



MID WALES

GROWTH DEAL

WELSH LIBERAL DEMOCRATS POLICY PAPER



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FOREWORD BY JANE DODDS, LEADER OF THE WELSH LIBERAL DEMOCRATS

As Liberal Democrats, we believe in the power of people and communities to create opportunity for themselves and for others, and to change the world around them.

We are optimistic about what Wales can achieve - our potential to be world leaders in renewable energy, our world-class agricultural produce, the quality and innovation of our Higher Education sector; and the entrepreneurs and small businesses across our nation powering our economy.



Yet in many ways, our economy has stood still. The economic powerhouse Wales was promised in 1999 has failed to materialise. Regional economic inequalities are unchanged; we have the lowest wages in Britain; and we have failed to properly support small businesses, to grow medium-sized businesses and build home-grown large enterprises.

Successive administrations in Cardiff Bay and Westminster have failed to harness Wales' economic promise. The slow progress in bringing the transport and digital infrastructure of Mid Wales into the twenty-first century has left business and communities unable to compete.

All the while Brexit threatens the agricultural and food sectors at the heart of the rural economy and communities.



Liberal Democrats believe that nobody knows more about what local communities need to grow than the people who live and work there.

Communities must lead and build their own economic future - not Ministers in Cardiff Bay. That's why in Government, the Liberal Democrats introduced Growth Deals, handing power back to local communities alongside millions of pounds of funding to ensure their local communities thrive.

Our Growth Deal is about creating opportunity everywhere for *everyone*, no matter who you are or where you're from. This paper outlines our ambition for a Welsh economy and a Mid Wales that is ambitious, confident, and outward looking. Only the Welsh Liberal Democrats will create an economic environment that unlocks the potential of rural communities and businesses to create a thriving rural economy in which no-one is left behind.

Jane Dodds

Leader of the Welsh Liberal Democrats



PURPOSE OF THE POLICY PAPER

For Wales to be truly prosperous, economic growth must be balanced between regions.

This paper explores the opportunities for Mid Wales offered by a Growth Deal.

It reflects the engagement of the Welsh Liberal Democrats with regional expertise, and draws on previous policy papers.

These papers were produced before Wales and the UK voted to leave the European Union (EU) in June 2016. Underpinning our Growth Deal is the desire to counteract any adverse economic effects caused by the UK's departure from the EU.

But we also acknowledge more than 60,000 people in Mid Wales voted Leave – an unmistakable reaction against an economic settlement which excluded too many for too long.

The proposals contained within this policy paper therefore mark a vital step towards realising the goal of growth that leaves no individual or community behind.

At this stage, these proposals are also intended for consideration by the party. Any commitment to the policies advanced here will come via Conference.



INTRODUCTION

WHAT ARE CITY AND GROWTH DEALS?

City and Growth Deals have become one of the foremost instruments deployed by governments since 2010 to enhance economic growth. They are defined as:

“An agreement between the Government and a city or a region. It gives the city and its surrounding are certain powers and freedom to take charge and responsibility of decisions that affect their area; do what they think is best to help businesses grow; create economic growth; decide how public money should be spent. A Growth Deal is very similar in purpose, but is less geographically restrictive.”¹

¹ *City Deal and the Regional Economies of Wales*, Report by the Economy, Infrastructure and Skills Committee, November 2017, p.8.



WALES

EXISTING DEALS, PROPOSED DEALS, AND WELSH GOVERNMENT STRATEGY

Cardiff Capital Region

The Cardiff Capital City Region Deal was agreed between the UK Government, Welsh Government, and the 10 local authorities within the Deal region in March 2016.

It made provision for a £1.2 billion investment fund, to be invested over a 20-year period. Of this, £734 million is intended for the South Wales Metro. The other £495 million will be allocated to other growth-conducive projects. These are expected to include further transport schemes, housing and employment initiatives, and research and innovation facilities.

The powers under consideration by the Welsh Government for devolving to the Cardiff City Region are:

- the ability to levy business rates and infrastructural funding supplements;
- local authority access to alternative finance sources;
- pooling Welsh Government social grants at a regional level.

Swansea Bay Region

The Swansea Bay City Deal was agreed between the UK Government, the Welsh Government, and the Swansea Bay City Region Board in March 2017.

It made provision for a £1.3 billion investment fund, to be invested over a 15-year period. Of this, £637 million will be private sector-funded. Public



sector money will provide £396 million, with the Welsh and UK Governments collectively committing £241 million.

