



REGIONAL ECONOMIC STRATEGY

2020



EXECUTIVE SUMMARY

We are proud to unveil the Regional Economic Strategy for the Mid South West (MSW).

The MSW region makes up almost half of Northern Ireland's (NI) land mass. A quarter of NI's population live there. It is home to a third of NI's businesses. It provides 214,000 workplace jobs, 90% of which are taken up by local people. It generates £7.7bn Gross Value Added (GVA), representing a fifth of the overall economy. Our purpose is to sustain and increase that impact.

MSW has a global vision to supercharge our region. The economy is driven by a thriving private sector that includes many world-leading companies which are major innovators and global exporters. Indeed, our deep engagement with business and industry to understand its strengths and needs, provided much of the evidence base which is at the core of this strategy.

There has also been extensive consultation involving government departments and agencies, Invest NI, business representative groups, further educational institutions and universities. All have made a valuable contribution. This strategy is the product of intensive collaboration.

The programme of work to develop this Regional Economic Strategy (RES) was completed in early 2020, with a planned launch scheduled for the end of March 2020. Although the launch was postponed in response to the continued escalation of the COVID-19 crisis at that time, the fundamentals of the evidence-base [gathered to March 2020] underpinning the need for intervention across the four main pillars for action within this RES remain. Indeed, as detailed within the main body of this RES, the emerging evidence about the economic shock created by the COVID-19 pandemic further augments this need in many respects.

The strategy is underpinned by the announcement of Growth Deal funding from the UK Government in October 2018, and is in line with the 'New

MSW map location



'Decade, New Approach' deal to restore devolved government in Northern Ireland.

Furthermore, in May 2020 the NI Executive announced an investment package which will be crucial in helping to rebuild the economy after the coronavirus emergency and which includes match funding for City and Growth Deals as well as the creation of an Executive Complementary Fund. These are very positive developments which will help us to expedite our ambitions for the MSW and work to achieve the balance between shorter term challenges and achieving long-term transformation.

MSW's geographical position is hugely significant. It stretches along the Border Corridor with the Republic of Ireland, enjoying a natural co-dependency in trade, tourism, movement of workers, shared services such as health and education, and inward investment and funding.

Our region has significant strengths in manufacturing, engineering, agri-food, health and life sciences, tourism and construction. Furthermore, there are emerging strengths in the fast-growing digital tech sector. All of this activity creates significant numbers of additional jobs within local supply chains, propelling our economy forward.

The strategy also identifies challenges to be addressed – amongst them, productivity levels which are lower than the rest of NI, providing more and better jobs and the ability to keep our economy open to all levels of international talent in the face of a weaker outlook for population growth and changing migration policy. There is also a substantial infrastructure deficit which is identified throughout the strategy document. This ranks highly as a key area in need of substantial investment which, if addressed, could catalyse significant GVA and productivity growth.

The strategy establishes four pillars for action in priority areas.

1- Future-proofing the skills base: New industries, new technology, increased automation – the world of work is changing. Initiatives have begun in the region involving local businesses, FE colleges, universities and industry bodies to equip the workforce of the future. The aim is to develop this activity further.

2 - Enabling infrastructure: Improved access to a quality road network is a key imperative to unlocking our economic potential. The region accounts for half of the landmass in NI yet motorway and A-roads account for only 8% of the road network. Investment is also needed to improve digital connections and reliability. There

are issues around utilities - electricity supply and wastewater systems - and there is a lack of land for industrial expansion.

3 - Boosting innovation and digital capacity: Proposals include an Innovation and Skills Academy at South West College working in collaboration with the NI Advanced Manufacturing Innovation Centre project; an NI Agri-Food Robotics Centre at CAFRE's Loughry campus; the development of agri-food incubation spaces for smaller SMEs; a network of digi-hubs to help the tech sector to grow; and action on health innovation involving the region's two acute and teaching hospitals.

4 - Building a high-performing visitor/tourist economy: Key actions are identified to capitalise on the region's natural attractions. These include a project to further develop the appeal of the Sperrins as a tourist destination; a focus on the Ulster-American Folk Park as a centre for the genealogy tourism experience in Northern Ireland; a literary trail; stronger cross-border connections into the brand experience of the Wild Atlantic Way; and the promotion of longer term investment projects such as the reopening of the Ulster Canal. MSW will soon be home to the new WarnerMedia global visitor attraction for Game of Thrones which will be located at The Linen Mills Studios in Banbridge. This commitment by WarnerMedia to our region will propel MSW onto the international stage, creating an unrivalled opportunity to attract out-of-state visitors to MSW thus helping to rebalance the visitor economy in NI.

Built into the foundations of this Regional Economic Strategy is the ability to have a targeted response to challenges or opportunities emerging from the UK's departure from the EU. A specific focus is the Border Corridor which MSW believes should become a special enterprise zone with initiatives to deliver maximum impact and build on relationships which have been long established. Everything in this document is rooted in a deep knowledge and understanding of the region and its needs. It is about playing to strengths, identifying

gaps to expedite progress and making the most of our potential.

It reflects the resilience and determination of industry and business in MSW to succeed. The future ahead is a bright one as we work together, thrusting our economy forward through collaboration and investment.

Our strategy is about vision and engagement. It is about the impact of the three MSW councils working together, building collaboration across public, private and third sectors. It is about sharing problems and ideas, establishing priorities, and providing a demonstration of how much can be achieved through co-operation in a joint purpose for the benefit of all.

The implementation of this vision for the MSW has never been more important. We will strike a balance between shorter term challenges and the need for longer-term transformative action to deliver inclusive and sustainable economic growth for our region. Our work will be aligned to the economic recovery plans within central government which we strongly welcome with their focus on addressing Northern Ireland's structural weaknesses in terms of delivering 'better' jobs, addressing skills gaps and reducing regional imbalances. All of these issues were core to our RES ambition pre-pandemic and will have a revitalised imperative now.



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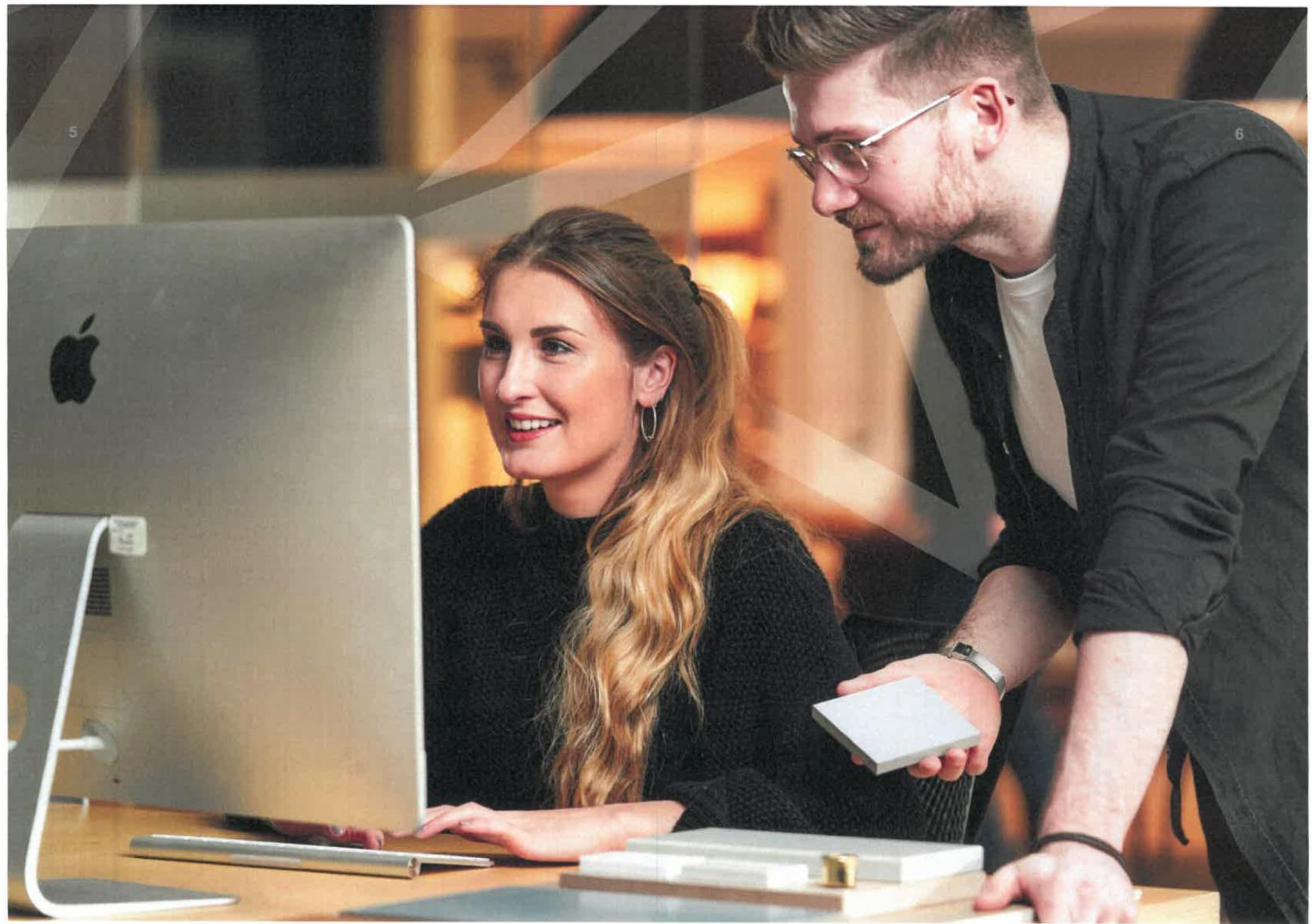
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INTRO

This is a Regional Economic Strategy (RES) for the Mid-South West (MSW) region.

This is a Regional Economic Strategy (RES) for the Mid-South West (MSW) region. It sets out our vision and ambition for the region; it identifies the opportunities and challenges we face; and sets out the priority pillars around which future investment and actions to realise our ambitions will be framed. Furthermore, it provides an early, high level indication of potential specific projects/interventions that may sit under each of these pillars - which will be subject to ongoing development.

The RES will underpin the case for the Growth Deal funding for the MSW announced by the UK Government in October 2018 and referenced in the 'New Decade, New Approach' deal published in January 2020 by identifying the projects/interventions most suited to maximising the potential of the Growth Deal funding. Importantly, our ambition to supercharge the growth of our collective economy and ensure inclusive prosperity in MSW extends beyond the Growth Deal funding. Accordingly, a core assumption is that other resources/funding sources and policy changes will come into effect to underpin the full realisation of the RES.

In developing the RES and in other work to date, we (i.e. the three councils that make up MSW – Armagh City, Banbridge and Craigavon; Fermanagh and Omagh; and Mid Ulster) have led an extensive engagement process across the region. In effect this RES has been extensively shaped and directed by the industry/business base within MSW, aligned to the fact that it is their commitment, drive and ambition that has contributed to the growth and success of our region to date and will be instrumental to realising our future potential. Recognising the distinctiveness of MSW as a private-sector led economy, we prioritised engagement with our

major employers and membership bodies to understand the opportunities and challenges facing them and the interventions needed to unlock further growth in GVA and productivity for our region. In addition, we have consulted with elected officials, government departments/agencies, Invest NI, Skills Bodies, Higher and Further Education institutions, and universities to ensure buy in and input from key stakeholders across MSW and Northern Ireland.

