THE WEST OF ENGLAND ECONOMY:

SO FAR SO GOOD…..

A Report for the West of England Strategic Partnership

From

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CONTENTS

EXECUTIVE SUMMARY

- This report for the West of England Strategic Partnership presents an analysis of the economy of the West of England in 2002, its key characteristics and potential threats to its future prosperity, and its position in relation to the wider South West region and beyond.

- The West of England economy has grown strongly in recent decades; employment is almost 80% in service sector activities and GDP/head is above the UK average. It is developing as a prosperous city-region which is attractive to many of those with the skills needed to exploit the opportunities of the new ‘knowledge economy’ of the 21st century.

- There are claimed ‘centres of excellence’ in Aerospace/Defence, Insurance, Professional/Business Services, certain parts of the Media, Bath’s International Tourism, and Higher Education; there are growing strengths in some high tech knowledge-related activities.

- The West of England is vitally important to the economy of the South West region. It has particular concentrations of financial services, aerospace, computer services and other high tech employment and performs an important regional capital role in relation to the northern part of the region. Nationally the sub-region is an important location for the attraction of emerging knowledge and high tech sectors and media professionals.

- Strengths of the West of England economy include its diversity, strong and stable companies, skilled labour, proximity to London and the South East of England and the perceived high quality of environment.

- Weaknesses include poor local transport infrastructure, skill shortages and low achieving school leavers, disparities in levels of deprivation between wards and a perceived lack of overall political leadership.

- Globalisation is intensifying competition for many firms in the sub-region and putting pressure on their costs, generating a need for continuing investment to raise productivity and skill levels in all sectors.

- Regional factors threatening the future prosperity of the West of England include congestion, rising costs, shortages of some skills, lack of affordable housing and land and planning difficulties.

- Actions needed if prosperity is to be maintained include transport infrastructure investment, support for developing business clusters, and increased levels of co-operation and co-ordination between those responsible for delivering policy and stronger political leadership.

- More research is needed on just how to create and maintain a supportive environment for new and expanding firms, especially in the high tech and media sectors and those spinning out of the universities.

- There is evidence that economic linkages between firms in the West of England and other areas are spatially very diverse, varying with sector, size of firm and the location of markets; most external links are to London and the South East of England rather than to elsewhere in the South West; there is a need for more research on local firms' links overseas, especially with the European Union.

- No clearly identified competitor city-region for the West of England emerged in this study; different areas compete for inward investment and/or relocating firms in different sectors.

- Some in the West of England question whether there should be further economic development, especially if such development is perceived as damaging to the quality of the environment; but policies that are perceived as too restrictive will risk driving new or expanding firms out of the area.

- It is very important that there should be clear and strategic political leadership across the West of England if the opportunities for future economic prosperity are to be exploited to the benefit of all the citizens of the city-region, and if the relatively strong recent economic performance is to be maintained.

1 INTRODUCTION

The West of England sub-region encompasses the areas of the four unitary authorities which replaced the former county of Avon: Bath & North East Somerset, Bristol City, North Somerset and South Gloucestershire. It is the largest city-region in the South West region of England, covering the cities of Bristol and Bath, the town of Weston-super-Mare plus the surrounding smaller towns and villages. Bristol and Bath are only 15 miles apart and their economics complement each other in many respects. Bristol on its own is the largest city in the South West region of England.

There are significant spatial differences within the sub-region, ranging from the recent fast-growing 'edge-city' developments on the north Bristol fringe to areas of relatively high levels of unemployment and deprivation in central and south Bristol and some wards in the other urban areas and smaller towns (often where traditional manufacturing jobs have been lost and not replaced with newer types of employment). There is significant daily commuter movement across the area, especially into the larger urban centres. The sub-regional economy has grown strongly in recent decades but much of the related development has been concentrated in the north and east of area close to the M4. Achieving a more equitable access to the opportunities offered by new and expanding sources of employment across the sub-region is one of the challenges facing local policy-makers [ref map?].

1.1 This Study

This study of the economy of the West of England was commissioned by the West of England Strategic Partnership (WESP) in 2002 and carried out by members of the Local Economy Research Unit from the Faculty of Economics and Social Science at the University of the West of England. While respecting the diversity of the component parts of the sub-regional economy, this report focuses on the West of England as a whole.

The work under-taken for this report included three elements: a review of the many reports, surveys and academic papers that have been produced in recent years on the sub-regional economy, interviews with some 35 senior figures in the public and private sectors in the area, and a survey of the sources of inputs and destination of outputs of businesses across the South West in association with the British Chambers of Commerce.

The aims of the study discussed in this document were to report on:

- the key characteristics of the West of England economy,
- the key productive sectors in the West of England and, in particular, any sectors that can claim to be "Centres of Excellence"
- the current strengths and weaknesses of the West of England's economy,
- the current constraints and threats to the future prosperity of the West of England,
- the extent to which the West of England has economic ties to the rest of the South West region and/or to other areas in the UK and beyond,
- which cities/regions are the main competitors to the West of England in terms of inward investment and relocations of firms or plants already in the area,
- how the West of England can contribute to the more general economic prosperity of the UK as a whole.

In what follows this report deals with each of the above. The concluding section presents points for discussion in terms of what might be needed to ensure the future prosperity of the West of England as a competitive city-region in the twenty first century.

1.2 City-regions and Competitiveness

The use of the term city-region[1] is very appropriate here and is consistent with the growing recognition that it is cities and their associated hinterlands that are the central loci for economic growth and development within regions and/or nations[2]. Indeed the recently published South West Regional Planning Guidance[3] identifies the Principal Urban Areas as the prime drivers of the regional economy with Bristol having "a key role"[4].

There has been much discussion in the academic literature of the concept of "competitiveness" applied to a city[5] and how this is critical for the economic success of the whole city-region. Competitiveness can be seen as stemming from a set of attributes that allow businesses in the city-region to prosper. Alternatively competitiveness can be judged by the extent to which firms are attracted to relocate into the city-region and existing firms decide to stay, or it can be measured by the overall level of inward investment in the city-region.

