

Releasing the national economic potential
of provincial city-regions:
the rationale for and implications of a
'Northern Way' growth strategy

An ODPM New Horizons study

Final report



Prepared by the SURF Centre, University of Salford
In association with Pion Economics and Salford-GIS

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Executive Summary

1. Context and key questions

- 1.1 This report, for ODPM's *New Horizons* programme, was completed before the launch of the Northern Way Task Group report on September 18th. It complements and provides a context to the work undertaken by the Task Group rather than provides a blueprint for any future Northern Way strategy. It provides a broad analysis of the contribution of English city-regions to regional and national competitiveness and productivity and assesses their potential roles in future, cross-district and inter-regional development strategies. It sets this analysis within the context of the Government's PSA Target for regional economic performance, whose long-term aim is to reduce the differences in growth rates between the English regions.
- 1.2 The report examines existing understandings of the way cross-district and inter-regional growth corridors and zones have developed and been promoted, domestically and internationally. It then assesses the performance of one *possible* – but in no sense 'Government-approved' - definition of the Northern Way area, both overall and across its component parts. The report ends with an assessment of the key implications arising for any future Northern Way development strategy and the principles, precedents and policy choices on which it could be built.

2. Cities, regions and inter-regional disparities

- 2.1 The report uses data on Gross Value Added (GVA), the best available measure of economic output, and GVA per capita, an approximate productivity indicator, to analyse the changing geography of the English economy during the 1995-2001 period. Two key trends emerge.
- 2.2 The first is the growing domination of the 'super-region' centred upon London and comprising much of the South East, southern parts of the Eastern region and, increasingly, even those parts of the South West and Midlands regions that are best connected to the capital by major transportation arteries.
- 2.3 The second key trend is the growing importance of provincial city-regions to regional growth and productivity. Whilst the provincial city-regions are increasingly successful within their own regional contexts, though, the overall trend is toward the concentration of economic 'weight' and productivity within the expanding London super-region. If the long-term aim of the PSA Target on regional economic performance is to be realised, this trend needs to be reversed.

- 2.4 If more progress is to be made towards reducing the growth gap between English regions, greater attention needs to be focused upon the regional roles of city-regions and the way their development is shaped by public policies and spending patterns. In particular, current moves towards the better alignment of urban and regional policies need to be accelerated and *all* government departments need to consider the urban-regional implications of their policies and expenditure patterns more carefully and to use their influence more creatively.

3. Cross-district and inter-regional development

- 3.1 Attempts to marry long-term regional land-use planning with short- to medium-term policy and spending choices have been in short supply in the UK ever since the collapse of the national economic planning ‘movement’ in the early 1970s. With the partial and very recent exception of the Thames Gateway initiative, the UK lacks knowledge and experience in analysing and promoting ‘enlarged’ growth concepts and zones.
- 3.2 Our brief, selective review of the Thames Gateway and other overseas experiences and initiatives suggests there are no models available that can simply be transplanted to the particular circumstances of the Northern Way. It is nonetheless possible to make two key observations that have been crucial to the success of cross-district and inter-regional development areas and strategies.
- 3.3 The first is the crucial importance of public sector investment in boosting the demand as opposed to the supply side of sub-national economies. The second is the vital importance of vertical and horizontal co-ordination between different tiers of government and between public and private sectors. Vertically and horizontally integrated initiatives can bring about a powerful ‘nesting’ of policy objectives and spending choices and create a settled context in which investment risk, by both public and private agencies, can be anticipated and managed more effectively.

4. The Northern Way area: performance and prospects

- 4.1 For illustrative purposes we defined a potential variant of the Northern Way area as comprising three distinct but inter-related ‘corridors’ grouped around three key transport axes: the M62 plus the northern stretches of the A1 and the M6. Viewed in this way, the Northern Way includes most of northern England apart from its most rural areas.
- 4.2 If viewed as a single ‘region’, the Northern Way area performed moderately poorly, by national standards, during the 1995-2001 period. Within this general picture, however, two trends stand out. First, the key city-regions performed best within their respective regional contexts. Second, when the Northern Way city-regions are compared with one another, the best

performers are grouped around the western half of the M62 (from the Leeds city-region, westward through Greater Manchester, via Warrington/Halton to Merseyside).

- 4.3 The relationship between potential and need within the Northern Way area, therefore, needs to be central to any future strategy. If that strategy is to contribute to the realisation of the long-term element of the PSA Target for regional economic performance, however, a fundamental transformation needs to take place. To give an indication of the size of the challenge, we calculated the additional growth that would need to take place within the Northern Way, over and above projected increases, if the difference between its growth rate and that which might be achieved in the South East were to stabilise, reduce by 50% and disappear entirely over various periods leading up to 2020.
- 4.4 If we assume that growth rates in the South East up to 2014 – the year in which Government will assess whether its PSA Target on regional economic performance has been reached - will continue at 80% of the 1995-2001 rate, growth of 3% over and above projected increases would be needed across the Northern Way area to prevent any further widening of the gap. A 50% reduction of the gap would require additional Northern Way growth of 15% whereas additional growth of 30% would be needed to close the gap entirely. Our calculations suggest it will be four times easier to achieve any of these targets if the necessary growth takes place within Northern Way city-regions rather than elsewhere.

5. Implications and next steps

- 5.1 The size of the challenge that is rightly being set for the Northern Way, when measured against the current state of preparedness to face it, suggests that the job of establishing a coherent and realisable development strategy for such a large and complex area is likely to involve a long, painstaking process. It will need to draw upon a much more sophisticated and detailed understanding of economic change than is currently available. A great deal of bargaining, negotiation and mutual policy adjustment between interested parties will also be needed.
- 5.2 Boiled down to basics, however, the Northern Way strategy needs to proceed, simultaneously, on two broad fronts. First, it needs to understand better and to develop the assets and strengths of its component city-regions. And second, it needs to set discreet city-regional strategies within a broader context of the potential development corridors that surround the M62, in particular, and also the northern stretches of the A1 and the M6.
- 5.3 Three broad tasks need to be completed if this marriage is to be achieved effectively. The first is conceptual, and involves the development of a better understanding of both the causes of city-regional growth and the relationship between city-regions along the three potential development corridors. The

second involves the consolidation and adjustment of existing policies and expenditures in order to promote coherence, rather than dissonance and competition, between existing regeneration and economic development initiatives across the Northern Way. The third requires further breakthroughs, in terms of horizontal co-ordination and commitment to change across Government departments and the development of 'smart, virtual governance' across and between Northern Way city-regions.

1. Context and key questions

1.1 The New Horizons programme

- 1.1.1 This is the final report of a research project funded by the Office of the Deputy Prime Minister (ODPM) under the 2003-04 New Horizons programme. The programme is, in part, a response by ODPM to a recommendation made by the Office of Science and Technology that all Government departments should undertake 'horizon-scanning' as a way of becoming more forward looking and prepared for risks and opportunities. Through this programme, which engages both the research and policy strands of ODPM, the department aims to mainstream 'futures' considerations and to plan its longer-term research priorities and support future strategy and policy development activity more effectively.
- 1.1.2 The call for proposals for the 2003-04 programme invited a series of 'futures orientated reviews' focused around the key functional areas for which ODPM is responsible – local and regional governance, urban renaissance, neighbourhood renewal, housing, planning and reducing social exclusion. It invited bidders to discuss key trends and drivers within each of these fields, to assess the state of the knowledge base, and to draw out implications for the choices of ODPM and its various partners and the circumstances likely to be faced by relevant groups in the broader population.

1.2 The SURF/Pion Economics proposal

- 1.2.1 Rather than concentrating upon a single function, our original proposal, entitled 'Releasing the national economic potential of provincial city-regions: the rationale for and implications of an M62 growth corridor strategy', had a primarily spatial focus. In it, we proposed to test the case for arguing that:

(T)he definition and delivery of an inter-regional development strategy that links the key urban centres along the M62 corridor in northern England represents the most feasible option for (a) reducing regional disparities in wealth and life chances, (b) maximising the impact of current and future regeneration initiatives in key northern urban areas and, crucially, (c) promoting more sustainable, long-term, national economic growth.

- 1.2.2 We drew attention to the fact that cross-district and, in some cases, inter-regional spatial development strategies and programmes had already emerged for and within southern England as part of the Sustainable Communities plan. Some of these - the Thames Gateway initiative, in particular - had been allocated substantial resources within the 2004-06 spending round. Whilst the

ODPM had announced its intention to make a statement about its approach to sustainable communities in northern and midland England, no ‘big ideas’ comparable to the Thames Gateway had emerged for non-southern regions up to that point. Neither had the opportunity been taken to explore the potential linkage between some of the key functional responsibilities of ODPM and other Government departments in a way that could begin to align urban and regional policies more closely, broaden their remit, and enable the more effective delivery of key Government Public Service Agreement (PSA) Targets in the longer term.

- 1.2.3 There remained a particular issue, we argued, about how Government expected the longer-term ambition contained within the PSA Target for regional economic performance to be achieved. This Target commits ODPM, HM Treasury and the Department of Trade and Industry to ‘make sustainable improvements in the economic performance of all English regions *and over the long term reduce the persistent gap in growth rates between the regions*’ (emphasis added). The danger, as we saw it, was twofold. Not only was it unclear what mechanisms were specifically seen as supporting the second, long-term aim of this PSA Target, the suspicion was that the pursuit of other aspects of the policy agenda was tending in the opposite direction.
- 1.2.4 Thus, for example, the strong, short-term focus upon ODPM’s PSA Target 5 – which aims to balance housing supply and demand in each region – that had emerged within programmes linked to the Sustainable Communities plan seemed likely, in the absence of a more comprehensive, joined up approach to the development of the less dynamic English regions, to make it harder than ever to achieve the long-term element of the PSA Target for regional economic performance. Indeed, the emerging programme of additional house-building in southern England seemed to us virtually certain to exacerbate the trend towards the widening of economic disparities between regions. The announcement, as part of the latest national spending review, of the redirection of funding away from planned light rail systems in provincial English cities and towards the Thames Gateway is a further example. Both will lead to greater pressure on labour markets in southern regions – something that, in the past, has made macro-economic management more difficult and limited improvements in the quality of life in both southern and northern regions.
- 1.2.5 Underpinning our proposal was a series of propositions arising out of SURF’s substantial urban and regional research portfolio and our understanding of the implications of a growing literature on contemporary patterns of spatial economic development. They are that:
- Developments in the ‘knowledge economy’, upon which the bulk of recent UK productivity improvements have depended, have proven to be far more ‘urban’ than appeared likely 10-15 years ago. Whereas it had often been assumed, in the early phases of the ‘post-industrial’ or ‘information’ revolution, that economic activity would increasingly *decentralise* from established metropolitan areas due to the locational

freedom ostensibly opened up by emerging technologies, in practice we have witnessed a selective but highly significant *re-concentration* of key economic activities into cities and city-regions.

- As a result, the performance of urban and metropolitan economies has become increasingly critical to regional (and hence national) productivity and growth
- The last decade, in particular, has witnessed an increasingly visible urban renaissance but one in which (a) certain key cities and city-regions, domestically and internationally, have fared much better than others and (b) the degree of change has been more muted, and is arguably more fragile, in provincial urban England than it is amongst their counterparts in other core European countries
- Within the UK, London, and those areas of the South East and Eastern regions that fall within the capital's ever-expanding economic gravity field, appeared to have experienced the greatest gains from the shift to a knowledge economy
- The result has been increasingly imbalanced regional growth, leading to overheated labour and housing markets and intense pressure on transport infrastructures and green-field land in southern England and, in the north, to the co-existence of islands of substantial economic growth and physical renewal with areas that continue to experience population and employment decline, environmental dereliction and selective housing market collapse

1.2.6 This, of course, was the context in which the Sustainable Communities plan took shape. It also provides the backdrop against which exploration of the feasibility of one or more inter-regional, cross-district development strategies in northern England became more important. A new spatial approach that could fuse together urban and regional policies and draw out the implications for the ostensibly 'non-spatial' policies and investment priorities of other Government departments and stakeholders, we argued, needed to:

- Put greater emphasis upon urban economic competitiveness, and its importance for regions, than had typically been the case within existing urban programmes
- Build upon the latent and emerging economic strengths and assets of provincial city-regions
- Provide a context in which there could be greater strategic collaboration and fewer incentives for parochial, zero-sum competition between central cities and their suburban neighbours, on one hand, and between city-regions across or within regional boundaries on the other, and

- Begin to enrol a broader set of interests, at national, regional and local levels, into the development of powerful strategic frameworks that can guide such collaboration.

1.2.7 The research programme we put forward focused upon assessing the evidence base, rationale, principles and precedents on which an inter-regional development strategy within northern England could be built, not upon specifying its potential shape and content in detail. It comprised two main phases. In the first, we undertook to interrogate and manipulate the recently released Office of National Statistics (ONS) data on Gross Value Added (GVA) at national and sub-national levels and assess the extent to which it provided support for the propositions outlined above. In particular, we wished to assess whether the evidence (a) demonstrated the leading roles of key cities and city-regions in regional productivity and growth, (b) provided support for the concept of a city-region led approach to the development of cross-district and inter-regional growth strategies, and (c) helped identify the implications of no further change in current policy for the realisation of the PSA Target on regional economic performance. In the second, we undertook to review relevant conceptual and empirical literatures in a search for approaches to, and key examples of, cross-district and inter-regional growth zones in order to assess the extent to which they had been driven or facilitated by deliberate strategic policy frameworks and governing arrangements.

1.2.8 Evidence from these two phases of research, we suggested, would enable us to assess whether there was a compelling case for a cross-district, inter-regional growth strategy for northern England and to begin to spell out the implications for future research priorities, the policy frameworks of national, regional and local agencies and future governing arrangements.

1.3 The changing policy context

1.3.1 Shortly after our New Horizons proposal was accepted, the idea of a northern equivalent to the development programmes and frameworks that had begun to be delivered in southern regions emerged over the policy horizon rather more quickly than we had expected when the Deputy Prime Minister (DPM) launched ‘Making it happen: the Northern Way’. This document and the speeches the DPM made about it changed the context for our New Horizons work. Together, they:

- Put the idea of an inter-regional development strategy within northern England firmly on the policy agenda
- Hinted at a spatial focus that, whilst it remained vaguely specified, was clearly broader than the M62 ‘corridor’ we had identified, and

- Established a Task Group, overseen by the three Regional Development Agencies in northern England, to undertake further development work on the concept of the ‘Way’.

1.3.2 Whilst it clearly began to expand upon the concept we were interested in, however, in some respects the ‘Northern Way’ statement was characterised by many of the ambiguities we had identified in our original proposal. It:

- Described a huge volume of activity, in terms of physical, social and economic regeneration, that is currently being carried out in northern and midland England with Government – and especially ODPM – support but had relatively little to say about *how* that activity could be drawn together, extended or recast in response to the DPM’s call for ‘the need to capitalise on the many successes already underway in the northern regions, and build a bolder vision for long-term, sustainable growth’
- Drew attention to the substantial evidence of urban renaissance that can increasingly be found within northern and midland towns and cities but contained little discussion about the extent to which (a) recent ‘urban successes’ are inter-dependent (i.e. are linked together within broader patterns of city-regional change) or (b) city-regional renaissance is supported (or, indeed, held back) by ‘non-urban’ policies and expenditures
- Noted that one of the key policy drivers underlying a future Northern Way development strategy was the need, in the DPM’s words, to ‘be more ambitious about tackling regional disparities’ but said little about what that might mean, in practice, or about the contribution that city-regions currently and/or potentially make to regional prosperity.

1.3.3 Given the above, and after consultation with the department, it was agreed that our New Horizons project should proceed as originally envisaged, subject to two provisos. First, the relevant part of the statistical analysis would be extended to cover the whole (potential) Northern Way and not just the ‘M62 corridor’ area that we had originally envisaged. Second, whilst not compromising the independent status of the study, there should be dialogue between our project team and those charged with taking the Northern Way development work forward.

1.3.4 The key questions for the study therefore remained as follows:

- A. What evidence is there that English city-regions demonstrably ‘drive’ regional competitiveness and productivity?
- B. How do provincial city-regions perform, in this respect, and how do they compare to one another and to the ‘super-region’ centred upon London?

- C. How likely is it that the PSA Target on regional economic performance can be attained without further policy change?
- D. What does this evidence imply about the potential importance of city-regions to future cross-district/inter-regional development strategies?
- E. How have cross-district/inter-regional growth areas been conceptualised and examined in the relevant literatures on planning and economic development?
- F. To what extent does this literature suggest that growth in key case study areas has been underpinned by deliberate strategic frameworks and investment programmes, as opposed to the positive but largely inadvertent effects of public or private investments?
- G. How does the area that might be defined as the ‘Northern Way’ perform, and what contribution have its urban areas, generally, and its component city-regions, in particular, made to its recent development trajectory?
- H. What implications follow from the above for the feasibility of a future Northern Way development strategy, the principles upon which it could be based, the knowledge base that it needs to draw upon, potential changes in the policy frameworks of national, regional and local agencies, and future governing arrangements?

1.3.5 The remaining sections of this report set out our responses to these key questions. Given that the New Horizons project was relatively ‘short and sweet’, some are inevitably preliminary in nature. Many, as we argue in the final section, would repay further investigation, debate and clarification. In Section 2, which focuses on questions A-D, we use the results of our analysis of GVA data to examine the changing shape of the English ‘space economy’, the role that cities and city-regions play within key patterns of economic change, and the prospects for achieving progress towards the Government’s PSA Target on regional economic performance.

1.3.6 In Section 3 (questions E and F), we look at the way various development zones and corridors have been analysed and understood before briefly assessing some key case study examples that shed useful light on the main issues that need to be faced in the move towards a Northern Way development strategy and programme. In Section 4 (question G), we look at the recent economic performance of one potential variant of the Northern Way area, both as a whole and through analysis of its component parts, and identify a number of key issues that arise from the quantitative and qualitative research we have undertaken. Finally, in Section 5 (question H), we set out a number of conclusions and recommendations about the process that we feel needs to be

embarked upon in order to further clarify, develop, gain support for and realise the concept of the Northern Way.

2. Cities, regions and inter-regional disparities

2.1 The evidence base

2.1.1 This section uses the data released late in 2003 by ONS on Gross Value Added (GVA) in what are known as NUTS (Nomenclature of Units for Territorial Statistics) areas to present a comprehensive picture of change within the English economy. GVA is essentially a measure of economic output made available at three geographical scales (NUTS 1, 2 and 3). The data are derived from a survey of employers that, although substantial, is not completely comprehensive. They are also based upon workplaces, rather than workforces, and so deal exclusively with the location of economic activity rather than the places where employees live. For this reason, areas in which jobs are most concentrated stand out in the following analysis whereas those that are highly attractive to residents but contain relatively few workplaces appear less 'successful'.

2.1.2 These limitations of the data, however, are more than offset by a number of features that make GVA figures especially useful for our purposes. In particular, the latest GVA data:

- Is available for 1995 and 2001, which means it can be used not only to present the most up-to-date snapshot of economic health but also to track developments over a reasonable statistical period and so describe the dynamics of recent change
- Is available not just at the national scale but also at the level of the standard administrative regions (NUTS 1) and at a scale (NUTS 3) that in some cases approximates to metropolitan areas/urban regions and, in others, provides the basic data from which such an approximation can be constructed. Put simply, it allows us to describe the contribution of regions to national economic performance and of city-regions to regional performance
- When expressed in 'per capita' form (i.e. in terms of output per head of population), provides an approximate measure of *productivity*, the indicator that HM Treasury and the DTI have long seen as key to any analysis of economic performance at national and sub-national levels. (The ideal productivity measure would be GVA per employee but this data is not available from ONS).

2.1.3 As is made clear below, the broad findings of our GVA analysis make sobering reading for anyone whose main concern is with tackling regional economic disparities. At the same time, however, they demonstrate the growing importance of the economic performance of city-regions – including those centred upon cities once thought to be in long-term decline - to regional and national productivity and growth.

2.2 The regional picture

- 2.2.1 The GVA data for 1995 and 2001 confirms the generally robust pattern of growth experienced in the national economy over that period. As Table 1 shows, total GVA for England, at current prices, increased by 37.5% over this period whilst ‘GVA per capita’, the rough productivity measure, also increased by 35% nationally. GVA increased in each English region during the period. All regions bar the North East experienced absolute GVA growth of close to or over 30%. Two regions, however, stand out from the pack in terms of performance: London, with absolute GVA growth of nearly 50%, and the South East, with an increase of 45% between 1995 and 2001. The North West is the only other region in which absolute GVA growth (38%) was above the national average. A similar regional pattern is found for GVA per capita, where only London (43%) and the South East (41%) experienced growth rates above the national average.
- 2.2.2 The regional distribution of GVA demonstrates how economic activity in England has become more spatially concentrated. The southern ‘core’, comprising London, the South East and the East of England regions, accounted for 50% of total national GVA in 2001, a figure that rises to 59% if the South West is included within a larger ‘southern England’. The two midlands regions together generated another 17% of total national GVA whilst a combination of the three northern regions – the North West, Yorkshire and the Humber and the North East – accounted for 24%. London was responsible for generating 45% of the southern core’s GVA in 2001 whilst the North West was responsible for generating 49% of ‘northern GVA’. Most significantly, as indicated in the final column of Table 1, the share of England’s total GVA in 2001 compared to 1995 rose in just three regions – London (by 1.8%), the South East (0.9%) and the East of England (0.1%). Regional shares of national GVA fell in all other regions between 1995 and 2001. In short, not only did national economic activity become more concentrated in and around London during the most recent statistical period, the biggest improvements in productivity were also found in the same broad area.