All of our engagements have been informed through articulation of the 'evidence-base' of the current economy of MSW, future projections for the same and an assessment of 'what works' elsewhere in other regional economies (including via other City/Growth deals) to tackle similar opportunities and challenges as those presenting in MSW. This evidence-base was compiled through an extensive analysis of socio-economic data and forecasts for MSW and a thorough review of existing strategies and interventions across NI and the UK. Finally, an important consideration in developing the RES is the position of the three constituent local authorities in the MSW region along the Ireland/Northern Ireland Border Corridor - which presents opportunities, risks and issues to consider, particularly in a post-Brexit era.

As noted previously the fundamentals of the evidence-base [gathered to March 2020] underpinning the need for intervention across the four pillars for action within this RES remain and indeed are augmented in a post COVID-19 recovery context. Where appropriate additional emphasis or nuancing to some of the planned interventions and actions have been more recently added to the RES document.

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REGION: THE 'ECONOMIC ENGINE' OF NI ECONOMY

THE 'ECONOMIC ENGINE' OF THE NI ECONOMY

Contributes

£7.7bn

of GVA

Home to

1/3

of NI firms

Accounts for

1/5

of NI economy

Accounts for

27%

of NI's exports

1/4

of NI population

90%

of local jobs taken
by residents

70%

more employment in
advanced manufacturing
compared to the UK
average

214,000

workplace-based jobs

2.1 WE CONTRIBUTE AROUND ONE FIFTH (£7.7BN) OF NI'S ENTIRE GVA...

Our region consists of three district council areas that make up almost half of Northern Ireland's (NI) land mass and which all border the Republic of Ireland. One quarter of NI's population live in MSW (478,000 people), and in 2018 the 214,000 workplace-based jobs generated an estimated £7.7bn of GVA - corresponding to one fifth of NI's economy. The MSW region is also a functional economic geography with 90% of local jobs taken by residents.

Our region is a highly entrepreneurial, private sector led economy. Over one third of the 75,000 NI firms are based in MSW, meaning there are 54 businesses in MSW per 1,000 residents—significantly higher than the NI average (40 businesses). The three district council areas that make up our region rank 1, 2 and 3 amongst the 10 council areas in NI for early-stage entrepreneurial activity (TEA). This converts into a business birth rate for MSW above the NI average (4 versus 3.6 respectively). Furthermore, business survival rates in MSW also outperform the NI average.

MSW is home to many world-leading export businesses and as such is a globalised, outward and forward-looking region. This is evidenced by the fact that our businesses accounted for 22.6% of turnover in NI in 2018, 27% of NI exports and 31.1% of NI external sales. Further evidence of our outward and forward-looking ethos is the fact that our businesses have historically been very successful in attracting new labour and skills to our region.

This critical mass of economic activity has been achieved in spite of a deficit of investment in enabling infrastructure in MSW, demonstrating the resilience and determination of indigenous businesses in the region to succeed. Facilitating transport, promoting communication, providing

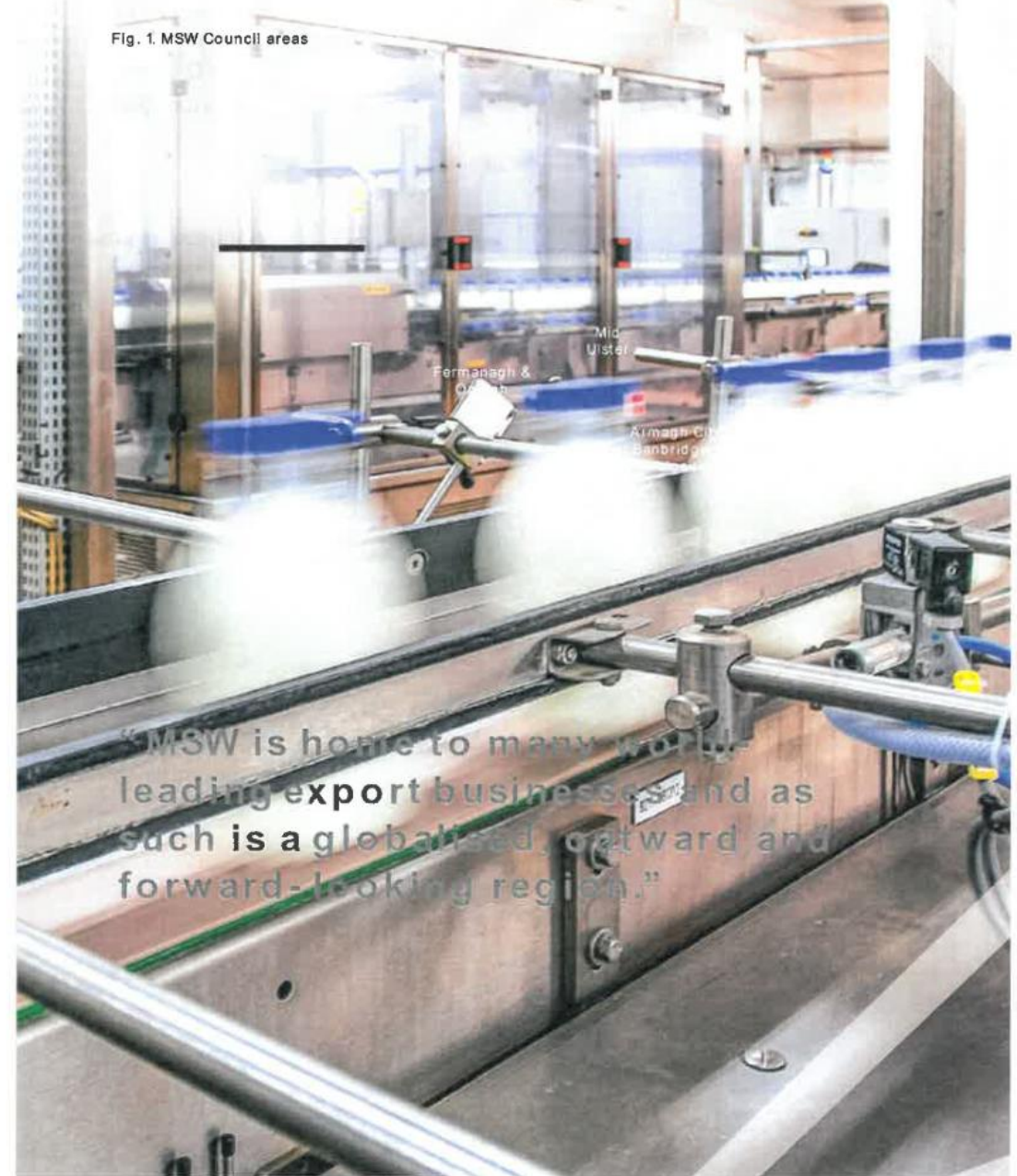
access to land, energy and water are the bedrock of prosperity and well-being in any competitive economy. There is evidence of serious gaps in our basic infrastructure in MSW which, if addressed, could catalyse significant GVA and productivity growth.

As previously noted the positioning of the MSW region along the Ireland/Northern Ireland Border Corridor is a key attribute. The Border Corridor is recognised as the sub-regional economic driver within the Regional Development Strategy. Our region (relative to the other City/Growth Deal regions in NI) has the longest proportion of the Border Corridor. As a result there are significant existing cross-border co-dependencies in our region (e.g. in areas such as trade, movement of people/labour, agri-food, tourism, shared services such as health and education, and inward investment and funding).

2.2 ..WITH STRENGTHS IN MANUFACTURING, ENGINEERING, AGRI-FOOD, HEALTH & LIFE SCIENCES, TOURISM AND CONSTRUCTION...

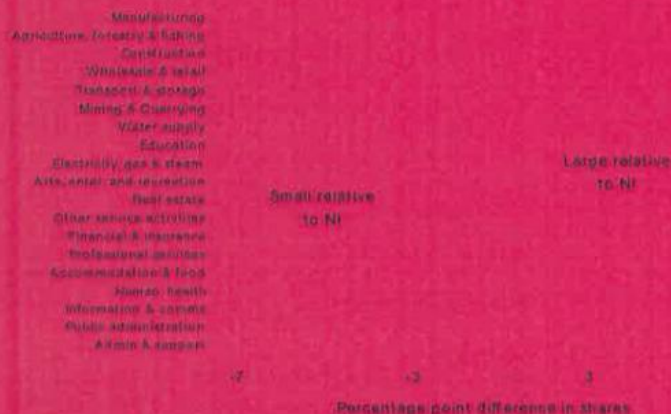
Our region has significant strengths in manufacturing, engineering, agri-food, health & life sciences, tourism and construction (See Fig 2 on page 17), and mature local supply chains in all of these sectors. A 2019 study by Ulster University Economic Policy Centre (UUEPC) highlighted that our region accounts for two fifths (39%) of NI's manufacturing employment and a quarter (23%) of its manufacturing GVA. It also noted that MSW accounted for 37% of NI businesses manufacturing machinery & equipment and a third (31%) of all NI's agri-food firms.

Fig. 1. MSW Council areas



"MSW is home to many world-leading export businesses and as such is a globalised, outward and forward-looking region."

Fig. 2. Sectoral employment in MSW relative to NI, 2018



It is no surprise therefore that we have specialisms in the manufacturing of machinery and equipment and in the manufacturing of food products. For example, employment in the manufacturing of machinery for mining, quarrying and construction sector is almost four times the size of the NI average and over 22 times the UK average. Indeed, three of six four-digit Standard Industrial Classification (SIC) sectors employing over 500 employees and with the highest Location Quotients (LQs) are in the manufacturing of machinery and equipment sector.

Our agri-food sector in MSW employs nearly 11,500 people. Within it the processing and preserving of poultry meat and meat sub-sectors employ nearly 5,700 people (3.3 larger than the NI average) and over 2,000 people (2.4 times the NI average) respectively. We have a strong presence and capacity for R&D and innovation in the agri-food sector - with the Agri-Food and Biosciences Institute (AFBI) site in Loughgall in Co. Armagh and two of the three CAPRE campuses in NI based in MSW (in Loughry and Enniskillen).

In addition, our region is a global leader in the niche market of the manufacture of tracked mobile stone crushing and gravel screening equipment. Around half of the equipment in this market niche globally is manufactured in NI - indeed NI companies hold the top five positions in this niche market - with the capacity predominantly located in MSW.

In more recent years our region has started to experience the growth of emerging sectors. For instance, a recent study within MSW indicated that in the Armagh City, Banbridge and Craigavon Borough Council area there is a particular strength in the digital tech sector - IT services, computing and advanced electronics, software and communications. This report highlighted that the Digital GVA/capita therein was 28% more than the NI average and digital ICT wages 44% above the NI average.

