

# theme 1

## Business

This theme area addresses the following critical success factors for Plymouth:

**1. Productivity & Competitiveness**

High levels of Gross Value Added (GVA)

**2. Business & Enterprise**

A diverse and growing business base

**3. Knowledge & Technology**

A high proportion of employment in knowledge based activities and innovation within businesses

The focus of the actions contained below is to achieve a diverse and growing business base for Plymouth, this diverse business base is critical to achieving the City of Ideas concept . This section discusses why and how Plymouth should generate investment opportunities and increase its entrepreneurial abilities. While the short term focus for Plymouth should be to create a mixed base of high and low value added activities, its purpose in the long term should be to allocate a high proportion of its workforce in knowledge based activities to achieve high levels of GVA

In this context, the Critical Success Factors relating to Business & Enterprise and Knowledge & Technology can be considered as critical inputs to achieving the longer term outcome of improved Productivity & Competitiveness. Indeed, the successful delivery of all the critical success factors identified within the Plymouth Economic Strategy will ultimately be manifested in securing improved productivity and competitiveness as measured through high levels of GVA.

In the remainder of this section we have focused attention on the actions required to deliver improved performance against the Critical Success Factors relating to Business & Enterprise and Knowledge & Technology. These two factors are highly integrated and need to be considered together in terms of how they drive improved economic competitiveness for Plymouth. The issues and actions to be considered are both cross cutting and sectorally focused, and these are considered in turn in the action plans. First it is important to understand the drivers of economic growth and competitiveness in Plymouth, the competitive advantage of its key sectors, and the role that a sectoral approach to economic growth can play in securing long term improvements to competitiveness.

### **INTRODUCTION & RATIONALE**

The new agenda for Plymouth's future envisages a substantial increase in population (from some 240,000 currently to some 300,000) with the creation of some 17,000 new jobs by 2026. A small number of key sectors are likely to make a substantial contribution to the achievement of employment growth through a combination of increased jobs within existing employers in the city, new jobs linked directly to the economic growth of the city, or genuinely mobile jobs attracted to the city.

Of course, new actions and initiatives must be taken to improve the Plymouth investor offer – both the generic offer and the individual sector offer. This was highlighted in the Plymouth Business Growth Strategy:

*“In essence it seems to fall way short of its potential offer for lifestyle, workplace and urban attractor that this uniquely positioned and naturally endowed waterside city should be able to provide to a waiting population”*

*“The decline of the youth population highlights wider concerns that Plymouth is not performing the role of an economically sustainable city”.*

To develop an appropriate sector strategy for Plymouth and provide credible suggestions for improving the investor offer, we need to start by analysing:

1. The sector market context for both inward and indigenous investment; and
2. The key location factors that influence investment decisions.

A summary of the fundamental changes that have been taking place in the regional and national inward investment market are presented in Appendix B. In terms of how the market trends are expected to take shape in the future, given our experience, we believe that although the UK still remains one of the best performers in the whole of Europe for attracting inward investment, the future market in this country is likely to be characterised by:

- Growing business pressures to push activities (even high value added goods and services) to lower cost countries;
- Even greater competition (both from elsewhere in the UK and internationally) for areas like Plymouth to win new investments and re-investments; and
- Increasing policy emphasis by the city regions in the UK to promote their locations for investment with a move away from just inward investment to a broader strategy embracing inward investment, retailing, culture, leisure and tourism.

For Plymouth, this may mean that as inward investment from high tech sectors is very competitive, these are unlikely to produce the quantity of jobs required by the city if it is to realise its growth potential. Investment from existing business, particularly in the manufacturing sectors will be an important source of projects. The challenge will be to embed existing investors, through investor development initiatives and move them further up the value chain. Additionally, the city will need to encourage those sectors which have current investment potential and can create significant number of jobs. This will be needed to provide an initial investment momentum, which can help support a broad base of professional service companies and stimulate the property market.

