



South of Scotland
ALLIANCE

South of Scotland
COMPETITIVENESS STRATEGY
2007-2013



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The South of Scotland Competitiveness Strategy 2007- 2013

Foreword

This document sets out the South of Scotland Alliance's Competitiveness Strategy for the South of Scotland in the period 2007 – 2013 and includes input from a range of public and private sector partners. The next six years will be a critical time for economic well-being of both Dumfries and Galloway and Scottish Borders. The challenges we face are to position our areas to compete effectively with the rest of Europe and the World in terms of trade, investment, and tourism and to ensure that there is a dynamic and entrepreneurial attitude within our communities and local businesses. This means that considerable support will be required from a range of public and private sector partners at the European, national and local levels. This will be used to improve transport and communications, business infrastructure, regeneration and place investments, assist companies and to improve the education and skills of our people. The provision of the co-located Higher and Further Education facilities at the Crichton, Dumfries and in Galashiels will be key economic drivers. We believe that if effectively implemented the Competitiveness Strategy will mean that the South of Scotland makes a significant contribution to the economic development of Scotland.

*Convener of Dumfries and Galloway Council
Leader Scottish Borders Council
Chairman of Scottish Enterprise Dumfries and Galloway
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Introduction

We have become accustomed to refer to ourselves in the South of Scotland as the “forgotten” or “hidden” part of Scotland. These phrases convey important truths, such as that we are one extremity of Scotland, and also that current economic development theory (like so much other conventional thinking in Scotland) focuses naturally enough on the central belt.

But the idea of being “forgotten” or “hidden” is the wrong place to start. Our area has many natural advantages and things going for it:

- ◆ With devolution, the South of Scotland is now well represented and has a clear place at the table of Scottish decision-taking
- ◆ It has natural advantages that make it an attractive prospect both for residents and for visitors
- ◆ It is strategically well placed on major road and rail routes between Scotland and England
- ◆ It has benefited significantly in recent years from national and European funding to develop its economy and infrastructure
- ◆ It has significant resources and potential in its land assets and energy resources.

Recent years have certainly produced some problems for the area, but they have also been years of growing confidence and improving prospects:

- ◆ On both sides of the area, in Dumfries and in Galashiels, there are plans for combined higher and further education campuses, which will provide significant and critical new support to higher and further education, and skills in the area
- ◆ The South of Scotland is increasingly a place where businesses want to be located – e.g. ProStrakan, Galashiels (the UK’s fastest growing biomedical company) and E.ON UK that is building a renewable energy biomass power station in Lockerbie
- ◆ In the last five years specific additional funds from national and European sources have enabled significant infrastructure development which will help both business and tourist development and the growth of the Scottish economy
- ◆ Transport infrastructure and service improvements are helping access to and from and within the area – including, for example, the completion of motorway status for the (now) M74, the prospect of the new rail link from Edinburgh to Galashiels, and the increase in air services to Prestwick (potentially opening up significant development opportunities in the west of Galloway)

- ◆ Though there are still issues to be resolved, implementation of the Common Agricultural Policy reforms in Scotland now gives some clarity and confidence to farmers to get on with diversification and adjustments to the rural economy.
- ◆ The roll out of broadband infrastructure and technology through a range of initiatives including the South of Scotland Broadband Pathfinder project

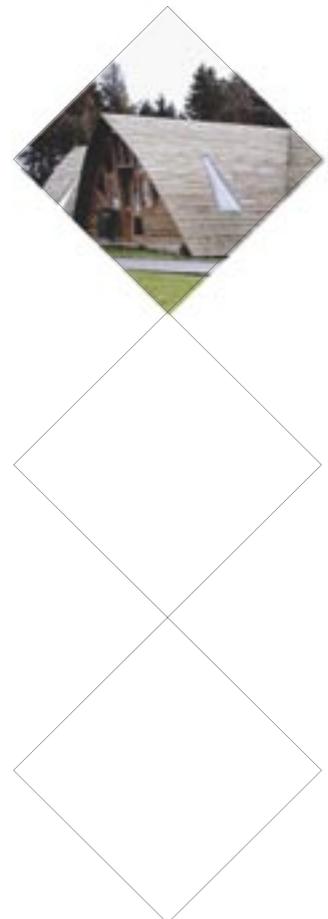
However, no-one owes us a living and in a dynamic national and global economy, we need to keep our thinking under regular review. As well as helping to maximise our possibilities, it is clear that we also face some risks and most particularly:

- ◆ Changes to EU Regional Policy leading particularly to reduced funding for the UK. This is a certainty, following the accession of the new member states and the budget settlement agreed in Autumn 2005
- ◆ The fact that national economic development policy is now focussed on City Regions and Scotland's priority industries as the main drivers of growth, and this is likely to be reflected in arrangements the Scottish Executive apply for administering the remaining (reduced) Regional Funds; and
- ◆ A presumption of a general squeeze on public expenditure in the next few years.

In themselves, these likely developments are not good news for the South of Scotland. But in practice, that means that we need to think more creatively and turn them somehow to our advantage.

The South of Scotland Alliance (Dumfries and Galloway Council, Scottish Borders Council, Scottish Enterprise Dumfries and Galloway and Scottish Enterprise Borders) has therefore looked afresh at the existing economic development plans for the area, and this document is the result. It is an aspirational document. It requires further work on the detail as the region develops and national policy evolves. However, we believe that it is rooted in reality, is practical, and goes with the grain of national economic development policy. It will provide us with:

- ◆ A framework of development that will genuinely contribute to national economic development and growth by supporting the City Region and priority industry initiatives and also recognising the particular development priorities of some deeply rural areas
- ◆ A clear framework on which to plan and prioritise spending, in circumstances where it may not be possible to do everything we want, or at least to do everything as quickly as we want





- ◆ A sound and persuasive basis on which to bid for continuing support from national and European funds, and
- ◆ If we get it right, and have confidence in what we can do, an exciting vision for the future of our area.

Much of what follows in this document is conventional enough. Successful economic development of the area will depend on careful and consistent application of the priorities set out in this document. What is important is that we keep in sight the bigger picture, and that everything fits in with that.

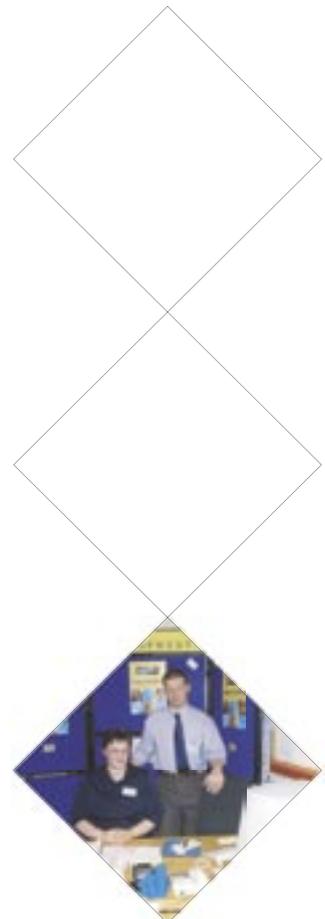
However there are some clearly new features to our approach. These are inevitably the most aspirational parts of the document. But they seem to us to have the power to make real and significant change over time, and to demonstrate in a new way the opportunities for the South of Scotland (and, as will become clear later, for the northernmost part of England) to show a new way to rural development. The most important points in what follows are:

- ◆ **The Rural agenda:** Diversifying and growing the rural economy in its own right through focusing on growth as opposed to lifestyle businesses, and adding value to the primary assets, services and goods produced in our rural areas by:
 - increasing focus and support on growth and economically significant companies in rural areas
 - developing a complementary rural proposition to attract mobile investment
 - recognising the common priorities and opportunities in rural areas across boundaries to create critical mass and impact with our interventions.
- ◆ **The City Region agenda:** It is clear enough that the economic success of the City Regions has more to contribute to us, than the other way round. But it should not be a one-way traffic. We have a lot to give back, not least in relieving cost pressures in the urban economy, quality of life benefits and contributing to the wider vision and assets of the city region, particularly sitting as we do as an axis to five cities namely Belfast, Glasgow, Edinburgh, Newcastle and Carlisle.
- ◆ **Cross-Border co-operation:** This is discussed later. Things are already happening, but on a limited scale. But the more we think of it, the more the national border between Scotland and England is in economic terms irrelevant. The essentially rural economies of the north of Northumberland and Cumbria throw up pretty much the same issues as in the more rural southern end of the Scottish Borders and of Galloway. We can look also to Newcastle, Carlisle and Belfast. We need a more active and directed process for working together and will make this a priority. Our links to mainland Europe are also opening and this will continue in the enlarged Europe.

- ◆ **Scotland's priority industries:** capitalising on the natural asset base and contribution of the South of Scotland to our national and regional priority industries
- ◆ **Closing the opportunity gap:** As will become clear later, we still have significant problems in the South of Scotland of under-skilling, low incomes and business property market failure. These tend to be compounded with other issues of social disadvantage. One key to economic success will be better balancing of the population, and that will mean making the area attractive to incomers, bringing particular skills. But it will be most important that existing residents in the area benefit fully from economic development and are supported to ensure that their contributions are made effectively. The developing vibrant Higher Education (HE) and Further Education (FE) presences, offering opportunities at all levels, have the potential to act as significant drivers in this regard.