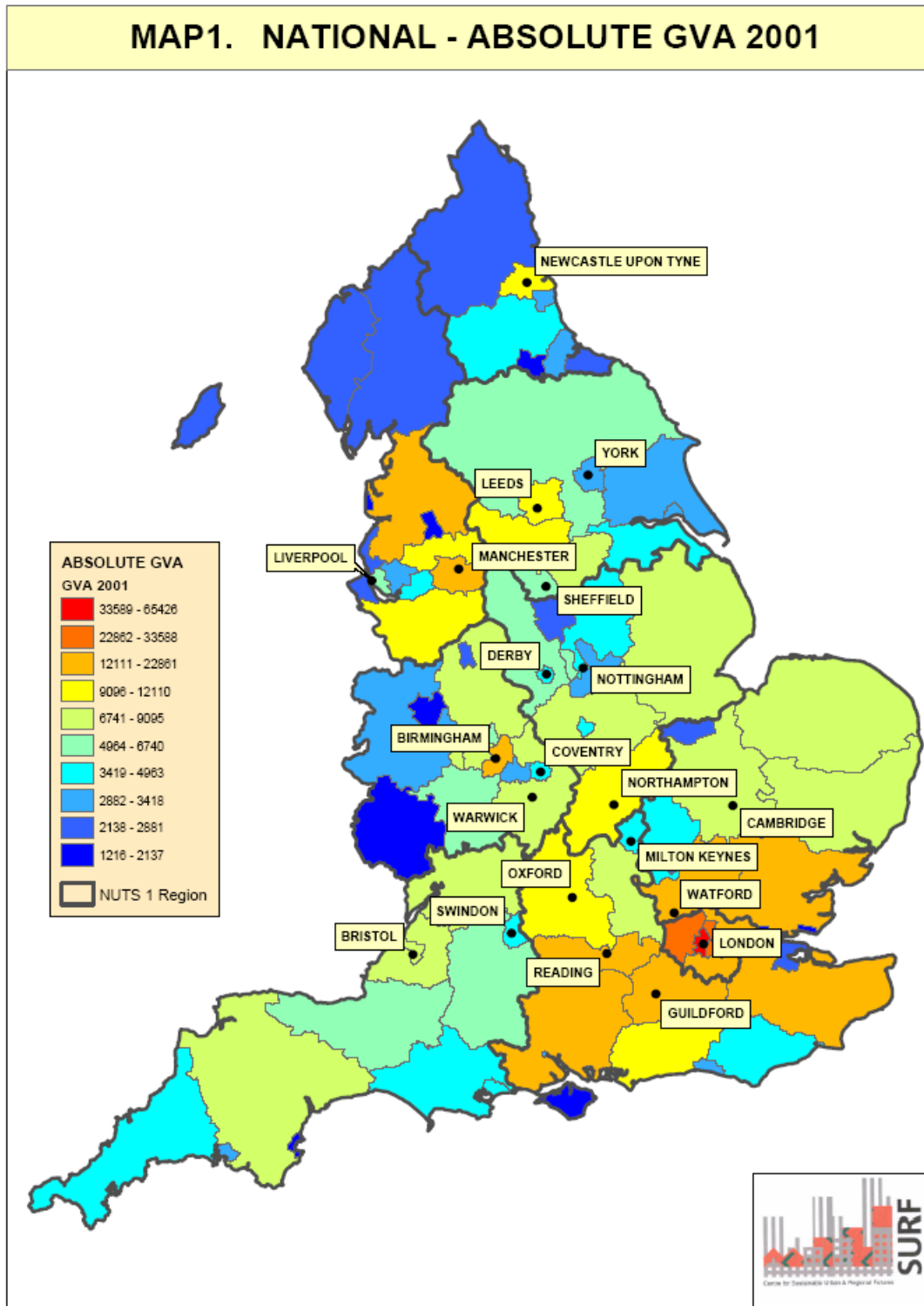
2.3 Cities, city-regions and regional growth and productivity

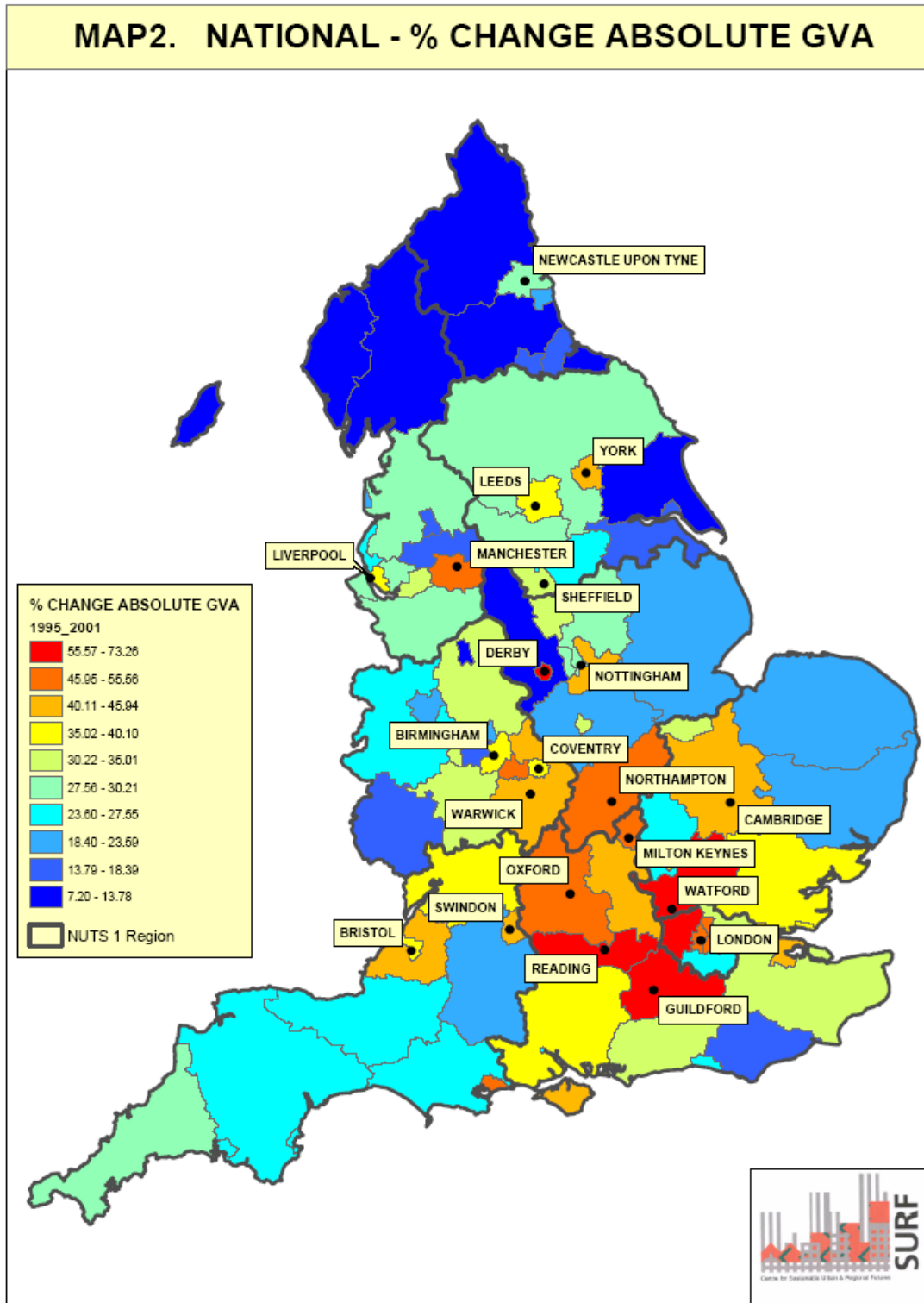
- 2.3.1 When we examine economic performance at a finer geographical scale, the increasing dominance of London and its hinterland becomes clearer still. This is demonstrated in the following series of all-England maps which are colour coded to show both the economic ‘hot’ and ‘cold’ spots amongst England’s NUTS 3 areas in 2001 and the degree of change in economic performance in those areas in the 1995-2001 period. ‘Hot’ and ‘cold’ are, of course, relative concepts. We need to bear in mind, when interpreting these maps, that even the areas that appear ‘cold’ experienced GVA and per capita GVA growth in the period. It is their relative, rather than absolute, performance that is poor.

Table 1. Regional GVA and Per Capita GVA; regions ranked by % change in share of England GVA, 1995-2001

	GVA 1995	GVA 2001	Change (Abs)	Change (%)	GVA per Capita 1995	GVA per Capita 2001	Change (Abs)	Change (%)	1995 Share of England (%)	2001 Share of England (%)	% Change in Share
England	530971	730036	199065	37.5	10996	14844	3848	35.0	-	-	-
London	108630	162501	53871	49.6	15836	22607	6771	42.8	20.5	22.3	1.8
South East	87672	127377	39705	45.3	11292	15908	4616	40.9	16.5	17.4	0.9
East of England	54359	75128	20697	33.4	10221	13268	3188	32.5	10.2	10.3	0.1
South West	47632	63554	15922	30.9	9823	13011	3023	29.8	9.0	8.7	-0.3
East Midlands	41793	55394	13601	29.1	9678	12468	2790	28.8	7.9	7.6	-0.3
West Midlands	52800	68839	16039	32.5	10047	13070	3047	30.1	9.9	9.4	-0.5
North West	66887	87584	20769	38.2	10443	13926	3483	33.4	12.6	12.0	-0.6
Yorkshire and the Humber	47970	61929	13959	30.4	9970	12880	2910	29.2	9.0	8.5	-0.6
North East	23229	27729	4500	19.4	9027	11019	1992	22.1	4.4	3.8	-0.6

- 2.3.2 Map 1 shows the distribution of GVA across the country in 2001. It illustrates clearly how the ‘hottest spots’, that is those containing the largest volumes of total economic output, are disproportionately concentrated in London and in those areas of the South East and Eastern regions that are closest to the capital and/or linked most effectively to it. The critical role of rail and road infrastructure is made clear by the fact that proximity to the capital, *per se*, is not a reliable predictor of economic success – hence the differences between areas to the north, west and south-west of London compared to those to the south-east and east. Elsewhere, economic ‘weight’ is seen to be concentrated, to a lesser degree, around the key cities of Birmingham, Manchester, Leeds and Newcastle, in the former industrial heartland of Lancashire and in a belt, centred upon the M56 and the western stretch of the M62, running from Cheshire and Merseyside across to West Yorkshire.
- 2.3.3 Map 2 provides a useful contrast. Its ‘hot spots’ are those areas where there was the greatest degree of *change* in total GVA between 1995 and 2001. In other words it shows the biggest ‘improvers’ amongst NUTS 3 areas, whether or not they were ‘big hitters’, in terms of economic weight, in 1995. The contrasts between regions here are much more stark. There is an even heavier concentration of ‘hot spots’ in London and in those areas of the South East and Eastern regions closest, and best linked, to the capital. This time, however there is also evidence that the other fastest-growing areas are those that lie to the immediate north and west of this established ‘super-region’ around London. Thus, for example, the biggest improvers in the South West region are distributed along the M4 as it continues out of the South East to Bristol. Similarly Northamptonshire, the closest NUTS 3 area to London in the East Midlands, linked to the capital by the M1, is the strongest improver in its region. The same is true of an area that includes Warwickshire, Coventry, Solihull and Birmingham within the West Midlands.
- 2.3.4 Elsewhere, big improvers are few and far between and are overwhelmingly concentrated in and around key provincial cities. Derby and parts of Greater Nottingham, in the East Midlands, are the other main improvers elsewhere in the midlands. In the northern regions, Greater Manchester South – that part of the Manchester conurbation containing the city centre, the airport, Salford Quays and Trafford Park – is the main improver by some distance. The areas centred upon Leeds, Liverpool and York also show up relatively strongly but other NUTS 3 areas along the eastern M62 and the northern stretches of the A1 and M6 trail in terms of change in GVA between 1995 and 2001.



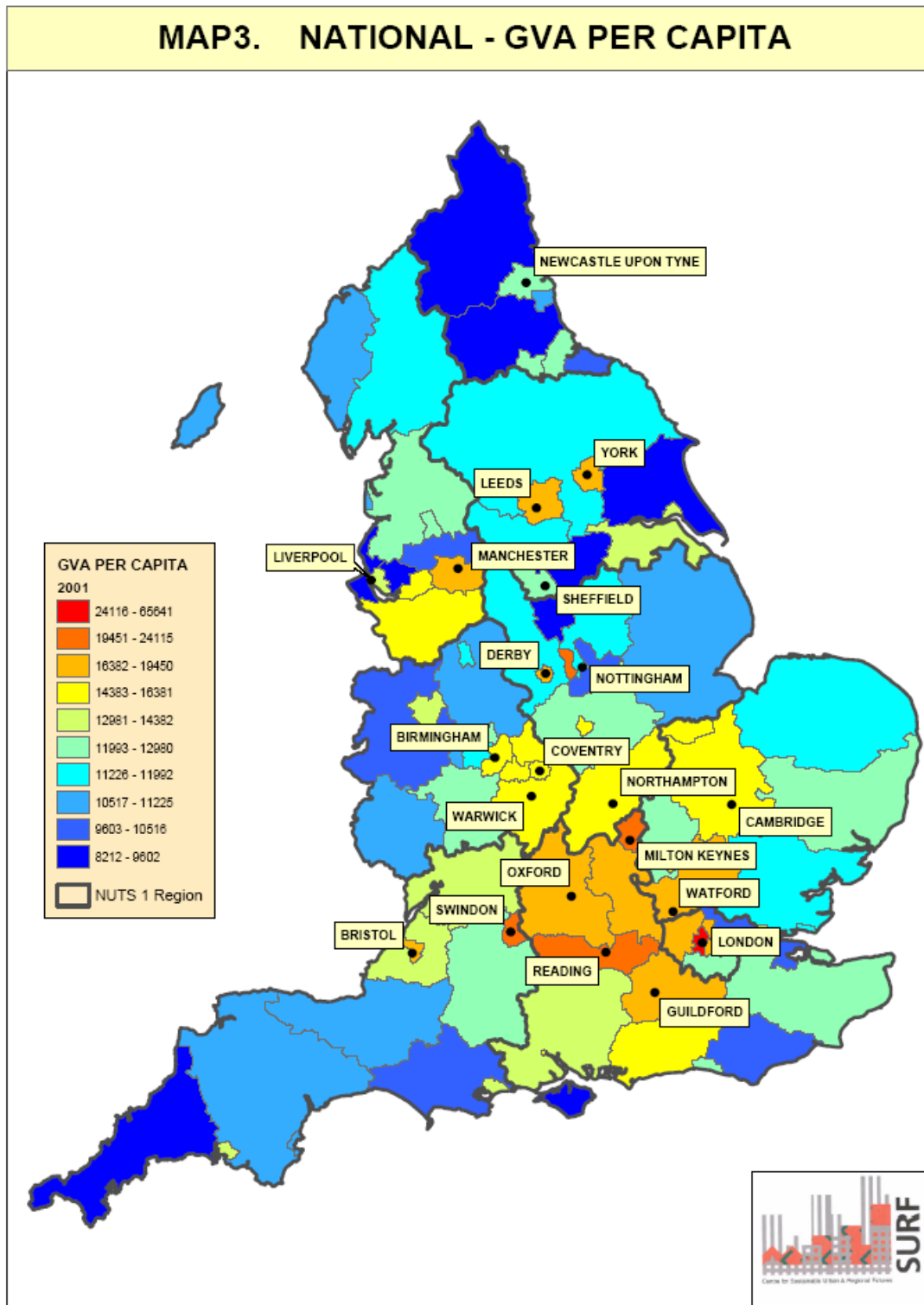


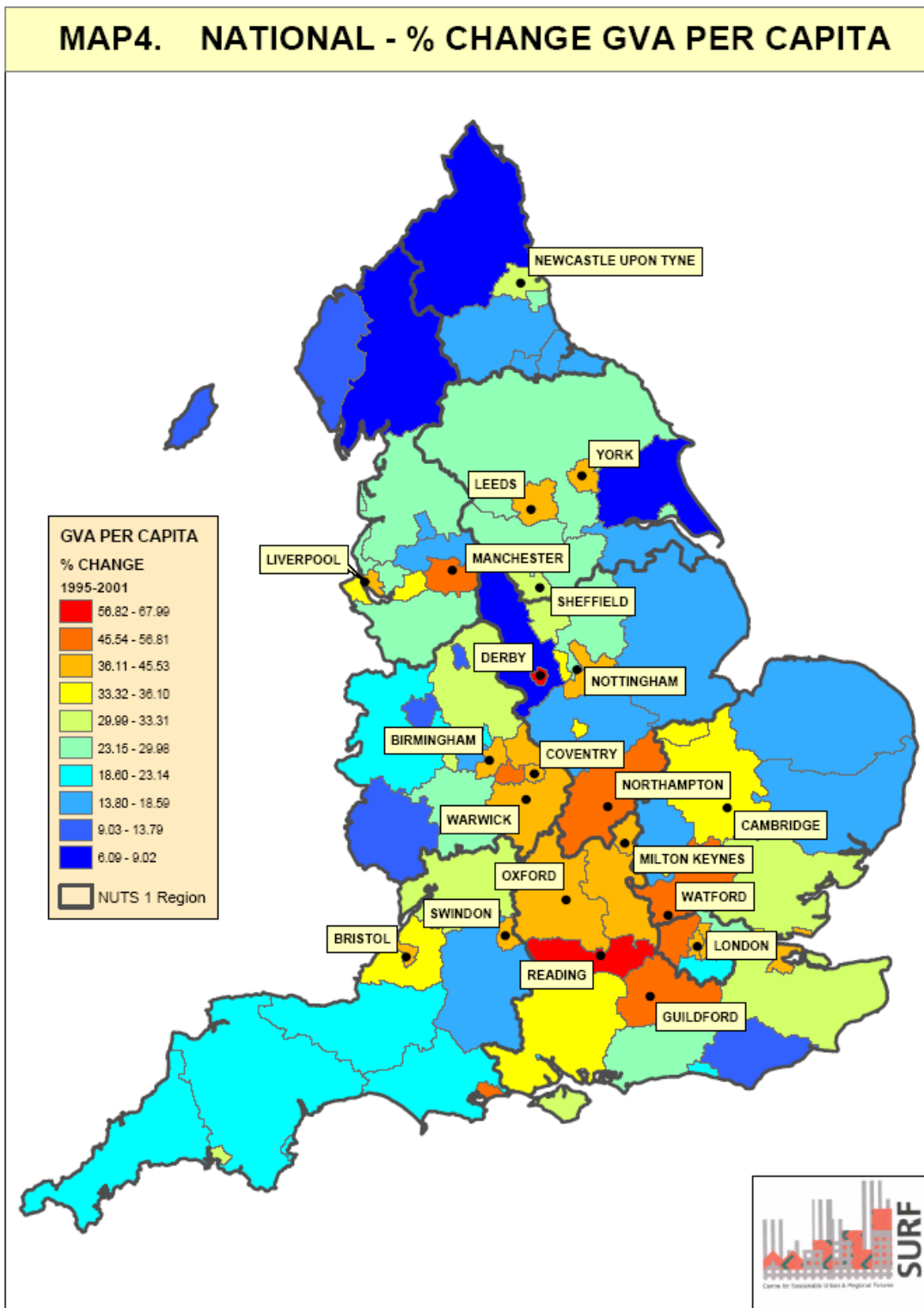
2.3.5 Maps 3 and 4 present similar data to Maps 1 and 2 but this time controlled for population sizes. Map 3 shows the distribution of GVA per capita amongst NUTS 3 areas in 2001 whilst Map 4 shows the degree of change in GVA per capita in the same areas between 1995 and 2001. As noted above, GVA per capita figures are a better indicator of productivity than 'pure' GVA, which tends to highlight historic concentrations of economic activity. However the picture they paint is not radically different to the one we have already sketched

out. Both maps show that whether we look at the distribution of this particular indicator of productivity as at 2001 or at percentage change in the 1995-2001 period, the biggest concentrations are still found in London, in those parts of the South East and Eastern regions that are closest and best linked to the capital, in areas of the South West and the midlands regions that are either linked to the extended London super-region by major transportation routes or are grouped around key cities and, in the northern regions, around the cities of Manchester and Leeds in particular.

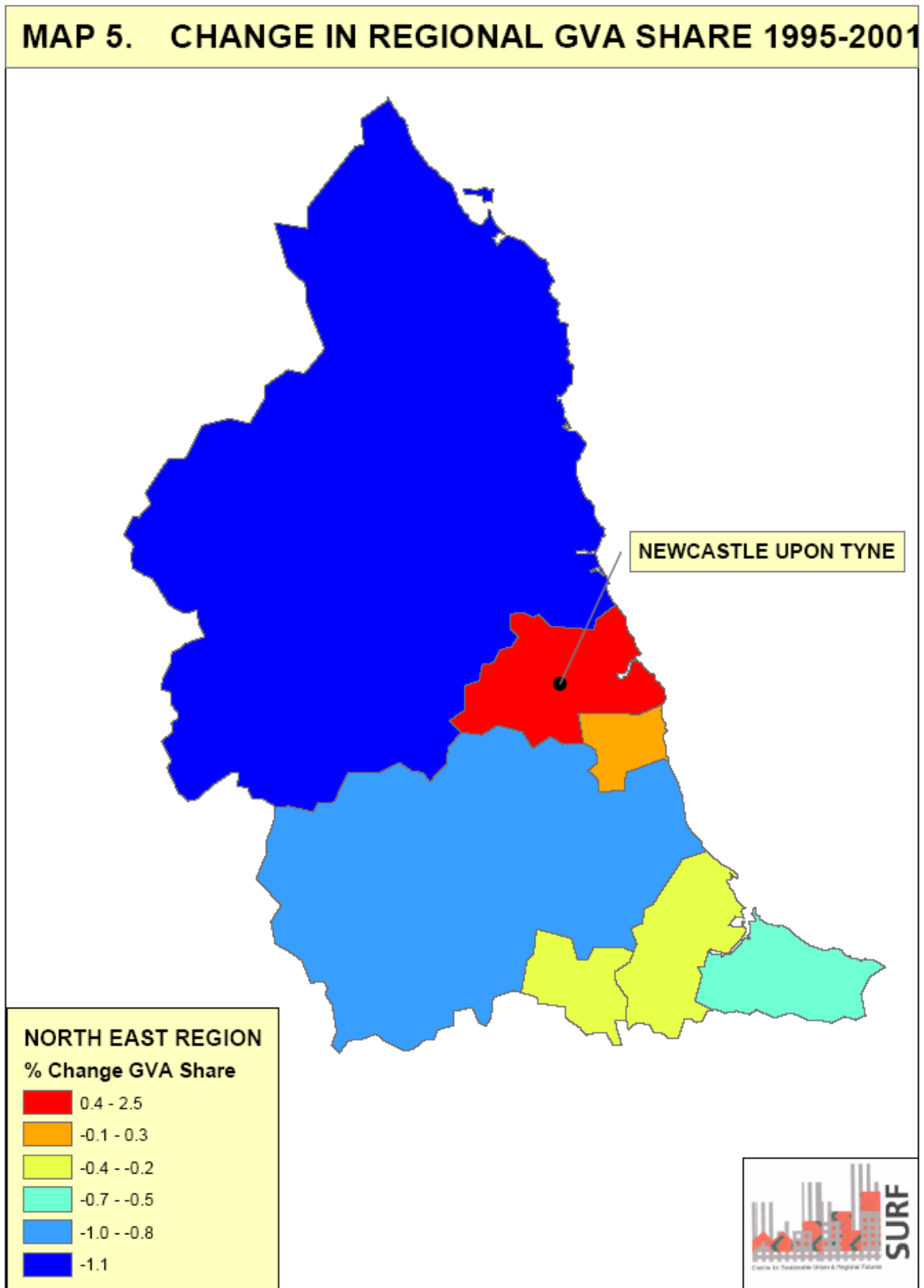
2.3.6 The national overview provided by the GVA data, then, illustrates two overall trends. The first, and most pronounced, is the domination, in terms of both total economic output and recent gains in productivity, of a steadily expanding, London-centred, super-region. The second is the growing importance of provincial cities and city-regions in terms of both total economic output and recent productivity improvements, particularly within their own regional contexts. In short, cities matter more but London matters most.

