RETHINKING THE NORTHWEST SPATIAL ECONOMY
(Strengthening the evidence-base of key economic and spatial strategies in the Northwest)

Final report summary

The Centre for Sustainable Urban and Regional Futures (SURF), University of Salford

The Centre for Urban Policy Studies (CUPS), University of Manchester

The Institute for Political and Economic Governance (IPEG), University of Manchester

with

Salford GIS

September 2006
Summary of key findings

The study’s scope and aims

1. This summary sets out the key findings of ‘Strengthening the evidence base of key economic and spatial strategies in the North West’, a short study commissioned by the Northwest Regional Development Agency (NWDA) from a team drawn from the universities of Salford and Manchester and Salford GIS and also involving David Coates, an independent economic consultant. The overall aims of the study were to produce a better understanding, within the NW region and beyond, of:

- ‘The key economic linkages and complementarities within and between the North West’s city-regions, rural areas and Cumbria, and key economic drivers in adjacent regions’, and

- ‘The strategic importance and implications of the new economic and spatial agenda, and, in particular, current and emerging national thinking on the economic role and contribution of city-regions to regional growth, set within the context of the new Regional Economic Strategy’.

2. The study was undertaken at an important time, nationally and regionally. Within the NW region, reviews of key economic and spatial strategies were reaching an advanced stage. At the same time, national debates about regional economic development priorities, and particularly the role of city-regions in regional economic change, had acquired a high profile. This, in turn, set challenges to the regions to improve the evidence base for regional economic and spatial strategies in order to recognize the importance of geographical as well as sectoral development trends and prospects. In a tightening public expenditure climate, it was expected that clear, evidence-based cases and arguments would be critical to the ability of regions, sub-regions and cross-regional initiatives such as the Northern Way to influence the 2007 Comprehensive Spending Review.

3. The desk-based Phase I of the study took a fresh, comparative look at the development and potential of the component parts of the NW region and neighbouring areas – in North Wales, northern Derbyshire and South and West Yorkshire - based upon the realities of economic change and interaction rather than administrative geographies. Phase II then used bespoke research and smart data manipulation methods to examine the importance and ‘reach’ of five ‘nodes’ – centred upon Manchester, Leeds, Liverpool, Preston and Chester - that emerged from Phase I as key centres for the concentration of economic activity and growth in dynamic sectors. It focused, in particular, upon understanding the relative business advantages of a location within these nodes, the economic interactions between them and their contribution to regional economic performance.

4. The key empirical questions posed by the study can be summarized as follows:
Where are the ‘hot spots’ within the study area that are most likely to positively influence the future development of the NW economy?

What explains their success and is it likely to continue?

What benefit do the key nodes generate for the wider region and do they produce any disadvantages?

What constrains the further development of the key nodes?

What can be done to overcome these constraints, by whom and how, and what role can city-regional strategies and governing arrangements play in delivering these changes?

In addressing these substantive questions, the study gathered evidence that enabled the team to offer views on three further questions posed, implicitly or explicitly, in the original study brief, viz:

- What role can city-regional strategies and governing arrangements play in delivering these changes?
- What are the key opportunities for collaborative working that will result in the greatest contribution to sustainable economic development?, and
- How can these potential opportunities be prioritized in terms of economic impact and timescale?

The study’s key findings on each of the substantive questions are set out, in turn, below. The potential implications and priorities for strategies, governance and collaborative working are highlighted within the text.

The study area’s economic ‘hot spots’

Phase I of the study demonstrated that, on the basis of standard statistical evidence available on Gross Value Added (GVA), employment, travel-to-work patterns, migration movements and skills, four ‘nodes’ lying substantially within the North West plus one in the broader study area stood out in terms of their size, importance and recent economic dynamism. These are the broad areas centred upon: Manchester (particularly Greater Manchester South/North East Cheshire), Leeds, Liverpool, Chester/North Wales and Preston.

