



Cardiff Capital Region Industrial and Economic Plan

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Foreword

The Industrial and Economic Plan has been developed by Cardiff Capital Region (CCR) Economic Growth Partnership (EGP) in conjunction with CCR Regional Cabinet, to set direction, and to identify and address the priorities facing the region. The Plan is designed to be flexible, in order to better adapt and respond to the dynamic challenges the region will face over the next twenty years.

The Plan highlights some of the region's productivity challenges and endorses innovation-led, scalable projects that the EGP believes are necessary to generate sustainable growth and inclusive prosperity.

It also recognises that cohesion amongst all stakeholders is fundamental to its success, including joined-up regional and UK Government policy, bona-fide public-private sector partnerships, reciprocal collaboration with education providers and social enterprise engagement.

The Plan advocates global connectivity through investment in best in class transport systems, housing, digital infrastructure, and employable skills in order to fulfil its objectives of job creation, improved productivity and the leveraging of evergreen investment.

Alongside the South Wales Metro, which is the "back bone" for the Plan, targets have been set to create 25,000 new jobs, achieve 5% increase in GVA, and leverage £4bn of additional investment in CCR.

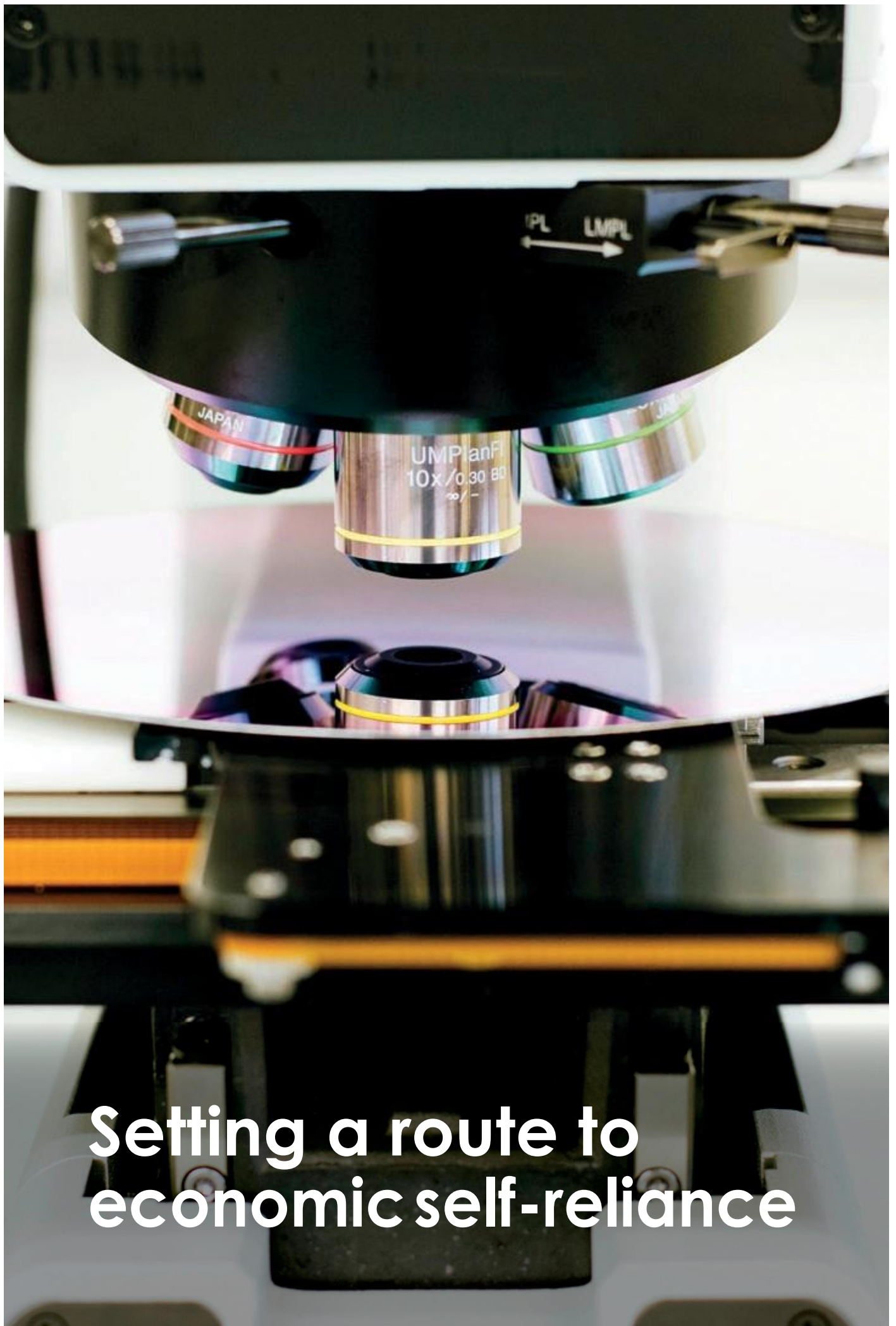
The EGP has also been tasked with designing an Investment and Infrastructure Framework. This will address three designated and interconnected investment priorities: innovation, infrastructure and more specific challenges such as those posed by mobility, an ageing population, AI and clean growth. This is an inventive approach recognising the need to improve the business environment within the CCR, rendering the region competitive and investable with a global focus, both inwardly and externally.

Like any plan its success will be determined by action and leadership. If all stakeholders commit to its implementation, the ambition of generating a thriving and resilient economic region capable of sustaining future generations' prosperity can be delivered.

