City Regions Task & Finish Group

'City Regions' Definition & Criteria

Overall Message

City Regions are a tool, not a panacea. The approach provides one potential solution to policy or market failure.

The city region approach is a long term one – 20, 30 or 40 years. It requires developing a vision for the future: 2030 is now closer to us than 1990 …

Access to economic mass, skills, transport are important enablers of growth, productivity and innovation.

Successful international city regions tend to have a core theme/focus: Vancouver (airport); Bilbao (culture); Lille (connectivity); Rotterdam (logistics).

Co-operation on (a) regionally significant project(s) should come first, followed by strategy/vision. Governance should be tackled last.

City regions only work if everyone involved is there for common reasons, has a shared analysis, and the partners genuinely trust each other: all economic contributors need to support the concept.

Wales has 4 strong cities/city region competitors on its doorstep: Manchester, Liverpool, Bristol and Birmingham.

Introduction

The Welsh Government Business, Enterprise, Technology and Science Minister, Edwina Hart, established a task & finish group in November 2011 to consider the potential role of city regions in the future economic development of Wales.

Our task is

to decide, on the basis of objective evidence, whether a city region approach to economic development will deliver an increase in jobs and prosperity for Wales as a whole. If this is the case, what parts of Wales should be included and why, and what is needed for the approach to be successful?

Members of the Group

- Andrew Carter, Centre for Cities
- Elizabeth Haywood, South East Wales Economic Forum (Chair)
- Jon House, Cardiff Council
- Kevin Morgan, Cardiff University
- Steve Penny, JCP Solicitors
- Jonathan Price, Welsh Government
- Martin Rhisiart, University of Glamorgan
- Mike Scott, Glyndŵr University

Terms of Reference

- Consider the evidence for supporting city regions, identifying specific areas that might be appropriate to support in Wales and their characteristics
- Establish the economic development opportunities and benefits in each city region and any potential from working together
- Identify strategic and high-level issues associated with each area in a city-region context
- Suggest how the proposed city regions might best benefit from economic opportunities in the short, medium and long-term e.g. future EU funding, rail electrification
- Outline the unique selling points of each area
- Establish whether and what policy/institutional changes will be necessary to deliver an effective approach to city regions.

This paper mainly relates to the first part of our remit – **the evidence for supporting city regions**. To do this we have looked at both UK and international research, and want your comments on our findings. This is important, as we will use the definitions and criteria in this report – amended

where necessary – to inform the next stage of our work, which will be to identify specific areas in Wales which could benefit from City Region status.

The paper also touches on some of the key issues we believe need to be addressed if the city region approach is to be successful in Wales, such as cultural connectivity and skills. We will be looking in more detail at these during the next phase of our work.

Our objective throughout this process has been and will continue to be to determine whether a city region approach appears likely to deliver **more jobs and greater prosperity** in and for Wales than other approaches to economic development. In other words, what difference can it make? **What added value would it bring?** This paper refers to what has happened elsewhere using the city region approach.

Economic Context

Europe faces what may be a prolonged period of economic turbulence and/or slow growth, and many non-capital cities face a serious threat of economic stagnation or decline. Income disparities are growing; wealth creation does not necessarily mean job creation, and this leads to social polarisation and segregation.

The administrative boundaries of many European cities – and, more generally, local authority boundaries – no longer reflect the physical, social, economic, cultural or environmental reality of urban development, and new forms of flexible governance are needed. The world is seeing greater concentration in urban cores, critical mass of skills and capacity, and a different model of economic development where people move (or commute) to jobs, rather than jobs moving to people.

Wales and the UK are not at the forefront of economic success. The economic recession which followed the international banking crisis has increased the challenges facing Wales, many of which were already formidable. The small size of our private sector means we do not have the same resilience as some other parts of the UK (particularly south east England) to fight back, and cuts in public sector expenditure (and therefore jobs) exacerbate the problem. On many economic indicators, Wales lags behind much of the rest of the UK; reversing our underperformance requires political courage, business confidence and collaboration.

If we fail to find a model that replicates the competitive advantage that others have in this new economic context – particularly given the four strong cities/city regions of Manchester, Birmingham, Liverpool and Bristol on our doorstep – we will not have an economy that can either exploit its indigenous opportunities for growth or attract inward investment.

Regional strategies based around resurgent cities/city regions may offer the best hope of delivering regional growth objectives[1] but the evidence is not as clear-cut for Wales as for some English regions.

International research shows that economic growth is increasingly happening in cities/highly urbanised environments. Generally, cities and **city regions with a population of more than 500,000 are strong drivers of economic growth;** those with populations of over 1 million often produce the fastest growth. Cities/city regions attract higher skills[2], value-added services, high tech manufacturing – and a large number of better paid jobs. Many low paid, lower skilled jobs are increasingly widely dispersed, often requiring people to make

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1   Overman & Rice (2008): Resurgent Cities and Regional Economic Performance: SERC Policy Paper #1

2   Cardiff (2010) has the highest proportion of NVQ4+ educated people in Wales

long and costly commutes with difficult transport connections. And lower skilled jobs in the service sector are often created as a consequence of the spending power of wealthier residents, meaning that lower skilled people living in areas remote from wealthy areas suffer additional difficulties in accessing employment.

Previous analysis, carried out on a consistent basis across the UK by the Centre for Cities[3], has identified three cities in Wales – Cardiff, Swansea and Newport. None of these cities – not even Cardiff – is large in European or UK terms, In particular, Wales has no cities with over 500,000 people but it does have two regions with more than 500,000 – south east Wales with a population of 1.4 million, and south west Wales with a population of almost 700,000.

South east Wales is the nation's primary economic driver – but it is not yet a sufficiently strong one. The Swansea Bay area is an economic driver in south west Wales, but also insufficiently strong to 'carry' the whole region, while in north Wales there are two economic drivers: one lies across the border in north west England; the other is focused on manufacturing at a series of sites on both sides of the border, pre-eminent amongst which is Airbus.

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3   based upon a population threshold of 100,000

City contributions to the regional economy[4]