It is worth emphasising, and implicit in the further work that needs to be done on cross-border co-operation and on the inclusion agenda, that, quite apart from the opportunities arising from the City Region and priority industries agenda, the South of Scotland does include deeply rural areas which cannot credibly benefit from this agenda and which will continue to require policies specifically designed to their rural circumstances to deliver economic opportunity and growth.

This Competitiveness Strategy sets out an indicative strategy for the economic growth and success of the South of Scotland for the six-year period 2007 – 2013 which coincides with the next period of the European Union's Structural Fund programmes. It identifies future economic development priorities which need to be addressed if we are to achieve our goal of a truly competitive South of Scotland that will enable the region to make an effective contribution to achieving a smart and successful Scotland and to the European Union's (EU) Lisbon Agenda of a competitive Europe. The strategy recognises, however, that increasing regional competitiveness in rural areas is more complex than just the pursuit of jobs, growth and research and development led strategies for urban areas. Certain barriers to achieving competitiveness require addressing.



Background

The South of Scotland comprises the administrative areas of Dumfries and Galloway and Scottish Borders Councils. It is one of the most rural regions in the United Kingdom.

It covers an area of over 4300 square miles and stretches the breadth of Scotland from the North Sea in the east to the Irish Sea in the west.

The population of the area is 257,000 with 109,000 residents in the Scottish Borders and 148,000 in Dumfries and Galloway. The region is one of the most sparsely populated in the country with a population density of only 23 people per square kilometre – around one third of the Scottish average and one tenth of the UK figure and a fifth of the average for the 25 countries of the EU.

The South of Scotland is home to market towns which act as service centres not only for their local communities but also their rural hinterlands. Only four towns in the area (Dumfries, Hawick, Galashiels and Stranraer) have a population of more than 10,000 inhabitants. The economy is more reliant than nationally on traditional manufacturing and land-based industries, but is also has a growing number of entrepreneurs and growth companies which recognise the value of the local workforce and the potential for a pleasant living and working environment.

The area has a significantly older population than Scotland as a whole, and a much lower proportion of the population under 45. The population cadre aged 30 – 44 is projected to decline further by almost 40%. The area has a relatively low GDP per head, 73% of the Scottish average in 2001.



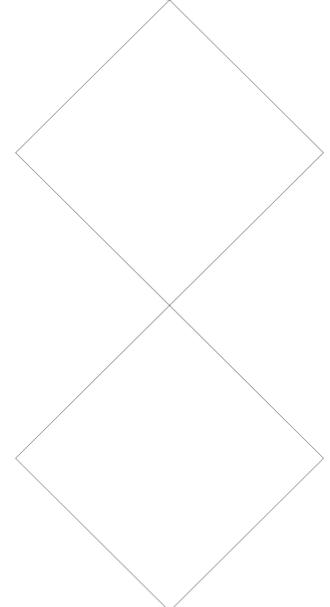
Problems, Challenges and Opportunities

The key problems facing the South of Scotland can be summarised as follows:

- ◆ A workforce that is ageing and geographically dispersed (creating challenges to achieve a critical mass for services). We need to retain more of our young people in the area and attract new residents, especially those of working age.
- ◆ We are too economically dependent on declining land-based and traditional manufacturing industries such as textiles and food production, and have too few jobs in growth sectors, such as more knowledge intensive companies, and low productivity. All of this is reflected in low earnings. The “knowledge economy” is of course not just about new types of business – we need to support our traditional industries where they can make better use of modern skills and technologies. But we also badly need to diversify our business base and attract or develop potentially high growth companies.
- ◆ We also have low skill levels in the workforce, and a limited learning infrastructure. School education is of a high standard with good early education and higher than average national results in secondary education. Both Dumfries and Galloway and the Scottish Borders are building up their provision of higher and further education. In this respect it is essential that the Crichton Campus in Dumfries and the co-located higher/further education campus in Galashiels are developed to their full potential and contribute fully to the growth and development of the local economy.
- ◆ There are notable shortfalls in built physical infrastructure, which is a significant potential inhibitor to development. In particular, we need better road and transport links to improve access both to and from and within the area, and we need more affordable and social housing. The development constraints brought about by the need for rapid investment in water and sewerage capacity has also emerged as a major barrier to growth and competitiveness.

So these are problems. But a problem becomes a challenge when we think we can do something about it. And in helping us to do so, we recognise that we have clear strengths and opportunities. These include:

- ◆ Although we have noted our over-dependence on some traditional industry sectors, we still enjoy in these sectors a strong reputation for excellence. We can help them build on that
- ◆ We have a growing presence in a number of developing markets such as renewable energy, and core strengths in key sectors of the Scottish economy





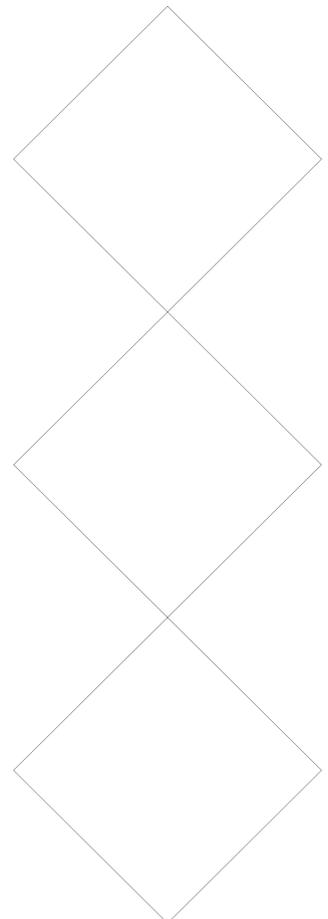
- ◆ We have a distinct and quality tourism product, and believe that we have substantial potential to develop it further
- ◆ Our good track record in early and in secondary education and developing track record in local Further Education and Higher Education provision at all levels, gives us a sound basis on which to develop a more highly skilled and productive workforce
- ◆ Strong entrepreneurial tradition, higher than average levels of business start up and survival rates and a wealth of innovative micro-businesses
- ◆ High quality environment offering good opportunities for living and work life balance, attracting people to the area
- ◆ A wide range and choice of high quality towns, villages and communities of character
- ◆ A track record in partnership, delivery and pulling together both among public sector organisations and between the public and private sectors – a “can do” attitude

So where does this lead us?

- THE VISION

Visions can be tricky things. We need them as a guide and compass, if we are to push ourselves forward. But if our vision is too other-worldly, it becomes clear that it is unachievable, and so discourages ambition. Given our natural advantages, our significant potential, and our ambition to do better, it seems to us that we can realistically look forward to a South of Scotland which in ten years' time:

- ◆ Will be seen as a dynamic and successful place to choose to live and work
- ◆ Will be much more successful both in offering opportunity and incentive for more of our young people to stay in the area, while also attracting new residents
- ◆ Will play and be seen to play a more central role in our national economy through modernisation and diversification of our industrial and commercial base, and the region's contribution to Scotland's economy.
- ◆ Will be seen and thought of through our economic success and through greater co-operation across our borders, as part of a continuous UK rather than as an extremity of Scotland, and a dynamic and outward looking region playing its full part in an enlarged Europe.
- ◆ Our residents will enjoy a better quality of life including better opportunities to realise their full potential, economically and in other respects, with better education and training and more job choice in modern and trend-setting businesses.





How are we going to do it?

- THE STRATEGY

Taking all this into account, and reflecting national and European policies and priorities, we propose a new South of Scotland Competitiveness Strategy for the period 2007-2013, based on seven key priorities. These are to:

- ◆ **Retain and attract more people of working age**
- ◆ **Grow a knowledge economy in the South of Scotland**
- ◆ **Increase the demand for learning and skills development amongst the workforce and wider community**
- ◆ **Maximise the benefits of connections to city regions and other economic centres including mainland Europe**
- ◆ **Realise the full potential of the indigenous business sectors and maximise the contribution to Scotland's priority industries and in particular the food, tourism, textiles and renewable industries. Improve micro-business support and growth potential.**
- ◆ **Build a distinctive high quality sustainable place to live, work and visit and enjoy**
- ◆ **Develop the coastal and land based assets of the South of Scotland**

These priorities are interlinked. For example new workers would be attracted to the region by the existence of more high value jobs in the area, a choice of good housing in attractive locations and access to a range of local services. This means that for the competitiveness strategy to achieve maximum benefit it has to be joined up and its delivery needs to be co-ordinated. In all of this we need to ensure full involvement of the private sector.

In developing our thoughts on these priorities in the following sections, we have set out an indicative programme by which we would seek to implement the Strategy. The costs are broad estimates and are indicative only. They suggest a total investment over the six year period of £312million.

