK average.

In summarising recent regional events and progress, manufacturing has continued to decline in much the same way as the decline in foreign direct investment because of increasing fierce competition to attract such investment. Positive features relate to: the resilience of selected services sectors which have improved; the strength of labour markets which have also improved and institutional changes which have more or less stayed the same. The renewal of the Structural Funds Programme for West Wales and the Valleys is welcome but represents a double-edged sword.

Figure 14 below highlights in stark terms the contrast between the Welsh and UK index of production.

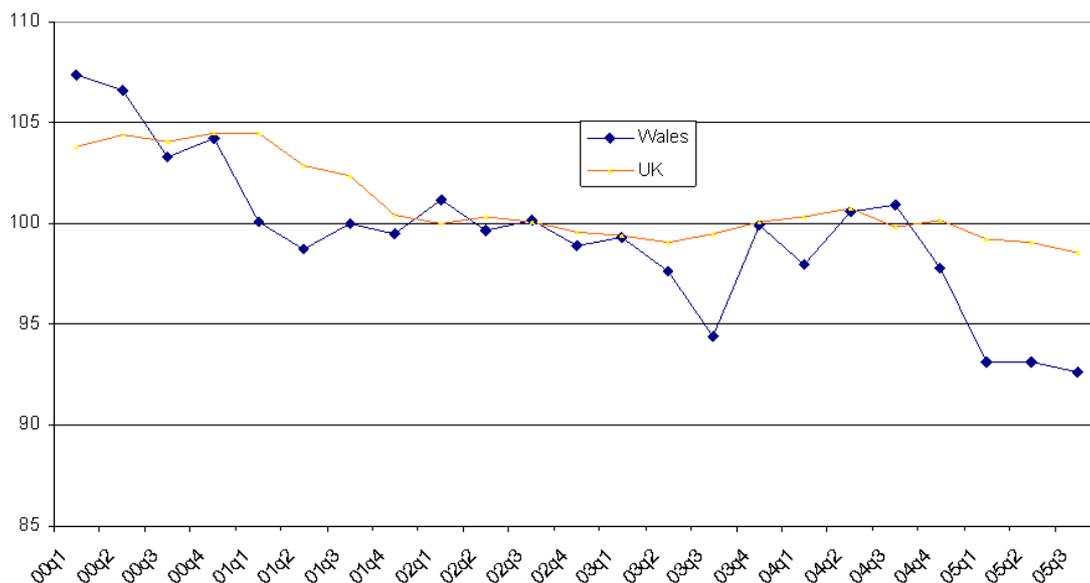


Figure 14: Contrast between Welsh and UK Index of Production - WERU

Related issues concern the loss of relatively well paid manufacturing jobs, the relationship to GVA (gross value added), the increasing competition to attract FDI (Foreign Direct Investment) into Wales and job losses linked to the exit of inward investors.

Figure 15 below shows the resilience of some services industry groups and is an extract from a slide presentation given by Professor Max Munday WERU Cardiff University.

Growth of employment 1999-00/2004-05

Distribution, hotels & restaurants	+26.1%
Transport and communications	+31.1%
Fin and business services	+15.6%
Public admin edu & health	+11.0%
Other services	+21.9%

Net effect c. manufacturing losses against these gains c. + 93,000 jobs according to LFS

Increase in non-market sector alone nearly enough to offset decreases in manufacturing

Rationalisation and restructuring in financial and business services & rapid growth of employment in call centres

Figure 15: Resilience of some services industry groups - WERU

In relation to service sector resilience, Professor Munday suggests that there is some new full-time employment. There is an increase in activity rates (female activity rates have increased) and there are higher levels of part-time employment. His view is that the main issues up until 2010 are as follows:

- Growth of the Welsh Economy will continue to lag behind the UK average.
- Welsh GVA per capita will remain around 80% of the GB average.
- Employment increases in sectors of the economy where a pay gap with UK average tends to be larger.
- Areas of financial and business services vulnerable to trends in globalisation, restructuring and rationalisation.
- Few parts of Welsh manufacturing expected to see consistent growth of output or employment.
- **Generally bumping along: increasing employment is not closing the gap on critical indicators such as GVA.**

At the end of 2005 **Deloitte** published a report entitled **“Trading Places”**. According to that report the UK is ranked 6 amongst 25 World economies as the most competitive place in the World to do business, but according to the report this position is projected to slide to 12 if Government and business don't take action now. The report analyses macro-economic conditions, enterprise, skills, innovation and tax/regulation and includes a survey of 300 UK business leaders across industries.

Based on the report's findings, manufacturing business leaders were the most negative about the UK as a place to do business with only 24% of manufacturers surveyed believing that the UK is a good location for their operations.

Figures 16 and 17 illustrate the points made above.

According to the report manufacturing business leaders expect a further 20% of UK production to relocate offshore – possibly in emerging economies including China – over the next 5 years.

The report suggests that the UK Government has taken steps to improve access to skills and innovation for manufacturing businesses and as a result these are the two areas where respondents could see an improvement. However, UK regulation and the tax regime continue to concern the Industry and are likely to be a disincentive for manufacturers to locate production facilities in the UK.

Exhibit 2 – The Deloitte Competitiveness Index, sub-index and variable rankings, 2005³

	Deloitte Competitiveness Index ranking	Macroeconomic stability	Enterprise	Innovation	Investment	Human capital	Openness
US	1	1	2	2	5	2	22
Sweden	2	11	10	1	8	8	6
Finland	3	17	19	4	11	12	7
Denmark	4	10	13	7	2	13	11
Germany	5	4	15	6	16	7	15
UK	6	5	4	12	12	10	12
Canada	7	9	5	13	4	3	8
Japan	8	22	21	21	5	11	24
Switzerland	9	19	20	3	25	9	9
Austria	10	14	17	10	9	19	4
Australia	11	7	3	17	1	4	21
France	12	3	22	9	22	20	19
South Korea	13	15	11	15	17	5	5
Belgium	14	12	23	8	15	17	2
Norway	15	20	6	14	18	1	14
Netherlands	16	8	18	11	14	16	3
Spain	17	6	7	19	10	24	13
Ireland	18	13	8	16	7	18	1
New Zealand	19	16	1	20	22	6	18
Italy	20	2	16	20	3	23	20
Greece	21	21	9	22	23	20	17
India	22	23	24	21	19	27	23
Portugal	23	18	15	23	13	25	10
China	24	24	12	25	21	25	9
Russia	25	25	–	24	24	14	–

Source: Deloitte Research UK, 2005.

Figure 16: Deloitte Competitiveness Index

Jane Lodge, Head of Manufacturing at Deloitte says: *“The UK is at a critical point in its evolution as a centre for Global business and its challenge is to turn accelerating globalisation into competitive advantage. In the UK between one fifth and on third of all functions are located abroad but this position will need to be kept under constant review in order to tap the global market. For their part, Government must concentrate on further policy reforms to ensure they remain in line with the World’s best practices. A greater focus on R & D expenditure and smarter, rather than more, regulation should be a priority.”*

The US is at the top of the league table with a strong performance across all sectors and a particular strength in Research & Development (3.2% of its’ GDP is invested in R&D). Nordic countries Sweden, Finland and Denmark followed closely behind with strength in innovation and investment, while Germany was placed 5th in the ranking owing to its’ strong innovation base, enterprise and investment environment.

In emerging countries, South Korea is the front runner ranked at 13 followed by India at 22 and China at 24. These countries are all expected to climb the ladder creating a tougher trading environment for continental Europe.

Exhibit 7 – Home front: has the UK got better or worse as a place to do business over the past five years?

	Current rank (1-10 scale)	Has the UK got better, worse or stayed the same over the last five years as a business location?			Will the UK get better, worse or stay the same over the next five years as a business location?		
		Better %	Worse %	Net (better- worse) %	Better %	Worse %	Net (better- worse) %
Access to capital	7.3	40	12	+28	34	14	+20
Macroeconomic stability	6.9	37	22	+15	30	28	+2
Market dynamics	6.8	43	15	+28	45	16	+29
Skills of the workforce	6.7	42	29	+13	51	27	+24
Innovation	6.7	45	14	+31	54	9	+45
Effectiveness of regulations	6.1	28	40	-12	34	36	-2
Fair taxation	5.2	10	46	-36	18	46	-28

Source: Deloitte Research UK, 2005.

Figure 17: Has the UK got better or worse over the last 5 years: Deloitte Research

The question that follows from this research at a macro level is how does Bridgend measure up at a sub-regional level? What about the Bridgend based Wales Top 300 companies? See figure 18 below. Are they threatened by prevailing conditions at the macro level and what impact could this have on supply of and demand for employment land?

Bridgend-Based, Wales Top 300 Companies											
	Company Name	Position	Period	Turnover £000s (current year)	Turnover £000s (previous year)	Pre-tax profits £000s (current year)	Pre-tax profits £000s (previous year)	Employees (current year)	Employees (previous year)	Profit margin % (previous year)	Ultimate parent
5	Biomet UK Ltd	50	30/04/2004	93,782	67,760	17,539	10,957	520	492	16.2	Biomet Inc
6	Harman International Industries Ltd	54	30/06/2005	87,488	81,669	4,563	5,897	785	815	7.0	
7	Bayer Diagnostics Manufacturing Ltd	63	31/12/2004	74,014	68,284	3,903	7,160	172	193	10.5	Bayer AG
8	Rockwell Ltd	70	31/12/2004	66,875	62,345	513	2,130	450	459	3.4	Rockwood International AVS
9	Macob Holdings Ltd	100	30/06/2004	60,280	63,267	3,037	2,460	448	875	4.6	
10	F & R Dunlop Services Ltd	116	31/03/2004	44,718	43,424	825	816	446	426	1.9	
11	Sas International Ltd	142	31/12/2004	34,886	47,672	741	1,167	391	431	2.5	
12	J W & E Morris & Son Ltd	162	30/06/2004	30,723	30,499	920	1,082	450	405	3.5	Morris McLellan Ltd
13	Atlantic Plastics Ltd	173	30/09/2003	29,110	30,874	3,052	-1,159	481	470	-3.8	Tyco International Ltd
14	Bridgend Custodial Services Ltd	174	30/09/2004	29,049	29,001	3,956	3,943	3	3	13.5	Nordic Capital Ab
15	Invacare UK Operations Ltd	176	30/11/1994	28,925	25,725	1,658	2,936	181	161	11.4	Invacare Corp
16	Biotrace International PLC	192	31/12/2004	26,639	19,901	2,550	3,312	291	192	16.6	
17	Brick-Ability Ltd	224	31/03/2004	22,640	24,044	87	192	74	70	0.0	Brick-Ability Holdings Ltd
18	Golden Vale Dairies Ltd	235	31/12/2004	21,789	20,554	290	238	199	199	1.2	Freshgrass Investments UK Ltd
19	Coppice Alupack Ltd	254	31/12/2004	20,226	19,407	2,158	1,920	195	199	9.9	Melh 000 Ltd
20	Jehu Project Services Ltd	293	31/03/2004	16,786	11,071	227	174	66	65	1.6	

Figure 18: Bridgend based Top 300 companies.

11.3 POLITICAL FACTORS

In December 2005 a report was published entitled “**The Cox Review of Creativity in Business**”. It was commissioned by the Treasury.

By way of background in March 2004 the Chancellor of the Exchequer asked Sir George Cox, a former Director General of the Institute of Directors, to conduct a review into how to exploit the UKs creative skills more fully to enhance national economic performance and productivity. The emphasis of the study was on the use of creative skills by small and medium enterprises (SMEs) which account for 50% of the UKs GDP. It focussed specifically on those engaged in modern manufacturing on the basis that creative capabilities grow out of the need to service various industries – much as fashion design grew to meet the needs of the clothing industry. Two specific issues which the review sought to address were:

- How to strengthen the relationship between businesses and creative professionals.
- How to strengthen links across University departments and with Industry.

The review noted: *“What is impressive – and worrying – about the emerging economies is not where they stand today but how they are positioning themselves for the future. Alongside the enterprise and vigour that characterise their economic growth, they are building up new technology based industries and impressive capabilities in scientific research, and investing massively in education, technical skills and creative capabilities. As a consequence, it is now the high-skilled jobs in the hitherto leading economies that are coming under threat.”*

Far East nations such as China, Korea, Singapore and Taiwan are not the only threat – the huge economies of Brazil and Russia are also becoming prominent global players. The four potentially largest developing economies – Brazil, Russia, India, China (BRIC) – currently have a combined GDP which is 20% that of the G6 (US, Japan, Germany, UK, France, Italy). By 2040 (see figure 19) the review suggested they will overtake the latter effecting a huge shift in economic power and with wide-ranging ramifications for global markets and competition.

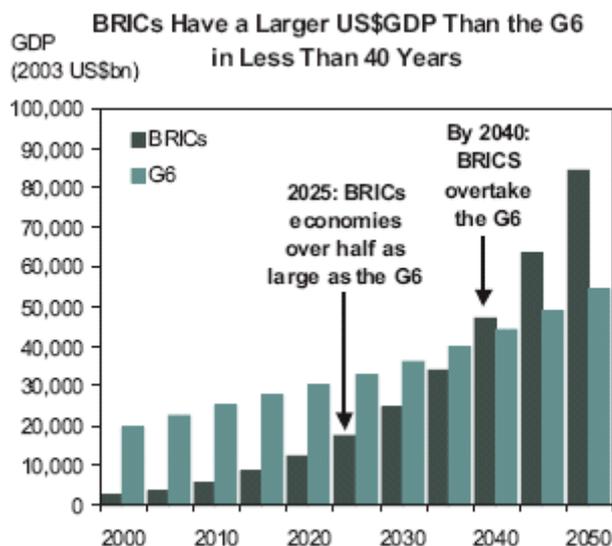


Figure 19: Dreaming with BRICS - The Path to 2050 (Dated October 2003)
Goldman Sach.