11,500

people in MSW are
employed by the
agri-food sector

tru
corp

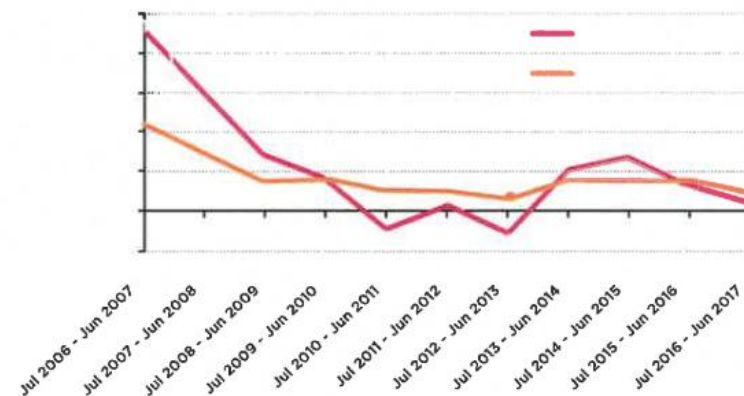
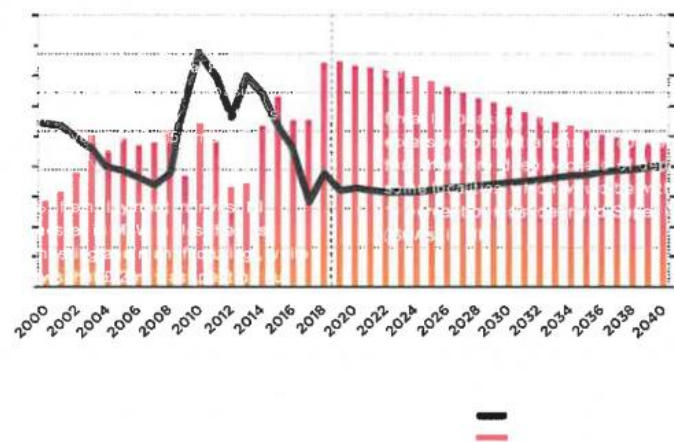


Fig. 3. Resilient and unemployment rates, MSW, 2000 to 2040



Source: Oxford Economics

We boast an above average share of residents aged under 16, which will support the future growth of our businesses and we have been successful in attracting new labour to our region. This has been supported by labour market opportunities, lower house prices and

higher levels of housing affordability, and relatively low levels of recorded crime. Indeed, the region has consistently enjoyed net inward migration, even when NI as a region had more people leaving than entering (per Fig 1.4 overleaf)

Fig. 4. Estimated Net International Migration 2007-2017 – NI v MSW



Looking ahead significant uncertainty remains about the longer-term legacy of the pandemic. The impact of the pandemic on our work will strike a balance between shorter term challenges and longer term transformative action. Recent policy studies into the economic impact of coronavirus at a UK wide and NI level highlight that not all places have been impacted equally in the crisis thus far. Indeed, these indicate that because of the sectoral mix of economic activity in MSW parts of our region are expected to be amongst those experiencing the worst immediate 'economic hit' from the pandemic across the local authority landscape in the UK.

Looking ahead significant uncertainty remains about the longer-term legacy of the pandemic

our region (as elsewhere) as the evidence base is evolving rapidly. The imperative for the portfolio of interventions/actions within the ROP was already (pre-pandemic) strongly founded on the need to deliver a regionally balanced economy in NI. The early evidence of the potential impact of the crisis suggests that this imperative is even more compelling. As such we welcome the acknowledgement in the recovery plan from central government that there have been gaps (mainly infrastructural) to achieving a more balanced economy in NI that require a focused focus looking ahead, as part of the response to the COVID-19 crisis.

"We boast an above average share of residents aged under 16 which will support the future growth of our businesses."



**ISSUES TO
IN GROW
'ECONOM**

CONSIDERING OUR IC ENGINE'

3.1 INTRODUCTION

Whilst our region as the 'economic engine' of NI, is highly successful in many respects, and we have many evident strengths to build upon, it is vital to understand the nature and scale of some of the remaining issues and challenges that we face. Our ambition and forward proposition, as set out in Section 4, has been framed by research and extensive engagement on the key issues set out below.

3.2 PRODUCTIVITY LEVELS

As the 'economic engine' of NI, and with our evidenced strengths in advanced manufacturing we are in a prime position to drive wealth creation, exports and innovation. However, we currently suffer from low levels of productivity. In 2017 MSW's productivity was an estimated £8,500 below the NI average. This was an issue across the economy with most 'broad' sectors (except for retail and administrative & support activities) suffering from below average levels (see Appendix A). However, a number of manufacturing sub-sectors have consistently been strongly outperforming the NI average, including:

- The manufacture of basic metals;
- The manufacture of fabricated metal products (except machinery and equipment);
- The manufacture of computer, electronic and optical products;
- The manufacture of electrical equipment;
- The manufacture of machinery and equipment;
- The manufacture of motor vehicles, trailers and semi-trailers; and
- The manufacture of other transport equipment.

Addressing the productivity shortfall represents a massive opportunity for our region. Doing so would generate substantially more GVA and wealth for our businesses and our residents. For illustrative purposes, if our businesses had closed the 2017 productivity gap (where applicable) with the NI average, productivity would have been

ISSUES TO CONSIDER

approximately £7,900 (22%) higher. This would, in 2017, have increased MSW's GVA by £1.1bn.

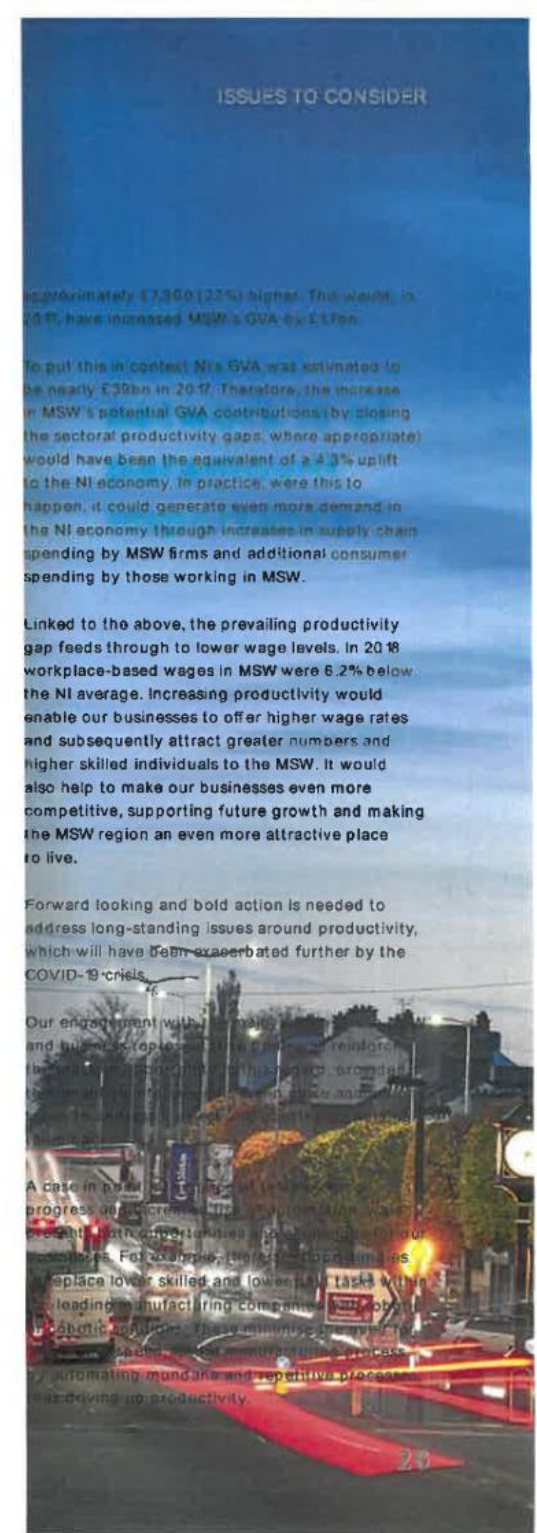
To put this in context NI's GVA was estimated to be nearly £30bn in 2017. Therefore, the increase in MSW's potential GVA contributions (by closing the sectoral productivity gaps, where appropriate) would have been the equivalent of a 4.3% uplift to the NI economy. In practice, were this to happen, it could generate even more demand in the NI economy through increases in supply chain spending by MSW firms and additional consumer spending by those working in MSW.

Linked to the above, the prevailing productivity gap feeds through to lower wage levels. In 2018 workplace-based wages in MSW were 6.2% below the NI average. Increasing productivity would enable our businesses to offer higher wage rates and subsequently attract greater numbers and higher skilled individuals to the MSW. It would also help to make our businesses even more competitive, supporting future growth and making the MSW region an even more attractive place to live.

Forward looking and bold action is needed to address long-standing issues around productivity, which will have been exacerbated further by the COVID-19 crisis.

Our engagement with business, academia and business support organisations, including the Northern Ireland Manufacturing Institute, has provided a number of recommendations to address productivity issues, including:

A case in point is the need to improve the progress of automation. The current COVID-19 crisis has both opportunities and challenges for our region. For example, there are opportunities to replace lower skilled and lower pay tasks within leading manufacturing companies with robotic and robotic solutions. These initiatives, however, need to be supported by training and upskilling, by automating mundane and repetitive processes, and driving up productivity.



There are also opportunities to use 3D printing to speed up supply chains or pilot new products. Furthermore, data analytics can support the movement of products, or how robots work simultaneously within factories. Some of our businesses are already aware of aspects of the above potential and the FEI/HE sector is increasingly working to skill up our local residents for this 'new world of work'. However, the expertise in this arena simply does not exist at the scale needed to drive material productivity improvements and our businesses can face barriers in terms of access to the mechanical resources to test and try different approaches to automation to meet their specific needs. Whilst in the short-term greater adoption of technology and automation in manufacturing can be at the expense of lower paid jobs, it will over time create additional demand for higher skilled, higher paid roles in MSW - a key aspiration of our businesses and people.

The COVID-19 pandemic is proving to be a major catalyst for change in this arena, arguably a 'once in a generation shift'. Even before the COVID-19 pandemic, it was strongly recognised (e.g. in Economy 2030/the Industrial Strategy for NI) that companies who did not keep pace with the potential offered by digital technologies and automation risked losing ground. This has been amplified significantly by the COVID-19 pandemic reinforcing the urgency with which companies need to accelerate their digital transformation to recover and thrive. The crisis has differentiated those companies who were willing/able to implement new business models based on digital channels (which might otherwise have remained as ideas or pilot projects). The challenge looking ahead is building the expertise at scale and quickly within our region to move from experimentation with the transformative impact of these technologies to full roll out of the same.

Also, as set out previously and detailed further at Section 3.3, significant barriers exist to improving productivity in MSW because of gaps in several aspects of the basic economic infrastructure for

a competitive economy. Facilitating transport, promoting communication, providing access to land, energy and water are the bedrock of prosperity and well-being in any competitive economy. With improved physical connectivity (to entry and exit points in NI and onto overseas markets) and enhanced digital connectivity with customers and suppliers from across the globe, our indigenous businesses in MSW will be in a much better position to realise significant gains in productivity and competitiveness. The potential that exists in this regard is strongly underlined by the fact that despite these constraints our businesses have demonstrated considerable resilience and determination to succeed. We are a highly entrepreneurial, private sector-led economy – the 'economic engine' of NI.

As home to a third of NI's businesses and amongst them, many world-leading export businesses, the MSW needs the infrastructure to move products to market quickly and maintain efficient supply chains. A high-quality transport network is of paramount importance.

