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Rhondda Cynon Taf

Economic Development Prospects and Employment Land Implications

A report by

arad consulting

In association with

Rubicon Regeneration

Contents

1 Introduction

1.1 Background

The potential for the Rhondda Cynon Taf economy to grow will depend mostly on the competitiveness and productivity of its businesses. All businesses need appropriate premises for their operation – whether a small office or a major development site. Rhondda Cynon Taf has to ensure a supply of appropriate sites and premises to meet projected employment growth over the next 5 – 10 years. In particular, the area has to develop property that can support and encourage higher value enterprises and investment, specifically high technology and growing clusters, e.g. creative industries; and needs to ensure the development of strategic sites that provide major opportunities for investment and growth.

Securing a sustainable economy also must entail securing the future of the towns as centres of economic activity. The town centres play a vital role as centres for business, commerce, leisure and recreation and in knitting communities together. However, falling employment, low levels of investment, the construction of out-of-town retail and leisure facilities and the dominance of Cardiff have taken much of the social and economic life from many town centres. Co-ordinated action will be required to promote and intensify retailing, services, employment, leisure and housing in town centres across the area. Boosting the confidence and image of town centres and increasing their number of visitors will play a critical role in reinforcing the culture and character of communities.

The Rhondda Cynon Taf Local Development Plan will be a key vehicle for nurturing sector specialisms within the County Borough through appropriate land allocations and enabling policies, and will help to aid the development of the economy for the next fifteen years.

Rhondda Cynon Taf County Borough Council commissioned Arad Consulting, in association with Rubicon Regeneration, to undertake a study that will aid the development of the 2006-2021 Local Development Plan. The objective of the study is to analyse the demand for employment land within the County Borough, as well as review the current employment land offer and streams of employment land that may be available in the future.

Critically, the study builds upon the Review of the Economic Regeneration Strategy of Rhondda Cynon Taf (2006) and incorporates the future needs of key growth sectors within the County Borough.

The views reported within this document are those of the consultants and those consulted during the course of the study, and does not reflect the views of Rhondda Cynon Taf County Borough Council.

1.2 Structure of Report

The report is based on an extensive programme of research and consultation and is divided into the following chapters:

Chapter 2 sets the strategic and policy context at a national, sub-regional and local level that will influence the demand and supply of employment land within RCT;
Chapter 3 provides an assessment of market demand characteristics in relation to type, quality and geographic spread;
Chapter 4 reviews the current (and future) supply of employment land within RCT;
Chapter 5 provides and analysis and assessment of employment land in the County Borough in response to demand and supply characteristics, and
Chapter 6 sets out suggested recommendations to ensure that future provision of the supply of land and premises - in terms of the scale, type, location and timing of development – to meet local employment and sector needs.

2 Strategic Context

The Council recognises the importance of industrial and commercial development to help both the local and national economy prosper. The LDP will guide development across the whole administrative area. It is important the Rhondda Cynon Taf Local Development Plan is comprehensive and operates in line with other strategies and policy priorities which aim to foster growth and the regeneration of the Welsh economy. In terms of meeting economic development objectives and priorities, there are a number of key policy documents and reports that provide an important policy context and will influence spatial planning for Rhondda Cynon Taf including:

- The Wales Spatial Plan :
- Wales: A Vibrant Economy - The Welsh Assembly Government's Strategic Framework for Economic Development;
- WDA Property Strategy for Wales;
- Heads – We Win – A Strategic Framework for the Heads of the Valleys, and
- EU Structural Funds Convergence Programme

Some of the key policy implications for the economy of Rhondda Cynon Taf, are given below.

Wales Spatial Plan

The Wales Spatial Plan provides the national / regional strategic framework for land use planning, whilst remaining of broader policy relevance for non-use policies that nevertheless have a spatial dimension. The core 5 themes set out within the Plan are:

- Building sustainable communities
- Promoting a sustainable economy
- Valuing our environment
- Achieving sustainable accessibility
- Respecting distinctiveness

The Wales Spatial Plan places Rhondda Cynon Taf within 'The Capital Network', the most populous area but one characterised by major economic and social disparities. The vision of the Capital Network is:

'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 of the Wales Spatial Plan for the Capital Network is:

- To strengthen and reintegrate the existing system of towns and cities within South East Wales so that the area functions as a coherent urban network, and can compete internationally. Integrated transport is crucial to this; and
- To work with our partners to develop an ambitious programme of joined-up regeneration action along the Heads of the Valleys corridor which will compliment the upgrade of the A465. The aim of this will be to improve quality of life, retain and attract residents, and increase the prosperity of the whole area focusing initially on the unlocking the potential of Merthyr Tydfil and Ebbw Vale.

The focus on strengthening the role and function of Cardiff as a global capital city is an important policy priority. Cardiff already has a clear functional relationship with its immediate towns, including Pontypridd and a key strategic priority is to strengthen and integrate the existing system of towns and cities within South East Wales so that the area functions as a coherent urban network.

In addition, the Spatial Plan identifies Merthyr Tydfil and Ebbw Vales as being the main hub of development in the northern valleys areas. The development of linkages between Merthyr Tydfil and Hirwaun and Aberdare is seen as essential to the development of the Heads of the Valleys area.

Wales: A Vibrant Economy - The Welsh Assembly Government's Strategic Framework for Economic Development

The November 2005 consultation document *Wales: A Vibrant Economy* (WAVE) outlined the economic development Agenda of the Welsh Assembly Government. The key priorities of the Welsh economy were identified as raising the employment rate, and raising the quality of jobs within Wales. The main actions to aid economic development, as identified by the consultation document were to:

- Support job creation and help people into work
- Investing to regenerate local communities and stimulate economic growth
- Helping businesses to grow and increasing productivity by:
    - Improving transport infrastructure
    - Attracting more high value-added businesses
    - Supporting businesses competitiveness
- Ensuring sustainable and resource-efficient development

Strong and Sustainable Economic Growth

The WAVE document acknowledges that throughout Wales employment rates and economic activity rates have been rising. The document also recognises the next set of challenges for Wales, which are also highly relevant for Rhondda Cynon Taf, as being the need to develop quality jobs and to deal with global competition for local employment, namely as a result of the emerging economies of India and China.

There is scope for Rhondda Cynon Taf to become a focus for the sustainable development of the Welsh economy. Despite having a relatively poor performing economy compared with Wales as a whole (as measured by earnings and economic activity), recent employment growth and falls in unemployment have shown that Rhondda Cynon Taf is far from a failing economy.

Close proximity to Cardiff as well as improving transport links and the location of one of the UK's largest universities means that the Rhondda Cynon Taf area represents an opportunity to maximise returns when utilising economic development resources.

Increasing Employment

The WAVE document highlights that increasing employment rates, as well as reducing economic inactivity, still remains central to economic development of Wales. To aid the improvement of economic activity and employment the Welsh Assembly Government is committed to investing more in the children of deprived backgrounds in their early years, and broadening the 14-19 learning curriculum. As one of the more deprived areas of Wales (as measured by the WIMD), Rhondda Cynon Taf will need to be a focus of policies aimed towards helping the children from deprived backgrounds. Within the south Wales valleys areas the WAVE document also identifies a need to help individuals manage work limiting health conditions.

The WAVE document also highlights the need for effective partnership for developing and delivering actions designed to increase economic inactivity rates. Partnerships will need to involve the Welsh Assembly Government, other public sector bodies, the private sector, the voluntary sector as well as ensuring compatibility with local area regeneration action plans. An example of good partnership is citied as the close working partnership that exists between the Wales Spatial Plan and the regeneration framework for the Heads of the Valleys.

Raising Earnings

Raising earnings is identified as a key goal for the economy of Wales. The WAVE document identifies that it is the occupational mix that is the key component of wage differentials between Wales and the rest of the UK – Wales has fewer senior managers and professionals and more intermediate level jobs.

The WAVE document also highlights that one reason for relatively low wages within Wales is a lack of a large city or urban area. The report suggests that the development of such an urban area act as a driver of economic growth in Wales. One logical interpretation of such a view would be that Cardiff, linked with surrounding local areas (of which Rhondda Cynon Taf is the largest) would represent the most efficient route to develop such a metropolitan economy. Transport improvements would be one such way to develop a metropolitan economy in Cardiff and the surrounding valleys.

Creating an Attractive Business Environment

It is recognised that the Welsh Assembly Government has a role in developing an attractive business environment. Whilst macro-economic measures are beyond the control of the Welsh Assembly Government, there is scope for intervention in areas such as ICT and transport.

The Welsh Assembly Government is also undertaking a programme of land reclamation and property development, focusing upon areas where private sector provision is weak. The aim is to ensure a good supply of quality business premises throughout Wales. It is imperative that Rhondda Cynon Taf County Borough Council works in partnership with the Welsh Assembly Government in developing such sites.

The policy ambition is qualified by the need to reflect the increasing accent on sustainable development and by current capacity constraints that influence which sites should and could be developed.

Supporting Key Drivers to Business Growth

Business support mechanisms developed and proposed by the Welsh Assembly Government centre upon key drivers of business growth, namely:

- Innovation
- Entrepreneurship
- Skills
- Investment
- Trade

WDA Property Strategy for Wales (2004 – 2008)

The Property Strategy is aimed at providing a clear focus for property development and investment in Wales so that both public and private sector resources can be more effectively targeted and channeled to foster growth and regeneration of the Welsh economy. The emphasis is on a demand perspective of the property market, representing a combination of:

- Responding to recent and existing trends in property demand in Wales;
- Trying to stimulate demand opportunities in market areas which are growing both internationally and nationally, including stimulating demand in the more disadvantaged areas where a strong business case for intervention can be made.

The intention is to "achieve a range and network of sites and buildings that provide a property solution to facilitate the business development and growth process of start-up organizations, indigenous companies and inward investors."

The strategy involves the identification of the main market areas of employment land and premises, defining a property response and the most suitable locations in Wales for that response, and then consolidating the market areas into a collective framework for property intervention in Wales. An important consideration is to respond to the wide spectrum of companies, which require a different property offer, notably:

- Small business start-ups (general)
- Small business start-ups (technology)
- Expansion of companies already established in the area
- Relocation of companies already established in the area
- New indigenous investors (form other parts of Wales)
- New inward investors (from other parts of the UK)
- New overseas investors

It is recognized that the core demand is likely to come from either new start-up businesses or from the expansion of companies already based in Wales. However if Wales, and Rhondda Cynon Taf, is to compete effectively in the highly competitive inward investment market, it must have a good choice of high quality sites and buildings for prospective investors.

The strategy is based on five main principles:

- Team playing and stronger collaboration between public and private sector partners across the regional, sub regional and local property markets;

- Focusing on public sector resources by the WDA on property market areas where the greatest impact on the Welsh economy can be made;
- Targeting of key "sectors" / business activities in line with WAG / WDA economic development objectives and policies;
- Critical role of a relatively small number of business parks, strategic sites and strategic mixed use sites in acting as focal points for attracting new investment and jobs in Wales, and
- Careful control of the phased supply of sites and buildings in line with expected demand.

Recommendations and actions which are of relevance to RCT include:

- The provision of one **premier business park** located in the Greater Cardiff area, with a land requirement of some 100-300 acres (one clear contender has been identified at Capel Llanilltern).
- A small number of **business parks** (2-3 on the M4 corridor) to serve Wales but with an evolving programme as markets develop (Pencoed / Llantrisant identified as potential location).
- A network of 15-20 **strategic sites** close to primary road networks and population concentrations (Tonyrefail identified as potential location).
- An extensive network of **50-60 industrial estates / local sites** (of which 15-20 should be planned in South East Wales) to serve essentially sub-regional and local markets. Reinvestment and refurbishment may well have important roles to play in this element of the strategy.

The strategy recognises that the ready or early availability of a new or modern building is increasingly critical in investors' requirements. The need to strengthen Wales' competitive position is a fundamental ingredient of the strategy. There is an urgent need to improve the quality of current provision with a major ramping-up of the building programme.

'Heads – We Win' – A Strategic Framework for the Heads of the Valleys

'Heads – We Win' is the consultation document of the Strategic Framework for the development of the Heads of the Valleys area. The Heads of the Valleys Programme Area includes the towns of Aberdare, Mountain Ash, Ferndale and Maerdy as well as the village of Hirwaun. The development of the A465 Heads of the Valleys road will significantly improve the communications infrastructure in these areas, providing a dual-carriageway link to England and Swansea. The location of the Hirwaun Industrial Estate, which will be situated near the Hirwaun East junction of the improved A465 road, will provide new opportunities for industry within the area.

The vision of the Strategic Framework for the Heads of the Valleys is that by 2020, the Heads of the Valleys area will be:

- A culturally rich, dynamic network of vibrant and safe communities;
- A place where people want to live, work and play – with a sustainable, high quality of life and a thriving population;
- Helping to drive the success of South East Wales as an internationally recognised Capital Region.[1]

In order to achieve this vision significant resources have been made available for investment within the area. Particular investments that will aid the development of the Rhondda Cynon Taf areas within the Heads of the Valleys will include:

- Investment in capital projects, such as the new Cynon Valley Hospital;
- Provisioning specialised incentives to businesses to encourage the employment of the economically inactive;
- Improving local integrated transport infrastructure;
- Providing training and support for construction and social care jobs created by housing stock improvement and health care development;
- Providing low cost ultra-high bandwidth internet connections;
- Promoting the Heads of the Valleys area as a destination for business and tourism.

The focus upon the Heads of the Valleys area will provide an ideal opportunity for the development of the northern valley areas of Rhondda Cynon Taf, which have recently comprised the most deprived areas of the County Borough.

EU Structural Funds Convergence Programme

Between 2007 and 2013 West Wales and the Valleys (which includes Rhondda Cynon Taf) will receive £1.3 billion to support a new Convergence Programme to follow the 2000-06 European Structural Funds Programmes Objective 1 funding. The new programmes that will arise from the Convergence Programme will concentrate on supporting sustainable growth and jobs, and will focus upon the EU's Lisbon and Gothenberg strategies.

An outline of the proposed priorities of the Convergence Programme is detailed within the Welsh chapter of the UK's National Strategic Reference Framework. More detailed preparation of the new programmes is also currently being undertaken. The

[1] 'Heads – We Win' A strategic Framework for the Heads of the Valleys, March 2005

proposed priorities, as documented on the Wales European Funding Office website[2], 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)

Each of the proposed priority actions highlighted above are directly relevant to the Rhondda Cynon Taf Economic Regeneration Strategy.

[2] http://www.wefo.wales.gov.uk/default.asp?action=page&ID=1564

3 Market Characteristics

The demand for employment land in Rhondda Cynon Taf is based upon the economic characteristics of the local area, and the changing need of organisations and businesses in terms of their land requirements. This section outlines the changes that are occurring in Rhondda Cynon Taf with attention given to its subsequent effects upon demand for employment land, both in terms of quantity and also in terms of the types of premises that are required. This chapter is split into the following sections:

- Employment and Enterprise
- Geographic Spread of Business Growth
- Requirements of New Enterprise
- Demand from Key Growth Sectors

3.1 Employment and Enterprise

The demand for employment sites will naturally be linked to the economic composition of the local area. Rhondda Cynon Taf has traditionally employed a high proportion of its workforce within the manufacturing sector, where around one in every four workers in the County Borough are employed. As a result the local area has historically required employment premises suitable for that industry - notably larger industrial units as opposed to office space and small employment units.

The public administration, education and health sectors, however, employ even more people in the local authority area than the manufacturing sector, accounting for considerably more than a third of all local employment in Rhondda Cynon Taf. Table 3.1 below highlights employment patterns within Rhondda Cynon Taf, and how these compare with Great Britain and Wales as a whole.

Table 3.1: Employment by Broad Sector (% of Total Employment)

	Great Britain		Wales		Rhondda Cynon Taf	
	2000	2004	2000	2004	2000	2004
Agriculture and fishing	1.0%	0.9%	1.2%	1.2%	0.2%	0.1%
Energy and water	0.8%	0.6%	1.0%	0.6%	1.6%	1.1%
Manufacturing	15.0%	11.9%	18.6%	15.3%	27.8%	23.3%
Construction	4.5%	4.5%	5.3%	4.6%	2.6%	3.8%
Distribution, hotels and restaurants	24.1%	24.7%	22.7%	23.8%	18.9%	20.2%
Transport and communications	6.1%	5.9%	4.2%	4.6%	3.0%	3.5%
Banking, finance and insurance, etc	19.6%	20.0%	11.4%	11.7%	7.3%	7.3%
Public administration, education & health	24.0%	26.4%	30.4%	32.8%	32.9%	35.9%
Other services	5.0%	5.1%	5.2%	5.4%	5.6%	4.7%

Source: Annual Business Inquiry

Jobs growth has fluctuated in recent years. Between 2000 and 2004 the public administration, education and health sector contributed an extra 4,300 jobs to the Rhondda Cynon Taf economy. There was also employment growth experienced in remaining service sectors, excepting the relatively small ‘other services’ sector.