In an increasingly fiercely competitive market place the report suggests that there is a window of opportunity over the next 5 – 10 years but only if as a nation we become more innovative.

The report notes that both historically and contemporarily the UK has an excellent record on creativity and innovation, for example, the World Wide Web and the I-pod, and the UK has produced over half of Nobel prize-winners in the Bio-Technology field. The review found a number of obstacles to businesses turning creativity and innovation into a competitive advantage as set out in figure 20.

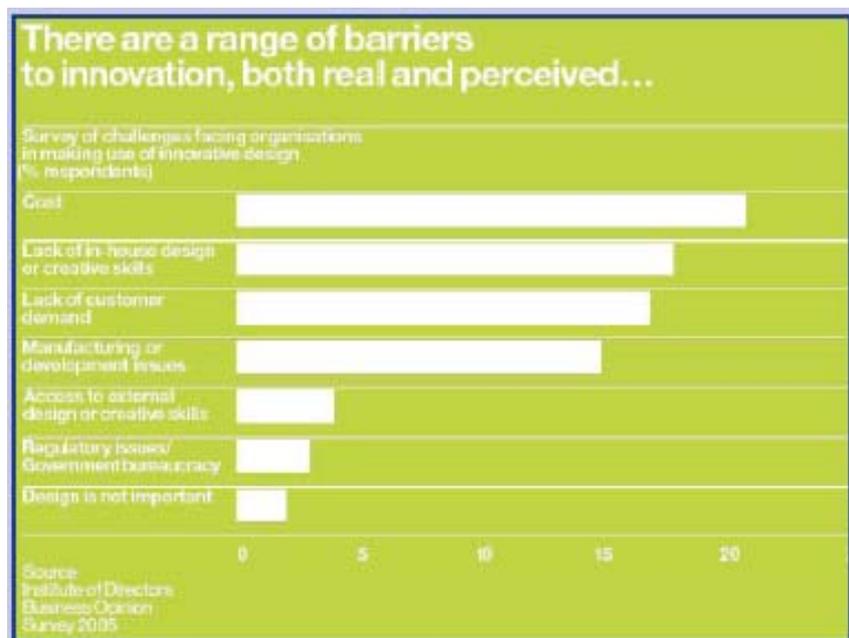


Figure 20: Barriers to Innovation – IOD Business Opinion Survey 2005

The review made five recommendations deemed to have the most significant national impact, namely:

- i. Creating greater visibility for the UKs creative capabilities by establishing a network of creativity and innovation centres throughout the UK with a hub in London.
(Each centre could house exhibition space, seminar facilities, a hub for creative industry gatherings, educations facilities, space for professional and trade bodies, retail environment, incubator space and serviced office facilities. Several examples in the UK already working on similar lines include Scotland's Lighthouse Centre for Architecture, Design and the City; the proposed Northern Design Centre and London's Design Museum).
- ii. Raising awareness and changing behaviour by introducing the Design for Business Programme to engage SMEs and demonstrating the practical benefits of applying creativity.
(The Design for Business Programme, developed by the Design Council in collaboration with businesses and regional development agencies is aimed at doing just this and over the past four years has been piloted with more than 150 companies. The majority of the 61 companies that have been through the full two year programme have reported significant improvements in performance. The review recommended that the Programme is rolled out over the next two years, led by the DTI and with the

involvement of the regional development agencies and devolved administrations. In a Welsh context, WAG has published a document entitled "Creative Success – A Strategy for the Creative Industries in Wales". The Strategy aims to support and encourage those Wales-based creative businesses that can make a significant contribution to the economy in Wales.)

- iii. Providing support and incentive by revising the R&D (Research and Development) tax credit system to increase its effects on smaller businesses.
(The review recommended that the range of costs eligible for tax credits should be revised to reflect better the full costs of undertaking R&D, the company size for eligibility should be increased to 500 from 250 and there should be a unit within the HM Revenue and Customs to inspire the confidence of businesses through a consistency of application and guidance).
- iv. Preparing future generations of creative specialist and business leaders by improving links between design schools and businesses.
(The review noted that although links between big business and universities have improved markedly, the same cannot be said of universities and SMEs. It is recommended that links between design schools and SMEs are encouraged. It also suggested that higher education should prepare students to understand other specialists, to ensure that they have a broader understanding of other disciplines. Centres of Excellence should be established for multi-disciplinary courses combining management, engineering, technology and the creative arts).
- v. Using the power of public procurement.
(The Public Sector is estimated to spend £125billion a year on goods and services, exerting a huge influence over many thousands of companies. The approach to public procurement for both Local and Central Government should be adapted to encourage more innovative solutions from suppliers).

By way of a nuance, cultural industries are defined by the UK's Department of Culture, Media and Sport as "Those activities which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property". The creative industries include:

- Advertising.
- Architecture.
- Crafts and Design of Furniture.
- Fashion clothing.
- Film, video and other audio-visual production.
- Graphic Design.
- Educational and Leisure software.
- Live and recorded music.
- Performing Arts and Entertainments.
- Television, radio and internet broadcasting.
- Visual Arts and Antiques
- Writing and Publishing.

Bridgend CBC needs to reflect on where the 'creative industries' sit within their economic regeneration agenda.

The Knowledge Bank for Business (KB4B) Initiative launched by the National Assembly for Wales is to be a new mechanism for delivery support to high growth Welsh businesses. It is described as a Top Ten Manifest Commitment of

the Welsh Assembly Government and it is meant to provide a seamless interface with suitable companies helping to draw together advice and resources from across the public and private sectors to address market failures that would otherwise hold back individual businesses from growing strongly.

The Welsh Economic Research Unit observes that there does not appear to be any information regarding the nature of any objective economic analysis used to guide the choice of potential recipients for KB4B attention. Some of the cited companies are operating in burgeoning markets and face growing demand, while others are active in ageing sectors showing little or no growth in the UK. Without commenting upon the whys and wherefores for such an initiative, initial research reveals that 54 companies were targeted: 14.8% in North Wales and 85.2% in South Wales.

Of the total number of South Wales companies Bridgend had 6.52% as a proportion and this included ASSE-Irving GQ, Biotrace International and Logica CMG Cymru. A list of the KB4B companies is enclosed in Appendix 25.

11.4 Environmental Factors

There is no doubt that demand for locations and employment sites will be influenced by the quality of the environment. The fact that it is a high priority is underpinned by the following statements from previous reports, policies and initiatives.

WAG's consultation document entitled: WAVE – November 2005 – states that their vision is of a vibrant Welsh economy delivering strong and sustainable economic growth by providing opportunities for all. The approach for realising this vision will be built around sustaining: a skilled, innovative and enterprising workforce; an advanced technology and knowledge base; strong communities; **a stunning natural environment and an exceptional quality of life.**

This was recognised in a much earlier report by Opus - **Landscapes Working for Bridgend County Borough.** In that report a strategy was formulated to contribute to both the economic and environmental development of the Borough. It highlighted three distinct areas which clearly demonstrated differing socio-economic and landscape issues and opportunities, namely:

- *'The Valleys – where major landscape improvement is needed in the upper valleys.*
- *Mid-Ogwr – where development needs careful integration into the landscape.*
- *The Coast – where a balance needs to be struck between a superb landscape resource and tourism and recreation needs.'*

Learning to Work Differently dealt with the WDA's sustainability policy. In relation to Managing the Environment and Resources a number of the policy statements are set out below:

- 'We will integrate the protection of the environment and the effective use of natural resources into all our decision-making processes, and we will work in partnership with other organisations to meet our own, and others' objectives concerning the environment and the use of natural resources.
- The Agency will contribute to the aims of reducing greenhouse gas emissions and developing diverse supplies of energy in environmentally acceptable ways – with a particular focus on renewable energy.
- We will work closely with Local Authorities and developers to reduce reliance on road traffic by measures such as preparing sustainable

transport plans for employment sites, and encouraging facilities for the transfer of freight from road to rail.

- We will strive to avoid negative impact on landscape and biodiversity arising from our development activity.
- We will continue to work in partnership with others to promote and develop a rural economy which protects and preserves the quality of the Welsh landscape and which enhances biodiversity.

A Smart Future 2005 (Sustainable Economic Regeneration Strategy and Action Plan for Bridgend County Borough 2005/2006 and 2007/2008) highlights the importance of modernising the economy and strengthening communities in part through landscape / environmental improvement.

Creating Sustainable Places sets out the WAG's sustainability and design quality expectations for all regeneration and development projects that they are asked to deal with. They believe in a definition of 'sustainable places' as places where people want to be in, live in and work in. All projects seeking support from WAG require sustainability and design statements.

All of this is aimed at making Wales an even better place to live in – a clear recognition that the environment has a key role to play in the demand equation.

11.5 Technological Factors

One of the key planks of 'A Winning Wales' is encouraging innovation. This was recognised as far back as 1996 in the guise of the Regional Technology Plan (RTP) when a framework was developed to support companies in the profitable exploitation of innovation for competitive success in Wales.

Through its partnership approach the RTP has successfully influenced policy and leveraged resources to enable innovation strategy to be fully embedded into the Welsh economy with significant impacts on company and regional competitiveness.

RTP Objectives have been shaped from the outset to:

- Create a consensus on a strategy to improve the innovation and technology performance of the Welsh economy.
- Create a framework for public policy and resource allocation for innovation and technology in Wales.

The continued success of RTP will enhance the chances of improving demand whether actual or latent.

Examples of Bridgend based companies that have benefited from RTP include South Wales Engineering Services (Bridgend) Ltd and Cultech.

11.6 The Culture of the Authority

Externally, it is recognised that Bridgend CBC adopts a proactive approach to economic development and regeneration. This is a key essential in creating the conditions to influence supply and demand.

It is responsive and there is a well tuned business support network comprising – for example - the WDA, Wales Trade International, Enterprise Agencies, Venture Wales, Business in Focus, Entrepreneur Action, Potentia and Business Eye. This collaborative 'working together' signifies the culture of the authority: it is open for business, keen to do business and good for business.

11.7 Review of Extant Policy

Planning Policy Wales: Policy and Strategy Review

The context for sustainable land-use policy in Wales is provided by Planning Policy Wales (March 2002). The National Assembly's key policy objectives include: to promote resource-efficient settlement patterns that minimise land-take and urban sprawl, wherever possible avoiding development on greenfield sites, and to locate developments so as to minimise the demand for travel, especially by private car. In promoting sustainable patterns of development the Assembly states that higher density development should be located at hubs and interchanges and close to route corridors.

The Assembly Government's objectives for economic development include to ensure that development for enterprise and employment uses is in line with sustainability principles, respecting the environment in its location, scale and design.

Local Planning Authorities are therefore required to ensure that sufficient land is designated for employment which is suitable for development for enterprise and employment uses and well served by infrastructure so as to meet both identified and as yet unidentified needs.

Wales Spatial Plan

The Wales Spatial Plan sets out a strategic framework to guide future development and policy interventions in Wales plus it aims to provide a spatial aspect to Government Policy. The plan seeks to promote a sustainable economy and its objectives include: to achieve a critical mass of population and business activity in the key economic areas for Wales's long-term European and International competitiveness.

The plan's vision for the South East area is as an *innovative skilled area offering a high quality of life - international yet distinctively Welsh. It will compete internationally by increasing its global visibility through stronger links between the Valleys and the coast and with the UK and Europe, helping to spread prosperity within the area and benefiting other parts of Wales.*"

The strategy identifies the 'close functional relationship' between Cardiff and the surrounding settlements, including Bridgend. It states that *"this needs to be built on constructively, making Cardiff the focal point of a coherent and successful urban network in South East Wales, all of which is able to share in its prosperity"*. Integrated transport is highlighted as being central to this.

The general spatial focus of the South East area action plan is on Cardiff, the Heads of the Valleys, and the Valleys' Communities. Bridgend is located on the edge of the South east area and there is no policy focus directed specifically at this area in the WSP.

The area actions are generally focused on an integrated transport system for the region and housing aims. In terms of employment site provision it states that this should be *"reviewed in consideration of this Plan and the WDA Property Strategy to bring forward new proposals and reallocate sites where necessary, optimise the potential of existing sites and develop proposals for the location of a Premier Business Park in South East Wales"*.

National actions relating to the area include education, skills training, social exclusion and affordable housing. There is no specific aim or action plan concerning this area that is of direct relevance to this study

A Winning Wales (2001 / 2004) – The National Economic Development Strategy for the Welsh Assembly Government (now superceded by A Winning Wales)

The objectives of the Wales Spatial Plan are to be implemented at the all-Wales level primarily through the development and review of A Winning Wales – now superceded by A Winning Wales. The document states that it provides “a clear vision, and provides the route map to delivering for the people of Wales a prosperous Welsh economy that is dynamic, inclusive and sustainable and is based on successful, innovative businesses supported by a highly skilled, well-motivated workforce.”