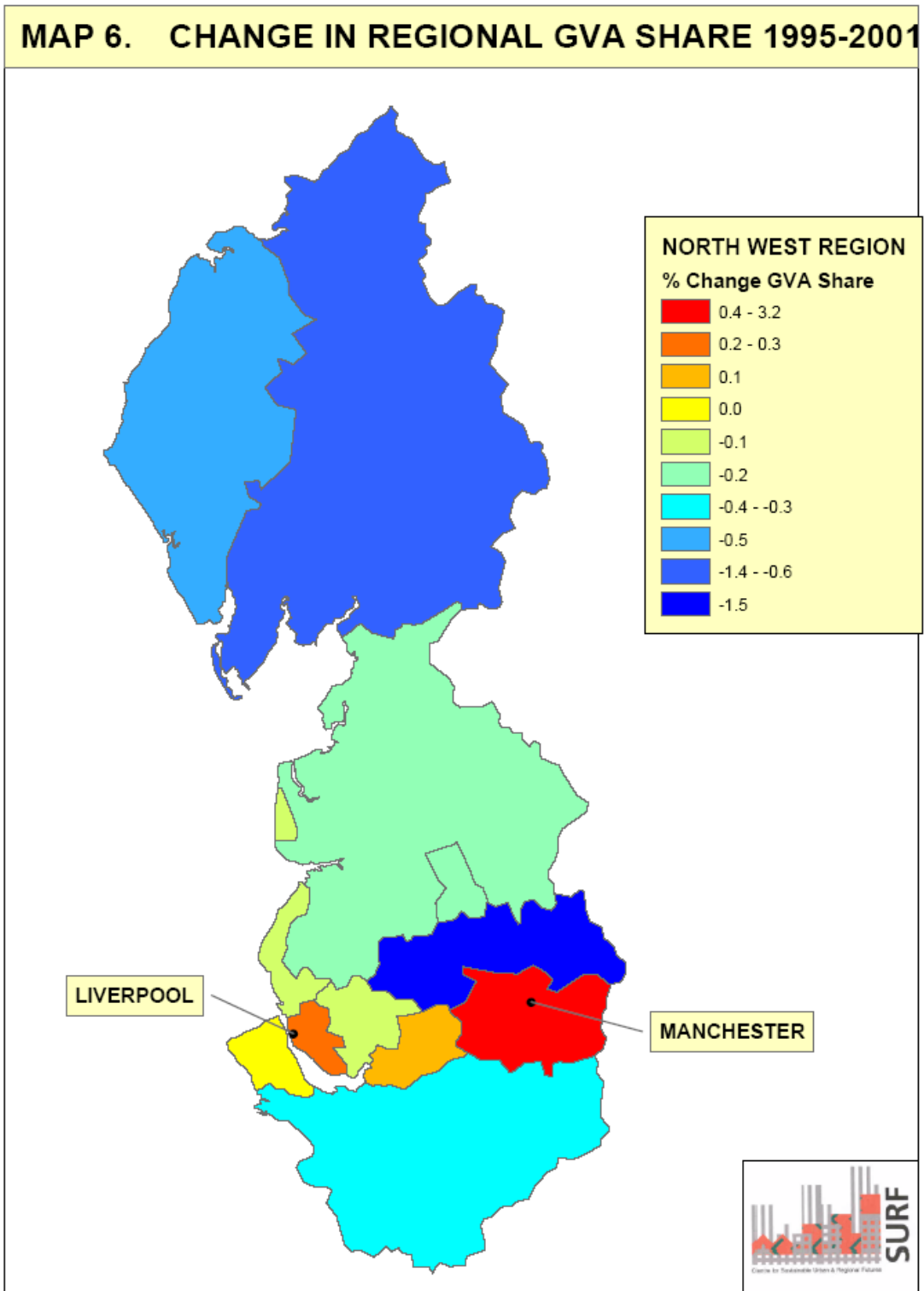
2.3.7 These trends are illustrated in finer detail in Maps 5-11, which show the changing share of *regional*, rather than national, GVA accounted for by each NUTS 3 area in 2001 compared with 1995. The 'hot spots', in these maps, are those areas whose share of regional GVA grew most markedly over that period whereas the 'cold spots' are those where the share of regional GVA declined most rapidly. Maps 5-10 present the data for each of the English regions outside the southern core in turn whilst Map 11 presents the relevant data for London, the South East and the Eastern region combined in order to illustrate the relationship of London to the southern core area. The data is presented in this way in order to show the importance of cities to economic change in the broader geographical areas that are most relevant to them.



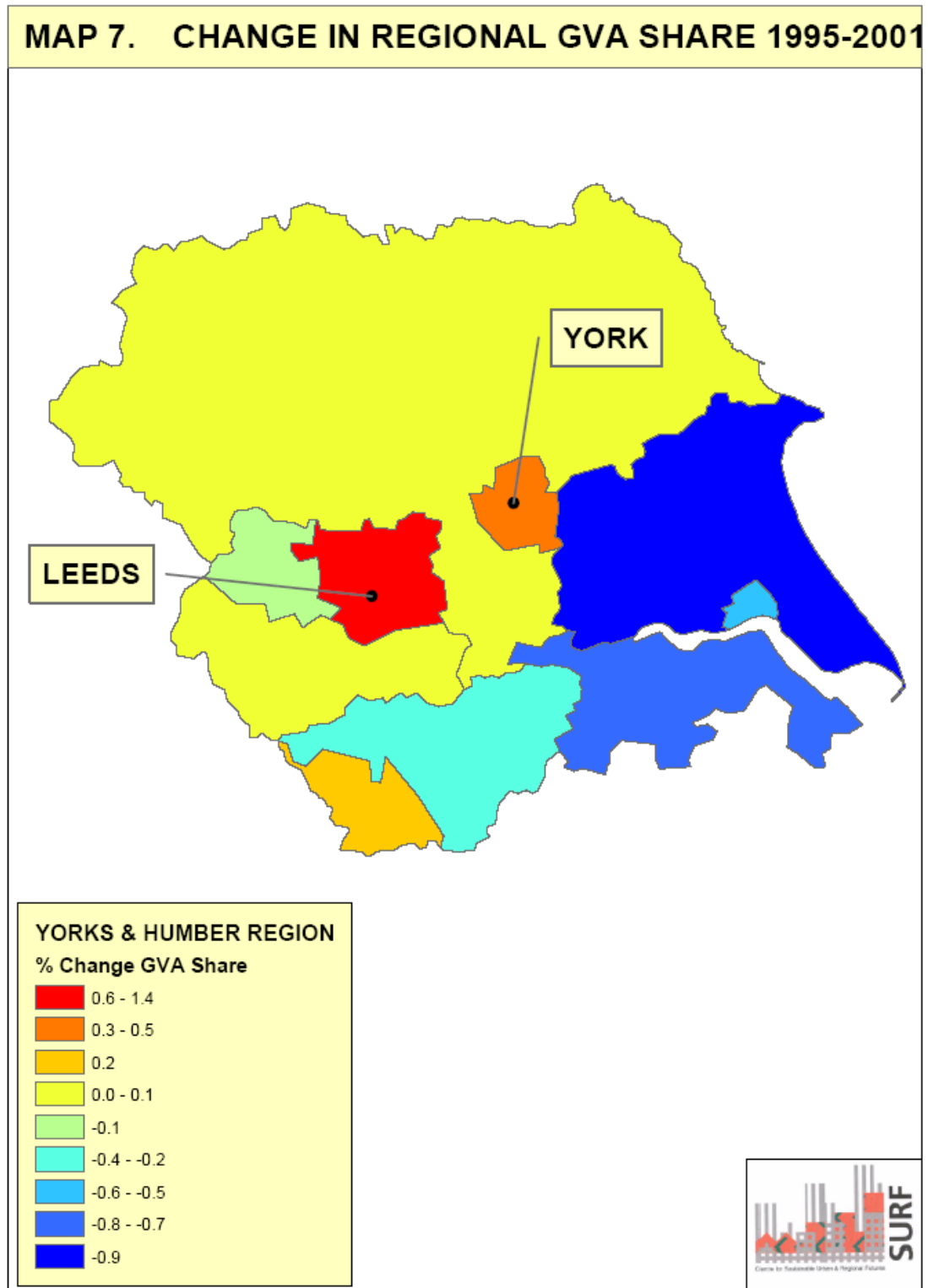


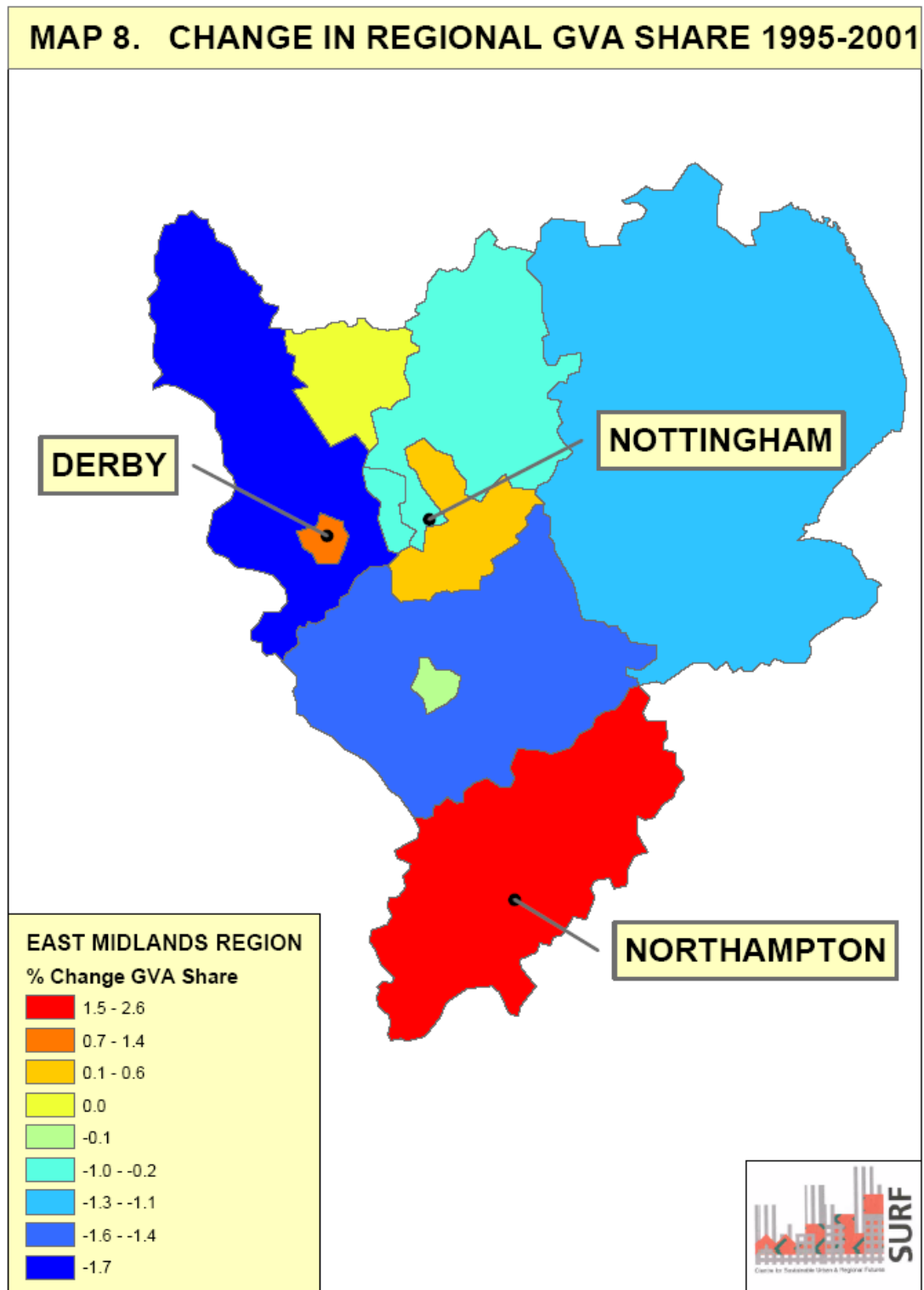
- 2.3.8 Some care is needed in interpreting this set of maps. Because they are designed to demonstrate change *within* regions (and, in the case of London-South East-East, within the southern core ‘super-region’), they cannot be compared directly with one another. Thus, to take just one example, the NUTS 3 area centred upon Newcastle-upon-Tyne appears ‘hot’, in Map 5, not because its performance was anything more than moderate by national standards but because its share of total GVA within the North East grew more, between 1995 and 2001, than that of any other NUTS 3 area within the same region. The same health warning about change being relative also needs repeating. Even the areas whose share of regional GVA has decreased experienced growth in their own volume of GVA and GVA per capita in the period.
- 2.3.9 Maps 5-10 amplify the observations we have already made about the importance of (a) relative proximity and good infrastructural connections to London, and (b) the more ‘independent’ assets of provincial city-regions. The latter observation applies most clearly in the regions that are most peripheral to London. Thus Map 5 shows that the North East’s ‘hot spot’, in terms of the changing share of regional GVA, is the Newcastle city-region. Tyneside, the core of the Newcastle conurbation, saw its share of regional GVA increase by 2.5% between 1995 and 2001 whilst that of Sunderland, immediately to the south of Newcastle, grew by 0.3%. All the other NUTS 3 areas in the region saw their share of GVA fall during the period.
- 2.3.10 A similar pattern is apparent in the North West (Map 6). Here, only three NUTS 3 areas saw their share of regional GVA grow between 1995 and 2001. The most spectacular gain was in Greater Manchester South (+3.2%) whilst Liverpool saw its share increase by a more modest 0.4%. Halton and Warrington, which covers much of the intervening territory between the Liverpool and Manchester conurbations, was the one other NUTS 3 area whose share of regional GVA grew (by 0.1%). It is interesting to note that not all of Greater Manchester or Merseyside performed so well relative to the rest of the region. North Manchester, whilst it remains very important to the North West in terms of total economic output, saw its share of regional GVA fall by 1.5% in the period whilst the rest of Merseyside combined (Wirral, Sefton and East Merseyside) also lost GVA share, albeit less spectacularly (-0.2%). Had we mapped change at a coarser (NUTS 2) sub-regional scale, however, it would have shown that the larger metropolitan areas (Greater Manchester and Merseyside) still gained GVA share, overall, whilst that of each of the other counties in the region (Lancashire, Cheshire and Cumbria) declined.



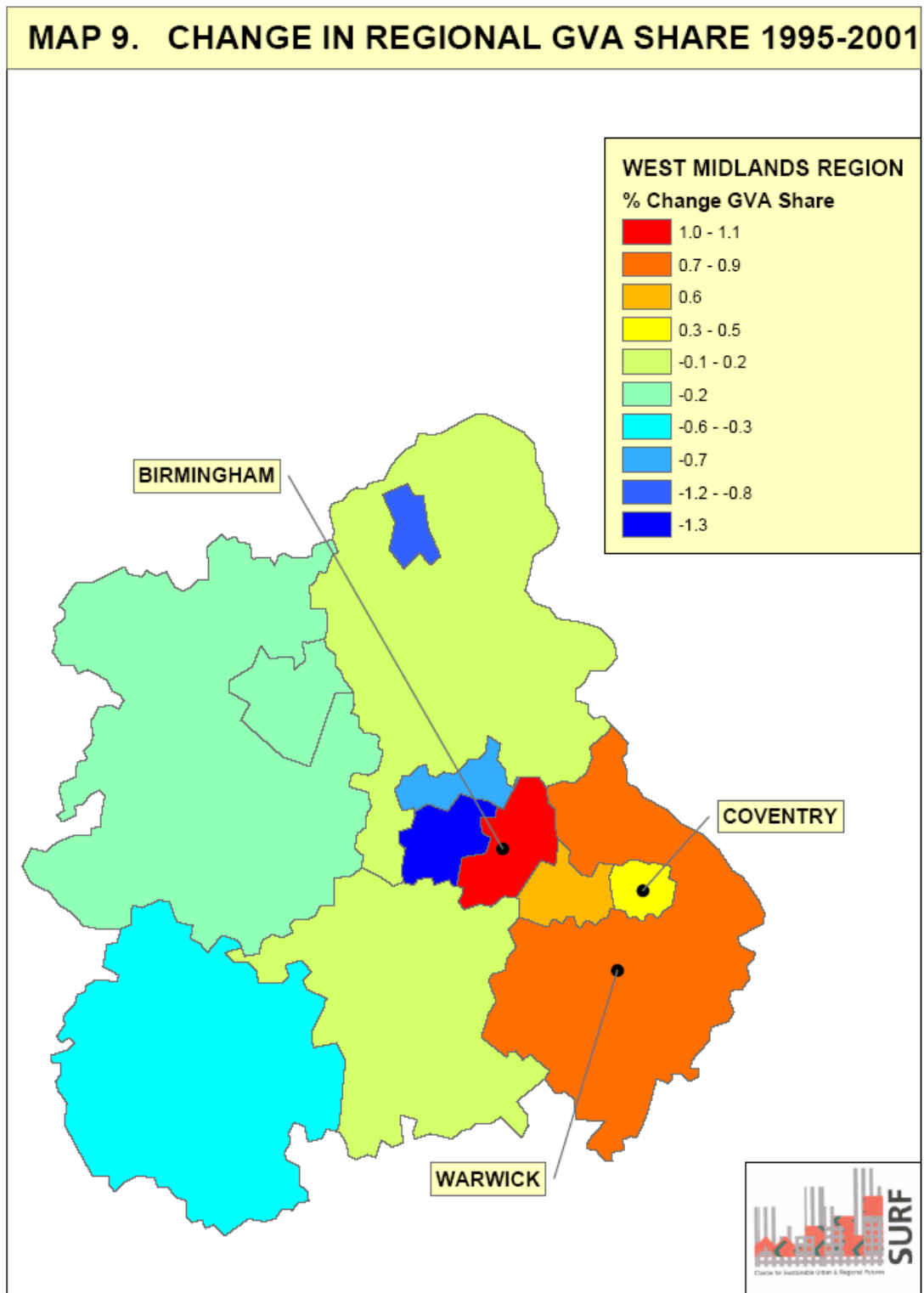


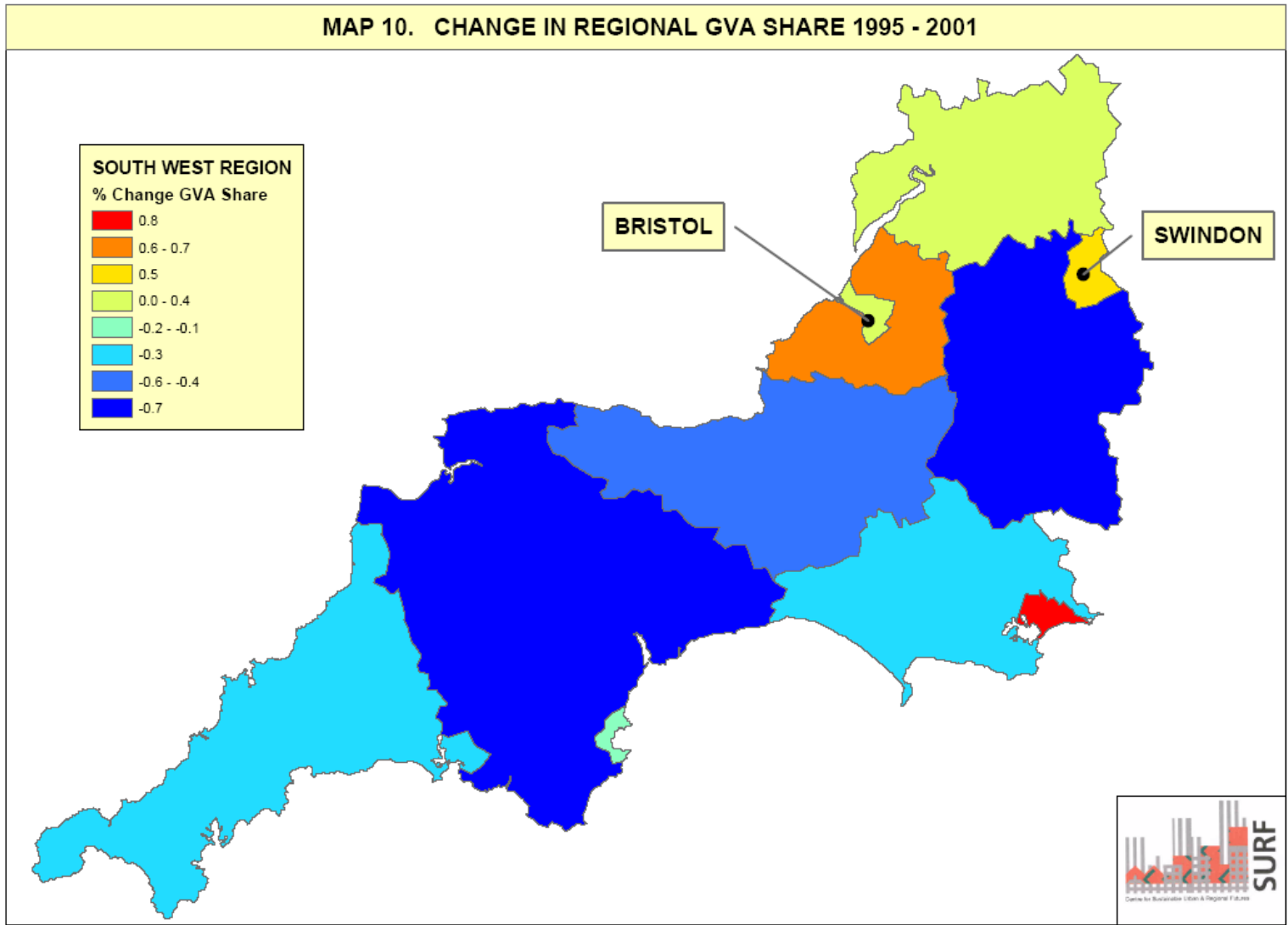
- 2.3.11 The same pattern is repeated in Yorkshire and the Humber (Map 7). Here, the three NUTS 3 areas that gained GVA share to a significant degree between 1995 and 2001 (i.e. by more than 0.1%) are, in order of magnitude, Leeds (+1.4%), York (+0.5%) and Sheffield (+0.3%). These growth areas in the west, north and south of the region have no counterpart in the eastern part of the region around Kingston-Upon-Hull. In fact the regional share of GVA accounted for by Hull, the East Riding of Yorkshire, and North and North East Lincolnshire, combined, fell by 2% in the period.
- 2.3.12 The pattern of change in both of the midlands regions and the South West amplifies the positive messages about key urban areas and city-regions that emerge from our analysis of northern England whilst at the same time underlining the importance of proximity and good connections to London. Thus Map 8 shows that three NUTS 3 areas in the East Midlands saw an increase in their share of regional GVA between 1995 and 2001. In the northern part of the region, Derby (+1.4%) and the southern part of the Nottingham city-region (South Nottinghamshire, +0.6%), were the key improvers. The biggest change, however, was in Northamptonshire, the southernmost part of the East Midlands that is closest and best connected to London and the core southern super-region. Its share of regional GVA grew by no less than 2.6% at a time when the urbanised area immediately to the north – effectively, the Leicester city-region - saw its share fall by 1.5%.