Recent analysis of employment in manufacturing reveals that the number of jobs within the sector is falling. Between 2000 and 2004 the manufacturing sector lost just under 2,000 jobs in Rhondda Cynon Taf, as estimated by the most recent Annual Business Inquiry data. This, coupled with regional and national trends, suggests that the demand for manufacturing space will continue to diminish in forthcoming years.

Table 3.2: Annual Employment Growth Rates 2000-2004 (%)

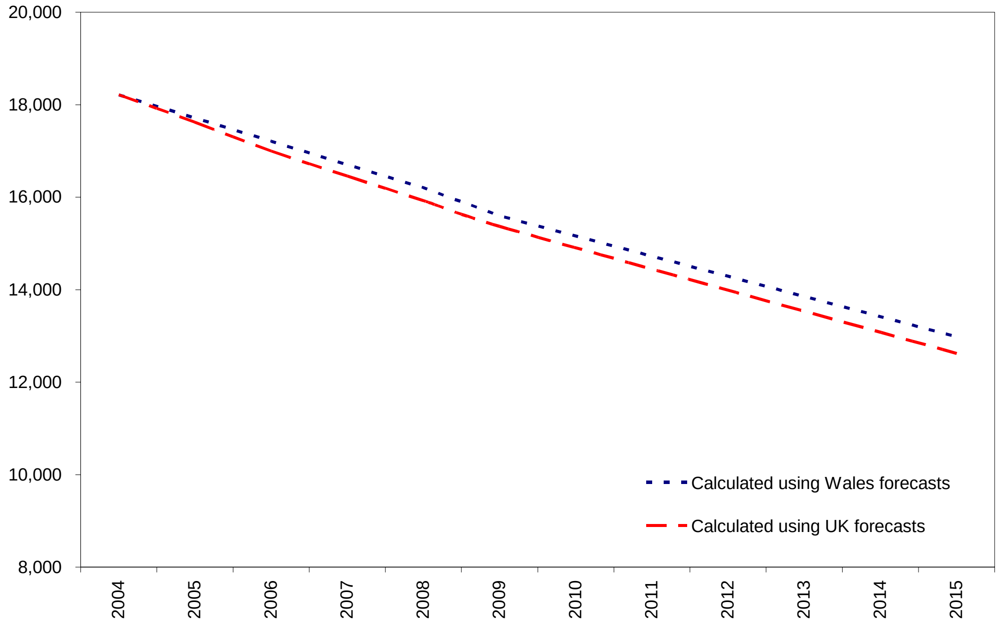
	Great Britain	Wales	Rhondda Cynon Taf
Agriculture and fishing	-1.2%	2.0%	-31.4%
Energy and water	-6.4%	-8.5%	-7.4%
Manufacturing	-4.9%	-3.0%	-2.4%
Construction	1.1%	-1.7%	12.4%
Distribution, hotels and restaurants	1.4%	3.0%	3.7%
Transport and communications	0.2%	4.1%	5.9%
Banking, finance and insurance, etc	1.2%	2.5%	1.9%
Public administration, education & health	3.2%	3.8%	4.2%
Other services	1.4%	2.4%	-2.5%

Source: Annual Business Inquiry

The chart below documents forecasts in employment numbers for the manufacturing sector based upon Wales-wide and UK-wide forecasts. The chart illustrates the expected level of employment contraction that would occur in Rhondda Cynon Taf if the County Borough were to follow these national trends, losing around a third of its total workforce by 2016.

These forecasts are by no means certain, employment in manufacturing in Rhondda Cynon Taf has fallen at a lower rate than both Wales and Great Britain averages. However, it is still very likely that employment in the manufacturing sector will continue to fall in forthcoming years, creating obvious issues with regard to demand for employment land throughout the County Borough.

Figure 3.1: Forecast Growth in Number of Manufacturing Employees



Source: Annual Business Inquiry/Robert Huggins Associates

Annual Business Inquiry data also reveals the change in the number of workplace units. The table below illustrates that between 2000 and 2004 the number of manufacturing and construction workplace units fell, whilst there was growth in the number of workplace units for most service sectors.

Table 3.3: Annual Workplace Growth Rates 2000-2004 (%)

	Great Britain	Wales	Rhondda Cynon Taf
Agriculture and fishing	-1.2%	5.1%	-7.7%
Energy and water	-5.4%	-2.9%	-8.6%
Manufacturing	-1.9%	-0.1%	-1.7%
Construction	2.2%	1.4%	-1.5%
Distribution, hotels and restaurants	-0.3%	0.0%	0.4%
Transport and communications	0.1%	0.6%	3.2%
Banking, finance and insurance, etc	2.7%	5.1%	6.2%
Public administration, education & health	1.9%	1.5%	1.6%
Other services	-0.5%	0.0%	-1.6%

Source: Annual Business Inquiry

A further source of data that provides analysis of enterprise is VAT registration data. The table below highlights the overall change in the number of VAT registered businesses in Rhondda Cynon Taf between 1998 and 2004. The table highlights broadly similar trends to those identified above, with particular growth experienced within the financial services sector and public sector. It should be noted, however, that the financial intermediation sector has grown from a relatively small base.

Growth in real estate, renting and business activities will also be partly attributed to the recent house price boom. Many of the property requirements of these businesses will be retail-type customer focussed properties (typically high street estate agents), although there has been some evidence from consultation that has revealed growth in business to business and larger financial services operations.

Table 3.4: Percentage Change in the Number of VAT Registered Businesses by Sector in Rhondda Cynon Taf, 1998 to 2004

Manufacturing	1%
Construction	-6%
Wholesale, retail and repairs	-3%
Hotels and restaurants	12%
Transport, storage and communication	16%
Financial intermediation	50%
Real Estate, renting and business activities	44%
Public administration; Other community, social and personal services	4%
Education; health and social work	27%

Source: VAT Registration Data

The majority of workplaces in Rhondda Cynon Taf employ ten people or less. Only in the public administration, education and health sector do we find that the majority of employment sites employ more than ten people. It is noticeable, however, that there is a spread of different employment sites for the manufacturing sector. Whilst the majority of manufacturing workplaces employ less than ten people, over 40% of total employment is accounted for by those sites that employ 200 people or more.

Table 3.5: Workplaces in Rhondda Cynon Taf by Employment Size 2001

	1-10 employees	11-49 employees	50-199 employees	200 or more employees
Manufacturing	58%	22%	16%	4%
Construction	97%	3%	0%	0%
Distribution, hotels and restaurants	86%	12%	1%	0%
Transport and communications	87%	8%	4%	0%
Banking, finance and insurance, etc	87%	13%	1%	0%
Public administration, education & health	42%	45%	10%	2%
Total	79%	16%	4%	1%

Source: Annual Business Inquiry

Employment and Enterprise - Summary

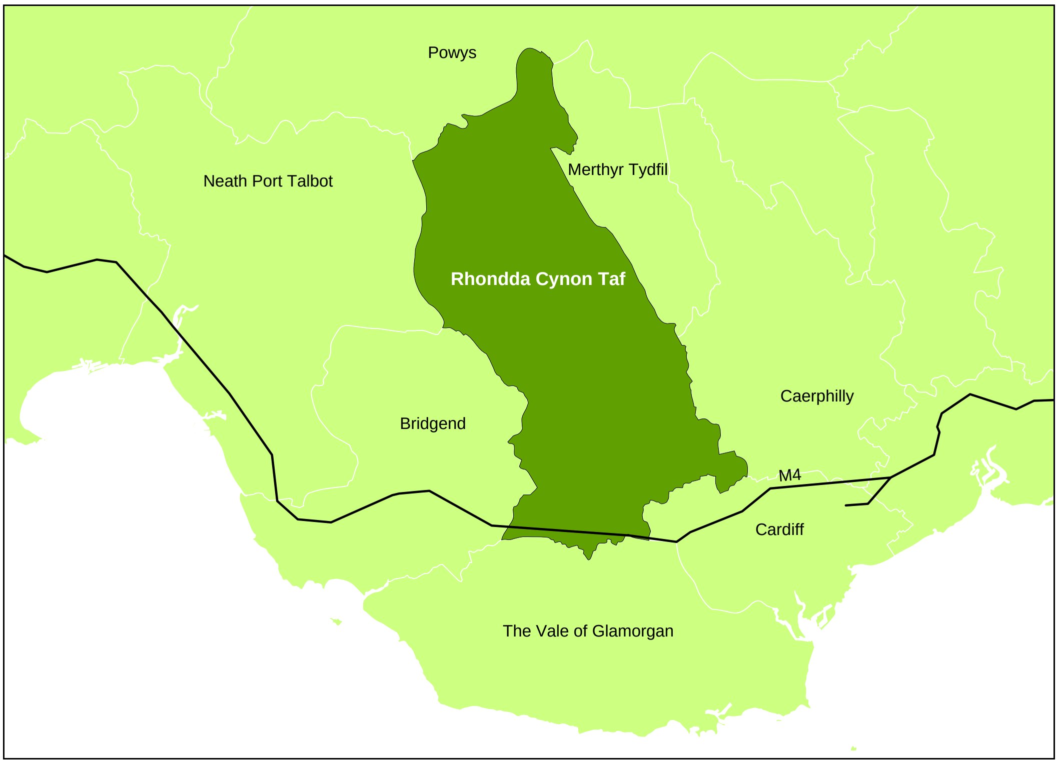
In summary, the recent and expected changes that are likely to impact upon the demand for employment land and sites in Rhondda Cynon Taf include:

- Decreasing employment in manufacturing sectors, albeit at a slower pace than national and regional trends;
- Increasing levels of employment in Construction; Distribution, hotels and restaurants; Transport and communications; Banking, finance and insurance; etc; and Public administration, education & health;
- Forecasts predict a continued fall in manufacturing employment in Rhondda Cynon Taf, whilst service sector employment is expected to continue to grow;
- The number of workplace units has increased in Distribution, hotels and restaurants; Transport and communications; Banking, finance and insurance, etc; and Public administration, education & health.

3.2 Geographic Spread

The landscape and geography Rhondda Cynon Taf is varied and distinctive. The local authority is based around the valleys that give the County Borough its name– the Taff Vale, the Rhondda and the Cynon Valley. The local authority area is bound by the neighbouring authorities of Merthyr Tydfil, Powys, Neath Port Talbot, Bridgend, The Vale of Glamorgan, Cardiff and Caerphilly. The southern areas of Rhondda Cynon Taf are bound by the M4 Motorway. Other major road links include the A470, which bisects Rhondda Cynon Taf from Cardiff to Abercynon, and the A465 which passes through Hirwaun at the northern edge of Rhondda Cynon Taf.

Figure 3.2: Rhondda Cynon Taf



The Cardiff Effect

Many of those consulted with commented that many businesses will simply want to locate in Cardiff. This was especially true of office-based businesses and knowledge-based businesses. The main draw for many of these businesses is a healthy supply of graduate workers as much as available property. The density of businesses and a city location will always be a draw for many businesses, and is something that Rhondda Cynon Taf will always have difficulty in competing with.

In terms of commuting, the number of those commuting out of Rhondda Cynon Taf has been increasing steadily in recent years, in 2001 31,000 people residing in Rhondda Cynon Taf worked outside the local authorities boundary. This increased to 38,400 in 2004 – an increase of 7,400 in just three years. Over the same time period the number of people working in the local authority who live outside its boundaries fell slightly from 17,000 to 16,400.

The increase in the levels of out-commuting has partly arisen as a result of an improved transport infrastructure. It was noted during consultation that the improvements in transport infrastructure will have a greater increase on the number of people commuting out of, rather than into the County Borough of Rhondda Cynon Taf.

Despite little change in the volume of in-commuting, the net figure for commuting in Rhondda Cynon Taf has changed significantly in recent years, simply as a result of an increase in the numbers of Rhondda Cynon Taf residents who are employed outside the local authority.

Table 3.6: Commuting Patterns in Rhondda Cynon Taf

	2001	2004
Inward commuting	17,000	16,400
Outward commuting	31,000	38,400
Net inward commuting	-14,000	-22,000

Source: Statistics on Commuting in Wales 2000 and Statistics on Commuting in Wales 2004, National Assembly Statistical Directorate

Most of those who are commuting out of Rhondda Cynon Taf are working in Cardiff. It is estimated that some 19,000 workers travel daily from Rhondda Cynon Taf to Cardiff, whilst only 4,000 are moving in the opposite direction.

Table 3.7: Commuting Patterns in Rhondda Cynon Taf 2004, by Local Authority Destination

	Out-commuting	In-commuting
Cardiff	19,000	4,000
Bridgend	4,000	3,000
Caerphilly	3,000	2,000
Merthyr Tydfil	2,000	2,000
The Vale of Glamorgan	2,000	1,000
Other Welsh UA's	7,000	3,000
Outside of Wales	3,000	-

Source: Statistics on Commuting in Wales 2000 and Statistics on Commuting in Wales 2004, National Assembly Statistical Directorate

Some areas in Rhondda Cynon Taf, however, are offering a viable alternative to the capital. The Trefrorest Industrial Estate, for example, can be viewed as preferable to Cardiff for many businesses. The industrial estate is easily accessible, and one of the main advantages is that traffic is often moving in the opposite direction during morning and evening rush hours.

The increasing numbers of outward commuting in Rhondda Cynon Taf is likely to have a large impact upon the requirements of businesses in terms of property and land. It is unlikely that the there will be a reduction in the number of people commuting out of the local authority in the near future.

The Cardiff Effect - Summary

- Cardiff is a big draw in south east Wales for both business and employment;
- The number of people commuting out of Rhondda Cynon Taf is increasing - 7,400 more people travelled outside the local authority to work in 2004 compared with 2001;
- Despite Cardiff being the main attraction for office-based and knowledge-based businesses there are areas in southern Rhondda Cynon Taf that are attractive for such ventures.

M4 corridor

The southern areas of Rhondda Cynon Taf have particularly good transport links. Towns such as Pontyclun, Pontypridd, Llantristant and Trefforest all benefit from close links to the M4 corridor. Consultations highlighted that business growth has been very much centred upon the southern areas of Rhondda Cynon Taf, and that the demand for employment sites is extremely concentrated upon these popular areas within the Taff Vale.

> "The big employers in Rhondda Cynon Taf are locating in and around the southern parts of the local authority, particularly around the Llantrisant area. There will always be a demand for employment sites in the southern ends of the valleys. A good transport infrastructure, and specifically the close proximity of the M4 motorway, makes the southern parts of Rhondda Cynon Taf particularly attractive for business."
>
> *Rhondda Cynon Taf Corporate Estates*

Indeed, the most common theme that emerged from consultations was the popularity of the southern areas of Rhondda Cynon Taf. Whilst a plethora of factors were identified, it was clear that accessibility, primarily forged through the excellent transport links, made the southern areas popular.

The main attraction of Rhondda Cynon Taf for many businesses was Objective One funding possibilities and the location of the M4. Consultations revealed that throughout south east Wales the M4 corridor in Objective One areas was a hotspot of demand for employment land and premises. The EU Structural Funds Convergence Programme will mean that there will be a continuation of EU support for the West Wales and the Valleys areas up until 2013.

It was also noted, during consultations, that it is important that Rhondda Cynon Taf County Borough Council accepts that businesses would look along the M4 corridor for possible business locations, and would be more likely to look towards other local authority areas in Wales that meet their criterion rather than further north into Rhondda Cynon Taf.

