

Welsh Assembly Government

Consultation Document

Economic Renewal Programme – Tell Us more

Interested organisations and individuals are invited to contribute to the development of the Economic Renewal Programme

Date of issue: **16th February 2010**
Responses by: **11th May 2010**

Key issues

1. Analysis of the current Welsh economy

The global recession has changed the international and domestic marketplace for businesses in Wales. The Economic Renewal Programme is a major review of the approach to economic development in Wales and how we can prepare for the economy of the future.

Q1: What do you think will be the key characteristics of the post-recession economy and do these present any special challenges for Wales?

The post-recession economy is likely to be far more cautious and risk-averse than before. Access to private finance for business start-up and expansion will be more constrained and sustainable property development/investment more difficult in unproven or weak market locations such as across much of Wales.

Public sector funding is also going to be severely constrained and most likely ring-fenced for core services. This will inhibit sustainable economic growth in many parts of Wales reducing capacity for capital investment and business support.

This will present significant challenges for Wales which was only just starting to see private investment spread across a number of different areas. Going forward there needs to be a much deeper public/private partnership to help underpin local and regional confidence. The 'credit rating' of our core cities must be strengthened to give confidence to the finance markets of doing business in Wales.

The potential to grow the social economy across the UK has gained recognition following the banking crisis. The Assembly Government should ensure there is a joined up support infrastructure across Government Departments and the Public sector to harness potential.

The public sector must also once again accept responsibility for direct intervention in some localities and in key areas such as: land remediation, property development and transport infrastructure, taking appropriate risks to help pave the way for private investment to follow, to enable effective spatial planning. It is not just the poorer areas of Wales but effective public sector support is also still needed in some of our stronger localities and key cities to underpin investment confidence and de-risk project delivery.

Q2: How should economic progress be measured? Are Gross Value Added (GVA) per head, Gross Household Disposable Income (GDHI) and other common measures of prosperity the best way to indicate progress? Should we focus on productivity measures like GVA per worker or per hour worked? If not, what measures should be used?

GVA Per head is a commonplace and recognisable indicator of economic progress and allows routine comparison with a variety of UK and other European countries and regions and for this reason should be retained. It does, however, tend to under-value regions like Wales due to the lower levels of economic activity and the higher levels of rural economy related activity. Whilst there is merit in continuing to monitor high level progress, on its own GVA does not provide sufficient depth of understanding of the true wealth or economic wellbeing of an area and we therefore advocate a broader basket of economic indicators.

GVA per hour is a much closer measure of the actual productivity of a locality and typically shows much less variation between regions. This should be encouraged as a 'truer' measure of economic value representative of the actual productivity and economic activity in Wales.

However, the 'hard' measures should also be 'balanced' by further assessment of people's 'well-being' which can create stronger more cohesive and content communities without necessarily excelling in financial terms. Further research is likely to be required to determine the appropriate scope of these 'well-being' indicators and the RTPI would be happy to participate with the Assembly Government in this exercise.

2. Vision for the future Welsh economy

The aim of the Economic Renewal Programme is to develop a renewed approach to economic development in Wales that: will encourage a stronger and more sustainable economy; meet the challenges of climate change; and increase the prosperity and long-term well being of the people of Wales.

Q3: Taking a 10-15 year timescale, what is your vision for a successful Welsh economy?

Our Vision is for a connected, sustainable and diverse Welsh economy. We need to decouple economic growth from growth in carbon and create conditions for balanced development across all parts of Wales whilst also providing sustainable transport and ICT connections to effectively join up areas of greatest need with areas of greatest potential.

We need to address the over-reliance of public sector employment in the Welsh economy and encourage growth in private sector activity. We need to rejuvenate traditional strengths in manufacturing (quality and higher value products) and agriculture (reducing food miles and improving local food security) alongside improvement in under-represented sectors such as financial services and technological research and development.

A strong and innovative planning system lies at the heart of a successful, sustainable and balanced Welsh economy giving clear direction to areas which can accommodate sustainable forms of development including renewable energy infrastructure, protecting the more sensitive environmental areas and providing a statement of confidence to future investors.

This will mean making the most effective use of our urban and rural areas for appropriate development

Q4: In your view, what are the real competitive strengths of the Welsh economy? What are the weaknesses?