[1] ie a territorial system of city-hinterland relationships (Ravetz 2000 City-region 2020 p11)
[2] See for example CURDS 1999 Core Cities Report
[3] DTLR 2001 Regional Planning Guidance for the South West, p27
[4] The Principal Urban Areas identified in the West of England sub-region are Bristol, Bath and Weston-super-Mare DTLR 2001 p21
[5] see for example the special issue of Urban Studies 1999 Vol 5

It is likely that the qualities of a city-region that result in it being judged competitive on any one of these three criteria will be broadly similar. These qualities include the sectoral mix of industries, the skills and wage levels in the labour market, the availability of good sites and premises at competitive rental levels, accessibility and communications infrastructure, the existence of supportive clusters of business services and suppliers for the different sectors, etc. Other 'softer' features, such as the availability of cultural or leisure facilities which affect the quality of life, have also been seen as important.

1.3 Evidence on the competitiveness of the West of England

There have been some interesting studies of aspects of the West of England economy in recent years which have set the context for the current study.

The Core Cities study[6] in the late 1990's showed the city of Bristol in a relatively strong position in terms of growth in knowledge-based services, academic research output, socio-economic welfare and environmental quality. In a more recent study[7], competitive outcomes for different cities were considered in relation to the quality of the economic, political social and physical aspects of the business environment, referred to as "competitive assets".

Table 1. City/conurbation competitiveness rankings for England

City/conurbation	Assets plus outcomes	Rank	Outcomes	Rank
Greater London	27.9	1	10.6	1
Inner London	10.3	2	5.1	2
Bristol	**7.4**	**3**	**3.8**	**3**
West Yorkshire	7.0	4	1.9	5
West Midlands	6.7	5	0.8	6
Greater Manchester	5.5	6	0.6	7
Birmingham	2.9	7	2.1	4
Leeds	2.0	8	-0.8	9
Sheffield	-5.4	9	-3.8	15
Merseyside	-5.6	10	-2.0	14
Newcastle upon Tyne	-5.8	11	-1.7	12
Tyne and Wear	-6.9	12	-1.2	11
Manchester	-7.7	13	-0.8	8
South Yorkshire	-7.8	14	-1.0	10
Cleveland	-8.3	15	-1.9	13
Middlesbrough	-13.0	16	-5.7	17
Liverpool	-13.3	17	-5.3	16

Note: these rankings are derived using aggregate outcome and combined asset/outcome scores; negative scores result from a predominance of adverse asset and outcome indicators.
Source: I Deas and B Giordano 2001

[6] CURDS 1999 Core Cities Report

Table 1 above, drawn from this study, shows Bristol ranked third amongst English cities on this basis.

A much wider perspective on relative competitiveness is obtained from Healey and Baker's 2001 European Cities Monitor. 500 of the largest European businesses were interviewed to assess which cities were regarded as most attractive as locations and for inward investment. London was ranked top followed by Paris, Frankfurt and Brussels. Manchester was ranked 14th. and Glasgow 19th. Bristol did not appear in the top 30[8]. However Bristol was included when the respondents named other cities outside the top 30 which they regarded as becoming increasingly attractive[9]; in this Bristol was the 3rd highest placed UK city.

The recent study of the Greater Bristol sub-region (essentially the Bristol Travel-to-Work area) undertaken by a team from the Universities of Bristol and the West of England reviewed the competitiveness of the area in some depth. They identified[10] the following as making a positive contribution to local competitiveness:

- Key sectors represented in strength,
- Phenomenal "edge-city" growth combined with comparatively little de-urbanisation,
- Position on "axial growth corridor",
- Global links through aerospace, media and financial services sectors,
- Marked structural change from dependence on tobacco, paper and packaging to financial services, culture and media,
- Record of strong inward investment,
- Disproportionately high representation of professional, managerial and knowledge-based employees in the city workforce,
- Low unemployment,
- Strong socio-cultural infrastructure with vibrant media and culture sectors,
- A recent improvement in governance in terms of collaboration, partnership and co-ordination combined with unitary authority status.

[7] I Deas and B Giordano, Conceptualising and Measuring Urban Competitiveness in major English Cities: an explanatory approach, Environment and Planning A 2001, vol. 33.
[8] See Appendix Table2
[9] see Appendix Table 3
[10] BICS Working paper 1 1998

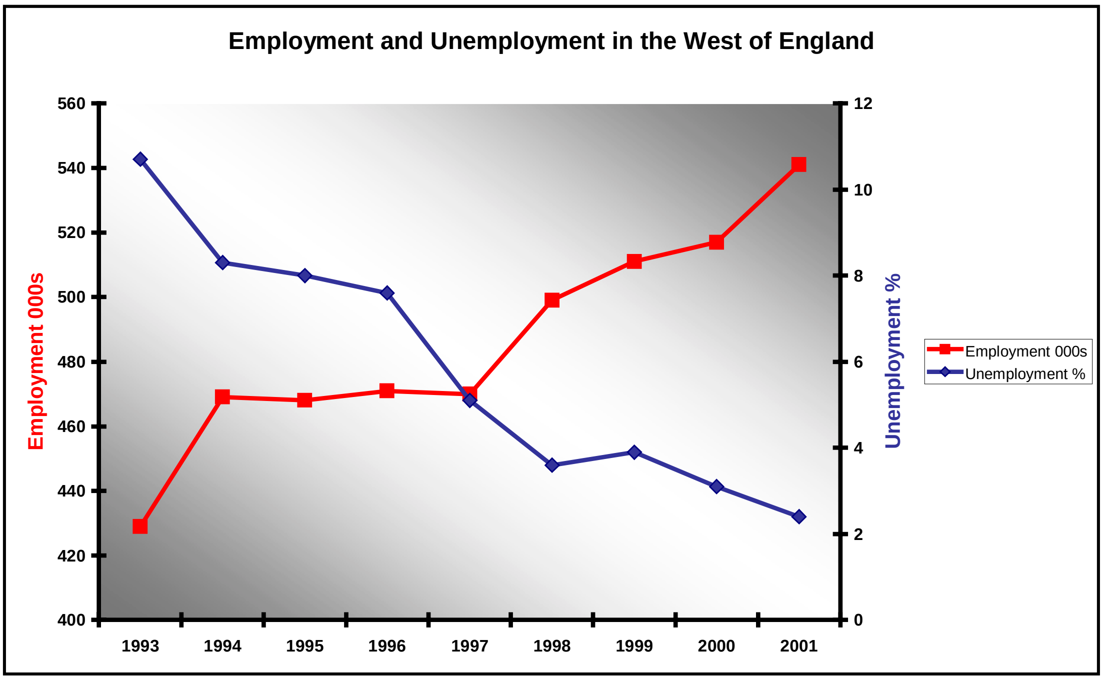
The current position in the West of England with regard to many of these factors also came up in discussions with the consultees for this study, as is reported below. There was a surprisingly high degree of consensus in that the same points were made by many of the respondents and were often also found in the published reports and papers that were available. This is reflected in the summary of the West of England's strengths and weaknesses set out in section 3 below while an assessment of the current competitiveness of the area is presented in section 7.