However, whilst MSW accounts for half of the land mass in NI the prevailing data shows that motorway and A roads account for only 8% of our road network.

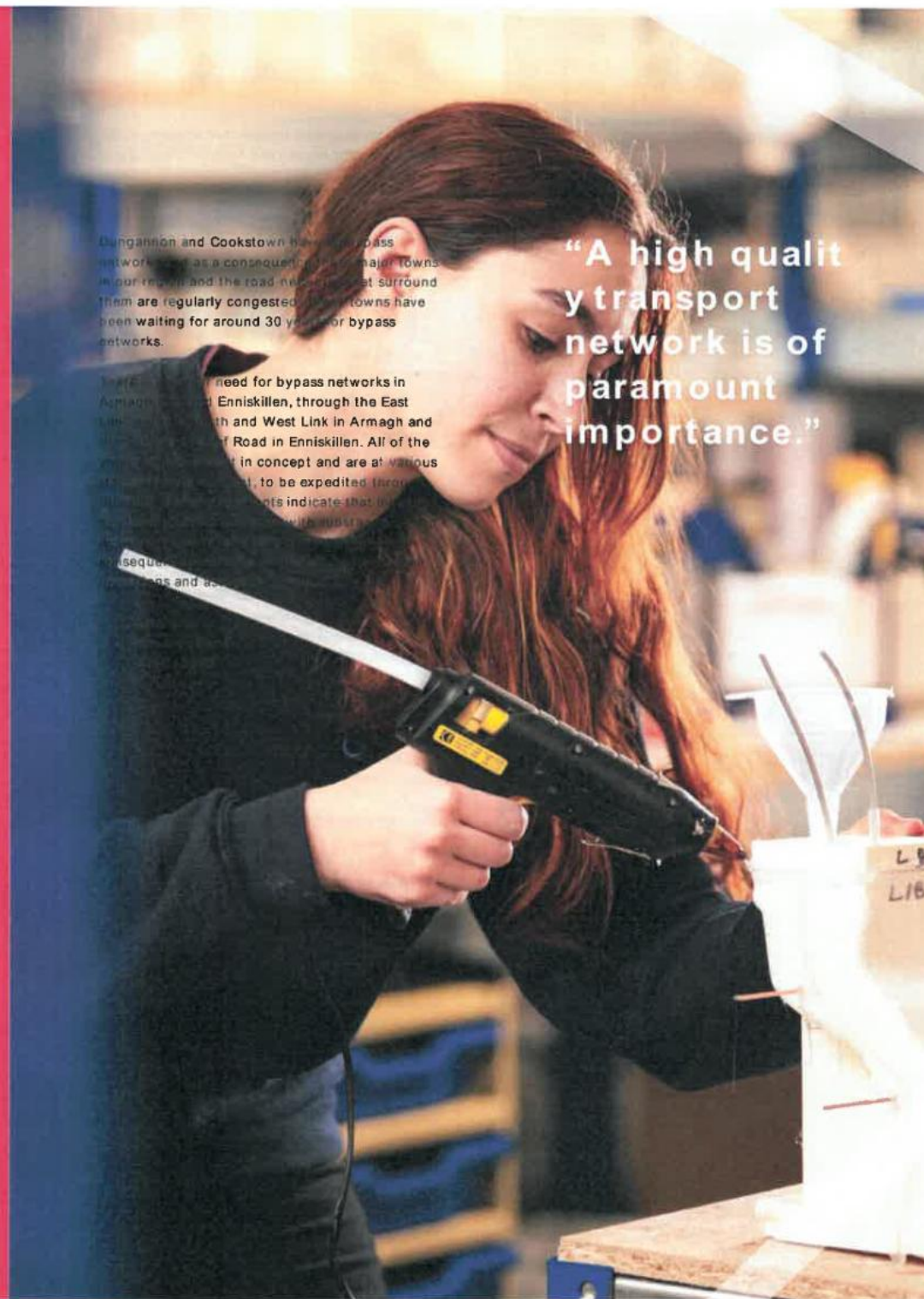
The map to the right provides a stark illustration of this. It shows the coverage of motorways, dual carriageways and primary roads on the island of Ireland, with an evident gap in coverage out to the West. There is almost no dual carriageway in the Fermanagh and Omagh District Council area (660 metres only).

At a regional level completion of the A5 Western Transport Corridor (A5 WTC) is critical to connectivity within MSW and also to the flow of traffic around Omagh, given that the existing throughput is saturated.

Dungannon and Cookstown have no bypass network and as a consequence the major towns in our region and the road network that surround them are regularly congested. These towns have been waiting for around 30 years for bypass networks.

There is a clear need for bypass networks in Armagh, Enniskillen, through the East Link, South and West Link in Armagh and the A5 Western Transport Corridor in Enniskillen. All of the projects are in concept and are at various stages of development, to be expedited through the planning process. Recent surveys indicate that there is a strong demand for such projects with substantial support from businesses and the community. The consequences of not progressing these projects are significant and as a result the Government and Assembly have agreed to

"A high quality transport network is of paramount importance."



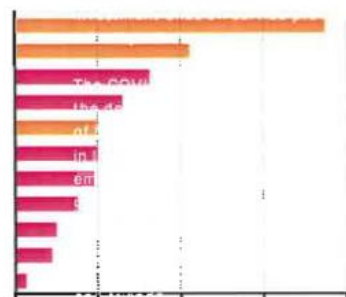
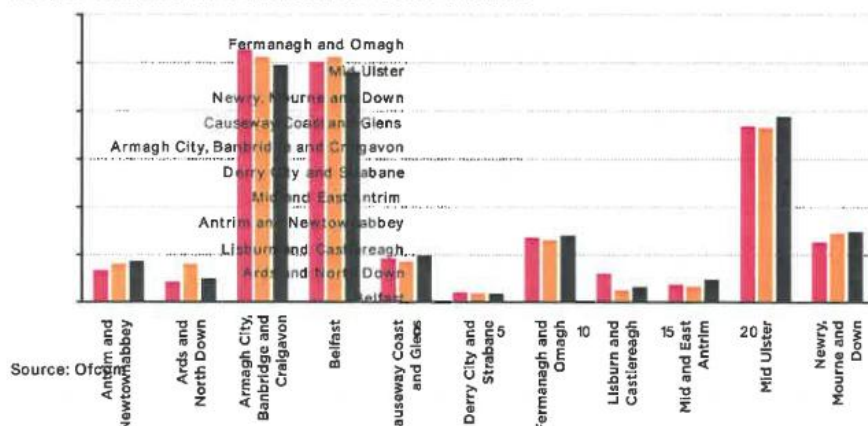


Fig. 5. Percentage of premises that do not have access to broadband services above 10 Mbit/s

% of premises that do not have access to services above 10 Mbit/s



Source: Ofcom

In addition to constraints in relation to physical and digital connectivity, our businesses tell us there is an urgent need for access to industrial land to facilitate their expansion in MSW. Mid Ulster presently has no industrial land available for development. Industrial estates in Banbridge, Granville, Dungannon and Cookstown are at full capacity with no room to expand. However, there is industrial land in public ownership in MSW that could be made available to our indigenous businesses to support their immediate growth plans. There is also a lack of high-quality innovation space for our people to test new ideas and work in emerging sectors (including digital tech) and collaborate in research and development. Yet collaboration and the sharing of ideas, is a key ingredient for a successful knowledge economy.

There are also major utility infrastructure deficits in relation to the prevailing wastewater network capacity and state electricity supply in MSW.

The deficit in relation to wastewater network capacity is most pronounced in Mid Ulster but arguably increasingly more prevalent in other parts of MSW. This is a major constraint on housing development (impacting on the ability to attract labour from elsewhere to MSW) and on the development of serviced industrial land, to enable our businesses to expand. In addition, there is a need for research on a policy agenda change in respect of the regeneration of our towns and rural areas.

Finally turning to state electricity supply, whilst the Tyrone to Cavan Interconnector (also known as the North South Interconnector) is planned it is unlikely to be in place in the short-term. It is urgently required to ensure that there is sufficient access to electricity to meet supply needs in NI. As things stand it is anticipated that the decommissioning of older electricity generating stations means that after 2021 demand will outstrip supply. As well as security of supply it

should reduce the cost of electricity by allowing the transmission network to operate much more efficiently, playing a vital role in supporting economic growth and facilitating investment. It will also help facilitate the connection of more renewable energy to the grid – which is essential to achieve government-led renewable energy targets and to increase energy independence. In the interim our business community has been challenged by supply constraints and the cost of energy in our region and as such it is important that SONI/NIE have a positive commitment to invest in infrastructure west of the Bann. Consequently, actions that we will take through the RES to improve our physical infrastructure and connectivity will have an immediate impact on the region's productivity and potential for growth, making the MSW a more attractive region to higher skilled individuals and for business investment.

3.4 LABOUR AND SKILLS

As set out in Section 1, 90% of local jobs in MSW are taken by our residents. However, our poor road network and shortfalls in accessibility to public transport (particularly by rail) can mean it is difficult for our people to access all of the employment opportunities in the region. A consistent message from our engagements is that journey times from one part of our region to the other are prohibitively long for many workers to

consider changing their employment if career opportunities present themselves. In turn this has a negative impact on the ability to best match the skills of our population to the jobs available in MSW.

As set out previously (Fig 4) our region has consistently enjoyed net inward migration, even when NI as a region had more people leaving than entering. However, this has recently become more challenging as Brexit and global markets have strengthened. Sterling has weakened and uncertainty has increased. Our ability to be able to continue to attract people from elsewhere is becoming increasingly important, given track record of a tight labour market and our ageing population trends. Government policy espoused to date on migration post-Brexit, including that centred on a general salary threshold of £25,600 for all non-UK individuals working in the UK is likely to further exacerbate our labour and skills challenge in MSW. Our reliance in MSW on migrant labour as a core component of our 'economic engine' in recent years is well illustrated by Fig 6 overleaf, which charts the proportion of migrant workers by district council areas in NI in rented housing. Outside Belfast the three MSW district council areas stand out, particularly Armagh City, Banbridge and Craigavon and Mid Ulster.

“There is a lack of high-quality innovation space for our people to test new ideas and work in emerging sectors”

Fig. 6. Migrant Worker Tenant Households

Estimated number of Migrant Worker Current Tenant Households
by Local Government District (August 2007 - July 2018)



Over the last decade (2008-18) the population in MSW increased by 0.87% each year on average -relative to 0.56% and 0.72% across NI and the UK respectively. However, Oxford Economics' forecasts indicate that this trend of MSW outperforming the NI and UK positions will not last. Indeed, the forecasts suggest that our region will experience only a modest increase in population to 2040 i.e. a population rise to 481,000, only 3,000 higher than today (a 0.6% increase). This is notably weaker than the NI (3.5%) and UK (7.3%) equivalents over the same period to 2040.

The weaker outlook for population growth articulated above is driven by changes to both net migration and natural change. While both factors have been positive contributors to overall population growth in MSW over recent years, they are expected to change over the forecast horizon.

Most importantly Oxford Economics expect a weaker outlook for net migration than previously experienced. This in part reflects the government's desire to reduce migration numbers substantially and the nature of what a post-Brexit migration policy may look like. The fall in migrant numbers is critical as this group tend to be of working age and a greater share find employment compared to average for NI.