North Wales

In September 2016, the North Wales Economic Ambition Board *published Growth Vision for the Economy of North Wales*. This outlined plans to improve productivity, competitiveness, and growth in North Wales.²

In March 2017, the Treasury said it looked forward to receiving proposals for a North Wales Growth Deal. As of December 2017, there has been little progress towards a Deal.

Mid Wales

In the absence of a Mid Wales Growth Deal, the Growing Mid Wales Partnership was established in 2015 to come up with a set of priorities that would “progress jobs, growth, and the wider economy within the region.”³

The Economy, Infrastructure and Skills Committee’s November 2017 report, *City Deal and the Regional Economies of Wales* recommended a Growth Deal for Mid Wales. The Autumn Budget committed the UK Government to “begin negotiations” towards this end.⁴

The Welsh Government

In December 2017 the Welsh Government published *Prosperity for All*, its economic development strategy for the next decade. This replaced 9 priority sectors with three enlarged ones: advanced manufacturing,

² <https://wcnwchamber.org.uk/north-wales-growth-vision-position-statement/>.

³

http://pstatic.powys.gov.uk/fileadmin/Docs/Democracy/Growing_Mid_Wales/ToR_GMW_Final_Draft_revised_for_Sept15_en.pdf.

⁴ <https://www.gov.uk/government/speeches/autumn-budget-2017-philip-hammonds-speech>.



tradable services and enablers. The foundation industries of food, tourism, retail and care were given new developmental support structures. Also created was an Economy Futures fund, from which businesses could draw government support in return for promoting innovation and/or R&D. Regional officers were introduced to lead economic development across three regions.



MID WALES

ECONOMIC CONTEXT

The sparsely-populated Mid Wales region consists of two local authority areas, Powys and Ceredigion. Its Gross Value Added (GVA) score still trails those of Wales and the UK despite relatively steady post-recession growth.

Mid Wales: regional and national GVA comparisons

	Mid Wales	South West Wales	South East Wales	North Wales	Wales	UK
GVA per head, Index UK = 100	66.9	67.1	73.1	72.8	71.0	100.0

Mid Wales' economic mainstays are agriculture, manufacturing and tourism. There is a strong consensus amongst mainstream economists and financial organisations that a bad Brexit deal has the potential to cripple these sectors.⁵ A sizeable segment of Mid Wales' population works in public sector roles.⁶ It has a slightly higher proportion of small and medium-sized enterprises (SMEs) compared to the rest of Wales. There is little inward investment in the region.⁷ Exporting is underdeveloped; likewise, digital connectivity and transport capacity.⁸

⁵ *Securing Wales' Future*, Welsh Government, January 2017, p.9.

⁶ <http://gov.wales/docs/statistics/2017/171031-regional-economic-labour-market-profiles-october-2017-mid-wales-en.pdf>, p.8.

⁷ *ibid*, p.9.

⁸ <http://www.cynulliad.cymru/NAfW%20Documents/ki-013.pdf%20-%2003112011/ki-013-English.pdf>.



OUR PRIORITIES

It is this set of challenges and strengths that informs the Welsh Liberal Democrats' priorities for a Mid Wales Growth Deal. We will use it to:

- **raise regional GVA through an emphasis on innovation, R&D, and skills**
- **further the support offered to the agricultural, manufacturing, and tourism industries;**
- **make setting up and doing business in Mid Wales easier;**
- **publicise economic opportunities in Mid Wales, with a focus on increasing exporting; and**
- **overhaul Mid Wales' digital and transport structures.**



SUSTAINABLE PROSPERITY FOR ALL

Attitudes towards how best to achieve growth are changing. The steady proliferation of City and Growth Deals in recent years attests to that. We unequivocally reject strategies for growth based around arbitrary targets and the narrow clustering of projects. Ours is a broad approach, because we know that by enhancing regional innovation, R&D, and skills, everyone stands to benefit.

Our Growth Deal will ensure this by:

- **Funding Aberystwyth University’s Innovation and Enterprise Campus (AIEC). The facilities and expertise it provides for the agri-tech industry and the bioscience sector encourage greater collaboration between business and academia. This partnership needs protection and development post-2020 because it encompasses three areas of the economy likely to be adversely affected by the UK’s departure from the EU.⁹ The AIEC’s focus on innovation across these sectors will be crucial in helping them meet the challenges Brexit poses. We therefore commit to using Mid Wales Growth Deal money to meet the shortfall from the loss of European Regional Development Funding (ERDF).**
- **Allowing local authorities to utilise Growth Deal funds to top up the social housing grant to renovate disused properties for social housing. The number of empty or abandoned houses in Mid Wales is higher than the national average¹⁰, making it essential that local construction markets are stimulated. We will simultaneously**

⁹ <https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2017/03/brexit-the-sector-impact.pdf>, p.1.