2 SNAP-SHOT OF THE WEST OF ENGLAND ECONOMY

2.1 What the data shows

The last decade has seen a continuing growth in the size of the economically active workforce in the West of England while unemployment fell from 9.7% in November 1992 to 2.3% in November 2001(Chart 1). The level of GDP/head is 15% above the average for the SW region, and also above the UK average.

CHART 1



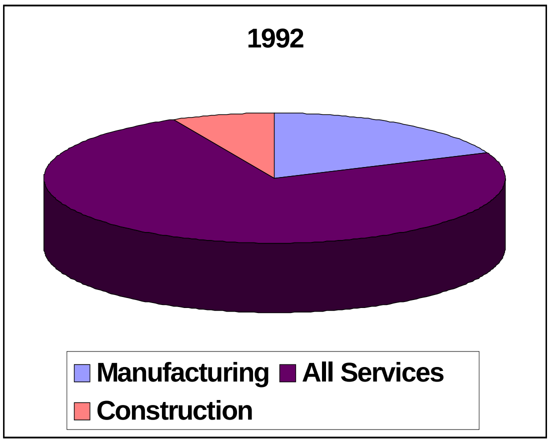
Source: Labour Market Survey, data for November in each year

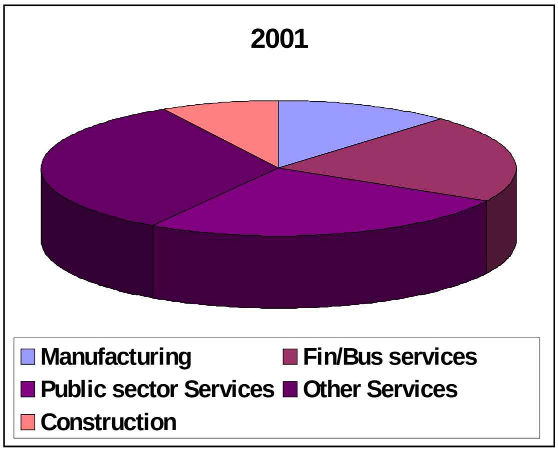
Labour Force Survey data for the end of 2001[11] shows that the number of employees increased by 18% from 1992 to 2001, while the number of self-employed was up by 24%. The labour force was evenly divided between men and women, while the number of part-time workers was 32% of the total, up from 26% in 1992.

The occupational structure of the labour force has also been changing over the last decade, with a continuing growth in the numbers of managers, professionals and semi-professional occupations. By 2001 these accounted for 44% of the labour force in the West of England compared with 39% for Great Britain, and had risen from 34% in 1992. Clerical, craft and related occupations had declined as a share of the total[12].

The dominance of the service sector in the area has continued to increase. The latest figures show it accounting for 79% of employment, with manufacturing down from 18% in 1992 to 12% in 2001. Financial and business services accounted for 21% of employment in 2001, with public sector services at 26%.This is illustrated in Chart 2 below:

CHART 2: West of England: sectors' share of employment





Source: Labour Force Survey

Table 2 presents the broad structure of the West of England economy at the start of the 21st century and reveals particularly strong growth in distribution, hotels & catering and other services.

[11] see Appendix Table 1

Table 2 Structure of the West of England Economy, 2000

SIC Broad Group	Employees '000	%	Change % 1991-2000	LQs
Agriculture etc	2,400	1		0.5
Energy / water	2,600	1		0.8
Manufacturing	60,900	13	- 9	0.8
Construction	17,800	4	+ 4	0.8
Distribution, Hotels etc	118,200	24	+37	1.0
Transport & communications	25,700	5	+ 4	0.9
Banking, finance & insurance	104,000	22	+30	1.1
Public admin, education, health	125,600	26	+19	1.1
Other Services	20,300	4	+36	0.9
Total	477,500	100	+19	

* Location Quotients relative to Great Britain as a whole
Source: Annual Business Inquiry, 2000, NOMIS

The data in Table 2 also includes Location Quotients[13] (LQs), which are useful indicators of the extent to which a particular sector is over- or under-represented in the sub-regional economy compared to its share of the national economy. For example, the interpretation of the LQ of 3.5 for aerospace equipment manufacture[14] (shown in Table 4 below) is that the share of local employment accounted for by aerospace is 3.5 times as large as the national average.

When the economy is examined in the broad groups presented in Table 2, the LQs are close to 1.0 and suggest that, apart from the relative under-representation of the agricultural sector, the overall structure of the area's economy at this level of aggregation is close to the average for Great Britain as a whole, although the service sector is slightly more dominant. The LQs for the Financial and Public services sectors are 1.1 while those for manufacturing and construction are 0.8. While the share of manufacturing fell sharply from 18% to only 12% of total employment between 1991 and 2000, actual numbers employed in the sector declined by 9% over these years.

A more detailed analysis by industrial sector shows greater diversity in the West of England economy, with a fairly wide variety of sectors and productive activities represented[15]. The seven

[12] Appendix Table 1
[13] The Location Quotients shown here are calculated relative to Great Britain as a whole, the LQ for a given sector A = % share of the West of England's employment in sector A divided by % share of GB employment in sector A; when the local share of a sector is equal to the national share, the LQ = 1.0.
[14] SIC(92) division 35 Other Transport Equipment – which is essentially aerospace in this sub-region
[15] Appendix Table 5 sets out all the SIC 92 Divisions in the West of England that had more than 1000 employees in 2000, their location quotients relative to GB as a whole and their share of total SW employees

sectors set out in Table 3 accounted for 60% of all employees in 2000. Their relative size largely reflects the size of the population that they serve, and their LQ's are close to 1.0.

Table 3 Largest Employment Sectors in the West of England, 2000

Sector (SIC 92 Division)	Employees	Share of West of England total
Retail Trade	55,600	11.7 %
Health/Social Work	54,000	11.3 %
Other Business Services (lawyers, accountants, etc)	53,500	11.2 %
Education	42,700	8.9 %
Public Administration/Defence	28,900	6.1 %
Hotels & Restaurants	28,900	6.0 %
Wholesale Trade	22,700	4.8 %

Source: Annual Business Inquiry, 2000, NOMIS

The local specialisation in aerospace, financial services, manufacturing office machinery (computers etc), and publishing, printing, paper and packaging is clearly seen in Table 4, which lists sectors which employ over 2,500 people in the WESP area, and which have a LQ greater than 1.1.