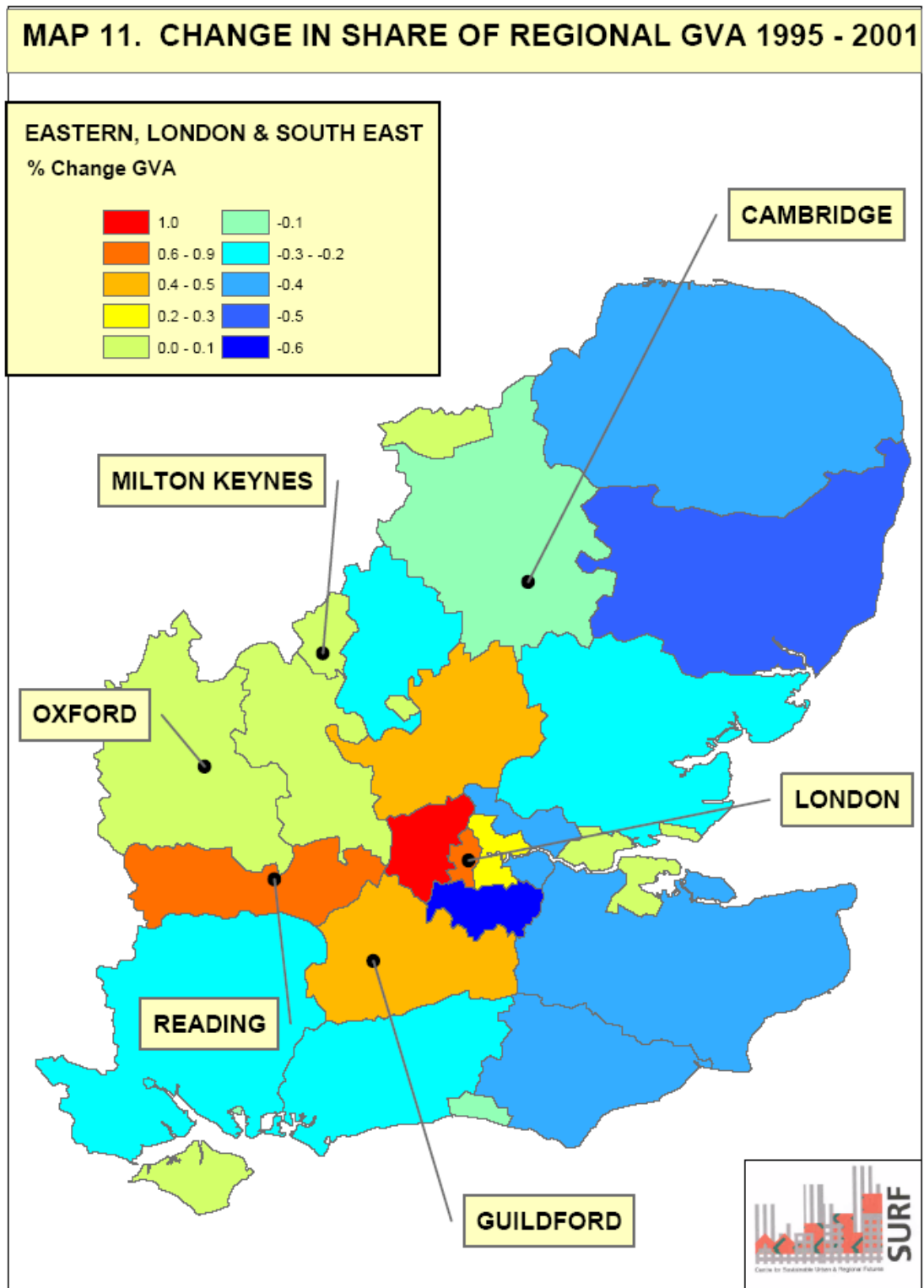




- 2.3.13 Much the same goes for the West Midlands (Map 9), where relative proximity and optimal access to London appears to have combined with the independent assets of the Birmingham city-region to produce a pattern of change in which the south eastern part of the region fared best. Here, significant gains in shares of regional GVA are concentrated in the southern side of the Birmingham city-region comprising the NUTS 3 areas of Birmingham (+1.1%), Warwickshire (+0.9%), Solihull (+0.6%) and Coventry (+0.5%). As in other regions, the share of regional GVA captured by other NUTS 3 areas in the same period showed little change or declined.
- 2.3.14 A similar pattern is also apparent in the South West (Map 10), where all but one of the NUTS 3 areas that experienced most growth in their share of regional GVA are grouped around Bristol and the western end of the M4 corridor that links the city to London – namely Bristol itself (+0.4%), North and North East Somerset and South Gloucester (i.e. that part of the Bristol metropolitan area that lies outside the city, +0.7%), Gloucester (+0.4%) and Swindon (+0.5%). The only exceptional case amongst NUTS 3 areas in the South West – and indeed in the whole of England – is Bournemouth and Poole, on the south coast, whose share of regional GVA grew by 0.8% in the period. Quite why this was the ‘rogue’ area within regional and national statistics for our analysis would repay further examination, but it is likely to be closely related to the area’s importance as a centre for affluent retired households and holiday-makers.
- 2.3.15 Map 11 completes our region-by-region analysis of the GVA statistics. It shows change in the share of GVA in the 1995-2001 period by NUTS 3 areas in London, the South East and the Eastern region, combined. This map of the London-centred super-region is the one that needs the most careful interpretation given that even moderate performance within this area generally denotes superior performance by national standards. To give but one illuminating example, the increase in total GVA between 1995 and 2001 in Oxfordshire, a NUTS 3 area that stood still in terms of its share of GVA in the southern super-region, was 49%, a figure *equal to that of Greater Manchester South* which was easily the best-performing NUTS 3 area in the three northern English regions.







2.3.16 This proviso notwithstanding, Map 11 underlines the importance of the city and the city-region to the pattern of economic change within a broader territory even though, in the case of London, the relevant patterns occur on a much larger geographical scale than in the rest of the country. What is striking is the extent to which the biggest increases in ‘super-regional’ GVA share are still concentrated near to its centre. Thus, of the six NUTS 3 areas that saw their share of London-centred super-regional GVA increase in the 1995-2001 period, three – inner London west, inner London east and outer London west and north-west – lie within the M25 whilst the other three – Hertfordshire, Bedfordshire and Surrey - are immediately adjacent to London, just beyond the M25 and broadly following the line of the M1, M4 and M3, respectively. Whilst economic performance amongst the NUTS 3 areas in the rest of the core southern super-region is generally outstanding, by national standards, their share of super-regional GVA still stagnated or declined.

2.4 Implications for the Government’s PSA Target for regional economic performance

2.4.1 Our mapping and analysis of the GVA data presents a fascinating and up-to-date picture of the behaviour of the national space economy. In very general terms, it suggests that the geography of economic activity and the pattern of recent productivity improvements in England are roughly analogous to a huge and less-than-efficient heating system. Within this system the ‘hot spots’ we have identified represent three different sorts of node within the heat production and distribution network. London is clearly the ‘hub’ of the system. Surrounding it, and steadily growing in its geographical scope, is a series of nodes that benefit most from the flow of heat out of the capital and where variations are related to differences in the efficiency with which heat is ‘piped’ out of the capital. Further away, in the provincial regions, is another collection of nodes – located primarily within the peripheral city-regions - that benefit, differentially, from the way heat flows from the hub but also act, in effect, as smaller scale ‘boilers’ that top up the heat received from London to different degrees and distribute it across their respective regions.

2.4.2 Extending this analogy, we can broadly interpret the long-term purpose of the Government’s PSA Target for regional economic performance as representing a wish to *move towards* an even temperature across the regions. The speed at which the Government considered it reasonable to move on this target, over what timescale, was not clear at the time our research was completed. With the publication of Technical Note SR04, greater clarity was achieved. The target will be deemed to have been satisfied, according to this note, if, over the 2003-2012 period, the gap between the average growth rate in London, the South East and the Eastern region, combined, and the average for the other six regions falls below the 2003 figure of 0.75%. Whether this is the case will only be confirmed in 2014, when the 2012 GVA figures are released, but any

progress toward this goal will be apparent through GVA figures produced in the interim.

- 2.4.3 If this aspiration were to be mapped in the same way as the historic GVA data, the optimal picture in terms of *change* in NUTS 3 areas' GVA and GVA per capita would take one of two forms. Either the national map would be shaded in a single colour (or at least in a much smaller range of colours) or a similar range of colours would be visible in every region. The questions that remain, of course, are: (a) whether such an aspiration is a realistic one, given recent development trajectories and known policy frameworks, (b) if so, over what sort of timescale, and (c) if not, what would need to change to make it more achievable?
- 2.4.4 To address these questions with complete confidence, we would need to know the future, which on both economic and policy fronts is extremely difficult, and to be able to predict the future spatial impact of current and as-yet-unknown changes in policy and public expenditure priorities, which is not exactly simple either. What we can say with a reasonable degree of certainty, however, is that:
- If we extrapolate the trends that are illustrated by the 1995 and 2001 GVA data, the long-term aspiration to reduce regional differentials in economic growth rates that forms part of the PSA Target on regional economic performance, by definition, is not realisable. Recent history tells us that, in contrast to the thirty-year period following the end of World War II, regional differentials are growing, not declining.
 - More importantly, the widening of regional differentials between 1995 and 2001 took place in a period in which the national policy framework was shifting in the regions' favour. Whereas there had been an active urban regeneration policy under the Conservative regime that was in power during the early part of the period, redistributive regional policy had virtually disappeared from the national agenda by the mid-1990s, at least in England. Under post-1997 Labour administrations, the urban policy framework has been extended and, latterly, has begun to focus more clearly upon the search for urban competitiveness. It has also been overlaid – rather than integrated, so far - with a resurgent regional policy that is attempting to bring off the difficult trick of helping all regions realise their economic potential whilst at the same time beginning to reduce inter-regional differences in growth rates. However the GVA evidence suggests that 'success', to the extent that it has been policy-driven, has so far been in the former rather than the latter area. In other words, at least up to 2001, an ostensibly more supportive policy framework had not resulted in the reduction of regional differentials in growth rates.
 - It could be argued that part of the reason for the divergence between aspiration and reality was that a new policy framework that could support

the reduction of inter-regional disparities had been operating for a short time and was still evolving. Given the paucity of data, it is difficult to say whether developments in the last three years have been more consistent with the long-term aspiration contained within the PSA Target on regional economic performance. At the same time it is undeniable that recent initiatives have taken the desire to reduce inter-regional differentials seriously. The plan, developed through the Lyons review, to relocate 20,000 civil service jobs from London to more peripheral areas of the country is one obvious example.

- It is therefore probably fair to say that there is an ongoing process of rethinking in Whitehall about how to achieve the two distinct strands of the PSA Target for regional economic performance, some of which remains invisible outside of Government circles and some of which is widely known but not yet implemented. It is this process of rethinking, and the development of a common language that allows it to take place across Government departments, that needs encouragement if some of the apparently paradoxical decisions made by departments, and the tensions between the short and long term aspects of the PSA Target for regional economic performance, are to be explained and resolved.
- If this process does not gather pace and visibility, it will be increasingly hard for ODPM, for example, to explain how it is that the twin aims of the Sustainable Communities plan in its present form – effectively, to increase housing provision and relieve labour shortages in southern regions and manage housing market decline in northern ones – can avoid boosting economic activity more in leading regions than in lagging ones. Similarly, the Department of Education and Science and the Office of Science and Technology will be hard pushed to defend an approach to higher education – the pursuit of comparative advantage in world-class university provision through the further concentration of research expertise – which is laudable in purely educational terms but whose largely unintended spatial consequences will be to boost economic activity in the ‘Golden Triangle’ linking London, Oxford and Cambridge at the expense of the institutions and economies of less dynamic regions.

2.5 So far, so what?

- 2.5.1 There are three key implications of our analysis so far, all of which suggest that the missing link in terms of progress toward the reduction of inter-regional differentials in growth rates is the prioritisation of policies that can support the future economic competitiveness of cities and city-regions. First, there appears to be a compelling case for integrating urban policy more closely with regional policy if the process of building upon the current strengths and future potential of key city-regions is to support generalised improvements in regional competitiveness and enable further progress to be made on reducing inter-regional disparities. Second, there are strong

arguments for widening the remit and influence of urban and regional policies so that the policy choices and expenditure decisions of a wider range of Government departments can be seen to become more consistent with the aim of reducing regional disparities over the long term.

- 2.5.2 Third, and returning to our analogy for the English space economy, there are two potential ways in which a city-region led strategy that could support the reduction of regional disparities could develop. The more risky, and seemingly counter-intuitive, strategy would entail actively ‘stoking’ the heat production capacity of London and its surrounding super-region in the hope that it will eventually raise the temperature of those parts of the English economy that it has not yet reached. This would be a very long-term approach that would demand heavy investment in new and existing links between peripheral cities and the capital and the acceptance of what are likely to be substantial environmental and social costs in the south of the country. The alternative, and more logical, approach is to build up the capacity of the other ‘boilers’ – the provincial city-regions – and try to ensure that the benefits of ‘hotter spots’ in the lagging regions are better connected to the ‘cold spots’ within and across those regions. These two options, of course, are not mutually exclusive; a hybrid model is also possible.
- 2.5.3 We return to the implications of these three outline conclusions for a Northern Way development strategy below, in Section 4. First, however, we take a brief look at the way in which cross-district and inter-regional growth zones have been conceptualised, encouraged and managed in order to set the scene for a discussion of potential ways in which the Northern Way area can be conceptualised and how the idea of an overarching development strategy for it could begin to be unpacked and taken forward.

3. Cross-district and inter-regional development in theory and practice

3.1 Rediscovering spatial development concepts

- 3.1.1 The last section suggested a strong case for building any cross-district and inter-regional development strategy for the north of England – and indeed anywhere else – upon the strength and potential of city-regions. Quite how that strategy should develop, how it should ‘view’ city-regions and how it might seek to achieve linkages between them to the benefit of a wider area, however, remain key challenges. In this section, we review various spatial development concepts that are potentially useful to the process of conceptualising the notion of the Northern Way before looking at a small number of case studies that exemplify different spatial development models and the way they have evolved.
- 3.1.2 The material on which this section is based comes mainly from a rapid review of secondary literature and we do not pretend to comprehensiveness. What we found remarkable, and somewhat sobering, in completing this review, however, was how so little of the new thinking about spatial development on the sort of scale that would be involved in a Northern Way strategy, and how little practical experience of applying spatial development concepts in an innovative way, is to be found in the UK.
- 3.1.3 This reflects the chequered domestic history of spatial economic planning. The last major attempt to fuse large scale, long-term spatial planning with short to medium-term policy and expenditure choices in the UK came in the 1960s at a time when the (ultimately abortive) move toward national planning drew upon and encouraged a regionalised approach to spatial planning, through Regional Economic Planning Councils. ‘Big picture’ regional spatial planning subsequently fell out of favour, during a period of increasingly strict expenditure constraints, as the emphasis shifted more towards policy area-specific investment responses to policy area-specific problems (e.g. the importance of road safety and speeds, as opposed to potential effects upon land-use, in transport planning) and ‘strategic’ planning became more dominated by largely unrelated small area development and regeneration schemes. In the process, the UK lost much of its broader, long-term spatial planning capacity and skills. It is only recently that the need for such a capacity has begun to be appreciated once more.

3.2 Growth corridors

- 3.2.1 In our original proposal, we focused upon the notion of an M62 growth ‘corridor’ as the potential basis for an inter-regional development strategy in

northern England. As noted above, the DPM's subsequent announcement resulted in an enlarged focus for the study but did not provide a great deal of guidance about how 'the Northern Way' would or should be defined. In effect, though, the repeated references that were made to the importance of transport infrastructures suggest that 'the Way' comprises not one, but three potential development corridors that intersect at strategic points; the areas surrounding not just the M62 but also the northern stretches of A1, in the east, and the M6, in the west.

- 3.2.2 It is therefore still worth exploring the notion of development corridors before widening the discussion to other forms of boundary-spanning development zone. As part of the second phase of our work programme, we explored the way that the concept of a 'corridor' had been used and its advantages as a planning and policy tool. We also considered examples of corridors and other spatial development concepts and the extent to which they were created and facilitated by direct or indirect strategic planning and investment decisions. The purpose of this aspect of the work was to identify the drivers of large-scale spatial development and the issues of governance arising from their adoption as a way of stimulating regional economies.
- 3.2.3 A very succinct statement of 'corridor benefits' comes from a country where the costs of urban sprawl and the punitive expense of extending infrastructures have recently triggered major debates about the need to promote 'urban densification'. The Australian Human Settlements Theme Report (2001), describing a proposed high speed rail link that was seen as fundamental to the creation of a linear city, argued (p2) that:

The benefits are likely to be numerous. It concentrates future development into corridors which have demonstrated environmental benefits (energy, greenhouse) over the alternative which is sprawl; provides a much needed boost to the economies of 'provincial' centres as they become more closely integrated into the economic engines of the capital cities, and it extends metropolitan housing and labour markets, increasing access to jobs and services.

- 3.2.4 However, these potential benefits of managed corridor development are not universally accepted. Critics within the planning community see development corridors as potentially conflicting with some of the traditional objectives of land-use planning, such as tightly defined urban areas, protection of green space and the promotion of public transport (Kaufman and Escuin, 2000). Studies of urban concentrations and corridor development refer to a variety of concepts and spatial arrangements. Terms such as 'corridor' and 'linear city' are often used synonymously. But their meanings tend to vary depending upon which professional groups – for example planners, as opposed to architects or transport or communication network engineers – are employing them. The term 'corridor' itself is used to refer to a range of spatial scales, from the local to the sub-regional, regional, national and even international. At each of these scales a distinction tends to be made between various 'axes' depending upon

whether they are based on infrastructure (i.e. communications systems), economic development (the spatial patterns created by the location of firms) or urbanisation (the broader patterns created by the built form of towns and cities). At the largest scale the idea of a ‘mega-corridor’ is one that crosses international boundaries.

- 3.2.5 What remains less clearly defined is what constitutes a corridor. The increasing spatial scale at which corridors are viewed as operating means it can incorporate many other linked concepts related to ‘flows’ of information, communication, goods and people. The visible ‘substance’ - road or rail links, for example - may be only a small element. The idea of flows is important and corridors are usually regarded as forms of infrastructure that accommodate and enable flows: indeed flows themselves help define the corridor.
- 3.2.6 The impact of technological change has meant that the notion of a corridor is no longer entirely dominated by physical communications systems (for road, rail, water or air transport) but also increasingly takes in ‘hidden’ or ‘virtual’ systems and flows that do not involve the physical movement of people or goods, for example telecommunications networks and even flows of skills through and across geographical space.

3.3 Professional spatial development concepts

- 3.3.1 Different professional groups use different spatial development concepts and think of similar concepts differently. For example there are several related terms such as ‘linear city’ that have different meanings for architects and planners. Below, we look briefly at some of the common terms occurring in the literature.
- 3.3.2 Development corridors are variously seen as comprising:

- A ‘linear city’ - either a string of cities linked in some way (Alsop 2003) or, particularly for architects, a city centred around one huge linear building or ‘futuristic’ architectural design (e.g. Kenzo Tange’s Tokyo expansion, Leodinov’s utopian designs, the expansion plans for Kuala Lumpur)
- A ‘linear city-region’, a concept traced back to the Spanish engineer Mata in the 1880s (Chapman et al, 2003; Priemus & Zonneveld, 2003)

Or a number of spatial forms that are argued to lend themselves to sustainable development (Hall & Ward, 1998), including:

- A necklace or string of beads - towns or villages connected along a transport route but remaining spatially distinct

- Spines or braids - Chapman et al (2003), for example, refer to a 'loose bundle of infrastructure in interweaving braids' that can be linear, radiate out from a 'meganode', such as a major transport junction, or traverse a region.
- 'Polycentrism', which can take a number of forms (Kloosterman & Musterd, 2001) and has been used to refer to a loose system of small urban settlements of similar size, the relationship between a core city and other urban centres within its travel-to-work area, or the radial, ring or linear connections between major urban areas

Also increasingly common in the 'urban' literature is the notion of the 'edge city' (Garreau, 1992; Krugman, 1996) which refers to the tendency for suburbs that were once dominated by residential development to attract commercial development on a scale that can exceed and sometimes threaten the economy of the urban core.

3.4 Corridors and zones of opportunity

- 3.4.1 A substantial portion of the literature we examined presents corridors and other forms of spatial development area as 'axes of opportunity'. In particular, they are seen as potentially supportive of the three 'e's that underpin sustainability; economy, environment and equity. The opportunities for sustaining agglomerations of economic growth are cited, the environmental benefits of controlled spatial development are recognised and planned corridors are seen as mechanisms through which to support more equitable distributions of national wealth and facilities.
- 3.4.2 Corridors can evolve from, or encourage and support, economic clustering, and the benefits of agglomeration economies – the magnetic effects of the grouping together of economic activity in particular spaces - are frequently linked with the notion of clusters. Clusters are argued to support productivity gains, provide incentives for innovation (due to proximity to competitors), and enable more rapid business formation. There are also frequent references to the way in which key universities, which tend to be concentrated within key urban centres, perform critical roles as seedbeds for new knowledge-based industries.
- 3.4.3 The available evidence suggests that clusters rarely operate at a local or even single regional scale. At the same time, the 'reach' of many advanced firms that are grouped together in a particular locality is often international, which questions the extent to which their 'success' is explained very effectively by localised factors. The substantial experience of pursuing cluster development through various policy mechanisms also suggests that clusters cannot be formed from scratch. However where there are bases, especially in knowledge-intensive industries, public investment has been seen to stimulate and enhance cluster formation. Clusters, like corridors, require (and support)

locally based supply (skills, services, materials etc) and locally based demand (needs of the lead industry, local population, etc.) supplemented by larger scale mobility for products and services (through national and international communication/transport networks).