Wales has some real strong assets in terms of its environment, the quality of life that is on offer and the strength of our universities providing truly global reach. These are vital components in attracting the human capital so essential in nurturing a knowledge-based economy in the future. Much more needs to be done, however, to capitalise on our strong cities as internationally recognised centres for economic growth, supporting connected sub-regions.

Wales is very weak in terms of R&D capacity in our business sectors and have little or no representation in private research institutions.

As a small country, the pockets of economic opportunity are often overwhelmed by disenfranchised communities born out of a very different economic rationale. Economic inactivity and poor underlying skills base and a lack of ambition are fundamental economic weaknesses which will continue to constrain Wales in meeting its full potential.

This challenge is made very clear in the recent UK Competitiveness Report which has Wales at the bottom of the regional table, whilst Cardiff has outperformed all the English core cities. Tackling the reality and perception of how 'Wales does business' and the messages it conveys to potential investors is crucial. Providing greater distinction and support for the better performing locations such as Cardiff should be encouraged to provide an effective 'engine room' which supports the wider economy.

Indeed, the perception of Wales on the international economic stage is considered to be relatively weak, especially in those emerging economies (India and China) from which future investment is likely to come.

Quality in the planning of new development, including high standards of design can contribute to raising the positive profile and assist investment. Having a superb physical environment could well influence those visiting Wales for business, as tourists or for sports events to input to such future investment. Strong capacity in the planning system, local authority and private sector and a continuing role for the Design Commission for Wales will be important components of this agenda.

3. Government's role in the Welsh economy

Facing the challenges ahead means taking a fundamental look at how the Assembly Government encourages economic development. The Government can do this in two fundamentally different ways: first, directly by providing help to individual businesses to start and grow through support such as advice, finance, training and skills development, business premises, assistance with exporting, innovation, R&D and commercialisation. Second, indirectly through creating the conditions in which the economy can flourish, for example through infrastructure, an effective planning system, better regulation, procurement, education and skills development, or tackling economic inactivity.

A key question is the extent to which the Assembly Government should intervene in the economy, and in what ways. In addition, when the Assembly Government does intervene, have we got the balance right between providing direct support to individual businesses and creating the right conditions in which well-managed businesses prosper in competitive markets?

Q5: To what extent *should* Government intervene in the economy, and in what ways? In your view, does the Assembly Government intervene too much or too little?

The role of Government should be about providing essential leadership and direction for economic change and regeneration at times when communities have lost their economic focus. Government should also provide support for regions through investment in infrastructure, premises and preparing people for the skills necessary in the future.

The Assembly Government also has an important role in setting the national planning framework to guide a sustainable economy. RTPI Cymru believes that there is a need to review the national planning policy for economic development as a matter of urgency to be consistent with this review of economic and business support and the ongoing review of the Welsh planning system taking forward the recommendations of the GVA Grimley study.

Also a role for Government in co-ordinating its own efforts with those of local authorities, the voluntary sector and private industry. Wales is too small for wasteful competition - for example in duplicating high quality employment sites, or major town centre schemes, when co-operation on fewer higher quality facilities may be more competitive and more sustainable in transport and land use planning terms. The Wales Spatial Plan and the emerging Local Development Plans could have a role in achieving such co-ordination in practice.

There are very strong political objectives promoted in Wales which do not necessarily reflect the local/regional economic needs or best value economic solutions. For example, whilst we recognise the need to strengthen internal physical communications and transport within Wales the emphasis on subsidising a north-south air service in Wales is not the most sustainable, or practical solution for the people or businesses of Wales. A more suitable balance between 'within' Wales transport and communications policy and wider economic regions and cross border relationships in order to maximise market potential also needs to be achieved.

Q6: Has the Assembly Government got the approach right between giving direct support to businesses and creating the right conditions for business to prosper?

In our experience we would suggest that not enough attention is given to supporting businesses to prosper or creating the conditions in the right places for businesses to prosper. Welsh Assembly Government economic policies would seem to be geared more to equalising places and not maximising areas of greatest economic potential in a wholly sustainable way. Economic development policy, contrary to economic theory and evidence, continues to emphasise 'low-cost' locations and products with only limited attention to tackling the needs of high value businesses through properly focused investment solutions and meaningful R&D support in the locations where they want to do business.