Table 4 West of England: Selected Important Employment Sectors

Sector (SIC 92 division)	LQ*	Employees '000
Aerospace manufacture	3.5	11,000
Insurance & pension funds	2.1	9,100
Other financial services	1.6	7,400
Office Machinery manufacture	1.5	1,400
Paper/pulp manufacture	1.5	2,700
Banking services	1.2	13,900
Publishing & printing	1.2	8,100

* Location Quotients relative to Great Britain as a whole
Source: Annual Business Inquiry 2000, NOMIS

Other sectors which employ significant numbers of the workforce and which have a slight degree of specialisation as represented by LQ's of 1.1, are retailing, wholesale trade, business services, post & telecommunications, computing & related services, health, education, and public administration.

The importance of some of these activities clearly reflects not just the size of the local population and its demand for services but also the area's regional capital role. Bristol in particular is the base for many professional and business service firms that work across much of the South West[16]. It is also a regional centre for specialist health services etc. However, there are limits to the extent that the West of England acts as a regional capital of the South West (see section 6 below a for a fuller discussion of some of these issues).

There is a consensus amongst many commentators that successful cities or city-regions in the 21st century will be those that can establish a good presence in the 'knowledge economy' and that develop a specialism in what some analysts call knowledge intensive services. In a recent study of the Core Cities in England outside London, Bristol was found to have the highest concentration of knowledge intensive services (covering legal services, software research & development, media, advertising and consultancy). That study found that the LQ for Bristol city relative to the national average in 1996 in these services was 1.9, while the LQ for the wider hinterland around Bristol was 1.4[17].

2.2 Key Sectors

2.2.1 Centres of Excellence

An important part of the discussion with the respondents interviewed for this research was to identify any sectors or sub-groups of firms and/or other organisations in the West of England which could be claimed as "Centres of Excellence", implying that there is a nationally or internationally recognised specialism in the area.

The following were identified:

- Aerospace/Defence
- Insurance
- Professional/business services
- Certain parts of the media sector
- Tourism in the World Heritage City of Bath
- Higher Education

[16] SWRDA 2002 South West Economic State of the Region Report p27
[17] CURDS 1999 Core Cities: Key Centres for Regeneration, University of Newcastle on Tyne, p19; in this study the Bristol city-region was defined to include Mendip District as well as the four UA's in the former Avon.

2.2.2 Other Important Sectors

The following are also significant in the West of England economy:

- Advanced Engineering
- Banking services
- Professional services
- ICT/telecommunications
- Printing/publishing
- Health
- Retailing
- Construction

The future success of these sectors, and of those identified in section 2.2.1, will depend on a number of factors, some of which may be susceptible to local influence, some of which will depend on national or international trading conditions and some of which will be sector specific, such as changes in technology or market conditions. Suggested actions that could be taken to support the continuing success of these and other productive sectors are discussed in section 5 below.

2.3 The West of England in the South West Regional Economy

The West of England sub-region is the largest urban area in the SW and is a very important contributor to the regional economy. It has:

- 20% of the regional population[18]
- 23 % of regional GDP[19]
- 24% of all the employees in the region[20]
- the highest average weekly earnings in the region[21]
- 19% of all business registered for VAT[22]
- the highest rate of growth of new businesses at 2.4% (1997/8)[23]
- the highest rate of business formation as % VAT stock [24]
- the highest level of gross value added (GVA) in manufacturing[25]
- the highest productivity as GVA per hour worked[26]

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[18] South West Economic Review 2000, 13th edition, p31
[19] GOSW Regional Development Plan 2002 statistical appendix
[20] Annual Business Inquiry, NOMIS
[21] GOSW Regional Development Plan 2002 statistical appendix
[22] Regional Trends No 36 2001
[23] GOSW Regional Development Plan 2002 statistical appendix
[24] South West Regional Development Agency 2002
[25] South West Regional Development Agency 2002

As the largest urban area in the region it is a prime location for several key sectors in the regional economy. Table 5 below shows that the West of England contains almost half of the regional employment in financial services, and a third of those in the aerospace sector. It also has over 30% of those employed in computer services.

Table 5 West of England: Sectors with large share of SW employment in 2000[27]

Sector	SIC 2 digit code*	Share of SW employees in West of England %
Aerospace	35	33
Business Services	74	31
Banking Services	65	33
Insurance	66	42
Other Financial Services	67	41
Computing services	72	34
Publishing & printing	22	30
Paper & Pulp Manufacture	21	39
'High Tech' Manufacture	-	19

*Standard Industrial Classification 1992 definition
Source: Annual Business Inquiry 2000, NOMIS

Defining 'High Tech' Manufacture to include the manufacture of office machinery, computers, electrical machinery & appliances, radio, TV and communication equipment and aerospace equipment, revealed that the West of England area had some 16,000 employees in these activities, which was 19% of those employed in High Tech Manufacture in the South West region as a whole.

The West of England area had only 14% of the South West's employees in Food and Drink Manufacture and only 19% of those in Hotels & Restaurants in the region as a whole.

[26] South West Regional Development Agency 2002

2.4 The West of England in the UK economy

It has been difficult to establish suitable indicators to assess this dimension of the sub-regional economy. The West of England is not very significant in terms of its share of national GDP or of total employment; just under 2% of Britain's employees work here. This compares with 8% for the South West region and 31% for London and the South East.

There are very few head-quarters of national or international companies here, although the area does have a relatively large share of important regionally based companies. Generally Bristol and Bath have failed to attract or retain corporate HQs in the way that Edinburgh or even Swindon has, while many local professional firms have London offices even if they are primarily based in the West of England.

However, the attractive living and working environment to be found in the West of England means that it has potential to be a very important centre of activity for modern industries which need significant number of professional and other knowledge workers. A high proportion of local graduates stay in the area and it is known to be "the kind of place where media people want to live and work". As a city-region that attracts and retains such people, the West of England is potentially very important to UK plc.

There are also important high technology firms with major plants in the area associated with the 'centre of excellence' identified in aerospace/defence and with ICT/telecommunications and other advanced engineering. The knowledge industries associated with these, and with the local universities, are a strength for the national economy.