Comprehensive evidence to support this conclusion is contained within the main report. Maps 1-4 and Table 1 below, however, illustrate:

- The extent to which the biggest recent improvements in economic performance within the study area, measured by changes in GVA per head of population between 1995 and 2003, (a) lag behind those found in the south of England, overall, but (b) are concentrated in a belt that connects
the city-regions of Liverpool, Manchester, Leeds and Sheffield (Map 1)

- How the major city-regions have increased the share of regional wealth they generate over the same period (Maps 2 and 3)
- The extensive ‘footprint’ of the key urban centres within the study area, as measured by travel-to-work flows (Map 4), and
- The fact that labour market interactions between the key nodes in the NW and areas outside the region, when they are measured in terms of the absolute number of people involved rather than percentages of the commuting workforce, are stronger with the Leeds city region than with the area focused upon Sheffield (Table 1)

8. This and other evidence set out in the main report suggests that each of the identified nodes enjoys economic advantages derived, in different combinations, from three basic sets of characteristics. They are centres of:

- Public and private consumer services, which means they act as a focus for a wide variety of ‘travel-to’ movements (to work, shop, be entertained, be educated, travel, access public services etc.)
- Advanced manufacturing industries (variously in automotives, aerospace, chemicals, pharmaceuticals, bio-technology), and
- Producer services (e.g. in law, finance, other businesses services and IT) which together account for the fastest employment growth in recent years.

9. Four of these nodes - Preston being the partial outlier – are geographically located in a more or less continuous ‘growth belt’ that follows the routes of the M53/M56 and M62 motorways from Chester and Liverpool in the west, through Warrington/north Cheshire, via Manchester to Leeds. This partially confirms the thinking underlying the Northern Way Growth Strategy and the value it attributes to key urban centres and the linkages and complementarities between them in maximizing the economic performance of the north of England. However business linkages across the Pennines are weaker than proximity might imply, and the large centres were found to offer a similar rather than complementary mix of services to their respective, largely regional, markets.

10. Whilst the five nodes share the beneficial characteristics outlined above, they do not do so equally, nor do strengths within one set of characteristics translate automatically into advantages in others. Thus, for example, although the spending patterns of employees within advanced manufacturing and/or key producer services firms contribute very substantially to wellbeing within the broad travel-to-work area associated with a particular node, the Phase II work revealed fewer direct linkages between the procurement patterns of many of the larger manufacturing firms we interviewed and the level and sources of income enjoyed by producer services firms within the five nodes.

11. Instead, geographical concentrations of producer services, particularly for
Map 1. Change in GVA per capita in the UK, 1995-2003
Map 2. Change in share of NW regional GVA, 1995-2003
Map 3. Change in share of Yorkshire & Humber regional GVA, 1995-2003
Map 4. Travel-to-work: commuting fields for nine destination nodes
higher-level activities, were found to be subject to a hierarchy in which, broadly speaking, Manchester and Leeds are clear ‘leaders’ within their respective regions, Preston and Chester fulfill primarily sub-regional functions, albeit in Chester’s case with significant representation of firms operating at national or European scale in certain financial services niches, and Liverpool has intermediate status. As Figures 1 and 2, which describe key organizational linkages between firms in legal and financial services, show, however, London clearly stands at the apex of the national hierarchy of business service centres. The major study area-based firms interviewed by the study team were found to source a significant proportion of services from the capital either because their parent companies preferred to do so or because the perception was that higher order services were not available within the study area. Supply chains for goods were far more internationalized, particularly amongst the larger manufacturers [see Table 2].

12. Whilst there are clear geographical and transportation linkages between and within the five nodes, patterns of economic interaction proved to be highly variable. The strongest trading and labour market linkages are found within the nodes themselves. The ‘footprint’ of the five key urban centres we examined varied greatly in size – Manchester’s and Leeds’ being by far the largest, and Liverpool’s being considerably larger than that of Chester and Preston – but the evidence suggested that the bulk of economic interactions occurred within these areas rather than between them. This was particularly clear with respect to the procurement and sales patterns of SMEs, which are heavily concentrated within their ‘parent’ city-region or urban hinterland and rarely extended beyond the wider region. Table 3 illustrates these patterns for a selection of SMEs in Greater Manchester.