The Assembly Government has already engaged on a comprehensive assessment of the interface with Business in devising Flexible Support For Business. This is welcomed but needs to be aligned with a more active approach to spatial infrastructure priorities and opportunities especially with regard to sector priorities and the green economy.

Furthermore, the traditional public private dichotomy should be recognised as potentially outmoded and intervention strategies must recognise the role for the social economy.

One of the critical reasons for relative economic under performance by Wales has been under representation in a growing population by economically active people. Communities in certain parts of Wales, including deep rural areas and

some coastal resorts, as well as some old industrial areas, have seen a growing inactive population. Such change is due not only to loss of traditional jobs but the pattern of in-migration which is influenced to an extent by the planning system. Planning and other mechanisms, such as housing policy, could help redress the balance of active and inactive.

Sections 4 and 5 seek more detailed views on what the government could do to improve direct support to business and to create the right conditions for business to prosper.

4. Direct business support

We are interested in gathering the views and experiences of being in business in Wales. Are there times when the Assembly Government's efforts to support the economy have been particularly good? How best can the Assembly Government help to improve the productivity and competitiveness of businesses? How much emphasis should we place on direct support to business to start and grow, such as advice, financial support, training and skills development, business premises, exporting, innovation, R&D and commercialisation? Can direct business support be counterproductive in some ways for its effects on those that *don't* benefit: for example, through distorting competition, favouring existing businesses over new entrants, encouraging established sectors at the expense of new etc.?

Q7: In terms of direct support to business, what should the Assembly Government do more of, or start doing?

- ✓ Appropriate and relevant 'investment' in businesses
- ✓ Implementation of recommendations from the report on the Review of the Planning System, May 2010, to support the needs of the economy.

Q8: In terms of direct support to business, what should the Assembly Government do less of, or stop doing?

- X everything possible to reduce 'red-tape' on small businesses
- X Implementation of recommendations from the report on the Review of the Planning System, May 2010, to support the needs of business, particularly ensuring the demands of the planning system are proportionate to the proposals for development.

Q9: The Assembly Government has traditionally offered grant support. How important is this to economic development? Would other financial support e.g. loans, be better? Would more emphasis on non-financial support such as advice be better?

There will likely remain a valid requirement for grant support in areas of greatest need. These should, however, be recognised for what they are as a means of subsidising locally based jobs which are only ever going to be based on low costs of production.

In addition, a much wider array of financial instruments should also be identified which provide real flexibility to businesses to support new investment and growth potential. These should not be so geographically constrained but also support businesses where they want to invest through a sustainable framework.

As previously suggested there should be implementation of the recommendations from the report on the Review of the Planning System, May 2010, to support the needs of the economy.

5. Creating the right conditions for business

In addition to direct economic development policies, many of the Assembly Government's other policies can have an impact on economic development – for example, infrastructure, an effective planning system, better regulation, procurement, education and skills development or tackling economic inactivity.

Q10: In your view, are the Assembly Government's wider policies properly aligned for economic development? Are there opportunities to create more encouraging conditions for business through these wider policies?

No, the Assembly Government's wider policies and economic development objectives are not always aligned. National planning policy sets the land use policies for Wales; both planning policy and economic development policies need to be in alignment.

Wales is fast creating divergent policies from other UK nations and regions, and taken together can contribute to confusion and uncertainty among investors. The rationale and benefit of divergent policies continually needs to be considered, and made explicit and clear.

The importance of the wider environmental context especially the quality of places needs to be more fully recognised as integral to economic development for successful economic areas as well as those needing regeneration. This is more widely supported outside Wales through the Core Cities Initiative for example and the Growth Areas Fund in England. The Scottish Executive's Economic Development Strategy includes Infrastructure Development and Place amongst its priorities and support for a Scottish Sustainable Communities Initiative. Scottish Enterprise continue to deliver economic development projects of regional or national significance as arms length delivery agency to the Government. In England, the Homes and Communities Agency has a remit which includes support for quality and innovation including low carbon buildings; besides wider responsibilities in respect of housing and land supply. Presently RDAs and URCs pursue similar objectives.