¹⁰ <http://www.bbc.co.uk/news/uk-wales-42174793>.



encourage local authorities to work with the AIEC to look at how these renovated homes can be made less reliant on fuel. That is why a Welsh Liberal Democrat Growth Deal would support community energy initiatives by ensuring microgeneration projects are considered with a presumption in favour of development, given priority access to the grid, and enabled to sell energy within their own locality.

- **Set up a Workforce Development Agency aimed at SMEs to provide support, training, and upskilling services. It would bring together existing regional business organisations to streamline accessibility and amalgamate expertise. The Agency would also seek to address Mid Wales' 'brain drain' by promoting the jobs of the future through grants to media and technology start-ups under the banner of "Talent Fydd".**

In addition, we will:

- **Encourage local authorities to shift taxation towards land values to help smaller developers.**
- **Oblige local authorities to pilot Village Colleges, where rural sixth forms provide other functions in a community, to help expand provision.**



SUPPORTING FARMING, MANUFACTURING AND TOURISM

BUILDING ON EXCELLENCE

Mid Wales' farming, manufacturing, and tourism industries are renowned throughout the UK. It is vital any Growth Deal supports and advances their interests amid the UK's imminent departure from the EU.

Our Growth Deal would therefore:

- **Protect Mid Wales' farmers from the economic risk of Brexit. The loss of the EU's Common Agricultural Policy (CAP) must not be used by Westminster as an excuse to reduce funding, while it is commonly accepted that a no-deal Brexit would devastate regional farming – particularly lamb exports. We would therefore use Growth Deal money to supplement the Welsh Government's October 2017 funding package for Welsh lamb exporters. Given the importance of Mid Wales farming to the UK industry, we believe Mid Wales' interests deserve representation when formulating UK common frameworks post-Brexit. Such representation would be charged with ensuring that these frameworks adhere to our No Penny Less campaign, and we would also fund lobbying to exert pressure on Westminster over tariff-free access to the Single Market.**
- **Create a Mid Wales Cultural Enterprise Service to ensure the culture and tourism sector is equipped to thrive in a twenty-first century business environment. The Tourism Industry Barometer survey**



found 44% of Mid Wales' tourist-focused enterprises had more visitors in 2017 than in 2016, so there is potential for further growth in this sector.¹¹ The Agency would catalyse that by giving enterprises advice concerning digital presence; communication; diversification, and expanding payment methods.

- **Help the manufacturing sector expand.** A survey last year by the Mid Wales Manufacturing Network (MWMN) found 62% of its members were affected by skills shortages.¹² Our Growth Deal will combat these by funding Manufacturing Skills Hubs to promote recruitment and upskill existing workers. Another common problem for MWMN members was finding appropriate premises – a consequence of complex planning regulations. Our Growth Deal would establish a body to help businesses source additional premises and confront market failures. It would give advice to smaller firms appealing their business rates classification together with offering tax relief to enterprises that take on previously-empty premises.

It would also:

- **Support succession and share farming;**
- **Establish a Forestry Commission with the remit of reducing the regulation around commercial forest farming.**
- **Give the UK Government the power to alter VAT on public and privately-run accommodation and attractions from 20% to 5% after the UK leaves the EU.**
- **Oblige local authorities to provide business rate relief for independent book and music stores on the condition they stock books and recordings from Welsh authors and artists.**

¹¹ <https://businessnewswales.com/tourism-survey-reports-visitors-wales/>.

¹² Evidence to the Economy, Infrastructure and Skills Committee, Mid Wales Manufacturing Network, EIS (5)-15-17, p.3.



GIVING BUSINESS A BREAK

In Wales, there has not been enough emphasis on nurturing the conditions needed for regional businesses to flourish. Successive administrations in Cardiff Bay and Westminster exacerbated this problem by thinking about business in monolithic terms.¹³ Mid Wales' businesses require a strategic framework tailored to the region's distinctive business environment.