> "Many businesses are looking to locate close to the M4, and ideally within an objective one area."
>
> *Business in Focus Representative*

The popularity of the southern areas of Rhondda Cynon Taf also meant that price incentives would be unlikely to have a significant impact upon demand for employment land in the northern areas of the County Borough. Consultations revealed that demand for employment land and premises would be unlikely to increase significantly in the northern areas of Rhondda Cynon Taf if a significant price drop was experienced in those area. Indeed, it was mentioned that many businesses were prepared to pay more than ten times as much to locate in the southern areas of Rhondda Cynon Taf than in the northern areas. Whilst this would not be true for all businesses, it is a clear indication on the disparities in demand for employment land that persist between the northern and southern areas of Rhondda Cynon Taf.

> "Businesses are more interested in the location and the quality of property and not the price. Most businesses seem prepared to pay much more for land at the southern end of the County Borough Council than at the northern end."
>
> *Rhondda Cynon Taf Business Support*

The M4 Corridor - Summary

- One of the biggest attractions for businesses in Rhondda Cynon Taf is the M4;
- As a result the southern areas of Rhondda Cynon Taf are by far the most popular for business;
- Businesses are more likely to seek premises elsewhere along the M4, rather than elsewhere in Rhondda Cynon Taf if no suitable premises are available along the M4 corridor;
- Price incentives to make less popular areas of Rhondda Cynon Taf more popular are unlikely to have a great effect.

Heads of the Valley

The development of the A465 ‘Heads of the Valleys’ road will significantly improve road links in the northern valleys areas. In particular it will provide a dual carriage way link between Hirwaun and Swansea, and also provide greater access to the West Midlands area. These improvements in infrastructure can only have a positive impact upon the economic development of Hirwaun and Penywaun, which are amongst the most deprived areas in Wales.

It is not expected that improvements to the A465 will have a significant impact upon the demand for employment land in the short-term. However, over the long-term there will be opportunities for growth. Whilst some consultees felt it would be difficult to predict the overall impact of the A465 development others felt that the infrastructure improvements, allied with strategic initiatives such as the ‘Heads we Win’ strategy provided an invaluable avenue for growth in the deprived northern areas of Rhondda Cynon Taf.

Heads of the Valleys – Summary

- In the short –term the development of the Heads of the Valleys is unlikely to have a significant impact upon the demand for employment land and premises.
- In the long term there are more opportunities for development. Whilst it is impossible to accurately predict the effects that the dualling of the A465 will have in the distant future, it remains one of the best catalysts of development of some of the most deprived areas of Rhondda Cynon Taf.

The Rhondda and Cynon Valleys

The northern areas of the local authority, namely the Rhondda and Cynon Valleys were viewed as relatively inaccessible, with poor road links in particular an issue. The Rhondda in particular suffered from a perception of being relatively inaccessible. The topography of the Rhondda also means that it is difficult to significantly improve accessibility. Whilst the Porth Relief Road will help the area to some degree, evidence from consultations suggested that it would be unlikely to have a major impact on the demand for employment land and premises in the Rhondda Valleys. One property agent said that premises in the Rhondda were ‘un-letable’.

> “There are some opportunities arising from the opening of the Porth Relief Road, nevertheless parts of the Rhondda Fawr are still viewed as relatively inaccessible. Overall there is limited scope for development in Rhondda Fawr unless further improvements to the transport infrastructure are carried out.”
>
> *Rhondda Cynon Taf Regeneration Officer*

The Cynon Valley is viewed as more accessible than the Rhondda Valleys, with a relatively clear and easy route running from the southern end at Abercynon to the northern junction of the A4059 and A465 at Hirwaun. Whilst the area was not highlighted during consultation as being particularly attractive for businesses, it did not suffer to the degree of the northern areas of the Rhondda Valleys in terms of accessibility. Navigation Park, found at the junction of the Cynon Valley and Taff Vale, was cited as a popular location, its proximity to the A470 being a key attribute in attracting businesses.

> “There is a large demand for small offices, even in some of the northern areas of Rhondda Cynon Taf. One such example is the Exchange building near Monk Street in Aberdare.”
>
> *Rhondda Cynon Taf Corporate Estates*

There are, however, some sources of demand for the northern areas of Rhondda Cynon Taf. The demand is primarily centred upon smaller business units. Demand for office space is largely concentrated upon small offices, typically around the 300 sq.ft size.

> “There are two needs that are left unsatisfied at the top ends of the valleys. There is still a need for low cost ‘sheds’ for manual self-employment style enterprises. This would typically comprise of small industrial space. The other unsatisfied demand is for high quality managed workspace with modern well equipped IT connections and conference and meeting facilities, such as the premises managed by Venture Wales.”
>
> *Business Intermediary*

Consultations would suggest, however, that the requirements in the northern areas of Rhondda Cynon Taf would not produce sufficient demand for large scale developments. One property agent even remarked *"forget about industry in the Rhondda – it won't work"*.

> "It is not clear how far up the valleys a development such as Tŷ Menter [Venture Wales development based in Abercynon] would work, transport and accessibility would still be an issue. If you want to encourage local people into enterprise you need to ensure that there is space available. However, you probably couldn't build something like Venture Wales in Aberdare."
>
> *Business Intermediary*

The Rhondda and Cynon Valleys - Summary

- The Rhondda Valley is viewed as inaccessible by businesses, and properties are viewed by property agents as hard to let ;
- The Cynon Valley is perceived as more desirable for businesses than the Rhondda, although demand for business premises lags that of the southern areas of Rhondda Cynon Taf;
- Recent improvements in infrastructure are unlikely to have a large impact upon demand for property in the Rhondda and Cynon Valleys.

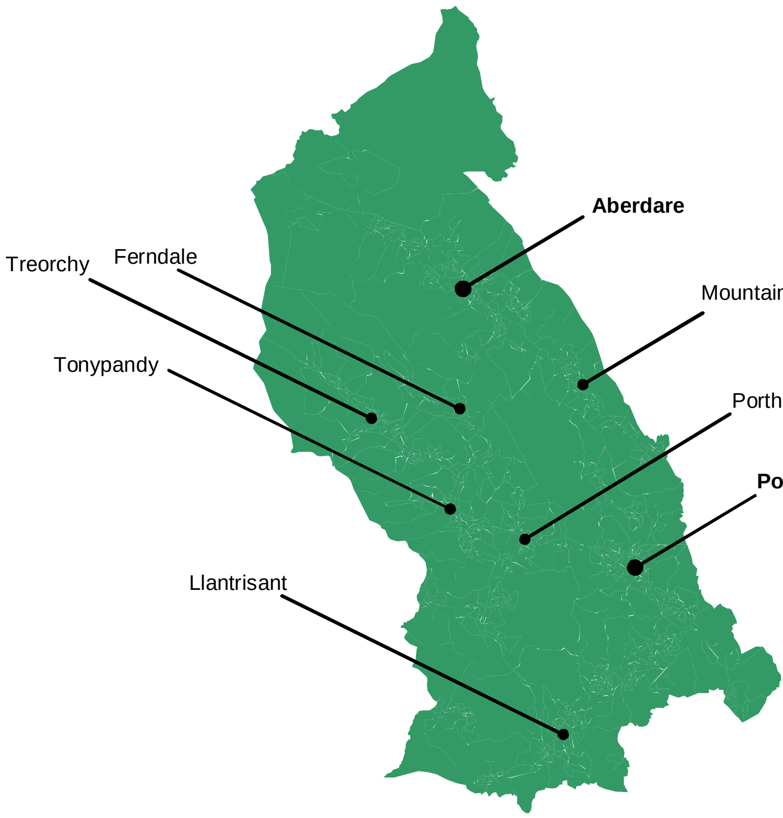
Key Settlements

Key settlements can be found following the lines of the valleys that comprise Rhondda Cynon Taf. The main town centres within Rhondda Cynon Taf comprise:

- **Aberdare**
- **Pontypridd**
- Ferndale
- Llantrisant
- Mountain Ash
- Porth
- Tonypandy
- Treorchy

The town centres of Rhondda Cynon Taf are centres of retail employment, public sector employment and other service sector employment. The importance of town centres in terms of economic development policy is not restricted, however, to employment. Many of the town centres in Rhondda Cynon Taf are also important centres for the provision of services, as well as providing a focal point for their local communities and reducing spending leakages from the County Borough.

Figure 3.3: Town Centres in Rhondda Cynon Taf



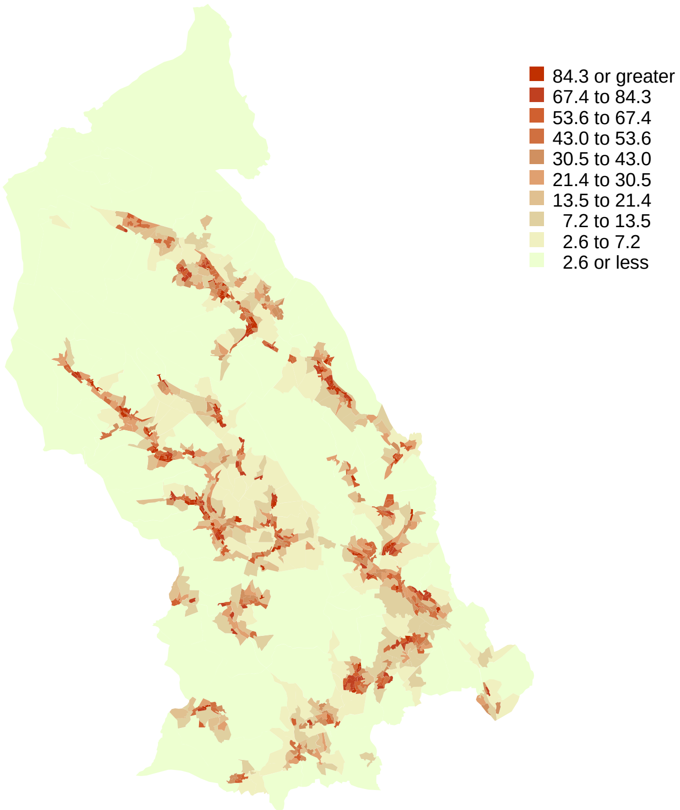
The table below ranks town centres in Rhondda Cynon Taf, expressed in terms of an index of retail centres based upon a weighted score for multiple retailers represented in town centres across Great Britain. The table highlights the importance of Pontypridd and Aberdare in the south east Wales region.

Table 3.8: Management Horizons UK Shopping Index 2001

Centre	MHE Classification	MHE Index Score	MHE Rank
Cardiff	Major Regional	244	14
Swansea	Regional	159	56
Newport	Regional	129	=93
Bridgend	Major District	64	=235
Pontypridd	**Major District**	**57**	**=257**
Neath	Major District	56	=259
Merthyr Tydfil	Major District	47	=297
Port Talbot	District	39	=347
Bridgend Welsh Designer Outlet	District	33	=388
Caerphilly	District	30	=421
Aberdare	**District**	**28**	**=438**
Blackwood	District	28	=438
Maesteg	District	24	=474
Tonypandy	**Local**	**12**	**=739**
Porth	**Local**	**10**	**=828**

Source: Management Horizons UK Shopping Index

Figure 3.4: Population Density by Output Area 2001; Persons per Hectare



Source: National Statistics

Vacancy rates in town centres are low, currently running at less than 7%, and there is still demand for smaller units. Demand, however, would be expected to rise for more appropriately sized units. There has been a big demand for large national retailers for big retail units in areas such as Pontypridd, and to a lesser extent Aberdare and Tonypandy.

A movement towards more 'up-market' retail and town centre developments has also been noticed throughout Rhondda Cynon Taf. It was also cited during consultations that the more up-market developments help to attract not only other businesses, but also attract more people to reside in the local area. This would help to increase levels of spending in a local area (and more significantly, reduce leakages of spending) as well as helping to improve the labour market.

Furthermore, there is also a move towards more modern office spaces in town centres. These offices will be comparatively small, but still provide worthwhile and meaningful employment in town centres in Rhondda Cynon Taf.

There is also a change occurring in the leisure and night-time economy, as well as a movement towards town centre provision of public (and private) services. Alfreds Restaurant in Pontypridd has shown that there is demand for an 'up-market' restaurant in Rhondda Cynon Taf. People are willing to use a quality product, and there is a realisation amongst those consulted of the potential of such ventures in the south Wales valleys

Demand for sites in town centres does not vary as wildly as demand for industrial purposes. Whilst demand is stronger in Pontypridd for town-centre property than in Aberdare and Tonypandy, there is still noticeable demand for the northern areas of Rhondda Cynon Taf.

As part of the long-term development of the town centres, it is important that as well as supporting local traders and service providers, outside investment is attracted. The available evidence suggests that a number of investments, predominately from high street retailers, will be attracted to Rhondda Cynon Taf's town centres as development takes place. However, a key issue is that although such demand may be forthcoming, the supply of available sites of an appropriate size, in many of the towns is limited. While the issue of demand outstripping supply may be something that will not need to be addressed for a number of years in some of the town centres, it is one which should not be ignored. It is also an issue that forms part of the increasingly important debate regarding the long-term blurring of in-the-town and out-of-town development, which is particularly relevant in relation to the physical and economic structure of many towns in the Rhondda Cynon Taf area.

Furthermore, one of the key roles of town centres in Rhondda Cynon Taf is to capture spend. Perhaps surprisingly Rhondda Cynon Taf has experienced significant inward migration in recent years. Recent increases in house prices are a big influence upon these migratory patterns – many people simply cannot afford to live in Cardiff, for example, and are choosing to live in Rhondda Cynon Taf. The influence of town centres on retaining skilled workers and ensuring that their spending does not leak outside the County Borough should not be ignored.

Key Settlements - Summary

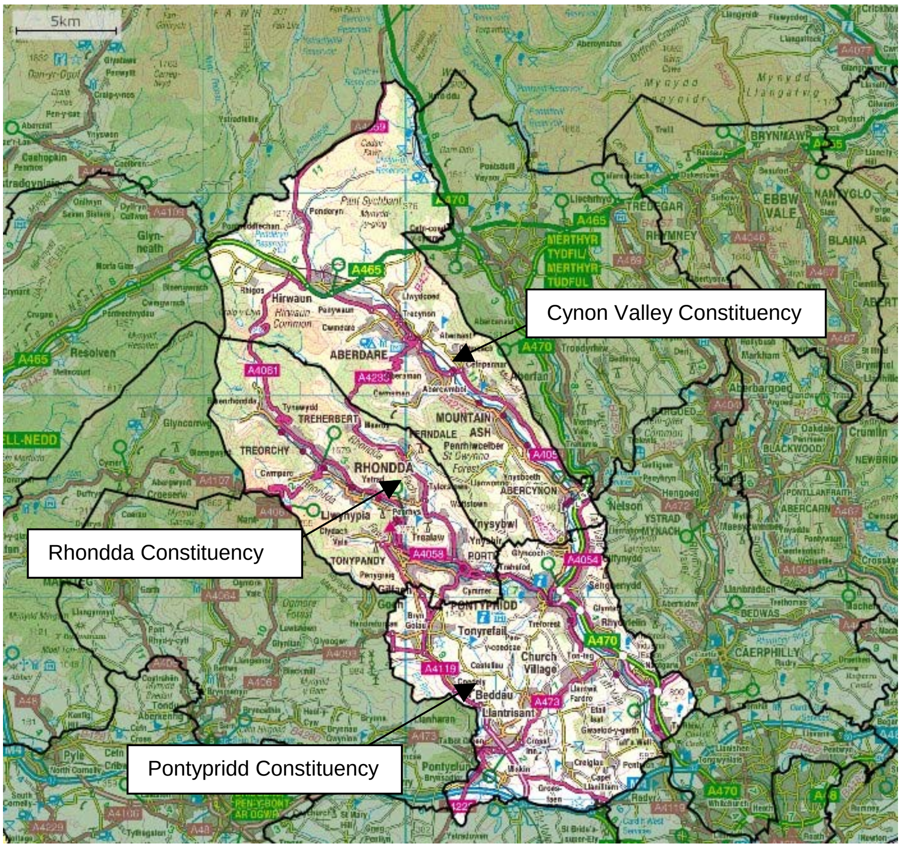
- There is healthy demand for town centre property, especially retail premises, as documented by relatively high occupancy rates for ground level retail space throughout Rhondda Cynon Taf;
- There is a movement in the main settlements towards more 'up-market' developments;
- There has been a big demand for large national retailers for big retail units in areas such as Pontypridd, and to a lesser extent Aberdare and Tonypandy;
- There is an increase in demand for modern offices in many settlements in Rhondda Cynon Taf;

- Demand for town centre premises does not vary as much between northern and southern areas of Rhondda Cynon Taf as for traditional industrial premises;
- There is demand for small office space in northern areas of Rhondda Cynon Taf.