It remains to thank the EGP Board and the Office of the City Deal, for their extensive professional input and dedicated support to delivering this Plan.

J. Frank Holmes
Chair, Cardiff Capital Region
Economic Growth Partnership





**Setting a route to
economic self-reliance**

01. Introduction

The Regional Economic Growth Partnership was established to advise on the implementation of the Cardiff Capital Region City Deal's Wider Investment funds. This Industrial and Economic Plan sets out an ambitious and long-term plan to boost productivity and accelerate economic and inclusive growth in the region by making the Cardiff Capital Region (CCR) a highly investable proposition, backing businesses to create good and sustainable jobs through targeted investments in skills, priority industries, infrastructure and innovation. This is a complete departure from siloed infrastructure and sectoral programmes of the past, and is a 20-year plan which will need to be flexible and adapt over time – it will be refreshed and updated periodically.

We are currently in an extremely dynamic and turbulent time with no more European Structural Funds, no more City Deals – the end of the allocation of public funds – and a move towards competing for funds and investments based on competitive advantage. This is a significant shift, moving away from a dependency culture to a competitive culture, where influence and excellence are core commodities. We will also need to embrace co-investment approaches, be more challenge focussed in our approach and explore what fiscal levers and incentives can be maximised to ensure the future productivity and prosperity of the region.

Our approach will be based on:



Cohesion

Policy collaboration and delivery partnerships ensuring that there is cumulative impact to the range of investments and interventions delivered by the City Deal.



Scale

Limited number of significant interventions, rather than a disparate range of loosely connected small-scale activities.



Leverage

Maximise the City Deal investments by attracting co-investors with complementary funding and resources.



Return on Investment

Demonstrable impact and benefit will be expected from all investments and interventions.



Ecosystem Development

Supporting the development of a strong economic and innovation ecosystem to deliver the plan and develop clusters of excellence within our region.

“We will address two mutually supportive objectives of boosting competitiveness and tackling inequalities.”

The purpose of the plan is to guide the deployment of funding, policy decisions, and targeted effort to ensure the future productivity and prosperity of the region. It sets out the principles that will guide the region towards self-reliance, rather than a more detailed, prescriptive roadmap. The future is profoundly unknowable, and there are many moving parts in a modern economy: it is simply not possible to plan long-term economic growth more precisely. But we can create attitudes, infrastructure and support that offer the best chances of fostering it.

In delivering sustainable and inclusive growth, we will address two mutually supportive objectives of boosting competitiveness and tackling inequalities. The introduction of inclusive and regenerative growth as central threads of the plan emphasise the need for an economic agenda that drives sustainable economic growth and productivity across all of the region.

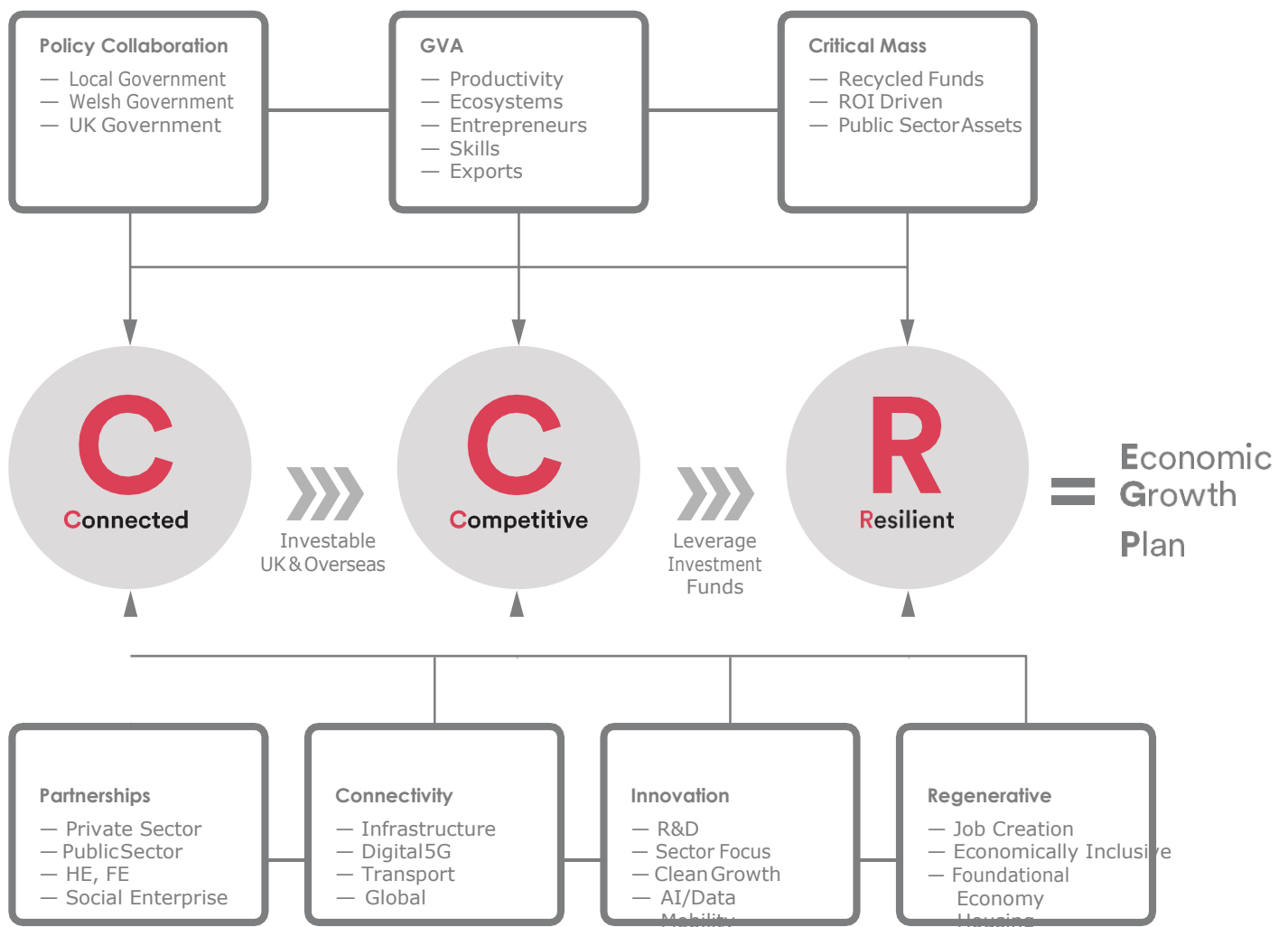
The CCR Industrial Plan is promoting a new way of working within the region, with UK Government, Welsh Government and local government working together and in partnership with the private sector, Higher Education and Further Education institutions, third sector and other public sector bodies on boosting productivity and accelerating sustainable, competitive and inclusive growth. This will build on the foundations established in the CCR City Deal. Where appropriate, we will work with partners beyond the CCR in both the Swansea Bay Region, the South West of England and beyond where the critical mass across the partnerships will allow a greater strategic focus to improve productivity.