Levels of Investment

It is important to emphasis that this is not intended as a crude "shopping list", but more as an indication that the Strategy has depth, is practical and that resources devoted to it would be well spent and prioritised. Clearly, in practice, implementation would have to be tailored to whatever resources are actually available, but the total list compares the funding that will be available in the period 2007 – 2013 to other rural areas such as West Wales, Cornwall and the Highlands and Islands

We have to recognise, of course, that some of the sources of funds in recent years will not now be available, or perhaps not at the same level. We hope, through this strategy, to make a persuasive case for the funds to be provided from other sources.

Taking the seven priorities set out above in turn, Appendix One then allocates indicative costs to each proposal

PRIORITY ONE

- Retain and Attract More People of Working Age

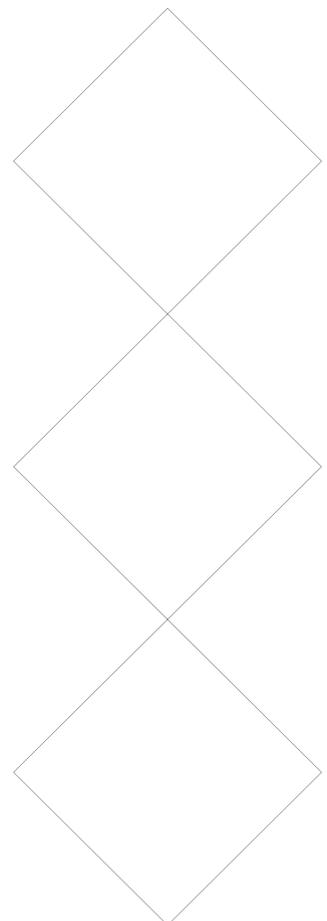
Probably the biggest single issue which will impact on the overall future competitiveness of the South of Scotland will be the forecast decline and ageing of the working population. Less people of working age means less people available to work and contribute to regional economic output.

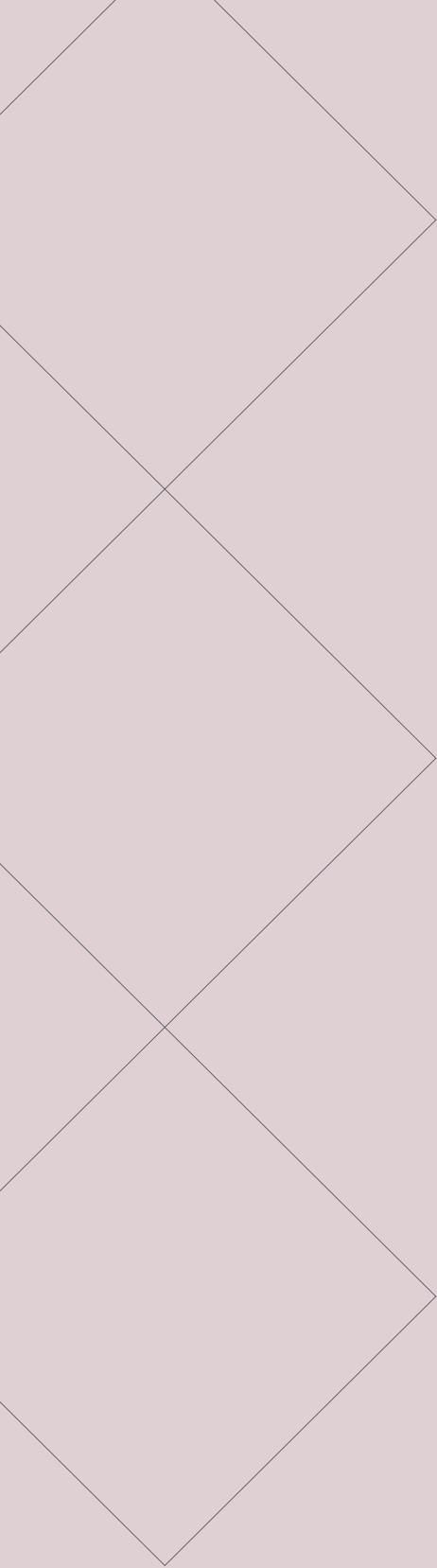
An ageing population will put greater pressure on public services such as health and welfare. A decline in numbers of young people will affect the viability of schools and children's services. We need a more balanced population mix and perhaps different ways of approaching, developing and capitalising on the skill bases which we do have with less regard to the traditional age or skill constraints.

The loss or attraction of people to the area depends on a wide range of factors, some outside the influence of the public sector; but include choice and variety of housing, employment opportunities and especially the availability of high value jobs and quality of life. There is a need to understand and recognise what the South of Scotland's competitive place offering is and to focus activities which develop and improve this offering. For example, the area will never and should never try to compete directly with Scotland's cities. Cities offer something completely different and will always attract people from rural areas no matter what is done to make them more attractive. Conversely, rural areas offer many other attractions which cities cannot provide and complement and add to Scotland's metropolitan regions.

We consider the response will require a mix of economic, social and lifestyle interventions. The indicative programmes and projects which would be designed to address these issues will include

- ◆ A marketing and promotional programme for the South of Scotland which would promote Dumfries and Galloway and the Scottish Borders as places to live, work and visit based on the branding strategies for both areas
- ◆ Further investment programmes in housing, particularly affordable housing in areas of acute pressures caused by high house prices
- ◆ A programme of support aimed at extending more opportunities for older people in the labour market and to maximise businesses and self employment opportunities arising from the provision of more care for frailer elderly people especially in the use of information technologies
- ◆ The establishment of further pre-school child care and local educational provision through to research level. Support for more visitor/leisure facilities designed to strengthen local economies, including the implementation of the Leisure and Conference Centre and town centre and waterfront projects in Dumfries and Stranraer;





the development of a sports stadium and a conference facility in Netherdale, Galashiels together with an ongoing development of a programme of arts, cultural and sporting events across the South of Scotland

- ◆ Attracting high value jobs, some of which will bring people with them
- ◆ The development of a talent attraction programme including attracting graduates, complementing and supporting the initiatives in place at a national level – Fresh Talent.

PRIORITY TWO

- Grow a Knowledge Economy in the South of Scotland

One of the consistent and key elements of all current economic policy is the focus on the need to develop and grow a knowledge based economy. We recognise that many aspects of primary production and manufacturing can no longer compete solely on price. Other parts of Europe and overseas are able to offer a far more cost competitive environment. The main point is therefore to compete not on cost but on other factors such as quality, innovation, design, and value added services.

It is important to recognise that the knowledge economy should not be confused with “science and technology”. It is just as possible to adopt a knowledge based and innovative approach to traditional sectors such as food processing and forestry as it is to develop a cluster of bio-technology companies. In fact in many ways, the former approach is by far the most likely to succeed in a South of Scotland context.

The indicative programmes and projects which would be designed to address these issues include:

- ◆ The development of a Co-Located Further/Higher Education Campus at Netherdale, Galashiels and the further development and expansion of the Crichton Campus in Dumfries which have the potential to attract to, and retain in, the region educated people from throughout the world
- ◆ A programme designed to enhance industry research links with universities and colleges both within and outside the South of Scotland
- ◆ An innovation programme which will encourage the development of new products and services and the use of new or improved techniques in businesses and university spin outs.
- ◆ A programme to enhance the use of design techniques in businesses especially in the field of textiles and to improve design skills within the workforce and in the wider community
- ◆ A local programme to maximise the potential of the development of 'green' technologies such as waste minimisation and recycling.

PRIORITY THREE

- Increase the level of skills and education in the workforce and wider community and tackle skills shortages

There is a continuing need to develop the workforce of the South of Scotland. This will involve maintaining and increasing the range of training and educational opportunities in the region. We also consider that there is a need to meet the educational and training needs of socially excluded groups. There is a particular need to address localised barriers to accessing the labour market such as lack of childcare, rural transport deficiencies and the lack of relevant training and educational courses.

Of particular relevance in a sparsely populated rural area is the need to develop ICT inclusive communities. Empowerment through electronic networking and the provision of broadband, community web, and gateway facilities helps to increase the access and equality of opportunity within the growing digital economy.

To meet skill shortages there is a need to attract new people to the South of Scotland. There are increasing numbers of people coming from elsewhere in Europe and the rest of the World to work in the South of Scotland.