Statistical Analysis

Quantitative analysis re-affirms the views gauged from consultations. Statistical analysis was undertaken for the three Parliamentary Constituencies of Rhondda Cynon Taf (1995 Revision). Figure 3.2 below outlines the boundaries of these areas of analysis. The Cynon Valley and Rhondda constituencies logically document the Cynon and Rhondda Valleys, whilst the Pontypridd constituency represents the Taff Vale. It should be noted that a small part of Rhondda Cynon Taf (comprising the town of Llanharan) lies within the Ogmore constituency, and for the sake of analysis this area has been excluded in the quantitative study.

Figure 3.5: Parliamentary Constituencies, 1995 Revision



Annual Business Inquiry workplace units estimates growth in the number of workplaces to stand at 4.0% per annum in the Pontypridd constituency between 1998 and 2004, 0.2% for the Cynon Valley over the same period, and a contraction of the number of workplace units of 0.4% for the Rhondda over the same period. This data corresponds with the views of all of the consultees in that demand for employment sites has been concentrated upon the southern areas of Rhondda Cynon Taf, whilst demand for employment sites and premises was particularly low in the Rhondda valleys.

Interestingly the number of manufacturing workplace units had fallen considerably in the Cynon Valley. In contrast, the number of manufacturing units actually rose in the Pontypridd Constituency area

Growth in the number of workplace units was most noticeable in the banking, finance and insurance sectors. This, again, would correspond to the evidence gain from consultees, which suggested that there was particular demand for small office space.

Table 3.9: Change in Number of Workplace Units 1998-2004

	Cynon Valley	Rhondda	Pontypridd
Manufacturing	-12%	-4%	2%
Construction	-18%	-11%	-1%
Distribution, hotels and restaurants	-1%	-1%	6%
Transport and communications	15%	18%	6%
Banking, finance and insurance, etc	33%	15%	56%
Public administration, education & health	2%	1%	12%
Total	1%	-2%	16%

Source: Annual Business Inquiry

Employment analysis paints a similar story. There has been moderate employment growth in the Cynon Valley, whilst in the Pontypridd Constituency the number of full-time jobs has increased by almost 20% between 2000 and 2004. In the Rhondda Valleys, however, the number of full-time jobs has fallen by over 10% over the same period.

Table 3.10: Full-time Employment Growth by Parliamentary Constituency (Index, 2000=100)

	2000	2001	2002	2003	2004
Cynon Valley	100.0	104.5	117.4	105.7	108.6
Pontypridd	100.0	100.7	107.7	110.0	118.9
Rhondda	100.0	100.0	100.6	95.0	88.6

Source: Annual Business Inquiry

Employment growth by sector shows similar patterns, with strong growth in employment experienced by most sectors in the Pontypridd constituency. The contraction in employment in the business services sector in the northern valleys areas, in light of an expanding number of workplaces, provides further evidence for the increase in demand for smaller office units.

In the Rhondda Valleys the manufacturing, transport and communications and construction sectors were the only sectors to experience full-time employment growth between 2000 and 2004.

Table 3.11: Employment Growth by Parliamentary Constituency (CAGR 2000-2004)

	Cynon Valley		Pontypridd		Rhondda	
	Total	FT	Total	FT	Total	FT
Agriculture and fishing	-5.4%	-2.9%	-4.9%	-2.6%	-2.2%	0.0%
Energy and water	-11.1%	-11.0%	7.9%	8.7%	-37.1%	-40.1%
Manufacturing	0.0%	1.0%	0.6%	1.8%	1.7%	1.9%
Construction	10.5%	9.7%	15.2%	14.0%	6.0%	4.3%
Distribution, hotels and restaurants	4.5%	3.3%	5.8%	4.4%	0.6%	-3.5%
Transport and communications	1.0%	-1.6%	5.4%	7.0%	5.8%	5.0%
Banking, finance and insurance, etc	-8.6%	-2.0%	4.6%	6.9%	-7.3%	-1.9%
Public administration, education & health	11.2%	8.8%	6.7%	5.1%	-1.4%	-6.4%
Other services	-5.9%	-5.8%	5.7%	3.1%	-6.5%	-6.9%

Source: Annual Business Inquiry

Statistical Analysis - Summary

- Employment growth is strong in the Pontypridd constituency;
- The number of jobs in the Cynon Valley is also growing, albeit at a slower rate than in the Pontypridd constituency;
- The number of jobs in the Rhondda Valleys has been falling;
- The same patterns are evident in terms of the number of workplaces.

3.3 Future Requirements

For 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.

The WDA (now DEIN) property strategy for 2004-2008 has stated that the main property implications for Wales highlighted by a market demand review are:

- Much of the present demand in Wales is for ready-made, modern buildings;
- Wales is not performing well in some of the key growth sectors;
- The quality of the property product is an increasingly important consideration from a demand perspective
- Future property portfolio must address areas of current high demand and introduce new types of property opportunities to take advantage of growing private and public sector opportunities.

The biggest challenge identified in the WDA Property Strategy is to address the loss of competitive advantage for manufacturing activities in relation to countries in central and eastern Europe. At the same time, Wales has not been able to become a leading international (and indeed national) contender for service sector investments, which are increasingly the dominant source of new business and investment opportunities in the new knowledge economy.

The picture is broadly similar for Rhondda Cynon Taf as it is throughout Wales. As highlighted in section 3.1 above the fastest growing sectors in Rhondda Cynon Taf are to be found in the service sectors. The construction sector has also experienced growth recently, and the many construction projects that are currently being undertaken and/or proposed in south east Wales mean that there is considerable opportunity for that sector in Rhondda Cynon Taf.

Whilst there has been a decline in manufacturing throughout the whole of the UK, the extent of the decline in Rhondda Cynon Taf has not been of the magnitude experienced nationally. Nevertheless there is no doubt that the manufacturing sector, especially the lower value added elements of manufacturing, will continue to experience contraction in employment, with obvious knock-on effects for land requirements in Rhondda Cynon Taf.

Consultation with regeneration officials, business development agents and property agents revealed that the core needs of businesses seeking to develop or locate a business in Rhondda Cynon Taf were centred around:

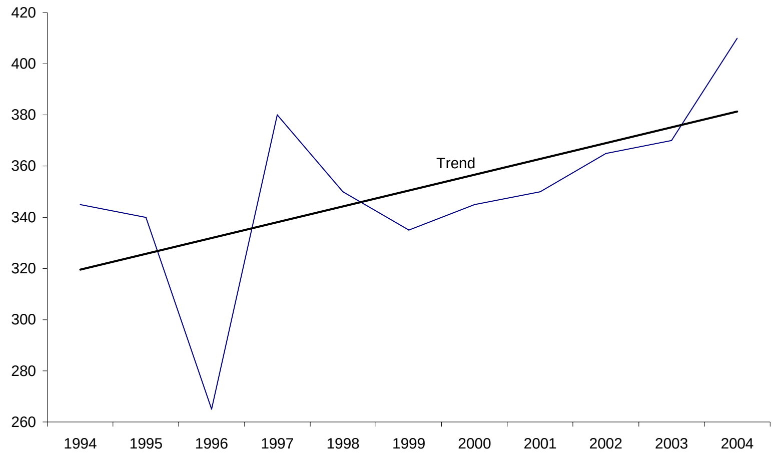
- Land
- Size
- Quality
- Infrastructure
- Grants
- People
- Quality of Life

A survey of Key Growth Sector experts throughout Rhondda Cynon Taf was also undertaken in order to gauge the requirements of each specific sector.

Start-up activity and Indigenous Growth

Start-up activity is fairly healthy in Rhondda Cynon Taf. Of the 22 local authorities in Wales Rhondda Cynon Taf possesses the 5th highest business birth rate.[3] Recent trends also how that the number of VAT business registrations has been increasing in Rhondda Cynon Taf. During 2004 410 businesses in Rhondda Cynon Taf registered for VAT. This compared with 345 in 2000.

Figure 3.6: Number of VAT Business Registrations in Rhondda Cynon Taf



Source: VAT Business Registrations

[3] Measured as the number of VAT registrations as a proportion of all VAT registered businesses.

Between 2000 and 2004 there were over 1,800 businesses newly registered for VAT purposes. The most popular sectors were Wholesale, retail and repairs and Financial and business services. Between them these two sectors accounted for almost half of new business registrations in Rhondda Cynon Taf.

Table 3.12: Number of Business Registrations by Sector, 2000-2004

Agriculture; Forestry and fishing	20	1.1%
Mining and quarrying; Electricity, gas and water supply	0	0.0%
Manufacturing	120	6.6%
Construction	260	14.3%
Wholesale, retail and repairs	425	23.4%
Hotels and restaurants	290	16.0%
Transport, storage and communication	125	6.9%
Financial and Business Services	460	25.3%
Public administration; Other community, social and personal services	80	4.4%
Education; health and social work	35	1.9%
Total	1,815	100.0%

Source: VAT Business Registrations

The changing nature of the Rhondda Cynon Taf economy, will clearly have an impact upon the demand for employment sites. Consultations revealed that, on the whole, demand from new business starts and indigenous business growth was moving towards smaller premises throughout all sectors.

Many of those spoken to during the consultation stage highlighted that there was massive demand for office accommodation below 500 sq.ft in size. Units of this size were invariably let quickly. An example of a popular location for new businesses is the Business in Focus Business Development Centre in Treforrest. The centre is currently 100% occupied, with huge levels of demand for accommodation between 500 sq.ft and 1,500 sq.ft in size. Even greater levels of demand are evident for premises of between 200 sq.ft and 500 sq.ft in size, with significant demand from 'one man band' style operations. Business in Focus would very much like to expand their current development in Treforrest, and would be confident that it could be easily filled, they are currently having to turn away large numbers of office enquiries for premises.

> "Occupancy is not an issue for Business in Focus – their lowest occupancy rate was some 80% in the 1980s. Office units are never empty for long enough to gauge whether businesses are turning property offers down for any reason."
>
> *Property Agent*

Office space has generally been easy to let, with developments such as Navigation Park and the Business in Focus Business Development Centre in Treforest (as noted above) being held as good examples of the types of space that were proving popular. It was also noted, however, that in some cases a critical mass of businesses were needed before a site such as Navigation Park would be filled. In some cases a leap of faith is required as new developments may not be immediately filled, and will take time to develop significant levels of demand.

> "Navigation Park is a good example of office space development in Rhondda Cynon Taf. Initially the spaces at the development needed to be filled by the local authority itself. However, many of these spaces were subsequently filled by other enterprises and organisations. "
>
> *Rhondda Cynon Taf Regeneration Official*

The overall picture gleaned from consultation with respect to the demand for office space was that demand was highest for small, high quality office space. A typical size of unit mentioned during consultation was around 280 sq.ft. There were no real specific requirements except for good quality broadband and IT connectivity.

Conversely, there has been a fall in demand for the larger business sites. One property agent remarked that they found it very difficult to let any property greater than 3,000 sq.ft in size. Despite the different size requirements of manufacturing business the evidence from consultation suggested that demand for industrial units was also focussed upon the smaller developments. Most demand in the manufacturing sector is for units of 5,000 sq.ft or less. Business in Focus noted that the greatest level of demand for industrial property was for premises of up to 1,000 sq.ft in size (including a small office and toilet). An example of the type of premises that was found difficult to let was the old Honeywell building which is a 4,000 sq ft warehouse that cannot be split in to smaller office units.

There is also sizable demand for 'lock-up compound' type space, which would typically be needed by businesses such as builder's merchants.

Future developments also need to be considered when undertaking an analysis of the expected changes in demand for employment land. A project such as the Dragon Studios development would invariably attract other businesses, and aid business growth in the surrounding areas.

> "The new Dragon Studio development will help to fertilise the growth of new businesses surrounding the development. By working closely with the economic regeneration team the impact of the Dragon Studios development on the local area can be maximised."
>
> *Rhondda Cynon Taf Corporate Estates*

Demand from the public sector is also likely to shape demand for employment sites and premises throughout Rhondda Cynon Taf. Demand from public health boards was cited as one source of demand that has been increasing. Many of the public health boards are looking at using reclaimed land. The public health boards can also help to aid economic development within an area by creating employment as well as extra demand for local goods and services. The locational decisions of the public health boards should be tied in with the economic regeneration team in order to maximise the benefits that they can make towards the local economy

It was also noted during consultation that the improvements to the road and rail infrastructure throughout Rhondda Cynon Taf made it easier for people to commute. The likelihood was that these improvements would have a greater impact on workforce commuting patterns than in attracting new businesses to the northern parts of Rhondda Cynon Taf.

There is also demand for industrial sites to be used for non-industrial purposes in Rhondda Cynon Taf. Retail and entertainment were amongst the most popular sectors seeking to use industrial premises for non-industrial uses.

The Convergence Fund Programme is expected to help demand for business premises within Rhondda Cynon Taf. The development of the Convergence Fund Programme in West Wales and the Valleys will remain an important determinant of the demand for business premises in the local area, and will also have a likely impact upon the type and size of premises that will be demanded. The Convergence Programme will hopefully help to provide incentives for businesses over forthcoming years in Rhondda Cynon Taf. Business grants are relatively small in the area and would typically be aimed at business start-ups rather than large employers

Business Starts and Indigenous Growth - Summary

- The number of VAT registrations has been growing in Rhondda Cynon Taf;
- Wholesale, retail and repairs; Hotels and restaurants; and Financial and Business Services were the sectors that experienced the greatest numbers of VAT registrations;
- Sizable levels of demand for office space;
- Particularly high levels of demand for office accommodation of less than 500sq.ft in size;
- Demand for office space was highest for small, high quality office space
- Demand for industrial space concentrated on premises of less than 3,000 sq.ft in size, and in many cases much smaller;
- There is also sizable demand for ‘lock-up compound’ type space;
- Also demand from public sector organisations.

Inward Investment

Between 1989-1990 and 2000-01, Wales' FDI project performance was relatively static whilst UK performance almost doubled. Wales' performance is weak in the service sector, which is now dominating the UK FDI market. Large-scale manufacturing inward investment projects are becoming less and less fashionable throughout the UK.

A wide range of different businesses are investing in the Rhondda Cynon Taf area. There is an overall movement away from manufacturing towards service sector investment – although this does not mean that manufacturing has no role in inward investment in the County Borough.

The types of employment being created by inward investment are also changing – many businesses who are locating in the area are hiring graduate staff for example, and providing higher-value added employment

The current inward investment strategy is to ensure that those businesses that locate in Rhondda Cynon Taf support meaningful employment, and contribute to the sustainable development of Rhondda Cynon Taf. Previous policies that were reliant upon using low-cost labour as an attraction for potential inward investors has since proved unsustainable in the long-term.

Geographically, inward investment has centred on the southern areas of Rhondda Cynon Taf, notably those areas close to the M4. Many of these areas are typically seen as 'northern Cardiff'. This does not mean that there is no inward investment taking place in other areas of Rhondda Cynon Taf, but it rather there is noticeably less inward investment in both the Rhondda and Cynon Valleys than the southern areas of the County Borough.[4]

[4] Source: Review of the Rhondda Cynon Taf Economic Regeneration Strategy

Table 3.13: All Wales Inward Investment - Rhondda Cynon Taf

Year	Project Type	Number of Projects	Capex £m	New Jobs	S/guarded Jobs
2000/01	New	2	7.1	401	0
	Expansion	2	7.3	43	134
	Total	**4**	**14.4**	**444**	**134**
2001/02	New	4	1.9	99	0
	Expansion	3	10.5	45	200
	Total	**7**	**12.4**	**144**	**200**
2002/03	Expansion	6	40.2	574	657
	Acquisition	1	0	0	0
	Total	**7**	**40.2**	**574**	**657**
2003/04	Expansion	6	13.9	267	145
	Acquisition	1	6.0	0	200
	Total	**7**	**19.9**	**267**	**345**
2004/05	New	3	1.1	82	0
	Expansion	6	13.5	229	214
	Acquisition	1	6.7	156	0
	Total	**10**	**21.4**	**467**	**214**
2005/06	New	1	0.5	21	0
	Expansion	6	16.1	255	1,121
	Acquisition	1	0.0	0	0
	Total	**8**	**16.6**	**276**	**1,121**

Source: Welsh Assembly Government/ DEIN International Business Wales

The table above highlights that the number of inward investment jobs has fallen in recent years. Given the move towards more high-value added employment it is unlikely that a significant reversal in this trend will take place (although this should not be completely ruled out).