Based on our experience of advising companies on potential locations and incentives for planned investment projects, we have identified the key location factors linked to eight broad groupings of economic activity (see Appendix B). Given Plymouth’s location characteristics, we believe that of special relevance to the new economic strategy for Plymouth are the relatively high value added activities which tend to be concentrated in emerging industries (e.g. multimedia), high tech manufacturing (e.g. semiconductors) and high level services (e.g. financial and business services).

It is important to note, however, that the pursuit of high value added activities is central to the economic strategies of many areas in the UK and job opportunities are still limited compared to the overall workforce size. The marketplace is highly competitive and significant progress will have to be made (especially in relation to labour skills and property provision) to improve Plymouth’s investor offer as a prerequisite to the achievement of enhanced performance in investment and jobs created in the sector. Property in particular has a key role to play in ensuring cities like Plymouth get on to a shortlist. The new manufacturing and service sectors often have time to market pressures and if property is not available a company will exclude location. Availability of serviced greenfield sites on their own is not enough to ensure Plymouth is successful in getting to investor shortlists. Additionally, as stakeholders have told us, competition from Eastern Europe and the Far East for mobile manufacturing projects, the lack of awareness in the marketplace of Plymouth’s offer and the perceived peripherality and inaccessibility of Plymouth, place the City in a difficult position to compete.

There is therefore a need for realism, especially in the regeneration areas, about the potential success and related timing of pursuing a high added value economic development strategy. Various cities, as will be described below, have demonstrated the benefit of deploying a progressive strategy which recognises the short-term importance of generating economic momentum (including relatively low value added activities) and of placing a greater emphasis on the higher value activities over time. Overall, this calls for focussing on sectors where the **City has a genuine competitive advantage**.

#### **Developing a successful sector strategy**

Sector choice, promotion and development are therefore important elements of the new economic strategy for Plymouth. It is important to acknowledge, however, that a sector focus is not intended to be exclusive, but rather to give an emphasis on where scarce marketing and product development resources should be concentrated. Nevertheless, in cities seen as successful in achieving a substantial business and employment growth, such as Barcelona, some element of sector focus has been essential – although involving both low and high added value activities.

In general, choice of target growth sectors must reflect channels of potential job creation, especially as the job prospects and the competitive advantage of Plymouth will inevitably vary from channel to channel. Likewise, the 'fit' with the declared economic ambition and policies for Plymouth will vary from sector to sector.

Our experience shows that successful sector strategy involves a combination of:

- Choosing the 'right' sectors, based on a combination of market prospects, competitive advantage, and policy fit; and
- Implementing the strategy, both to promote sustainable development (for all sections of the population) and to attract investment (both from existing and new investors) consistent with market forces and resources available for new interventions.

In practice, this is likely to mean the pursuit of both low and high added value activities in the targeted sectors. This reflects both what can realistically be achieved in the short-term to attract new investments to Plymouth, together with a recognition that – even with a progressive education and skills development agenda – projects at both ends of the value-added spectrum will be needed to promote and secure sustainable development (see Box 1).

**Box 1: Business Services Development in Glasgow**

A successful approach to sector development has been demonstrated effectively in Glasgow. In the early 1990s, the public sector partners in Glasgow embarked on an ambitious regeneration programme to fundamentally change the image, physical environment, and economic base of the city. Financial and business services played a key role.

The initial emphasis was on building Glasgow's reputation as an effective location for low value – added activities like customer service centres, using marketing campaigns to promote the city and developing skills development and property programmes to enhance the investor offer. This approach was very successful and laid the platform for extending the programme to other parts of the city and to higher added-value activities like shared service centres.

The big advantage of targeting financial and business services was that Glasgow was able to promote a relatively wide range of economic activities, which collectively offered good investment and employment prospects for the city. Ultimately, this has resulted in leveraging significant private sector investments in new sites and properties – often in areas which hitherto were physically derelict and economically sterile.

Without this investment momentum provided by financial and business services, Glasgow would have found it very difficult to attract higher value added activities like shared services to the city. The skills competencies developed in supporting the financial and business services investment have been relevant for the later high added value investors while the success associated with this investment has also generated significant investor interest across the board.

The culmination of the strategy has been the planning and development of the new international financial services district, following the powerful example set by Dublin where a similar strategy and process was deployed.