Cities Outlook 2012:
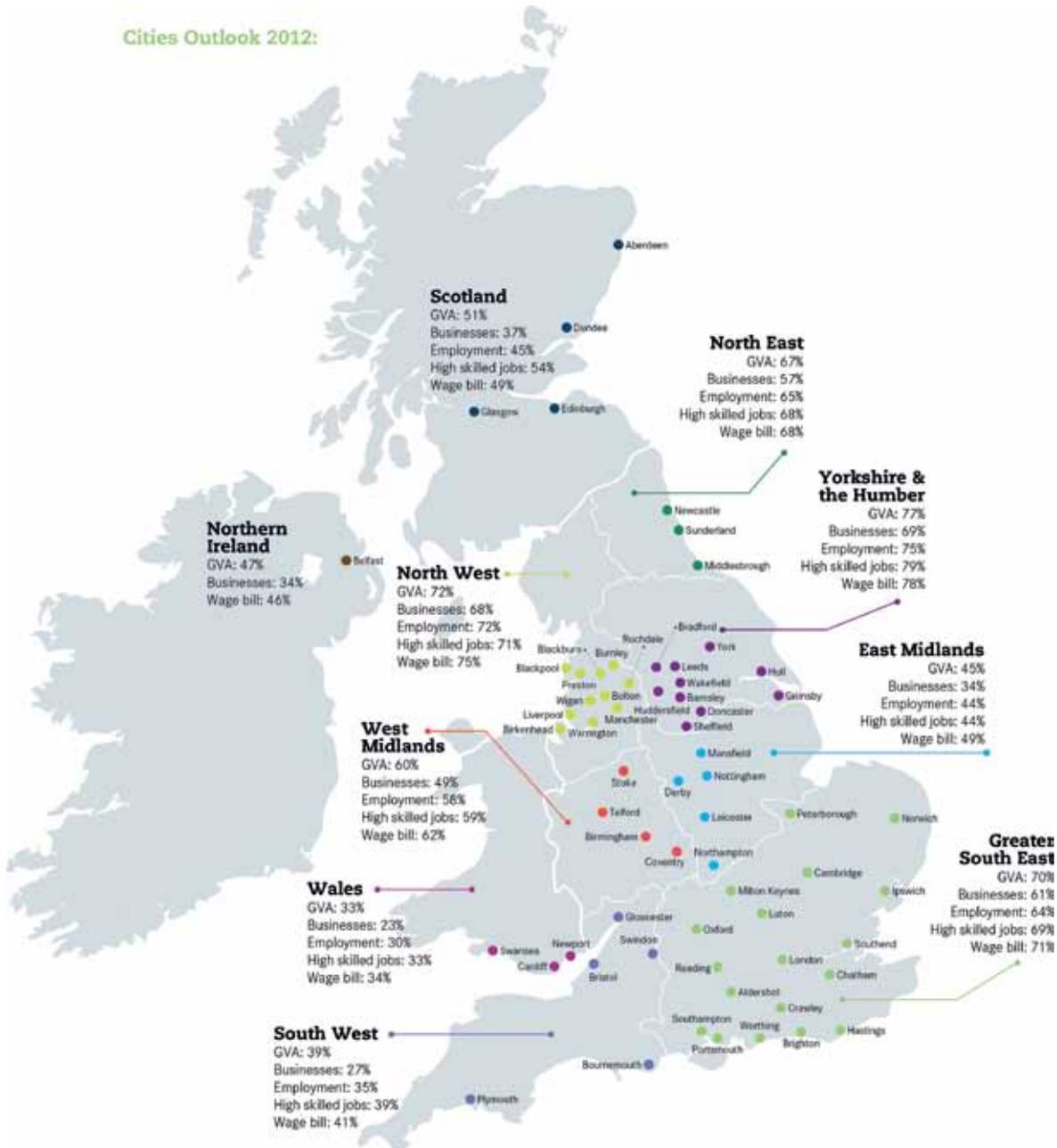
In Wales, our cities generate only 33% of our wealth, the lowest proportion of all UK nations and regions.

A simple comparison across the UK indicates that the lack of urban 'mass' in Wales and our lower skill levels are major contributors to our lower productivity and wages. In addition, our overall urban structure appears to suggest **potential benefits could be achieved by adopting policies that act to widen the economic region beyond small individual local authority areas.**

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4   Centres for Cities – Cities Outlook 2012

What is a city region?

"A core city, or network of urban communities, linked by functional economic and social ties to a hinterland".

A city region is one where *most* of the population conduct *most* of their lives – they work, trade, shop and live there: in other words, there is no hard and fast definition (and each city region tends to be constantly evolving), and city regions rarely correspond neatly to existing administrative boundaries.
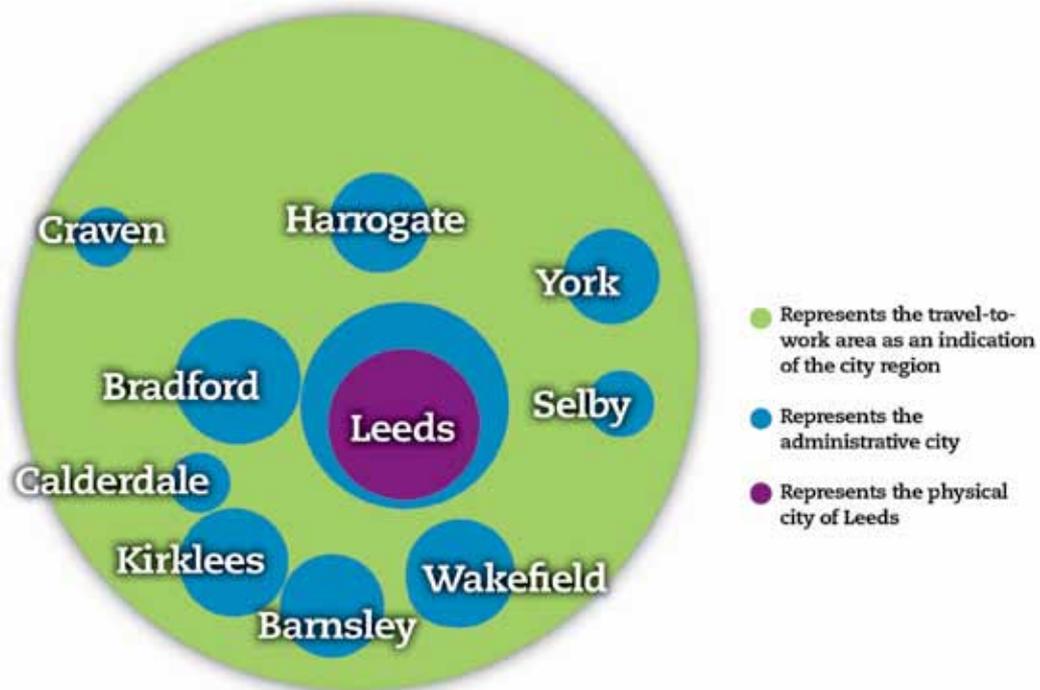
The OECD and European Commission[5] have adopted the following approach to defining city regions :

- A city consists of one or more municipalities
- At least half the city residents live in an urban centre
- An urban centre has at least 50,000 inhabitants. It consists of a high-density cluster of contiguous grid cells of 1km² with a density of at least 1,500 inhabitants per km² as well as filled gaps
- If 15% of employed people living in one city work in another city, these cities are combined into a single destination
- All municipalities with at least 15% of their employed residents working in a city are identified
- Municipalities sharing at least 50% of their border with the functional area are included.

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5   *Cities of Tomorrow – Challenges, Visions, Ways Forward:* European Commission, October 2011

Using this definition, while the administrative city of London has a population of 7.4 million, its city region has 13.7 million residents; the administrative city of Lille in northern France has a population of 230,000 but the city region is 11 times this size at 2.6 million.

In the UK, the majority of our cities outside London are small but, like Lille, they have a large economic footprint.

Types of City Region

A city regions approach – rather than one which focuses purely on the size of an urban centre – takes into account the movements between cities/towns in the area. The economies of local areas are shaped by their economic relationships with other areas – the connections and flows of people to and from home, work and leisure, as well as firm relationships and supply chains. Some places have more complementary – or mutually beneficial – economic relationships than others. The extent to which relationships are complementary is affected by a range of factors. Skills are the most important factor. Others include: transport, links between firms in sectors that are embedded within a city region, the 'pull' of the economic centre, industrial history and quality of place. Barriers to more complementary relationships include under-developed governance arrangements and poor public perceptions of a place.

Previous research analysing the relationships between places within the UK's five big northern cities identified three basic types of city regions – **monocentric**, **polycentric** or **bipolar** – depending on industrial history, the 'pull' of the economic centre, the economic characteristics of the city region and wider commuting patterns. The research found that Manchester and Sheffield are monocentric city regions, Leeds and Liverpool are polycentric city regions and Tyne and Wear is bipolar.