It is also true that the UK suffers if any area is under-performing, so there is a wider national interest in seeing an area such as the West of England reaching its maximum economic potential.

[27] Source of data: Annual Business Inquiry 2000, NOMIS

3 CURRENT STRENGTHS AND WEAKNESSES OF THE WEST OF ENGLAND'S ECONOMY

Table 6 overleaf presents a summary of the strengths and weaknesses of the sub-regional economy as they emerged from the research reported here. These reflect both the responses of our consultees and the contents of the documents reviewed.

While the strengths present an encouraging picture for those considering what needs to be done to ensure a prosperous future for the residents of the sub-region, a number of weaknesses are also present which, if not addressed, could undermine that future prosperity.

Table 6: Strengths and Weaknesses of the West of England Economy

Strengths	**Weaknesses**
A diverse economy which has adapted well to the changing international trading environment.	Poor local transport infrastructure, inadequate public transport and growing congestion.
Strong, stable companies, many with significant growth potential.	Increasing congestion on national and regional road and rail links.
A skilled labour force, especially at the professional/managerial levels and for clerical skills.	Poor international air links, while access to Bristol International Airport is difficult, especially from Bath.
A supportive cluster of business services.	Shortages of some skills and recruitment difficulties in a very tight labour market.
A strong professional services sector.	Poor outcomes from some sections of education leading to under-qualified school leavers.
A strong public sector with regional and specialist functions, eg the MoD procurement executive.	Some wards with high levels of unemployment, poverty and deprivation posing problems of social exclusion.
Relative proximity to London and the South East	Shortage of available sites and premises close to good transport links.
Location at 'crossroads' of North/Midlands – South West and Wales – London routes.	Planning difficulties for firms seeking to expand or to develop new sites.
Accessibility due to historically good road and rail transport links to the rest of the SW region and the rest of UK.	A perception that "we are not very welcoming" for expanding businesses.
A strong higher education cluster with a growing number of spin-offs of high tech start-ups, especially in Bath.	Lack of affordable housing.
Perceived good quality of life and environment.	Limited leisure and sporting facilities compared to many other city-regions.
Cultural vibrancy and diversity.	Weak and divided political leadership which has not developed a shared strategic vision.
	Failure to build strategic links with other areas in the UK and Europe.
	Complacency leading to poor presentation of the sub-region to potential inward investors.
	Perception of peripherality reducing the likelihood that national or European headquarters (HQs) will locate here.

4 CONSTRAINTS AND THREATS TO FUTURE PROSPERITY

A number of perceived threats to the future prosperity of the West of England emerged during this research.

International factors such as globalisation are intensifying competition in many sectors, while lower costs overseas lead to increasing imports from abroad and competition for manufacturing functions from other countries. In particular, the changing global structure of financial services may prove to be a threat to local employment in the West of England.

Regional factors include: congestion problems affecting the mobility of people and goods, skill shortages (especially perhaps a lack of appropriate people at junior level), a lack of affordable homes, and rising relative wage levels reflecting the very tight local labour market. Congestion and the search for lower costs on the part of some firms could drive lower value added activities, (in particular certain areas of manufacturing, routine call centre services and data inputting), to seek alternative locations. Rapidly increasing city centre commercial rents, especially in Bristol, could adversely affect the current diversity of employment opportunities.

The perceived lack of development land, the difficulties in finding large scale premises within a reasonable time-scale and the costs associated with planning delays and difficulties could result in expanding firms seeking alternative locations elsewhere. The ineffectiveness of the current overall framework for planning decisions lead to short-term and piece-meal decisions that are not always in the best interests of the economic prosperity of the sub-region as a whole[28].

These threats, and the weaknesses identified in Table 5 above, mean that there can be no room for complacency about the prospects for the West of England economy. Political and business leaders need to be aware of these potential problems and to act together to counter them wherever possible.

[28] for instance see Boddy 2002

5 ACTIONS NEEDED TO MAINTAIN THE PROSPERITY OF THE WEST OF ENGLAND

It is difficult for local policy-makers to act to counter-act the sort of international trends associated with globalisation discussed in Section 4 above, but support for continuing investment to raise levels of productivity and the skills of the workforce will be vital to maintain the sub-region's competitiveness as a location for productive enterprises.

The need for major investment in transport infrastructure was once again the single feature singled out by many of our consultees. Action is needed both to solve problems within the sub-region and to up-grade external links, especially to London and the South East. The completion of the Bristol ring-road into South Bristol, together with a link to the M5 south of Bristol, was suggested more than once as being the best single way of opening up new employment opportunities to the residents of that part of the city.

The second most frequently mentioned problem was the urgent need for an increased level of co-operation and co-ordination between the various bodies responsible for the delivery of policy on the economy and employment in the West of England. Concern was expressed by several respondents that there is no clear vision for the economic development of the West of England, no clear leadership and little effort to build political influence with national or European decision-makers. As a result, the sub-region "punches below its weight in Whitehall and Brussels".

There also needs to be continuing efforts to raise the basic skills of the workforce and of those currently excluded from the workforce. This must be an important part of any wider strategy to reduce social polarisation and exclusion. Further, it would help to counter the low aspirations of some segments of the school age population. In particular there needs to be an improvement in the numbers of school leavers achieving at least 5 GCSE's or equivalent as their minimum qualifications as employers demand more highly qualified and adaptable employees[29].

Increasing the supply of affordable housing at locations close to employment sites and/or to public transport nodes was seen as very important by those needing to attract and retain employees.

[29] see Jackson et al 2001 section 3.2

It is important to provide a wide portfolio of spaces from sites large enough to accommodate corporate HQ facilities all the way down to incubation units for small businesses and studio space for creative services. This needs vision in identifying a choice of good quality sites and buildings for expanding firms. In addition avoidable bureaucratic delays in planning procedures should be eliminated.

The development of supportive networks and clusters of business services should be encouraged. Responses from some consultees indicated that such networks are essential for the dissemination of knowledge and transfer of new technologies in some of the emerging sectors which will be of growing significance in the future[30].

An example is the media sector, some parts of which have already been identified as a centre of excellence in the sub-region and one in which national HQs could be attracted to the area. There are clusters of small firms here within which contacts and networking are the key to bringing together the specialisms needed for any particular project. Training courses are being developed to meet their needs but it has been argued that there is a need for more support and engagement from the more well-established business community.