The role of government is to be a shaper of our region; to convene, facilitate and catalyse strategic interventions and investments that will deliver on our combine goals and objectives. Delivery of the plan will be a partnership between the private, public, education and third sectors.

The development of the CCR Industrial Plan has been led by the Economic Growth Partnership and has involved partnership with the wider business community and government at all levels. It builds on the Growth and Competitiveness Commission Report (2016); and is informed by the UK Industrial Strategy (2017), Welsh Government Economic Plan (2017), Well-Being of Future Generations Act (Wales) 2015, local economic development strategies, and two recent Science and Innovation Audits that cover the region – the South West England and South East Wales S&I Audit (2016) and the South Wales Crucible Audit (2018).

The Economic Growth Partnership is investing in analytical capability to provide robust and reliable data on a series of economic and social indicators to better understand the performance of the region. This will ensure well informed decisions are taken in the delivery of the regional industrial and economic growth plan.

Cardiff Capital Region: Connected, Competitive and Resilient



02. Overview of the Regional Economy

The CCR City Deal was agreed in 2016, and the Growth and Competitiveness Commission report set out a broad framework for an enabling approach that addresses the key issues of growth, inclusivity and sustainability. The Metro has been tendered, and a significant investment has been made in the Compound Semiconductor Foundry providing further stimulus to the development of the CS Cluster in the region. These investments sit alongside and are complementary to other investments made by the UK Government, Welsh Government, Welsh European Funding Office, and the Development Bank of Wales within the region.

The region is well skilled with a high proportion of the population with qualifications of degree level or equivalent, has a Capital City at its heart that has cultural and sporting facilities the envy of many other cities in the UK and further afield. The quality of life is second to none with great coastline, forests, parks and rivers, with the Brecon Beacons National Park nestling to the north of the region.

Whilst tentative progress has been made recently with a reduction in unemployment, and value added has risen, we have not seen the required

upturn in economic productivity: GVA per capita remains low, like other regions in the UK. Participation rates – the proportion of the population that is economically-active – could be higher. The relatively-large proportion of public sector work poses a challenge; as does poor physical and digital connectivity within and around the region. There is also room to develop a more aspirational, outward-looking and entrepreneurial culture, and a need for better support for smaller, growing businesses.

Work is ongoing to develop an analytical framework to provide evidence to identify the key inclusive growth challenges of the region, which will assist in establishing appropriate interventions to address the twin objectives of boosting competitiveness and tackling inequality.



“The region is well skilled with a high proportion of the population with qualifications of degree level or equivalent...”

03. Investment and Intervention Framework

We are establishing an investment and intervention framework that will contain three designated and interconnected investment priorities linked by common focus on securing a coherent, competitive, sustainable and fair regional economy. The region is open for business and the investment and intervention framework will outline clearly how we are conducting our business. The three designated investment priorities (Innovation, Infrastructure, and Challenge) will support the delivery of the plan and will be established in partnership with the investor community to drive forwards our economic ambitions and priorities within the region. We will have a focus on an evergreen approach to our investment funds with a strong co-investment principle.

The Innovation investments will focus on opportunities where there is demonstrable competitive strength, leveraging significant other investments which will provide direct returns to the fund. The rate of return in this category will be high and ensure an evergreen investment fund for the region whilst providing a significant contribution towards jobs growth, investment leverage and GVA uplift. The Infrastructure investments will focus mainly on infrastructure projects where the public sector creates the