A **monocentric** city region is dominated by one large urban area, likely to be the main source of high value employment for the surrounding areas, and travel to work movements are primarily directed towards this single centre (e.g. Manchester; Bilbao). A **polycentric** city region has a spread of urban centres of different sizes/strengths, which may or may not be well linked in terms of commuter flows (e.g. Vancouver, Stuttgart, Liverpool; Leeds). A **bipolar** city region has two dominant centres (e.g. Newcastle and Sunderland in the Tyne & Wear region).

Europe as a whole is characterised by a more polycentric and less concentrated urban structure than the USA or China: only 7% of the EU population live in cities of over 5 million inhabitants compared to 25% in the USA. In addition, 56% of the European urban population – around 38% of the total European population – live in small and medium-sized cities and towns of between 5,000 and 100,000 inhabitants (a pattern very familiar in Wales), which clearly play an important role in the local economy.

Liverpool City Region is characterised as having a simple **polycentric** structure. Liverpool is clearly the largest employment centre within the city region, but this is complemented by high value employment centres in Warrington and Chester, although the labour market links between these two centres and Liverpool are not strong.
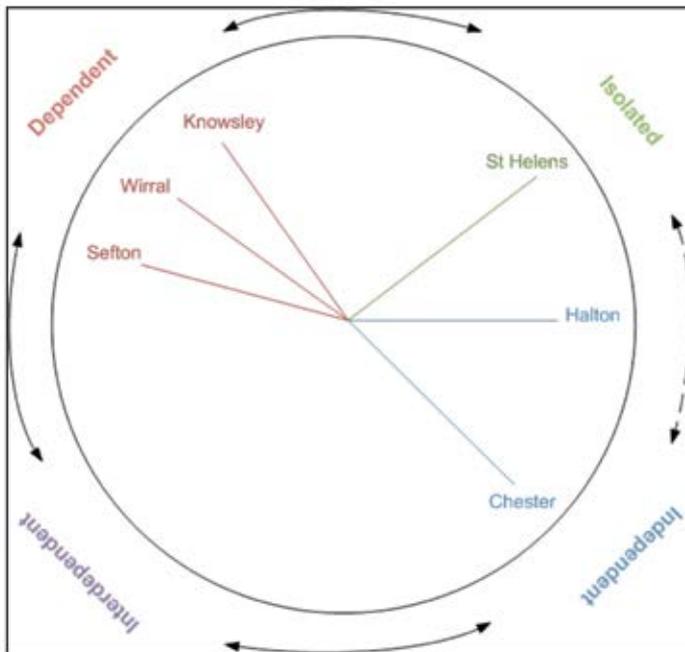
Manchester City Region is strongly **monocentric**. Manchester is the principal employment centre within the city region and it dominates commuting patterns. The functional economic centre of Manchester City Region is not confined to the administrative boundaries of Manchester City Council. The core of the city region extends into parts of Salford, Trafford and Stockport to form a highly productive economic centre.
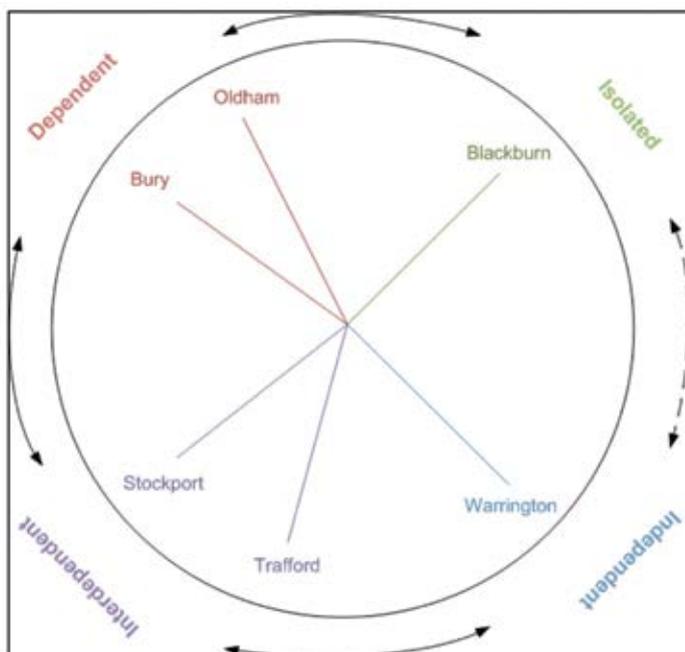
Why do city regions matter? What are the benefits?

Existing evidence suggests that

- There is a trend for higher end (and higher paid) jobs, particularly in producer and knowledge-intensive services to be increasingly concentrated in some (not all) large city centre locations – a key factor underpinning the relative decline of many secondary centres
- Productivity and wages tend to be higher in cities (and to increase with city size) as a result of so-called "agglomeration" or critical mass economies
- Jobs for lower-skilled people are increasingly provided in the service sector and are more numerous where the spending power of highly skilled people is concentrated
- Cities concentrate the largest proportion of the population with higher education
- There is increasing demand for higher level skills
- Strengthening the economic links between places *within* a city region has the potential to contribute to sustainable economic growth, higher individual prosperity, the attraction and retention of higher skilled workers and the reduction of deprivation[6]. For Wales, this includes ensuring links across the border into England.

In other words, **if Wales does not develop policies to harness the economic benefits to be had from the 'critical mass' effect of city regions, our poor performance is likely to continue.**

Among the international examples of city regions already existing, the three most common reasons for adopting the approach are to:

- **Improve the planning system** and ensure it is fit for purpose[7]. This is why Scotland adopted the city region approach
- **Improve connectivity** (see p. 23 below). This was a key driver for Stuttgart, Bilbao and Lille and in each case has delivered real economic benefit
- **Drive investment**. Manchester's focus has been to make 3 of the city region's centres highly attractive to inward investors using the Manchester brand; Stuttgart city region members were won over by the promise of transit-led urban growth around the S-Bahn and the prospect of increased EU funds. Inward investors do not follow narrow administrative boundaries: a stronger offering from a wider region can be far more attractive.

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6 Northern Way City Relationships: economic linkages in Northern city regions, November 2009
7 an Independent Advisory Group will publish a review of the planning system in summer 2012, which will inform the proposed Planning Bill for Wales

The city region approach also forces recognition by all involved of what each can bring to the table and – in successful city regions such as Manchester and Vancouver – has created a long-lasting collaborative approach between formerly warring regional factions. However, the mistrust and enmity between such factions cannot always be overcome, in which case the city region approach fails (see p. 28 below).

Many successful city regions are built on a theme or with a particular project focus, which has the added benefit of creating a distinguishing regional feature or unique selling point (USP) which attracts additional investment. Bilbao and the Basque Country used cultural development as a driver, building the iconic Guggenheim Museum which has opened up the region as a tourist destination; Stuttgart won approval for its S-Bahn, and Vancouver for its airport. Manchester's cross-boundary logistics park at Trafford Park has attracted new investment, as has the focus in Rotterdam as an international logistics hub.

All city regions have an 'area of influence', evident from travel flows and business supply chains. The evidence from Manchester is that the relative success of the regional centre since the late 1980s has spread to the south of the conurbation and into Cheshire and has had some impact (though muted) on central areas of concentrated, long-standing deprivation[8]. Sheffield's prosperity has improved noticeably since the implementation of a city region strategy.

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8   It is worth noting that the city region model is not particularly helpful in very old cities with significant, historic pockets of deprivation: no Welsh cities fall into this category – indeed, Cardiff is the youngest capital city in Europe.

How far do the benefits stretch?

The critical mass of a city region provides economies of scale, shared labour pools, shared infrastructure, business linkages and knowledge spillovers. But are such benefits only felt in the region itself? Does the concentration of a city region damage the surrounding areas?