The plan strives to achieve Welsh GDP per person rising to 90 % of the UK average over the next decade - with the ultimate aim of achieving parity. It states that, to achieve this, the industrial structure of the Welsh economy must be *“modernised to ensure that Wales has a higher share of employment in high-growth, high-skill and high value-adding industries and occupations, and moves up from the assembly-line branch factory economy”*

A Winning Wales provides a number of key areas for action to achieve this vision including:

- increasing the knowledge, research and development, and innovation capacity in all parts of the Welsh economy
- encourage more people into jobs to bring down the levels of economic inactivity
- build on strengths in manufacturing; and,
- increase the number of jobs in financial and business services

It acknowledges that in Wales the well-established trends towards more highly-skilled employment are *“likely to continue in the face of EU enlargement, globalisation, and technological change”, but that this is likely to be accompanied by “lower, but significant, growth in lower skilled personal services”.*

Objectives for the Assembly include *encouraging innovation* through increasing the number of incubator facilities across Wales for innovative businesses.

Supporting businesses is another objective and the Assembly will undertake *“more proactive targeting of business and marketing of key sites...to make Wales the best business environment in the world and to ensure that companies with the ambition and potential to grow in Wales are encouraged and supported”.*

The Assembly will *“work with the private sector, WDA, local authorities and other bodies, to ensure an adequate provision of quality sites, premises and other infrastructure in the right places; direct public sector provision will be needed for the foreseeable future in many areas of Wales, but the policy should be to support private sector provision wherever possible; and improve competitiveness...”*

Bridgend County Borough Council Unitary Development Plan (2005)

Bridgend CBC adopted its Unitary Development Plan in May 2005 and this forms the statutory development plan for that area.

It affirms the importance of providing an adequate supply of land to meet employment development needs.

The required supply of employment land to maintain unemployment levels at the 1996 level is calculated to be 76 hectares, assuming an average density of 50 jobs per hectare and that all new jobs are provided on new sites. Just of 146 hectares of land would be required on this basis to reduce employment levels to zero.

The provision during the plan period of 252 hectares for commercial and industrial development is therefore considered to be more than adequate to cater for the requirements of the County. It states furthermore that *"the land allocation is more than capable of satisfying the needs of the projected population. However it is recognised that the needs of industry are so diverse that industrial land supply should exceed estimated demand to provide choice and flexibility which will assist in the successful marketing of sites"*. It is thereby being assumed that the provision of land will meet the operational, spatial and locational requirements of potential employment uses.

Four sites are allocated as 'key' employment allocations. These sites are characterised as distinguished from other employment sites by their direct access to the strategic highway network. These sites are safeguarded for large scale investment (Policy E2).

There are twenty-two sites allocated for general industrial and commercial development. These are considered by the Authority to be suitable for *"all types of employment uses of varying size and type"*. It is acknowledged that the 17 hectare site at Tondu will require comprehensive redevelopment and that the development potential will only be realised if major infrastructure investment can be secured.

Eleven sites are allocated for small business uses. The UDP states that these sites contribute to the Plan's overall objective of promoting sustainable development and accords with the advice given in PPW concerning the needs of small businesses. Policy E4 (Small Business Allocations) aims to *"actively support this vulnerable sector of the local economy in land-use policy terms"*.

Policy E4 (Oct 2005)

Total allocation	Remaining	Immediate	Short	Medium	Long
22.61	4.93	1.22	0	3.71	0

The total hectarage allocated under this policy is 22.61 and only 4.93 hectares of this is vacant and available either immediately or in the medium term. Sites E4(8) Maesteg Washery (1 ha) and E4(4) Pwll-y-Waun Porthcawl (0.7 ha) are allocated for B1 use only. The Maesteg site is not expected to be available until the medium term: in doubt because of limitation in extent of reclaimed area associated with regeneration.

The UDP also includes fives sites of Special Employment Allocations (Policy E6) which are to be developed to the highest design and environmental standards and are reserved specifically for high technology business, manufacturing, research and development.

Policy E6 (Oct 2005)

Total allocation	Remaining	Immediate	Short	Medium	Long
88.2	43.1	3.88	7.23	31.99	0

Alternative uses are permitted on site allocated under E2,E3, and E4 if they are ancillary to the main use and / or of a *sui generis* employment use class.

The conversion of derelict, under-used, obsolete or vacant land and buildings in urban areas for employment uses is permitted subject to criteria such including that the use is compatible with adjoining uses, no loss of primary shopping street frontage, that the scheme enhances local environmental amenity, and that it can be supported by the highway network. Flexibility therefore exists for the development of such sites within urban areas to meet the requirements of small businesses.

There are four sites allocated for office development (under Policy E10). A total of 1.27 ha was allocated and 0.24 ha remain.

Policy E10 (Oct 2005)

Total allocation	Remaining	Immediate	Short	Medium	Long
1.27	0.24	0.24	0	0	0

Community Strategy

The Bridgend County Borough Council Community Strategy 2005 – 2016 aims to improve the social, economic and environmental well-being of the area.

The Aims include: to improve the quality of life for all; protect and enhance the environment; increase prosperity by investing in lifelong learning, improving skills and supporting new business; and to have safer communities.

It states that local people were keen to see more employment opportunities in the area. The long-term aim under the theme of Employment and Economic Regeneration is to ensure that the County Borough is "*a vibrant local economy which is at the forefront of a wider regional economy and will provide diversity of employment within the County Borough and support a culture of entrepreneurship.*"

The medium-term objectives include to:

- provide an infrastructure of transport, communications and land development, which attracts and retains local businesses

The focus of the Strategy is, of course, towards improving social conditions, through for example education, as opposed to land-use planning actions.

Economic Regeneration Strategy – *Bridgend County Borough: A Smart Future (April 2005)*

This document is prepared by the Bridgend County Borough Economic Partnership which is responsible for championing the sustainable economic and physical regeneration of the County Borough.

The vision for 2004 - 2016 is that the area "*will develop competitive advantages, for itself and its people, communities, businesses and other enterprises, based on becoming a 'smart' community, well maintained, well connected, well informed*

and innovative, playing a significantly enhanced role in the economy of South Wales by developing its locational and human resource advantages".

The strategic objectives include:

- to increase the contribution of Bridgend County Borough to the wider South Wales economy (SO1); and,
- to foster the modernisation of the economy of the County Borough (SO2)

These are seeking to exceed the all-Wales growth in GVA and gross weekly pay; increase the economic activity rate; increase employment, reduce the claimant count; and increase the recycling rate.

A critical initiative of objective SO1 (above) is to create the image of a desirable and investor-friendly county borough. Targets for achieving this are increasing public satisfaction in terms of town centre health checks and increase in tourism spending. Projects identified to achieve these include town centre improvement scheme, regeneration and renewal, strategic infrastructure and transport improvements, plus replenishing the shopping, tourism and leisure offer.

The critical initiatives of objective SO2 include:

- Deliver integrated business support services
- Maintain the aftercare service to external manufacturing investors
- Develop networked centre of excellence in manufacturing training and support.
- Create a programme of inward and outward trade missions
- Develop local procurement and supplier chain initiatives to capture economic benefits of Council's housing stock transfer
- Create a high-quality portfolio of commercial sites and premises

Targets to achieve this are to increase business density, maintain high-tech manufacturing employment; increase knowledge intensive services employment and Green Dragon companies; and to increase the area of land prepared for immediate development. The target for this is to increase by 60 hectares by March 2008.

The projects under the 'Modernising the Economy' action plan include:

Funding for enterprise development – Bridgend Business Support;
Funding of improvements at the following strategic sites: Waterton Technology Centre, Brocastle, Pencoed Technology Park, and Waterton Park.

Funding is also being provided for sites and premises for SME's at the following locations:

- Bocam Park (major private sector investment plus WAG support)
- Site Green 3, Bridgend Industrial Estate (Objective One)
- Industrial Estate Improvement Programme (WAG and BCBC)
 - Section 15 Improvement Grants
 - Litchard Industrial Estate – Road Adoption
 - Forge Industrial Estate

Strategic Objective 5 is to increase the take-up and effective use of new information technology. The action programme states that a pilot project is

currently being undertaken to provide a 'wireless security network' and that this may be extended to general 'industrial estate networks' subject to a project evaluation.

This strategy, overall, identifies the need to promote the area as an attractive location for employment development and also identifies that some improvements are required to bring potential sites forward for development, and that some improvements are being undertaken.

Although it has been shown that more than sufficient land is allocated and available for employment use it is clearly vital that such land is actually attractive, viable and available to the private sector to take forward for development. This element of the economic development strategy is therefore fundamental to facilitating supply and demand.

Property Strategy for Employment in Wales (2004 – 2008) (WAG) has been promulgated because the provision of new property is seen as a key driver in the ability of Wales to secure employment for both indigenous and inward investment businesses. Indeed, Markets are changing and research by Price Waterhouse Coopers and King Sturge reveals that there is a shortage of quality property.

It presents a strategy for developing new employment sites and premises across Wales over the next 4 years. The strategy aims to provide a framework:

- To identify and develop quality sites and premises;
- To redevelop / refurbish existing sites and premises; and
- To be aligned to the Wales Spatial Plan; Sustainable Development Policies; Broadband, Transport and wider Assembly Government policies.

Growth areas have been identified within the plan. The aim is to provide a network of sites throughout Wales to cater for a changing market place. Identified growth areas include:

- Emerging industries
- High Tech manufacturing
- High Level services
- Mainstream manufacturing
- Office services
- General Services
- Leisure and tourism
- Processing industries

The foundation for the new property strategy is the likely scale and demand for employment land and premises in Wales. A review was undertaken – some of the key features were:

- a) *"The overall need to take a realistic view of the likely employment demand prospects for Wales, and the implications for the property strategy.*
- b) *The varying degrees of risk in the different market areas covered by the strategy.*
- c) *Some 70% of projects in the UK foreign direct investment market are in the service sector – with London and the South East having a dominant market share.*
- d) *There were only 6 new "greenfield" FDI manufacturing projects (involving more than 50 jobs) in the UK in 2002/03 – the bulk (some 78%) of FDI manufacturing projects (excluding mergers and acquisitions) in the UK took the form of expansions.*

e) *Wales has a relatively small share of the UK's IT/software, telecoms, and financial services FDI markets (less than 5% in each sector) but a much higher share (over 10%) in the food and drink, automotive and electronics sectors."*

As the table 20 shows, Wales performance is weak in the service sector which is now dominating the UK FDI market, whilst 9 out of 10 projects in electronics and automotive were expansions from existing investors.

Good Wales Performance

Call Centres
Food and drink
Electronics
Automotive

Weak Wales Performance

Finance
IT, internet and e-commerce
Telecoms
Software

Table 20: PWC/KS Research for the Employment Strategy

This position is supported by recent grant award statistics in Wales, which suggest that investment is dominated (69%) by existing business, which also created 48% of all new jobs. This emphasises the importance of reinvestment by existing businesses.

An important consideration is future demand and an extract is included from the Employment Strategy Report.

" For the UK as a whole, the fastest growing sectors from an employment perspective between 2005 and 2010 are expected to be financial and other services, while the fastest declining sectors are expected to be agriculture, mining and manufacturing. The primary sources of new jobs in the service sector are anticipated to be financial and business services, other private sector services and government

In assessing future demand, rapidly growing sectors/activities include:

- *ICT*
- *Financial, management and business services*
- *Contact/shared services*
- *Biotechnology*
- *Leisure/tourism*
- *Publishing, media*
- *Advanced materials/fine chemicals.*

However, sectors, which are currently "in decline", may also produce project opportunities through rationalisation, relocation or modernisation trends.

Examples of sectors include:

- *Semiconductor*
- *Electronics*
- *Automotive*
- *Distribution*
- *Pharma.*

The main property strategy implications of the market demand review are:

- (a) Much of the present demand in Wales (as is the case in the UK as a whole) is for ready-made, modern buildings*
- (b) Wales is not performing well in some of the key growth sectors (especially on the service side) and this may be due (at least in part) to lack of relevant property products*

- (c) *The quality of the property product is an increasingly important consideration from a demand perspective.*
- (d) *The new strategy must address areas of current high demand and introduce new types of property opportunities to take advantage of growing private and public sector opportunities.*
- (e) *A key element of the market in Wales is to enable the 'trading up' and expansion of companies in established sectors like automotive and electronics."*

So what does this mean? In essence, the WDA's property strategy is about plugging gaps in the market place in order to cater and compete for existing and new business in Wales. The aim is to identify 'contender' sites and buildings, carry out feasibility studies and sustainability appraisals and then carry out a market analysis and risk assessment.

The WDA does not intend to compete with the private sector unless there is very clear market failure. Rather, they wish to assist through funding mechanisms such as:

- WISP (Wales Investment Strategic Partnership)
- WIP (Welsh Industrial Partnership)
- Dragon Partnership
- PDG (Property Development Grant)

Put out for consultation in November 2005, **Wales: a Vibrant Economy** confirmed the overall framework for a vibrant economy and this has now been adopted as the strategic economic framework for economic development in Wales. The consultation also provided important pointers for WAG's future plans and actions and these are discussed in the forthcoming Enterprise, Innovation and Networks Business Plan 2006/07 Working Together for Wales.

WAVE states that two high level economic measures of success will be to:

- Increase employment so that over time the Welsh employment rate matches the UK average, even as the UK employment rate itself rises;
- Raise the quality of jobs so that average earnings increase and close the gap with the UK average.