There is also a growing recognition of the importance of facilitating the spin-out of business enterprises from the universities by the establishment of incubator units etc. The West of England has fallen behind some of its rivals in this regard, although Bath University has had notable successes. The three largest local universities have all been taking action but co-operative strategic thinking needs to be encouraged if the area is to catch up with competitors such as Cambridge, Oxford, Warwick and Cardiff.

Improved cultural and sporting facilities, such as an international standard concert hall, an arena, or a modern sports stadium, would boost the attractiveness of the city-region as a place to live and work, and attract more visitors. Recent developments are already strengthening the West of England’s attractiveness as a destination for tourists. It is also important that the area continues to act as a breeding ground for smaller scale and community level activities which give a city-region much of its energy and excitement.

One of the key strengths of the West of England as a place to live and work is the quality of the environment. Many local people stress that future developments or changes should be carried out sensitively so that the environment is not threatened, and in a way that supports the shift towards sustainability enshrined in current policies. The potential conflict between this priority and the need to ensure continuing economic development within the West of England is further discussed in the conclusion below[31].

6 THE WEST OF ENGLAND: ECONOMIC LINKS TO THE SOUTH WEST REGION AND BEYOND

There is very little information available from secondary sources on this topic. What is presented here has been derived from interviews with our consultees, and from a dedicated question included in the Chamber of Commerce quarterly survey in the spring of 2002.

6.1 Views of Consultees

The interviews suggested that, in the case of firms whose markets are predominantly local, links outside the West of England are not generally perceived to be strong. For those firms and/or sectors which are concerned with the wider regional market ties both across the South West as a whole and outside the region were stronger.

For example, there are a number of major aerospace firms and suppliers in the South West region outside the West of England area, but supply chain links and alliances can vary significantly for different projects and many orders go overseas. In this sector there is a region-wide network that provides valuable contacts and draws on a pool of skilled labour rather than a supply chain in the more conventional sense.

Elsewhere supply chain links and the location of key customers vary depending on the sector and the size of the firms concerned. The most important links for many firms in the West of England are up the M4 corridor to London and the wider South East, while the largest companies in the sub-region trade internationally. For many their international trading links are with the rest of the European Union.

Both Bristol and Bath act as centres of culture and entertainment for a wide catchment area. Bath is also an international tourism destination which attracts many overseas visitors while

[30] Established businesses and other large employers, such as local authorities and educational institutions, could also have beneficial impacts on smaller firms' productivity levels through targeted local purchasing schemes.

[31] see section 8

Weston-super-Mare is an important destination for British tourists. Bath, the Mall at Cribbs Causeway and Broadmead in Bristol are important regional shopping centres.

The West of England's regional capital role is reflected in a number of activities which generate significant movements of people to and from the area to use a variety of services. These include parts of the important financial, business and professional services sector and specialist health services.

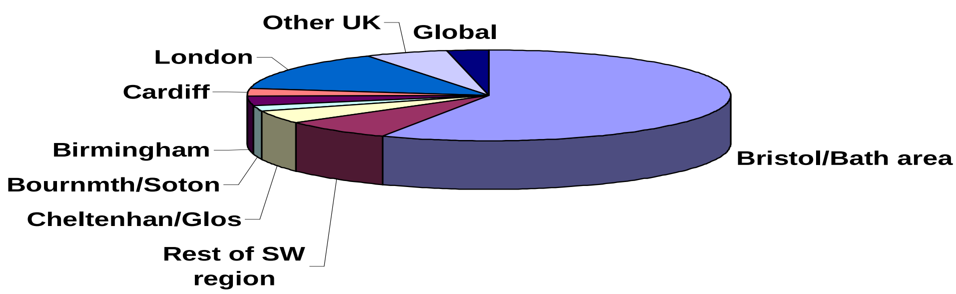
6.2 Chamber of Commerce survey[32]

6.2.1. Links to/from firms located in the West of England

The results of this survey tend to support the picture presented in the previous section. Respondents were asked to indicate from which locations they obtained professional services, business services and supplies of components and where in the UK were the main markets for their products.

This proved a valuable indication of links within and outside the West of England. Firms within the West of England have some 57% of their suppliers of services and components within the sub-region (see Chart 3 below).

Chart 3: Firms in the West of England: location of links with suppliers

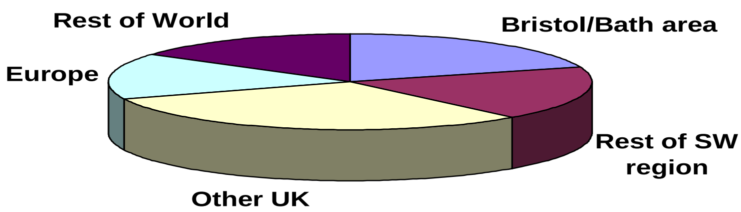


[32] Not all Chambers of Commerce in the SW participated in this survey. It covered about 350 firms registered with the chambers in Bristol, Dorset, North Devon and Cornwall. It included some 200 firms in the West of England sub-region.

The high degree of self-containment of the West of England area is even more pronounced in the case of certain categories of business services and almost as high for advertising, marketing, design, recruitment and training services, printing and office supplies, but purchased components are much less likely to be sourced in sub-region.

Links to customers and markets were much less likely to be concentrated in the sub-region; only 20% of such links fell within the West of England (see Chart 4 below).

Chart 4: Firms in the West of England: location of links with markets



6.2.2. Links to/from firms located in the rest of the South West region[33].

The results here suggest that the South West economy is fragmented into a number of sub-regions which are relatively self-contained in terms of supply links.

In North Devon only 5% of supply links were with firms in the West of England while 47% were with local centres such as Barnstaple and Bideford. 14% of links were with Exeter, which therefore could have a stronger claim to be 'the regional capital' for this area than Bristol/Bath. Firms in the North Devon area appeared to leap-frog the West of England to some extent as 8% of their supply links were with London and 13% with other regions of the UK.

[33] Source: the Chamber of Commerce survey of firms in the West of England, Dorset, North Devon and Cornwall referred to in Section 6.2.1 above.

In the case of Cornwall, less than 3% of supply links were with the West of England, while for Dorset the figure is less than 1%. In both these sub- regions too, local centres accounted for the majority of supply links.

This pattern of relatively self-contained supply clusters can be accounted for by transport links. For instance it is likely that better transport links with Dorset could have a significant impact on the role of the West of England as a source of professional and business services to that area. More generally, West of England city region might gain a more prominent regional capital role with better access to and from these other parts of the South West. .