Overall, the research shows that benefits are generally felt within an 80 minute commute (and people with higher level skills are prepared to commute further than those with lower skills). Benefits from university R&D are limited to a 50 mile radius[9]. Some studies suggest many of the benefits of a city region fall rapidly with distance/time (e.g. mostly gone after 6-10 km), but others suggest some effects can also be found much further away, and that distances (or more specifically, travel time) to major centres (e.g. London) really matter.

Scale also matters: stronger economic centres exert greater influence on their neighbours and hinterlands. Strengthening the economic links between places has the potential to contribute to sustainable economic growth, higher individual prosperity, the attraction and retention of higher skilled workers and the reduction of deprivation. So city regions should support development of areas with most growth potential and also invest in links between the main economic centres and neighbouring areas to ensure the benefit from this economic growth across the city region is maximised[10]. For Wales, this includes ensuring links across the border into England.

We found **no specific evidence to suggest that a city region's existence had a negative impact on the areas outside it**: indeed, they tend to benefit. In the case of Stuttgart, the focus of growth on the city has kept the green/rural corridors outside it intact, helped by a redistribution of funding. Stuttgart has very clearly defined economic development objectives, which means that in some cases areas just inside the border of the city region suffer compared to those outside it because they have to comply with the city region rules.

In the case of Manchester, areas in northern Greater Manchester have derived less benefit than the centre and south, partly because they have been less attractive to investors and employers, partly because their housing stock is less attractive to commuters, and partly because education and skill levels are lower so residents find it harder to compete in the labour market.

An Outer London Commission reviewed the impact of the inner London city region on outer London and found it to be positive (measured by income per head etc), although the rate of jobs created was lower. The Commission's work also showed that 60 per cent of employment in outer London took place in its main town centres, and therefore decided that these should be a key focus for development for the future.

9   Anselin, Varga and Acs (1997): *Local geographic spillovers between university research and high technology innovations.* Journal of Urban Economics (42)
10 Northern Way City Relationships: economic linkages in Northern city regions, November 2009

In essence, in the case of a successful city region, the economic 'pie' becomes larger and growth in the city region increases. Outlying areas are unlikely to grow as rapidly – but they do not appear to decline. On the other hand, **if traditional problems such as skills, housing and transport are not tackled, simply identifying somewhere as a city region is not going to resolve them**. Moreover, if all investment (public as well as private) were redirected into city regions, other areas would suffer, and Wales will need to weigh carefully any potential damage (such as displacement factor) to outlying areas.

Policy and Governance

As indicated at the beginning of this document, now is not the time for detailed discussion of governance. However, some key points have emerged from our evidence-gathering which help provide context for the debate.

The **ability to drive change strategically** appears essential to the success of city regions, although the models for doing so vary considerably. Strong executive strategic leadership (i.e. the Mayor of London) has had a positive impact on growth in the UK capital city region, and a statutory spatial plan has been a key policy driver.

The Stuttgart governance model also demonstrates strong strategic leadership, with strong local government, directly elected mayors and a Regional Assembly. Spatial planning only exists at regional level (and is strongly enforced): there is no responsibility for it at county level, and an independent limited company (in which the regional government has shares) has responsibility for economic development.

In Manchester, the existence of city region-wide agencies (for investment, transport and economic strategy for instance) has encouraged (and may have driven) a more strategic approach in which it has been easier to agree city region priorities: a practical result has been the extension of the metro to link areas of higher need as well as affluent suburbs into the core employment area.

In the Vancouver city region, the approach has consistently been one of taking time to reach a consensus in a Council of Councils, cajoling rather than directing. But here too there is a planning programme *'creating our future'* and a mechanism for resolving conflicts in relation to the growth strategy.

> If the Task & Finish Group identifies one or more city regions with the potential to deliver the jobs and prosperity needed for Wales to be genuinely economically successful in 20 or 30 years' time, it will be necessary to identify what policy/institutional changes are required to deliver the benefits.

Wales and the City Region approach

On the basis of the evidence above, and the different ways of measuring a city region, do any parts of Wales match the criteria?

Size: Welsh cities are small when you compare them to England's big cities as defined by local authority boundaries. Most urban centres in Wales have populations below 50,000: only Barry, Rhondda, Newport, Swansea and Cardiff are larger.

In terms of population the three main urban centres in Wales are more comparable to the following English cities:

- Cardiff – Preston, Bournemouth, Southampton, Brighton, Wakefield
- Swansea – Milton Keynes, Barnsley, Derby, Aberdeen
- Newport – Blackburn, Ipswich, Oxford, Dundee

However, as the research makes clear, a city region is about more than the administrative city boundaries: it is about traffic flows and linkages. Adopting a city region approach means that Cardiff, Swansea and Newport are more comparable to England's big cities.

	Local Authority	Primary Urban Area	Travel to Work Area	Local Enterprise Partnership
Birmingham	1,036,900	2,339,400	2,887,400	1,892,000
Manchester	498,800	1,850,100	1,850,100	2,629,400
Liverpool	445,200	771,000	977,500	1,472,700
Bristol	441,300	706,100	918,300	1,098,000
Leeds	798,800	798,800	798,800	2,976,600
Cardiff	341,000	341,000	873,500	N/A
Swansea	232,500	232,500	550,600	N/A
Newport	141,300	141,300	319,900	N/A

Reflecting the specific nature of Wales's urban settlement pattern we looked at a range of possibilities:

- No city regions in Wales
- One city region in south Wales: more or less covering the whole of the former Industrial South Wales definition
- Two city regions in south Wales: south east Wales and Swansea Bay
- Three city regions in south Wales: Cardiff, Swansea, Newport
- One city region in north Wales along the A55 corridor
- One city region in north Wales/north west England: Wrexham, Deeside and Chester

To explore these possibilities, in line with UK and international practice, we used commuting data as the method to explore the nature and reach of city regions.

Commuting flows: one of the simplest methods used for identifying regional economic linkages is through the definition of travel to work areas (TTWAs). The ONS define TTWAs as the areas in which at least 75% of the area's resident workforce work in the area and at least 75% of the people who work in the area also live in the area: this is called 75% 'self-containment'. The TTWAs are constructed to provide precise reflections of travel to work movements[11]. However, a lack of data availability at this spatial scale between each Census makes it challenging to compare and contrast socio-economic conditions across TTWAs.

To overcome these data limitations, local authority level approximations are commonly used. This methodology allocates a local authority to the TTWA where the majority of its population lies[12]. Cardiff, for example, sits completely within the ONS Cardiff TTWA and so is allocated to it. Caerphilly, on the other hand, sits in both the Cardiff and Newport TTWAs. Because 56% of Caerphilly's population are located in Cardiff's TTWA (39% of the population lie within Newport's TTWA[13]) this methodology would assign Caerphilly to the Cardiff TTWA. The different picture the two definitions paint can be seen below in Figures 1 & 2.

Commuting flows tend to suggest a **polycentric urban area** in south Wales. If an ONS definition based on 70% self-containment rather than 75% is used, it suggests three city regions in the south – Newport, Cardiff and Swansea. If a definition based on 80% self-containment is used, it suggests two – south east Wales (Monmouthshire, Torfaen, Caerphilly, Newport, Blaenau Gwent, Rhondda Cynon Taff, Cardiff, Vale of Glamorgan, Merthyr Tydfil, Bridgend) and Swansea Bay (Swansea, Neath Port Talbot, Llanelli, Carmarthen). This is endorsed by a further refinement of the definition based on 85% of the area's resident professional/managerial commuters working in the area and 85% of the professional/managerial commuters who work in the area also living there.