13. Economic interactions between nodes were found to be more patchy but still significant. A clear preference was found for higher order business services from Manchester-based firms by companies in the NW and similar preferences for Leeds-based firms were expressed by companies in Yorkshire and the Humber. However there is little evidence of cross-Pennine purchases of
services, or indeed of goods, despite the fact that: (a) many of the larger service firms maintain offices in two or more of the central cities; (b) a minority organize themselves on the basis of activity streams (and hence inter-office teams) rather than geographical cost centres; and (c) there was evidence of overlap in commuting patterns to Leeds and Manchester.

14. The strongest evidence of interaction and joint-work within the study area was between firms in Liverpool and Manchester, and outside it between firms in Leeds, Manchester or Liverpool and others in London. Thus, whilst the evidence on commuting patterns suggested that professional \textit{households} increasingly view Leeds and Manchester as comprising a single labour market area, the evidence on business interactions suggests that \textit{firms} and their clients still tend to see the Pennines as a dividing line between territorial patches. Most of the larger service providers spoke of parallel but separate markets on either side of the Pennines.

\textbf{The sustainability of economic success}

15. The econometric element of the study used forecasting techniques to understand the relative predictability of recent changes in wealth and employment in the five nodes compared to the rest of the study area. It showed that the economic growth patterns that differentiate the five nodes from the rest over the last decade contain relatively few statistical surprises. The trends that were identified proved relatively robust and predictable on the basis of both the sectoral mix of economic activities that characterizes the nodes and the sustained medium-term differences in their competitiveness which relate, in turn, to the quality of the business environment they can offer.

16. This finding is consistent with a variety of arguments that have been advanced within a rich literature on urban and regional competitiveness in recent years. The new conventional wisdom suggests that the evolution of the ‘knowledge economy’, in which information and intelligence have become increasingly important factors of production, privileges the larger, more diverse and best connected cities, along with smaller centres that share some of their characteristics and are relatively free from a legacy of earlier industrial decline, in a more fundamental way than was the case in the late industrial period.

17. As changes in leading-edge economic activities have demanded greater inputs of knowledge and information (as opposed to more traditional advantages such as access to labour, land and capital), key urban areas have benefited from a ‘new agglomeration’ based upon their pivotal roles as centres of communication, interaction and high level innovation. In the process, distinctive urban assets such as major airports and other key communication interchanges, leading universities and cultural variety and ‘buzz’ have combined with the more traditional strengths of cities – large markets for goods, services and labour and ‘gateway’ functions for domestic and international migrants – to offer firms and households a higher level of insurance against the threat of economic change than exists in smaller urban and rural centres.
Figure 1. Organisational links between legal services firms
Figure 2. Organisational links between financial services firms
Table 2. Supply chains for SMEs in Greater Manchester