Per Fig 7, natural change (births minus deaths) will maintain positive overall population growth in the short term in MSW before weakening and eventually being overpowered by net out migration, thereby leading to a contraction in the population level in the longer-term outlook.

Fig. 7. Components of population change, MSW, 2000 to 2040

Components of population change (y/y, 000s)



The above trends will result in MSW's working age population falling by 28,000 by 2040. The number of MSW residents aged between 16 and 64 is

expected to fall by 0.42% annually over the forecast horizon - a relatively stronger rate of decline than that expected across NI (-0.35%).

Fig. 8. Working age population change, MSW and Comparisons, 2000-2040

	Total population		Working age (16-64s)	
	Change (000s)	22 year %/y/y	Change (000s)	22 year %/y/y
MSW region	3,000	0.00%	-28,000	-0.42%
NI	66,000	0.00%	-10,000	-0.35%

Drawing on all of the above it is imperative that MSW is able to continue to attract workers from outside the region. This means creating higher paid jobs, improving the quality of our schools, investing in our entertainment and our hospitality offering. At present too many of our jobs in MSW offer minimum wage or below average salaries.

It also points to the need for lobbying in relation to a differentiated migration policy for MSW post Brexit that keeps our economy open to all levels of international talent otherwise businesses in many of our world leading sectors could be at risk. Whilst of course recognising that the right controls are in place to manage immigration effectively.

The rationale for some regional autonomy/ flexibility is based on the economic contribution of our region to NI GVA and the predominance of manufacturing employment within it (as set out previously in Fig 2). In 2017, 21.8% of NI's manufacturing employment was taken by non-UK workers, a statistic which increases in some sub-sectors of manufacturing in which MSW excels such as food manufacturing. Data from DAERA and the LFS in the same year shows that EU26 migrants accounted for 40% of employees in the food manufacturing sector.

If MSW is to close the productivity gap and grasp the opportunities of increased automation, our economy will become increasingly 'skills hungry'. Therefore, it is also imperative that we reshape our education policy to provide the skills that our businesses need, and continue to upskill many of our residents. At present, the proportion of our labour force that have no qualifications (16.7% compared to 8% in the UK) is too high while the share that have not progressed to NVQ 4+ or above (31.6% compared to 38.4% in the UK) is too low.

Importantly it is already recognised in our region that industry leadership is central to addressing prevailing labour and skills challenges. Initiatives such as Mid Ulster Skills Forum and ABC Local Works Forum have been established to bring a collaborative dynamic between local businesses, colleges/universities and industry sectoral bodies to address labour and skills challenges. Their 'blue-prints' for action recognise many of the prevailing challenges cited above and include a number of 'spade-ready' actions that can be scaled up/expedited through this RES. These span actions to improve careers education, advice and guidance; actions to promote, inclusive and engaging workplaces to improve the image of priority MSW sectors; actions to develop leadership talent alongside technical and professional skills; and actions to increase the uptake and quality of modern apprenticeships (informed by actions in relation to apprenticeships implemented in other City/ Growth Deals across the UK).

These actions will need to be further developed and 'future-proofed' to enable a longer-term perspective on what the 'world of work' will look like in 10 years plus time, with associated skills implications – consistent with the Organisation for Economic Co-operation and Development work recently completed with the Department for the Economy (DfE) in relation to the future skills needs of NI economy. Increasing application of Industry 4.0 innovation, use of data, and robotics/cobotics in the workplace will over time increase the demand for higher-skilled roles in our businesses and help to increase wage levels/ attractiveness of employment therein.

Addressing the skills gap is one of the three structural weaknesses prioritised within recovery plans from central government in response to the COVID-19 crisis. Within this it is recognised that in a post pandemic environment with significant competition for jobs that the sections of society furthest from the labour market could face even greater challenges in securing employment. As noted above, in MSW we have too high a proportion of our labour force that have no qualifications and also a smaller proportion (compared to the UK average) with qualifications at level NVQ 4+ or above. Our people are our key asset and we now have an increased imperative to focus on these particular areas of need within our overall skills development plans.

3.5 LEVELS OF INNOVATION AND R&D

Despite our concentration of manufacturing businesses and above average concentration of activity in advanced manufacturing, we have a need to foster higher levels of innovation and R&D.

In 2017, business expenditure on R&D equalled £543 million in NI (714% of all R&D spend in NI). MSW businesses accounted for £121 million or just over a fifth of the overall NI business total. As a result, MSW businesses spent on average just £4,900 on R&D in 2017 - significantly lower than both the NI and Belfast city region averages



(£7,600 and £10,100 respectively). Our challenge is to address this shortfall. There are many opportunities to do so. Manufacturing businesses spent nearly £12m on R&D in NI in 2017 (57.6% of all BERD), and 57.3% of manufacturing R&D expenditure was made by engineering & allied industries, sectors of the economy where MSW excels. However, there is some counter-evidence to the above. Example of this HMRC data for 2016-17 showed there were 2.6 successful claims for R&D tax relief by firms in Mid Ulster, the best performance of any NI Council area, and a 49% of all enterprises in Mid Ulster, it was the highest of all UK counties. Furthermore, our engagements provided much anecdotal evidence of product and process innovation in businesses despite this not being reflected in formal R&D statistics for our region.

There is a broad perception across the private sector that more could be done to encourage collaboration and knowledge sharing with respect to R&D/innovation in our region.

As such, innovation and R&D activity needs to be formalised more within our businesses and designated as a strategic priority. Although our large base of small businesses will add to the scale of this innovation challenge, given demographic trends and the need to expedite productivity growth, higher levels of innovation and R&D spend are critical to the future performance of our economy.

3.6 SMALL BUSINESS GROWTH

Finally, despite being the 'economic engine' of NI and a highly entrepreneurial economy with favourable survival rates, there is evidence that too many of our indigenous businesses fail to grow. Over 86% of local businesses have less than 10 employees compared to 83.9% in NI. In addition, over a third of MSW businesses have a turnover of less than £50,000 compared to a quarter across NI.

All of the aforementioned remaining challenges in MSW – underinvestment in transport infrastructure; shortfalls in digital connectivity; the lack of incubator, office and light industrial facilities; as well as shortage of labour/skills in more recent years – are contributing factors to the fact that too many of our indigenous businesses fail to grow. In addition, our engagements indicate that there is a requirement for different leadership skills in smaller businesses, and the large share of family owned businesses in MSW could be barriers to growth. There were also suggestions that insufficient technology adoption was hindering productivity, competitiveness and business growth more generally in the SME economy.

Therefore, a key ambition within the RES will be to enhance the leadership skills of our existing business owners and workforce, as well as provide support to our businesses with technology adoption for growth and development. Our region is a highly entrepreneurial, private sector-led economy. Given the scale of our business base – MSW is home to one third of NI firms – the potential for growth is enormous.

Small businesses are the heart of our communities in MSW and many have been hit especially hard by the COVID-19 crisis. Several of the barriers to growth cited above could also be barriers to adaptation, increased resilience and ultimately survival in a post-pandemic environment. Therefore, our immediate focus will be on supporting small businesses with the complex challenges they face in moving from managing the initial crisis response to preparing for recovery. This will be the first necessary step in realising the longer-term growth potential referenced above.

The need above extends to the small business and enterprise activity on our towns. High Street shopping was already under considerable pressure even before the COVID-19 pandemic. The shut-down of the majority of the physical retail stores

on our high streets during lockdown, combined with rapidly shifting consumer spending habits, has greatly augmented the challenges that our high streets may face. There is an urgent need to develop strategies to recover, reopen and re-imagine our town centres and high streets – all geared to long-term transformation and 'future-proofing'. These require a digital as well as physical emphasis.

3.7 TOURISM PERFORMANCE

Our region has particular competitive advantages in terms of the quality of our tourism product. The Loughs and Lakes of Lough Erne in Co Fermanagh and a superb recreational and tourism resource are strongly differentiators for region from other destinations in Ireland and Northern Ireland. The Sperrins are a defined Area of Outstanding Natural Beauty (one of only eight in NI) and the cross-borderable Area of Global Geopark is recognised as a World Natural and UNESCO.

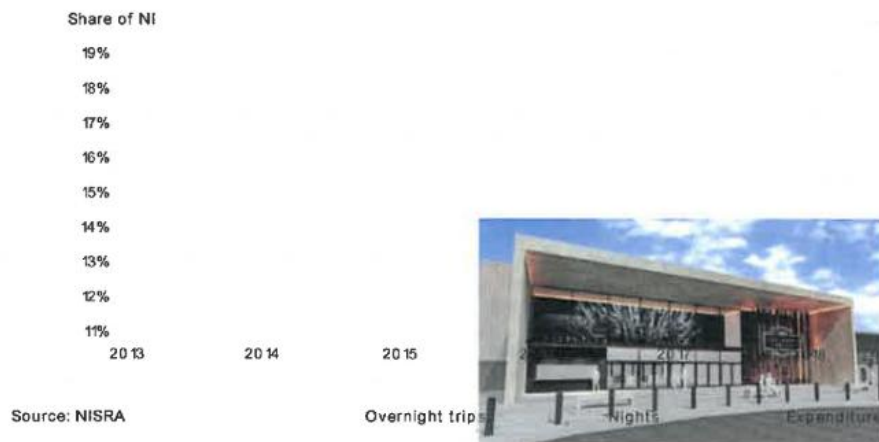
Together with the landscape and mountains the tourism product in the western part of MSW is well defined in terms of attractions, rural heritage (forests, loughs and lakes, countryside, the Sperrins, the Geopark); our rich archaeological heritage, events and history and natural beauty. There is further scope to develop our region as a tourism destination with the potential to compete through the potency of the Ulster American Folk Park, the glacial landscape and the numerous educational experiences. The region's rich research indicates that development opportunities & strategies to develop our region as a tourism destination are abundant and multifaceted. An overview of the region's tourism potential is provided in the table below.

Further to the MSW, the distinctive coastal landscape and historicity of Area of Outstanding Natural Beauty, the scenic views of the coast and the historicity of the area, which is the heart of celebrating the life of Saint Patrick.

Visitor attractions include the historic Navan Fort, two Saint Patrick's Cathedrals, Georgian architecture and the Armagh Observatory and Planetarium. In addition to the latter, in autumn 2020 a new star gazing experience will be launched in Mid Ulster, with a Dark Sky Observatory and Visitor Centre at Davagh Forest, near Cookstown.

The opportunity to further grow tourism in MSW, sits in the context of the strong growth in overall tourism activity in NI from 2013-2018. Between 2013 and 2018, overnight trips made in NI and the spend associated with these visits increased by 22% and 35%, respectively. This growth however has largely been dominated by the NI tourism markets of Dublin, Belfast and the Gateway Coast. By contrast the performance of the tourism sector in MSW has lagged behind other parts of NI. Over the same period, the number of overnight trips to MSW is estimated to have increased by 2%. However, the spend associated with these trips reportedly fell by 7%. Furthermore, MSW's share of overall tourism activity in NI – measured by the region's share of overnight trips – fell during this period from 17% to 15%. This is a significant impact on MSW's share of tourism activity in NI. The region's share of overnight trips to MSW is estimated to have increased by 2% over the same period, while the spend on overnight trips to MSW is estimated to have decreased by 7% over the same period.