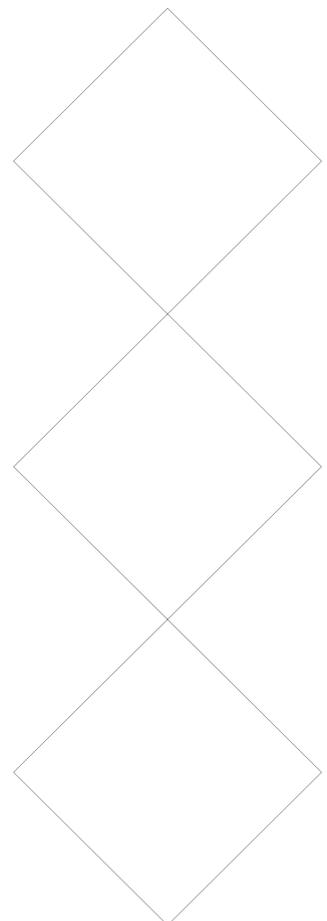
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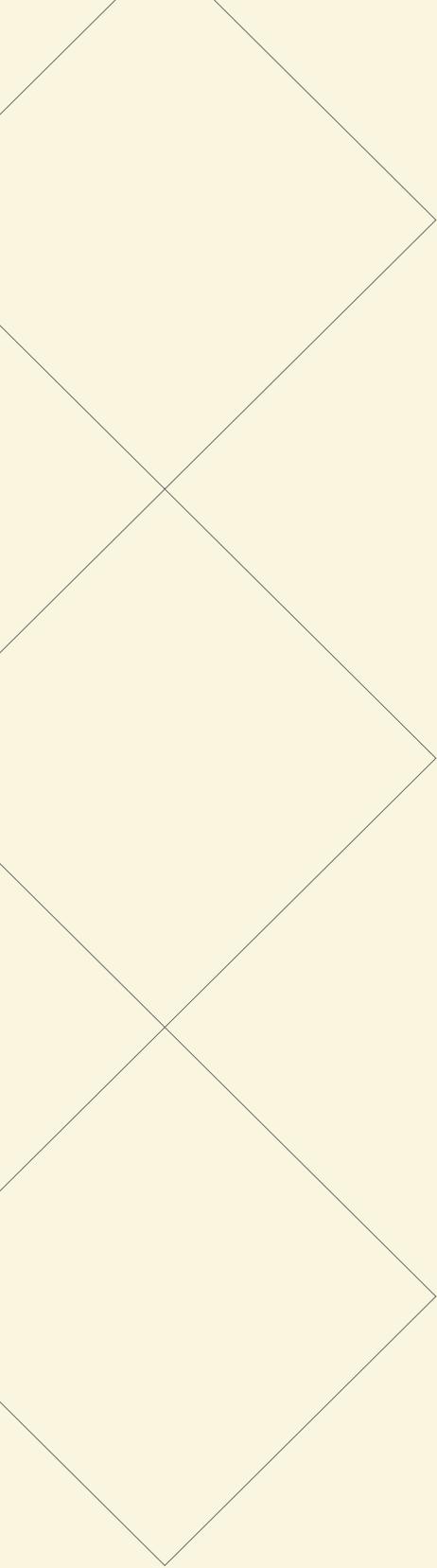
- ◆ Local workforce development skills and educational programmes linked to business needs and job opportunities
- ◆ A programme complementing the implementation of the South of Scotland Broadband Pathfinder project which would seek to maximise the use of digital television technology and facilitate community and business use of this wider broadband technology
- ◆ A programme to enhance the aspirations of and increase skills in information technologies within the workforce and the wider community
- ◆ Local programmes to assist people who are socially excluded to get back into work

PRIORITY FOUR

- Maximise the benefits of connections to the city regions and other economic centres

The South of Scotland has considerable potential to gain economic growth from the cities of Edinburgh and Glasgow in Central Scotland, Belfast to the west and the cities in Northern England. This unique "City Axis" position means offers a prime location for the re-location of Small and Medium Sized Enterprises (SMEs) away from these cities and would accommodate "back room" services for major companies such as the financial sector. Its industrial land and business premises are relatively cheap, labour is of a high quality





with firms experiencing a low labour turnover, and in many locations there is an adequate supply of labour. The region can offer employers and workers a high quality of life in terms of education, security, public services and access to the countryside. For small towns with good links to the Central Belt the attraction of commuters is important to the maintenance and enhancement of local services.

The region also offers considerable potential for public office re-locations and the success of this can be seen with the relocation of the Office of Works and Pensions to Tweedbank, Galashiels and the NHS Central Registrar to Dumfries.

The indicative programmes and projects which would be designed to address these include:

- ◆ An inward investment support programme which involves developing contacts with companies and key entrepreneurs in the cities of Central Scotland, the North and South of England and in key overseas areas with the co-operation of Scottish Development International. The developing local HE links are particularly important in providing a route to build on existing key city links through their home campuses
- ◆ Focus on the recreation/tourism offerings which can be developed to complement the city regions
- ◆ Alternative quality of life locations for growth businesses, particularly manufacturing and service back office functions, and individuals
- ◆ Exploiting flexible and remote working; and the development of the uniqueness, accessibility and quality of our rural hinterlands to differentiate Scotland's proposition internationally
- ◆ A public office re-location programme aimed at working with Scottish Executive and Government Programmes
- ◆ A programme of activity which aims to maximise the benefits arising from the partial re-instatement of the Waverley Railway Line
- ◆ The upgrading of railway stations on the Nithsdale Valley line and the reinstatement of railway stations such as Reston on the East Coast Main Line and at Beattock on the West Coast Main Line
- ◆ Improvements to north/south road routes including the A76, A77, A68, A7 and A1
- ◆ Improvements to east/west road routes including the A75 and east/west road links to the A1
- ◆ A programme to bring key business people to relocate to the South of Scotland.

PRIORITY FIVE

- Realise the full potential of the indigenous business sectors and maximise the rural contribution to Scotland's priority industries and in particular food, tourism, textiles and renewable industries

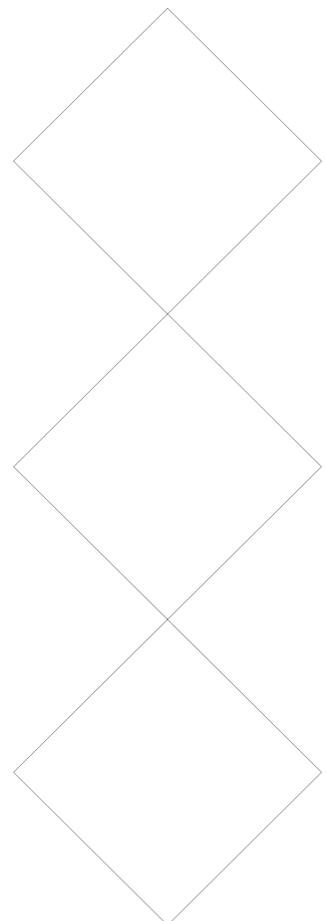
In recent times, economic policy has had a strong focus on key high growth businesses. This is realistic at a national level but does not adequately take account of the needs and potential needs of businesses in rural areas which are so important to the economy of the South of Scotland. Many businesses in our area do not fit easily into current definitions for support as they operate in traditional sectors or are too small to be considered as high growth. There is a need for a more creative approach to building capacity in the micro business sector, particularly where there would be advantage gained or value added by encouraging greater co-operative or joint action between businesses. "Sector Building" might also open up opportunities.

Whilst rural areas in their own right contribute significantly to regional industries such as forestry, construction and textiles, there remain opportunities to increase the rural contribution across our national priority industries, particularly in terms of tourism, food and drink and renewable energy.

There is a need for a 'four fold' approach to support business growth in the South of Scotland. Firstly, there must continue to be a focus on adding value to those sectors where it has a competitive advantage such as textiles, food processing, tourism and forestry. Secondly, there is a need to add value and encourage further innovation and growth within the large numbers of micro and small businesses in the South of Scotland, especially high growth start ups where quality of life is a key part of the location decision. Thirdly, there is a need to increase support to social enterprises which will also assist in the provision of services to communities and to take forward community initiatives linked to regeneration. Finally there is a need to give particular encouragement to businesses which are growing and trading outside the region.

The indicative programmes and projects which would be designed to address these issues will include the need to:

- ◆ Develop industry sectors in the South of Scotland and specifically the land based (agriculture and forestry), textiles (cashmere), food processing, construction, creative, crafts, tourism and renewable industries (see also Priority Four)
- ◆ Develop new ventures which contribute to the diversification of the rural economy
- ◆ Develop competitive sustainable businesses in rural industries
- ◆ Continue to develop the existing programmes of business advice, support and aftercare through the Business Gateways in both Dumfries and Galloway and the Scottish Borders. These would also cover support for product and market diversification, expanding





into domestic and overseas markets and to improve environmental business opportunities and business efficiency

- ◆ Maximise the economic opportunities of green tourism, adventure sports and forest parks
- ◆ Develop the Forward Strategy for Agriculture and Fishing Strategy to align and support Scotland's Food & Drink Strategy, and increase the contribution of our primary industries to wider rural economic development and growth
- ◆ Develop the business opportunities from the production of renewable energy – wind, biomass, wave etc.
- ◆ Carry out a programme of support for Small and Medium Sized Enterprises (SMEs), particularly family owned businesses, to enhance their entrepreneurial practices and capacity
- ◆ Undertake a programme of innovative workshops for SMEs to be held throughout the South of Scotland to stimulate cross sector ideas, products and services
- ◆ Develop a series of public sector procurement initiatives aimed (obviously, within the rules) at providing opportunities for local businesses and social enterprise
- ◆ Continue to operate the South of Scotland loans scheme to meet gaps in funding for SMEs
- ◆ Establish more local venture capital funds to support the growth and development of local businesses
- ◆ Further develop social enterprises through local social enterprise development programmes which build on those funded by the South of Scotland Objective 2 programme
- ◆ Develop a portfolio of High Quality Industrial and Business Premises and Sites addressing property market failure
- ◆ Continue to develop business networks and associations and to nurture a supportive 'atmosphere' that is conducive to business start ups, business growth and inward investment.