- 3.4.4 The key feature claimed for clusters is that they are dynamic with high employee turnover and business formation. Their environment therefore tends to be volatile but information and knowledge transfer tends to be high and these factors promote growth. There is scepticism about the degree to which government intervention can create clusters but commonly cited clusters, including those based upon development corridors (e.g. Silicon Valley) have often been stimulated by government investment. Decisions on the relocation of major government funded research facilities, for example, impact upon the ability to develop or sustain a cluster within a region and Cooke (2001) cites examples from Finland, the US and Germany where policy enhances industry/cluster development.
- 3.4.5 Strategic investment in cluster development in emerging industry sectors over long time periods can achieve some of the broad social and economic objectives being addressed by government at the moment and characterised in the PSA targets. Economic migration to the south east could be countered through clusters of industries developing in the Northern Way corridor. This can reduce migration if industry development is serviced strategically, for example by local universities/research bases, in areas with high quality of life environments. High profile, high value industries can also encourage inward migration to these centres. If population movement could be diverted from the economically rich SE it could also help to damp down the overheating tendencies of the UK housing market with its deleterious effects on the overall UK economy (Barker 2004).
- 3.4.6 However this type of strategic corridor development depends for its success on access to markets. Whilst new industry development in high value sectors is clearly dependent upon high quality national and international communications routes for goods, people and information, investment in connectivity needs to be related to current and developing markets. For the Northern Way this may mean improving West-East links within the UK and beyond it into the growing markets of Europe.

3.5 Spatial development models: good luck or good judgement?

- 3.5.1 The following mini-case studies briefly illustrate several aspects of spatial development that provide a useful context for the conceptualisation and realisation of any Northern Way development strategy. We highlight the degree to which they have contained an element of 'design', in terms of economic, social and environmental policy objectives, and how this was manifested in policy processes and investment decisions. Spatial planning on the sort of scale involved in these cases is clearly huge in scope and faces certain limitations. It should also be noted that, whilst spatial development

initiatives are often best illustrated at the sub-national level, their effects can be international in scale. Existing and emerging spatial development zones on mainland Europe, for example, often emphasise linkages across national boundaries.

Silicon Valley, California and Route 128, Massachusetts

- 3.5.2 Silicon Valley, the zone of high tech development that stretches out along the main road link between San Francisco and Los Angeles, is probably the most famous contemporary example of an advanced economic/industrial corridor. It is often thought of as a ‘spontaneous’ development based upon a booming, market-driven industrial sector. However the consensus that emerges from studies of this cross-county area indicates that ‘government played a major role in launching and sustaining some of the region’s core industries through military contracting’ (Heinrich, 2002) and that this is a common feature of many USA industrial corridors (Soja, 2000). Thus the high level of government industrial investment has had a largely unintended consequence in that it has encouraged the co-location of a cluster of related industries which variously sub-contract or compete with one another in a modern version of the industrial districts that grew up around, for example, steel production and product manufacturing at the height of industrialism. In so doing, they create an environment in which demand for staff development and training is high and has produced a virtual spiral of high skills-high productivity-high disposable incomes which has spin-off benefits over an extended area.
- 3.5.3 Developing as a result of massive defence contracts that stimulated the transistor and semiconductor industries from the 1950s onward, Silicon Valley combines a highly competitive economic environment with key natural features (climate, landscape) that have helped attract growing volumes of highly skilled labour to the area. The high concentration of firms in the area produces high staff turnover (35% in SMEs in the 1980s with average job tenures of just two years) (Saxenian, 1994), and there are also high levels of business start-up. Local universities have also developed a key role in attracting and training technicians who are employed in related industries. This adds significantly to the human capital resources of the area and is crucial in ‘stimulating entrepreneurial talent in the region’ (Huffman & Quigley, 2002). In this way, a spatial cluster has developed and sustained itself economically. Even when US military investment fell in the late 1980s, Silicon Valley industries were well placed to adapt and diversify as ‘Pentagon funding for research and development helped lay the technological groundwork for a new generation of start-ups, contributing to Silicon Valley’s economic renaissance in the 1990s’ (Heinrich, 2002).
- 3.5.4 Despite similarities in its industrial base and technological underpinnings, there are considerable differences between Silicon Valley and Route 128 in Massachusetts. Advanced technological development along Route 128, one of the major freeways fanning out from Boston, was also driven by defence industry investment programmes. University-based research at the

Massachusetts Institute of Technology provided a conveyor belt for high-level engineers who join entrepreneurial companies supplying the needs of government. 'By the late 1990s Massachusetts was one of the top five states in terms of federal research resources granted' with the department of defence responsible for over 60% of federal research and development spending in the state. Again, as the major firms grew, so did their supply chains and volume of servicing companies.

- 3.5.5 This area also proved resilient to the US economic downturn of the late 1980s and early 1990s. Whilst it had a different industrial structure to that of the more 'freewheeling' Silicon Valley, the area still demonstrated that 'firm specific competencies and learning processes can lead to regional competitive advantage if they are based on localized capabilities (e.g. specialized resources, skills, conventions and institutions)' (Bathelt, 2001). Studies comparing Silicon Valley and Route 128 indicate divergent business cultures in that the former is less conventional and individual promotion tends to occur earlier. Whereas Silicon Valley is noted for risk taking and partnerships, Route 128 is more conventional and self-reliant. The fact that significant differences exist between the two areas, rooted in location, economic structure and historical culture, shows that different models of spatial development within the same broad set of industries (Mackun, undated), 'managed' in different ways and to different degrees, are possible.

The Ruhr/German spatial planning

- 3.5.6 The complex, multi-centred industrial area found in the Ruhr in Germany, like many centres of heavy industry in Europe, suffered protracted decline in traditional sectors during the 1980s and 1990s. In contrast to the US cases, where new 'sunrise' industries sprang up along transport corridors that had previously seen relatively little large scale commercial development, that of the Ruhr is more like many areas found in the Northern Way. As in large parts of northern England, the key challenge for key public and private interests in the Ruhr was to respond to a de-industrialisation process that spanned a number of local administrative territories in an integrated and inter-related, rather than ad-hoc and disparate way.
- 3.5.7 In this case, the public sector took the lead in developing a variety of partnerships which supported the restructuring of traditional industries (steel, energy, automotives and engineering) - now relatively stable and successful, if much less important as large scale employers - whilst at the same time encouraging emerging sectors (environmental technology, logistics, software, culture/media). Government agencies at local and regional (Lande) level combined to share objectives and key activities to 'revitalise and re-imagine' a series of discrete locations within the area, to drive economic development and develop services. Private sector partners combined to market the region and support arts and sciences and (24) local public transport companies combined to form a regional transport authority to integrate and improve connectivity across the area. A key to the development strategy was the

promotion of a very different image of the Ruhr, based upon investment in attractive and well-managed environments and landscapes that contrast with the area's traditional 'smokestack' appearance.

- 3.5.8 Achievements include significant environmental and quality of life improvements, improved transport infrastructure and accessibility, the highly successful Dortmund technology complex, conservation of industrial heritage through usage (rather than museums), relocation of significant sections of the media industry, and a developing tourism industry. Whilst the combined and integrated efforts of local and regional agencies have been key to successful transformation, however, this would not have happened were it not for strong support from the Federal level. As Kunzmann (2001) notes:

The Ruhr is not a success story of [sub-]regional cooperation, rather one of continuous state efforts....to guide structural change with a combination of economic, social, environmental and cultural policies supporting powerful local governments.

- 3.5.9 The development of a loosely integrated, cross-district development strategy for the Ruhr which combined physical/infrastructural, economic, environmental and social/cultural elements, promoted by different levels of government and delivered through discrete but interconnected local initiatives, is one manifestation of an approach to spatial planning in Germany that has long prioritised balanced regional growth. Germany's most recent national spatial planning strategy (Federal Office for Building and Regional Planning 2001) refers to the broad objective of 'equivalence' across regions which includes a commitment to securing easy accessibility to cities and key urban facilities for everyone in the country.
- 3.5.10 To some extent, the commitment to balanced regional growth in Germany was built into the post-war constitution by allied powers who were concerned not to see a repeat of the centralisation of power that had occurred in the pre-war period. However an unintended consequence of the constitutional settlement and the behaviour of post-war Federal governments in Germany has been to reinforce a national commitment to preventing domination by a 'primate' city and promoting a 'balanced' national urban system. For most Germans it is a matter of pride that only 5% of the national population live in the capital city, Berlin, compared to the 15% of people in France who are concentrated in Paris and the 30% of Greek and Irish citizens who are resident in Athens and Dublin respectively.
- 3.5.11 This general commitment, which underpins strong redistribution of resources between leading and lagging regions and has led to the massive transfer of resources to the former East German Lande since re-unification, has necessitated very active intervention. Germany has what is referred to, in national planning statements, as 'settlement and traffic corridors' (Rhine-Ruhr; Rhine-Neckar and Rhine-Main for example) that effectively act as the central nervous system for the national economy and are often inter-regional and even

international in scale. These corridors, it is argued, 'are desired by spatial planning because they concentrate on supply lines and thus relieve open spaces'. The decentralised economic and demographic structure promoted through national planning 'not only proves to be an important location factor for Germany, but it also creates the preconditions for the adjustment of living conditions in the most diverse sub-regions.' (FOBRP 2001, p13)

- 3.5.12 Monocentric and polycentric agglomerations within the regions are identified as not only desirable but manageable and '[d]ense, compact settlement patterns favour the use of public transport' (p18). German spatial planning thus tries to avoid regional economic disparities that may restrict labour mobility and so limit the development prospects of high and low performing regions alike. The result has been that whilst Germany arguably lacks a 'global city' it contains several large urban agglomerations that, other factors being equal, make the economy more flexible and responsive to international market changes. The spatial plan is achieved through increasing amounts of planning and acting in 'networks'. The Lander determine development axes for transport and other infrastructure growth and these structure agglomerations and strengthen development potential in rural areas. There is a strong desire, within Germany's professional and political communities, to see similar forms of policy integration and co-operation reproduced across Europe.

Copenhagen-Malmö

- 3.5.13 The Öresund fixed link – a tunnel system and bridge that links Copenhagen, in eastern Denmark, and Malmö, in southern Sweden, by road and rail – was seen for many years by key industrial and commercial interests as a missing link within the European transport network which, once constructed, could facilitate easier trade links through north-eastern Europe. It was one of two links that were needed to create a direct surface connection from northern Germany, through Jutland in Denmark, across the Danish islands and into Sweden. The other outstanding Danish link was completed in the 1990s. However it was only when the case for seeing the Öresund link as a mechanism for creating a new, cross-national urban region was added to these international transportation arguments that the Danish and Swedish governments took the historic decision to absorb the cost of constructing the link and reclaim their investment through future toll payments.
- 3.5.14 The conceptual switch that needed to be made before this decision became politically possible, in the Danish case, was a fundamental reappraisal of post-war policy orthodoxy and an acceptance that the Copenhagen city-region had the greatest economic potential, within what is a small European country, but that this was limited by its relative isolation from European markets. Previous to this, Danish post-war economic, planning and infrastructure policy had concentrated upon decanting population and jobs from Copenhagen to other areas of the country. As part of this switch, the plan for the fixed link was paralleled by a major expansion of Kastrup international airport, south of Copenhagen and the construction of a fast rail link between Kastrup and the

city centre. Plans were also made for a major new town-like development on part of Amager island, close to the airport, with the twin objectives of attracting international companies and increasing the stock of high value homes that are in short supply within the city due to the historical preponderance of social rented housing there. In the Swedish case, the argument for the fixed link focused upon its potential to facilitate economic development in southern Sweden, a region whose performance compared unfavourably with those centred upon Stockholm and Gothenburg. In short, arguments for economic concentration won out in Denmark whereas the case for economic deconcentration was more important in Sweden.

- 3.5.15 The link was opened in July, 2000, instantaneously relieving the land-sea bottleneck, and greatly reducing the time/distance barrier, between the two cities. The link, however, was not just about short-term transportation effects. As Matthiessen (2004) argues; '[t]he object was to increase regional productivity, economic growth and competitive vitality, and thus give the Öresund area new dynamics.' These new dynamics involved combining key aspects of two hitherto separate urban systems and giving 'the South Scandinavian urban regions a lift at the international competition level' (Matthiessen, 2004) and it was hoped that the integrative, barrier-reducing policies of the EU would support this objective.
- 3.5.16 In order to support and promote integration - despite differences in language, administrative systems, taxation policy etc. – the Danish and Swedish governments have initiated cross border co-operation, including the development of four science-based platforms (medical research, environment, food, and IT) that make up the Öresund Science Region. A quasi-federal Öresund University has been created to enable co-ordination and co-operation between the many HEI institutions in the Copenhagen area and southern Sweden. Other integrative activities include media, culture, and government agency cooperation. The public sector is also driving metro-train, motorway and airport/rail links to the new cross-border urban region within an investment package worth 20 billion Euros. It is anticipated that this 'large cross-boundary infrastructure is ultimately going to alter the spatial organization of the territory.'
- 3.5.17 This clearly will not happen overnight and there are a number of formidable administrative and cultural barriers, rooted in different national and sub-national ways of working, that remain to be overcome. So far, however, there have been dramatic increases in goods and passenger traffic since the link was opened. Over 2m more vehicles crossed the Öresund in the year after the link was opened and crossings in 2003 were almost double the number achieved via ferry in 1999. Passenger crossings have increased by 34% between 1999 and 2002 despite a relatively high toll charge. Currently there is some debate about the charge, with one view stressing the importance of capital repayment – the payback period has already been extended – and another arguing that a reduction in toll charges would boost usage and promote longer term urban-regional integration objectives more effectively.

3.5.18 The wider implications of the Öresund link traffic figures, combined with the investment in airport facilities and accessibility, appear so far to be threefold. First, they herald a shift towards a single labour market area for the whole Öresund region, with a growth in commuting occurring, in particular, from southern Sweden to Copenhagen. Second, there are signs of the development of a unified housing market, particularly in the migration of households from the Copenhagen region to the area around Malmö. Third, the international marketability of Copenhagen as a commercial location has improved significantly, with signs that major firms and investors are beginning to favour the city - rather than Stockholm, for example - as a base from which to service European and global markets. In short, there are early indications that the cross-national urban region facilitated by the link is beginning to act as a single, internationally attractive, entity.

Thames Gateway

3.5.19 Our final short case study is closer to home and, arguably, more directly relevant to the Northern Way. The notion of a Thames Gateway had a long gestation period. It began life in a Roger Tym study produced in 1993 for SERPLAN - the former South East Regional Planning Agency – which outlined a strategy for the re-use of ex-industrial and port land in east London, north Kent and southern Essex. At that point, the focus was very much upon economic regeneration and the creation of employment for some of the most impoverished communities in the SERPLAN area (which is now divided between London, the South East and the Eastern region). A small project team was subsequently established in the then Department of the Environment. The team had some successes, notably in the routing of the Channel Tunnel Rail Link, but had no budget and lacked influence within and beyond Whitehall. A variety of partnerships were also developed at sub-regional and local levels across the Gateway area charged with defining and seeking resources for regeneration programmes in their ‘patches’.

3.5.20 It was only during the last spending review period, however, when there was concern within Government about the effect of house price inflation in London and the South East on the UK’s entry into the Euro, that the Thames Gateway concept acquired significant national visibility and was broadened to take in a housing policy strand. A further housing capacity study for the Gateway area – this time overseen directly by a Cabinet Committee chaired by the Prime Minister - was subsequently completed. This set out three scenarios for new house-building, each based on different assumptions about the provision of additional infrastructure, and identified various ‘zones of change’ where future housing development could be focused. One of these options was then supported by £446m of ODPM investment in the 2004-06 expenditure round, supported by further infrastructural investment by the Department of Transport.

3.5.21 It was the potential role of the Gateway in national housing policy and progress towards PSA Target 5, rather than its place in regional regeneration, that gave the programme momentum. Government support at the highest level and the resources that this unlocked has underpinned a substantial expansion of the ODPM Thames Gateway team and given them the ‘clout’ to deal with existing local and sub-regional agencies and partnerships on the definition and delivery of what is now primarily a housing-based programme. A variety of mechanisms, including new Urban Development Corporations in Thurrock (Essex) and London – the latter closely associated with the Olympic bid for the capital - are being developed to realise the strategy. The pressure for further infrastructural investment that is being exerted on Government by London’s Olympic bid supporters is likely to increase the investment package associated with the Gateway still further.

3.6 Governance, public investment and spatial development strategies

3.6.1 The discussion in this section suggests that the job of establishing a coherent and realisable development strategy for an area as large and complex as the proposed Northern Way is likely to be a long and painstaking process, involving more sophisticated and detailed analysis than is visible so far and a great deal of bargaining and negotiation between interested parties. There are no ‘best fit’ models available – conceptual or practical - that can simply be transplanted wholesale to the particular circumstances of the Northern Way area or the broader institutional, policy and expenditure environment in which its component parts currently operate. In short, there is much work to be done. There are, however, two central themes emerging from this review that could usefully be taken on board when it comes to defining that work and how it might best proceed. The first concerns the crucial role of public expenditure in realising cross-district and inter-regional development strategies, intentionally or unintentionally. The second concerns the desirability of consensus and integrated action between levels of government.

3.6.2 On the first of these we have seen, through our case study illustrations, how important the commitment of public resources has been to key spatial developments, not just in enabling action but also in mobilising a range of supporting organisations behind a common understanding and set of objectives. It is important to realise that this investment has not been always new, nor has it necessarily been seen in relation to particular spatial development objectives. In the US cases, for example, the most important investments were policy area- specific but they nonetheless had the effect of boosting spatialised clusters of economic activity in California and Massachusetts. No new resources were committed to spatial development ends in either case: it simply happened that the geography of military expenditure, allied to that of higher educational spending, combined to produce highly significant spatial effects.

3.6.3 In the case of the attempt, by the Danish and Swedish governments, to support the creation of an integrated Öresund urban-region, spatial development

aspirations were clearly more central and overt. However the sensitivity of both national governments to being seen to ‘reward’ particular areas of the country rather than others – and particularly the Danish government’s concern not to be seen to favour the national capital unduly - resulted in an investment strategy that could be presented as being neutral over the long term. Hence the two Governments acted as guarantors of the fixed link, by granting appropriate borrowing permissions, but on the proviso that costs were repaid through future toll charges. Similarly, in Denmark, the government contribution to the development of the quasi-new town on Amager, a key part of the broader Öresund strategy, came primarily in the form of the ‘donation’ of Government-owned development land rather than through direct investment.

- 3.6.4 The importance of Government investment – this time direct, and overtly serving spatial development objectives that were seen to be of national importance – can also be seen in the transformation of the Thames Gateway initiative from a struggling and somewhat incoherent regeneration strategy into a programme that can realistically hope to transform infrastructural and housing provision in an area spanning three English regions. Without this level of investment and the clear national political will that underpinned it, the Thames Gateway strategy is unlikely to have realised its original aim of shifting the geography of economic activity in London. Now, paradoxically, its potentially transformative effect on the housing market in England’s most affluent regions is one of the main reasons for concern about the Government’s ability to deliver on its promise to reduce inter-regional disparities in growth.
- 3.6.5 Hard and fast lessons about the role of inter-governmental consensus and joint action, beyond the facile observation that they are important, are more difficult to identify given the wide variation in national systems of administration in the countries we have considered. Thus Germany and the US have federal systems – even though in other respects they could not be more different – whereas both Denmark and Sweden have unitary systems more similar to the UK but with a stronger role granted to local governments. This proviso notwithstanding, though, it is again possible to make a number of observations that are pertinent to the development of a Northern Way strategy.
- 3.6.6 First, and putting the comments about Government investment made above another way, it is clear from the Ruhr study that the realisation of a cross-district development strategy benefited in two main ways from the mutual ‘nesting’ of the objectives and activities of different levels of government. On one hand, the commitment to regional ‘equivalence’ in Germany and the existence of a national spatial strategy provided a supportive context for the development of regional and local plans. Whilst neither exist or could exist in the same form within the UK, there are strong arguments for a clearer articulation of national spatial development aspirations; not, as critics sometimes claim, out of a desire to ‘control’ market behaviour in any simple sense, but to provide a greater degree of clarity and confidence to public and

private sector agencies when they are considering taking risks on particular developments.

- 3.6.7 On the other hand, the Ruhr example also suggests that the context provided by a national spatial strategy, and the ability of regional and local agencies to demonstrate how their plans and actions can support it, helps ‘bind’ the Federal government into supporting particular sub-national spatial development initiatives in both symbolic and practical ways. Whilst it could be argued that this process of vertical integration occurs within the UK through other means, the fact remains that it is dependent upon a much more informal and unpredictable set of relationships between national and local government which puts a greater premium upon local entrepreneurialism and bargaining power than it does on the quality and suitability of particular development proposals. The additional drawback of the UK ‘system’, particularly in view of the case we set out in the last section, is that it tends to produce bargaining between individual local authorities and national departments, sometimes mediated by regional agencies, but tends to squeeze out the possibility of strategic initiatives at the level of the city-region.
- 3.6.8 A second theme to arise out of the discussion in this section is the importance of co-ordination across national departments if central government is to play its part in inter-governmental support for spatial development plans effectively. Here, the key question is ‘what do we mean by ‘central government’ and how does ‘it’ act?’ Whilst that might seem like an academic question, it is clearly important, to give a single example, to an understanding of the way the Danish government supported the Öresund fixed link project and the variety of supportive measures aimed at repositioning the Copenhagen city-region in the face of changes in the nature and shape of the European economy and a national parliament that is notoriously vigilant in its search for evidence of favouritism toward the national capital.
- 3.6.9 What the Öresund example suggests is not just that the support of a broad range of central departments – dealing with transport infrastructure, higher education, land-use, local government, labour market regulation, housing, culture and so on – are needed but that each needs to find creative ways of supporting spatial development plans if an appropriate context and suitable incentive mechanisms for the effective engagement of sub-national agencies are to be put in place. The same observations are clearly pertinent to the evolution of the Thames Gateway strategy in the English context.
- 3.6.10 Putting the aspects of best practice from the observations made in this section together, then, we can say that successful articulation and deliver of spatial development plans rests upon the need for:
- Clear and shared objectives, based upon a recognition that city-regions – which take very different spatial forms - are key to regional competitiveness and that regions cannot be economically successful with restricted access to broader markets

- The effective articulation of strategic objectives horizontally, across central government departments, so that their considerable influence – even in the most decentralised governmental systems – is brought to bear on the activities of sub-national agencies
- Effective leadership, and a preparedness to make difficult choices, at all levels of government in order to support the realisation of consensual priorities

3.6.11 This, in turn, demands a level of institutional capacity building that is only just beginning to occur in the UK but has three essential aspects (de Vries and Priemus, 2003):

- The development of knowledge resources which gives stakeholders access to a ‘rich range’ (de Magalhães et al, 2002) of knowledge about spatial development options, rationales and methods
- A broad level of agreement about spatial policy priorities and exposure to new insights that can change stakeholders’ frames of reference and views about how priorities can be realised through joint action
- Good relationships within disparate stakeholder networks and mechanisms to allow these relationships to be translated into practical outcomes.