Bridgend forms its own distinct TTWA. However, this does not mean that economic linkages between Bridgend and its neighbouring TTWAs do not exist. Travel to work data at the local authority level shows that although the majority (70% or 41,000 people) of people living in Bridgend local authority also work there, 16% work in Cardiff TTWA, 8% in Swansea TTWA and 1% in Newport TTWA.

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11   The ONS TTWAs are built from lower layer super output areas
12   This methodology uses ONS mid-year population estimates at CAS Ward level, 2010 data
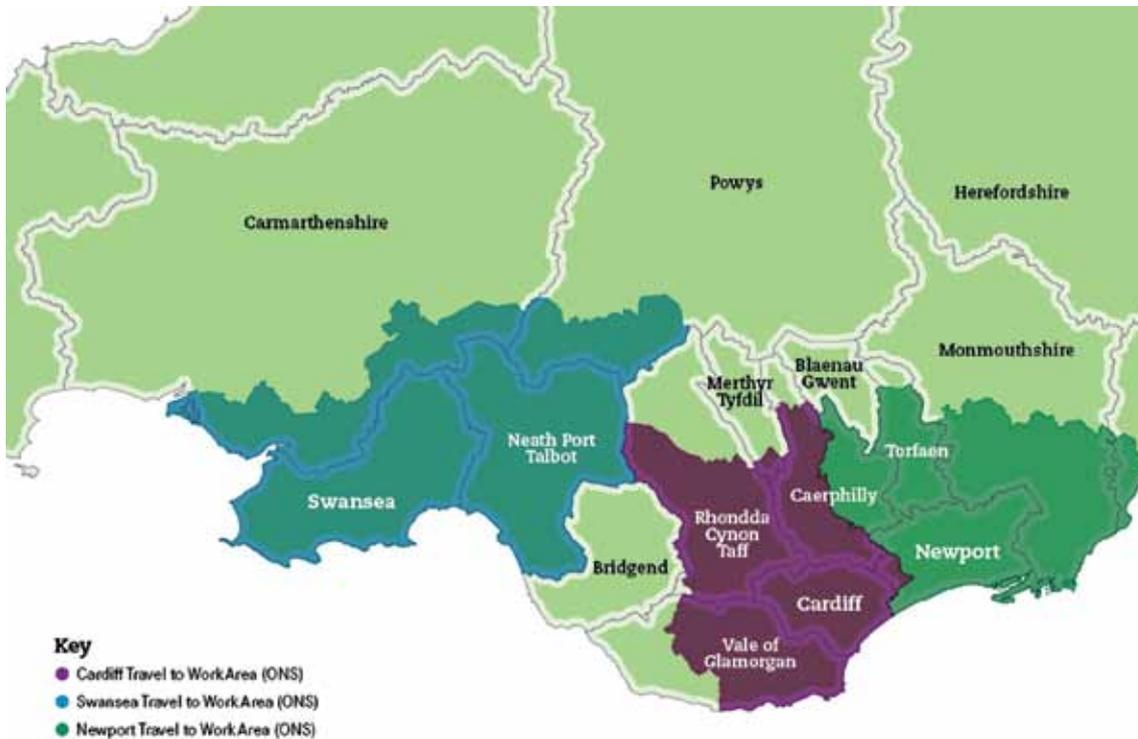13   ONS, CAS Ward Mid-year population estimates, 2010 data

Figure 1: ONS TTWAs[14]

The polycentric nature of south Wales is underpinned by complex commuting flows. To illustrate, the figures are, in round terms, as follows. Within south east Wales, Cardiff has around 25% of the population and 33% of the jobs. In addition to the 30% of people who live in Bridgend but commute out, 25% of people working in Bridgend come from elsewhere. A similar number of people commute from Newport to work in Cardiff as commute from Cardiff to work in Newport. Merthyr Tydfil also imports (5,600) and exports (7,600) workers. There are actually 30% more jobs in the Valleys than in the coastal belt (Cardiff, Newport, Vale of Glamorgan), although 60% of coastal jobs are managerial/ professional against 46% in the Valleys. And while the majority of Valleys workers both live and work within the same local authority, 50% of those who commute out do so between Valleys, and 50% commute to Cardiff. Cardiff has the largest net inflow (37 per cent of all people working in Cardiff commute in from elsewhere). The largest net outflows into Cardiff are from the Rhondda Cynon Taf, Caerphilly and The Vale of Glamorgan. There is also some commuting from south east Wales into England.

In summary, objective analysis of commuting flows does not provide unambiguous criteria for defining a city region, or regions, in South Wales. This means

14   Contains Ordnance Survey Data © Crown Copyright and database Right 2012. ONS Travel to Work Areas.

there is inevitably a potential role for judgement based on a wider range of considerations.

> Can one or more city regions be identified in Wales? If so, on what basis?
>
> Do you agree south east Wales has a spread of urban centres of different sizes/strengths (i.e., is polycentric)?
>
> Do you agree one city region can be identified in south east Wales? (If you think one of the other options on p. 16 applies, please explain why)
>
> Does Bridgend sit within a south east Wales city region?

In south west Wales, Swansea, Neath Port Talbot and almost half of Carmarthenshire workers work in the Swansea area. While around 42% of those who commute out of Carmarthenshire work in Swansea, 58% commute elsewhere. The majority of Neath out-commuters (63%) work in Swansea.
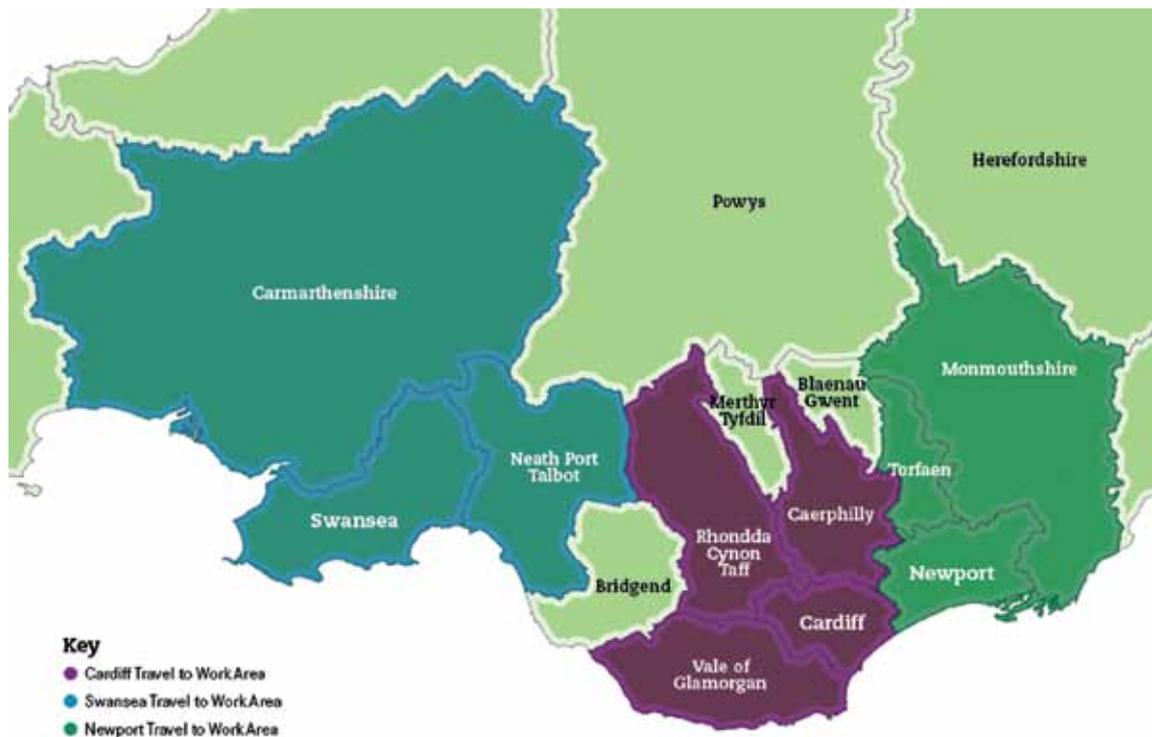

Figure 2: Local Authority TTWAs[15]

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15   Contains Ordnance Survey Data © Crown Copyright and database Right 2012. Own analysis using ONS Travel to Work Areas, ONS Mid-Year CAS Ward – based population estimates, 2010 data.