Fig. 9. MSW share of tourism, 2013 to 2018



All of the above indicates that despite the evident strengths of the tourism product in MSW, structural barriers to growth exist. Indeed, Tourism NI research confirms that the main barriers to out-of-state tourism growth in MSW include the physical accessibility of the region, information and signposting and digital connectivity. Therefore, actions taken to address the deficits in our basic economic infrastructure in MSW will also help to expedite the growth of our tourism sector.

There is also evidence of under provision of hotel accommodation in MSW. In 2018, accommodation in MSW accounted for 11.3% of all rooms and 13.2% of all beds. However, our region only had 9.6% of all hotel rooms in NI and only 10.4% of hotel beds, compared to nearly one quarter of rooms and beds in guesthouses and guest accommodation. Furthermore, NISRA data from 2013 shows that our share of NI accommodation has been falling. Indeed, the number of hotel beds and hotel rooms was lower in 2018 in MSW than in 2013. Accordingly, we recognise the need to stimulate investment in tourist related

infrastructure including supporting more hotel and accommodation provision, in key locations in MSW where there are evident gaps – to underpin our future ambitions for the tourism sector.

The proximity of the west of our region to the Wild Atlantic Way, a tourism trail that straddles the west coast of Ireland from County Donegal's Inishowen Peninsula to Kinsale, County Cork, on the Celtic Sea coast presents a key opportunity. Connecting our tourism product in the West to the discovery points and attractions along the Wild Atlantic Way will position us to benefit from and contribute to the out-of-state visitor market active on the trail. We will also promote longer term investments in cross-border assets such as the reopening of the Ulster Canal as a strategic tourism opportunity. The original route of the Ulster Canal, links the lowlands around Lough Neagh with the Erne Basin and the River Shannon system. The route traverses all three council areas in MSW and is the 'backbone' of the historic inland waterway network in Ireland.



Our region will soon be home to the Game of Thrones legacy project in Banbridge at the site of the film studios. This commitment by the film and media and the world-renowned Game of Thrones brand to our region offers a fantastic opportunity to attract out-of-state visitors to MSW to help rebalance the visitor economy in NI. Tourism, as noted above, in recent years has been dominated by Historic Belfast and the Causeway.

A major tourist attraction such as this has significant potential for job creation and the local economy of MSW. The total investment in the project is expected to be around £23.7m and it is expected to employ up to 200 people and provide £400m in spend benefit for the region by 2030.

Tourism is among the sectors that has suffered recent policy changes most negatively. The

3.8 ALIGNMENT WITH ECONOMIC POLICY IMPERATIVES

The areas of the RES (set out in Section 4) are closely aligned with the UK Industrial Strategy five foundations above. The UK Industrial Strategy recognises that while the UK economy has significant strengths, "the UK has greater disparities in regional productivity than other European Countries," and "many places are not fulfilling their full potential". The UK Strategy therefore places a strong emphasis on the development of local industrial strategies that will be, "long term, based on clear evidence and aligned to the national industrial strategy". This is entirely consistent with our ambition and approach to developing the RES for MSW.

COVID-19 crisis thus far and likely to experience the greatest impact from the ongoing need for social distancing. This along with a reduced tendency towards international travel in the short and medium term may require greater focus on family staycations, outdoor activity/recreational breaks and attracting visitors from cross-border/GB markets which are all opportunity areas for the tourism assets within MSW.

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Five foundations of productivity

Our five foundations align to our vision for a transformed economy

Ideas

The world's most innovative economy

People

Good jobs and greater earning power for all

Infrastructure

A major upgrade to the UK's infrastructure

Business environment

The best place to start and grow a business

Places

Prosperous communities across the UK

A particular feature of the UK Industrial Strategy is the establishment of four 'grand challenges' to put the UK at the forefront of the industries of the future. These are:

- **AI & 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;
- **Future of Mobility** - becoming a world leader in the way people, goods and services move; and

- **Ageing Society** - harnessing the power of innovation to help meet the needs of an ageing society.

Our region already has world class companies working in all of the above areas and as such there is an opportunity to build on these strengths, by supporting companies to innovate and grow by removing the prevailing barriers to growth.

The overall aim of the draft Programme for Government (PfG) Framework is, "improving wellbeing for all – by tackling disadvantage, and driving economic growth". Our RES will contribute to a wide range of PfG outcome areas including but not limited to:

- We are an innovative, creative society, where people can fulfil their potential;
- We connect people and opportunities through our infrastructure;
- We prosper through a strong, competitive, regionally-balanced economy;
- We have created a place where people want to live and work, to visit and invest;
- We have more people working in better jobs;
- We have a more equal society.

"We prosper through a strong, competitive, regionally-balanced economy."

DETAILED BELOW ARE SOME OF THE RELEVANT ECONOMIC PRIORITIES IN THE 'NEW DECADE, NEW APPROACH' AGREEMENT...

Our Purpose

Improve wellbeing for all - by tackling disadvantage, and driving economic growth.

Outcome

- We prosper through a strong, competitive, regionally balanced economy;
- We live and work sustainably - protecting the environment;
- We have a more equal society;
- We enjoy long, healthy active lives;
- We are an innovative, creative society, where people can fulfil their potential;
- We have more people working in better jobs;
- We have a safe community where we respect the law, and each other;
- We care for others and we help those in need;
- We are a shared society that respects diversity;
- We are a confident, welcoming outward-looking society;
- We give our children and young people the best start in life;
- We have high quality public services;
- We have created a place where people want to live and work, to visit and invest;
- We connect people and opportunities through our infrastructure.

ISSUES TO CONSIDER

The RES will contribute to the UK's economic recovery through a range of measures, including:

• Investment in infrastructure, including roads, bridges, and public transport; and

• A response to the economic challenges facing the region, including:

Financial, business and professional services

Digital and creative technologies

Advanced manufacturing, materials and engineering

Life and physical Sciences

Construction and materials handling

Agri-food

Outstanding skills and talent, including:

• A response to the economic challenges facing the region, including:

"The RES will contribute towards the UK Industrial Strategy 5 Foundations which are focussed on improving productivity."



The narrative below sets out some of the relevant economic priorities in the Deal that are wholly aligned to our ambition and many of the areas for intervention/project concepts set out in the following sections.

Examples of Economic Priorities - 'New Decade, New Approach' Deal (January 2020)

- Investing for the future to ensure Northern Ireland is equipped to harness opportunities and drive sustainable productivity, including opportunities for future trade as we leave the EU;
- A top priority of the Executive will be to develop a regionally-balanced economy with opportunities for all;
- Investing strategically in ensuring that NI has the right mix of skills for a thriving economy;
- Driving the delivery of essential infrastructure projects to boost the economy in order to build a Northern Ireland that is equipped for a prosperous shared future;
- Investing urgently in wastewater infrastructure which is at or nearing capacity in many places across Northern Ireland, which is limiting growth;
- In support of both economic and educational objectives, the Executive will develop an enhanced approach to careers advice, curriculum, training and apprenticeships to enhance employability and support economic growth.

The Deal also commits to make it a priority to realise the economic potential offered by the City/Growth Deals in NI, which will be one component of the resources to deliver our RES ambitions. It states that "the Executive will work with the UK Government to develop and deliver the Growth Deals for Mid South West and Causeway Coast and Glens".

Furthermore, in May 2020 the NI Executive announced an investment package which will be crucial in helping to rebuild the economy after the coronavirus emergency that includes a renewed and additional commitment towards delivery of the City and Growth deals in NI. This is a positive development which will help us to expedite our ambitions for the MSW.

In turn this investment package will help to reinforce the central government economic recovery plans announced in June 2020. As previously noted we strongly welcome these with their focus on addressing Northern Ireland's structural weaknesses in terms of delivering 'better' jobs, addressing skills gaps and reducing regional imbalances. All of these issues were core to our RES ambition pre the pandemic and will have a revitalised imperative now.

"Our ambition is consistent with the economic imperatives of the 'New Decade, New Approach' Deal."





OUR AMBITION: THE OUTLINE PROPOSITION

4.1 TO RAISE PRODUCTIVITY AND PROVIDE BETTER JOBS

Our headline ambition within the RES will be to raise productivity levels and in so doing create better paid jobs for our residents and close the productivity gap between MSW and the rest of NI. Closing sectoral productivity gaps in MSW has the potential to be equivalent to a 4.3% uplift of the NI economy. In reality, the actual benefits to the NI economy would be higher again, as additional levels of GVA in MSW would have additional supply chain and consumer spending impacts across the rest of the NI economy.

To achieve this headline ambition, we will prioritise a range of projects and actions across four inter-

connected intervention themes outlined in Figure 10 below to 'supercharge' the growth of our collective economy and ensure inclusive prosperity for MSW. The exponential growth of our dynamic private-sector led economy that results from these interventions will cement the reputation of MSW as the 'economic engine' for NI and a region that is world renowned for business excellence.

Our productivity challenges have been exacerbated further by the COVID-19 pandemic. This is reflected in the projected falls in GVA for 2020 across the local authority areas that make up the MSW region cited in various policy studies on the economic impact of the pandemic at UK and NI levels. This further underlines the need for the forward looking and bold actions encompassed in this RES.

4.2 FOUR INTERVENTION AREAS

The development of our RES is structured around four main intervention areas/ 'pillars' that will interplay and reinforce each other (Fig 10 below).

These 'pillars' are geared to delivering exponential /long-term benefits including:

- Increasing productivity levels (closing the productivity 'gap');
- Driving business growth;
- Protecting MSW's unique sectoral advantages (as a minimum) and thereafter fully realising sectoral opportunities;
- Creating more, better paid jobs; and
- Ongoing internationalisation of MSW (and better internal NI profiling).

Fig. 10. Four intervention areas

Future-proofing
the
skills base

Enabling
infrastructure

Boosting
innovation
and
digital capability

Building a
high-performing
digital economy

Through our engagements with the business community of MSW and senior stakeholders a range of project ideas/concepts were generated for consideration and further development. It is important to note that the feasibility and affordability of each is not yet tested, therefore what is included in Sections 4.3–4.6 as examples under each of the intervention areas may be subject to change. The next stage of development work on these project ideas/concepts will also help to refine the economic targets for each – which aggregated together will quantify the scale of our collective vision (e.g. GVA/productivity/job growth etc.) for the MSW region as a whole.

It is important to reiterate that our ambition must be framed in the commitment of a Programme for Government (2018–2025) outcome of seeking to ‘progress through a strong, competitive and regionally-balanced economy’ referenced previously in Section 3. Furthermore, the ‘New Decade, New Approach’ Deal published on January 10th 2020 is underpinning the restoration of the NI Executive highlights that a ‘top priority of the Executive will be to develop a regionally-balanced economy with opportunities for all’. Reducing regional imbalances is also a headline priority within the NI Executive’s plans for economy recovery post-COVID-19.

Our region thus far has not sufficiently experienced the benefits of policy to ‘regionally-balance’ the NI economy. Annoted in Section 1 our success as the ‘economic engine’ of the NI economy has been achieved in spite of a deficit of investment in enabling infrastructure in MSW, demonstrating the resilience and determination of our indigenous businesses to succeed. Accordingly, as a region where FDI has not played a major role to date, we need to ensure, looking ahead, that our indigenous business champions receive sectoral support and focus through the actions of this RES to further grow nationally and internationally.