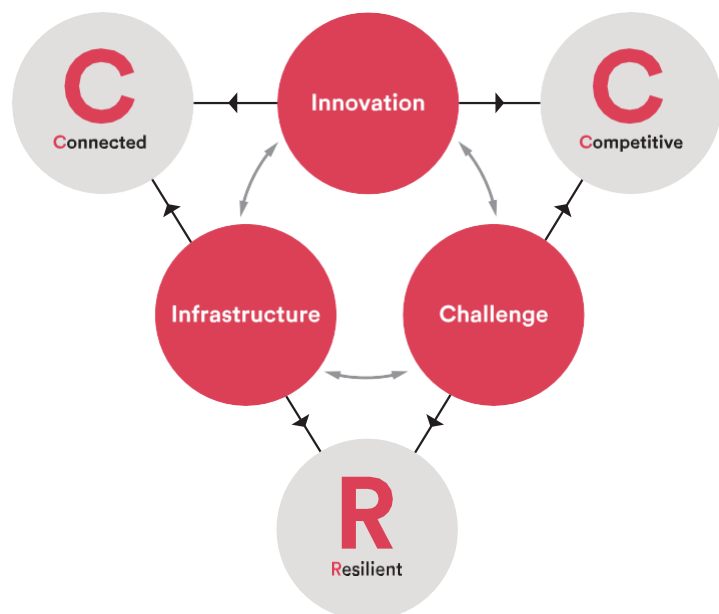
conditions for private sector success and civic benefits. The return on investment here will typically be indirect due to its enabling nature. Finally, the Challenge investments will seek to attract the best solutions for specific challenges faced by the region: these may be in the commercial domain, but are also likely to be in such strongly-inclusive areas as the foundational economy. As a result, it is expected that there will be both direct and indirect returns on investment.

The ultimate aim of the investments will be improving the business environment within the CCR, creating rich ecosystems that stretch and support the development of key sectors in the economy, improving comparative performance against other cities and regions in the UK and internationally. We aim to make the CCR one of the most investable regions within the UK.

The Investment and Intervention Framework will build a delivery pipeline with our partners within, and beyond, the region focussed on the priorities identified within this plan. It will be a key facilitator to support an interconnected set of proposals over the next five years to deliver on the ambition and priorities outlined in this plan.

“We aim to make the CCR one of the most investable regions in the UK.”

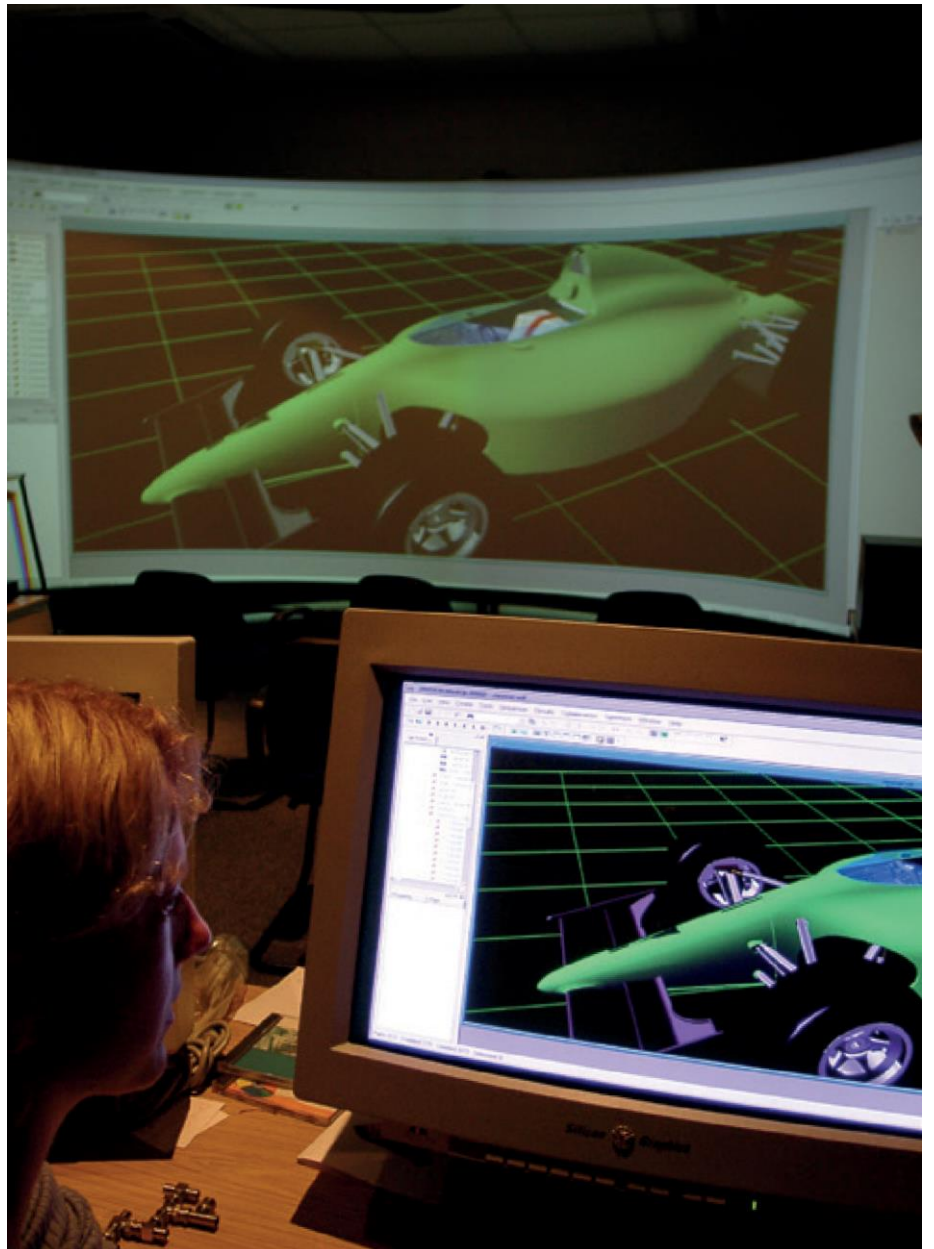
CCR Investment Fund Structure



04. Regional Priorities to Boost Productivity and Accelerate Sustainable, Competitive and Inclusive Growth

Regional priorities to boost productivity and accelerate economic and inclusive growth have been identified to specifically build on our strengths and address our weaknesses.