<table>
<thead>
<tr>
<th></th>
<th>Banking &amp; Finance</th>
<th>Accounting</th>
<th>Legal services</th>
<th>Advertising &amp; marketing</th>
<th>Recruitment &amp; training</th>
<th>Distribution &amp; logistics</th>
<th>Printing</th>
<th>Office supplies</th>
<th>Purchased components</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gr.Manchester</td>
<td>73.2</td>
<td>70.8</td>
<td>67.0</td>
<td>66.6</td>
<td>71.2</td>
<td>60.8</td>
<td>74.5</td>
<td>69.4</td>
<td>52.6</td>
</tr>
<tr>
<td>Lancashire</td>
<td>6.5</td>
<td>6.7</td>
<td>7.1</td>
<td>13.2</td>
<td>3.5</td>
<td>3.7</td>
<td>4.1</td>
<td>1.5</td>
<td>2.4</td>
</tr>
<tr>
<td>Merseyside</td>
<td>3.5</td>
<td>3.7</td>
<td>0.7</td>
<td>1.6</td>
<td>1.2</td>
<td>2.1</td>
<td>5.5</td>
<td>4.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Cheshire</td>
<td>3.2</td>
<td>9.2</td>
<td>12.5</td>
<td>8.6</td>
<td>8.3</td>
<td>10.5</td>
<td>9.8</td>
<td>8.9</td>
<td>0.3</td>
</tr>
<tr>
<td>Cumbria</td>
<td>0.0</td>
<td>3.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.3</td>
<td>5.4</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>N.Wales</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>West Yorkshire</td>
<td>0.0</td>
<td>3.3</td>
<td>0.0</td>
<td>0.7</td>
<td>1.2</td>
<td>0.1</td>
<td>0.0</td>
<td>0.8</td>
<td>2.4</td>
</tr>
<tr>
<td>South Yorkshire</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.1</td>
<td>0.0</td>
<td>0.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Other Yorks/Humber</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.6</td>
</tr>
<tr>
<td>Greater London</td>
<td>13.5</td>
<td>3.3</td>
<td>9.1</td>
<td>4.6</td>
<td>5.8</td>
<td>6.6</td>
<td>3.2</td>
<td>0.6</td>
<td>0.9</td>
</tr>
<tr>
<td>Other England</td>
<td>0.0</td>
<td>0.0</td>
<td>3.6</td>
<td>4.6</td>
<td>7.6</td>
<td>10.6</td>
<td>2.5</td>
<td>13.9</td>
<td>23.2</td>
</tr>
<tr>
<td>Other UK</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>1.8</td>
</tr>
<tr>
<td>International</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.8</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>14.1</td>
</tr>
</tbody>
</table>

Table 3. Business supply chains for key large firms; the aggregate picture

<table>
<thead>
<tr>
<th></th>
<th>Banking &amp; finance</th>
<th>Accounting</th>
<th>Legal services</th>
<th>Advertising &amp; marketing</th>
<th>Recruitment &amp; training</th>
<th>Distribution &amp; logistics</th>
<th>Printing</th>
<th>Office supplies</th>
<th>Purchased components</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local</td>
<td>48.8</td>
<td>35.0</td>
<td>21.3</td>
<td>43.1</td>
<td>41.4</td>
<td>41.4</td>
<td>30.4</td>
<td>42.3</td>
<td>8.3</td>
</tr>
<tr>
<td>Within region</td>
<td>12.5</td>
<td>31.7</td>
<td>33.3</td>
<td>17.2</td>
<td>27.9</td>
<td>1.4</td>
<td>22.7</td>
<td>22.3</td>
<td>8.0</td>
</tr>
<tr>
<td>Adjacent region</td>
<td>0.0</td>
<td>2.8</td>
<td>1.3</td>
<td>0.6</td>
<td>3.9</td>
<td>3.6</td>
<td>7.7</td>
<td>10.0</td>
<td>1.6</td>
</tr>
<tr>
<td>London</td>
<td>25.6</td>
<td>28.3</td>
<td>34.0</td>
<td>26.1</td>
<td>12.5</td>
<td>0.0</td>
<td>21.5</td>
<td>8.1</td>
<td>17.9</td>
</tr>
<tr>
<td>Other UK</td>
<td>5.6</td>
<td>1.1</td>
<td>8.7</td>
<td>8.1</td>
<td>14.3</td>
<td>30.7</td>
<td>12.3</td>
<td>15.0</td>
<td>17.1</td>
</tr>
<tr>
<td>Outside UK</td>
<td>7.5</td>
<td>1.1</td>
<td>1.3</td>
<td>5.0</td>
<td>0.0</td>
<td>22.9</td>
<td>5.4</td>
<td>2.3</td>
<td>47.1</td>
</tr>
</tbody>
</table>