Do you agree Swansea Bay displays more monocentric tendencies (dominated by Swansea) than south east Wales does?
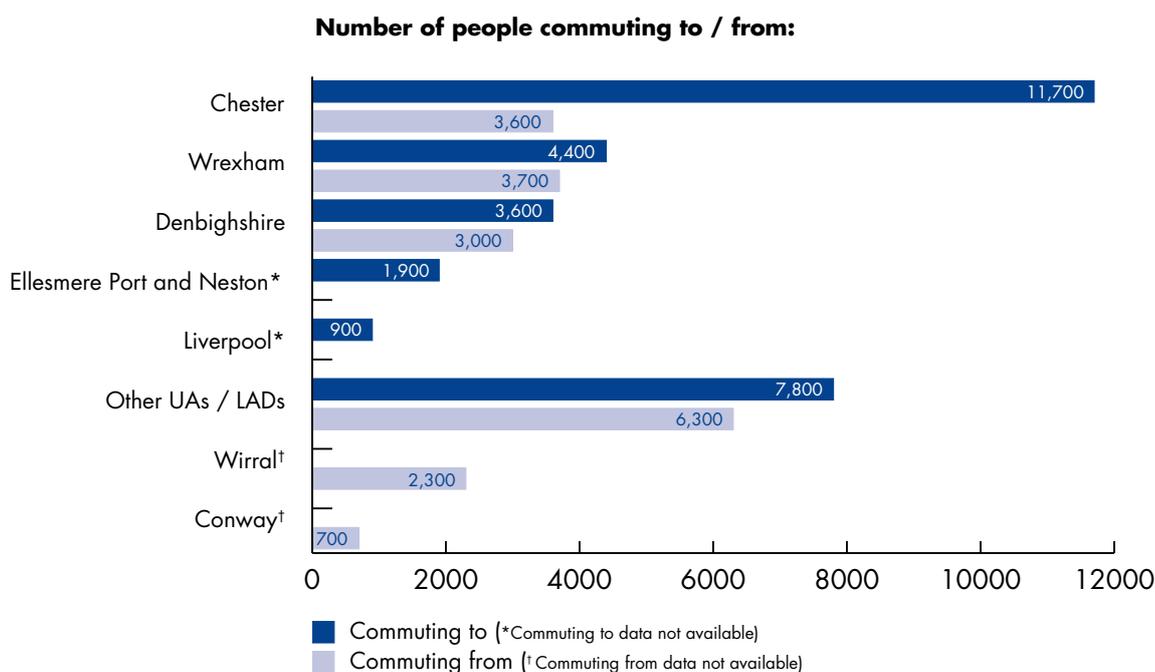
Do you consider Swansea Bay should form a city region on its own? (If you think one of the other options on p. 16 applies, please explain why)

Does Bridgend sit within a Swansea Bay city region? In a south east Wales city region? Or in both?

In north Wales, there are strong cross-border commuting in-flows to Flintshire and Wrexham, largely driven by Airbus and the Deeside and Wrexham industrial estates, which are clearly key economic drivers for the region (including Airbus' role as a magnet for inward investment by other large companies). The pattern across north Wales as a whole is very mixed. Wrexham itself is a small city of less than 50,000 people, and the A55 has made it easy for people from Llandudno and further west to commute to and shop in Manchester and Liverpool.
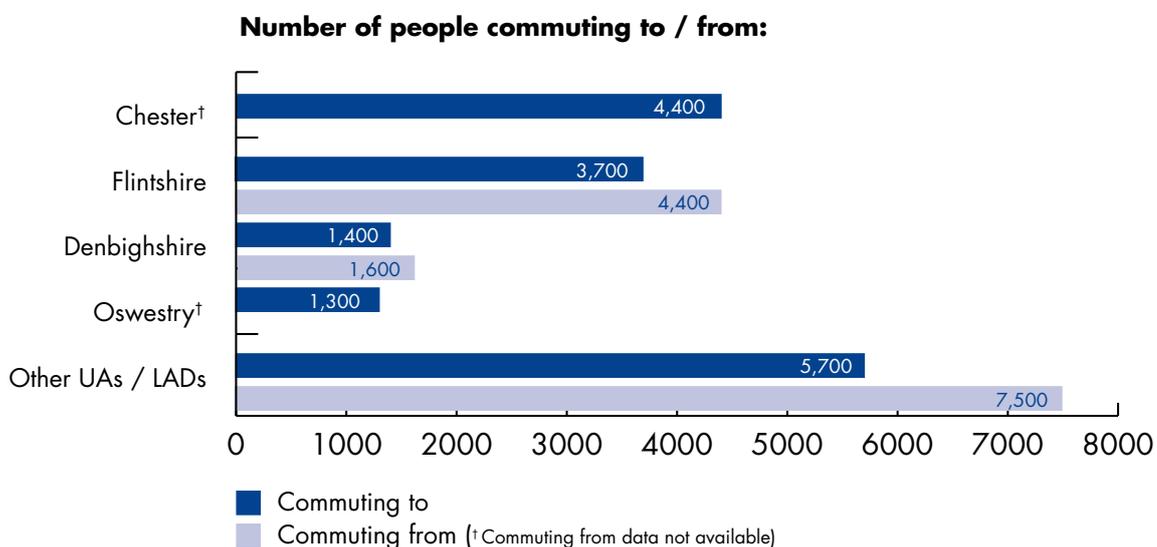
Commuting outflows are also far stronger in north Wales than in the south. North Wales has a lower Gross Value Added than the Wales average (70.5% of the UK average (2009), compared to 71.4% (2007)[16]. The difference from the Wales average is largely explained by out-commuting from the region and lower productivity, partially offset by higher activity rates.

Commuting in Flintshire 2010

Number of people commuting to / from:

Chester: 11,700 (to), 3,600 (from)
Wrexham: 4,400 (to), 3,700 (from)
Denbighshire: 3,600 (to), 3,000 (from)
Ellesmere Port and Neston*: 1,900 (to)
Liverpool*: 900 (to)
Other UAs / LADs: 7,800 (to), 6,300 (from)
Wirral†: 2,300 (from)
Conway†: 700 (from)

■ Commuting to (*Commuting to data not available)
■ Commuting from (†Commuting from data not available)

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16 Excluding extra-regio

Commuting in Wrexham 2010

Number of people commuting to / from:

	Commuting to	Commuting from
Chester†	4,400	
Flintshire	3,700	4,400
Denbighshire	1,400	1,600
Oswestry†	1,300	
Other UAs / LADs	5,700	7,500

■ Commuting to
■ Commuting from († Commuting from data not available)

As a result, **the potential for a city region in north Wales is far less clearcut** than in south Wales. The location of important manufacturing firms in north east Wales suggests that there are agglomeration effects that deliver economic value. One important question that remains is the extent to which this industrially-defined area is/can be linked to a city-region model, and further economic evidence is required to enable the Task & Finish Group to make a recommendation.