**Selecting sectors for development in Plymouth**

The approach to sector selection comprises a combination of:

- Assessing the potential for generating mobile and expansion investment opportunities, together with demand-led local growth; and
- Analysing the current or potential competitive advantage of Plymouth, both in retaining/expanding existing investments and attracting new investments.

In terms of the potential for generating mobile and expansion investment opportunities, and demand-led local growth, an important distinction can be drawn between:

- Sectors which may have the potential to generate *mobile investment opportunities* for Plymouth;
- Sectors which may have the potential to generate new investment opportunities from *the existing investor base in Plymouth*; and
- Sectors which may have the potential to generate new investment opportunities as a *result of local population and economic growth*.

With key stakeholder consultation as a background (see Appendix C), we suggest below what each of these opportunities could mean for Plymouth.

**Mobile investment opportunities.** Plymouth – like many other cities in the UK – has found it difficult to maintain its 1980s/early 1990s track-record in attracting mobile investment opportunities. Plymouth was successful then because it understood the market and developed an offer which the manufacturing companies required, namely serviced sites, advanced buildings, regional grants, and low cost labour. As a result automotive and electronic companies from the USA and Japan located in the city. The key to greater success in the future will be stronger performance in those sectors in “growth mode” at the UK level – notably IT, software, and internet/e-commerce, together with business, financial and professional services - and this will require a counterweight offer to the market attractions of London/South East of England.

**Existing investor base opportunities.** New projects from the expansion of the existing investor base are playing an increasingly important part of the UK’s inward investment market. This is especially the case in the manufacturing sector. In 2004/05, there were only 45 new greenfield manufacturing projects in the whole of the UK; in contrast, there were 224 expansion projects in the sector. Cities across the UK are putting more effort into encouraging investment from existing investors and embedding them into the local economy, through investor developer initiatives. This includes increasing local sourcing of components and services of companies and the provision of quality buildings to assist them in their move up the value chain.

**Demand-led local opportunities.** To accompany the planned growth of the city’s population and employment, there will be an inevitable need for more local services – particularly in activities like office services, culture, leisure and tourism. This demand must be harnessed in Plymouth itself and the growing critical mass will also help to support the city’s developing role as a City Region.

The collective summary of potential investment opportunities per economic activity (organised by location factors) is given in Table 1 below. The opportunities are split into three categories – high, medium and low, based on our market experience and evidence. The following points are evident:

- **High level services and office services** seem to provide the ‘best’ overall potential sources of investment opportunities for Plymouth, with a high or medium rating in all three categories. Sectors in these categories have a good ‘track record’ in investing in regeneration areas, particularly call centres and outsourcers. They also have a track record in investing and training economically inactive groups in the workforce in basic IT and customer service skills. If these re-skilled people are then released into the labour market they are better equipped to compete for other employment opportunities;
- **High tech manufacturing** may well provide a good source of opportunities from the existing investor base;
- **Emerging industries and culture, leisure and tourism** could be relevant sources of mobile (i.e. on a regional/national basis) investment opportunities; and
- **General services and culture, leisure and tourism** could benefit from demand-led local growth related to the increasing population/employment base of the city.

Table 1. Overview of Potential Investment Opportunities for Plymouth			
Economic Groupings	Growth in Existing Base	Mobile Opportunities	Demand-Led Growth
Emerging Industries	L	L / M	L
High Tech Manufacturing	M	L	L
High Level Services	H	H	M
Mainstream Manufacturing	L	L	L
Office Services	H	H	H
General Services	L	L	M
Leisure & Tourism	M	M	M
Processing Industries	L	L	L

Source: PwC

NB: L = Low

M = Medium

H = High

**Plymouth Business Growth** has already identified key competitive advantages and disadvantages of the city as the basis of a business-led regeneration strategy that builds wealth and generates jobs. The SWOT analysis highlights a number of important features relevant for sector choice included in Table 2 below (the full list of the Plymouth Business Growth SWOT is included in Appendix D).