Rather than new businesses locating in Rhondda Cynon Taf, many of the jobs created by inward investment have been as a result of expansion. During 2004/2005 and 2005/2006 there were just over 100 jobs created by new inward investment projects. Over the same period almost 500 jobs were created by expansion of existing inward investment projects based in the County Borough.

The changing requirements of inward investment projects will have a significant impact upon the demand for business premises in Rhondda Cynon Taf. The demand for large ‘sheds’ is no longer prevalent in the local authority, and no longer reflects the needs of inward investors.

> “There will never be inward investment in Rhondda Cynon Taf for the larger sheds. For these places you may as well knock them down and build houses upon them.”
>
> *Business Intermediary*

Many of the buildings that have been built in the past are now deemed inappropriate for potential inward investors. As well as a fall in demand for large premises, potential inward investors are now looking more at the quality of the property that is being offered. There are a number of cases of business premises that are no longer suitable for the needs of their tenants – the Sanken Power Systems site in Abercynon being a prime example. The site is relatively new, and was purpose built in the 1990s specifically for Sanken Power Systems. The building is now, however, not suitable for the business who are in the process of development a new base in Pencoed.

> "There have been many buildings that have been built that are now inappropriate for industrial use."
>
> *Capital Wales Representative*

Consultations with Capital Wales revealed that it is neither price nor size that is required by potential inward investors, but quality. This emphasises the evidence highlighted above. The move towards a requirement for more quality employment sites would also fit in with the desire to climb the value added chain in Rhondda Cynon Taf.

Throughout Wales, WDA (now DEIN) current enquiries are dominated by the industrial/warehousing sectors, with 64% of enquiries looking for property of between 0 – 10,000 sq.ft. Office enquiries are dominated by units of 0 – 5,000 sq.ft., comprising 74% of enquiries.[5] The table below highlights the number of enquiries for Rhondda Cynon Taf made to Capital Wales for office and industrial premises, which mirrors the Wales-wide trends. Whilst the data only covers a sample of enquiries in the Rhondda Cynon Taf area the data illustrates the predominance of demand for smaller premises throughout the County Borough.

Table 3.14: Total Office and Industrial Property Enquiries in Rhondda Cynon Taf ; April 2005 to March 2006

Size Range (Sq Ft)	Industrial	Office
0-5,000	111	42
5-10,000	121	36
10-15,000	1	1
15-20,000	3	1
20-25,000	7	3
25-30,000	5	0
30-35,000	3	0
35-40,000	2	0
40-45,000	3	0
45-50,000	4	3
50 and above	0	0

Source: SEWEF

[5] WDA Property Strategy 2004-2008

There are a number of advantages of locating in Rhondda Cynon Taf for potential inward investors. Proximity to the M4 and location within an Objective One funded area is a major draw for inward investors seeking to locate in the County Borough.[6] The Objective One Programme will soon be replaced by the EU Structural Funds Convergence Programme.

Inward Investment Summary

- Despite falling levels of inward investment, it is still an important source of employment for Rhondda Cynon Taf.
- The movement towards more higher-value added inward investment projects is having a significant impact on the property needs of potential inward investments in Rhondda Cynon Taf.
- Inward investment is more prevalent in the southern areas of Rhondda Cynon Taf which are perceived by many inward investors as 'Northern Cardiff'.
- There is little demand from inward investors for 'large sheds'
- Very few inward investment enquires for sites of more than 10,000 sq.ft in size for industrial use
- Most inward investment enquiries for office space found for sites of 5,000 sq.ft or less.
- Quality, location to M4 and location within an Objective One (soon to be EU Structural Funds Convergence Programme) are the main attractions for potential inward investors.

[6] Consultation with Capital Wales representative

3.4 Demand from Key Growth Sectors

This section focuses on the land and property issues for key growth sectors in Rhondda Cynon Taf. These are identified in the economic regeneration strategy as:

- High tech manufacturing
- Creative industries
- Knowledge based businesses
- Construction
- Social enterprises

3.4.1 High-Tech Manufacturing

Rhondda Cynon Taf has a high degree of specialisation in this sub-sector, which includes the electronics manufacturing and the manufacturing of medical instruments. However, the importance of the sector has declined in recent years recording a fall in employment that has been mirrored throughout Wales and Great Britain. In 2004 employment accounted for 5.5% of all employment within Rhondda Cynon Taf, equating to just under 4,500 employees. These local job losses have not been as a result of local competitiveness issues and previous analysis[7] reveals that the decline in employment has mainly been as a result of national issues within the sector. If employment in Rhondda Cynon Taf were to continue to mirror UK trends, we would expect to see a fall in employment of around 500 jobs by 2009, rising to a fall of over 1,200 by 2015.

Few sectors in the high-tech manufacturing sector have grown in recent years. Throughout Rhondda Cynon Taf only the ‘manufacture of pharmaceuticals, medicinal chemicals & botanical products’ and ‘manufacture of instruments and appliances for measuring, checking, testing, navigating and other purposes, except industrial process control equipment’ have experienced positive employment growth. These trends again mirror those throughout Great Britain and Wales.

Of the high-technology manufacturing sub-sectors that have experienced the greatest decline, many are clustered around general electrical goods, such as the manufacture of television and radio equipment, as well as office machinery and computers. These sectors epitomise the trend for the movement of employment to lower cost locations, and are typically large employers rather than specialist manufacturing enterprises. Some consultees noted a lack of property enquiries from businesses in the sector.

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[7] Arad Consulting / RHA, 2006

> "We have found no demand from high-technology manufacturing industries, and have received no enquiries. "
>
> *Property Agent*

Nevertheless, some sub-sectors have grown in terms of employment during recent years. In particular, there has been movement towards smaller more specialist manufacturing. Whilst three quarters of all employment within the sector in Rhondda Cynon Taf is accounted for by businesses that employ 200 people or more, the proportion of people employed in small businesses across the sector is growing in the Borough. If Rhondda Cynon Taf employment rends were to mirror those of Great Britain and Wales trends, then we may expect that this figure to continue to grow.

The table below highlights the movement towards smaller more specialist manufacture in Rhondda Cynon Taf. In 2000 two-fifths of enterprises (measured here by Annual Business Inquiry workplace statistics) employed ten people or less. By 2004 this figure had risen to over 53%. Conversely, the number of large enterprises fell over the same period, with 12.8% of workplace units employing more than 200 people in 2004, compared with 16.7% in 2000.

Table 3.15: Proportion of High-Tech Manufacturing Workplaces by Employment Sizeband

	Great Britain		Wales		Rhondda Cynon Taf	
	2000	2004	2000	2004	2000	2004
1-10 employees	74.2%	75.9%	66.1%	68.5%	40.7%	53.2%
11-49 employees	15.5%	15.3%	16.7%	16.8%	18.5%	17.0%
50-199 employees	7.1%	6.3%	9.5%	8.7%	24.1%	17.0%
200 or more employees	3.2%	2.5%	7.6%	6.0%	16.7%	12.8%

Source: Annual Business Inquiry

In terms of property, this shift in employment sizeband means that there has been a demand trend away from the traditional large scale manufacturing plant toward smaller units. However, whilst much of the demand for manufacturing property has been moving in that direction, the potential for individual large companies wanting to locate in areas such as Rhondda Cynon Taf could still occur.

It is important to appreciate that whilst most high-tech manufacturing businesses are small in size three quarters of all employment within the sector in Rhondda Cynon Taf is accounted for by businesses that employ 200 people or more. Therefore, the need for larger sites and premises should not be discounted.

Often, the requirements of high tech manufacturing businesses are such that they need purpose built premises to fit their own particular needs. Currently, there are some sector specific sites such as the Medi Park in Llantrisant which provides high tech premises for the pharmaceutical sector. Some consultees noted that in many cases the particular needs of high tech manufacturing companies would require specific built infrastructure tailored to suit specific activities.

> "Property would have to be built specifically for high-tech manufacturing."
>
> *Capital Wales Representative*

Opinions expressed by some consultees suggested that high tech manufacturing in RCT should have more emphasis on research & development oriented production. Clearly this could have similar implications on property requirements as those noted earlier in terms of increasing demand for smaller specialised employment sites. It is however, difficult to foresee the exact nature of the requirements of companies such as these.

> "A move towards bringing an R&D element to manufacturing would be good for Rhondda Cynon Taf, as well as adding a service element to manufacturing. There would be knock-on effects from this with relation to the property requirements for such enterprises."
>
> *Business Intermediary*

3.4.2 Creative Industries

The cultural and recreational industries currently employ around 2,000 people in Rhondda Cynon Taf – equivalent to 2.5% of all employees within the County Borough. Particular growth sub-sectors include:

- Radio and television activities;
- Operation of arts facilities;
- Library and archive activities;
- Museum activities and preservation of historical sites and buildings;
- Operation of sports arenas and stadiums;
- Other recreational activities not elsewhere classified.

Music has perhaps been the medium by which initiatives of this kind have most clearly engaged with individuals and communities. This may be because it is the medium which most individuals, particularly young people, can relate to most easily - particularly given the well known presence of the Pop Factory in the local authority. However, art has also been a popular medium to encourage participation as has film making, again promoted by the development of Dragon Studios as well as Wales's only children and young people film festival hosted in Rhondda Cynon Taf.

> "The new Dragon Studio development will help to fertilise the growth of new businesses surrounding the development. By working closely with the economic regeneration team the impact of the Dragon Studios development on the local area can be maximised."
>
> *Rhondda Cynon Taf Corporate Estates*

Consultations revealed that the current requirements of the music industry care largely based on a need for general low cost office space, in close proximity to music venues such as The Muni Arts Centre and The Pop Factory, with accessible travel links. The Porth and Pontypridd areas in particular are seen as key locations in this respect because of the level of music industry provision currently available in these areas. Several examples of individual ventures looking for recording, rehearsal and office space were cited during consultations. Consultation suggested that an ideal scenario could involve housing a number of independent music industry related businesses in the same venue, creating a 'Music Industry Centre'[8]. Porth Plaza was noted as an example of an ideal site for this type of facility.

As well as town centre hubs, the creative industries sector offers potential uses for land and buildings in all parts of Rhondda Cynon Taf. The diverse nature of the creative industries means that there is a great variation in property and land requirements. Whilst some sub-sectors such as design & media companies prefer urban cosmopolitan locations with good ICT links other sub-sectors such as artists, sculptors and painters can and often prefer to locate in less accessible locations. The cost of premises and sites is a major consideration for these types of activities, which means that areas that are attractive to other commercial sectors are often less desirable for creative individuals. It was suggested that old chapels, schools and other disused buildings could be attractive to more creative individuals. However, whilst less accessible areas may be suitable for artists, the Local Authority should consider the importance of visibility of artistic taelent in terms of furthering the town centre regeneration agenda.

> "Fine Artists – painters, sculptors will jump at opportunities to colonise cheap semi - derelict space. These kinds of creative individuals, due to the fact that their practice often requires large space, actively seek out unusual locations. Because they also tend to be the most creative they can exploit the potential of a given location quite quickly."
>
> *Survey response*

[8] This was suggested by the Welsh Music Foundation during talks with a number of organisations set up by SONIG Youth Music Industry in 2002.

Whilst proximity to other creative businesses is not a necessity, it was noted that opportunities exist for creating and promoting clusters within the creative industries sector. According to one consultee, there are ‘scores’ of artists in Rhondda Cynon Taf wanting access to derelict or disused space / buildings. Current development of art studios at Pontypridd railway station are an example of the potential use for such space in the Local Authority. There is potential for the Local Authority to promote the development of an arts cluster in the area via such developments in conjunction with existing provision. An example of this type of development being led by a local authority is the development of the cultural quarter in Sheffield.

Another potential opportunity offered by the creative industries sector is local area regeneration and aesthetic improvement. Disused council housing in particular is viewed as having potential as premises for creating so-called ‘artist colonies’ by offering low or free rent for artists wishing to renovate the disused buildings in deprived areas. Penrhys was noted as a possible area which the Local Authority could consider for similar developments in Rhondda Cynon Taf.

Location is relatively more important to media / design companies as good access to markets and opportunities for networking is important for individuals and businesses operating in these sub sectors. For this reason, urban locations such as Pontypridd, Aberdare / Hirwaun are relatively attractive to them due to their proximity to cafes, bars and other meeting venues as well as the relative of access to technical resources that these locations offer. Examples of potential town centre premises in Rhondda Cynon Taf given during consultations were Porth plaza (for the music, media, film and design sector, because of the nature of the space and proximity to the Pop factory) and disused railway station buildings such as Pontypridd, Taffs Well and Aberdare.

There are clear overlaps between the creative and knowledge based sectors (explored below) in relation to sub-sectors such as web design and software development. The University of Glamorgan are investing further in the development of new courses in Digital Media and are likely to be producing even more qualified and creative young people in the future. Consultations reveal that a number of these young people wish to set up their own digital media businesses after graduating. The University is already trying and nurture and harness these potential start ups through its association with the GTi centre in Abercynon. However for potential new start ups in sectors such as digital media to remain in RCT there is a need to supply suitable premises. Such premises would be small office spaces equipped with appropriate broadband technology. This point is addressed further under the knowledge based businesses.

Examples were also cited during consultations of mixed residential and business ventures that could potentially be replicated in Rhondda Cynon Taf. Housing Associations in London have played a role in this respect by building mixed living /

working spaces such as the Peabody Trust in London Docklands. This could potentially be an approach that could work in any areas which the local authority is considering for residential development, particularly in less accessible northerly parts of the county borough. In general, consultees agreed that individuals operating within the creative industries require work-space and premises that are generally smaller than those demanded by businesses in other sectors.

> "There is a change in emphasis for the demand for property. Sectors such as the creative industries would typically require smaller units, and not huge tracts of land."
>
> *Rhondda Cynon Taf Corporate Estates*

Whilst the most desirable locations and their associated costs would be beyond the range of smaller creative businesses, some small-medium TV production and facility companies and / or large art galleries could be drawn to a location such as the Nantgarw trading estate. Similarly, urban centres such as Pontypridd would be more popular with media companies and sub-sectors that require more networking opportunities and good access to markets. Once again, there are clear overlaps between knowledge based sectors and the creative industries in some sub-sectors.

3.4.3 Knowledge Based Businesses

Recent analysis has shown the knowledge economy to be increasingly important within Rhondda Cynon Taf, with the gap in proportional sector employment between the County Borough and the UK average having reduced steadily over the last six years or so. A number of new businesses starting up in Rhondda Cynon Taf are knowledge based companies. These range from software companies and web designers to Consultancy and PA services and include a whole range of other business types besides.

Whilst workers in the knowledge economy can often work from anywhere with good ICT links, proximity to urban centres and good transport links remain an important factor in business location. According to many consultees, proximity to Cardiff and the M4 corridor remain a high priority for many knowledge businesses. The continued importance of face to face networking opportunities, a diversity of social infrastructure and a desire to locate 'where other businesses locate' has maintained this competitive advantage for many sub-sectors. It was noted that demand for office space was outstripping supply in the Treforest area in particular, with suggestions that any new supply of office space in the area would be quickly occupied.

> "'Knowledge-based' businesses will always tend to locate in and around Cardiff (which includes the southern areas of Rhondda Cynon Taf)."
>
> *Rhondda Cynon Taf Regeneration Officer*

Nevertheless, appropriate public sector intervention can entice knowledge businesses to locate in more northerly areas of the county borough, particularly start-up businesses. For example, the GTi business incubation project in Abercynon offers enterprise support for new businesses of this nature. GTi provides a hot desk business incubation service for undergraduates, graduates and entrepreneurs in Rhondda Cynon Taf. The GTi Centre also provides dedicated support to help individual businesses at whatever stage (including pre start up); reception facilities and meeting areas. The facilities can be accessed 24 hours a day seven days a week for free for the first 18 months. The centre has been supported by Objective 1 money until now and Glamorgan University is bridging the funding from the end of Objective 1 support until the centre accesses further European Structural Funds.