PRIORITY SIX

- Build a high quality sustainable place to live, work and visit

We recognise that one of the key issues which the South of Scotland must focus on is in ensuring that it has a competitive place offering. This includes physical and built infrastructure, land and property, housing, quality of environment, access and accessibility, transport, towns and villages. In particular, it is recognised that a greater emphasis must be placed on developing the economic role of the market towns in the South of Scotland. Recent research by the Scottish Executive has highlighted the linkages between market towns and the rural hinterland in terms of their symbiotic relationship.

The range, quality and diversity of the towns in the South of Scotland are part of our undoubted strengths. Also without the appropriate physical infrastructure business may be constrained. However there is a need to recognise that place building is a means to an end and not an end in itself – it is the economic activity that takes place as a consequence that is important.

The programmes and projects which would be designed to address these issues will be:

- ◆ The development of Market Towns Investment Programmes for towns in the Scottish Borders and Dumfries and Galloway
- ◆ The implementation of a Local Community Action Plan Programme
- ◆ The further development of Community Grant Support Schemes
- ◆ The development of major regeneration initiatives including Dumfries Town Centre, Stranraer Waterfront, Chapelcross, and area regeneration schemes in the Scottish Borders
- ◆ Quality business locations and premises particularly for knowledge based industries, like Ettrick Riverside in Selkirk, throughout the region
- ◆ Support for community led economic development projects that maximise community assets
- ◆ Further support to develop the capacity of community and voluntary groups.

PRIORITY SEVEN

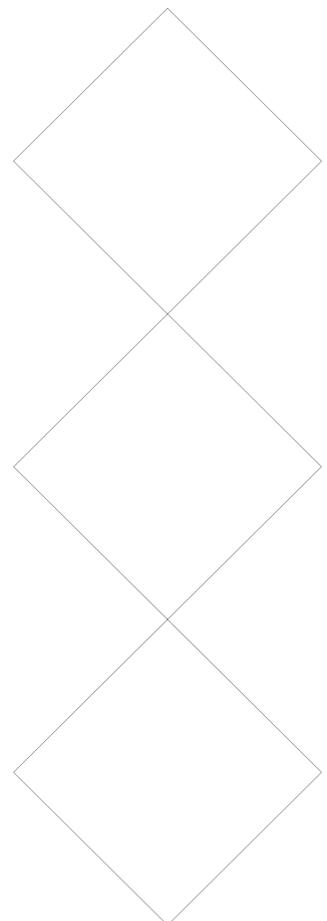
- Develop the coastal, land and cultural assets of the South of Scotland

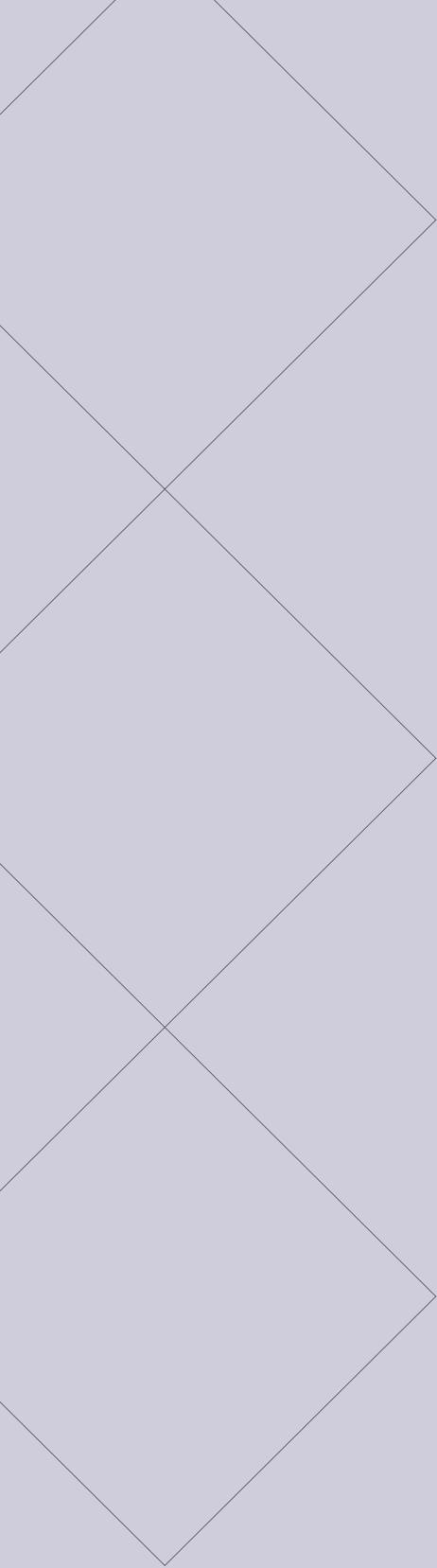
The South of Scotland has significant coastal and land based assets based on the region's agriculture and forestry and attractive landscape. We believe there is considerable potential to exploit these assets through adding value to agriculture, forestry and fisheries products, environmental based tourism and maximising the potential of renewable energy (covered under Priority Two).

The river catchments across the South of Scotland offer particular attractions for game fishing and tourism and recreation and need to be effectively managed.

The indicative programmes and projects which would be designed to address these issues will include the need to:

- ◆ Develop local programmes that would improve the competitiveness and value add aspects of the agriculture, forestry and fisheries industries
- ◆ Undertake a series of coastal projects aimed at improving access and enhancing the attractiveness of these areas for tourism
- ◆ Further develop river catchment management programmes such as the Tweed River Catchment Management Support Programme
- ◆ Develop an adventure sports programme building on the success of mountain biking, walking, and equestrian activities
- ◆ Develop a wildlife tourism development programme such as in the Galloway Forest Park





The Future

The South of Scotland matters to Scotland

The South of Scotland contributes to and benefits from the rest of Scotland, particularly the urban/city areas. Our analysis has highlighted those unique contributions and the role which rural Scotland can play within a competitive global environment.

Of course the South of Scotland and rural areas in general, are different from the urban/city areas – but importantly, they all have a role to play in creating a Smart Successful Scotland.

In addition to the identified economic challenges to the South of Scotland, there are a number of other major changes to European and national regional policy such as the potential impact of a reduction in European Union's (EU) Structural Funds.

This coupled with the higher priority for city/urban activities could result in significantly less resources (funding) being available to develop the South of Scotland to invest in pursuing an economic growth agenda.

This is further impacted on by the fact that there is no strong and coherent approach to rural economic development which is currently largely driven either by the CAP/Farming agenda or by one that is more appropriate for urban/city areas. We believe that there is a need for a more considered view of rural economic development within a changing political and economic context.

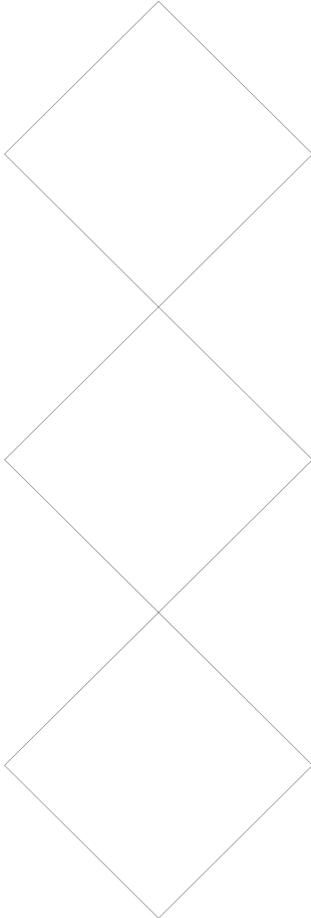
The Alliance believes that the South of Scotland can continue to significantly contribute to the overarching economic goals of growing the Scottish economy.