We believe that this two-pronged approach will boost local productivity and overcome our local barriers within the region. The remaining sections of the plan outline our priorities.



05. Businesses that Succeed

The CCR wishes to perform economically on a par with any region in the UK and internationally. It currently sits towards the bottom of most of the economic productivity and competitiveness tables in the UK. In order to move the needle and improve the economic prosperity of the region, we must:

- Identify areas of comparative strength in the CCR that can compete at a UK level and internationally, and invest in them;
- Create rich ecosystems that stretch and support the development of key sectors within the economy – take a challenge led approach that drives up ambition and cohesiveness;
- Encourage and support entrepreneurship so that our population not only seeks employment but creates employment within the region;
- Improve productivity within the Foundational Economy;
- Target our most deprived and isolated communities and support regenerative growth;
- Turn the large public sector base within the region into an asset that adds prosperity to the region.

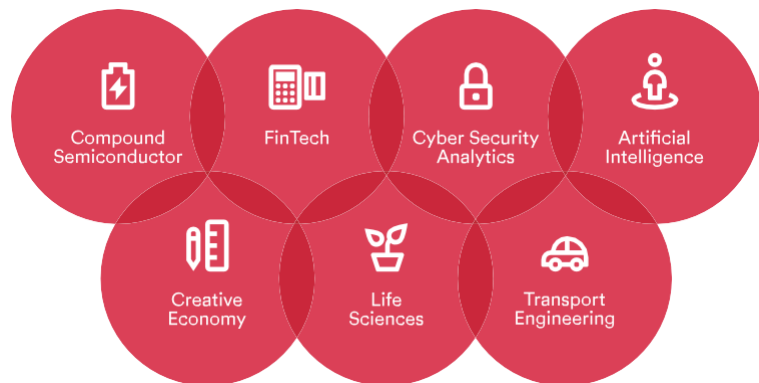
Building on our competitive advantage and opportunity within the economy we will strategically target sectors for support, enabling them to grow and flourish. These will include - but will not be limited to - the following:

- Compound Semiconductors, its supply chain and applications
- FinTech
- Cyber Security Analytics
- Artificial Intelligence and Data Science
- Creative Economy
- Lifesciences and more specifically the medical devices and diagnostics sub-sectors
- Transport Engineering – automotive, trains and aircraft

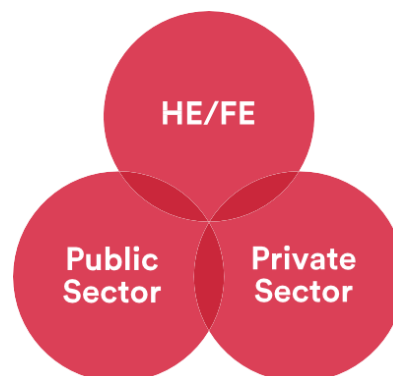
The list of strategic sectors is not exclusive, and we will support investments in other sectors such as energy and environment if a compelling case is made. Sectoral analysis work is ongoing to ensure that our focus is evidence based.

We will also promote the CCR as an attractive place for business and encourage close collaborations and partnership working across the private sector and with the public sector, Higher Education and Further Education sectors. Cross-sectoral collaboration and cohesion will be a central feature of our approach. CCR is open for business.

Sectors to strategically target:



Cross sectoral collaboration and stakeholder cohesion is a central feature:



06. Skills of the Future

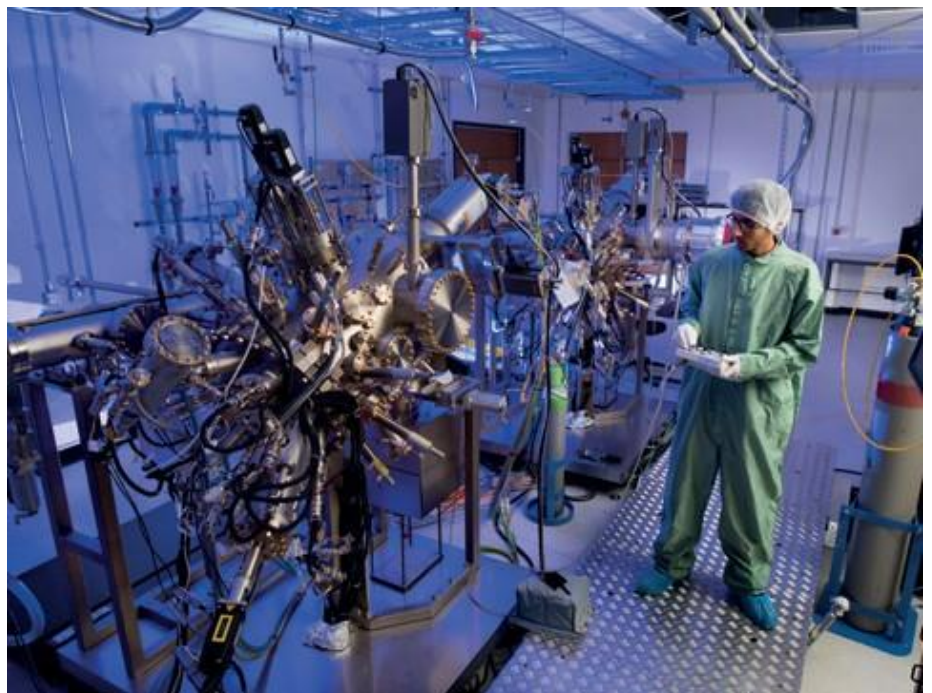
We have a skilled workforce in the region, with our Colleges and Universities playing a critical role, but there is more to be done. We need to continue to work on joining up the education, employment and skills system to meet the region's business and public sector needs of today and in the future. We must ensure that the region has a highly-skilled, motivated and forward-thinking workforce with a significant supply of critical skills to enable businesses to flourish over the next decades from entry level to masters and doctorate level qualifications.