18. These assets are distributed unequally across the study area and between the key nodes. The Manchester and Leeds city-regions are amongst the best examples in the country, outside the London super-region of extended urban areas that contain the density and mix of physical, institutional and cultural assets and the level of connectivity that are necessary for creating and sustaining high level, knowledge-rich economic activity. The Liverpool city-region shares a number of these characteristics, whilst the areas centred upon Chester and Preston, in different ways, exhibit substantial strengths, albeit on a smaller scale.
19. These observations suggest that, other factors being equal, the economic importance of the five nodes will continue to grow in future years. Economic and spatial strategies for the North West that aim to realize economic potential will therefore need to: (a) give substantial attention to the four NW nodes and the connections between them; and (b) continue to bear in mind the opportunities that might arise from developments across the Pennines.

20. This is not to suggest that ‘investing in success’ is the only rationale for regional economic and spatial strategies. Indeed one of the challenges facing a ‘potential-maximising’ approach is how to link the benefits of change in areas of highest potential with the needs of those that have fewer assets and less potential so that it also functions as a ‘problem-minimising’ one. However the study’s findings challenge the idea that an evidence-based case for realizing the study area’s economic potential could come to a substantially different conclusion. They suggest that ‘investing in success’ is not merely an option for spatial economic strategy but a necessity. It is only through encouraging the further development of the positive trends we have identified that further improvement can be achieved not just within the study area as a whole but in those sub-areas that have adjusted less easily to emerging economic realities.

Why are the ‘nodes’ good for the North West?

21. In assessing the pattern of supplies for, and markets served by, key businesses, the study found a mixed pattern of direct economic benefits for other parts of the study area. On one hand, substantial evidence was found of supply chain linkages within the NW, particularly where strengths in certain sectors are distributed across different parts of the region. Thus, for example, there is substantial trading between the aerospace firms clustered in Chester/North Wales and Preston and its environs and between the chemicals and pharmaceuticals firms concentrated along the river Mersey and in Cheshire. On the other hand, it is clear that firms facing intensified global competition, often as integral parts of global concerns, have to procure goods and services on the basis of quality, cost and reliability and therefore look well beyond the region – and indeed, particularly for manufacturers, beyond the UK - when sourcing ‘inputs’ that are critical to maintaining their competitive edge. These competitive pressures are set to intensify rather than diminish in future years as the pace of globalization continues to increase.

22. More important to the pattern of regional benefit derived from the key nodes were:

- The way in which key firms within the nodes link the study area into national and international circuits of production and trade, thereby generating a high level of ‘exports’ from the regions in question and making a crucial contribution to their GVA; and
• The fact that, broadly speaking, should these firms not be undertaking their activities from a location within one of the key nodes, the likelihood is that they would either not be based in the study area at all (in the case of manufacturers) or would gravitate to one of the ‘higher order’ centres within or outside their immediate region, (in the case of business services).

23. Whilst more could inevitably be done to ensure that the benefits of growth within our nodes are ‘captured’ within the study area more effectively, therefore, efforts to this end should not be seen as an alternative to enabling the continued development of the critical economic functions that the nodes fulfill and could not realistically be fulfilled elsewhere in the study area. It would help, when developing a realistic approach to the balance between potential and need, if (a) a more sophisticated approach – impossible to implement in a short and focused study such as ours – were developed to assess the indirect economic benefits of future growth in the key nodes for other parts of the region, and (b) more consideration was given to the connectivity between areas of higher and lower growth and its potential impact in terms of access to employment and future residential development.

24. These comments apply, in particular, to the relationship between key urban centres and rural areas within the region; something that city-regional approaches have not dealt with adequately thus far. Whilst the needs of urban and rural areas are often treated separately in policy terms, in reality there is extensive urban-rural interaction and interdependency. A more productive approach, and one that is potentially consistent with the notion of city-regions, would be based upon a better understanding of urban-rural interaction and a better understanding of the different forms of ‘rurality’ within the region and the way this informs inter-relationships with urban areas.