Important elements of any support by WAG will focus on:

- Support by the new EIN department to businesses to stimulate the right employment opportunities;
- Effective tailored education and training for individuals and employers, provided by local schools, colleges, private training providers and employers themselves, and supported by the new department for Education and Lifelong Learning;
- The economic, community and environmental activities of local authorities;
- High-quality responsive and integrated local health services;
- Regeneration projects supported by the EU Structural Funds programmes;
- WAG's 'Communities First' initiatives, which take an inclusive approach to regenerated deprived communities;
- The UK and WAG's support for employees with health conditions to remain in work, including working with their employers; and
- Work with the UK government to encourage those on incapacity benefits to enter work where possible (for example through the Pathways to Work pilots, and the Want2Work initiative supported by EU Structural Funds).

The consultation document suggested support for indigenous businesses as well as attracting international companies, thereby:

- Helping to create an attractive, stable overall business environment; and
- Supporting key drivers for growth for individual businesses (notably innovation, enterprise, skills, investment and trade).

It is suggested that strategic themes will feature strongly, namely:

- Supporting job creation and helping individuals to tackle barriers to labour market participation in the world of work;
- Investing to regenerate communities and stimulate economic growth across Wales;
- Helping businesses to grow and to increase value-added per job and earnings;
- Ensuring that all economic programmes and policies support sustainable development, in particular by encouraging clean energy generation and resource efficiency.

In addition to the drivers of Innovation, Entrepreneurship, Skills, Investment and Trade, the report indicates that WAG has identified a number of sectors that are agreed to be of importance for the future of the Welsh economy including high technology, automotive, aerospace, agri-food, tourism, financial services and the creative industries.

WAVE confirms that WAG and its partners have a substantial programme of land reclamation and property development. Focusing on areas where private sector provision is weak, this seeks to ensure that there is a good supply of quality business premises throughout Wales. The merger will provide better joined-up thinking, bringing together land reclamation and development, property management, ICT and economic regeneration activities to integrate work better to improve Wales' economic infrastructure.

Economic fundamentals such as improving skills, access to technological developments and good economic infrastructure will be vital if any area is to contribute fully to a wider regional economy.

11.8 Review of Extant Research Papers by the Institute of Welsh Affairs and the Global Enterprise Monitor

It is worth reflecting on these research documents in the context of how some of the ideas, thoughts and research might be applicable to Bridgend. Anything that leads to giving the Borough a competitive edge as an attractive location to do business will stimulate demand.

A number of the research papers were prepared by The Institute of Welsh Affairs (IWA). The IWA is a Think-Tank organisation in Wales which challenges thinking and puts forward ideas in order to influence policy.

In the publication **“Innovating to Succeed - Creating Competitive Advantage in the Welsh Economy”** by Nigel Blewitt one of the recommendations in his report was for the development of a cluster strategy for Wales which would focus on a number of key sectors, for example, clusters in the areas of multi-media, biotechnology, cultural activities, agri-food and environmental products. His report mentions Scotland as an example where a cluster strategy has been promoted and Scottish Enterprise is working in partnership with Industry and Academia to develop clusters in oil and gas, food, semi-conductors and biotechnology

The publication by IWA entitled "**World Best Practice in Regional Economic Development**" sponsored by Barclays Bank, One North East and the WDA (in 2001) suggests that regional fundamentals are long-established cultural, governmental/business factors, infrastructure and natural location advantages that seem to underpin the success of a region. 17 were identified:

1. A strategic location.
2. Modern transport infrastructure.
3. Modern telecommunications.
4. An international outlook and networks.
5. Innovative businesses.
6. An entrepreneurial culture.
7. Long established industries with continuing product demand.
8. Well developed network within the region.
9. A highly skilled (educated) workforce.
10. Education playing a central role in economic development.
11. World class educational institutions with a long tradition.
12. Regional autonomy with strong local decision making.
13. A polycentric urban structure with specialisation in individual settlements.
14. Highly developed SME support systems.
15. High quality of life.
16. Positive external image combined with a high profile.
17. Strong local pride / well developed sense of belonging / positive self-image.

In the IWA report entitled "**Competing with the World**" (A Study of the Economic Development Strategies of some of the World's Richest Regions) the report suggests that all successful regions attach a great deal of importance to the development and vigour of the SME sector regarding it as the source of economic vitality. Among other things, the report suggests that:

- Development Agencies should provide serviced incubator units in which space, services and machinery can be hired on an as-used basis.
- The formation of clusters of businesses is necessary to encourage development.
- The development of International links is important whether to obtain foreign know how or for sales and marketing purposes.

In the IWA's "**Creating an Entrepreneurial Wales**" by Professor Dylan Jones-Evans, he suggests that given the increasing pressures on budgets for economic regeneration, the future for inward investment in Wales lies in a more targeted approach, building on the creation and development of potential clusters such as opto-electronics, environmental sciences, medical sciences, high technology engineering, multi-media, software and food. As well as appropriate inward investment businesses these clusters would consist of academic institutions, entrepreneurial new ventures and more importantly, established indigenous businesses. He goes on to say that the only way to improve the prosperity of Wales in the immediate future is to improve the performance of our indigenous businesses ensuring they become more competitive, innovative and entrepreneurial.

In the report by Professor Sir Adrian Webb, Vice Chancellor, University of Glamorgan entitled "**Knowledge and the Welsh Economy**" he recommends that there should be an all Wales network of incubating units associated with HE (and FE) and funded wherever possible with European funds. Such incubator units should support externally initiated micro/small businesses in their start-up days (spin in) as well as companies spun out from HE institutions. There should not be an exclusive preoccupation with high tech or manufacturing companies.

The Global Entrepreneurship Monitor (GEM) 2004 Wales Executive Report showed that between 2000 and 2004 entrepreneurial activity in Wales had doubled. In 2000 it was found that 2.6% of the Welsh population was involved in some type of entrepreneurship, a figure that had risen to 5.5% by 2004.

An extract of the executive summary from the latest version of the GEM prepared by Professors David Brooksbank and Dylan Jones-Evans is enclosed in Appendix 26.

South East Wales Development Strategy (Enter the Dragon Economy)

The South East Wales Development Strategy contains the 10 year Strategy from the Development Framework for South East Wales and in particular SEWEF. The vision is that South East Wales is on the way to becoming one of the most prosperous regions in Europe, and providing opportunities for every individual, enterprise and community to share in that prosperity.

WAG's National Economic Development Strategy (*A Winning Wales* and *Wales - A Better Country*) have informed the strategy as well as research indicating that across Europe, five factors were consistently rated as the main drivers of competitiveness:

- Strategic decision making capacity;
- Connectivity;
- Economic diversity and specialisation;
- Innovation systems and
- Quality of the workforce.

This document focuses on the importance of the capital region and suggests that regional / sub-regional rivalry should be cast aside in favour of creating a new powerhouse for the UK economy. Indeed, it suggests that the SE Wales needs to follow the examples set by others such as The Northern Way and The Thames Gateway.

SEWDS is intended to be a key part of that process – built on the various analyses of the 'drivers' of success but adapted to suit, namely:

- Connectivity
Establishing virtual networks is an extremely important part of economic development for South East Wales, and the Property Development Strategy requires that any new business park development includes the installation of alternative telecommunications capacity as an integral part of the infrastructure works. With regard to specifics, there is a call for a single integrated transport plan and there is the suggestion of: faster rail access to London and a direct link to Heathrow; improved cross-country links to centres in the Midlands and North and improved use of the ports for container traffic and feeder services to Rotterdam.
- Sectoral Strengths and business support
This is considered to be a key component of any strategy with a clear emphasis on:

Chemicals, Pharma, and Bioscience	Tourism
Social Care	Creative Industries
Financial Services	Aerospace
Technology (incl. electronics)	Automotives
Agri-food	Construction
- Innovation

The strategy states that the region needs to move on from the 'assembly line branch factory economy' to one that accommodates a diverse range of innovative leading companies. Innovation is fundamental to improving economic growth and prosperity and there is a significant challenge in encouraging companies to expand their horizons: 79% of commercial establishments said that they obtain the majority of their business within a 25 miles radius.

- Skills
SEW is moving towards a situation in which no more than ¼ of the adults are without qualifications and at least ¼ are suitably highly qualified. There is an acknowledgement that opportunities will shift towards graduate level and professional level knowledge economy jobs.
- Society, culture and quality of life
These are deemed to be hugely important, not only in retaining talented people but also in attracting people to the region. Furthermore, the Communities First Programme has been specifically designed to get local people involved in improving their areas as a way of helping to empower them more generally.
- Strategic capability.
Increasingly, there is an acceptance that South East Wales (the Capital Region) is a genuine economic entity: the whole is greater than the sum of the parts and needs to be in order to compete in a European context and Worldwide context.

11.9 Property Overview in a National & Welsh Context

At a recent all Wales Property Conference organised by RICS Wales, Doug Godden, Head of Economic Analysis suggested that commercial property represented a 'mixed picture' as is shown in figure 21.

The Commercial Property Market

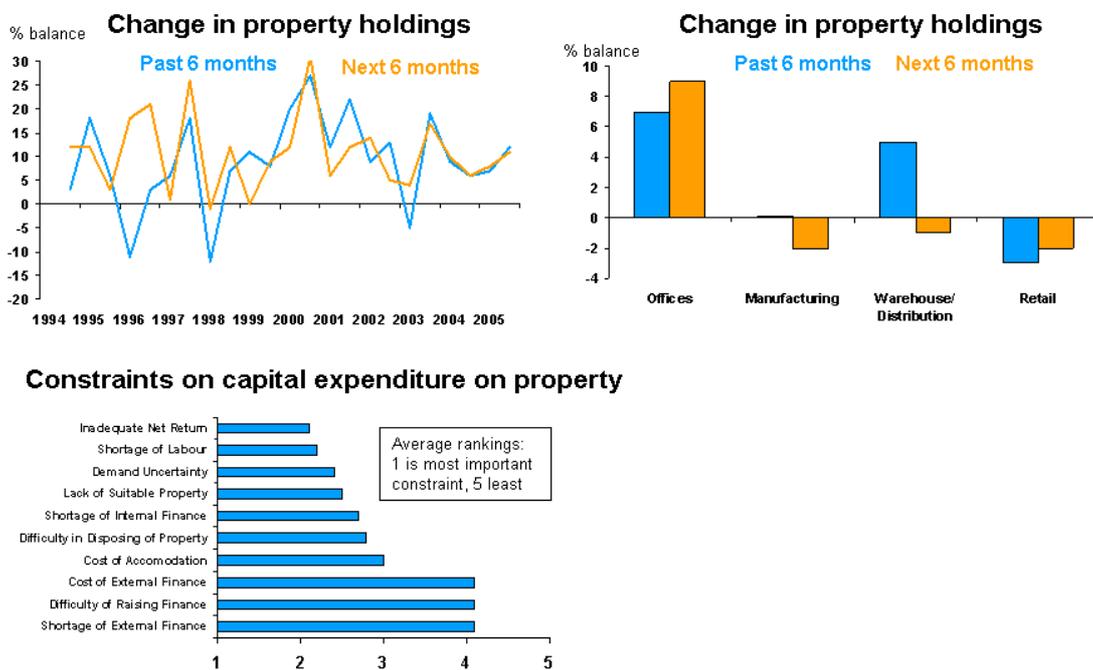


Figure 21: Source: CBI / GVA Survey of Property Trend

The following points mentioned by Mr Godden are worthy of consideration:

- Employment is important in holding-up property demand.
- There is a lack of suitable property.
- Demand for offices is strong whereas demand for manufacturing / distribution space is much slower.
- The service sector / financial services are in the ascendant.
- Higher value added manufacturing industries are improving whereas traditional industrial / manufacturing is in decline.

The picture concerning property performance is highlighted in table 21 - data researched by the Investment Property Databank.

UK commercial property investors enjoyed a year of stellar returns in 2005, with the IPD all property index – posting its biggest gain since 1993.

The all property total return in 2005 was 19.1% (the average long term return from commercial property is about 6% - 7%). Equities were the best-performing

asset class last year, delivering returns of 22.0%. Equities now also lead over three years but property is the best-performing UK asset over five and ten years. Property shares out-performed their physical and non-listed peers in 2005 with returns of 23.3%.

	All property	Retail	Office	Industrial
2001	6.8	5.6	7.7	8.3
2002	9.6	14.0	3.3	10.7
2003	10.9	15.5	3.2	11.2
2004	18.3	20.5	15.2	16.9
2005	19.1	18.9	20.3	18.4
annualised over the last:				
3 years	16.0	18.3	12.6	15.5
5 years	12.8	14.8	9.7	13.0
25 years	10.9	12.1	9.5	12.3

At the sector level, office returns, at 20.4%, outpaced both retails and industrials for the first time since 2001. The Central London office market was particularly strong, as the recovery in the occupier market continued to strengthen. Industrial returns rose from 16.9% in 2004 to 18.4% in 2005.

Table 21: Source: Investment Property Databank – Total Return Summary (%)

The all property yield finished 2005 at 6.0%, the lowest level ever recorded by IPD and just under 2% higher than that on 15 year gilt yields. Historically, a 2% 'buffer' has been seen as a reasonable risk premium for property, which may imply that property yields will become increasingly susceptible to interest rate rises in 2006 and beyond.