Furthermore, significant cross-border dependencies exist in our region (having the largest proportion of the Border Corridor relative to the other City/Growth Deal regions in NI). Evidence from successive reports and studies all highlight that

the impact of Brexit will fall disproportionately on the Border Region and within that on a number of sectors such as indigenous SMEs which are predominant along the Border Corridor.

We have aimed in this RES to ensure that our four main intervention areas ‘pillars’ (see Fig. 10 on page 50) will drive forward growth and, as such, have the potential to provide a targeted, ‘action-learning’ response to the challenges of Brexit. This self-significant uncertainties and risks remain which could mean that our economic outcomes may fall behind. Therefore, our interventions in the RES must work in tandem with efforts by the British and Irish Governments to drive economic activity in the Border Corridor and ensure that businesses have additional support in mitigating the impact of Brexit. A key example of which is the economic stimulus package announced in January 2020 by the Minister for Business, Enterprise and Innovation in Ireland for the Southern Border counties (i.e. Donegal, Sligo, Lethm, Mayo, Monaghan and Louth).

Our counterparts in the North-West in their City Deal proposition document recognised that the existence of an international border post-Brexit raised many issues about the delivery and impact of their Inclusive Strategic Growth Plan. Accordingly, they highlighted the need for a NW Enterprise Zone focused on the innovation sectors within their bid proposal and to mitigate the challenges and exploit the opportunities arising from Brexit.

Reflecting on all of the above we reiterate that our ambition must sit within a regional approach to economic growth – rebalancing across NI – and an approach that also recognises the particular considerations that our positioning on the Border Corridor brings.

Future proofing the skills base in MSW emerged as the top priority from our engagements and is aligned with the findings from the socio-economic

analysis that skills and access to labour are both a major current and future constraint to growth and competitiveness in MSW.

Given that before the COVID-19 pandemic our economy was near or at full employment, there is a need to intervene with actions to ensure that the requisite skills for the future are there in scale and profile (by sector and by levels) to underpin our region’s ambitions. Interventions in this area must be strongly aligned to the ‘innovation pillar’ within the RES in that interventions to embed technology and automation in the workplace (e.g. robotics/cobots, application of AI, data analytics, Industry 4.0 innovation much of which is in its infancy currently) will fundamentally change the skills needed within the workplace of the future.

We are in a strong position to expedite projects/actions in this theme through the industry-led structures that are already established in our region – the Mid Ulster Skills Forum and the ABC Local Works Forum – which have been established to bring a collaborative dynamic between local businesses, colleges/universities and industry sectoral bodies to address prevailing labour and skills challenges. Structures such as these and the Manufacturing & Engineering Growth & Advancement (MEGA) will provide key governance structures for advancing skills focused interventions in the MSW.

The following sets out potential actions/project concepts for further development and prioritisation. The first four are largely centred on policy changes that would align better with MSW needs – in effect offering MSW a degree of regional autonomy.



Access to labour/lobbying for a differentiated migration policy/regional autonomy for MSW post-Brexit

- Lobbying for a differentiated and more flexible migration policy – in effect regional autonomy for MSW post Brexit, that keeps our economy open to all levels of international talent. With the rationale for this based on the economic contribution of MSW to NI GVA and the predominance of manufacturing employment within our region, which has been highly reliant on attracting EU migrant labour in recent years.

Policy changes to the 'off-the-shelf' apprenticeship offer (short-term) regional autonomy for MSW

- The work-based learning route is the priority for MSW and the ambitions / plans of the FE sector offer a good basis to build on. However, there are perceived constraints regarding the 'off-the-shelf' apprenticeship offer in terms of its ability to meet the prevailing needs of industry in MSW. It was clear from our

engagements that the Apprenticeship Levy has not served the needs of MSW's industry well to date, and a policy change is required to enable businesses to use the Levy in order to provide tailored training support to meet their needs. As it stands it is viewed as a 'tax' on the larger businesses that does not adequately convert to a sufficiently tailored skills development mechanism for our businesses. Businesses in the construction sector also pay a levy to the Construction Industry Training Board (CITB) underlining the need for the main levy as above to be more effective. There is interest in exploring solutions that give our employers more control to 'purchase' their own solutions in this regard, which may entail aspects of the voucher system in place elsewhere in the UK. Another issue cited was prevailing age restrictions. Short-term therefore there is an

immediate need to work with DfE / the FE Colleges to assess what adaptations could be made to better fit with immediate skill needs.

Extend the range of Higher-Level Apprenticeships (HLAs) and degree apprenticeships available in MSW - regional autonomy for MSW

- Extend the range of higher-level apprenticeships and degree apprenticeships as an alternative, and debt-free, route to higher-level qualifications, with greater opportunity to progress into employment. This extended range should be linked to the needs of priority sectors in MSW and aligned with the concept of the Innovation and Skills Academy set out under 4.5/the Innovation 'Pillar' – which will drive the need for cross-cutting skills in digital futures and automation. In relation to the construction industry there is also an interest/ a proposal to develop a fully employed four-year apprenticeship model;
- Promotion of the value of this option as a route to higher-level qualifications/ the 'world of work' with parents of young people.

Greater focus on shared apprenticeship schemes in MSW - regional autonomy for MSW

- In order to increase the uptake of apprenticeships in MSW, there should be greater focus on Shared Apprenticeship models. These are typically targeted at SMEs who may not be in a position to offer apprenticeships to young people due to the economic uncertainty across their sector and the short-term nature of their order books. A Shared Apprenticeship model entails the sequential hosting of an apprentice across multiple companies (e.g. for a minimum of three months), thus removing the long-term risk for individual SMEs but still offering a

mechanism to develop requisite skills at a region-wide level. There are established models of good practice in this regard in the construction industry in GB that typically involve a partnership between a regional/ devolved public sector organisation and the CITB. This model rotates individual apprentices through hosted placements within construction companies, and individuals who complete the full three-year apprenticeship achieve an NVQ Level 3 in their chosen trade. This model has been successful in building skills for the construction industry, with around 90% of apprentices who complete the three years securing full time employment in their chosen trade.

Supporting the renewed policy focus on apprenticeships as part of the post pandemic recovery plans

- Apprenticeships are already recognised as an instrumental part of the national post-COVID-19 recovery plan. For instance, the UK government recently highlighted the idea of an apprenticeship guarantee for young people, as part of an "interventionist approach" that is aiming to ensure that the country "bounces back sharply";
- Similarly, the recent announcement by the UK Government of the Kickstart scheme, as part of the economic recovery proposals, whereby the Government will either fund or contribute towards businesses creating new roles for 16-24-year olds who would otherwise find themselves entering the employment market at a precarious time;
- In MSW we already recognised (pre-pandemic) that the work-based learning route is our priority. As such we look forward to our actions/plans within this RES as above being framed within a renewed policy focus, that would include initiatives such as those referenced above and related developments, as part of the economic recovery.

Extend scale and scope of available management and leadership training in MSW

- A range of actions are needed to develop leadership talent and management skills alongside technical and professional skills in MSW. This can be particularly relevant for the SME community and family owned businesses, where succession planning is relevant;
- Via the ABC Local Works Forum a range of pilot management and leadership programmes have been rolled out in the ABC Council area. The learning from this activity should inform considerations to extend the scale and scope of the leadership and management training offers more broadly in MSW. All future interventions in this area should be underpinned by a focus on innovation, efficiency and improved productivity, consistent with the headline ambition of this RES.

Initiatives to promote career attractiveness

- A range of initiatives that promote career attractiveness in priority sectors in MSW are needed to retain and build key skills in the region. This will include work experience in industry for school age pupils from age 14 and the education of parents on the value of the work-based learning route, including HLAs and Foundation Degrees (as above);
- It is also evident that there is an onus on the employers and businesses themselves in MSW to actively promote the development of productive, inclusive and engaging workplaces. Promotion of good practice in this regard will help to improve the image of MSW priority sectors;
- Furthermore our businesses will be encouraged to increasingly offer different employment models, flexi-working, contract and portfolio working – all of which have the potential to significantly change the way they attract, invest in and develop skills in future.



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4.5 BOOSTING INNOVATION AND DIGITAL CAPACITY

Given our ageing population and expected slowdown in population growth, increasing productivity will become our most important driver for success – as reflected in both the UK and NI Industrial Strategies.

Consistent with these strategies a key priority in our RES is supporting our businesses to be more productive and to enhance their capabilities in crucial enabling technologies such as data analytics, robotics, automation, Industry 4.0, machine learning, artificial intelligence, augmented reality, advanced materials and production techniques, and to exploit the growth opportunities these technologies hold for our region. There are evolving plans at an NI level for a Manufacturing Innovation Ecosystem embodying much of the above via the City/Growth Deals. These plans are being co-ordinated by QUB/the Advanced Manufacturing Innovation Centre project and provide for an integrated skills pipeline, linking FE colleges and the HE sector to satisfy industry needs. Collaboration at the NI region level in this regard will help 'NI Pic' to build enhanced UK presence and overseas representation leading to increased revenue streams for NI from participation in major national innovation programmes and by attracting FDI. As set out previously, our region boasts significant levels of advanced manufacturing activity, with 70% more employment in high and medium tech manufacturing than the UK average. Consistent with this we will be a major player within the evolving plans at an NI-wide level for a Manufacturing Innovation Ecosystem, with a footprint/physical innovation facility on the ground in MSW within this ecosystem and reinforcing interventions specific to our RES/Growth Deal to ensure further success. We envisage that this should be mainly delivered via the auspices of the South West College (SWC) who were awarded the Engineering and Advanced Manufacturing Curriculum Hub for NI in recognition of their long-

standing track record of successful collaboration with manufacturing industry.

Our implementation approach to the above will be tailored to the leading sectors in the manufacturing/industrial economy in MSW (that offer further potential for growth) as set out in Section 2 of this Strategy – working in conjunction with sector partners/agencies as appropriate. A case in point is agri-food/food manufacturing, a sector which has a large presence in MSW. Robotic solutions are increasingly being used to automate repetitive tasks in this sector (e.g. for dispensing, food placement, cutting, packaging or casing of food, pick-and-place products into containers, and sorting) and their further application can bring productivity improvements and help offset labour shortages in a tight labour market such as that recently present (and forecast) for MSW. In this arena we would work with CAERE as a partner agency which has a leadership role for stimulating innovation, including the application of enabling technologies automation, within the agri-food sector across NI. CAERE has a major presence in MSW through two of their three campuses being located in MSW (Loughry and Enniskillen).

Our ambition for boosting innovation is not limited to the manufacturing/industrial economy. A recent study within MSW indicated that in ABC there is a particular strength in the digital tech sector – IT services, computing and advanced electronics, software and communications. This report highlighted that the Digital GVA/capita therein was 28% more than the NI average and Digital ICT wages 44% above the NI average. The new Southern Regional College (SRC) campus in Banbridge is also set to become a 'Specialist Centre for Digital Media and Design'. Building on all of this we recognise the opportunity for growth of the digital tech sector across MSW whilst acknowledging that the reach of the digital tech sector is much wider than the sector itself (e.g. within financial services, creative industries, medical devices and pharma/bio-technology).