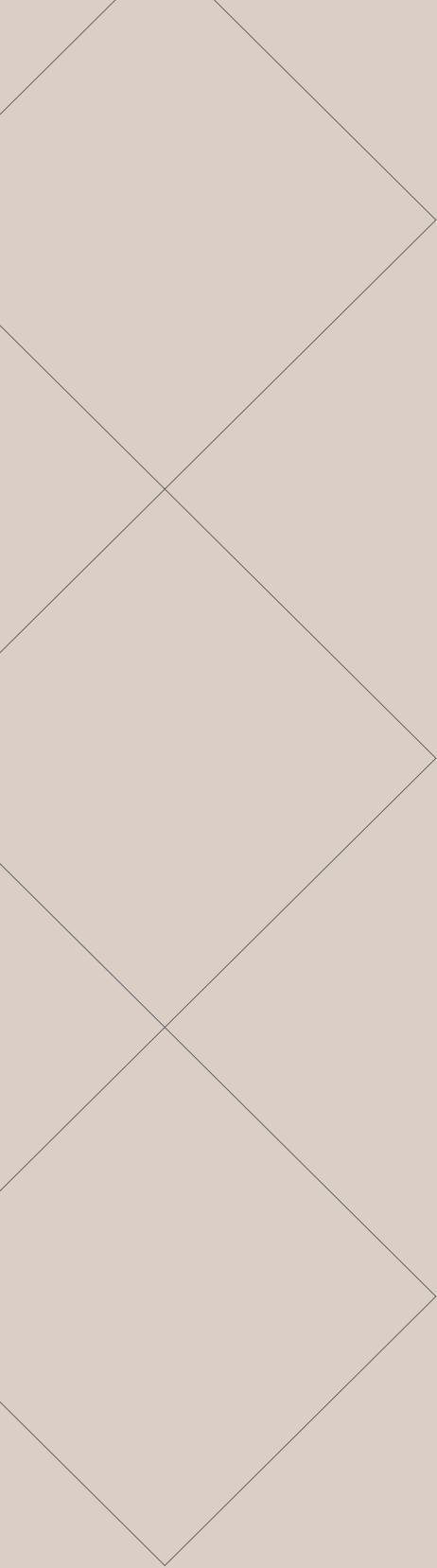
However, for the South of Scotland to continue to deliver for and contribute to Scotland we must be provided with both an appropriate policy framework and the investment necessary to deliver against our overarching competitiveness objectives. We can make a real difference if we are given the right tools.

The estimated resources required to support the six-year South of Scotland Competitiveness Strategy 2007- 2013 on the basis proposed are as follows:

PRIORITIES	INDICATIVE COSTS
1 Retain and attract more people of working age	£70.5 Million
2 Grow a knowledge economy in the South of Scotland	£67 Million
3 Increase the demand for learning and skills development amongst the workforce and wider community	£19 Million
4 Maximise the benefits of connections to the city regions and other economic centres	£58.5 Million
5 Realise the full potential of the indigenous business sectors and maximise the rural contribution to Scotland's priority industries and in particular food, tourism and renewable industries	£77 Million
6 Build a high quality sustainable place to live, work and visit	£45 Million
7 Develop the coastal, land and cultural assets of the South of Scotland	£15 Million
TOTAL PROGRAMME COSTS	£352 Million

This level of resource is considered to be what is needed to achieve a step change in the economy of the South of Scotland. This level of support would not seem to be out of line with other rural areas in the UK such as the Highlands and Islands, rural Wales and Cornwall.





Implementation

To achieve all this we will need real commitment over time, innovative thinking, flexibility by public institutions and leadership. The public sector in Scotland is now waking up to the need to work more effectively, efficiently and flexibly across institutional boundaries with a clear focus on outcomes. Through the New Ways Community Planning Partnership in Scottish Borders and similar arrangements in Dumfries and Galloway, we already have a head start and several years' experience of joint working, as well as good results to show for it. We will develop these arrangements, we will align our operating plans to support this competitiveness strategy and we will ensure private sector involvement.

Further assessment and scoping is required for the specific administrative arrangements we will require to coordinate and manage the new programme, but one possibility might be the existing mechanism of the South of Scotland European Partnership.

Conclusion

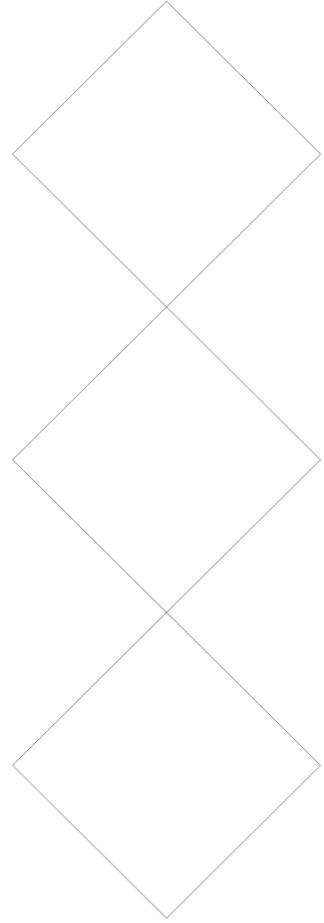
This is simply the start of a process and we will now seek to engage more fully with a whole range of stakeholders – local, national and international. The Alliance believes that such investment will enhance and complement other strategies being rolled out by the Scottish Executive and Europe.

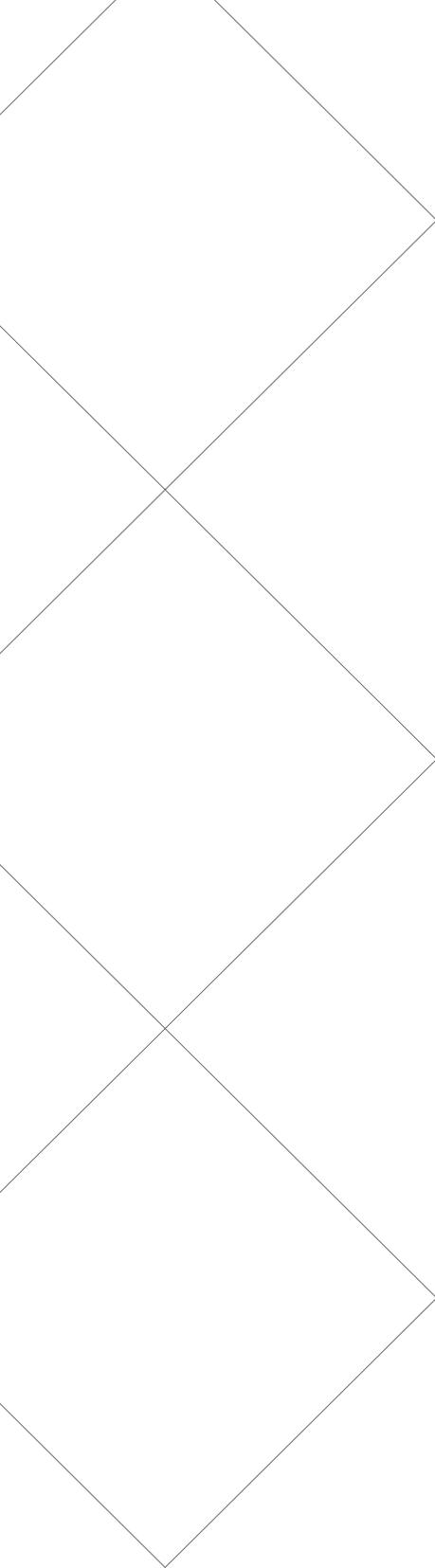
On behalf of the South of Scotland Alliance, we commend this Competitiveness Strategy to you and welcome your views.

Appendix I

South of Scotland Competitiveness Strategy Indicative Programme 2007 – 2013

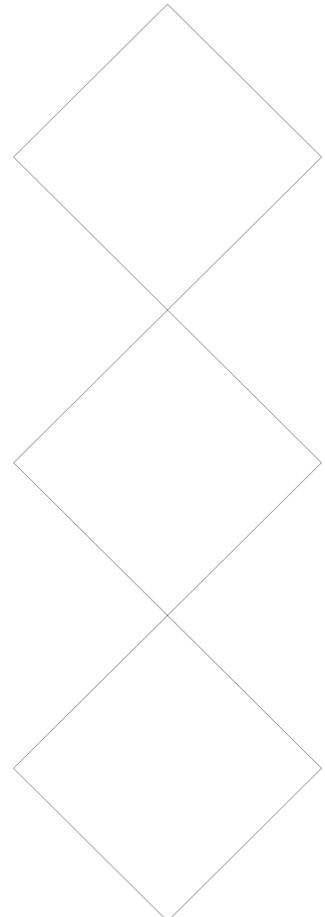
PRIORITIES	INDICATIVE PROJECTS AND PROGRAMMES	COST 2007 -2013	FUNDING/DELIVERY SOURCES
PRIORITY ONE – Retain and Attract More People of Working Age	<ul style="list-style-type: none"> ◆ A marketing and promotional programme for the South of Scotland which would promote Dumfries and Galloway and the Scottish Borders as places to live, work and visit based on the branding strategies for both areas ◆ Further investment programmes in housing, particularly affordable housing in areas of acute pressures caused by high house prices ◆ A programme of support aimed at extending more opportunities for older people in the labour market and to maximise businesses and self employment opportunities arising from the provision of more care for frailer elderly people especially in the use of information technologies ◆ The establishment of further pre-school child care and educational provision that would assist families ◆ Welcoming and support initiatives for migrant workers ◆ Support for more visitor/leisure facilities designed to strengthen local economies, including the: <ul style="list-style-type: none"> - implementation of the Leisure and Conference Centre in Dumfries and town centre and waterfront projects in Dumfries and Stranraer - development of a sports stadium and conference facilities in Netherdale, Galashiels - ongoing development of a programme of arts, cultural and sporting events across the South of Scotland ◆ The development of a talent attraction programme including attracting graduates complementing and supporting the initiatives in place at national level – Fresh Talent. 	<p>£1 Million</p> <p>£50 Million</p> <p>£0.5 Million</p> <p>£3 Million</p> <p>£0.5 Million</p> <p>£15 Million</p> <p>£0.5 Million</p>	<p>Scottish Executive</p> <p>Scottish Enterprise</p> <p>Local Authorities</p> <p>Communities Scotland</p> <p>EU Competitiveness</p> <p>Private Sector</p> <p>Community and Voluntary Sectors</p>
TOTAL INDICATIVE COST FOR PRIORITY ONE		£70.5 Million	