3.6.12 We return to the implications of these observations in the final section which deals with potential ways forward in the design and delivery of a development strategy for the Northern Way. First, however, we need to consider what the Northern Way might be, how ‘it’ currently performs, and what the prospects for change are in the current policy and expenditure environment.

4. The Northern Way area: performance and prospects

4.1 Where is the Northern Way?

4.1.1 On its front cover, the ‘Making it happen: the Northern Way’ statement carried an intriguing graphic which represented an area that may or may not be covered by a future development strategy. Many of the initial responses to the document on the part of various stakeholders in northern England were framed not by what the document had to say but by a simple question, based on close scrutiny of that front cover: ‘are we in or out?’ Our intention here is not to answer that question, important though it is to the way different interests view the notion of the Northern Way. Indeed our view is that if attitudes to the concept, and to any future development strategy that flows from it, are ultimately determined by lines on a map rather than by their actual and potential benefits to the whole of northern England and beyond, this will compound the problems and dilemmas that need to be overcome rather than help move beyond them. We recognise, however, that a degree of clarity is needed, even for hypothetical purposes. We therefore work on a relatively liberal assumption of what the Way might comprise but wish to emphasise that this is not in any sense a Government-approved definition.

4.1.2 In what follows, we return to the NUTS 3 data that underpinned the analysis in Section 2 and define a *potential* Northern Way area, very expansively, as comprising all the NUTS 3 areas in the three northern English regions with the exception of those that are primarily rural in character. In addition, we make some changes to the way the NUTS 3 data is presented in order to model our definition of the Northern Way in a way that captures the performance of the city-regions centred upon Liverpool, Manchester, Sheffield, Leeds, Hull and Newcastle. Beyond these city-regions, data is presented for individual NUTS 3 areas. Ideally, our definition of city-regions would have been based upon the travel-to-work areas for the six cities. Even had 2001 census data been available to enable us to do this with reasonable accuracy, however, the fact that the NUTS 3 data cannot be presented for such areas means that, in practice, we had to use ‘common sense’ groupings of NUTS 3 areas, informed by our knowledge of the ‘footprints’ of the key cities, when defining city-regions.

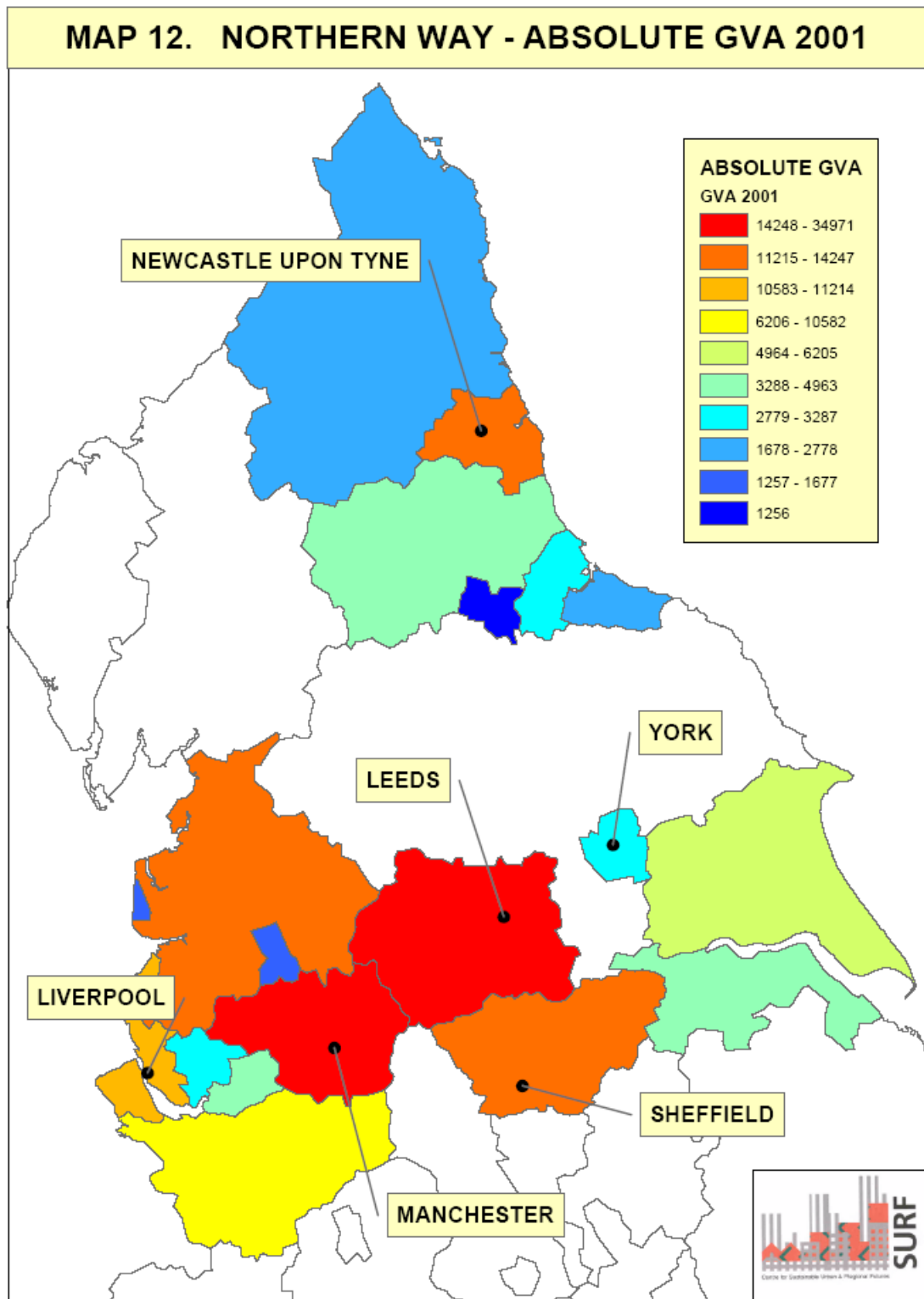
4.1.3 To be clear, the approximations to city-regions within the Northern Way that we have defined are based upon the following groups of NUTS 3 areas:

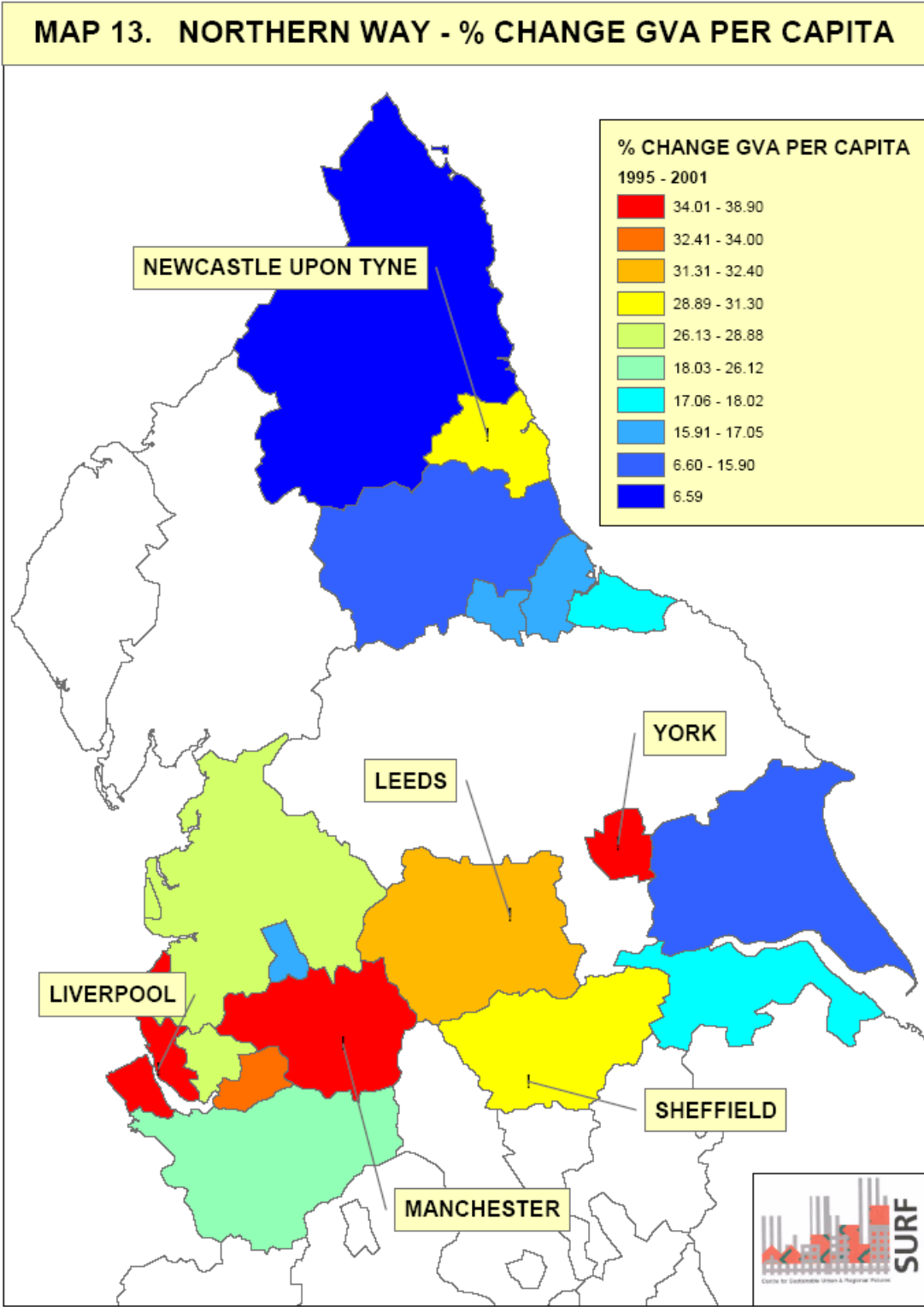
- Liverpool city-region - Liverpool, Sefton, Wirral
- Manchester city-region - Greater Manchester South and North

- Leeds city-region - Leeds, Calderdale/Kirklees/Wakefield, Bradford
- Sheffield city-region - Sheffield, Barnsley/Doncaster/Rotherham
- Hull city-region - Hull, East Riding of Yorkshire
- Newcastle city-region - Tyneside, Sunderland.

4.2 How is it doing?

- 4.2.1 When the Northern Way, as we have defined it, is viewed as a single entity, its economic performance is inevitably determined by a combination of those of its component regions. Thus, compared to GVA growth rates between 1995 and 2001 within the North West, Yorkshire and the Humber and North East of 38.2%, 30.4% and 19.4% respectively, growth in the Way stood at 28.9%. Likewise, per capita GVA growth rates in the same period within the Northern Way stood at 27%, compared to rates in the North West, Yorkshire and the Humber and the North East of 33.4%, 29.2% and 22.1% respectively. Were the Northern Way 'ranked' as if were a single region, therefore, it would be placed just below the North West in GVA performance tables.
- 4.2.2 There exists an evident urban/non-urban pattern to GVA growth within the Way area. The average rate of GVA growth within the Northern Way's city-regions between 1995 and 2001 was 31.7% whereas for other parts of the area it was 22.2%. The parallel figures for per capita GVA growth were 33.3% and 22.4% respectively. The city-regions and other key urban areas accounted for 69.8% of Northern Way GVA in 2001, up from 68.2% in 1995.
- 4.2.3 Maps 12-14 repeat aspects of the earlier analysis performed for England as a whole but for our definition of the Northern Way region. Map 12 shows absolute GVA levels in 2001 for each of our city-regions and for individual NUTS 3 areas elsewhere. It demonstrates that absolute levels of economic output within the Northern Way area are highest in the two city-regions centred upon Manchester and Leeds and that the other key concentrations are found in the city-regions centred upon Sheffield, Newcastle and Liverpool and the former industrial heartlands of Lancashire. Cheshire is the other NUTS 3 area that stands out, albeit less so than these other areas, in terms of absolute economic output in 2001.
- 4.2.4 Map 13, by contrast, shows the change in GVA per capita across the Northern Way between 1995 and 2001. This provides an illustration of recent improvements in productivity in each of the areas mapped, irrespective of the volume of economic output produced within them. As we found when presenting this data for NUTS 3 areas across England as a whole, there are fewer 'hot spots' in northern England on this measure. There are also some

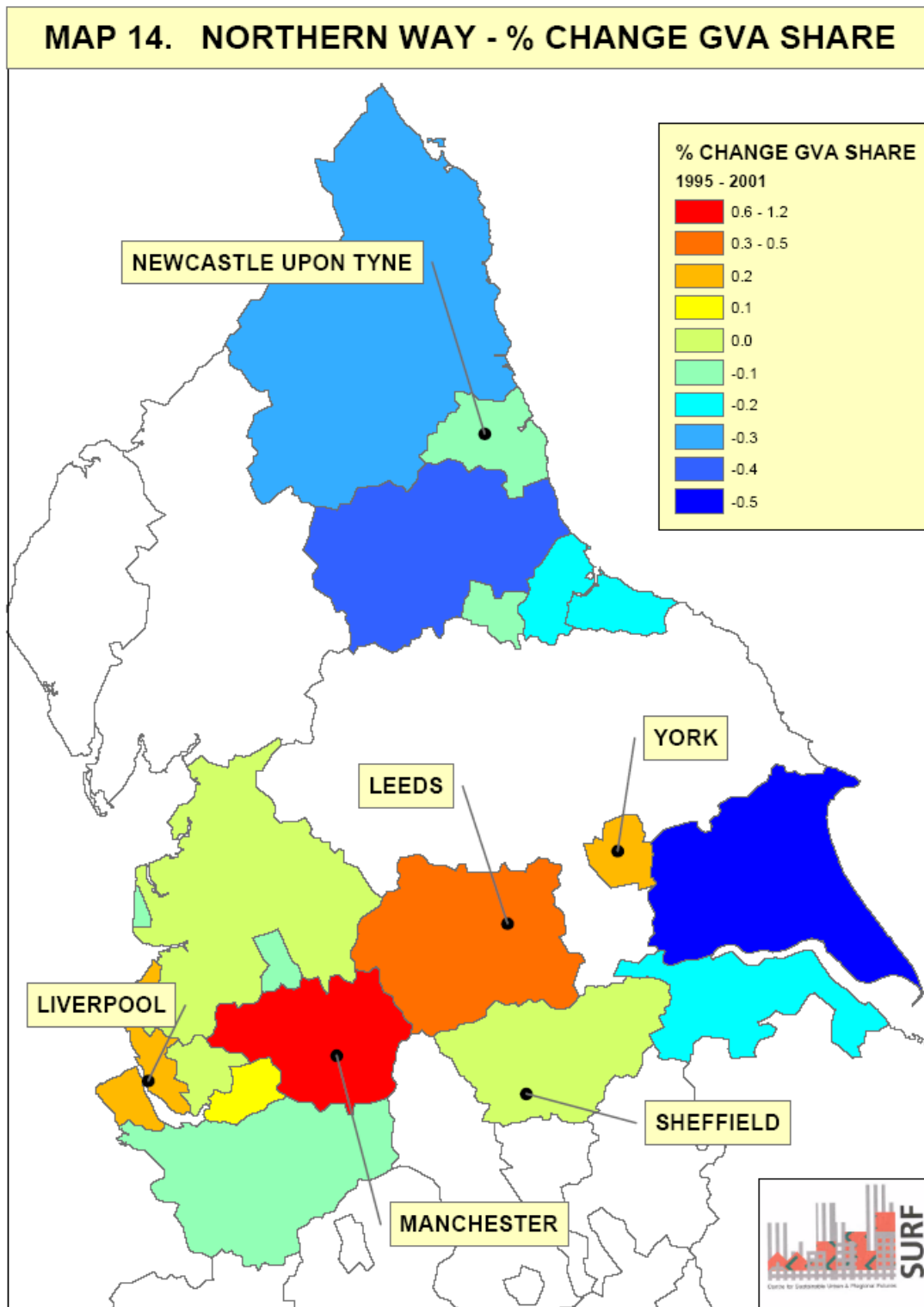




interesting differences within the Northern Way area once the data is modified

to represent the main city-regions rather than their component NUTS 3 areas. The map shows that the main improvers between 1995 and 2001 on this rough measure of productivity are the city-regions centred upon Manchester and Liverpool. York is the smaller urban centre whose economic performance matched those of the North West's city-regions. The other fastest improvers, in order of magnitude, are Halton and Warrington – which covers much of the intervening area between the Manchester and Liverpool conurbations – and the Leeds city-region, followed by the Sheffield and Newcastle city-regions.

- 4.2.5 Had the figures for Map 13 been presented for individual NUTS 3 areas across the Northern Way rather than for selected city-regions where appropriate, Greater Manchester South, with a 51% improvement in GVA per capita, would have stood out as the biggest improver during the period. The Manchester city-region's overall profile, however, was 'dragged down' by the relatively poor performance of Greater Manchester North, whose GVA per capita grew by only 18.5%, one of the lowest increases in the North West region. It is also interesting to note that GVA per capita grew more rapidly between 1995 and 2001 in all of the central NUTS 3 areas of the Northern Way city-regions than it did in the rest of their respective city-regional areas. These nuances of the data notwithstanding, however, the evidence that city-regions have become more important to regional economic performance – and hence to the performance of the Northern Way as a whole – could hardly be clearer.
- 4.2.6 The final figure, Map 14, shows the change in share of total Northern Way GVA between 1995-2001 for the key city-regions, where relevant, and for individual NUTS 3 areas elsewhere. In essence, it demonstrates how improvements in productivity come together with historic concentrations of economic output within an overall picture of recent change in economic weight and dynamism. This map once again illustrates the central and growing importance of city-regions within the Northern Way. Greater Manchester, whose share of Northern Way GVA increased by 1.2% in the period, again leads the way, followed by the city-regions centred upon Leeds (+0.5%) and Liverpool (+0.2%). York (+0.2%) is the one urban area outside the main conurbations to show up well on this indicator of change. By contrast, the city-regions centred upon Hull (-0.5%) and Newcastle (-0.1%) lost Northern Way GVA share in the period and that of the Sheffield city-region showed little change.



4.2.7 Taken together, Maps 12-14 present an interesting picture of varied economic performance across the Northern Way area during the 1995-2001 period. It is clear that both economic ‘weight’ and improvements in productivity have become increasingly concentrated within the key city-regions. Equally clearly, however, the comparative performance of the city-regions varies. Those centred upon Manchester (emphatically) and Leeds (very strongly) are the key evident success stories in the period and those focused upon Liverpool and Sheffield also show up well. The performance of the Newcastle city-region, however, appears more impressive in its immediate regional context than it does within the Northern Way area as a whole and the Hull city-region shows up as having performed relatively poorly on most GVA measures.

4.2.8 Were we looking for ‘corridors of improvement’ within the Northern Way area as we have defined it, then, they would clearly not be defined by the major transportation routes implicitly identified in ‘Making it happen: the Northern Way’; that is the M62, in its entirety, plus the northern stretches of the M6 and the A1. Whereas there is strong evidence that the ‘hottest spots’ within the Northern Way area are grouped around the central section of the M62 (Manchester-Leeds) and that areas to the west and south of this ‘boom’ area (Chester-Liverpool-Sheffield) exhibit steady improvement, the eastern stretch of the M62 around Hull has performed relatively poorly. A mixed picture emerges, even more emphatically, for the northern M6 and A1 areas. In the former, there are contrasts between historically important but relatively poorly-performing Lancashire, in the north, and the southern area that takes in parts of more successful Greater Manchester and Warrington. Similar north-south contrasts are apparent on the northern stretch of the A1, whose southern area is dominated by the relatively successful Leeds-York area but whose northernmost stretch, the Newcastle city-region apart, contains many of the Northern Way’s poorest performing areas. The rationale for a Northern Way strategy, therefore, will have to be a mixture of ‘building upon success’ and ‘addressing relative decline’; the key trick being to demonstrate how the two approaches might link together to produce a whole that is more than the sum of the parts.

4.3 What explains the Northern Way’s performance?

4.3.1 The GVA data we have presented and analysed on a spatial basis so far gives us a snapshot of where the Northern Way area, and its component parts, fit within the latest available national picture and a clear sense of how the recent development trajectories of northern city-regions and NUTS 3 areas measure up, nationally and in comparison with one another. What our maps do not tell us, of course, is *why* these patterns are as they are. Whilst an analysis of the causes of recent change was not part of our New Horizons project, a number of preliminary conclusions emerge from the work we have completed, for this and other projects, that have clear implications for what happens next on the development of the Northern Way concept and development strategy.

4.3.1 The pattern of change we have identified is consistent with the set of propositions we set out in Section 1. In particular, it suggests that:

- The emerging knowledge economy is, indeed, a predominantly urban phenomenon in which urban assets clearly act as motors for the development of modern, knowledge-rich economic sectors where productivity is relatively high
- These assets are clearly not equally shared across England's key urban areas; London and the super-region that is centred upon the capital is far and away the most asset-rich but there is obvious variation, not only between it and the rest of urban England, but also between the more peripheral urban areas, some of which appears to be related to distance from the London super-region and some to more localised, independent factors
- Key urban assets are not in any sense the unique property of the core areas of the English conurbations; London's relationship to the rest of 'its' super-region provides the most obvious example of this but, in every region, there is evidence that, whilst the performance of 'core cities' remains critical, the areas that have fared well in recent year extend well beyond the boundary of central local authority districts. Manchester, the most successful urban area within the Northern Way, is a good case in point. Whilst the transformation of the conurbation core that lies within Manchester City Council's administrative area – including the city centre and the international airport – has been central to the improvement of city-regional performance, the whole of the southern area of the conurbation, including the local authority districts of Salford, Trafford, Stockport and Thameside, have played important supporting roles too.