It is also important to recognise health and social care as an 'economic driver', over and above being a core service providing sector in MSW. Our region is home to two leading acute and teaching hospitals, which along with the expertise therein

and associated local supply chains are major sources of employment in MSW. Furthermore, in Dungannon, plans are being progressed for what will be the largest significant investment in health infrastructure the region has seen for many years, with the development of a multi-million pound purpose-built health and care centre. This new service model will deliver high quality integrated primary and community care services for the population of Dungannon and the surrounding area, with the potential to accommodate some regional services. In Cookstown also, agencies are exploring plans for a new build health and care centre, designed to achieve an integrated approach to the delivery of primary services as well as adopting an innovative approach in co-locating other health and public services within the one site.

With these health care assets, and the leading pharma companies based in MSW, our region has both world class expertise and demonstrable innovation practice that will be consolidated further via the RES to deliver exponential gains in GVA and productivity. We will explore with our two hospitals the specific opportunities that this presents to align to the evolving plans for the Health Innovation Research Alliance Northern Ireland (HIRANI) at an NI-wide level.

As espoused in Economy 2030 the Industrial Strategy for NI our ambition is for an economy in MSW where innovation is embedded in the DNA of every company and across the public sector.

The following narrative sets out potential actions/project concepts for further development and prioritisation.

An innovation and skills academy delivered by South West College

- We will deliver an Innovation and Skills Academy through the South West College. This will be the 'physical footprint' of the Advanced Manufacturing Innovation Centre (AMIC) for the MSW region. It will provide access for our companies to continue to learn, test and embed enabling technologies and automation to expedite productivity improvements. It will be 'world-beating' in concept and delivery. Aligned with this we will continue to ensure that the proposals will be shaped by our business leaders, active in the advanced manufacturing and engineering sectors in MSW.
- It will facilitate university collaboration in MSW in this arena, through the AMIC network building on/scaling up the expertise already in the FE sector within MSW, particularly with respect to product/process innovation in the SME industrial economy.
- As a core element of 'NI Pic's' Manufacturing Innovation Ecosystem, it will be networked into an Advanced R&D and Investment Network across the UK and Ireland including the relevant Catapult centres – providing access to revenue streams for our region via participation in major national innovation programmes and by attracting FDI.
- It will also act as the focal point for the development of higher value-added skills and related apprenticeships for advanced manufacturing/the industrial economy of MSW.
- We will seek to reinforce all of the above by putting in place an Industrial Investment Challenge Fund that will build a delivery pipeline of demonstration projects eligible for support – by virtue of their potential to radically address the productivity challenges facing our region and to showcase 'best in class' adoption of enabling technologies. Specifically, this will entail the provision of

OUR AMBITION

capital funding to support businesses with in-house innovation and/or to enable them to introduce new equipment following the conclusion of R&D – including that stimulated via the AMIC network referenced above.

The development of an NI Agri-Food Robotics Centre, at CAFRE Loughry campus

- We will work with CAFRE, other educational institutions and industry stakeholders to create an Agri-Food Robotics Centre. CAFRE, is an integral part of the Department of Agriculture, Environment and Rural Affairs, with two of its three campuses (Loughry and Enniskillen) located within the MSW region. The Loughry campus has lead responsibility for knowledge and technology transfer to the NI Agri-food industry;
- The proposal is to create a NI Agri-food Robotics Centre, at CAFRE Loughry campus, focused on education of HE students and technology transfer of robotic automation and enabling technologies to the agri-food sector.

Centre for Agri-Tech Innovation (in collaboration with AFB Loughgall)

- In MSW we want to play our part in building capabilities that can lead the world in delivering sustainable food and farming solutions. Accelerating efficiencies in the way food is produced is now arguably more important than ever, with rising global demand for high-quality food and nutrition, set against challenges such as food security, profitability and climate change;
- To this end we will explore the potential to develop MSW as a centre of agri-tech innovation building on the track record and expertise of the Agri-Food and Biosciences Institute (AFBI) in Loughgall, Co Armagh.

There is a network of four Agri-Tech Centres of Innovation in the UK (supported via Innovate UK) as well nine regional clusters across the EU that are acting as centres of agritech innovation as part of a €20m project called SmartAgriHubs (where Ireland is a key partner with a centre in Waterford). We will explore models such as these to shape and advance our plans for MSW.

The development of Agri-Food Incubation space in MSW

- Incubation space is required across the region to support food development for smaller SMEs. By way of example this is currently an area being explored by the Southern Regional College within MSW.

The development of a network of Digi-Hubs in MSW

- As noted above we recognise opportunity for growth of the digital tech sector across MSW, whilst acknowledging that the reach of the Digital Tech sector is much wider than the sector itself;
- To this end we will put in place a network of state-of-the-art digi-hubs in MSW entailing inspiring, digitally advanced co-working spaces. These will be visible locally-based foci for the development of the digital tech sector in MSW and will provide a structure for sectoral focus, leadership and networking. The sectoral focus will include building on the increasing reputation of Banbridge as a centre of excellence for the screen industry (film, TV and digital media). The collaboration that these will enable between individuals/companies working in the digital tech arena and local communities will help to stimulate small scale innovation projects. They will also act as a 'gateway' into training and education

for the digital roles in the new economy and for digitally enabled design, leveraging from the expertise and plans of the Southern Regional College in this regard;

- Our ambition in this regard is aligned to the concept of the Regional Innovators Network (RIN) in the Belfast Region City Deal, and accordingly when up and running we would seek to exchange good practice on an ongoing basis with the same.

Health Innovation

- Explore opportunities with the MSW Region's two acute and training hospitals to align with evolving plans for the Health Innovation Research Alliance Northern Ireland (HIRANI) at a NI-wide level;
- This could help build support for additional clustering of Life and Health Science (LHS) sector activity in MSW;
- Supporting the effective delivery of a health hub provision including, for example, a new build health and care centre in Cookstown (cited previously).

For more information:

Contact info@midsouthwestregion.org or visit www.midsouthwestregion.org

4.6 BUILDING A HIGH-PERFORMING TOURISM ECONOMY

As set out previously our region has particular competitive advantages in terms of the quality of our tourism product. Accordingly, our focus within the RES will be on selective product development only within MSW alongside positioning our region much more within the 'all-island' visitor economy. This will be facilitated through connection of our tourism product in the West to the discovery points and attractions along the Wild Atlantic Way and promotion of longer-term investments in cross-border assets such as the reopening of the Ulster Canal as a strategic tourism opportunity. The latter also offers scope to align with the ambition to restore the Lagan Navigation from Belfast Harbour to Lough Neagh. The Lagan Navigation was one of the most successful commercial navigations in Ireland, and the final stretch of navigation route to Lough Neagh, runs through MSW – per adjacent schematic. Actions taken elsewhere in the RES to address

Fig. 11: Inland waterway network in Ireland

the deficits in our basic economic infrastructure in MSW are crucial to overcoming the structural barriers to the growth of out-of-state tourism in our region. We will leverage from projects/actions that will help to improve the physical accessibility of our tourism product in MSW and improved digital connectivity in our region. These are crucial to help route out-of-state visitors to our region from the existing NI tourism 'hotspots' and for improved information provision and sign-posting. Improved digital connectivity (and associated digital capacity developed via the Innovation Pillar of our RES) will also help us to innovate in the engagement of visitors with our tourism product (e.g. through the immersive experiences that application of AR/VR can offer).

"Our region has particular competitive advantages in terms of the quality of our tourism product."

Finally, we recognise the need to stimulate investment in tourist-related infrastructure including supporting more hotel and accommodation provision, in key locations in MSW where there are evident gaps – to underpin our future ambitions for the tourism sector.

In pursuit of all of the above we will seek to use Growth Deal funding to leverage other funding sources to invest in our tourism economy such as the UK Shared Prosperity Fund and PEACEPLUS in relation to cross-border ambitions.

Set out below are potential actions/project concepts for further development and prioritisation.

Tourism Product Development within MSW

- Implementation of the Sperrins Signature Tourism/ Future Search project. This will address the fact that recent research indicates that, despite its appeal, Tyrone & Sperrins is not recognised nor is it functioning optimally as a tourism destination/area in the eyes of the visitor. The report arising from the Future Search Conference contains five action plans in relation to development of environment and heritage; infrastructure; branding and tourism; community and management, collectively geared to realising a co-ordinated vision for the future of the Sperrins AONB summed up in the report title 'reaching new heights, realising our potential';
- Further development of MSW as the locus of the 'genealogy/connections' tourism experience in NI, with the Ulster American Folk Park (UAFP) in Omagh as the hub of the same. The current master-planning exercise underway for UAFP will inform further development of this concept within the RES;
- Development of a literary trail spanning MSW that could embrace and build upon existing discovery points/attractions and events that celebrate literary giants from the region (e.g. Heaney, Wilde, Beckett).

Cross-Border Tourism Product Development

- Promotion of investment in cross-border assets and tourism projects is key. One longer term example is the reopening of the Ulster Canal as a strategic tourism opportunity. The original route of the Ulster Canal, links the lowlands around Lough Neagh with the Erne Basin and the River Shannon system. The route traverses all three Council areas in MSW and is the 'backbone' of the historic inland waterway network in Ireland.

Actions to stimulate/ de-risk and expedite quality hotel investment in MSW

- Relevant only in areas of MSW where there are evidenced 'gaps' in provision and associated market failures across the region. Banbridge is a case in point where there is an urgent need to support the impending out-of-state visitor traffic to the Game of Thrones Legacy Project. Similar capacity may be needed in the Sperrins to support the planned Sperrins Signature Tourism/ Future Search project.

Improved infrastructure for routing/ signposting and visitor engagement with the tourism product in MSW

- Branding research to best connect/align the West of our region to the discovery points/ attractions on the Wild Atlantic Way – and implementation thereafter;
- Support for innovative investment in digital channels and enhancements of visitor experiences in MSW e.g. through use of VR AR. These could exist at visitor attractions themselves or be hosted at TICs to inspire visitors to then go and visit the region.

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CONCLUDING REMARKS

This RES sets out the headline vision and ambition for our region; it identifies the opportunities and challenges we face; and sets out the priority 'pillars' around which future investment and actions to realise our ambitions will be framed. It also provides an early, high level indication of potential specific projects/interventions that may sit under each of these pillars - which will be the subject of ongoing development in the months ahead.

The next stage of development work on these project ideas/concepts will enable us to refine the economic targets for each - which aggregated together will quantify the scale of our collective vision (e.g. GVA/productivity/job growth etc.) for the MSW region as a whole.

In a post COVID-19 recovery context, our work will strike a balance between the shorter-term challenges and the need for longer-term transformative action.

We are resolute in our ambition to 'supercharge' the growth of our collective economy and ensure inclusive prosperity in MSW through development and delivery of this RES.

We would like to acknowledge the input and guidance of our industry/business base in MSW in shaping our ambition thus far. As the 'economic engine' of NI, our region is in a prime position to deliver substantial additional economic growth for NI as a whole, on foot of the implementation of the targeted investments and actions proposed within this RES. To this end we look forward to ongoing engagement with our industry/business base and our partners in central government departments/agencies.