It was beyond the scope of this study to trace links from firms in the West of England to specific locations in Europe or beyond but, clearly these are of growing importance for many firms in the area, and should be the subject of further research.

7 INWARD INVESTMENT/RELOCATION CHOICES: COMPETITOR CITY-REGIONS

7.1 Evidence from previous research

A profile of firms relocating into and within Greater Bristol emerges from a survey for the ESRC funded Integrated Cities project [34]. That survey found that 25% of firms had moved within the last three years, four out of five of whom had relocated from premises in Bristol. As to future intentions, 47% of those in the city centre and 39% of those in N. Bristol were likely to relocate in the next three years, almost all to elsewhere in the area. Overall, it is encouraging to find that less than 6% of firms thought it likely that they would leave the area in the next three years. The firms' net ratings of their current location within the Greater Bristol area were positive, apart from city centre firms amongst whom car parking was unsurprisingly given an overall negative net rating[35].

7.2. Evidence from Consultees

The diversity of the West of England's economy means that there is no single city-region that is seen as the key competitor either for inward investment or as a potential rival for local firms seeking to re-locate. Different things are important in different sectors and this was

[34] BICS: Working paper 6, 1999

reflected in the responses of our consultees. So, for example, inward investors seeking grant aid will be likely to look to South Wales, whereas firms seeking low cost manufacturing will be likely to look to Eastern Europe or the Far East. Most re-locations of firms that are already operating in the area are within the sub-region. For many local firms the preference is to move towards the north fringe of Bristol or, in the case of Bath, to west Wiltshire.

After London, Leeds and Edinburgh are the chief competitors to Bristol for financial services moving from elsewhere within the UK, with Bournemouth/Poole competing within the region. The South East and East Anglia are the main competitor regions for high tech locations, while Swindon and the M4 corridor to the east of the region are also seen as potentially significant competitors.

7.3 Evidence from property agents and developers

There was a consensus amongst the property agents and developers interviewed for this project that the factors affecting relocation decisions in the West of England (ranked in order of importance) are:

- access by road, rail and air (seen as overwhelmingly important),
- an adequate supply of staff and skills together with space for future expansion,
- the quality of the living/working environment and the social and cultural infrastructure,
- networks and clusters of other businesses in the same sector were important, especially for software, publishing, precision engineering, telecoms & related technologies, defence, IT and insurance,.
- affordable rents and values (rated as least important).

Some caution may be necessary in interpreting the lack of importance attached to affordable premises. Rents and values are currently affordable in the West of England compared with London and the South East. However, if this ceased to be true this factor could become more critical.

In the context of location decisions, Bristol, Reading, Oxford or York were identified as competitors for Bath. Many new businesses start up in Bath but have to relocate part of their operations elsewhere (often to Wiltshire and Swindon) because of a shortage of premises and sites. However some maintain their HQ in Bath as a result of the appealing lifestyle for senior management.

[35] see Table 6 in the Appendix

Bristol is seen as being at risk of losing lower value added activities to locations where grants are available and where there are operating cost advantages; businesses have relocated to Plymouth, Gateshead, Hartlepool, Doncaster, south Wales and Ireland. For office based operations inward investment is often channelled to Swindon and east up the M4 corridor, or to Birmingham, Leeds, Manchester, Birmingham, Edinburgh and Cheltenham. Property agents also report a growing tendency for businesses to leap-frog Bath and Bristol and locate further down in the South West, although this was not substantiated by other respondents.

7.4 Sources of supply

City-regions also compete as sources for the supply of components and services for businesses. The Chamber of Commerce survey described in Section 6 above showed that firms in the West of England gained their supplies from competing cities as follows: London 14%, Gloucester/Cheltenham 5%, Exeter 3%, Swindon 3%, Bournmouth/Southampton 2%, Birmingham 3% and Cardiff 3%. Again this reflects the diversity of the local economy and no single main competitor emerges.

8 DISCUSSION AND CONCLUSIONS

The research reported here has confirmed much that was already known about the West of England economy, namely that it is a prosperous city-region which has displayed adaptability and flexibility in adjusting to the changing economic climate of recent decades. It has proved attractive to many of those with the skills needed to exploit the opportunities of the new ‘knowledge’ economy of the twenty first century and, in so doing, to create the potential for further prosperity for the area. But this is not to imply that there are no problems.

There are significant pockets of poverty and deprivation in certain parts of the area, often located adjacent to highly prosperous areas, and it is proving difficult to ensure that the benefits of economic success are spread right across the community. At the same time that potential human resources in these excluded and marginalised sections of the population are neglected, some employers are complaining of such serious skills shortages that location or re-location to outside the sub-region is being considered. There is a real need for ‘joined-up thinking' across the spectrum of education and economic development policy-making to find and implement simultaneous solutions to these problems[36].

There are very real concerns that the congestion and transport difficulties that have been exacerbated by the economic success of the area are becoming so severe that they will seriously damage future economic development. Although there are sites available there is still a perception that there is a shortage of commercial development land to provide the desired mix of premises to retain expanding firms and to continue to attract businesses interested in relocating into the area.

Addressing these issues and working to counter some of the threats to the continuing prosperity identified above will require strategic thinking and co-operation between the political, business and community leaders across the city-region. The perceived failure to achieve this so far is of very real concern to many of the respondents to our survey.

It must be recognised that finding efficient and equitable solutions to the transport, education and economic development problems can only be achieved by working across the sub-region as a whole. Competitor city-regions, both within the UK and in Europe, are already well down the road on this and demonstrate much more success at wielding political influence and accessing funds.

It is important for the future of all the residents of the West of England that the economy remains competitive, which means maintaining an environment within which all productive enterprises can thrive. In the longer term this will come down to the perceived 'employability' and 'investability' of the area. These terms were used in a recent study of Competitive Cities and Regions[37]. Promoting 'employability' in the area means continuing to develop the quality and skills of the labour force, while 'investability' means the extent to which the area is seen as one with the potential to generate a good return on investment. If businesses can feel confident about the returns on investments that they make in an area then existing indigenous companies will prosper, new businesses will be formed and inward investors will be attracted. Many of the detailed points outlined above as needing to be addressed are what underpin this over-arching perception of an area as investable. Success will mean rising levels of productivity, which are what underpin rising real incomes for all.