The implication is that any such rise in rates would almost certainly produce a knock-on effect on property yields, and total returns on property would be adversely affected. Potentially, this would have a knock-on effect on confidence and property activity. Figure 22 shows the latest RICS Chartered Surveyor Confidence Survey. Appendix 27 provides further data on the office and industrial markets.

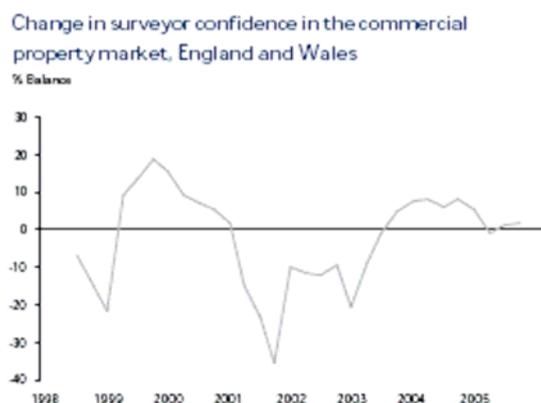


Figure 22: RICS Surveyor Confidence Survey – Fourth Quarter 2005.

The question of rents and yields is an important consideration particularly for developers. **It can make the difference between whether a development goes ahead or not and this is relevant to future development activity in Bridgend.**

With regard to Industrial rents, it is worth reflecting in the current position. The manufacturing base in Bridgend has taken a battering and this is shown in graphic form in figure 23 – especially the contrast between 2004 and 2005.

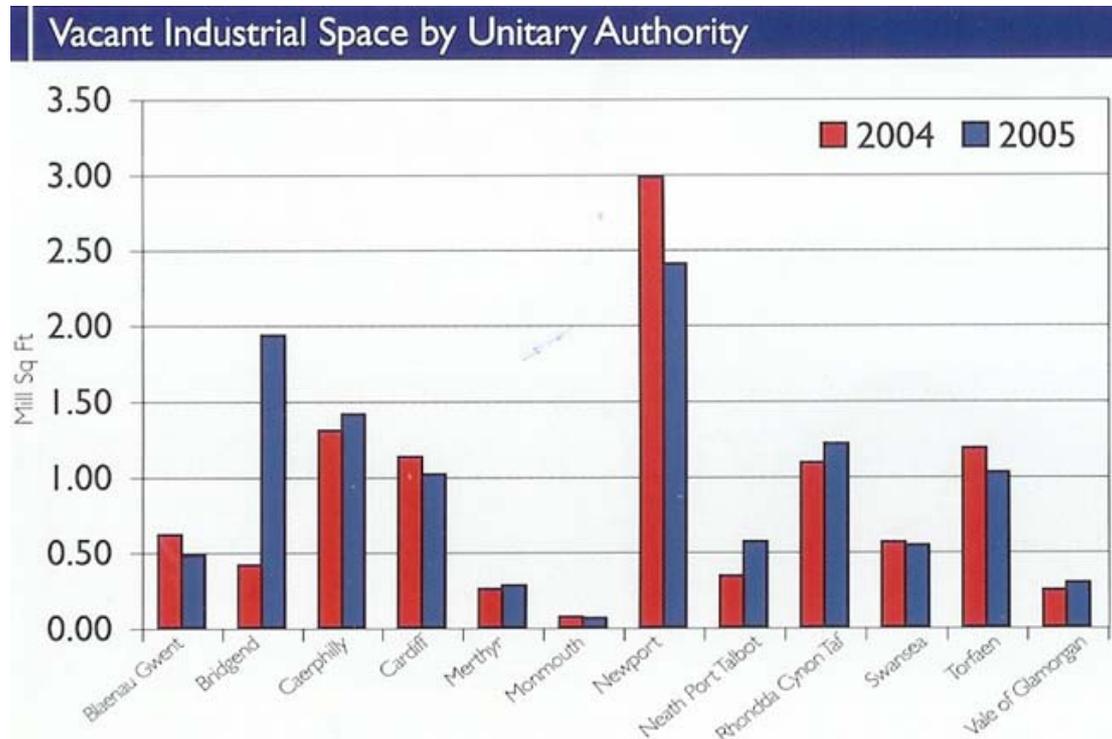


Figure 23: Source Cooke & Arkwright.

Nevertheless, from a rental perspective, figure 24 shows that there has been a marginal but shallow improvement in rental growth compared with other locations. In part, this may explain why industrial development activity in Bridgend has been slow.

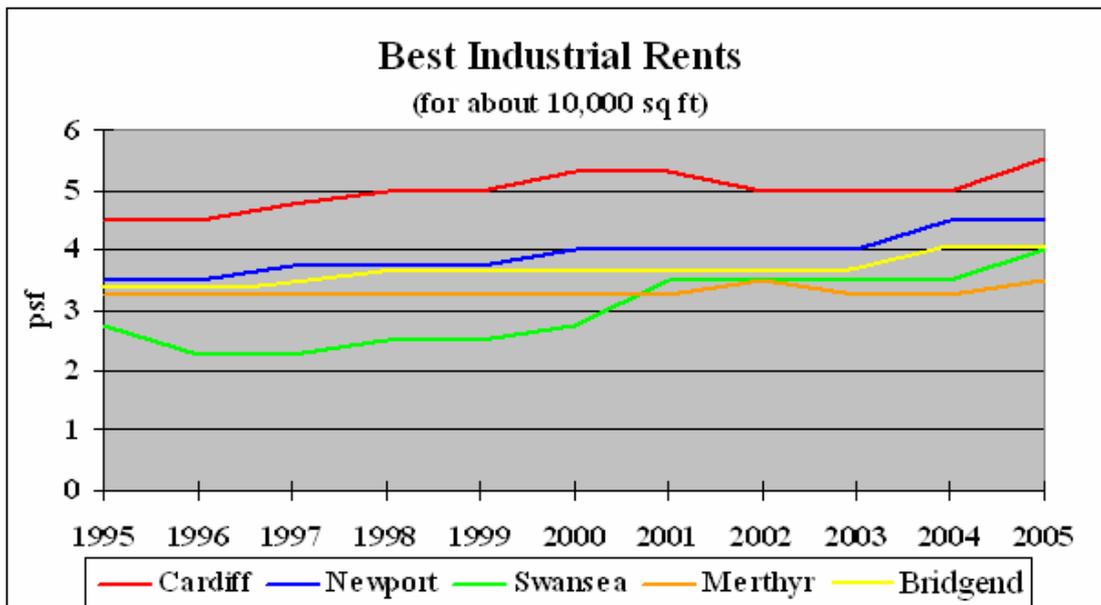


Figure 24: Source Cooke & Arkwright and Robert Chapman & Company

Turning to office rents, up until four years ago Bridgend did not have an office market to talk of. The situation has changed considerably with office developments at Tremains Road and Bocam Park and further development in the pipeline.

Initial rents at Tremains Road were at £10.50 per sq ft whereas at Charnwood Park, Bridgend the intention is to ask for £13.00 per sq ft. Figure 25 shows a comparison of rents for Business Space in different locations.

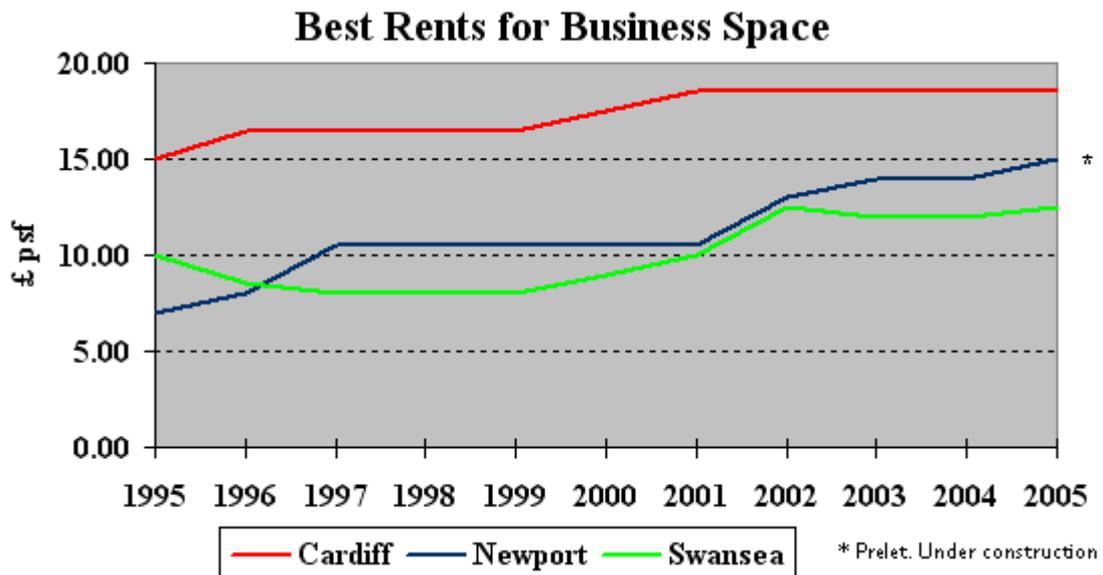


Figure 25: Source Cooke & Arkwright and Robert Chapman & Company

Figures 26 and 27 show the trends in investment yields for Industrial and Office for the period 2000 to 2007.

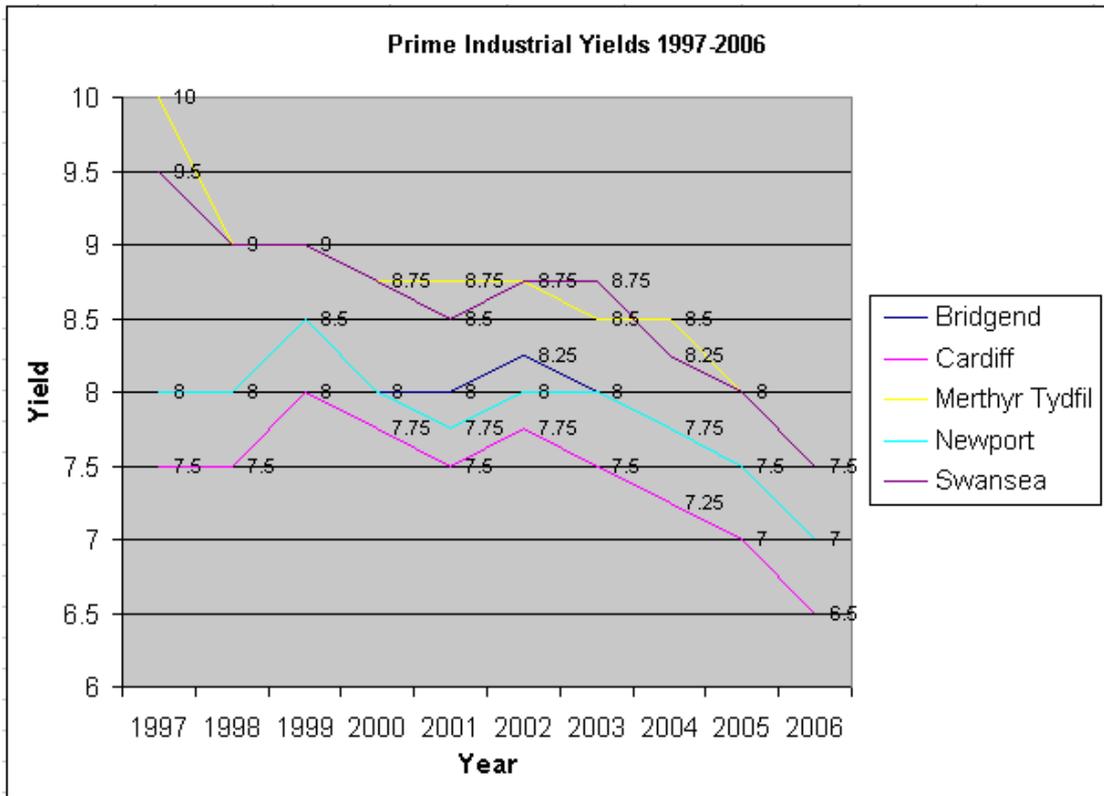


Figure 26: Source – King Sturge

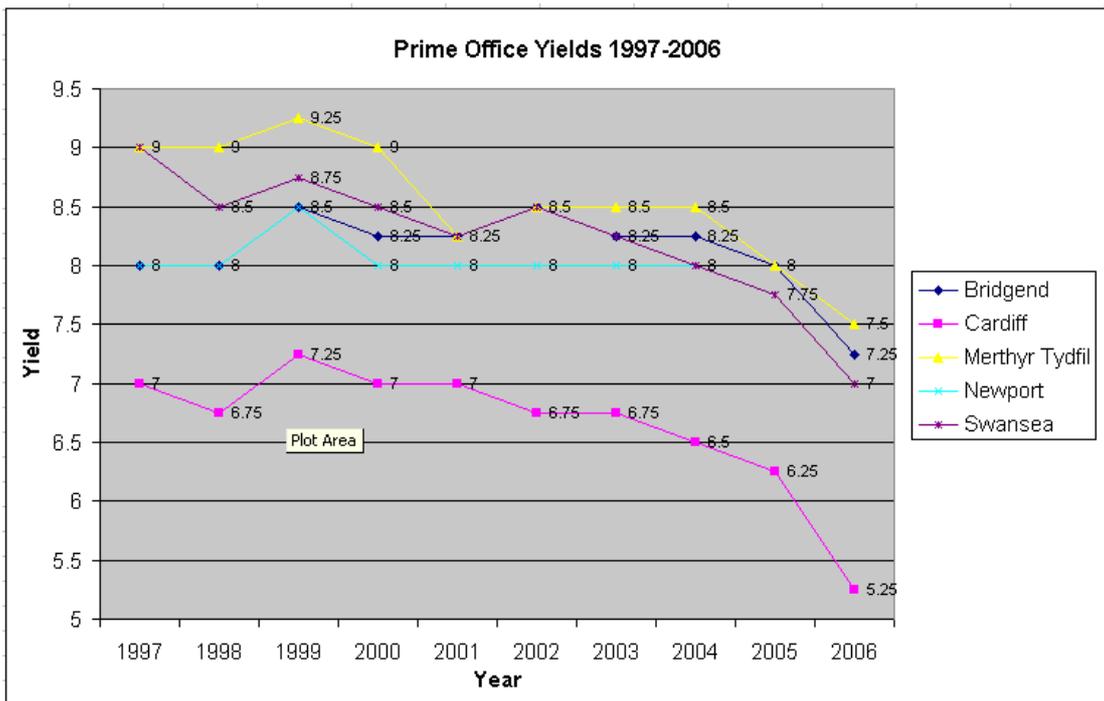


Figure 27: Source – King Sturge

Aled Evans of King Sturge suggests that for Industrial Investments Cardiff and Swansea are forecast to show the largest yield compression, but a quarter percentage point is expected in Newport and other secondary towns such as Bridgend. For Office Investments, he suggests that yield compression is forecast across the board but it is smaller secondary towns such as Bridgend and Merthyr Tydfil that are expected to lead the improvement.