> Do you consider that there is potential for a cross-boarder, polycentric city region around Wrexham, Deeside and Chester?
>
> Do you consider that a city region along the North Wales A55 corridor is more appropriate than a cross-border option?

Leisure and Tourism

TTWAs, by their nature, focus on traffic flows for work purposes. However, people also travel for leisure and tourism purposes.

Tourism is an important part of the Welsh economy (just over 4% Of GVA in 2007, including tourism day visits, most of which are made by Welsh residents). Most tourism in Wales is for holiday/leisure purposes, and overnight business trips to Wales declined by 12% in 2010, no doubt influenced by the general economic climate. However, tourism appears very uneven in its direct economic impacts across Wales. Conwy, Gwynedd, Pembrokeshire and Ceredigion are the most tourism-intensive unitary authorities, not because the total number of tourists is greatest there but because their economy is predominantly rural, with less diversity of economic activity than city areas, so the number of tourism-related jobs is particularly important.

The south east Wales visitor economy is estimated at some £1.9bn p.a. and 32,000 jobs, with half of that generated from day visitors to and within the region. The city of Cardiff currently accounts for some 40% of that total, and tourism has grown strongly over the last five years south of the M4 but appears to be flat-lining in the northern part of SE Wales[17]. The South East recorded decreases in visits from elsewhere in the UK in 2010 in comparison with 2009 but an increase in expenditure. Average spend per night in the South East is thus higher than in the other regions.

While Cardiff (as a unitary authority) provides the highest proportion of Welsh tourism GVA, tourism in South West Wales is also an important sector. It was the only region to show an overall increase in overseas visitors in 2009, and it also recorded an increase in tourist spending. In 2004 it accounted for £350 million visitor expenditure and over 2,000 jobs. In 2010, expenditure in Swansea alone amounted to £317m, with 5,539 jobs supported (i.e. both direct and indirect jobs). The Premier League status of Swansea City AFC and its role in helping to raise the global profile of Swansea is likely to increase visitor numbers and tourist expenditure further.

North Wales was the only Welsh region to record an increase in trips by UK tourists in 2010 (3.4 million trips compared to 2.99 million in 2008). North Wales has consistently recorded the highest number of such trips to Wales, but the majority of these are to north west Wales: tourism is not a major contributor to the economy of north east Wales.

Both Stuttgart and Bilbao successfully established leisure/tourism as a core plank in their city region approach: Stuttgart with its open parkland and green spaces surrounding the city, and Bilbao with the Guggenheim Museum providing a focal point for regeneration.

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17   Source: Capital Region Tourism

The importance of connectivity

The Stuttgart city region is overwhelmingly based on economic interdependence and commuter flows: 75% leave their town of residence for work. It has been built around the S-Bahn network, a transit corridor with coordinated timetabling which has delivered urban growth and green areas with a reduction in urban sprawl, as development is centred around the transport corridor.

All tiers of government in the Bilbao city region, an area which was suffering severe industrial decline, have contributed to huge infrastructure projects which have played a major role in the area's economic turnaround. These include a new Metro system, trains, tramway and roads to connect the city and outlying areas, and a new airport providing a gateway to the rest of Europe.

The multi-directional traffic flows (for work and leisure) outlined above emphasise the need for excellent transport infrastructure to ensure any Welsh city regions are well placed to grow. At the moment, almost 80% of commuting in south Wales is done by car (in north Wales the proportion is even higher), which means that efficient road links will remain important for the foreseeable future. Improvements to rail services (and realistic ticket prices) will help deliver modal shift, reducing dependency on roads: the ability to get to Heathrow and Cardiff airports quickly by train in the south will deliver passenger growth and encourage investment. A genuine suburban transport network – such as the Valleys Metro concept – will, if fares are low, encourage those with lower skills to look more widely for work. Development can be inclusive if connectivity is good.

South east Wales is unusual in that the region's poorest areas lie outside the main city (Cardiff), yet only 4% of workers from Blaenau Gwent and 11% from Merthyr Tydfil (both high unemployment zones) travel to work in Cardiff. The provision of cheap bus and train travel – to and from Cardiff and Newport, but also between valleys – would help: there is evidence that high transport costs reduce commuting for lower-skilled workers (Manchester, Leeds), which in turn reduces their chances of obtaining work. Improved employment opportunities could reverse the population decline in the south Wales valleys.
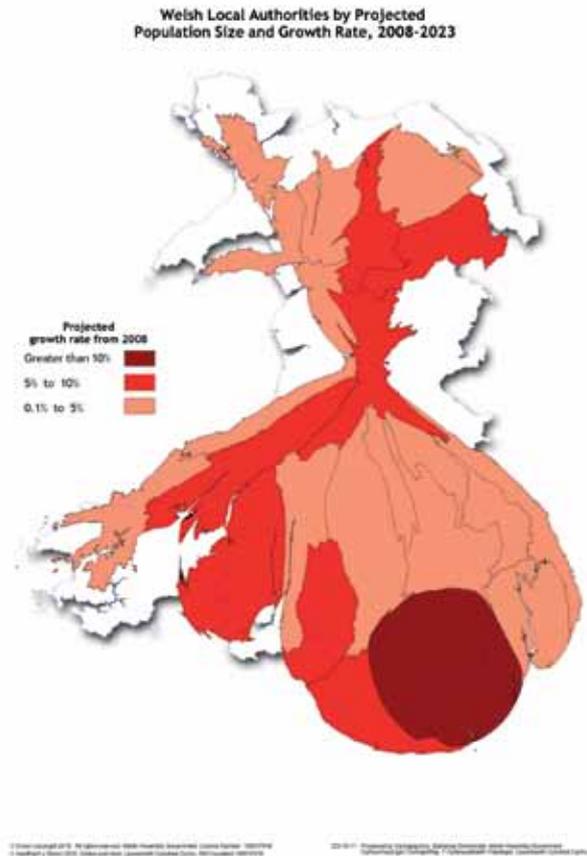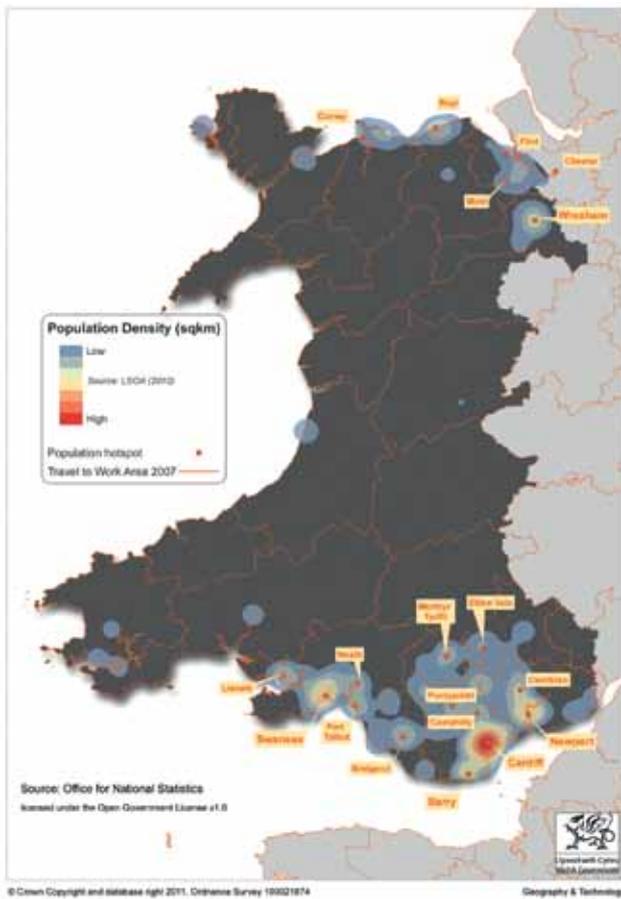
Spatial mismatches in labour demand point to the vital economic role that transport plays in helping people get to jobs and suggest that considerable weight should be given to facilitating journeys to work for the lower skilled, recognising that for most people such journeys will take place by car (particularly as lower skilled jobs disperse) or bus rather than train.