Table 2. Relevant features for sector choice from the Plymouth Business Growth Strategy SWOT	
Strengths / opportunities	Weaknesses / Threats
<ul style="list-style-type: none"> <li>• Workforce loyalty and effectiveness.</li> </ul>	<ul style="list-style-type: none"> <li>• Peripherality.</li> </ul>
<ul style="list-style-type: none"> <li>• Size and diversity of higher and further education sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Poor transport links.</li> </ul>
<ul style="list-style-type: none"> <li>• World renowned marine science base.</li> </ul>	<ul style="list-style-type: none"> <li>• Low level of skills.</li> </ul>
<ul style="list-style-type: none"> <li>• Strong and developing medical science base.</li> </ul>	<ul style="list-style-type: none"> <li>• Skills shortages – especially in engineering.</li> </ul>
<ul style="list-style-type: none"> <li>• Capitalise on environmental and quality of life benefits.</li> </ul>	<ul style="list-style-type: none"> <li>• Sector weaknesses (computer services, business services).</li> </ul>
<ul style="list-style-type: none"> <li>• Develop the city’s role as a sub-regional centre for business services, culture, leisure and entertainment.</li> </ul>	<ul style="list-style-type: none"> <li>• Unappealing city centre.</li> </ul>

Six priority clusters have been defined by Plymouth Business Growth Strategy as the means to building on those advantages. We have also assessed the Plymouth Business Growth Strategy clusters in terms of their prospects to offer new projects and jobs. The position is summarised on Table 3 below.

Table 3. Overview of Potential Investment Opportunities in Plymouth Business Growth Strategy clusters			
	Growth in Existing Base	Mobile Opportunities	Demand-led Growth
Advanced Engineering	M	L	L
Business Services	H	H	H
Creative Industries	M	H	M
Marine Industries	M	L	M
Medical and Healthcare	H	M	H
Tourism and Leisure	M	M	M

Against this background, it is useful to try to identify specific types of economic activity within the broader sector groups. Of special relevance could be:

- Emerging industries – media/multimedia;
- High tech manufacturing – aerospace, automotive, marine, advanced materials, semiconductors;
- High level services – IT services and software, R&D, financial and business services;
- Office services – call centres, shared service centres, back offices and government agencies;
- General services – healthcare support services; and
- Leisure and tourism – retail and attractions.

Although the City of Plymouth may well have a current or potential competitive advantage in a range of sectors/niches, the future job prospects – especially in terms of the availability of new jobs – are likely to vary considerably from sector to sector.

Given the ambition of significantly increasing the city's population, which in turn will be influenced by the local provision of jobs, the sector choice must take into account the need to ensure that some of the sectors are strong contenders for job creation on a relatively large-scale. These sectors can include areas of public sector economic activity like healthcare given the central government's policy priority and spending plans. Following the findings of the Lyons Review and the inclusion of Plymouth as one of the UK's selected city growth areas, the city is in principle well placed to attract new government agencies or relocations of existing departments/functions from elsewhere in the UK, notably from London and the South East of England. Plymouth is one of the six priority locations chosen by SWRDA as potential venues for civil service jobs. Public sector relocations, especially in the early years, may well provide one of the best sources of large-scale projects.

Overall, the analysis tends to suggest that **the original Plymouth Business Growth Strategy choice of six key target sectors still remains valid**, but:

- Special priority should be given to financial and business services, creative industries, and tourism and leisure in terms of new investment/job prospects;
- Public sector relocations should also be included as a key target sector;
- The advanced engineering, marine industries, and medical and healthcare sectors are important but primarily from the viewpoint of retaining and expanding the existing economic base.

Therefore, in terms of those sectors likely to provide relatively good prospects for attracting mobile investments/jobs to Plymouth, we suggest that special attention should be given to:

- **Business services/creative industries:** Accounting/banking/legal services, Business process outsourcing, Call centres/contact centres/shared service centres; Regional HQs; Back office activities; Telecom services; IT services/software; and Media/multimedia.
- **Tourism and leisure:** Hotels and Restaurants/cafés - especially from quality branded chains, retail offering.