4.3.2 The key questions that remain, of course, are 'what are those assets, how can they be developed further within the Northern Way, what actions are needed to ensure that this happens, and how can we ensure that the whole of the Northern Way area and not just some of its component parts benefit from any change?' This is the agenda for the future of the Northern Way and much work remains to be done if it is going to be addressed comprehensively. That is not to argue, however, that we need start from a blank canvass.

4.3.3 Recent years have seen a number of forward strides taken in terms of our understanding of the urban assets that support economic competitiveness in a globalising economy. The conclusions from some of these have been brought together in a recent review completed for ODPM and the Core Cities group of English local authorities (European Institute for Urban Affairs, 2003). According to this study, the economic performance of England's core provincial cities, whilst it has improved considerably over the last 10 years, continues to lag behind their most successful European counterparts across a number of key components relating to: innovation, workforce skills,

‘connectivity’, economic diversity, strategic decision-making capacity, and an inclusive and diverse society.

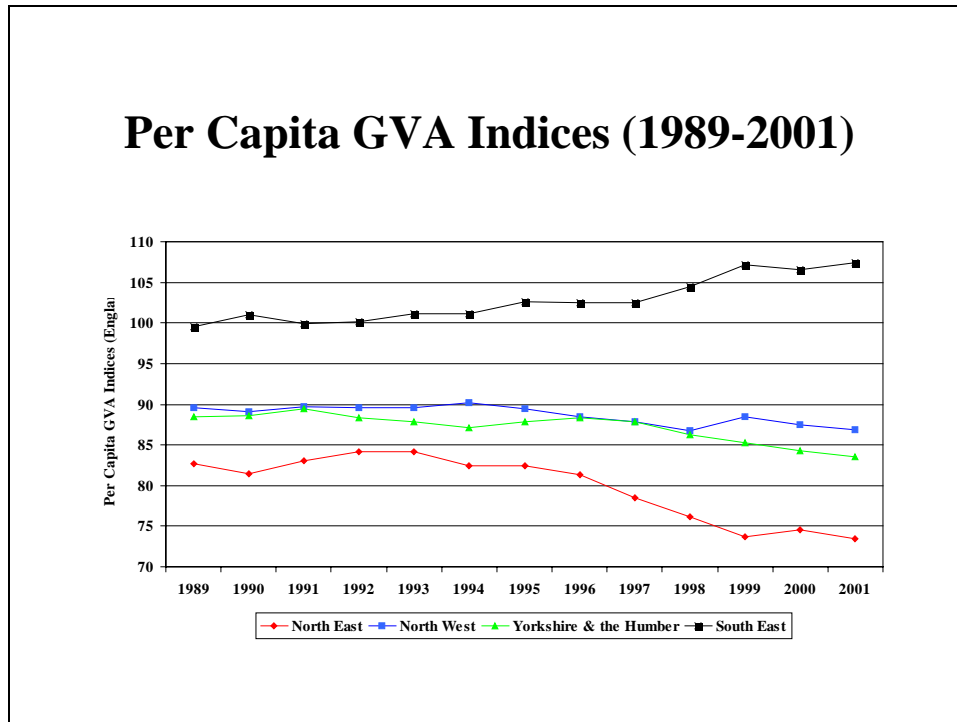
4.3.4 Quantitative and qualitative data compiled against these criteria by this and other studies are extremely useful in demonstrating key aspects of the comparative economic performance of urban areas, domestically and internationally. The utility of the ‘checklist’ approach they encourage in identifying the *causes* of change, and for providing a basis for a more complex, inter-regional and multi-city-regional growth strategy, however, are limited for three principal reasons:

- They tend to focus upon core administrative urban areas rather than city-regions and hence largely fail to account for important linkages between core cities and wider functional urban areas
- They ignore the relationship *between* city-regions. This is not a problem when the point of the analysis is to compare cases. When it comes to providing a checklist of urban assets that are important to economic change, however, this fragmentary approach can be misleading. To take but one obvious example, one of the potential keys to accelerating the economic growth of the Leeds city-region or boosting the competitiveness of the Sheffield city-region in terms of ‘connectivity’, on this analysis, would be to encourage both to develop an international airport whereas a more sensible approach would clearly be to improve access between both cities and neighbouring Manchester’s existing international airport. The bigger point, here, is that all urban assets have a different ‘spatial reach’ but this does not show up in case-by-case comparisons.
- The ‘competitiveness factors’ they identify are a mixture of cause and effect; that is to say some help *explain* economic change whilst others simply describe the *symptoms* of relative ‘success’ or ‘failure’. This is a problem for the analysis of the ‘causes’ of regional competitiveness adopted by HM Treasury, too. The conceptual confusion between cause and effect is unhelpful, for two main reasons. First, it can seem to imply that ‘supply side’ measures (e.g. training) are able to affect demand (from employers, for certain skills) in a way they patently do not. (The presence of one or more universities within a particular urban area, for example, is of limited longer term economic benefit if students are effectively forced to move away upon graduation because their skills are not needed locally). Second, and as a result, it can shift attention away from demand side factors and inadvertently exonerate the public sector from responsibility for attending to the issue of demand.

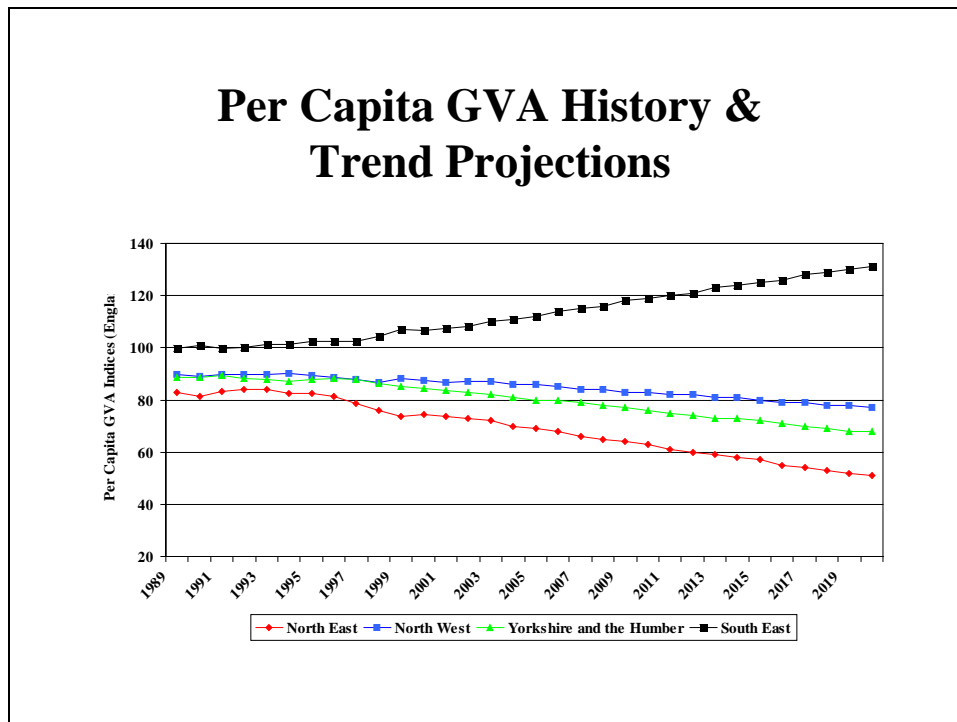
4.3.5 These shortcomings could not be addressed within a short study like ours but, as we suggest in the final section, it is essential that attention is paid to them in the development of a future approach to the Northern Way.

4.4 Northern Way, GVA and PSA

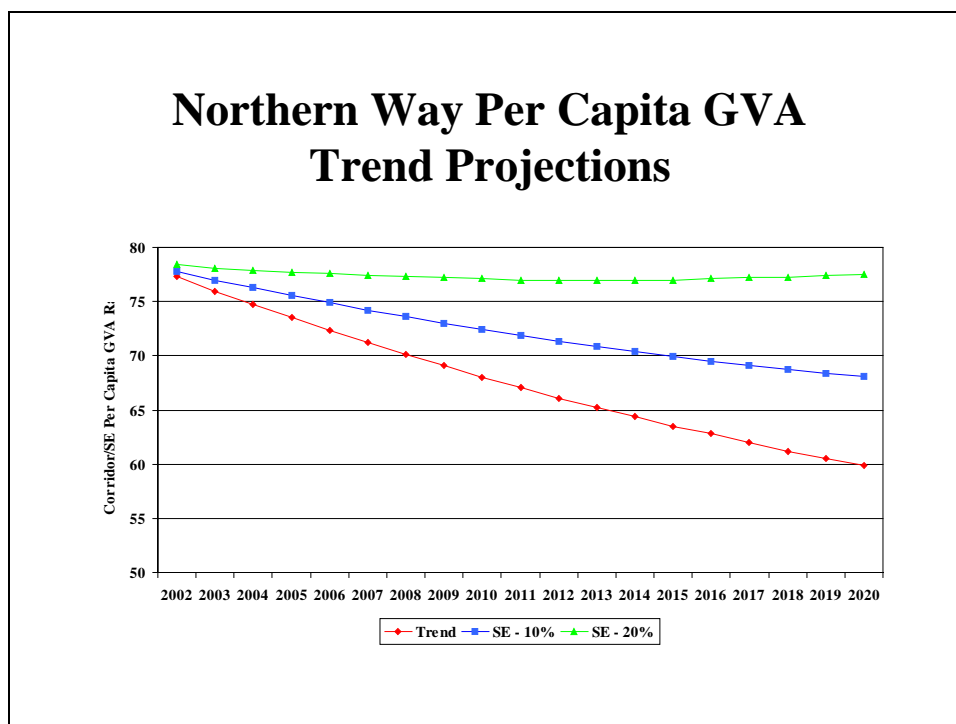
- 4.4.1 The one question that remains to be addressed in this section is what degree of change needs to be produced by the Northern Way strategy if it is to help Government achieve the long-term aim, captured in the PSA Target on regional economic performance, of reducing inter-regional differentials in economic growth rates in the long term. In addressing this question, we do not follow the approach set out by HMT, DTI and ODPM in Technical Note SR04, for two reasons.
- 4.4.2 First, because the technical definition of the target involves examining the degree of future convergence between the London, South East and Eastern regions, seen as a single entity, and the rest of the English regions combined, it is not sufficiently sensitive to the performance of the Northern Way area. Put simply, the Government's target could be satisfied by comparatively strong economic performance in the South West and the Midlands regions, whereas our concern here is with performance within the northern regions. Second, we feel it is useful to give an indication not just of what improvements would be needed within the Northern Way area in order to prevent any further widening of disparities, which is essentially the position set out in SR04, but also to consider the implications of two more ambitious targets; reducing the gap by 50% and closing it entirely. For illustrative purposes, therefore, we have chosen to extrapolate the 1995-2001 trends forward to 2020 and to assess the potential future performance of our Northern Way area in relation to a single, southern comparator region - the South East. We have chosen the South East as a comparator because it provides for a more conservative set of targets.
- 4.4.3 We saw, in Section 2, how recent growth patterns in NUTS 3 areas across England have produced a *widening* of regional GVA differentials. Contrasting per capita GVA figures, at current prices, for the South East against those in the North demonstrates this process clearly. The graph, below, takes a longer-term perspective than the one we have used so far. It shows that from 1989 to 2001, per capita GVA in the South East region increased from parity with, to a value 7% higher than, the England average. Over the same period, and starting from a position some way from the average, per capita GVA in all three northern regions has moved further away from the England average – the North West figure has declined by 3%, the Yorkshire & Humber figure by nearly 6% and the North East by 11%.



- 4.4.4 It would be inappropriate to consider examining the challenge of reducing GVA differentials in a static context. The dynamics of regional growth are, in fact, crucial to determining the scale of potential ‘catch up’. It is necessary, therefore, to take a view of future GVA trends to use as a reference point for our analysis. A number of options are available here, ranging from simple trend extrapolation or some adjusted version of extrapolated trends to full-scale regional and sub-regional modelling. Because the scope of the latter was beyond the resources available to us within this project, we adopt the first of these options for illustrative purposes.
- 4.4.5 The figure below illustrates both the patterns of the earlier figure and a simple trend extrapolation of the South East and the three northern English regions. The trends are linear extrapolations based on average annual growth over the 1995-2001 period – this timeframe is chosen because it is the one for which GVA data is available at NUTS 3 area level and which we have used to model the Northern Way. In making the projections we have also implemented a ‘migration loop’ whereby levels of net migration (and hence population totals used to compute per capita figures) are assumed to adjust in the wake of differing regional economic fortunes. In other words, we have assumed that growing regional prosperity, in relative terms, will attract net in-migrants and that per capita GVA growth will therefore be ‘damped down’ in improving regions.



- 4.4.6 Simple trend extrapolation, as expected, warns us to expect further, extensive widening of differentials between the South East and the northern regions. However, because it is unlikely, in practice, that we can expect the strong and sustained economic growth experienced in the 1995-2001 period to continue unabated, we have ‘reined in’ growth in the South East to 80% of its simple trend projection. This simple adjustment is important since it fundamentally alters the GVA dynamics. The following figure illustrates per capita GVA trend projections for the Northern Way area as a whole. The simple trend projection reflects the previous commentary, but adjusting the South East growth rate reduces the trend decline and adjusting the rate by 20% leaves the Way projection broadly constant.
- 4.4.7 Using these projections, we can examine the scale of adjustment required, across the Northern Way area, that would be needed in order to produce three outcomes over the period between 2001 and 2020: first, to prevent any further widening of the GVA per capita gap; second, to reduce the differential with the South East by 50%, and third, to close the gap entirely. Table 2 presents separate projections for each of the northern regions along with an overall projection for the Northern Way. Table 3 compares growth rates that would be needed if future growth were to be concentrated in the city-regions and in other areas of the Northern Way.



- 4.4.8 The analysis operates at two levels. First, it examines the percentage change in GVA above and beyond that projected for each area that would be needed to eradicate, reduce and stabilise the per capita GVA differential. Second, it examines the multiple that would have to be applied to projected growth trends in order to eradicate, reduce or stabilise the per capita GVA differential.
- 4.4.9 Table 2, below, sets out the implications for all three potential targets. It shows that, in order to *eradicate* per capita GVA differentials at the individual regional level, the additional % change required to bring each individual northern region into parity with the South East reflects underlying growth performance – the North West has the lowest requirement followed by Yorkshire & the Humber and North East. The requirements of all three regions increase over time as entrenched growth patterns widen differentials.
- 4.4.10 By 2020, the additional GVA requirement (above and beyond projected growth) that would be needed to close the gap with the South East (assuming the latter grows at 80% of the 1995-2001 rate) is calculated to be 26% for the North West, 44% for Yorkshire & the Humber and 106% for the North East. If the Northern Way is assumed to be a composite of the three northern regions, it is calculated to require GVA growth 29% above its projected level up to 2020 to close the gap with the South East.

TABLE 2
Stabilisation, 50% reduction, and eradication of Per Capita GVA Differential:
‘Additional’ Required GVA & Growth Multiples

	Stabilisation			50% reduction			Eradication		
GVA	2007	2014	2020	2007	2014	2020	2007	2014	2020
NW	1%	2%	3%	12%	12%	13%	23%	25%	26%
YH	4%	9%	13%	16%	19%	22%	33%	39%	44%
NE	12%	27%	43%	31%	42%	53%	61%	84%	106%
Northern Way	3%	3%	3%	15%	15%	15%	29%	30%	29%
Growth multiple	2007	2014	2020	2007	2014	2020	2007	2014	2020
NW	1.0	1.0	1.0	1.4	1.3	1.2	1.9	1.5	1.4
YH	1.2	1.2	1.2	1.7	1.4	1.4	2.3	1.8	1.7
NE	1.7	1.8	2.0	2.8	2.2	2.2	4.5	3.5	3.3
Northern Way	1.1	1.1	1.1	1.6	1.3	1.2	2.2	1.6	1.5

4.4.11 If we express the same set of projections in terms of the *multiples* of growth rates required to bring each individual northern region into parity with the South East, the individual requirements again reflect differences in underlying growth performance. The North West, as the strongest performing region in the north, has the lowest requirement followed by Yorkshire & the Humber and North East. Once again, the requirements of all three regions moderate marginally over time. By 2020, the additional growth multiple lies at 1.4 for the North West, 1.7 for Yorkshire & the Humber and 3.3 for the North East. If we analyse the same requirements for GVA growth for the Northern Way as a whole, it is calculated as requiring a multiple of 1.5 by 2020.

4.4.12 Applying the same basic approach to a *50% reduction* of the gap, rather than the eradication of per capita GVA differentials, means that, since most of the projected trends are linear, many of the additional GVA and multiples are broadly reduced by half. Once again, the North West faces the ‘easiest’ task and the North East the most difficult, given recent development trajectories. The Northern Way as a whole would require a growth rate 15% higher than its projected growth over the period to close the gap with the South East by 50%, which translates into growth multiples of 2.2 (if the target is set for 2007), 1.6 (if set for 2014) and 1.5 (2020). If the gap with the South East is to be maintained – or, put another way, *prevented from widening* – additional GVA growth of 3% over and above projected increases across the Northern Way area as a whole will be needed.

4.4.13 The above analysis provides a relatively straightforward framework for examining the ‘challenge’ of the Northern Way. It is based on a series of simple trend projections but provides some idea of the scale of improvement required to bring the northern part of England closer to per capita GVA levels in the South East. What these generalised figures do not take into account is where growth might best be achieved.

4.4.14 This is addressed in Table 4, where we look at the implications for additional growth rates within the Northern Way of two alternative assumptions. The first is that all of the additional growth needed to stabilise or improve the performance of the Northern Way will be produced within its component city-regions. The second is that such growth needs to take place outside the city-regions. Whilst neither assumption is entirely realistic, the table shows just how reliant any improvement in the Northern Way's comparative performance is upon its city-regions.

TABLE 3									
Stabilisation, 50% reduction, and eradication of Per Capita GVA Differential:									
'Additional' Required GVA & Growth Multiples									
	Stabilisation			50% reduction			Eradication		
GVA	2007	2014	2020	2007	2014	2020	2007	2014	2020
Northern Way	3%	3%	3%	15%	15%	15%	29%	30%	29%
<i>City-regions</i>	<i>54%</i>	<i>50%</i>	<i>45%</i>	<i>72%</i>	<i>67%</i>	<i>62%</i>	<i>93%</i>	<i>88%</i>	<i>82%</i>
<i>Non City-regions</i>	<i>211%</i>	<i>233%</i>	<i>252%</i>	<i>247%</i>	<i>271%</i>	<i>358%</i>	<i>293%</i>	<i>318%</i>	<i>343%</i>
Growth multiple	2007	2014	2020	2007	2014	2020	2007	2014	2020
Northern Way	1.1	1.1	1.1	1.6	1.3	1.2	2.2	1.6	1.5
<i>City-regions</i>	<i>3.4</i>	<i>2.1</i>	<i>1.7</i>	<i>4.2</i>	<i>2.4</i>	<i>2.0</i>	<i>5.2</i>	<i>2.9</i>	<i>2.3</i>
<i>Non City-regions</i>	<i>8.2</i>	<i>5.9</i>	<i>5.3</i>	<i>9.4</i>	<i>6.7</i>	<i>7.0</i>	<i>5.9</i>	<i>7.7</i>	<i>6.8</i>

4.4.15 Additional city-regional growth of between 1.7 to 3.4 times higher than projected is needed to stabilise the gap between the South East and the Northern Way (depending upon the target date) compared to parallel growth multiples of between 5.3 and 8.2 if all the growth were to take place outside the city-regions. To reduce the gap by 50%, the city-region growth multiples would be between 2 and 4.2, compared to non-city-region figures of between 7 and 9.4. Eradication of the gap, meanwhile, produces a demand for additional city-regional growth of between 2.3 and 5.2 times the expected rate, compared to figures of 5.9 to 7.7 elsewhere.

4.4.16 These extrapolations suggest two things. First, even to ensure that the future GVA gap between the Northern Way and the South East does not grow demands a level of economic performance which outstrips that of the recent past by a very significant margin. Second, and irrespective of the timescale over which future improvement is delivered, it will clearly be easier to achieve if city-regional performance can be encouraged to improve than if achievement of future targets depends upon performance elsewhere. What

now needs to be considered is what our research has told us about how that improved city-regional performance could be encouraged.

5. Implications for city-regional thinking, investment and governance

5.1 Learning lessons

- 5.1.1 We can now begin to draw the elements of our analysis together in order to identify the key challenges for any future cross-regional development strategy in England, using the Northern Way as our main exemplar. The easiest way to do this is to start with the key questions that our New Horizons study undertook to address.
- 5.1.2 We saw, from our analysis of NUTS 3 GVA data in Section 2, that there is now incontrovertible evidence that English city-regions play a decisive and growing role in driving regional competitiveness and productivity. This supports the proposition we advanced in Section 1 – that the emerging knowledge economy is increasingly ‘urban’ and we can expect an ever closer correspondence between regional competitiveness and well-being and the health of key cities in future. In most cases, the central areas of our conurbations – to the extent that they are identified separately in the statistics – were seen to have performed best in the 1995-2001 period. However it was equally clear that improvements in competitiveness and productivity were by no means confined to these core areas but were visible at a wider, cross-district, city-regional scale.
- 5.1.3 We also saw in Section 2 that there is substantial variation in the performance of English city-regions. The huge, expanding super-region that has London at its core and is clearly influenced most by the capital exhibited fastest growth in terms of output and productivity. Elsewhere, success was seen to correlate partly with proximity and ease of access to the capital and partly with the independent assets of the larger conurbations. Within the Northern Way area as we defined it, the Manchester and Leeds city-regions stood out in terms of economic weight and innovation. Together, they were seen to stand at the centre of the north’s key economic hub, an area also comprising the Liverpool and Sheffield city-regions, parts of northern Cheshire and York. The Newcastle city-region, by contrast, exhibited strong performance only within its immediate north-east regional context whilst other areas – particularly in the eastern and north-western peripheries of the Northern Way area – performed comparatively poorly.
- 5.1.4 We also saw in Sections 2 and 4 that if the trends apparent in the 1995-2001 period are rolled forward, disparities between the northern regions and the core area comprising London, the South East and the Eastern region will

continue to grow. Section 4 argued that additional growth in the city-regions of the Northern Way area represented the best chance of stemming the tide of growing regional disparity. Even to realise the limited ambition of preventing any further growth in disparities, however, consistent long-term GVA growth at twice the projected level within these city-regions would be necessary.