Digital connectivity

We are looking 20 or 30 years ahead: physical transport is not the only form of connectivity relevant to the debate on city regions. The provision of high-speed broadband in theory makes commuting for work far less important – at least for knowledge-intensive industries – than it was in the past. Cities out of line with global levels of digital connectivity will cease to be regional economic drivers. Digital inclusion, smart cities and smart living will become increasingly important for economic development. This is an area in which Wales is trying to catch up with international competitors, but the focus has not been on digital connectivity's importance from a city region perspective.

> What evidence can you provide on the importance of digital connectivity for the success of any of the possible city regions in Wales?

Cultural connectivity

Wales has long suffered from an 'us and them' approach: 'us' versus England; south Wales Valleys versus Cardiff; Cardiff versus Swansea; North versus South … A city region approach with a shared vision provides an opportunity to remove some of the negativity associated with this attitude and make regional pride work to deliver benefits.

Manchester's northern towns are a direct parallel to our Valleys towns, and had a similar view about Manchester as people in the Valleys do about Cardiff: they bought into the Manchester city region vision because they accepted that the larger area would bring benefits to them of enhanced European funding and inward investment. The outlying areas of the Vancouver city region were very suspicious of Vancouver's motives: by listening to them, by actively and publicly championing them, the Mayor of Vancouver won them over. In both cases, the representative speaking externally for the city region did not come from the city, but from one of the smaller towns on the borders of the region. In Stuttgart's view, the development of the S-Bahn and increased prosperity have won over the population's heads, if not yet their hearts.

> What would make you identify more closely with a city region rather than your own town/city?
>
> What barriers exist in your region which prevent people travelling further (for work or leisure)? Conversely, what is needed to encourage people to work from home?

Skills

Higher level skills are a key determinant of productivity and, therefore, of economic growth, and there is also a continuing demand for lower skilled labour, particularly in the service sector (as identified on p. 11 above). On the other hand – not just in Wales – the number of jobs requiring mid-level skills has been shrinking over time. Similar patterns (although to a varying extent) are seen across developed countries[18]. People with higher level skills are prepared to (and are likely to be able to afford to) commute further than those with lower skills.

Employment rates link more strongly to qualification levels than location

Working Age Employment Rate by Qualification Level 2007 (pre-recession)
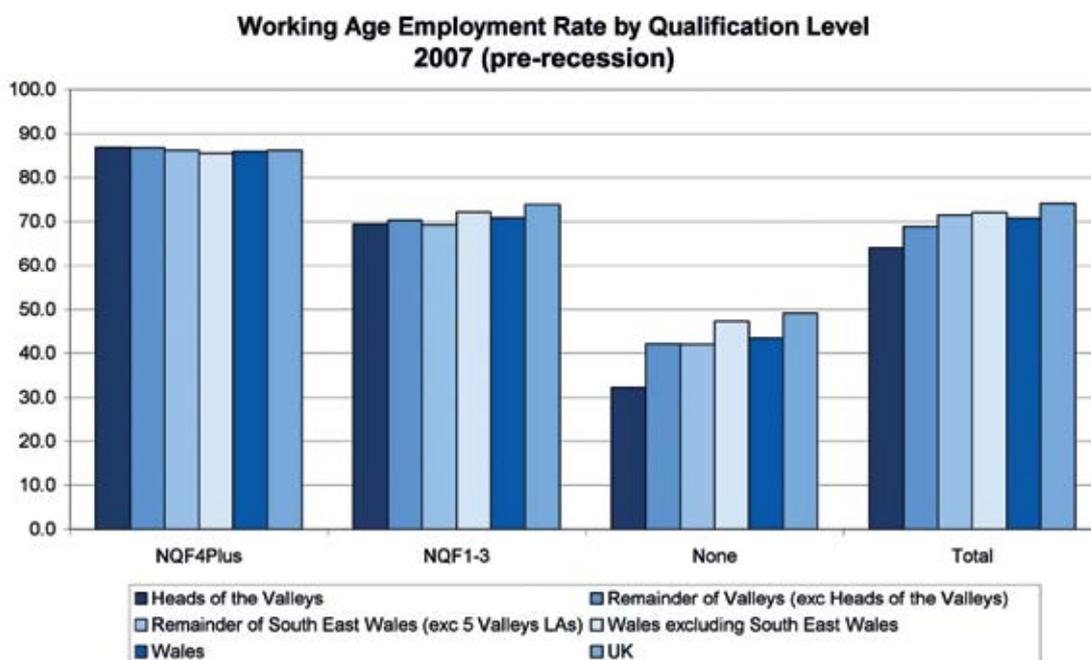
The chart above indicates (a) how much higher the employment rate is for those with higher level skills and (b) that the **employment rate for people with higher level qualifications is broadly similar across Wales and the UK**.

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18   The recent recession and the current economic difficulties have greatly complicated the interpretation of economic data. These trends reflect the medium to longer term position, and are expected to re-assert themselves as the economy recovers.

Implications/Risks of adopting the City Region Approach

- Agglomeration benefits service industries most – there is little evidence of direct additional benefit for manufacturing[19]

- Successful city regions attract business and labour, which drives the need for more housing in and around the city. As demand spills into neighbouring authorities, it is important to coordinate across boundaries to make supply meet demand (and match it to transport infrastructure)

- A city region approach must not destroy or remove existing opportunities for economic growth

- Not all attempts to build city regions have been successful: Detroit, Hull and the Black Country have all failed, mainly because of a lack of shared vision and mistrust between partners.

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19 Graham DJ: Investigating the link betwen productivity and agglomeration for UK Industries: ICL

Next Steps

Once we have finalised the economic evidence base for city regions following this consultation, the Group will announce its recommendations on which area(s) of Wales could benefit from such an approach.

We will, at the same time, outline what we perceive to be the benefits and opportunities as a result, suggest what the regional Unique Selling Point(s) might be, and identify what changes will need to be considered to make the approach work to deliver increased jobs and prosperity. We will use scenario planning to assist us, and will again ask you to participate in the process.

> What are the unique qualities and the potential of your region to compete in the global market?

The framework needed to develop a successful city region:

1. Supportive national context (UK and Wales)
2. Strong technical capacity (analysis and delivery) at the appropriate scale
3. Significant influence at regional/national levels
4. Strong horizontal networks with key public/private institutions
5. Compelling, broadly shared narrative
6. Strong regional leadership and coordinating capacity
7. Ability to recognise and deal with the environmental and social implications of realising the city region's strategic ambitions.

> Which of these exist in Wales? What can be done to develop any that do not?

Please submit your evidence and comments on the questions raised in this paper and, if you wish, on the other questions raised in the Group's remit to:

Email : cityregions@wales.gsi.gov.uk

Post : City Regions Task & Finish Group
C/O Strategy & DGOT, Welsh Government, QED Centre,
Main Avenue, Treforest Estate, Pontypridd, CF37 5YR

Your submission must be no more than 3,000 words, together with a summary of the main points, which should not exceed 500 words.

The last day for receipt of your submission will be 17:00 Wednesday 18 April 2012.