Finally, under the heading of Property Overview, there are a **number of trends** that are worth noting.

1. According to Experian, the number of people employed in financial and business services in the UK will rise from 5.91M in 2005 to 6.54M in 2010. Geographically, demand is expected to fan out across the UK in coming years as occupiers become less London-centric. Indeed, Experian predicts growth in office-based employment in most of the UK's larger cities. Some of the smaller cities are also expected to see an increase in office-based employment. For example, total office based employment in Cardiff is expected to rise from 203,000 in 2005 to 224,000 in 2015.
2. Research by Savills on behalf of the British Council for Offices indicates that technology (for example wireless technology) is driving changes in interior design so much so that over the next 20 years the amount of social space will double and there will be 50% less 'fixed address (permanent) space' and offices.
3. The UK flexible managed office sector (e.g. Regus, Rombourne) has grown three-fold in the past five years and is poised for further growth, especially in the underprovided regional market. Serviced offices, which accounted for 1% of the UK office space five years ago, now account for 3%. But this is still well short of the US where serviced offices account for nearly 10% of all office space. DTZ predict that serviced office space in the UK will grow by 20% in the next three years. Regional centres are expected to provide the impetus for the growth in the UK flexible managed office sector in the next few years. The regions are under-represented in flexible space, relative to the amount of total office space they hold. See figures 28 and 29.

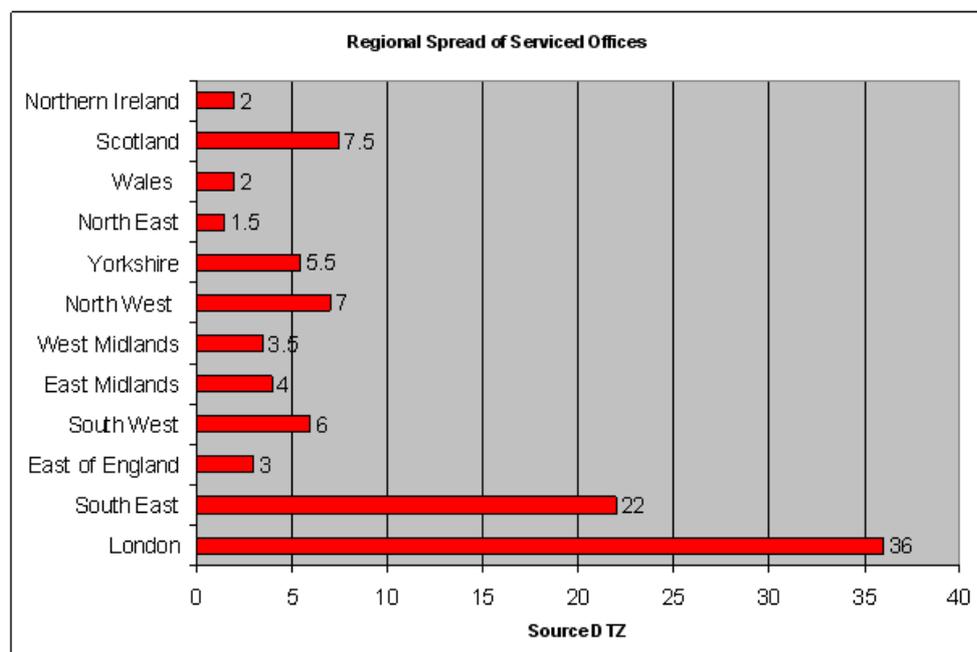


Figure 28: Regional Spread of Serviced Offices

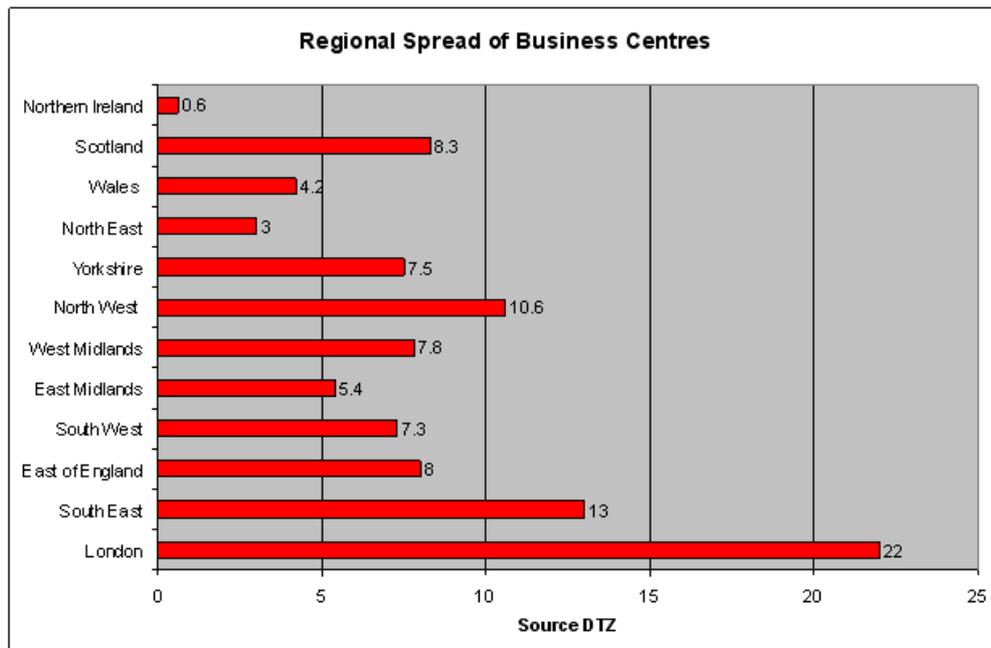


Figure 29: Regional Spread of Business Centres

4. According to King Sturge's Airport Property Market Report 2005 / 2006 freight at UK airports grew by 7.4% in 2004, the last full year when figures are available, but a sluggish economy is currently acting as a brake on growth. The report says that in future airports that offer dedicated freight services rather than carrying freight in the belly hold of passenger jets are most likely to generate demand among freight operators. Six out of the 10 fastest growing freight airports: Cardiff; Luton; Stanstead; Nottingham; East Midland; Edinburgh and Belfast are able to do this. Earlier research by GVA among industrial occupiers about their property preferences found that 52% thought that being near an airport was becoming more important, a percentage beaten only by proximity to a motorway. Naturally, the location of Cardiff International Airport is important to Bridgend. Current proposals for the airport include a new terminal and extended runway.

5. With regard to Ports, as consumers increase their reliance on imported goods such as re Fridgerated produce and manufactured goods, so are imports increasing from the Far East and beyond – and the UK's ports are struggling to match demand for container capacity. While this growth in container numbers and in the size of ships carrying them has led to a reduction in truck-based freight traffic, the regional ports (including one assumes Cardiff, Barry, Port Talbot) are set to benefit.

These regional trends could be beneficial for Bridgend and may affect the supply / demand equation.

12 OPPORTUNITIES/THREATS FOR BRIDGEND

12.1 A SWOT analysis from the Shared Intelligence Report 2003 is included below to allow for reflection on the changes since that report.

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Excellent strategic position and transport links (M4/rail mainline, EU Objective 1 funds, nearby airport, Heritage Coast, mid way between Cardiff and Swansea) 2. Good sub-regional location mid way between Cardiff and Swansea, Valleys and coast and McArthur Glen/Sarn shows area can serve a large catchment if offer strong/distinctive 3. Strong, diverse manufacturing industry 4. World brand leaders important in local economy, e.g. Sony, Ford/Jaguar, COSI (Revlon), Merck, John Raymond 5. Superb inward investment track record 6. Some excellent indigenous companies 7. Service sector growth 8. Strong tourism industry 9. Low unemployment 10. Good supply and choice of land and premises for manufacturing and some services 11. Enterprising college provides a wide range of courses and facilities 12. Technology support capabilities well established 13. National economic development players active but mainly using national programmes 14. County Borough Council also has well developed programmes 15. Local partnership's team work good 16. Broad range of economic development projects under way/in pipeline 17. Bridgend town centre proposals 18. Landscape of much of the area is good 19. ICT provision at least adequate 20. No major negative image issues <p>Modern housing stock offering good choice and value</p>	<ol style="list-style-type: none"> 1. No consensus or clear vision of how the County Borough will earn its living in the future 2. "Ordinariness" - the County Borough is statistically average and has no major international profile, features or strengths 3. No especially strong sectoral clusters or local competitive advantage vis a vis the world stage 4. Overshadowed by Cardiff and Swansea 5. Low profile and image not positive or distinctive 6. Few top quality retailing, leisure or arts facilities 7. Inward manufacturing investment unlikely to continue on scale of past 8. Entrepreneurship levels below even the Welsh average 9. Wages/disposable incomes not high 10. Unemployment high in some areas 11. Long-term and youth unemployment high 12. Service sector relatively poorly developed, especially business services 13. Little opportunity for large-scale development in Bridgend town centre, especially for offices 14. Skills/educational levels acceptable not high 15. Deprived housing areas/neighbourhoods 16. No university in the Borough 17. Opportunities in sports poorly exploited 18. Much of tourism product is old fashioned, no major recent investments or national/international standard attractions 19. Physical environment in some Valleys areas poor 20. Access to/from valleys constrained - M4 as much a barrier as an opportunity 21. Little developable land in Valleys, especially Maesteg 22. Porthcawl seems not to be being renewed quickly enough 23. Unattractive 'access corridors'/poor roadside maintenance <p>Limited social enterprise and true community regeneration</p>
Opportunities	Threats
<ol style="list-style-type: none"> 1. Determine and exploit a distinctive role for the County Borough in the South Wales economy 2. Develop a higher profile/stronger image for the County Borough 3. Develop stronger manufacturing clusters based on local and international firms producing more specialised, higher value added products 4. Develop local and sub-regional/regional support for the above, e.g. technical support centres/technology transfer activities/peer group clubs, high end training programmes, trade missions, local supplier chain initiatives, Entrepreneurship Action Plans, etc 5. Develop the technical training capabilities of the County Borough to serve South Wales 6. In particular, build stronger links between Universities in South Wales and local companies 7. Support the development of the County Borough's small but high growth potential businesses and industrial sectors 8. Develop the local business services sector, perhaps with a high quality Office Park 9. Brighten up the towns by implementing planned improvements to the public realm, refurbishment of key buildings, selective redevelopment, encouraging Britain in Bloom participation and approach corridor environmental improvements 10. Develop top end leisure facilities 11. Retrieve retail and leisure leakage to Cardiff and Swansea 12. Develop tourism in Valleys, possibly linked to McArthur Glen 13. Housing stock transfer could create opportunities for local businesses, improve the environment and health of local residents and facilitating the development of community enterprises in deprived areas 14. Enhance community development and community enterprise in Valleys areas, deprived urban wards and areas of social housing 15. See welfare and social services as an economic sector and maximise their roles in the County Borough's economy 16. Regenerate Porthcawl to contribute more to local economy 17. Improving access to Objective 1 funds 18. Taking steps to improve the ability of local companies to compete successfully for public sector contracts 	<ol style="list-style-type: none"> 1. There is a strong likelihood of major loss of main private sector manufacturing employment 2. Lack of re-investment by current international investors 3. The M4 becomes barrier between the poorer Valleys and the job opportunities to the south 4. Failure to develop competitive advantage amongst indigenous companies and growth sectors 5. Service sector continues to be under-represented 6. Failure to retrieve retail and leisure leakage to Cardiff and Swansea 7. Local tourism product goes into decline 8. Bridgend Town centre does not maximise its contribution to economic success 9. Failure to raise educational levels, job opportunities, incomes and aspirations of the residents of deprived areas of the County Borough 10. Failure to develop a critical mass of community development and community enterprise 11. Continuing inaction at Porthcawl 12. Failure to invest in South Wales' transport network makes the County Borough's manufacturing companies and service centre attractions uncompetitive. 13. An economic disaster - such as foot and mouth outbreak - has a permanent negative impact on manufacturing, tourism and/or shopping in the County Borough

Figure 1: SWOT Analysis: Source – Shared Intelligence Report 2003

Figure 1 provides a SWOT analysis for the Borough. This is taken from the Shared Intelligence Report: Strategy and Action Plan to June 2003 – Sustainable Economic Regeneration in Bridgend County Borough. This was the view taken in 2003 when the Economic Regeneration Strategy was being updated.