> "There is a large demand for small offices, even in some of the northern areas of Rhondda Cynon Taf. One such example is the Exchange building near Monk Street in Aberdare."
>
> *Property Agent*

The GTi centre offers more than managed workspaces as it assists new and emerging businesses to fill gaps in their business knowledge as well provide the opportunity to access and gain knowledge of a range of software in a risk free environment. GTi considers incubation to be a process and not just the provision of space.

> "A Knowledge-based business will always need quality workspace."
>
> *Business Intermediary*

The GTi dos not only provide incubation space for knowledge based businesses, but due to the nature of the facilities available it is often new knowledge based businesses that take up the opportunities. The centre provides a more creative environment than could be accessed from home, for example, and also provides access to a network of other business start ups as well as business support agencies and the public sector as a whole; all of which are considered to be important to new business start ups.

Although new business start ups are wide ranging in nature, there appears to be a particular increase at the moment in digital based media companies. Many new businesses of this nature that start up in Rhondda Cynon Taf relocate elsewhere. An anecdotal example was offered during consultations of a new digital media company moving from Rhondda Cynon Taf to Cardiff Bay. The reason for this was not to gain a location advantage from having a physical presence near like minded companies but because the office space in Cardiff Bay was more affordable and the facilities provided, including high-speed internet access, more appropriate. Had similar offices been available in Rhondda Cynon Taf, the company would have stayed and located there. Whilst this situation may not be true in the majority of cases, according to those consulted it is far from uncommon and, according to staff at the GTi centre, there are also a large number of individuals who are finding it difficult to access small well equipped office space within the county borough. Although the GTi centre offers good opportunities for those who can access it, it is still relatively far away from a number of residents across the local authority area.

According to consultees, the demand for office space in Rhondda Cynon Taf ranges from units 200 sq ft in size up to 500 sq ft. Demand from small companies with just a few employees is growing in sectors such as design and ICT. Typically, these companies require good quality office space with broadband access seen as essential, particularly given the growth of new technologies such as VoIP. It was suggested that more business incubators may be required in the geographically harder to reach areas of Rhondda Cynon Taf. However, such facilities would also need to be fully equipped with broadband internet access as well as other communication technology services.

> "Demand for land in the northern parts of Rhondda Cynon Taf tends to be for residential uses rather than employment uses."
>
> *Property Agent*

The ability to live and work nearby could make more northerly parts of Rhondda Cynon Taf increasingly attractive areas for small knowledge based businesses in future. The increasing trend toward individuals working from home, or from premises near home could potentially provide opportunities for developing mixed use residential sites with a limited number of small office units. The combination of lower property prices in the upper valleys with lower cost office space could prove attractive to start-up businesses of this type in particular those looking to lower their costs by avoiding property and commuting hotspots. However, the provision of good quality office space with broadband access would be essential in any such developments.

3.4.4 Construction

Employment in the construction sector has fluctuated considerably in recent years. Location quotient analysis reveals that relative specialisation for the sector within Rhondda Cynon Taf in comparison with Great Britain as a whole has fallen between 2000 and 2004, whilst it has remained steady in comparison with Wales. The sector currently employs around 3000 people in Wales according to 2004 Annual Business Inquiry estimates. The fluctuation of employment means that a comparison of two separate years does not tell the whole story. Employment in the construction sector, expressed as a proportion of total employment is subject to large variations throughout Wales and Rhondda Cynon Taf.

Employment projections for the sector remain relatively static. The sector, however, can be particularly sensitive at a local area, and schemes and local projects can clearly influence future employment levels within the County Borough. The Wales Spatial Plan and the Heads of the Valleys Strategy are likely to have an impact upon the development of the construction sector within Rhondda Cynon Taf. The Heads of the Valleys Strategy clearly places Merthyr Tydfil as the hub of the strategy implementation. As such, neighbouring local authorities, including Rhondda Cynon Taf, need to recognise this and develop their own strategies with this in mind.

Consultations suggested that construction employment will continue to grow for the next ten years as a result of housing transfer and upgrade policies in Rhondda Cynon Taf, as well as the major development plans in Cardiff acting as the key drivers of this growth. Views expressed during consultations however, considered that a number of skills issues may need to be addressed, alongside some policy changes on the side of the local authority (as outlined below), if the opportunities emerging from this growth are to be capitalised upon.

Most of the construction businesses within Rhondda Cynon Taf are either micro businesses (often employing fewer than 5 individuals) or sole traders. These small businesses have sufficient skills and ability to meet the cost estimation, planning and building requirements of most small construction contracts. However, larger contracts often require detailed bids from contractors and sometimes require specialist construction skills. Small construction companies often lack the skills and capacity to successfully bid for contracts of this size and opportunities of this nature are often lost to larger construction companies located further afield. As such, many of the developments in the sector may be focussed on assisting construction companies within the county borough to collaborate and compete for larger contracts.

> "We receive many enquiries from companies such as builders merchants looking for 'lock-up compound' type space."
>
> *Property Agent*

Smaller construction companies tend to be less selective about the location of their business, tending to locate near their place of residence or local work catchments area. However, larger companies would tend to be more selective and less affected by the higher costs associated with 'prime' locations on the M4 / A470 corridors.

In terms of property requirements the range of requirements can be very wide. One consultee noted that he had received enquiries from construction businesses looking for premises that combined office buildings as well as a yard for storage / distribution. Whilst such requests are not uncommon many land and premises requests are for much smaller sites. Another consultation noted a case of one construction company owner who had leased a small office unit at Navigation Park simply in order to meet clients in a more welcoming environment away from his company depot. Requirements of individual construction companies are therefore likely vary considerably and as such the Local Authority may wish to consider approaching businesses within the sector on an individual basis with regard to their property requirements as opposed to addressing the needs of the sector as a whole.

> "The local authority needs to ensure that investment / development includes the needs of construction industry itself. Greater engagement with the sector is needed to encourage them into the area. "
>
> *Key sector contact*

3.4.5 Social Enterprise

Social enterprise[9] is becoming an increasingly important sector bridging gaps in the economy which the market does not fill. Social enterprises are diverse, both in terms of the nature of their operations and the business model within which they operate. They include companies limited by guarantee, industrial and provident societies, and companies limited by shares; some organisations are unincorporated and others are registered charities. They cover a number of sectors and as such their property and land requirements are varied. Social enterprise may often overlap with the other sectors mentioned above, particularly the creative industries sector.

Clearly, the not-for-profit nature of social enterprises mean that reducing costs is an important consideration for them and therefore the cost of premises is a key factor for their location decisions. This means that in contrast to other sectors, the M4 and A470 corridors are not regarded as highly appealing areas due to the high demand for such areas from commercial sectors which lead to higher costs. Other more

[9] Defined by the Welsh Assembly Government, in its Social Enterprise Strategy for Wales of June 2005, as "…a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners."

"desirable" areas such as Talbot Green were also considered to be less attractive to social enterprises for the same reasons. Furthermore many social enterprises prefer to locate where the need which they are addressing is most prominent.

Whilst it was noted in consultations that developments in the social enterprise sector could, in theory, occur anywhere within the County Borough; the most desirable sites for social enterprises were seen as town centres, the corridors of the A4058 and A4059 and in particular, Navigation Park. After cost, car parking and good access to centres of population were noted by consultees as the most important factors in the location of social enterprises. Clearly whilst these are desirable factors for many sectors, the local authority may wish to consider balancing improvements in public transport provision, particularly in town centre areas, against any increased parking provision.

> "Social enterprises require welcoming offices or buildings that could be used as centres or workshops. They need the offices to be modern, clean and accessible."
>
> *Key sector contact*

Promoting cluster development within the sector was also seen as a way of creating cost advantages for many social enterprise businesses. Porth and Llanharan were seen as particular areas for promoting clusters in the media, arts and creative industries with Model House (craft businesses) in Llantrisant noted as an example which could be replicated in other parts of the county borough. It was suggested that a similar proposal could work for Welsh language businesses (with bilingual reception services), creative industries, publishers or training agencies. Shared serviced offices with appropriate meeting rooms could be provided to a number of businesses in such developments.

As well as accessibility and cluster development, another important consideration for social enterprises is the availability of relevant funding. Whilst the whole of Rhondda Cynon Taf benefits from being within the Objective 1 area; Communities First wards are areas of particular interest for many social enterprises in terms of local need and funding availability.

> "In order to appeal to social enterprises, sites need to be located within easy reach of the three valleys, ideally in areas where communities first funding is available. Town centre locations would be ideal or at least areas near centres of population"
>
> *Key sector contact*

Whilst costs of premises are an important consideration for social enterprises, they still require good quality buildings on sites which are well maintained and have good access. As with other sectors, poor quality buildings and badly maintained sites are seen as particularly negative factors for the location of social enterprises.

> "Damp or old buildings on dirty, untidy sites are particularly unappealing to social enterprises. Isolated locations with poor parking that are difficult to access are also negatives"
>
> *Key sector contact*

Consultations revealed a desire for the Local Authority to produce a list of available sites and premises suitable for social enterprises. It was also evident that there have been barriers to social enterprises getting access to suitable premises for many years. One consultee noted that they had sought access to school, office and other sites for around 15 years but had not been successful in relocating. The potential for using former school buildings and sites which have become available due to falling pupil numbers was reiterated by other consultees.

> "There are a number of school sites that may be ideal as employment sites. Many of these sites, however, would have covenants placed upon them that would restrict their usage for other purposes. This is a common problem with many businesses in Rhondda Cynon Taf."
>
> *Rhondda Cynon Taf Corporate Estates*

Clearly overcoming barriers such as these is a key factor in enabling social enterprise to flourish in many parts of Rhondda Cynon Taf. It was noted that the availability of a list of potential sites, their status, location and other details would be advantageous to social enterprises in making location decisions.

Key Sectors - Summary

- There has been a move towards demand for smaller, more specialised premises in the high tech manufacturing sector. This mirrors the trend of a higher proportion of small businesses in the sector seen in recent years within Rhondda Cynon Taf;
- Whilst demand for larger premises / sites should not altogether be discounted, it should be noted that demand is generally for units built for the specific needs of companies;
- The creative industries present employment opportunities across the County Borough, however sub-sectors such as music, design and multimedia tend to favour creative hubs in town centre locations such as Porth or Pontypridd;

- Other creative industries sub-sectors such as artists, sculptors and painters tend to be less focussed on town centre locations and more focussed on lower cost premises. These sub-sectors also present an opportunity to include elements of regeneration within employment sites (e.g. improving aesthetic quality of deprived areas / renewal of disused buildings);
- Location in and around centres of population remains an important consideration for knowledge based businesses. This means that sites along the M4 / A470 corridors, town centres and near Cardiff retain a big competitive advantage for the sector;
- However, evidence shows that there is demand for office space in northerly parts of the County Borough, particularly amongst start-up companies. There may be further scope for looking at developing mixed use residential and office space, targeting start up companies with cheaper rents and housing costs;
- Broadband access and quality space is essential for attracting knowledge-based businesses to any location;
- Most of the construction firms in Rhondda Cynon Taf are micro companies or sole traders. Many of the developments in the sector may be focussed on assisting construction companies within the county borough to collaborate and compete for larger contracts;
- There is great variation in the demands of companies in the construction sector. The local authority should consider engaging more directly with companies regarding their property needs;
- The not-for-profit nature of social enterprises means that the cost of premises is a key factor for their location decisions. This means that in contrast to other sectors, the M4 and A470 corridors are not regarded as being as appealing areas due to the likelihood that competition from profit focussed sectors would lead to higher costs;
- In order to appeal to social enterprises, sites ideally need to be located in areas where Communities First funding is available. Given the correct support and incentives, more social enterprises could be drawn to locations in more northerly town centres where other sectors may be less likely to locate;
- It was noted that the availability of a list of potential sites, their status, location and other details would be advantageous to social enterprises in making location decisions.

4 Current Supply

The supply of land and premises will clearly have an influence on economic development in Rhondda Cynon Taf. Business requirements are changing as global economic drivers change the focus to higher value added, knowledge based, globally competitive economies. The changing nature of demand for employment sites and premises means that the size and number of sites is of little importance if the available premises does not meet the quality and locational requirements of businesses in Rhondda Cynon Taf and potential investors. This section reviews the current allocation and supply of employment sites and premises in Rhondda Cynon Taf.

4.1 National Overview

Research indicates a number of issues in relation to Wales's industrial and commercial property offer, including:

- historically weak yields and low rental values in the property market, particularly in relation to industrial space provision;
- in many areas there is a "gap" between the cost of building accommodation and its rental value;
- the public sector has been involved in funding much of the property provision over the last 20 years, and;
- there is some evidence of an accommodation and business location "mismatch" in property provision.

A major issue is the need to up-grade the quality of the land / property offer in terms of both sites and premises. An important factor is the need to give particular priority to the anticipated demand from investors where the availability of a quality site or building is one of the major factors influencing the decision on location.

In addition to market failures in the provision of commercial property, there remains an oversupply of general employment land. The latest WDA appraisal of employment land and premises suggested a total provision throughout Wales of some 6,226 acres (2,519 hectares) of employment land and some 11.8 million sq.ft (1.1 million sq.m.) of buildings for employment uses. In practice, only a relatively small proportion of the land is both available for development and relevant to the "new" property market requirements. In relation to the buildings, a large proportion of the stock is neither new nor modern.

The overall supply for new employment in South East Wales is currently not very strong, especially since a lot of the property that is nominally available is of such poor quality that it is effectively redundant. Demand and supply within the sub-region is more concentrated along the M4 corridor; however, research commissioned by the WDA (PWC / Kings Sturge 2003) also identifies that the gaps in provision are more apparent along the M4 corridor.

A key issue identified within the South East Wales Economic Development Strategy is the need to "inspire the private sector into investing in high quality property provision within the region matching sector-cluster demand side needs with excellent urban and non-urban infrastructures and opportunities."

4.2 Overview of Current Provision in Rhondda Cynon Taf

4.2.1 Overview

A survey of Commercial and Industrial Land carried out in November 2003 by the South East Wales Land and Property Group established that 451 acres of land was potentially available for development in Rhondda Cynon Taf. Of this, 52.72 acres was developable in the short term (i.e. within 1 year), 83.57 acres in the medium term (1 to 3 years), and the remainder not known, but assumed to be longer term.

A more recent study carried out by Council officers in April 2005 for the purpose of preparing an Interim Policy Statement and developing the LDP Evidence Base established that 222 hectares of previously allocated employment land remains undeveloped throughout Rhondda Cynon Taf This does not include vacant previously developed land. Of this total, 161 hectares lie in the Taff Ely area, 53 hectares in the Cynon Valley and 8 hectares in the Rhondda. As the take up rate for employment land in Rhondda Cynon Taf as a whole is approximately less than ten hectares per annum, this supply will require review through the Local Development Plan process. However maintaining a sufficient range and choice of land for employment purposes needs to take into account the locational demands of businesses, and is a major objective of the land use planning system.

There are some real issues in terms of the available stock of industrial and commercial property in Rhondda Cynon Taff which indicates a mismatch between supply and demand. In addition, the majority of sites are located over 45 minutes journey time from the M4, where demand is more concentrated.

4.2.2 Area Overview

Taff Ely

The largest concentration of industrial and commercial property is available in the Taff Ely Local Plan area. Taff Ely is in a strong position to attract inward investment. The M4 is the key driver for the region's economy, serving as a gateway to the region's external markets and providing access for bought-in items. Despite the fact that virtually all land adjacent to M4 junctions in Wales is already developed, or subject to committed or proposed developments, sites within the M4 corridor need to be protected for large-scale inward investment projects.

The current Local Plan indicates that:

"the level of industrial development is to be no greater than the capacity of land already committed for this use, as there is more than sufficient land identified already to meet the needs of both Taff Ely and the Rhondda and to allow opportunities to exploit the development potential of the M4. The Llantrisant policy area holds 62% of this total land supply, whilst the valley community policy holds 37%. This again allows growth in the valley communities, and reduced dependence on travelling south to work."
Taff Ely Local Plan: 1991 – 2006

In terms of future provision, the strategy is to at least maintain the balance of employment land in favour of the Tonyrefail and Pontypridd areas. The Local Plan indicates that 200 ha of land allocated for business and industrial development, which more than fulfils the Structure Plan policy requirement to provide 170ha. The majority of business and industrial land allocations, B1 and B2, is located in:

- Llantrisant policy area (total 47.9ha)
- Tonyrefail area (61.3ha)
- Pontypridd (18.7ha)

A number of key "Special Employment sites" are identified including:

- Land northwest of Mwyndy and potential for a large special employment site east of A4119 at Mwyndy Park;
- Miskin Park (office development) as an alternative to motel.
- Land adjacent to Sony at junction 35
- Large site at Llanillid with access from junction 35 via Llanharan bypass identified for B1 special employment purposes.