Overall, this choice of sectors/niches would fit well with the assertion that CGS can target activities that benefit from Plymouth's environment and quality of life, or in which there is a strong intellectual capital base, whilst avoiding those that require a central location or incur substantial travel and transport costs". Nevertheless, the sector emphasis could vary from one part of the city to another, especially in the early years of promoting the new economic strategy.

Fundamentally, the step change in economic performance that Plymouth is seeking will not be delivered solely through a continuation of past economic trends and policy interventions. Critical to this process will be a shift in the image and perception of the City to investors and residents, which will itself be underpinned by a range of supporting and interconnected changes in the economic and social landscape. For example, the continued development of research based activities in the City driven by the University, but also by the private sector in medical healthcare and marine science sectors, will become a force for stimulating higher value added activities and generating sustainable employment opportunities in Plymouth.

## COMPONENTS

Given the challenges that Plymouth faces, it should aim to increase the number of jobs by focusing on:

- 1 Generating **mobile and expanding investment opportunities** by:
  - **Improving Plymouth's investor offer** – both the generic offer (overall image, perception, hard and soft infrastructure of the city) and the individual sector offer - by means of targeted interventions that address the business requirements of new and existing investors across the key product development areas of: Property, Infrastructure, Skills, Incentives and Lifestyle.
  - Focusing on the **right mix of sectors** including both high and low value added activities with the aim of attracting more high value added activities (including high tech and knowledge intensive activities) that tend to be concentrated in emerging industries (e.g. multimedia), high tech manufacturing (e.g. semiconductors) and high level services (e.g. financial and business services). Key levers will include investing in workforce skills, greater R&D activity, investment in ICT and developing new and better links between private companies, the University of Plymouth and other centres of excellence. The possible capacity constraints that may be experienced by the many small businesses in Plymouth, in terms of taking up and adapting to new technologies, should also be addressed.
  - **Promoting Plymouth as an investment location** and to engage existing and potential investors about the merits of investing in Plymouth. A significant uplift in the current resources devoted to economic promotion and development will be required. This must include additional resources for working with existing investors to encourage new investments aimed at moving up the value chain of goods and services. These actions should link with the branding and marketing initiative that is already taking place.
- 2 Increasing the levels of **entrepreneurship** and to bring about an increase in the number of new businesses in the City. In contrast to other parts of the South West region, net rates of new firm formation in Plymouth have remained sluggish, despite a relatively large increase in the size of the overall business base in recent years. In particular, the number of businesses operating per head of population is much lower in Plymouth than the position regionally and nationally. This suggests that the City's economy is less entrepreneurial overall and has a tendency to rely on relatively large employers and some traditional sectors to supply the majority of employment opportunities – perhaps more so than most Cities; and
- 3 Encourage the development of **small and micro business** that could play a key role in a 'sustainable business development' approach. There are a series of key initiatives promoting the development of small business support. It is felt, however, that outside of clusters, the particular needs of small businesses to increase growth potential is related to access to procurement from big employers, infrastructure (e.g. roads) and regulation (e.g. employment law, VAT threshold).

### *Diversifying the Business Base*

#### **ACTIONS – CROSS CUTTING**

Developing selected sectors includes overcoming key barriers to business growth and building on competitive advantages, generating opportunities both for new inward investment and for the indigenous business base that take account of entrepreneurs and small business needs.

Market forces alone will not deliver the required sector performance to match the emerging economic strategy, nor deliver the 42,500 new jobs. Interventions by the public sector – albeit in close partnership with the private sector – will be essential, especially given the current competitive positioning of Plymouth and the scale and nature of the ambition for improving and regenerating the city's economy. This will especially be the case if the next regional policy review results in changes in the Assisted Area status of Plymouth.

There is also a need for realism – the economic strategy extends to 2026 but the urgent issue is to break the existing economic mould for Plymouth, boost investor confidence and create a new vital and energised economic context for fostering growth, investment and jobs.

Best practice inward investment experience from international-class cities like Barcelona and Dublin has pinpointed the need to improve the investor offer for Plymouth from two main angles:

- The 'generic' offer, in terms of the overall image, perception, hard (especially communications) and soft infrastructure of the city; and
- The 'sector' offer, in terms of specific sectors or niches of sectors.