[36] for some suggestions see Jackson, M et al 2001 Present Tense, Future Perfect? The challenge for employment, education and development in the Greater Bristol region, Faculty of Education, University of the West of England, Bristol
[37] See Begg 2002 p192

The West of England already has a significant presence in some of what have been identified as key sectors for the future: aerospace, advanced engineering, the 'knowledge' industries and a cluster of media-related companies, and all of which are strengthened by the presence of the four Universities. Firms in these sectors continue to need broad based support but there is also a need for more research on how best to support new businesses spun out of the Universities, and the developing media cluster. In particular there is competition for the latter from other cities, not least Cardiff. Here too further research would help identify how best to create a favourable business environment for these creative industries.

The focus of this report has been on identifying the current position of the West of England economy, and on what is needed to ensure its further economic development in order to secure its future prosperity.

However it should be recognised that some people see a conflict between further development and the maintenance of the quality of life which is one of the area's major assets. Is the city-region full? Should there be more development at all? These are vital questions for the citizens of the area and their leaders to debate.

Some argue that any attempt to curb growth will divert firms to other locations (not necessarily within the South West) and reduce the employment opportunities of local residents. Others contend that development can be guided to concentrate on activities that generate higher value added and can allow the citizens to continue to enjoy rising real incomes from a more sustainable economy while avoiding some of the costs of economic growth. They point out that it is the environment and quality of life that has been fundamental in under-pinning the success of the city-region to date, and that is likely to attract the creative and enterprising individuals that are the core of the coming 'knowledge economy'.

There are real choices implied here, the outcome of which will determine whether or not more environmentally sustainable solutions can be achieved. There are some who argue that "win-win" strategies are possible. In particular, it is argued that providing new environments for businesses that are sustainable in terms of land-take and transport system provision will in itself help to attract more enlightened enterprises that wish to be associated with environmental responsibility. But it needs to be recognised that policies which are too restrictive and result in outcomes which significantly reduce employment opportunities are likely to reduce the overall welfare of the citizens. Once again, both vision and co-operation are required to unlock under-utilised resources within the area in a sustainable way.

Overall, then, the conclusion of this research is that the West of England sub-region, is indeed "the powerhouse of the [South West's] regional economy"[38]. It is important to the rest of the South West as the largest contributor to regional GDP and it is the provider of many regional capital services to those areas of the South West where transport links are good. The prosperity of the West of England helps to raise the overall figures for the South West region. Thus the prosperity of the South West can be seen to depend on the performance of the West of England economy but not necessarily vice versa.

The indications are that the main economic links into and out of the West of England are spatially very diverse in terms of markets but less so in terms of supply linkages. The strongest linkages extend eastwards up the M4 corridor to London and the South East rather than to the rest of the South West Region. However the evidence for this is not fully satisfactory and more research would be useful here to establish more details of the pattern of the city-region's trade within the UK and to Europe.

The fragmented nature of the South West region's economy, and the self-containment of some of the sub-regions in terms of higher order business services, make it difficult to conclude that Bristol/Bath fully performs a regional capital role. Indeed it may be that the South West region is too large an area to support just one regional capital.

Finally it is to be hoped that more effort will be made to promote the image of Bristol, Bath, Weston-super-Mare and the whole West of England city-region as a cosmopolitan and dynamic place to live and work, and to celebrate the numerous successes achieved by companies and individuals from the area. This kind of activity is an essential part of successfully managing a city-region in the twenty first century.

[38] South West Economy Trends and Prospects, 2000, 13th edition

APPENDIX TABLES

Table 1 The West of England Workforce

	Nov '92	Nov '01	Change
			92-01
Population & Employment			%
All Persons 16 years + '000	773	797	+ 3%
All Persons of Working Age '000	589	628	+ 7%
Employees 16 years + Total '000	392	462	+18%
Male '000	201	237	+ 18%
Female '000	191	225	+18%
Self-employed Total '000	51	63	+24%
Unemployment ILO Rate %	9.7	2.3	-76%
All in Employment 16 +			
Manufacturing '000	80	64	-20%
Construction '000	33	43	+30%
Services '000	323	415	+28%
Banking & Finance '000	64	108	+69%
As share of employment			
Manufacturing	18%	12%	- 33%
Construction	7%	8%	+ 14%
Services	72%	79%	+10%
Banking & Finance			
Occupational Structure			
Managers/Prof/Semi-professional	34%	44%	+29%
Clerical & related	18%	13%	-28%
Craft & Related	13%	10%	-23%

Source: NOMIS: Labour Force Survey

Table 2 Competitive European Cities: The best for business location

City	Rank	Weighted Score
London	1	0.86
Paris	2	0.66
Frankfurt	3	0.38
Brussels	4	0.28
Amsterdam	5	0.26
Barcelona	6	0.22
Zurich	7	0.16
Madrid	8	0.16
Berlin	9	0.16
Munich	10	0.15
Milan	11	0.13
Geneva	12	0.11
Dublin	13	0.11
Manchester	14	0.11
Stockholm	15	0.11
Lisbon	16	0.10
Düsseldorf	17	0.10
Hamburg	18	0.09
Glasgow	19	0.08
Lyon	20	0.07
Prague	21	0.07
Budapest	22	0.06
Vienna	23	0.06
Copenhagen	24	0.06
Rome	25	0.05
Helsinki	26	0.04
Warsaw	27	0.04
Oslo	28	0.03
Athens	29	0.02
Moscow	30	0.02

Source: Healey and Baker’s 2001 European Cities Monitor, October 2001

Table 3 European cities becoming more attractive

City	Number of respondents naming
Istanbul	10
Bucharest	9
Lille	7
Turin	7
Antwerp	6
Edinburgh	6
Porto	6
Toulouse	6
Ljublana	5
Valencia	5
Birmingham	4
Cologne	4
Marseille	4
Belgrade	3
Bilbao	3
Bristol	**3**
Luxembourg	3
Rotterdam	3
Strasbourg	3
Stuttgart	3
Zagreb	3

Source: Healey and Baker's 2001 European Cities Monitor, October 2001

Table 4: Factors influencing Location Decisions by Firms in Greater Bristol

Location factor	City Centre firms %	North Bristol firms %
Premises suitability	40	59
National road access	44	56
Rail access for business	44	55
Car parking	-19	45
Immediate environment quality	12	40
Local access for employees/visitors	28	36

Note: these factors are given net ratings, ie the balance of positive and negative values
Source: BICS: [6],1999, p 11

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