The major concentrations of manufacturing activity are at the Treforest Industrial Estate and Llantrisant area. The area needs to retain its position as the premier location for large-scale high quality inward investment.

Rhondda Valleys

The Local Plan does include key employment objectives, specifically to provide for increased and improved employment opportunities in the area, and to actively encourage the growth and diversity of industrial and service sector employment, to protect existing levels of employment and to provide new and improved job opportunities.

The limited employment sites (within class B1 and B8) include:

Land at Tydraw Reclamation site, Treherbert:	3.09ha
Land to the east of Station Terrace, Treherbert:	1.85ha

The main sites allocated for employment purposes are at Ynyshir Industrial Estate, Ynshir (0.59ha).

The Rhondda Local Plan indicates that the total amount of land available for employment is 9.87ha.

However, there are major barriers and constraints in terms of the supply of employment land in the Rhonnda Valley area, specifically:

- topography;
- poor transport access and movement;
- densely built up and mixed uses on the valley floors.

The area is not going to attract major employment through inward investment. Future planning requirements must take account of the dependency of the Valleys on employment opportunities in surrounding districts and the importance of improving connectivity and transportation links critical to employment areas.

Whilst it is important that people in the Valleys should be able to access the jobs of their choice across the region, there is a need to build sustainable local communities, in which jobs are available for people as well as jobs further away. This is likely to mean the provision of sites and premises to support start-up activity as well as meeting expansion requirements of indigenous firms.

Cynon Valley

The significant commitment and investment made by the Assembly in the Heads of the Valley, specifically the upgrading of the A465, provides opportunities to provide a high quality business infrastructure. The Cynon Valley Local Plan sets a clear economic development focus for the area:

"To secure the economic regeneration of the Cynon Valley by providing opportunities for new investment through the allocation of land and the control of new development, without prejudice to the conservation and enhancement of the built and natural environment."
Cynon Valley Local Plan 1991-2006

The priority is to continue the trend to diversify the economy away from the traditional declining industries and to encourage the establishment of small firms and other industries.

A total of 44.89 ha of land is identified as being suitable for industrial and business development within the plan area, offering a variety of sites for different uses. This includes 27.10ha of land bank sites, including Hirwaun Industrial Estate, which is the key industrial site (some 105ha) of which 7.5ha remains to be develop. Improvements to transport infrastructure should mean greater demand.

Further priority areas include:

- Aberman Park Industrial Area (key industrial site of some 43.2ha of which 10.61ha is available for development)
- Canal Rd / Cardiff Rd, Cwmbach
- Cwm Cynon, Mountain Ash (regarded as one of the flagship employment sites – visual prominence etc.)
- Navigation Park has been identified as a Special Employment site and has been subject to a draft Development Brief. 4.85ha allocated for employment (within mixed use development).

In addition, 17.79ha is categorised as reserve sites which are not capable of immediate development and are dependent on land reclamation schemes and provision of infrastructure. These include:

Pontcynon Ind Estate, Aberman	2.69ha
Former Phurnacite Land, Abercwmboi	8.8ha
Phurnacite Land, SW of A4059	6.3ha

Despite improvement to the road infrastructure, an important issue is that many of the sites are adjacent to rivers (Aman and Cynon), which means flooding may be a problem. Such sites would not be suitable for vulnerable uses such as housing.

4.2.3 Qualitative review

The overall impression gained from consultations was that the supply of premises in Rhondda Cynon Taf is generally poor. Our discussions with property agents confirmed the view that good standard units were generally very easy to let; however, much was made of the link between the demand for premises and their overall quality – in areas of high demand there was willing investment in property, whilst those areas where demand was not as high clearly suffered from an overall lack of investment.

As highlighted in the demand analysis, many of the southern areas of Rhondda Cynon Taf are attractive to businesses, and it is here that we find the most attractive sites. These sites are also considered desirable due to their accessibility, as well having access to a relatively large labour market in south east Wales.

Slough Estates recent acquisition of the 130 acres Treforest Industrial Estate for £63 million from Dunedin Property indicates the attractiveness of industrial sites close to the M4. The purchase is Slough Estates first entry into the Welsh market and is part of the company's overall strategy to acquire large business parks in strategic locations with good revenue streams and strong development potential. The 9.6 acres of development land provides Slough Estates with solid foundation for growth in what is seen as a prestigious location with excellent prospects for growth over the coming years.

However, the quality of employment sites in the northern parts of the Rhondda Valleys is particularly poor. Accessibility is one of the main problems for these sites, as well as barriers to development in the form of the topography of the Rhondda Valley. Another issue that was identified was that many of the sites in the northern parts of the Rhondda Valleys lay within residential developments, which again creates accessibility problems for businesses, as well as traffic and other problems for local residents.

Accessibility is not only an issue in the northern parts of the Rhondda Valleys. One company that had cited problems with their location was FSG, who suffered from poor accessibility. They have since moved to Llantrisant, where there is good access to the M4.

Transport remains an issue for many sites in Rhondda Cynon Taf. The central routes through both the Rhondda Valleys and the Cynon Valley are single carriageway roads. The quality of the transport infrastructure will improve, especially given the improvements that are being made to the A465 and the construction of the Porth Relief Road.

Quality and size were often the issues that were most likely to be a problem for those seeking to locate or develop a business in Rhondda Cynon Taf.

> "Enquiries often fail because a competitor may offer something more attractive. The typical shortfalls are property needs, in terms of quality and size. Property often doesn't meet what clients need. This can often be access, or quality. It is rarely price; costs are similar between an area like Treforrest and Cardiff. There is also an issue regarding the length of time it takes to get a property grant approved."
>
> *Capital Wales Representative*

One common issue raised during consultation was that the supply of premises in Rhondda Cynon Taf was generally too big for what businesses needed. In the northern areas of Rhondda Cynon Taf many of those consulted remarked that there was a large number of underused 'large sheds'. There was difficulty in finding tenants for many of these sites.

Conversely, in Rhondda Cynon Taf there is a dearth of the small premises that are being required by many businesses.

The supply of land in Rhondda Cynon Taf is also likely to be affected by changes in the demographic profile of the area. A fall in school numbers in some of the northern areas of Rhondda Cynon Taf is likely to have an impact on the availability of land. Some of this land may be considered for employment purposes.

> "Demographic changes are also affecting the demand and use of other property throughout the County Borough. One such example can be found when looking at local school provision. In Maerdy a primary school has seen pupil numbers fall from 450 children to closer to 150 children. This will have an obvious knock-on effect for the amount of land they will need to use. This is not true throughout all schools in the County Borough; some (such as Y-Pant Comprehensive School) have experienced an increase in pupil numbers."
>
> *Rhondda Cynon Taf Corporate Estates*

4.3 Future Development Sites

A wrath of developments are currently being explored, proposed and undertaken in and around Rhondda Cynon Taf. The Borough Council has recently initiated a series of town centre regeneration initiatives. There are also a number of key sites throughout the County Borough that have been earmarked for development, either privately or using a mixture of public/private funding. The emerging Local Development Plan Strategy is also identifying large, strategic sites which can potentially accommodate mixed use schemes. Examples of such sites are listed below.

4.3.1 Taff Ely

Pencoed Technology Park

The Pencoed Technology Park will have some large scale units, supplemented by some smaller units. The Technology Park will be based upon an image of clean, good quality units. Examples of the type of hi-tech facilities available at the Pencoed Technology Park include:

- Environmental testing chambers
- Anechoic chamber
- Clean room facilities
- Advanced manufacturing facilities

The Pencoed Technology Park will supply a range of units for high-technology manufacturing businesses.

Llanilid Film Studio Development

The Llanilid Film Studio development will come with a multimedia tag with the view to developing a cluster of multimedia businesses within the development. It will provide a home to the creative industries in Rhondda Cynon Taf and south east Wales. The development will include hi-spec TV studio and other technical facilities, as well as office accommodation.

Cwm Colliery and Coking Works, Beddau

The restored Cwm Colliery site is currently being used for open air storage, whilst the former Coking Works site needs improvements including land reclamation, decontamination and addressing issues such as flood risk and land stability. The Beddau sites have potential for a mixed use development comprising residential, employment, community and amenity related uses.

Mwyndy/Talbot Green Area

Development of a potential large-scale mixed use site would consolidate existing employment uses in the Mwyndy area, and give Llantrisant enhanced status as a principal settlement. Phased and managed development of the site would provide for long term growth with improved transport links along the A4119 and to M4 junctions 33 and 34.

4.3.2 Cynon Valley

Aberdare and Hirwaun are areas where development is expected to take place. In Aberdare there are proposed developments of the Robertstown area, as well as possible retail development on the remainder of the Tesco site, and expansion of the Ty’r Founder Fields site near Asda . .

Mountain Ash

There is land in Mountain Ash, north of the Cwm Cynon south of Mountain Ash town centre that is available for development. There is limited scope for development in the town centre itself, mostly around the land created by the rail diversion.

Former Phurnacite Plant, Abercwmboi, Cynon Valley

The former phurnacite plant is a key brownfield site in a central position in the Cynon Valley. The site is to be found on the reclaimed land of the old Phurnacite Plant that lay between Abercwmboi and Fernhill in the Cynon Valley. The site runs alongside the main thoroughfare through the Cynon Valley, the A4059.

The Welsh Assembly Government has commissioned consultants who are currently reviewing existing constraints in the former phurnacite plant site. Current constraints to development include residual contamination, flood risk and access. The local community have also taken part in the consolation process. The site is currently allocated for employment purposes, but there is potential for the site to be utilised as a mixed use development.

Robertstown / Abernant – Aberdare

The Robertstown/Abernant site comprises of land in the Robertstown area and the Aberdare General Hospital. The site is close to Aberdare town centre, sports centre and railway station and provides potential for mixed use development including employment, residential and commercial uses. Accessibility and flooding issues are currently barriers to development.

Land South of Hirwaun/Penywaun

The development of the A465 'Heads of the Valleys' road and the associated regeneration initiatives, accompanied with the expected changes in operations at Tower Colliery means that there is significant potential for employment and residential land uses in and around a strategic corridor of land south of the A465.

There are areas around Penywaun/Hirwaun and Tower Colliery that have possibility for development - in terms of housing and business use. The closing of Tower Colliery, where there would be a need to address job losses, and the dualling of the A465 would favour such a potential mixed use form of development, a large proportion of which would be on brownfield land. This is an area that the Local Development Plan will be considering for strategic development opportunities over the next fifteen years.

A number of consultees highlighted that incentives would need to be put in place to fully develop Hirwaun Industrial Estate. The A465 improvements will improve the investment potential, but there may still be a need for an extra carrot for developers/new businesses to invest in the area. Many consulted also suggested that a specific target sector would help to develop Hirwaun Industrial Estate, with the possibility of an 'Eco-park' cluster centring upon the development of environmental industries.

4.3.3 Rhondda Valleys

Market failure has been identified as a major problem for development in the northern areas of Rhondda Cynon Taf, particularly northern areas of the Rhondda Valleys. The returns are not sufficient to drive new investment in these areas. This has an obvious impact upon the supply of premises in these areas, where quality is poor and the provision is often not suited to modern businesses.

Such market failure also has an affect on the ability to use private funds to lever in further investment into an area. For example, initiating section 106 agreements for local labour and investment becomes more difficult because of smaller profit margins for investors. This is also true for residential property, where smaller margins (as a result of lower house prices, especially in the more deprived areas of Rhondda Cynon Taf) mean that the ability to lever private investment into the local area is made more difficult.

In many cases public investment may be needed if the quality of the supply of business premises in northern areas of Rhondda Cynon Taf is to be improved.

Cae Mawr Industrial Estate

In Treorchy one area of possible development is the Cae Mawr Industrial Estate. The Cae Mawr Industrial Estate is home to traditional industrial premises which have been particularly difficult to let. The site is typical of many in the Rhondda Valleys, in that it requires investment, both in terms of the property that is available, as well as in terms of access. Within the town centre of Treorchy the only other area where development is possible is the abattoir site.

Chubb Factory Site

The Chubb Factory Site in Ferndale has potential for a mixed use development. The Chubb Factory had closed in 2004, resulting in the loss of over 150 jobs. The site is again symptomatic of problems with employment sites in the Rhondda Valleys, in that access is difficult and the site is out-of-date in comparison with the needs of modern businesses.

Former Maerdy Colliery Site, Rhondda Fach

The former Maerdy Colliery site in Rhondda Fach is one of the few areas where development can be undertaken at the head of the Rhondda Fach Valley. Further land reclamation, environmental enhancements and improvements in access would provide potential to use the land for employment, tourism and leisure uses.

The risk of allowing housing development or other changes of land use, in some areas of Rhondda Cynon Taf is that returning a site to employment use would be extremely difficult, if not impossible. In areas such as the Rhondda Valley where there is a limited supply of flat land available this could result in the permanent loss of employment land sites.

4.3.4 Town Centre Developments

The eight centres that comprise the focus of the Rhondda Cynon Taf town centre regeneration strategy are:

Sub-Regional Centres

- **Aberdare**
- **Pontypridd**

District Centres

- Ferndale
- Llantrisant
- Mountain Ash
- Porth
- Tonypandy
- Treorchy

There are a number of large developments taking place in Pontypridd. The St. Catherine's Corner development will comprise 40,000 sq.ft office space and 313 space car park. There will also be a redevelopment of the Taff Vale Centre, and possibly a development of the Sardis complex

The majority of the town centre regeneration schemes now have framework strategies and action plans in place, although these are at different stages of overall development. The exception is the regeneration scheme for Ferndale, for which the planning framework is still being completed. Also, development in Aberdare and Tonypandy is already fairly well progressed as a result of previous development initiatives, particularly relating to the infrastructure and physical regeneration aspects of economic development in and around these towns. In terms of most of the other schemes, it is now largely a matter of securing and downloading the funding required to implement the agreed actions, such as the regeneration plans for Llantrisant (Old Town) and Treorchy.

Vacancy rates in town centres are less than 7%, and there is still demand for smaller units. Demand, however, would be expected to rise for more appropriately sized units. There is evidence of a lack of suitable premises for large national retailers in areas such as Pontypridd, and to a lesser extent Aberdare and Tonypandy.

A 2003 retail capacity assessment report by Nathaniel Lichfield & Partners Ltd highlighted that there is scope in the short and medium term to "improve significantly high street comparison retail floorspace in the County Borough" based upon evidence gathered as part of their study. The same report also highlighted "there is a need to identify further opportunities to accommodate high street comparison shopping in the County Borough". The report also highlights the importance of town centres within Rhondda Cynon Taf, both as a means of supporting the needs of the local populace, as well as a way of reducing leakage in expenditure from the County Borough.[10]

[10] Rhondda Cynon Taf County Borough Retail Capacity Assessment Nathaniel Lichfield & Partners Ltd, August 2003

Supply Summary

- Mix of sites available throughout the local authority area;
- Plenty of property available, but not always in the right areas, and not always the right quality;
- Generally poor standard of premises;
- Better standard of sites in the southern areas, mostly as a result of demand-led investment;
- The quality of employment sites in the northern parts of the Rhondda Valleys is particularly poor;
- Many of the sites in the Rhondda Valleys are particularly difficult to access;
- Good transport links and premises available in the southern areas of Rhondda Cynon Taf;
- Developments in Taff Ely will produce high-quality employment sites;
- In the Rhondda Valleys development is more difficult due to a mixture of topography, market failure and access;
- Development sites in the Cynon Valley relatively more attractive than those in the Rhondda Valleys;
- Incentives may be required to development sites in northern areas of Rhondda Cynon Taf to reach their potential;
- Town centre regeneration schemes are making town centres more attractive place to live, work and visit;
- Town centres in Rhondda Cynon Taf remain important for the local populace in terms of delivering local services, as well as reducing leakages in spending;
- A 2003 retail capacity assessment report by Nathaniel Lichfield & Partners Ltd highlighted that there is scope in the short and medium term to “improve significantly high street comparison retail floorspace in the County Borough;
- Dearth of suitable sites for large national retailers in towns such as Pontypridd, Aberdare and Tonypandy.