Constraints on the future development of the key nodes

25. In assessing the key constraints on the future development of the key nodes, the study relied on assessments of perceived locational strengths and weaknesses communicated to the study team by the firms it interviewed. This approach has its limitations, given that firms tend to make the best of current operating conditions rather than speculate about how they might ideally be improved. Thus, for example, the fact that few firms identified the availability of suitable housing or good schools as being a constraint upon their ability to attract key staff does not mean that the supply of attractive housing will not become an issue in the future. It simply means that firms have managed, thus far, to make adjustments to remuneration packages, and key staff to their travel-to-work behaviour, for the availability of suitable housing and schools not to have become a critical issue as yet.

26. In such circumstances a key analytical task that would facilitate a better understanding of the relationship between areas of potential and need, and improve the sophistication of traditional ‘predict and provide’ models of future housing demand and supply, is more informed anticipation and modelling of
sub-regional economic growth scenarios and better assessment of their implications for the level, composition and potential location of future household growth.

27. Similar observations can be made on the issue of transportation infrastructure where, on the one hand, frequent critical references were made to key peak-time bottlenecks on the motorway and trunk road systems - for example on key stretches of the M62, M56 and M6 and at the Runcorn Bridge – but firms, in response, tended to make pragmatic adjustments in order to minimize negative impacts upon their business (e.g. by fine tuning delivery schedules, greater use of video-conferencing facilities etc).

28. This is not to argue that measures to maintain and extend the accessibility of our key nodes are not crucial to the economic dynamism of the study area. The evidence from the study suggested a number of key messages that could usefully be fed into ongoing work on transport and connectivity being undertaken under the auspices of the Northern Way, some of which re-inforce existing understandings and some of which suggest that particular improvements to specific interconnections are likely to ‘work’ more quickly than others in encouraging greater economic interaction.

29. On the former, our work underlined:

- The crucial importance, for the whole study area, of expanding the international linkages provided by Manchester Airport and further improving its accessibility along with that of the quickly-expanding John Lennon airport whose growth has underpinned recent economic improvement in the Liverpool city-region
- The importance of improvements in connectivity within city-regions in enabling stronger labour market linkages between areas of need and growth,
- The economic value of good quality, fast and reliable transport links to London,
- The potential value of a high speed rail link between Liverpool and Manchester in enhancing existing economic interactions between the two main North West city-regions and,
- Improvements in the quality and comfort of trains running between Manchester and Leeds and an extension of off-peak timetabling in order to deepen cross-Pennine business interaction.

30. Other key messages that emerged directly from the study’s business interview programme about constraints upon future development have to distinguish between demand and supply factors. The former, unsurprisingly, were seen as most important but not something that action at the regional level could affect more than marginally, particularly for manufacturers selling into international markets. On the supply side, by far the most critical issue was the availability of
key skills and the (differential) ability of firms within our nodes to attract and retain them.

31. Manufacturers, in particular, expressed severe concerns about the national supply of graduates in engineering and key scientific disciplines and the extent to which national policies on higher education, and the way individual institutions adjust to them, are capable of redressing what are currently seen as inadequate supplies of suitably qualified labour. Their broad response has been threefold.

- More importing of skilled and experienced staff from overseas or other areas of the country
- Development of partnerships with local further education institutions to increase the supply of ‘job-ready’ entry level staff, and
- Joint work with universities on the development of particular courses and research programmes, which has benefited HE institutions within the study area but only to a limited degree.

32. Even with these measures, however, the expectation was that increased outsourcing of aspects of production seemed inevitable given the rate at which technical skills and capacity are developing in other, lower-cost areas overseas. Paradoxically, this was seen as likely to lead to an even greater premium being placed upon innovation and design skills within the domestic workforce if high value elements in the manufacturing value chain are to be kept in the study area.