Although the vision encompasses a population increase of some 60,000 over the next 20 years or so, it is unlikely that this will be achieved in practice without a proportionate and substantial increase in employment. Inward investment is likely to be a key component of economic regeneration and employment growth. In turn, this is likely to need a major shift in the positioning of Plymouth as a business location, whilst also recognising that public sector relocations are likely to be important in providing new jobs for the city.

Likewise, it will take time to improve both the generic and sector offer and this will impact on the ability in the short-term (say less than 5 years):

- To attract new investments to the regeneration areas; and
- To attract high value added activities

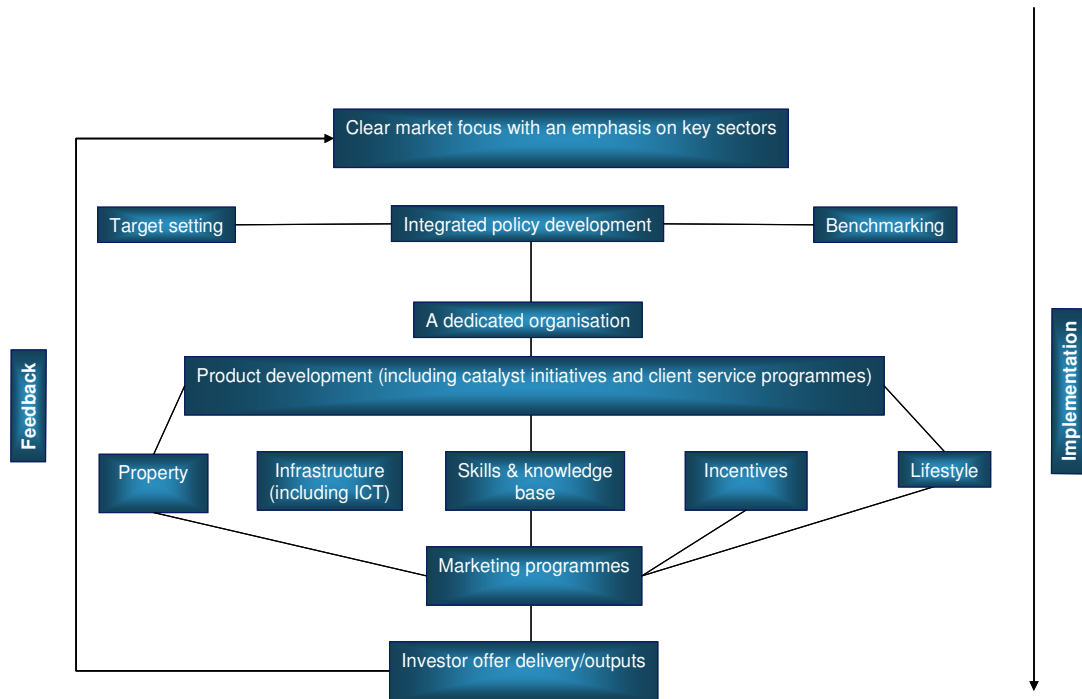
In the early years of implementing the vision, early successes will be important, even if this involves relatively low added value activities. However, interventions will be necessary – especially to improve the property and skills elements of Plymouth's investor offer, as well as actions to enhance the supporting infrastructure. This approach is endorsed by the Plymouth Business Growth Strategy, whose strategic objectives include:

*“To ensure that the right conditions are provided for business growth, by working with partners to enhance the city's infrastructure, image and environment”.*

It is important to highlight that no strategy is risk free. Not all initiatives described below would necessarily have the return or benefits expected. However, some risks need to always be taken to achieve rewards for the City of Plymouth.

**How can the existing generic offer be improved?**

Our experience in advising both sides of the marketplace – advising economic development and investment agencies on strategies and programmes to attract investment and also advising companies on potential locations for investment projects has led us to develop the following best practice model for product development:



In terms of identifying potential actions, the critical element is to improve the ‘offer’ of Plymouth in each sector by means of targeted interventions that address the business requirements of new and existing investors (whose requirements will be the same) across the key product development areas of:

- Property;
- Infrastructure;
- Skills;
- Incentives; and
- Lifestyle.