A Welsh Liberal Democrat Growth Deal will:

- Establish an Export Acceleration Centre to help regional businesses increase their national and international reach. Part of its role would be to formulate tailored trade strategies. The Centre would also employ trade envoys to raise the commercial presence of Mid Wales businesses in non-EU and emerging markets.
- Create Business Zones across Mid Wales' towns to boost local economies. We envisage the Deal allowing the local authority to alter business rates in response to trading conditions. Within these Zones our Growth Deal would support the development of Business Improvement Districts, with a learning network to share best practice.¹⁴
- Look out for the interests of micro business by protecting regional banking. Rural Mid Wales has been a victim of centralisation of banking services. Keeping a bank presence benefits consumers and businesses. Our Growth Deal would establish a cost-neutral Community Banking scheme in partnership with main retail banks to prevent further branch closures.

¹³ *Building a Stronger Economy*, Welsh Liberal Democrat policy paper, Autumn Conference 2014, p.4 – 6.

¹⁴ *A Diverse High Street*, Welsh Liberal Democrat policy paper, November 2015, p.7.



Alongside these measures, we would:

- **Give business bodies a special legal status, so business people and experts – not bureaucrats – provide support for regional SMEs;**
- **Use Tax Increment Financing to encourage business investment, to fund regeneration initiatives, and to service the loans from the additional business rates revenue this would generate.**



MID WALES AND THE WIDER WORLD

Mid Wales has vast untapped economic potential. The campaigns of Visit Wales showcase the region's allure as a tourist destination. But those tourism campaigns are not simply an end by themselves. They should link into a broader promotional approach emphasising economic opportunities in Mid Wales. Enhancing these will not only stem the 'brain drain' of young people. It will also build national and international exposure; strengthen communities, and deliver sustainable, attractive employment.

Our Growth Deal will achieve these goals by:

- Collaborating with the Higher Education sector to develop departments of rural medicine and centres of excellence in rural healthcare. In rural areas like Mid Wales, healthcare is distinguished by problems of access and difficulties integrating services because of the variance in provision. The establishment of institutions devoted to meeting such challenges would be used to attract private companies and research organisations to the region. There is thus scope for the initiative to be at the forefront of informing global rural healthcare provision strategies.

On top of this, we would:

- Channel money into a Local Development Fund to allow residents greater control over where money is spent in their communities;
- Establish a Mid Wales Alumni Network for European and international students who studied in Mid Wales as part of a "Diaspora Strategy" to develop international business and social linkages;



- **Set up a network for students and graduates to provide personal and professional support, including assistance finding housing.**



CONNECTING MID WALES

INFRASTRUCTURE FIT FOR THE FUTURE

Infrastructure delivers prosperity by connecting communities, businesses, jobs, facilities and services. Mid Wales lacks both physical and digital infrastructure. In its most rural areas, internet speeds are estimated to be three times slower than those in urban areas.¹⁵ Connection rates to superfast broadband across the region are among the worst in Wales, falling significantly below the national average.¹⁶ There is also an acute lack of inter and intra-regional transport links.

Our Mid Wales Growth Deal will:

- Set up Connect Mid Wales, a pilot project to show that it is possible for the rural areas to have full digital connectivity. The work of Brecon ISP Dyfed in rolling out 30 Mbps broadband to 70 homes attests to the achievability of this. At the same time, Connect Mid Wales would seek to incentivise the replacement of copper telecommunications cables with fibre optics. In other instances, it would fund alternative technologies such as satellite and mobile broadband.
- Create a Mid Wales Transport Authority to drive greater integration within transport networks. It should champion the development of more rail links to North and South Wales, as well as with the English border regions. Its remit would encompass the expansion of local

¹⁵ <http://www.walesonline.co.uk/news/politics/areas-wales-slowest-broadband-speeds-13400196>.

¹⁶ <https://www.thinkbroadband.com/news/7183-milestones-broken-as-wales-improves-superfast-coverage>.



bus services, with a focus on the three regional hubs of Aberystwyth, Newtown, and Llandrindod Wells.

We will also:

- **Oblige the Mid Wales Transport Authority to ring-fence a Regional Road Improvement budget;**
- **Rollout a comprehensive set of electric vehicle recharging points.**



CONCLUSION

For too long, politicians of all stripes in both Westminster and Cardiff Bay approached growth in thrall to barrow orthodoxies that kept economic growth narrowly confined. Nor did they ever really understand distinctive economic conditions and needs. Our Growth Deal for Mid Wales marks a break from that tired thinking. We believe in the people of Mid Wales. Only by placing money in the hands of those who know how best to utilise it – the people of Mid Wales – can we achieve inclusive growth. Our plan will spark job creation; support business; boost development and skills, and improve infrastructure. Now is the time for action to meet these ends. It is in this spirit that we present our proposals to the people of Mid Wales.