12.2 OPPORTUNITIES

12.2.1 EU Structural Funds Programme 2007 – 2013

There is the prospect of £1.3 billion being made available to West Wales and the Valleys over the next 7 years to support a new convergence programme. The impact of this could be immense.

It is proposed to have separate ERDF programmes for West Wales & the Valleys and East Wales and an all-Wales ESF programme (with ring-fenced allocations for West Wales and the Valleys). There will also be a separate cross-border programme between parts of North and South-West Wales and South-East Ireland. Consideration is being given to having a more limited number of priorities in each programme which will provide additional flexibility in implementation and should assist in the absorption of resources.

The priorities proposed for West Wales and the Valleys are:

- Improving knowledge and innovation for growth - including R&D, entrepreneurship, business finance and sectoral development. (ERDF)
- Creating a favourable business environment - including transport, ICT, clean & renewable energy, environmental goods and services, environmental protection and improvement, waste, maritime & inland waterways (ERDF).
- Building sustainable communities - including business sites, urban and rural regeneration and community development (ERDF)
- Increasing employment and tackling inactivity - including tackling barriers to employment, childcare, promoting healthier lifestyles and promoting equal opportunities (ESF)
- Improving skill levels - including the transition from school to work, improving basic skills and addressing skills gaps. (ESF)
- Building the administrative capacity of our public services – including the development of human resources and capacity building initiatives in the context of the Making the Connections Strategy (ESF).

The priorities proposed for East Wales are more limited in their focus and are linked to:

- Building the knowledge based economy - focus primarily on R&D and innovation (ERDF)
- Enhancing the environment - includes community regeneration, clean & renewable energy, environmental goods and services, environmental protection and improvement and waste management (ERDF)
- Promoting accessibility - includes integrated transport initiatives and ICT (ERDF)
- Increasing employment and tackling inactivity (same as for WW&V) (ESF)
- Improving skill levels (similar to WW&V but more focus on demand-led training and training systems) (ESF)

The new programmes will focus on interventions that support sustainable growth and jobs, in line with the Lisbon and Gothenberg strategies. The aim will be to make Europe the most competitive and dynamic knowledge based economy by 2010 with jobs and growth leavened by sustainability. The prospect of being able to source European and strategic framework funding could make a significant difference to the Bridgend area.

The new programmes present a balanced response to the Lisbon agenda for sustainable jobs and growth, and will include actions to grow the knowledge economy, improve business competitiveness, increase employment, raise skills and build sustainable communities, as well as strategic investments in the economic infrastructure.

Section 4 of the business plan highlights key activities and key deliverables.

Joined up Thinking at the National Assembly and the role of the new DEIN department (including Infrastructure; new programmes such as Business Start; Technium Incubators; Broadband Wales; New Creative Industries; Leader Plus; a SMART future; Rural Economy Action Plan (REAP) plus WIP and WISP).

DEIN has prepared a business plan 2006 / 2007 entitled 'Working Together For Wales', which builds on **Wales: A Vibrant Economy (WAVE)**. Put simply, DEIN's mission is: *to help create investment in more and better jobs and an improved environment for growth*. Joined up thinking would appear to be the watch word and they aim to be enterprising, innovative and networked.

The way in which DEIN engages with partners will influence all sorts of strategic issues. For example: in the planning process particularly where Spatial Plan Co-ordinators are being appointed to co-ordinate area plans and actions. Examples of some of the Wales Spatial Plan priorities being taken forward in the business plan this year include developing a hierarchy of key settlements in each area, waste management, tackling economic inactivity and regional transport issues.

Creating a favourable business environment was highlighted in WAVE and the consultation also raised issues around manufacturing and, specifically, the need for a manufacturing strategy. This is especially pertinent to Bridgend.

WAVE makes clear that developing a low carbon economy in all its' aspects, including transport will become of increasing importance. Actions already underway include the work of WAG in facilitating investment in clean and renewable forms of energy generation – complemented by support and advice from the likes of the Carbon Trust Wales and others.

The business plan states that the Structural Funds Programmes for 2007 – 2013 will be vital components in the delivery of the WAVE vision. The draft National Strategic Reference Framework specifies that *'the Welsh Assembly Government will ensure co-ordination between Structural Funds and domestic policies for regional development in the 2007-2013 Financial Perspective. The revision of Wales economic development strategy: Wales – A Vibrant Economy will help to ensure that future structural funds investments are fully consistent with domestic policy priorities.*

Lyons Report

The Chancellor and Deputy Prime Minister asked Sir Michael Lyons, Director of the Institute of Local Government Studies at the University of Birmingham, to conduct an independent study into the scope for relocating

a substantial number of public sector activities from London and the South

East of England to other parts of the United Kingdom. On 15th March 2004 Sir Michael published his report entitled: *'Well Placed to Deliver – Shaping the Pattern of Government Service'*.

Sir Michael confirmed that government departments had identified some **20,000** jobs that could move out of London and the South East and recommended that they should urgently take forward their relocation plans in the 2004 Spending Review. A further 7,000 posts would no longer be required as a result of efficiencies. Potentially, over £2 billion could be saved over 15 years as a result.

The table below summarises by department the number of posts relocating from London and the South East by 2010 as confirmed in the 2004 Spending Review.

Department or public body	Number of posts
Cabinet Office	250
Chancellor's Departments	5,050
Department for Constitutional Affairs	200
Department for Culture, Media and Sport	600
Ministry of Defence	3,900
Northern Ireland Office	8
Office of the Deputy Prime Minister	240
Department for Environment, Food and Rural Affairs	390
Department for Education and Skills	800
Foreign and Commonwealth Office	450
Department of Health	1,110
Home Office	2,200
Department for International Development	85
Department of Trade and Industry	685
Department for Transport	60
Department for Work and Pensions	4,000
Total number of posts to be relocated	20,028

Newport has already been the beneficiary of one of these relocations (the Office for National Statistics).

Dragon International Studios (Valleywood) – located just outside Bridgend CBC in RCT.

Dragon International Studios will be a \$180m development in South Wales. When it opens in 2007, it will be the only purpose-built film, TV, and multimedia complex in the UK. Under Lord Attenborough's chairmanship, Dragon International Studios will offer state-of-the-art production facilities and advanced digital technology, attracting filmmakers from around the world. Dragon is set to become a major destination for the international film and television industries.

The aim is to provide the best production, office and workshop facilities at a consistently lower cost. Compared with the London area, film makers can anticipate savings of up to 25% on their working budgets.

Phase One – Dragon Plus

The first phase of the new studios will offer:

11 sound and silent stages with all accompanying facilities capable of accommodating every type of production from television soap to cinema blockbuster.

Phase Two

Studio Village offering flexible workspace for production support services and creative multimedia businesses.

Large serviced back lot.

At the invitation of Lord Attenborough, Dragon International Studios will also become the home of The Film Academy. The Film Academy will then be the only institution of its kind to operate within a major film and TV studio complex. Only in Wales will talented students at post-experience and postgraduate levels have the benefit of studying and networking in a working studio environment. The business and the craft of film and television production will illuminate theory at first hand. Film Academy students will be able to enhance their skills without losing sight of the commercial, technological, and artistic practicalities of their chosen career.

In the context of the Capital Region concept and Bridgend CBC, this project has the potential to make a significant impact.

Metrix

In the same vein as Valleywood, the Metrix project could have a significant impact on the Capital Region and Bridgend CBC. METRIX is a consortium of technology, training, property and support organisations. As part of the Defence Training Rationalisation Programme (DTR), it has submitted a proposal for St Athan to be awarded the opportunity to create a National Centre of Training Excellence (giving servicemen and women the best opportunities, training and living environment possible, whilst matching training needs to the defence needs of the twenty first century). The academy would provide training to all armed services (Royal Navy, Army and RAF) whilst allowing the re-use of the existing modern aircraft maintenance facilities. Areas of specialist training would include: engineering (aeronautical, electromechanical); communications and IT; logistics training; language; intelligence and photography.

In terms of scale: the on site community could be around 10,000 people; on site accommodation would be for 6,700 trainees and 2,500 civilians / military personnel living outside the site.

The initial contract for 25 years could create 4,000 jobs on site and a further 1,500 off site. During the five year construction period, an additional 1,500 jobs would be created. It is estimated that the Academy could inject well over £58M into the local economy proving opportunities for local community / supply chains in the local economy.

Budget 2006

There were encouraging signs in this year's budget, particularly in terms of promoting entrepreneurship and R&D, the freeze in fuel duty and the proposed review of NI alignment rules.

The expansion of R&D Tax Credits was also welcome but the British Chambers of Commerce (BCC) believes that if business is going to compete effectively and meet global competitors head on, the Chancellor needs to further extend the Research and Development tax credit to cover firms' expenditure on intellectual property.

According to BCC, the key to addressing these issues requires greater investment in public services, a reduction in business taxation, rising skill levels, a cut in red tape and more encouragement of innovation.

Corporation Tax remains an issue. The UK has dropped from having the ninth lowest corporation tax rate a decade ago, to now having the 16th lowest. In effect, Welsh businesses are paying 10 per cent more than the average for the EU's 10 new member states and 5 per cent more than the average for the whole of the EU. A reduction in the UK's Corporation Tax rate would have given businesses a better chance to compete with emerging high-growth economies.

The cost to business of major regulations introduced since 1998 has risen to over £50 billion, according to figures released by BCC.

The 'Burdens Barometer', the independent calculation of the costs to business based on the Government's own figures, reports that the total cost has risen from £39 billion in 2005 to over £50 billion in 2006. The BCC's 'Burdens Barometer' is independently compiled by experts from the London and Manchester Business Schools.

Clustering / Sectors

The South East Wales Development Strategy and other strategy documents place a clear emphasis on key sectors (see below).

Chemicals, Pharma, and Bioscience
Social Care
Financial Services
Technology (incl. electronics)
Agri-food

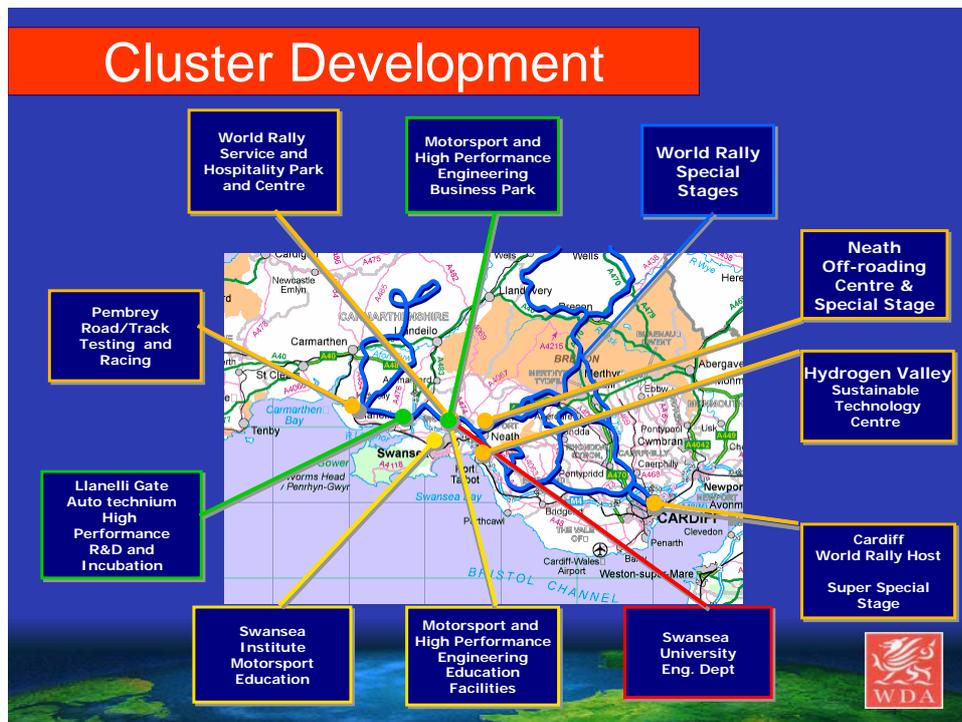
Tourism
Creative Industries
Aerospace
Automotives
Construction

Bridgend CBC should reflect on these sectors vis-à-vis the 'make-up' of sectors within the Borough.

On the topic of clustering, this is considered to be a way of developing and evolving business communities. For example, the cluster development associated with the auto-technium in Llanelli.



Auto-technium, Dafen, Llanelli



The Cox Review of Creativity in Business emphasises the importance of: a) relationships between business and creative professionals, and b) strengthening links across University Departments and with Industry. This includes creative industries – a point recognised by the Welsh Assembly Government in their document entitled: ***Creative Success – a strategy for the creative industries in Wales.***

This strategy is directed at commercial creative businesses that compete globally in the 'tradable services sector' and make an important contribution to modern economies. From 1997–2004, for instance, employment in the UK in the creative industries grew at a rate of 3% per annum, compared to a rate of 1% for the economy as a whole. The strategy aims to:

- Support and encourage those Wales-based creative businesses that can make a significant contribution to the economy in Wales.
- Stimulate growth in the creative industries in Wales, both by encouraging more inward investment, and encouraging more business to Wales. Whilst the strategy's initial focus is on film, television, new media and music, it does not exclude other sectors that are also able to make a significant contribution to the Welsh economy by exploiting creative IP.