33. Outsourcing of routine tasks is also increasingly common within business services sectors but tends to be based on cost factors rather than domestic skills shortages. In general terms, problems in attracting experienced and qualified labour to business services firms within the key nodes were based more upon perceptions of the relative attractiveness of particular locations by high level employees rather than any overall shortage of suitable labour. Partly, this relates to the continued emergence of national and regional hierarchies of business service centres and where professionals see it as advantageous to work in terms of career development. Broadly, this privileges London over Manchester, Leeds and Liverpool. Another important concern, however, is the ‘buzz’ associated with particular urban centres, particularly for younger, creative professionals, which, within the study area, tends to favour the larger cities. This, in turn, points to the continued need to support the cultural enlivenment of key urban centres for the economic, as well as quality of life, gains that they bring.

34. A worrying finding of the study – and a surprising one, given the volume of initiatives that are attempting to create links between higher education provision and the needs and potential of industry and commerce in the localities and regions in which universities sit – was the relative paucity of strong connections between key employers and university departments and research centres. This does not represent a ‘constraint’ as such, as it is perfectly possible for universities to offer ‘world class’ research or skills development capacity to
firms outside their localities and regions and for local or regional firms to access such support nationally or internationally without damaging the prospects of either to any significant extent. The study findings made it clear, however, that significant barriers remain to be overcome in the linkages between academic research and course development strategies, spatial economic strategies and corporate sourcing of specialist intelligence and skills if the relationship between university expertise and local/regional business needs is to be much more than random.

Implications

35. The study focused upon improving the evidence base for economic and spatial strategies and not upon developing a blueprint or action plan. What it generated, therefore, was an indication of the challenges that need to be faced if the analysis presented here is going to be fed effectively into future policies and programmes. Given the intended audience for this report, the study team concentrated upon challenges for the NW region and the key agencies responsible for economic and spatial strategies at the regional scale. However there are implications for national government, too.

36. The study confirmed that the economic competitiveness of the NW increasingly depends upon the performance of areas focused on and around a small number of key urban centres. It therefore gave further credence to the emerging argument that if the Government is going to be able to realize its longer-term ambition set out in the Regional Economic Performance PSA target, to reduce the gap in economic growth rates between the English regions, it needs to focus on the potential of key provincial cities and city-regions. This, in turn, demands two things:

- An acceptance, by Government, that its analysis of regional competitiveness based on the ‘five drivers of productivity’—enterprise, skills, innovation, investment and competition—needs to be further developed in order to take account of place-based factors and the extent to which different locations are benefiting from the ‘new agglomeration’ we referred to above, and

- The message about the leading role in regional economic change played by cities and city-regions needs to inform not only ‘regional’ policies but the priorities and expenditure choices of a broader array of Government departments, for example in relation to transport, higher education, training and skills, and culture. Here, the Comprehensive Spending Review 2007 presents an opportunity to influence the way in which the ‘place blind’ investments of many departments might be brought together more effectively to support city-regional growth strategies.

Messages on governance

37. The study evidence also suggests there would be significant advantages to the
strengthening of governance in fields related to economic development at the city-regional scale. This issue is attracting much attention at the moment and the Government position is likely to become clearer with the publication of a White Paper on local government and the results of the Lyons review and the HM Treasury review of sub-national economic development and regeneration programmes. The study evidence does not justify any firm conclusion about the most appropriate model for city-regional governance, but it does lead to two related observations:

- That better integration between policies and programmes relating to economic development, regeneration, housing, transport, training and skills, enterprise and research is important not only to facilitating the realization of city-regional growth potential but also to connecting economic ‘hot spots’ to areas of lesser potential within and beyond the most dynamic city-regions; and therefore

- There are obvious advantages to the NW in ensuring that the region benefits from any pilot initiatives the Government might support in this area and that regional agencies should therefore continue to press the case for better policy integration and governance for each of the key nodes we have identified.