We will look to enhance existing and develop new provisions where required to drive the priorities of our businesses in the region. Working in partnership with our education and training providers, we will:

- Develop proposals for data, cyber, digital and software scientists to exploit the potential of the new industries of the future and derive added value from existing and more traditional industries;

- Develop proposals to service the needs of our priority sectors within the region e.g. Compound Semiconductor Cluster;
- Develop proposals for a high-quality executive leadership training for business leaders across the region (targeted specifically at SME's with growth potential);
- Develop a programme of entrepreneurship across the region (targeted at 14 to 21-year olds) to inspire the next generation of entrepreneurs within the region;
- Support existing initiatives to increase apprenticeships in growth sectors across the region at all levels;
- Upskill the public sector with data literacy, research and development, procurement, and innovative leadership capacity;
- Work with current schools, colleges, universities, and private providers to ensure that sufficient local home grown talent is nurtured and trained to service the needs of our foundational economy.

“We must ensure that the region has a highly-skilled, motivated and forward-thinking workforce...”



07. Infrastructure Fit for the Future

Connectivity is critical – both digital and physical. We need a reliable infrastructure that connects the region, both within and wider afield, to boost productivity and prosperity. The current Metro plans are a significant step in this direction and we will bring forward further proposals to maximise and unlock future potential offered by its development. We will ensure that we have a road, rail, air and digital infrastructure (fixed and mobile) to connect us to the world. Working with our partners we will:

- Develop a Digital Connectivity Plan to make the region one of the most digitally advanced regions in the UK;
- Continue to work closely with the UK and Welsh Governments to further develop, enhance and implement the transport network to improve links within the region, reduce congestion and connect people;

- Embrace the Metro as a backbone to connecting CCR and shaping places on its networks;
- Develop a series of strategic employment spaces across the region to meet the needs of businesses;
- Develop proposals for energy efficient and accessible housing;
- Utilities networks – ensure, for example, we are ready for the future of electric and/or hydrogen vehicles;
- Develop the organisational and data infrastructure and capacity within the public sector to embrace the challenge led approach through a Public Services Testbed.

A region wide strategic focus will enable key towns across the region to be connected ensuring that the growth of the economy is balanced and inclusive