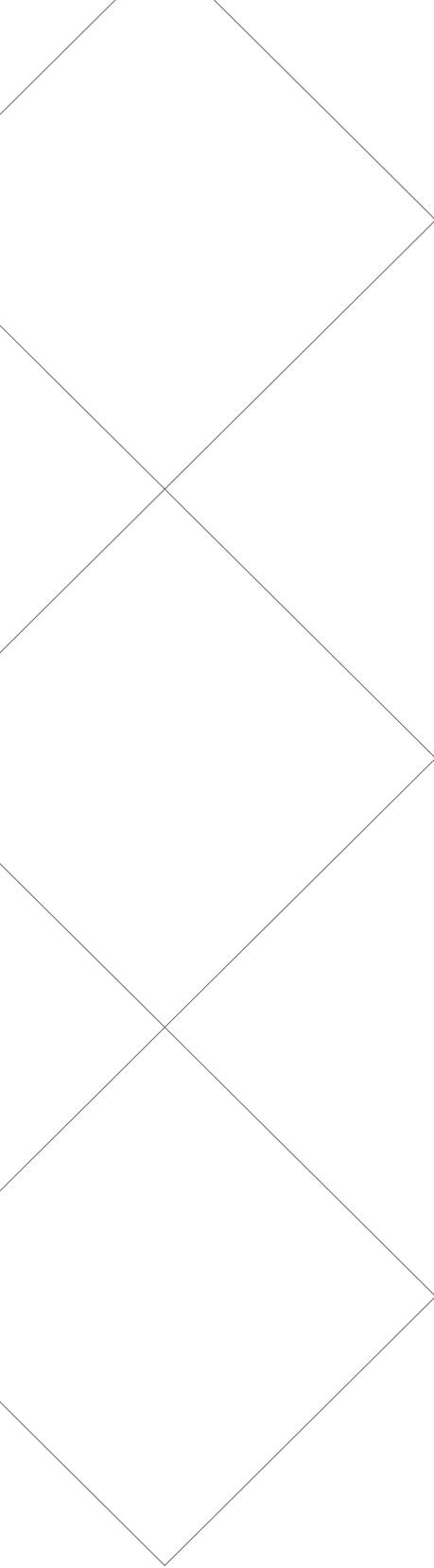




PRIORITIES	INDICATIVE PROJECTS AND PROGRAMMES	COST 2007 -2013	FUNDING/DELIVERY SOURCES	
PRIORITY TWO - Grow a Knowledge Economy in the South of Scotland	<ul style="list-style-type: none"> ◆ The development of a Co-Located Further/Higher Education Campus at Netherdale, Galashiels and the further development and expansion of the Crichton Campus in Dumfries ◆ A programme designed to enhance industry research links with universities and colleges both within and outside the South of Scotland ◆ An innovation programme which will encourage the development of new products and services and the use of new or improved techniques in businesses and university spin outs ◆ A programme to enhance the use of design techniques in businesses especially in the field of textiles and to improve design skills within the workforce and in the wider community ◆ A Local programme to maximise the potential the development of 'green' technologies such as waste minimisation and recycling 	£60 Million £1 Million £1 Million £3 Million £2 Million	Higher & Further Education Funding Council Scottish Enterprise Local Authorities EU Competitiveness Scottish Executive Private Sector Community and Voluntary Sectors	
	TOTAL INDICATIVE COST FOR PRIORITY TWO			
	PRIORITY THREE - Increase the level of skills and education in the workforce and wider community and tackle skills shortages	<ul style="list-style-type: none"> ◆ Local workforce development skills and educational programmes linked to business needs and job opportunities ◆ A programme complementing the implementation of the South of Scotland Broadband Pathfinder project which will aim to maximise the use of digital television technology and facilitate community and business use of this wider broadband technology ◆ A programme to enhance skills in information technologies within the workforce and wider community ◆ Local programmes to assist people who are socially excluded to get back into work 	£67 Million £8 Million £2 Million £1 Million £8 Million	Scottish Enterprise Careers Scotland Local Authorities Universities and Colleges Scottish Executive EU Competitiveness Private Sector Community and Voluntary Sectors
		TOTAL INDICATIVE COST FOR PRIORITY THREE		
		£19 Million		

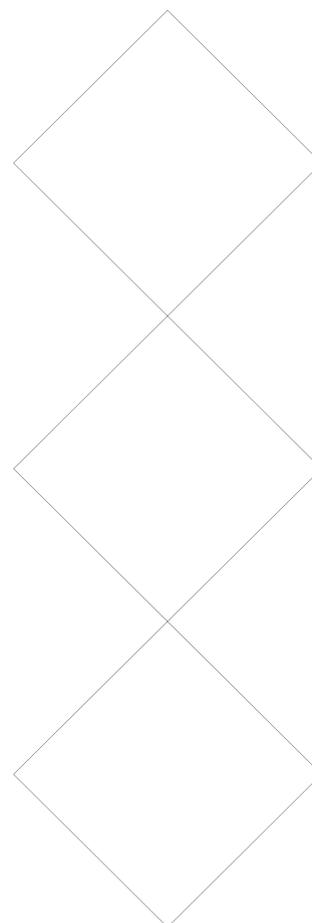
PRIORITIES	INDICATIVE PROJECTS AND PROGRAMMES	COST 2007 -2013	FUNDING/DELIVERY SOURCES
<p>PRIORITY FOUR</p> <ul style="list-style-type: none"> - Maximise the benefits of connections to the city regions and other economic centres 	<ul style="list-style-type: none"> ◆ An inward investment support programme which involves making contacts with companies and key entrepreneurs in the cities of Central Scotland, North and South of England and overseas with the co-operation of Scottish Trade International ◆ A public office re-location programme aimed at working with Scottish Executive and Government Programmes ◆ A programme of activity which aims to maximise the benefits arising from the partial re-instatement of the Waverley Railway Line ◆ The upgrading of railway stations on the Nith Valley line and the reinstatement of railway stations such as Reston on the East Coast Main Line and at Beattock on the West Coast Main Line ◆ Improvements to north/south road routes including the A76, A77, A68, A7 and A1 ◆ Improvements to east/west road routes including the A75 and east/west road links to the A1 ◆ A programme to bring key business people to relocate to the South of Scotland 	<p>£1 Million</p> <p>£0.25 Million</p> <p>£10 Million</p> <p>£7 Million</p> <p>£20 Million</p> <p>£20 Million</p> <p>£0.25 Million</p>	<p>Scottish Executive</p> <p>Scottish Enterprise</p> <p>Visit Scotland</p> <p>Local Authorities</p> <p>Transport Scotland</p> <p>EU Competitiveness</p> <p>Private Sector</p> <p>Community and Voluntary Sectors</p>
TOTAL INDICATIVE COST FOR PRIORITY FOUR		£58.5 Million	