**Messages for strategy**

38. This process is already beginning to happen at both regional and sub-regional scales, encouraged by the production of City Region Development Plans as part of the Northern Way Growth Strategy. It is also evident in the analysis set out in the Northwest Regional Economic Strategy and in debates surrounding the production of the Regional Spatial Strategy. It could be taken a stage further, however, if it is recognized that the geography of economic change within the NW is not captured sufficiently effectively by the idea that that the region comprises (a) five distinct sub-regions based primarily upon administrative definitions or (b) four main functional economic areas, based on nominal city-regions in Merseyside, Greater Manchester and central Lancashire and a primarily rural area in Cumbria.

39. The findings of the study suggest that a different ‘mental map’ of the region’s economy is needed which acknowledges:

- The centrality of the Manchester city-region, and particularly the strong interaction between the high growth area of Greater Manchester South and large areas of NE Cheshire;

- The growing importance of the Liverpool city-region, whose ‘footprint’ also extends into parts of Cheshire, and its relationship with Manchester along the region’s southern growth axis;

- The strong sub-regional roles played by Chester and Preston (and the links between Chester and North Wales);
The interaction between the labour markets centred upon Manchester and Leeds; and

The importance of north-south business linkages, particularly between the region’s key city-regions and London.

40. Viewing the areas of greatest economic potential within the NW in this way unavoidably means distinguishing them from others that face a different set of economic challenges, principally Cumbria and the area of continued industrial restructuring centred upon NE Lancashire and northern Greater Manchester. Regional economic and spatial strategies therefore need to face two overarching challenges. One is how to facilitate the continued development of areas with greatest potential. The other is to develop a realistic view of how the realization of that potential can enable other areas within the region to deal with the challenges they face.

41. The region is hampered, here, by the absence of a co-ordinated set of economic forecasts and scenarios based upon this mental map. The CRDPs have made useful moves in this direction but as yet it is difficult to anticipate the labour and housing market implications of likely future growth patterns and the broader impacts they might have within, between and beyond the key nodes. It would also prove useful to be able to consider a larger number of nodes in an extended analysis; Sheffield being the obvious additional candidate. The other missing element identified by our study concerns the critical relationship between London and the larger, provincial city-regions.

42. In terms of delivery, significant challenges remain in ensuring that:

- Regional programmes that concentrate upon sectoral issues (e.g. clusters, infrastructure, higher education) are effectively ‘joined up’ with those that concentrate upon places (e.g. regeneration and renewal activity); currently these remain largely separated, in practice if not in theory, at both the regional and pan-regional (Northern Way) levels; and

- A keener sense of spatial priorities is reflected both in the case that the region makes to national government, for example through the spending review, and in the design of future governance arrangements.

43. The findings of the study identify a number of areas in which analysis and delivery can be brought together and acted upon collaboratively so as to address some of the development constraints identified through the business interview programme. The major issues here concern skills and research, particularly linked to manufacturing, where there is clearly scope for more structured engagement between regional agencies, firms and educational providers (in both higher and further education). There is an argument, too, for greater investment in understanding the way business supply chains are changing and the implications for key regional suppliers if they are not to continue to lose ground to international competitors.

44. Within the fields of transport and housing, there are a number of unanswered
questions about the way in which the pattern of labour and housing markets can be influenced so as to promote better integration, rather than disconnection, between the areas within city-regions whose economic prospects have become increasingly divergent. There is also scope for more focused debate about connectivity improvements between city-regions that can encourage greater business-to-business interaction.

45. Ultimately, the keys to making further progress in these and other areas, however, are less to do with generating ‘bright ideas’ in something of a vacuum, but more about: (a) building upon and securing agreement on the understanding of regional economic geography that this study has begun to map out; (b) encouraging key stakeholders involved in regional economic and spatial strategy to sharpen the questions that flow from that understanding; and (c) ensuring that the answers not only permeate action at the regional and sub-regional scales but are seen as nationally important and not about parochial competition within the region.