Strategic Hubs and Opportunity Areas

Cities

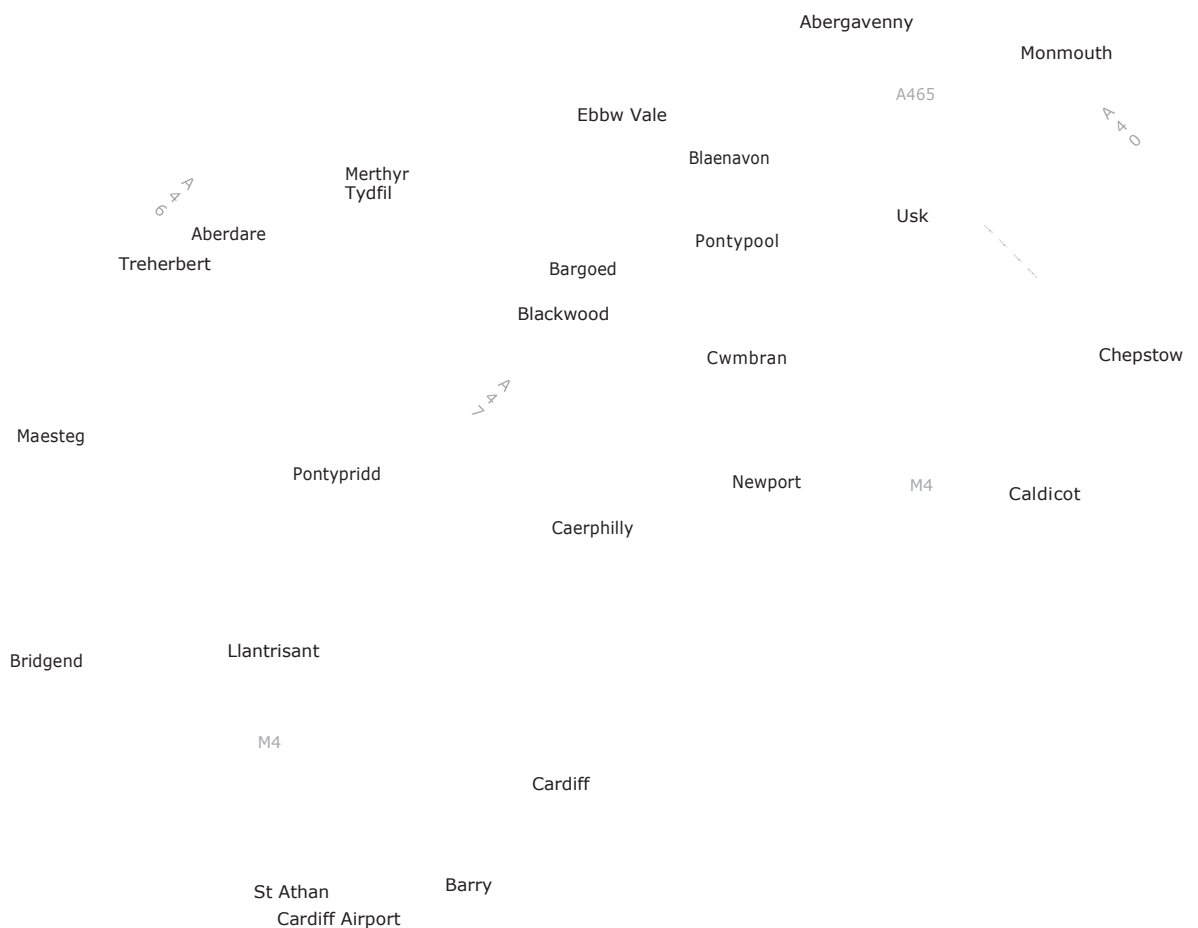
Cardiff, Newport

Enterprise Zones

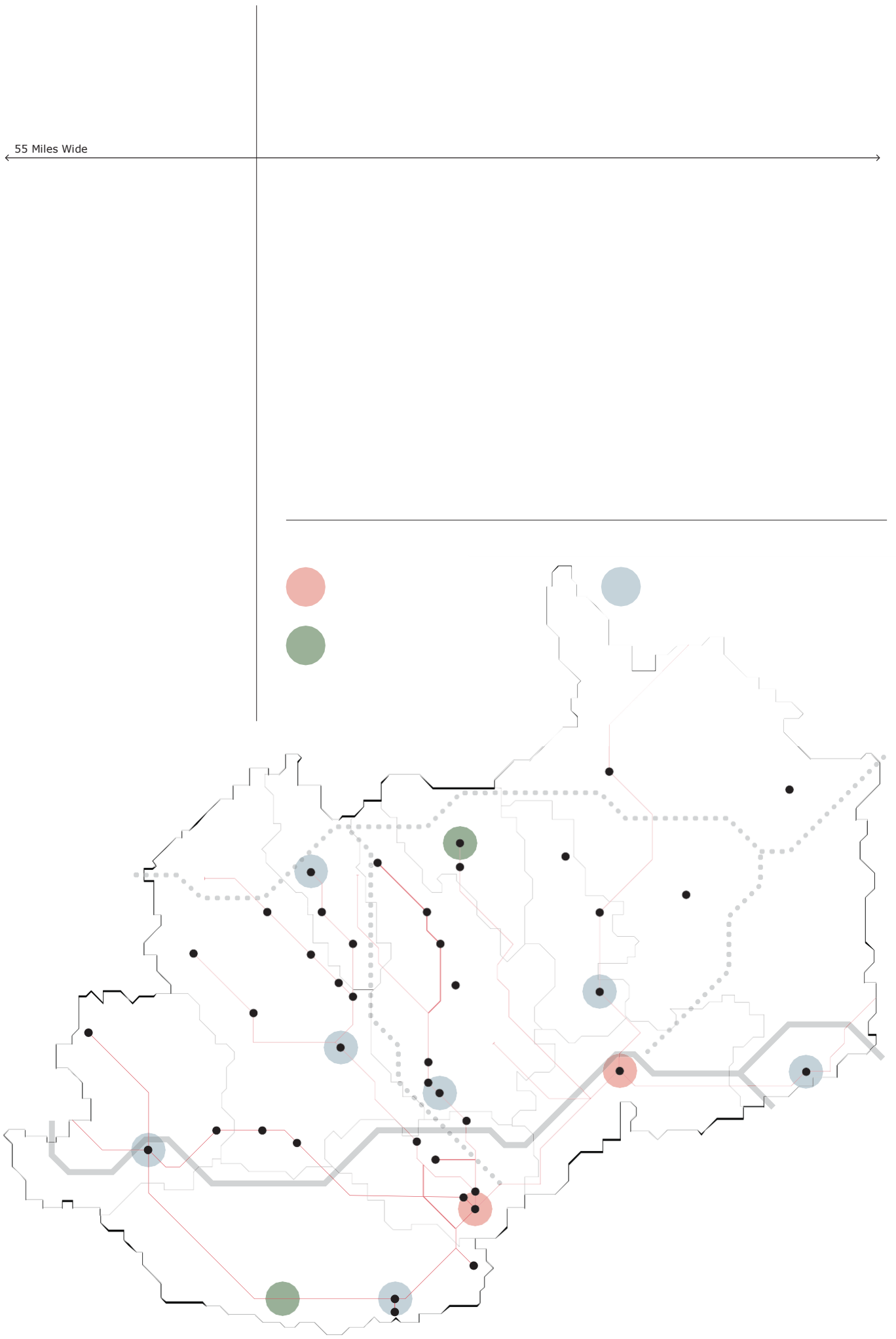
Ebbw Vale, Cardiff Airport & St Athan

Strategic Hubs

Barry, Bridgend, Caerphilly, Caldicot, Cwmbran, Merthyr Tydfil, Pontypridd



← 55 Miles Wide →



08.

Enabling Innovation-Led Growth

The UK Government Industrial Strategy identifies four Grand Challenges signalling a shift towards a challenge led approach to driving future productivity and prosperity. The Grand Challenges are future-facing

and will shape our economic future. They are underpinned by expected developments in technology that will transform industries and societies around the world in which the UK could play a leading role.

Expected developments in technology:



AI and Data Economy

Putting the UK at the forefront of the artificial intelligence and data revolution.



Clean Growth

Maximising the advantages for UK industry from the global shift to clean growth.