The key product development areas could be addressed as follows:

**Property:** The Plymouth Business Growth Strategy SWOT analysis suggested that the ‘availability of sites and premises for development’ is a strength. The central task will be to translate this potential into readily available opportunities for potential inward and indigenous investors. Indeed, as time to market pressures intensify, there is often a requirement – for many types of manufacturing and service sector activities – for a readily, available new or modern building to form the cornerstone of the investor offer. If this does not happen, locations outside Plymouth are likely to be considered, even in those instances where Plymouth has a relatively strong competitive advantage. In other peripheral locations in the UK, the public sector, usually the RDA, has been instrumental in encouraging speculative properties as part of the process of creating markets. With time to market pressures critical for many of the sectors, it is essential that investors are given the opportunity to consider Plymouth and take their investment interest to the next stage. Currently Plymouth is not being considered and is failing to achieve long list or short list status.

Plymouth's site portfolio includes the following key sites:

- Plymouth International Business Park;
- Tamar Science Park; and
- Langage Industrial Estate.

The Employment Land Review (Baker Associates, November 2005) reviewed the ability (and competitiveness) of these key and other sites in Plymouth to accommodate the land and building requirements of companies in the targeted sectors. The principal output of the study was to provide an assessment of the total quantity of new employment land and floorspace needed in Plymouth over the Local Development Framework period of 2001 – 2016 and beyond to 2026.

Existing analysis indicates that the forecast demand for floorspace and land is significantly below the availability of both premises and land in the sub region. However, generally there is a perception that there is an inadequate supply of land for high value, knowledge intensive industries (including inward investment). Moreover, in terms of location of available sites, there is an oversupply in A38 located sites and an under supply of city centre and waterfront locations required by 2026. Therefore, the existing sites are generally not suitable to meet the requirements of the key growth sectors for the City in terms of location and quality. Protecting, identifying and designating key waterfront/city centre employment land will therefore be a key element of the economic strategy.

**Skills.** In our own inward investment experience, labour is increasingly seen by potential investors as the key driver in location decisions. This applies especially to high added value activities. In other UK city regions, initiatives have included special courses to encourage skills development in targeted sectors (e.g. Modern Apprenticeship in financial services in Manchester) and bespoke training packages for new employers (e.g. Glasgow). Increasingly, the emphasis must be on measures to promote skills development and attract labour talent, rather than just helping the economically inactive to access new work opportunities. The promotion of sectors like business professional and financial services and the related availability of good quality jobs could act as an important inducement to encourage young people (especially those of graduate calibre) to remain in Plymouth after the end of their formal education there (and thus reducing the current leakage) or to move to the city. As part of the skills development programme, cities (Glasgow and Manchester) are also engaging in wider labour market awareness campaign to bring to the population's attention job opportunities in the targeted sectors. This is particularly relevant to Plymouth with its large university population.

**Infrastructure and lifestyle.** It will be vital to 'get the city centre right' if the vision is to be achieved in practice. This will have a fundamental influence on the investor perception, general market positioning and on the individual sector offers. As well as the physical and architectural aspects associated with the regeneration of Plymouth, there will also be an expectation from both current and potential investors of a radical improvement in the city's soft infrastructure, notably in retailing, recreation, cultural and leisure facilities and business services. While the city has clear advantages in presenting a strong quality of life offer it has to first build its business infrastructure to capitalise on the environmental appeal of the city region.

**Incentives.** The European Commission has issued proposals on the grant regime from 2007 onwards. The UK Government estimates that the proposals would see the percentage of the UK population in areas eligible for state aid fall from its current level of 30.9% to a lower level. Plymouth may not retain its Tier 2 Assisted Area status. However, depending on budget availability, there may be merit in examining how current incentive schemes can be aligned with sector priorities, while if Plymouth loses its Assisted Area status post 2006, the opportunities to support businesses via new training support and R&D initiatives which have block exemption from the EC, should be investigated.