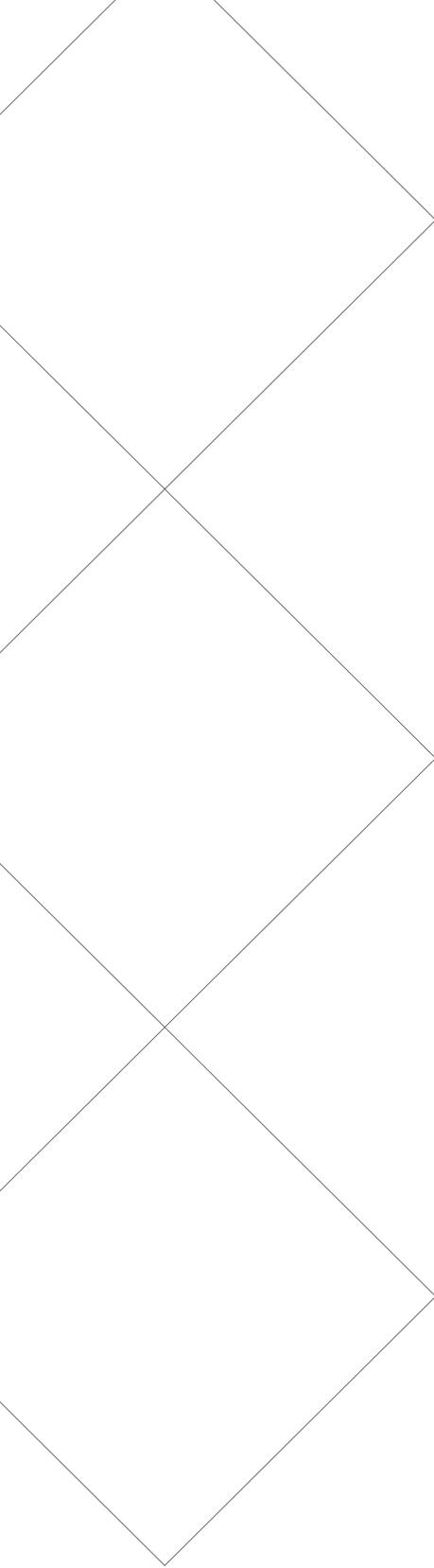




PRIORITIES	INDICATIVE PROJECTS AND PROGRAMMES	COST 2007 -2013	FUNDING/DELIVERY SOURCES
<p>PRIORITY FIVE - Realise the full potential of the indigenous business sectors and maximise the rural contribution to Scotland's priority industries and in particular food, tourism and renewable industries Improve micro-business support and growth potential</p>	<ul style="list-style-type: none"> ◆ Develop industry sectors in the South of Scotland and specifically the land based (agriculture and forestry), textiles (cashmere), food processing, construction, creative, crafts, and tourism. (Renewable Industry support – see below) ◆ Develop new ventures which contribute to the diversification of the rural economy ◆ Develop competitive sustainable businesses in rural industries ◆ Continue to develop the existing programmes of business advice, support and aftercare through the Business Gateways in both Dumfries and Galloway and the Scottish Borders. These would also cover support for product and market diversification, expanding into domestic and overseas markets and to improve environmental business opportunities and business efficiency ◆ Maximise the economic opportunities of green tourism, adventure sports and forest parks ◆ Develop the Forward Strategy for Agriculture and Fishing Strategy to align and support Scotland's Food & Drink Strategy, and increase the contribution of our primary industries to wider rural economic development and growth ◆ Develop the business opportunities from the production of renewable energy – wind, biomass, wave etc. ◆ Carry out a programme of support for SMEs, particularly family owned businesses, to enhance their entrepreneurial practices and capacity ◆ Undertake a programme of innovative workshops for SMEs to be held throughout the South of Scotland to stimulate cross sector ideas, products and services ◆ Develop a series of public sector procurement initiatives aimed at providing opportunities for local businesses and social enterprise ◆ Continue to operate the South of Scotland loans scheme to meet gaps in funding for SMEs 	<p>£8 Million</p> <p>£1.4 Million</p> <p>£7 Million</p> <p>£12 Million</p> <p>£4 Million</p> <p>£2 Million</p> <p>£5 Million</p> <p>£0.5 Million</p> <p>£0.25 Million</p> <p>£0.25 Million</p> <p>Revolving Fund</p> <p>£3 Million</p>	<p>Scottish Enterprise Local Authorities EU Competitiveness Scottish Exec/Rural Dev Regulation Communities Scotland Private Sector Community and Voluntary Sectors</p>

PRIORITIES	INDICATIVE PROJECTS AND PROGRAMMES	COST 2007 -2013	FUNDING/DELIVERY SOURCES
PRIORITY FIVE - continued	<ul style="list-style-type: none"> ◆ Establish more local venture capital funds to support the growth and development of local businesses ◆ Further develop social enterprises through local social enterprise development programmes which build on those funded by the South of Scotland Objective 2 programme ◆ Develop a portfolio of High Quality Industrial and Business Premises and Sites addressing property market failure ◆ Continue to develop business networks and associations and to nurture a supportive 'atmosphere' that is conducive to business start ups and business growth 	<p>£0.75 Million</p> <p>£20 Million</p> <p>£0.25 Million</p>	<p>Scottish Enterprise Local Authorities EU Competitiveness Scottish Exec/Rural Dev Regulation Communities Scotland Private Sector Community and Voluntary Sectors</p>
TOTAL INDICATIVE COST FOR PRIORITY FIVE			
PRIORITY SIX - Build a high quality sustainable place to live, work and visit	<ul style="list-style-type: none"> ◆ The development of Market Towns Investment Programmes for towns in the Scottish Borders and Dumfries and Galloway ◆ The implementation of a Local Community Action Plan Programme ◆ The further development of Community Grant Support Schemes ◆ The development of major regeneration initiatives in Dumfries Town Centre, Stranraer Waterfront, Chapelcross, and Area Regeneration schemes in the Scottish Borders ◆ Further support to develop the capacity of community and voluntary groups 	<p>£12 Million</p> <p>£6 Million</p> <p>£5 Million</p> <p>£20 Million</p> <p>£2 Million</p>	<p>Scottish Executive Local Authorities Communities Scotland Scottish Enterprise EU Competitiveness Private Sector Community and Voluntary Sectors</p>
TOTAL INDICATIVE COST FOR PRIORITY SIX			



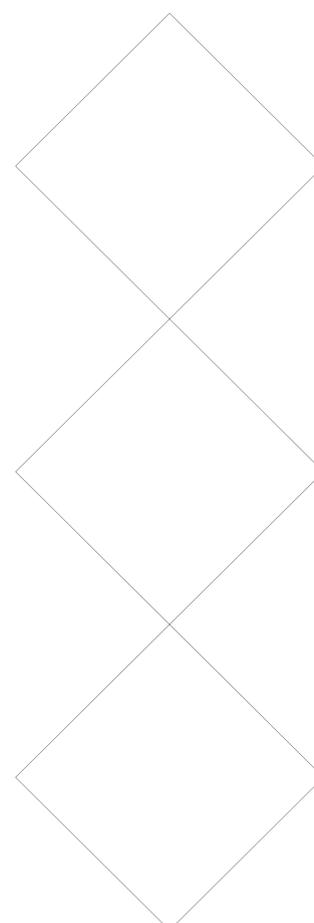


PRIORITIES	INDICATIVE PROJECTS AND PROGRAMMES	COST 2007 -2013	FUNDING/DELIVERY SOURCES
<p>PRIORITY SEVEN - Develop the coastal, land and cultural assets</p>	<ul style="list-style-type: none"> ◆ Develop local programmes that would improve the competitiveness of the agriculture, forestry and fishing industries ◆ Undertake a series of coastal projects aimed at improving access to and enhancing the attractiveness of these areas for tourism ◆ Further develop river catchment management programmes such as the Tweed River Catchment Management Support Programme ◆ Develop an adventure sports programme building on the success of mountain biking, walking, and equestrian activities ◆ Develop a wildlife tourism development programme such as in the Galloway Forest Park 	<p>£5 Million £5 Million £1 Million £3 Million £1 Million</p>	<p>Scottish Exec/Rural Dev Regulation Visit Scotland Forestry Commission Scottish Natural Heritage Scottish Enterprise Local Authorities Private Sector Community and Voluntary Sectors</p>
<p>TOTAL INDICATIVE COST FOR PRIORITY SEVEN</p>		<p>£15 Million</p>	

Appendix 2

South of Scotland – A Rural Economy

RURAL ECONOMY	SCOTTISH BORDERS	DUMFRIES AND GALLOWAY
Declining population base	Population increase of 4% 91 to 2001 and 1% forecast to 2018	Population static to 2001 and forecast to decline by 7% to 2018
Reducing workforce	Working age population to decline by 5% to 2018	Working age population to decline by 15% to 2018
Older population	Above working age +3% compared to Scotland	Above working age +4% compared to Scotland
Aging population	Above working age to increase +8% above Scotland	Above working age to increase +9% above Scotland
Low economic output	GVA is 69% below Scottish average	GVA is 78% below Scottish average
Over-reliance on certain key sectors	3 times as many people employed in primary industries than Scotland	3 times as many people employed in primary industries than Scotland
Higher reliance on rational industry	Manufacturing employment 4% above national average	Manufacturing employment 5% above national average
Small businesses dominate market	Over 30% of jobs are in companies employing 10 or less.	Over 25% of jobs are in companies employing 10 or less.
Different employment patterns	3% less FT jobs and 3% more PT jobs than Scotland as a whole	3% less FT jobs and 2% more PT jobs than Scotland as a whole
Higher employment rates	Employment rate 4% above national average	Employment rate 3% above national average
Low levels of knowledge economy employment	Employment in finance and business services less than half Scottish average	Employment in finance and business services less than half Scottish average
Low skills base	% of population with degree at Scottish average and 3% more having no qualifications	% of population with degree 3% less than Scotland with 6% more having no qualifications
Different gender	Female employment	Female employment



RURAL ECONOMY	SCOTTISH BORDERS	DUMFRIES AND GALLOWAY
Different gender employment	Female employment +3% above national average	Female employment +2% above national average
Low average earnings	Earnings around 8% below Scottish average	Earnings around 8% below Scottish average
Low levels of unemployment	Rate is around half Scotland	Rate is 0.7% below Scotland
Low levels of job creation	No of jobs has increased by around 1% compared to 11% for Scotland over last 5 years	No of jobs has increased by only 1% compared to 11% for Scotland over last 5 years
Distance from major cities and/or settlements	Most of Borders land mass is classified as remote rural with no settlements of over 50,000 people	Most of D&G land mass is classified as remote rural with no settlements of over 50,000 people
Large land mass with low density development	23 people per square Km compared to 65 across Scotland as a whole	23 people per square Km compared to 65 across Scotland as a whole

Source: Scottish Executive UA Profiles

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