The importance of the rural economy also needs to be recognised.

We believe that there is a continuing role for providing a focused response which includes both a path finding element which supports Assembly Government policy in respect of carbon and other sustainable practice including identifying specific strategic locations where private investment requires support.

Indeed, complementarity between all Assembly Government policies is essential to achieve balanced and sustainable economic development and a confident, thriving Welsh economy.

6. Attracting businesses to Wales

To grow the Welsh economy, there is a need to attract new businesses to Wales including the further development and diversification of existing inward investors. We want to attract businesses to Wales that will embed themselves here and develop strong links with local companies and grow and invest in Wales into the long-term. The factors that matter in choosing a business location may vary from the availability of grants, to workforce skills, good infrastructure and communication, the cost base and property availability, through to more indirect attractions like the quality of schools, low crime, housing or quality of life.

Q11: In your view, what would attract a business to Wales, and what are the benefits to the Welsh economy? What more could we do to increase the stock of inward investors that we have here? What are the barriers to attracting and retaining business? How can we improve our approach to attracting businesses to locate and remain in Wales for the long term?

Wales is a small country and consequently presents a small economic market. Businesses in Wales must be capable of serving a wider economic area and increasingly need to operate on a global basis. Whilst creating access to markets we must also future proof our business and communities in the face of climate change challenges.

Investment is needed to provide sustainable and resilient energy supplies for Welsh businesses and communities, for effective and reliable sustainable transport solutions, including greater use of alternative technologies. Future proof ICT platforms must be provided as basic infrastructure provision – enhancing virtual connectivity in all parts of Wales – urban and rural.

We also need to support the delivery of a high quality of housing stock and social facilities of a standard able to compete with other investment destinations. A good quality, responsive land use planning system, properly resourced, is essential to achieving such development.

7. Regional distinctiveness

Q12: Should different approaches be developed for different parts of Wales (e.g. rural mid Wales versus more industrial areas of south east Wales) If so, is there anything specifically you would propose?

The different parts of Wales each present a different economic offer with different solutions needed to attract and retain businesses, support local communities and manage local environments in a sustainable manner.

A strong and effective national planning system in Wales with clear regional guidance on priorities and direction of growth is essential. The Wales Spatial Plan has so far provided a good grounding in understanding the regional context within Wales and must now be developed further to provide the necessary regional guidance and strategic direction for development which will be delivered through Local Development Plans at the settlement level.

The RTPI is concerned that the Wales Spatial Plan has not been referred to in the Economic Renewal Programme and that further attention is needed to ensure an on-going process of review and update encompasses the economic needs of local areas and provides the necessary spatial delivery context to help guide development.

The evidence base of the Wales Spatial Plan also needs to be enhanced, so that it provides the robustness required by the LDP system and enable improved regional spatial planning across Wales.

8. Other issues

The areas above are where we have sought your views and you are welcome to provide responses on any or all of the above. However, there may be other issues of relevance to economic development that you would like to raise with us

Are there any other issues which you would like to comment on?

The planning system is essential in managing sustainable land use in Wales and ensuring development is undertaken in appropriate locations. The current economic climate, and particularly the public sector spending reductions, mean that the planning system is under pressure, with staff levels reducing, particularly in Local Planning Authorities across Wales. A strong planning service is essential to ensuring that sustainable economic growth is not held back. Recognition of the role of the planning system in delivering spatial planning and economic development policies in Wales must be recognised and addressed in any resourcing.

Thank you for taking the time to make your views known to us.

Responses to consultations may be made public – on the internet or in a report. If you would prefer your response to be kept confidential, please tick here:

Your details

Please provide us with your contact details. If you are responding on behalf of an organisation or group please give the name of the organisation here.

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Equal Opportunities Monitoring**

If you are responding on behalf of an organisation representing the views of a group of people or a network, please tell us who you represent as free text below

The Royal Town Planning Institute (RTPI) is the leading professional body for spatial planners in the United Kingdom. It is a charity with the purpose to develop the art and science of town planning for the benefit of all. It has over 22,000 members who serve in both national and local government, and advisors in the private sector. RTPI Cymru represents the interests of almost 1,100 members in Wales. The response has been formed following consideration by RTPI Cymru's Policy and Research Forum.