Ageing Society

Harnessing the power of innovation to meet the needs of an ageing society.



Future of Mobility

Becoming a world leader in the way people, goods and services move.

In time, other unidentified challenges will present themselves and we as a region must be able to react and address them.



2.4%

Target UK GDP to be spent on
R&D by 2027

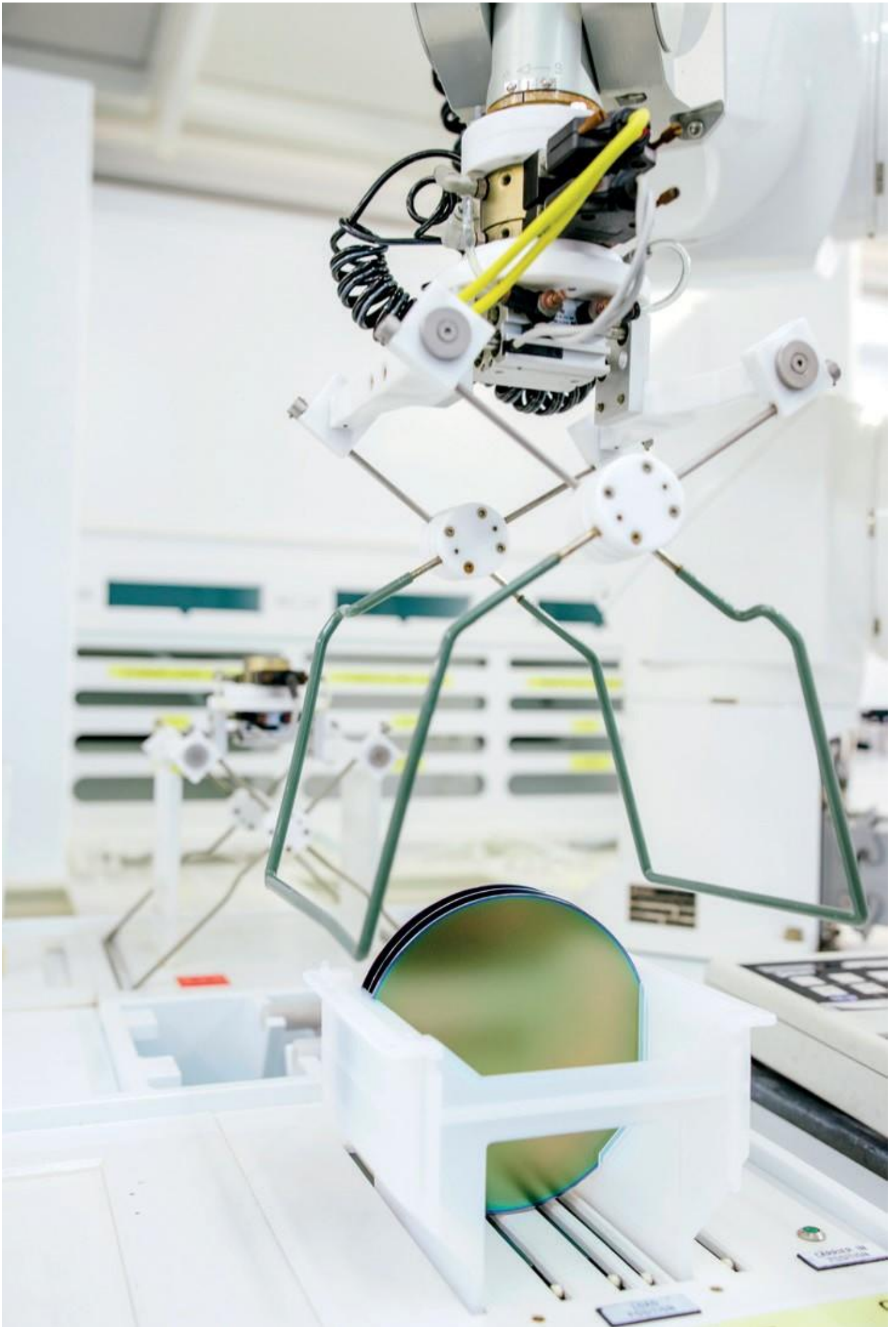
We will take a broad view of innovation, including innovation that increases productivity from the foundational economy, embracing innovation in public services, through to innovation in unique Intellectual Property where market leadership is evident. Successful innovation and commercialisation within this context will be critical to our success, and we will use novel instruments such as Challenge Funds to spearhead invention and promote competition for financial awards to best in class participants.

With historically low levels of competitiveness and productivity, coupled with low levels of R&D investment and intensity, we will encourage a greater focus on R&D and innovation within our region. In the context of the UK Industrial Strategy, and the target of increasing R&D spend to 2.4% of UK GDP by 2027, we must support our economy to adapt and adjust to the wider economic context. Therefore, our focus on innovation-led growth will be central to our plan and we will identify our areas of competitive strength and support the establishment of clusters that can compete internationally.

Recognising the local importance of the public sector, we will establish a Public Services Testbed with a mission-driven approach to generate new collaborations and public services improvements and enable the delivery of public sector innovation and economic value. This approach involves the identification of a major 'grand challenges' and the development of 'missions' with clear and ambitious targets for improvement that form a basis upon which a number of related and complementary multi-sector (private, public, third sectors) projects may be identified in order to deliver business growth opportunities. The combination of public services innovation with new thinking in public sector procurement has the potential to generate new market opportunities, and commercial value that benefits the region.

“...we will encourage a greater focus on R&D and innovation within our region.”





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