Sale & Leaseback

With the manufacturing sector (in particular) under pressure, sale & leaseback arrangements could help to raise capital to facilitate investment and stave off the threat of relocation to Eastern block countries, China or elsewhere.

12.3 THREATS

Rising energy costs and 'build' costs through the high price of

steel.

Energy costs are forecast to rise significantly in Autumn 2006, which will not only affect manufacturing and service sector industries but also the construction industry. Cooling demand will affect the supply of land and hence land availability.

In migration

The European Commission has announced that Romania and Bulgaria will be admitted to the EU in January 2007, but under strict conditions. These countries will join the seven countries that joined in 2004, namely: Cyprus; Czech Republic; Estonia; Hungary; Latvia; Lithuania; Malta; Poland; Slovakia and Slovenia.

Globalisation

Macro-economics come into play here and this has been covered (both directly and indirectly) earlier in this report. Bridgend has been affected significantly by the downsizing and relocation of companies to countries such as China or former Eastern Block countries. And yet - in a paradoxical way - the volume of vacant industrial space has presented an opportunity to others (including indigenous businesses) to 'trade-up' or expand.

Tan 15: Development and Flood Risk

The general approach of PPW, supported by the TAN, is to advise caution in respect of new developments in areas at high risk of flooding by setting out a precautionary framework to guide planning decisions. An assessment of the impact of TAN 15 on the authority's Employment Land Availability register has not yet been carried out. Such a study could well affect the quantum of land defined as being available.

Planning Gain Supplement

According to new research commissioned by the RICS, the CBI, the British Property Federation and Home Builders Federation, the UK government will risk driving small developers out of the market and fail to reach its yearly target of 200 000 new homes if it goes ahead with the proposed Planning Gain Supplement.

The Treasury and Department for Communities and Local Government published a consultation document on Planning-gain Supplement in December 2005. PGS, described as a *'fair, efficient and transparent levy'*, is meant to take forward recommendations made by Kate Barker in her independent review of housing supply in 2004. Barker proposed a Planning-gain Supplement as one method of overcoming shortcomings to the planning obligations system and challenges for infrastructure provision, both limiting housing supply. The characteristics of PGS, as set out in the PGS consultation document, prompted concern amongst property developers and wider business interests that have significant interaction with the planning system. Considerable uncertainty remains regarding the proposals for PGS and the form a future arrangement for PGS might take. . This could have a detrimental affect on the supply (availability) of land coming forward to the market place.

From July 2006 to September 2006, research (funded by the CBI / BPF / HBF and the RICS) was carried out to look at the impact of PGS on development examples. The key findings were as follows:

1. The findings suggest that the planning-gain supplement as proposed at a modest rate and a scaled back Section 106 system may not result in the necessary additional funds for local and strategic infrastructure to support housing growth, as envisaged in the PGS consultation document.
2. The impact of PGS on developments would be variable. In financial terms some developments would "benefit" from lower planning gain charges overall, whilst others would "suffer" a greater planning gain charge, when taking both the scaled back Section 106 contributions and the PGS charge into account and comparing this with the current Section 106 deals that are negotiated.
3. Whilst relatively few in number, large scale urban expansion developments and large town centre developments would be likely to contribute significantly less planning gain with PGS and scaled back Section 106 agreements compared with current Section 106 agreements.
4. The largest impact of PGS is likely to be on relatively small scale development proposals compared with current arrangements. The research indicates a possible adverse affect of PGS on schemes which have not had Section 106 agreements in the past, such as one example of industrial development. Minerals development would have to absorb the full impact of PGS.
5. The calculation of the Planning Value (PV) is volatile, and to an extent subjective, with slight variations giving rise to the possibility of significantly higher PGS liability.
6. As proposed in December 2005, uncertainties in estimating the current use and planning values, upon which the PGS liability is assessed, would influence the behaviour of developers as they attempted to minimise PGS payments.
7. Enabling development will be more difficult to achieve with PGS and may harm the delivery of conservation and regeneration projects.

Demise of the Land Division

The former Land Division of the WDA were particularly adept at delivering difficult sites through the medium of CPO procedures. Since the merger of the WDA with WAG a great deal of experience and expertise has departed the new organisation (DEIN) and one wonders what will happen in the future.

Barriers to Growth (FSB)

Funded by the Federation of Small Businesses (FSB) and undertaken by the academic staff at the Universities of Sterling and Strathclyde, *Lifting the Barriers to Growth in the UK Small Businesses (Wales)* in 2006 was the most comprehensive survey yet and explored a number of key issues affecting businesses. The results were extrapolated from a postal survey sent to FSB's 8,500 members in Wales.

Conclusion (extracted from the FSB Report)

□ *'The 2006 survey is the most comprehensive yet and explores a number of key issues affecting businesses.*

□ The survey shows that the membership of the Federation of Small Businesses in Wales is diverse and straddles all sectors of our economy. Some of the key issues are:

■ The 2006 survey was the first survey to assess the types of premises used for businesses showing a large number of businesses operating from premises in or about the home, showing the increasing propensity towards operating businesses from the home.

■ The survey suggests that the membership of the FSB is an ambitious membership with a majority stating that they intend to grow their business and there are a number of dynamic methods cited for obtaining that growth. This enthusiasm is very much to be welcomed.

■ The demographics of the respondents show that there has been a worrying drop in the number of female-owned businesses in Wales over 4% but that this is on a par with businesses across the UK. The survey also shows a well-qualified membership with a significant number of respondents possessing a degree or professional qualification.

■ The responses demonstrated the hard work and time invested in the businesses with the vast majority of respondents working well over the hours required of a full-time employee. Of concern should be the fact that 26% of respondents state that they work over 60 hours per week. Although not represented within this survey directly, one can assume that this inevitably has an impact on family life and the time available for leisure activities.

■ The survey shows that the number of those businesses seeking to export remains low but understandably, most businesses see the majority of their trade occurring within local markets and Welsh businesses were the most likely of all UK businesses to report this.

■ There is good penetration by Welsh businesses into public sector markets by procurement processes. However, it should be cautioned that this cannot be seen as a direct result of any one or combination of recent initiatives to promote access or denoting the success of such programmes.

■ Profitability among small businesses remains favourable although more businesses report a decrease in sales volume than 2004. However, this statistical change is slight. The respondents again cited the importance of the quality of their staff to their business as a major competitive strength and this suggests the importance of employees to small and micro businesses and is to be welcomed.

■ Decision makers should take note that businesses indicate that having a local banking facility is of importance to them as these are used for a range of services. However, it should be noted that this report does not provide a breakdown to suggest whether or not the reliance on local banking facilities is more or less prevalent in rural areas.

■ Interestingly, the survey indicates that broadly, the majority of respondents felt that business ownership gave them a better quality of life although there is no suggestion that this was as a result of being financially better off.

■ Reassuringly, a majority of businesses reported employment growth over the past two years and this picture is made all the more positive with the indication that a large number of businesses indicate that they hope to further increase staff numbers.

■ *Training continues to pose problems for businesses and although a notable number do undertake training, the majority of this is undertaken on an informal basis. As with the 2004 report, the most significant barrier seems to be the cost of training as indicated by the fact that over 51% would be encouraged to undertake training if funding were available.*

■ *One unusual result of the survey was the overall drop in the number of businesses seeking business support and advice. This applies to the number seeking advice from accountants as much as those seeking advice from government-funded sources. This survey does not differentiate the Welsh Assembly Government's Business Eye service from other government-funded services but it could be that the overall drop in the number of businesses seeking advice would warrant further investigation.*

■ *Legislation and transport issues continue to cause concern to SMEs with low levels of satisfaction in both areas. The cost of legislation, its volume and time spent dealing with it should be noted as should levels of dissatisfaction with the road infrastructure on which businesses rely.*

■ *Crime also continues to cause problems for businesses and it is disappointing that there has been little change on such concerns surrounding such problems in comparison to the 2004 report, despite a greater awareness of business crime and the emergence of a number of partnerships aimed at reducing crime.*

■ *The barriers to growth identified in this report should be of concern to all those who wish to see the growth and viability of small businesses in Wales. There are some encouraging signs indicated within this report but issues such as the complexity and cost of legislation, training provision and instances of crime continue to impact negatively on businesses.*

■ *In the forthcoming year in the run up to the National Assembly elections as much as any other period, it is essential that politicians and other decision makers engage in a meaningful and proactive partnership with the business community to ensure that we exploit and build on the positive issues and work tirelessly to remove barriers where they emerge. Where this is done effectively, businesses will show themselves as responsive and dynamic and this will in turn, help stimulate and improve the economy of Wales.'*

13 CONCLUSIONS

This report was commissioned to build upon the foundation report prepared by Wyn Thomas Gordon Lewis (WTGL) several years ago. By way of recap, this up to date report was required to identify:

- The current availability of sites and premises.
- Consider the quality and age of current stock.
- Review sectors.
- Assess likely demand/changes in the market place.
- For the purposes of the Local Development Plan, identify what level of provision should be made over the specified period up to 2021.

Our conclusions respond to these terms of reference as follows:

Availability of Sites and Premises

This is dealt with in a comprehensive way in sections 5 and 6 of the report. In general, demand is exceeding supply for both office and industrial premises. This fact together with improved property market conditions vis-à-vis yield and rent has led to significant (and encouraging) speculative office development but only one speculative industrial development. Such a trend coincides with the ascendancy of the service sector over the manufacturing sector. Nevertheless, the circumstances appear to be good for further speculative industrial.

The allocation of land for employment within BCBC's Employment Land Availability (ELA) register has fallen over the last 5 years. Land-take now – 7.09 hectares (17.53 acres) compares with 10.11 hectares (25 acres) in 2001. In part, this can be explained by the decline in FDI.

60% of land in the immediately available category is in public ownership. 91.5% falls into the short-term availability category and just less than 70% falls within the medium term category. These statistics highlight the key role of the public sector in bringing forward difficult parcels of land – thereby removing obstacles to growth. In this regard, the new European convergence funding will represent an opportunity.

Age and Quality of Current Stock

Statistics produced by the District Valuers Office show that Wales has the newest factory floorspace in the UK with 10% built after 1990, compared with 5% in London. The likely explanation for this was the building of new bespoke floorspace by the WDA to accommodate significant inward investment activity in the early 80's and 90's, as well as building industrial estates to accommodate indigenous businesses and employment. Bridgend benefited from new industrial buildings at Bridgend, Waterton, Mid-Glamorgan Science Park, Heol Ty Gwyn I E, Spelter I E etc. A large part of the existing industrial portfolio was built by the WDA.

On the other hand - with the exception of Ravens Court (a high quality office scheme in the centre of Bridgend built by the WDA) – the private sector has been responsible for all new office development: a very encouraging trend.

In the guise of building regulations, the sustainability agenda is beginning to influence design. Good design is essential to a good working environment. The WDA's (now WAG) Property Strategy for Employment revealed that the shortage of good quality property was affecting the performance of Wales to

attract companies to the Principality. This explains why the WDA committed to delivering a scheme for Raven's Court, which has subsequently been let (a vindication of their policy).

WAG's policy document entitled: Creating Sustainable Places will ensure that developments on public sector land or proposed buildings at Pencoed Technology Park and Ewenny Business Park will be of the highest quality.

Review of Sectors.

A review of regional selective assistance supported projects within Bridgend over the last 5 years reveals that Bridgend's strength lies in: construction / construction related industries; pharmaceutical; plastics; automotive; software/IT and call centres.

This compares with the key sectors mentioned in Wales: A Vibrant Economy, namely: High technology; automotive; aerospace; agri-food; tourism; financial services and creative industries.

BCBC will need to reflect on these sectors especially in light of the South East Wales Economic Development Strategy's aspirations for better quality, higher value-added jobs.

Assess likely demand/changes in the market place.

There are a large number of factors that can influence real and latent demand. Section 11 of this report underscores those areas that we feel will have an impact on demand. The influence will be from within Wales and from without. A core objective of the local authority must be to create the conditions, environment and ethos that signifies that it is there to do business and where appropriate influence / drive forward policy initiatives.

SEWEDS identifies the need for a manufacturing strategy for the region. BCBC should play a part in formulating such a strategy especially as the area has always had a strong manufacturing base. However, it is acknowledged that manufacturing is in decline whereas the service sector is in the ascendant. This fact is manifest in the quantum of new office space that has come forward to the market place.

WAG's commitment to constructing additional high quality buildings at Pencoed and Ewenny is welcome. This intervention is timely as projects move west to capitalise on grant assistance and the availability of labour.

Bridgend must continue to remain competitive and do what is necessary to achieve this aspiration.

What level of provision should be made over the specified period up to 2021?

Combined 'short-term' land and 'immediately available' land within BCBC's allocated employment land availability register gives 137.61 hectares: a supply of 19.4 – 24.4 years respectively. This takes Bridgend beyond the 2021 local development plan period. Whilst private sector activity should be encouraged and welcomed, the public sector has an important role in bringing forward land for development especially as a large proportion of it is owned by WAG and BCBC.

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