5 Conclusions and Recommendations

5.1 Conclusions

There have been recent changes in the economy of Rhondda Cynon Taf that are likely to have an impact upon employment land sites. These include decreasing employment in manufacturing sectors; increasing levels of employment in construction; distribution, hotels & restaurants; transport & communications; banking, finance & insurance; etc; and public administration, education & health. Forecasts predict a continued fall in manufacturing employment and continued increase in employment in the service sector. The key issue is to ensure that the changing needs of businesses in Rhondda Cynon Taf are reflected in the supply of employment sites throughout the County Borough. During the course of this study we found that:

- The current level of allocation and supply of employment land is not an issue throughout Rhondda Cynon Taf;
- Indeed, there is some indication of an oversupply;
- There is a lack of prioritisation of key sites, and a need to make sites more marketable;
- Key issue is that current supply does not meet future needs, in terms of:
    - Type of employment sites and units available – specifically smaller flexible space
    - Meeting the demand from micro-businesses
    - The quality of office space, including town centre provision
- Concerns regarding the redundant nature of industrial space – the ‘large box syndrome’ of provision built during the 1980s;
- Poor environment within which many employment sites sit;
- Poor accessibility in many areas.
- There us a mismatch of supply around the M4 area
- There is still a perception that the Heads of the Valleys area is seen as ‘Valleys’ – i.e., poor accessibility and difficult topography

Geographic Differences

- There are significant geographical differences in terms of both demand and supply of employment land in Rhondda Cynon Taf. The southern areas of Rhondda Cynon Taf are relatively popular as a location for businesses. Good transport links, especially the M4 and A470 roads are often cited as the main attractions for businesses seeking to locate in the southern areas of Rhondda Cynon Taf.

- The Rhondda Valleys, especially northern areas, possess a poor supply and experience low demand for employment land. The poor supply is as a result of topographical and accessibility issues, as well as a lack of investment caused by low levels of demand and poor rates of return. The Cynon Valley is perceived as more desirable for businesses than the Rhondda, although demand for business premises lags that of the southern areas of Rhondda Cynon Taf.

- Consultation evidence was also backed by employment data that highlighted increases in employment in the Pontypridd constituency between 1998 and 2004 and low levels of employment growth in the Cynon Valley over the same period. During the same period data analysis reveals that employment levels actually fell in the Rhondda Valley between.

- Price incentives are unlikely to have an impact upon the locational decisions of businesses in Rhondda Cynon Taf, mainly because businesses would be more likely to choose another location along the M4 rather than locate in the northern valleys.

- In the short –term the development of the Heads of the Valleys is unlikely to have a significant impact upon the demand for employment land and premises. In the long term, however, there are more opportunities for development. Whilst it is impossible to accurately predict the effects that the dualling of the A465 will have in the distant future, it remains one of the best catalysts of development of some of the most deprived areas of Rhondda Cynon Taf.

Key Settlements

- There is healthy demand for town centre property, especially retail premises, as documented by relatively high occupancy rates for ground level retail space throughout Rhondda Cynon Taf, with a movement in the main settlements towards more ‘up-market’ developments. There has also been a big demand for large national retailers for big retail units in areas such as Pontypridd, and to a lesser extent Aberdare and Tonypandy. Levels of demand for town centre premises do not vary much between northern and southern areas of Rhondda Cynon Taf as for traditional industrial premises. There is also demand for small office space in northern areas of Rhondda Cynon Taf.

- There is scope in the short and medium term to “improve significantly high street comparison retail floorspace in the County Borough.”[11] there is also a current dearth of suitable sites for large national retailers is towns such as Pontypridd, Aberdare and Tonypandy.

Business Starts and Indigenous Growth

- Overall the levels of enterprise in Rhondda Cynon Taf have been growing. The number of VAT registrations in Rhondda Cynon Taf between 2000 and 2004 rose with wholesale, retail and repairs; hotels and restaurants; and financial & business services experiencing the greatest numbers of VAT registrations.

- As a result of growth in indigenous business there have been sizable levels of demand for office space, with particularly high levels of demand for office accommodation of less than 500sq.ft in size. Demand for office space has been greatest for small, high quality office space.

- Demand for industrial space concentrated on premises of less than 3,000 sq ft in size, and in many cases much smaller. There is also a sizable demand for ‘lock-up compound’ type space.

Inward Investment

- Despite falling levels of inward investment, it is still an important source of employment for Rhondda Cynon Taf. However, the movement towards more higher-value added inward investment projects is having a significant impact on the property needs of potential inward investments in Rhondda Cynon Taf. Specifically, there is very little demand for ‘large sheds’, and there are very few inward investment enquires for sites of more than 10,000 sq.ft for industrial use

- Inward investment is more prevalent in the southern areas of Rhondda Cynon Taf which are perceived by many inward investors as ‘Northern Cardiff’.

- In terms of the quality of premises, proximity to the M4 and location within an Objective 1 (soon to be EU Structural Funds Convergence Programme) are the main attractions for potential inward investors.

[11] Rhondda Cynon Taf County Borough Retail Capacity Assessment Nathaniel Lichfield & Partners Ltd, August 2003

Needs of Key Sectors

- There has been a move towards demand for smaller, more specialised premises in the high tech manufacturing sector. This mirrors the trend of a higher proportion of relatively small businesses in the sector emerging in recent years within Rhondda Cynon Taf.

- Whilst demand for larger premises / sites should not altogether be discounted, it should be noted that current demand is generally for purpose built units designed for the specific needs of companies.

- The creative industries present employment opportunities across the county borough, however sub-sectors such as music, design and multimedia tend to favour creative hubs in town centre locations such as Porth or Pontypridd.

- Artists, sculpture and painters tend to be less focussed on town centre locations and more focussed on lower cost premises. These individuals also present an opportunity to include elements of regeneration within employment sites (e.g. improving aesthetic quality of deprived areas / renewal of disused buildings).

- Location in and around centres of population remains an important consideration for knowledge based businesses. This means that sites along the M4 / A470 corridors, town centres and near Cardiff retain a big competitive advantage.

- However, evidence shows that there is demand for office space in northerly parts of the county borough, particularly amongst start-up companies. There may be further scope for looking at developing mixed use residential and office space, targeting start up companies with cheaper rents and housing costs.

- Broadband access and quality space is essential for attracting knowledge based businesses to any location.

- Most of the construction firms in Rhondda Cynon Taf are micro companies or sole traders. Many of the developments in the sector may be focussed on assisting construction companies within the county borough to collaborate and compete for larger contracts.

- There is great variation in the demands of companies in the construction sector. The local authority should consider engaging more directly with companies regarding their property needs.

- The not-for-profit nature of social enterprises means that the cost of premises is a particularly key factor for their location decisions. This means that in contrast to other sectors, the M4 and A470 corridors are not regarded as as appealing areas due to the likelihood that competition from commercial sectors would lead to higher costs.

- In order to appeal to social enterprises, sites ideally need to be located in areas where Communities First funding is available. Given the correct support and incentives, more social enterprises could be drawn to locations in more northerly town centres where commercial sectors are less likely to locate.

- The availability of a list of potential sites, their status, location and other details would be advantageous to social enterprises in making location decisions.

Supply Summary

- There is a mix of sites available throughout Rhondda Cynon Taf, and there is plenty of property available. However the property available is not always in the right area, and not always of the right quality. Generally the standard of premises in the County Borough is often poor.

- The standard of sites in the southern areas is generally better, mostly as a result of demand-led investment, whilst the quality of employment sites in the northern parts of the Rhondda Valleys is particularly poor. Many of the sites in the Rhondda Valleys are also particularly difficult to access.

- Good transport links and premises available in the southern areas of Rhondda Cynon Taf; and developments in Taff Ely will produce high-quality employment sites. In the Rhondda Valleys development is more difficult due to a mixture of topography, market failure and access. Development sites in the Cynon Valley are relatively more attractive than those in the Rhondda Valleys.

- Town centre regeneration schemes are making town centres more attractive places to live, work and visit, and town centres in Rhondda Cynon Taf remain important for the local populace in terms of delivering local services, as well as reducing leakages in spending. Within town centres, however, there is a dearth of suitable sites for large national retailers in towns such as Pontypridd, Aberdare and Tonypandy.

5.2 Recommendations

Recommendations that arose from consultation and appropriate literature reviews were as follows:

- There is a need develop a clear framework for investment intervention;
- There is a need to develop a more responsive planning policy framework that offers more flexibility, especially with regard to mixed use developments.
- Employment sites need to be rationalised;
- Investment is needed to ensure that sites are improved in terms of access and connectivity;
- There is a need for greater dialogue with the private sector to encourage better design and environmental improvements.

More detailed recommendations are outlined below.

Rationalisation of Current Land Bank

Evidence gained from consultations and desk research highlighted a proliferation of employment sites throughout Rhondda Cynon Taf. Whilst there is a requirement for small employment sites, there is a clear need to rationalise the current land bank within Rhondda Cynon Taf. A hierarchy of employment land would comprise around twenty sites with a sub-set of flagship sites that would consist of around a quarter of these sites.

The rationalisation of land sites could also be undertaken within a geographic framework, ensuring that in southern areas of Rhondda Cynon Taf there are ample and appropriate sites to meet demand, whilst a northern presence remains that will aid the economic development of the more deprived areas of Rhondda Cynon Taf. A northern 'node' of employment of this nature could centre upon the development of the A465 Heads of the Valleys road.

The rationalisation of employment sites would also include a designation of some sites for specific markets. This would enable the County Borough to aggressively pursue specific sectors. An example of a particular designation would be the development of an 'eco-park' environmental services cluster based in Hirwaun. The *eco-park* would comprise a cluster of environmental service businesses. Such a development would take advantage of the development of the A465 road, and become a focal point for development in the northern Valleys area of Rhondda Cynon Taf. Such a development may need a 'kick start' to help accelerate development – including the possibility of developing the area as an enterprise zone.

Marketing Employment Land Sites

Rationalising employment sites would help to aid marketing of such sites in Rhondda Cynon Taf, by providing a more coherent offer for potential inward investors and growing businesses in Rhondda Cynon Taf. Focusing resources upon a rationalised hierarchy of employment sites would mean that council resources could be more efficiently utilised.

The marketing strategy should also include ensuring that the current provision of employment sites is visible and attractive. Much of the employment land in Rhondda Cynon Taf is relatively unattractive, and simple measures such as ensuring that signage is clean would help to increase the attractiveness of sites at a relatively low cost.

Redundant Sites

Throughout much of the northern areas of Rhondda Cynon Taf there are a number of redundant employment sites. For many of these sites it is unlikely that demand will change much in the medium term, and many businesses are 'put off' locating in northern valley areas by issues such as poor quality of premises, poor access and inappropriate types of units available. One of the greatest problems in addressing such issues is the poor levels of return on investment available to potential property developers, which acts as a barrier to improving the offer to businesses at such sites.

It has been highlighted that one avenue to addressing this market failure would be to allow the development of mixed use sites. Many of the consultees were of the opinion that some employment sites in the less accessible parts of Rhondda Cynon Taf would be best suited to residential development. It was mentioned by many during consultations that residential developments, accompanied with measures to capture local spend, could have a significant positive effect on the economy of neighbouring communities. Mixed use, rather than pure residential use, would help to retain employment possibilities if a change of use of difficult to let employment sites was proposed. Housing and retail development would prove more attractive to many developers and would help to draw in investment that would help make employment sites look more attractive.

The development of low density 'executive' housing at such sites would reduce the impact of housing development on local services and infrastructure, as well as help to attract higher earning residents that would increase spending in the local area. Such developments, however, would need to ensure that the local transport infrastructure and services could accommodate any changes in residential and retail land use.

It should also be noted that there is a need to retain employment sites that may currently be unpopular. In the Rhondda Valleys for example there is very little space, as a result of topographical and accessibility issues, where additional employment sites could be developed. As a result any re-designation of employment land should recognise the need to retain some potentially unpopular employment sites of this kind as their availability cannot be reclaimed once they have been released for other use.

An example of where a mixed use development would be appropriate would be the Cae Mawr estate. This site has experienced severe difficulty in finding tenants or investors, and is unlikely to find tenants or receive investment in its current condition. The site remains, however, an important employment site within Treorchy, where there are few other options for employment site development. Mixed use development would help provide investment into a redundant employment site, whilst ensuring that a large proportion of the site is retained for employment purposes.

Geographic Strategy

The differences that exist between northern and southern areas of Rhondda Cynon Taf would suggest that different approaches are needed for northern and southern areas of the County Borough. Two factors that would need to be taken into consideration would be:

- An appreciation of the higher levels of demand for employment sites within southern areas of Rhondda Cynon Taf;
- An appreciation that there is still a need to ensure that employment sites remain in the more northern areas of Rhondda Cynon Taf.

An effective geographic strategy can be developed by ensuring that the *appropriate* types of employment sites are developed with northern and southern areas of Rhondda Cynon Taf. In the northern areas there will be a requirement for smaller employment units that will aid the development of new businesses and ensure that employment opportunities remain in these more deprived areas. This would include, for example, ensuring that social enterprises are able to acquire suitable premises. As identified above, evidence shows that there is demand for office space in northerly parts of the county borough, particularly amongst start-up companies. There may be further scope for looking at developing mixed use residential and office space, targeting start up companies with cheaper rents and housing costs.

The southern area of Rhondda Cynon Taf should focus upon larger businesses that would require the accessibility afforded by the M4 and A40 road links. The one exception to such a strategy would be the Hirwaun area, where improvements to the A465 would increase the accessibility and saleability of the area to larger businesses.

Sector Spread

Sector strategy should also adopt a geographic focus. In particular, many of the high-tech manufacturing services and high-tech manufacturing businesses demand premises in southern areas of Rhondda Cynon Taf. whilst in northern areas there is demand for smaller office space and business start-up units. Particular sector issues with relation to geography (as highlighted above) are:

- Creative industries sub-sectors such as music, design and multimedia tend to favour creative hubs in town centre locations;
- Creative industries sub-sectors such as artists, sculpture and painters tend to be less focussed on town centre locations and more focussed on lower cost premises;
- Given the correct support and incentives, more social enterprises could be drawn to locations in more northerly town centres where commercial sectors are less likely to locate;
- Location in and around centres of population remains an important consideration for knowledge based businesses. This means that sites along the M4 / A470 corridors, town centres and near Cardiff retain a big competitive advantage;
- The not-for-profit nature of social enterprises means that the cost of premises is a particularly key factor for their location decisions. This means that in contrast to other sectors, the M4 and A470 corridors are not regarded as appealing areas due to the likelihood that competition from commercial sectors would lead to higher costs;
- In order to appeal to social enterprises, sites ideally need to be located in areas where Communities First funding is available. Given the correct support and incentives, more social enterprises could be drawn to locations in more northerly town centres where commercial sectors are less likely to locate.

Restrictions of Current Planning Policy

Environmental restrictions are having a significant impact upon the ability to develop employment land sites in Rhondda Cynon Taf, many possible sites are also constrained by TAN 15 restrictions. Due to the topography of the valleys areas, many of the flat locations along the valley floors are often liable to flooding. However, there is not a blanket restriction for employment sites which applies to housing and other sensitive uses in C2 areas.

There are also a number of schools premises that may become available for alternative use in the future. These may be ideal employment sites subject to factors such as parking, access and restrictive covenants. Ensuring that such sites can be used to benefit businesses and their local communities is imperative.

There is a need to make adequate provision of employment land available in the Taff Ely area, where demand for employment sites is strongest. Failure to do so would result in businesses seeking sites along the M4 rather than in other areas of Rhondda Cynon Taf.

Current Planning Policy and Council Strategy

Closer links and dialogue between the different departments of Rhondda Cynon Taf County Borough Council would help to improve the effectiveness of land use within the County Borough. Improved communication between departments such as corporate estates and economic regeneration would significantly aid the effectiveness of land use.

Other policy recommendations include:

- Since the demand for property will be influenced by the quality of what is supplied a building programme to meet the needs of current businesses should be developed;
- A Rhondda Cynon Taf development programme should also build to meet the needs of the businesses that they would like to see invest in the local area;
- The new Local Development Plan should address employment land use needs and provide an enabling policy framework for the period 2006 – 2021.