- 5.1.5 The evidence therefore suggests that building upon the future potential of city-regions must be central to the realisation of the Northern Way strategy and is critical to future progress in addressing regional economic disparities. A strategy focused upon key city-regions also has a number of additional advantages in terms of realising other PSA Targets and preventing future overheating in labour and housing markets in the south of the country. In short, it can help ensure that the national economy fires on more cylinders whilst at the same time providing the basis for fusing economic competitiveness, social cohesion and environmental sustainability in the north.
- 5.1.6 In Section 3 we noted how experience in the promotion and realisation of integrated development strategies for substantial, complex geographical areas is in short supply in the UK. We also saw how similar initiatives had developed, elsewhere, in a wide variety of contexts and for a number of different reasons. These differences notwithstanding, we found that concentrated public investment over a long period of time and the conscious (or relatively fortuitous) alignment of policy objectives and strategies between different levels of government were the hallmark of the more successful, large scale development corridors and zones. These observations were seen to apply, albeit over a shorter timescale, in the evolution of the Thames Gateway strategy.
- 5.1.7 The remaining challenge is to identify the implications that follow from this analysis for the feasibility of a future Northern Way development strategy. This, in turn, demands a focus on the knowledge base that a future strategy needs to draw upon and the changes in the policy frameworks of national, regional and local agencies that is required to accelerate its development.

5.2 Critical challenges for the Northern Way

- 5.2.1 The task of establishing a coherent and realisable development strategy for an area as large and complex as the Northern Way is a challenging process, involving more sophisticated and detailed analysis and further dialogue and negotiation between interested parties. There are no ‘best fit’ models available - conceptual or practical - that can simply be transplanted wholesale to the particular circumstances of the Northern Way area or the broader institutional, policy and expenditure environment in which its component parts

currently operate. There are, however, three central themes emerging from this review that need to be taken on board in developing the Way:

- The key role of city-regions and infrastructure connections in enlarged growth concepts
- The crucial role of public expenditure in realising city-regional and inter-regional development strategies, intentionally or unintentionally.
- The requirement for consensus and integrated action between levels of government.

5.2.2 These themes, in turn, give rise to three central challenges for the Northern Way: the need for a step change in our understanding of city-regions and the functional and infrastructural connections between them; the need for more effective coordination of public sector investment and expenditure over the long term, and; the development of effective, widely-supported governance arrangements that can mobilise, sensitise and align national, regional and city-regional strategies. Without attention to all three of these challenges, there is a danger that the Northern Way strategy could simply become one of many short term programmes, developed in response to temporary political pressures on the basis of rhetoric rather than evidence, and supported in a lukewarm way by relatively few of the necessary stakeholders. The early experience of the Thames Gateway initiative suggests that this will not be enough to effect the necessary transformation.

Importance of city-regions

5.2.3 As noted above, our analysis has shown that the performance of city-regions is central to the exploitation of the strategic potential of the Northern Way. But there are a number of different options for thinking through the role of city-regions and the connections between them.

5.2.4 Currently a total of eight city-regions have been identified in the initial thinking about the Way, but as we have seen there is considerable variation between them in terms of economic performance and their future development potential. First, there are a series of choices about how this differential potential is realised. Does the strategy seek to address all eight city-regions equally and if so how does it avoid competition between them? A more selective approach could focus on the most dynamic city-regions of Greater Manchester and Leeds, seeking to develop these twin cities as an alternative northern growth pole of national economic significance. Underlying any choice regarding selectivity is a wider debate about how the benefits of city-regional investment could be connected more effectively to areas of need within and outside city-regions.

5.2.5 The second set of choices focuses on the connections between city-regions. At least three sets of corridors can be identified within the Northern Way area –

the M62 Corridor, the M6/A6/West Coast Mainline corridor and the A1/East Coast mainline corridor. Of these the M62 is the most coherent development concept. It is the subject of a number of studies that have examined its strategic role and potential in trans-European trading corridors and is frequently used as a spatial development concept by a number of private sector companies who are seeking to exploit the large markets and dense communication networks that make up the corridor. Although some initial work has begun on parts of the M6 corridor and the A1 these are much less strongly developed. The key issue of infrastructure connections and movements along the Way's putative corridors, if it is approached systematically, will necessarily help determine decisions about the geography of future investment and which areas should be chosen as a basis for stimulating development and interconnections between city-regions in the Way.

- 5.2.6 The final set of choices focuses on the interrelations between city-regions both economically and in terms of the connective infrastructure linking them together. Here there would be considerable merit in thinking about the potential relevance of the braiding and beading linkage concepts identified in section 3 of the report. These concepts would allow the inclusion of the more sparsely populated/developed M6/A1 urban agglomerations in the Northern Way corridor. This would clearly not entail the promotion of the continuous urban and suburban development often popularly associated with corridors. However there would be developmental issues in terms of 'thick' or 'thin' connections between the nodes or beads. At the same time these concepts provide a development framework for the much more complex and denser city-regional agglomerations along the much thicker connections of the M62 Corridor.

Importance of Public Sector Investment

- 5.2.7 A central lesson from the case study illustrations was the crucial importance of the commitment of public resources to building enlarged development concepts and programmes, not just in enabling action but also in mobilising a range of supporting organisations behind a common understanding and set of objectives. It is important to realise that this investment has not always been new, nor has it necessarily been seen in relation to particular spatial development objectives. In all the cases we examined, however, they were of a significant scale and sustained over a long period of time.
- 5.2.8 A huge variety of economic development and regeneration initiatives is listed in the original Northern Way document. Some of these are primarily concerned with dealing with problems whilst others focus on exploiting potential. Currently, however, they are not well integrated, largely because of the fragmented governance arrangements supporting their development and implementation. But there is significant potential in more effectively co-ordinating what is already in place or under development. The central issue is how a Northern Way strategy might, for instance, put Housing Market

Renewal programmes, Urban Regeneration Company plans and English Partnership investments into a more Way strategic context rather treat them as localised initiatives that are can work against each rather than add value at a larger scale.

- 5.2.9 There is also a strong argument for examining the transferable lessons of the Government investment overtly serving spatial development objectives that were seen to be of national importance in the transformation of the Thames Gateway initiative. This moved the concept from a struggling and somewhat incoherent regeneration strategy into a programme that can realistically hope to transform infrastructural and housing provision in an area spanning three English regions, but only when it was given Cabinet level support and impetus. Without this level of investment and the clear national political will that underpinned it, the Thames Gateway strategy was unlikely to have realised its initial aim to begin to shift the geography of economic activity in London. Without a similar level of commitment the Northern Way is unlikely to realise its development objectives.
- 5.2.10 It is critical to ensure that the Way has the support of a broad range of central departments – dealing with transport infrastructure, higher education, land-use, local government, labour market regulation, housing, culture and so on. Each department needs to find creative ways of supporting enlarged development concepts through by putting in place incentive mechanisms for the effective engagement of sub-national agencies. Each department, equally, needs to see the value in the Northern Way concept in helping address its strategic objectives. Unless this level of commitment is secured the wider public sector investment and spending priorities are unlikely to support and work with the grain of the wider economic development agenda underpinning the Northern Way.

Importance of a Multi-Level Governance Framework

- 5.2.11 Hard and fast lessons from elsewhere about the role of inter-governmental consensus and joint action, beyond the observation that they are important, are more difficult to identify given the wide variation in national systems of administration in the countries we have considered. But there are clearly three important principles that will have to be addressed in developing effective governance capacity for the Way.
- 5.2.12 There is now a critical need to question dependence upon an informal and competitive set of relationships between national and local government in England that puts more emphasis upon local entrepreneurialism and bargaining power than it does on the quality and suitability of particular development proposals. Placing the future of the Way in this highly competitive and unstable policy context is unlikely to result in a well-researched and widely shared development framework. In this context it is important to recognise that the UK ‘system’ tends to produce bargaining between individual local authorities and national departments, sometimes

mediated by regional agencies, but this then squeezes out the possibility of strategic initiatives at the level of the city-region. The absent, or at best weakly developed, scale of city-regional governance urgently needs addressing if the building blocks for a successful Northern Way strategy are to be put into place.

- 5.2.13 Building a more effective governance framework for the Way will mean developing an approach that supports the mutual ‘nesting’ of the objectives and activities of different levels of government. There are strong arguments for a clearer articulation of national spatial development aspirations; to provide a greater degree of clarity and confidence to public and private sector agencies when they are considering taking risks on particular developments.

5.3 Strategic challenges in developing a national framework

- 5.3.1 The debate stimulated by the Northern Way has helped to reveal that the central building blocks of an enlarged growth concept for the northern regions are the key city-regions. But the absence of a city-regional perspective in existing policy frameworks nationally, regionally and locally means that co-ordinated action at that level is virtually absent. A systematic, widely shared and strategic analysis of the potential of these city-regions and the importance of connections between them will be critical in effectively developing the Northern Way. We now turn to the challenges involved in developing this framework.

- 5.3.2 There are three key implications of the report, all of which suggest that the missing link in terms of progress towards the development of enlarged growth concepts and the reduction of inter-regional differentials in growth rates is the prioritisation of policies that can support the future economic competitiveness of cities and city-regions:

- First, there is a compelling case for integrating urban policy more closely with regional policy if the process of building upon the current strengths and future potential of key city-regions is to build enlarged development concepts, support generalised improvements in regional competitiveness and enable further progress to be made on reducing inter-regional disparities.
- Second, there are strong arguments for widening the remit and influence of urban and regional policies so that the policy choices and expenditure decisions of wider range of Government departments can be seen to become more consistent with the aim supporting the accelerated realisation of city-regional potential and of reducing regional disparities over the long term.

- Third, a city-region led strategy requires a governance framework linking national, regional and local levels explicitly designed to build up the capacity of the provincial city-regions – and try to ensure that the benefits of these ‘hotter spots’ in the lagging regions are better connected to the ‘cold spots’ within and across those regions.

5.3.3 Developing this framework raises two significant challenges for city-regional policy, public investment and governance arrangements. The first is to enable the development of more effective city-regional strategies and governance arrangements. Whilst the second is to set city-regional strategies within the context of an overarching inter-regional strategy, based upon the potential growth corridors around the M62 and the northern stretches of the A1 and M6.

5.4 Constructing a national strategy for city-regions

5.4.1 National urban policy has not tended to recognise the value of intervention at the top of the urban hierarchy – the city-region or groups of city-regions collaborating in enlarged growth concepts. Yet the challenge posed by the research findings are that nationally urban policy should take a more serious and strategic view of the current economic role and future growth potential of city-regions. The critical implication is a requirement to undertake a strategic analysis of the comparative functional role of city-regions in the English urban hierarchy to construct more effective strategic intelligence and foresight about the development potential of city-regions. Working with city-regions and regions Whitehall need to support a city-regional intelligence and foresight programme that examines the key components of competitiveness and productivity, identifies what specialisms are performed, assesses the impact of public expenditure and reviews options for accelerating the potential of city-regions. This assessment could provide Whitehall with the intelligence and knowledge to start building a national strategic framework for city-regions.

5.4.3 An emerging city-regional perspective is more visible at regional than national level. The economic role of city-regions has been raised in a number of regions through an emphasis on sub-regional approaches to regional strategy implementation. Regional institutions have already attempted to develop collaborative frameworks between cities both within and across regional boundaries. Yet there has been no evaluation of the integration of city-regions within these enlarged growth concepts. Nationally there is a need to critically review what can be learnt from existing domestic and international practices in order to more effectively inform the development of city-regional policy. An assessment should focus on variations in the level of regional commitment to city-regions, mechanisms for exploiting the mutual interrelations between city-regions and wider regions, the issues involved in developing city-regional intelligence, and the challenge of effective partnership working at the city-regional scale.

5.4.4 A commitment to develop a city-regional perspective at regional and national level then raises important implications for the collective action of the individual local authorities that currently constitute city-regions. The central challenge is the need to build mutual commitment between local, regional and national partners to the development of city-regions. A city-region perspective means that the constituent local authorities would need to upscale their development activity and seek to transcend the competitive politics of inter-district rivalry that has often characterised city-regions. Central to this is the need to shift away from a single local authority focus on the “core city” to the development of a shared understanding of the enhanced potential of the city-region. Building integration and cooperation among different sectors and levels of government in terms of information, knowledge and expertise sharing would provide stronger city-regional building block for enlarged growth concepts. Comparative European experience has shown that ‘futures’ initiatives that can identify and anticipate potential changes in the development trajectories of city-regions are helpful in building such capacity. A modest version of such an exercise was undertaken by the Strategy Unit of the Cabinet Office on the long term issues facing that enabled policy makers at all levels to more effectively inform and shape their decisions. Such initiatives need to be extended to the provincial city-regions.

5.5 Co-ordinating public policy and public investment in city-regions.

5.5.1 Public sector investment and expenditure have a key role in shaping the development and coordination of enlarged development concepts, not just in enabling action but also in mobilising a range of supporting organisations behind a common understanding and set of objectives. While comparative research shows that this investment has not been always new, nor even necessarily seen in relation to particular spatial development objectives, there is clearly a case for thinking more proactively about how the public sector can strategically coordinate its investment to underpin the development of city-regions.

5.5.2 National public investment programmes in transport, housing, health, higher education can play a key role in facilitating the development of city-regions. Such coordination will be reliant upon a policy framework that ensures that public investment strategies work together and are customised to meeting the requirements of particular city-regions. Central to this is the need to examine how a city-regional perspective can help other government departments’ frame and realise their priorities. Although city-regions clearly have potential for accelerating the realisation of the PSA target for regional economic performance shared by ODPM, DTI and Treasury their relevance to other departments, especially those with a service delivery and client based focus, is currently less clear. A framework for the development of initiatives like the Northern Way therefore needs to take central departments through a process of

assessing how a city-regional perspective could accelerate the realisation of their priorities and targets.

- 5.5.3 At the regional level, there is a need to ensure that regional inputs into the spending review process and regional investment strategies take account of city-regional development. A central role for regional institutions is working with city-regions to assess the affinities between different investment strategies and to support the identification of new public expenditure priorities for subsequent spending reviews. Key to this is ensuring that Regional Emphases Documents reflect a city-regional dimension to their thinking. Yet this should involve a wider commitment to ensuring regional strategies support the acceleration of city-regional potential. This implies the development of regional strategies that explicitly prioritise city-regions and seek to extend the benefits of such a strategy by enhancing the potential for enhancing interaction and the spread of benefits between city-regions and regions. It also means regions using their influence with central government to ensure that national priorities are customised to accelerate the potential of city-regions.

5.6 Developing a framework for governance and city-regions

- 5.6.1 City-regional governance frameworks are either absent or at best very weakly developed at all levels of government. Yet if city-regions are to provide the key building blocks for enlarged growth concepts there is a critical need to enhance and build governance capacity. Existing national urban policy and public sector investment are largely blind to the development potential of city-regions. Whitehall needs to build a capacity for coordinating strategic interest in city-regions at a national level. This means developing an appropriate intelligence capacity to critically examine the strategic potential of city-regions, establishing a central forum to coordinate the activities of those departments whose responsibilities would benefit from a city-regional perspective and supporting collective working between cities, regions and central departments. The Thames Gateway model suggests that national capacity would be built up most effectively if executive and policy development responsibilities were clearly articulated, and there were mechanisms to trigger and sustain cross-departmental collaboration through a Cabinet Committee, at least in the early stages, and an inter-departmental group of senior civil servants.
- 5.6.2 At a regional level more progress has been made in developing embryonic city-regional governance frameworks as regional institutions have strengthened the role of city-regions in the delivery of regional strategies. A critical role regional should be in building a governance context for examining the interconnections and relationships between city-regions and their neighbouring sub-regions and city-regions. There is a need here to consider

how the benefits of investment in city-regions can relate to wider sub-regional and regional priorities and assess the potential relations between several city-regions. The key here is to create a context for developing economic linkages, communication flows and enhancing the potential for shared action. Key to this is the development of a process for examining the affinities between city-regional strategies and requirement for linking them together in enlarged growth concepts.

- 5.6.3 With the exception of the GLA there are currently no formal structures of city-regional government in England. Consequently the capacity to lead and shape city-regions is based on informal voluntary partnerships. Rather than start with a controversial and time-consuming debate about the need for local government reform and boundary changes at city-regional level the challenge is to build upon existing partnerships and collaborations. National government needs to develop a new framework for incentivising the development of city-regional partnership and governance structures, through interdepartmental single pot funding mechanisms that can only be drawn upon if there is clear consensus on priorities across districts. The governance arrangements for city-regions that currently consist of post metropolitan county arrangements overlain with new sub-regional partnership structures could be significantly strengthened. European experience provides examples of national framework that gives incentives – both in the form of additional investment and new powers – to develop enhanced city-regional governance capacity. A framework needs to be developed offer a pathway towards enhanced forms of city-regional governance potentially leading to formal governmental structures. In this model existing local authorities would have to reach collective agreement on type of governance structure they want to develop for the city-region. Similar frameworks could be developed to incentivise collaboration between city-regions across regional boundaries.

6. Next steps

6.1 Addressing critical issues

6.1.1 Our research suggests that city-regionalism is now of major strategic importance to cities, regions and Whitehall if enlarged growth concepts such as the Northern Way are to be rooted in something tangible and realisable. The strategic intelligence and foresight required to effectively exploit the potential of city-regions, however, is as yet poorly developed. There is inadequate understanding of what city-regions consist of and what their long term development potential is, along with a low level of institutional capacity to accelerate city-regional development strategies and little appreciation of the need to re-orientate public spending to new priorities. Consequently, there is a critical need to build a systematic analysis of the strategic potential of city-regions in order to:

- Underpin an improved understanding between OPDM, DTI, Treasury and other government departments about the relative potential of city-regions and how action at city-regional level can help them realise national and departmental objectives
- Modify and mobilise strategies at local, regional and national levels to exploit city-regional potential more effectively and develop connections between city-regions within and across regional boundaries.
- Promote better-quality relationships between local, regional and national policy-makers to accelerate city-regional potential separately and collaboratively in new development frameworks.

6.1.2 Three priorities emerge from this list of themes which could help raise the visibility and weight of development concepts such as the Northern Way and put them on a more secure medium term footing. These relate to understanding, governance and delivery.

6.2 Constructing an intelligence and foresight programme

6.2.1 A strategic intelligence and foresight programme to systematically is needed in order to assess the existing city-regional evidence and knowledge base, identify critical research themes and commission work to address key gaps and current deficits. The aim of the programme should be to analyse the key components of competitiveness and productivity, identify key city-regional economic specialisms and provide a prospective capacity to examine future options and scenarios.

6.2.2 There are three key elements to this programme. First, an understanding of the spatial structure of city-regions in the Northern Way is needed that involves reviewing the fit between statistics such as the recent TTWA data and the spatial structures contained within existing sub-regional governance arrangements. The challenge here is to find ways of mapping city-regions that links their functional role with governance capacities. Second, a systematic analysis of the role and significance of city-regions within existing regional strategies of the Northern Way RDAs, GOs, and RAs is needed. This would provide an assessment of the relative strengths and weaknesses of existing city-regional strategies against which new practices can be understood and evaluated. Third, in order to address a critical deficit in our collective understanding of city-regions, the programme would need to develop a systematic analysis of the interrelationships between city-regions in terms of the distinctiveness and similarities of their economic structures, the functional relationships between city-regional economies and the impact of city-regional economies on the wider region. A programme covering the major city-regions would need to be link the relevant local authorities, regions and national government to ensure that a widely shared, well understood and long term understanding of city-regions can be developed collectively.

6.3 Enhancing governance capacity in the Northern Way area

6.3.1 A better understanding is a starting point, but it is important that new intelligence and foresight capacity informs innovative policy action nationally, regionally and locally. Critical to this is the short-term development of a framework for more effectively coordinating what is already happening within the Way. The document 'Making it Happen' already referred to a wide range of initiatives including the Housing Market Renewal Pathfinders, Urban Regeneration Companies and English Partnership programmes. Existing initiatives cut across a range of central departmental interests, particularly ODPM, DTI and the Treasury, but obviously involves a wider range of departmental interests. At a regional level the collective roles of RDAs, GOs and RAs will be central in undertaking a critical review of the similarities and differences between their key strategies and the implications for city-regions in the Northern Way to ensure that they relate to each by adding value rather than stimulating competition. In the medium term there needs to be a commitment to developing a more effective governance framework for the city-regions of the Northern Way. Central Government needs to provide an incentive framework to accelerate the development of stronger forms of city-regional collaboration that build more effective capacity and capability than can be provided by weakly resourced sub-regional partnerships. There is also a requirement to anticipate how a longer-term policy framework could be constituted to incentivise the move from virtual forms of city-regional collaboration to more formal city-regional delivery structures.

6.4 Coordinating public sector investment in the Northern Way

6.4.1 The final step involves a critical assessment of how existing central departmental priorities and key areas of public sector investment could be re-oriented to further accelerate the development potential of city-regions in the Northern Way. Central departments and public investment sector priorities needs to be sensitive to the development of city-regions. Whitehall requires a corporate understanding of city-regional requirements and coordinating mechanisms at civil service and cabinet level to stimulate the critical thinking and relevant dialogue with other government departments and public agencies to identify new investment priorities. The potential for government to use its influence over existing programmes to co-ordinate and link them more effectively to city specialisms is then heightened. It also requires other government departments to think more spatially, to understand the impact of current programmes and the advantages of more flexible policies and programmes that can help drive Northern Way outcomes: for example, what would a higher education strategy for the city-regions of the Northern Way look like in terms of re-shaping research priorities, encouraging graduate retention and building collaboration between institutions? Similar foresight processes could be developed for other areas of public sector involvement: for instance, what would a health or a sustainability strategy for the Northern Way look like and what added value would accrue as a result? The governance models that link central, regional and local priorities in the Thames Gateway provide a clear lesson for the intergovernmental structures required to align spending priorities around enlarged growth concepts.

6.5 Conclusion

6.5.1 The Government is committed through the PSA Target on regional economic performance to combating regional disparities. There is now recognition that the key to achieving progress is an expanded and more broadly supported urban policy, focused upon city-regions and their collective potential to drive regional and national economic performance. The Northern Way is a crucial test case. It will set challenges across Government, within the regions and at local level. Its implementation requires the development of more effective city-regional strategies that are set within the context of an overarching inter-regional strategy, based upon the potential growth corridors around the M62 and the linkages with the M6 corridor and the northern stretches of the A1 and M6. If this work is undertaken effectively, and the strategy is successful, then both southern and northern regions stand to benefit. If it is not, national economic performance, along with the quality of life enjoyed within both 'successful' and 'lagging' regions, will not be as good as the could and should be..

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APPENDIX A

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