

Review of Economic Evidence

Background

This chapter aims to support decision-making around key questions for the Governance Review by assembling an economic evidence base responding to the following key questions:

- How does local policy intervention contribute to securing sustainable economic growth at local level?
- What are the economic conditions in the North East, providing a rationale for policy intervention?
- Can the North East be understood as a 'functional economic market area'?
- Is there policy commitment within the region to address economic issues through collaboration at North East scale?
- What do examples from elsewhere suggest as key issues for potential models for collaboration, both in terms of governance and operational structure, and in priority areas for joint intervention?

Section 1: Securing sustainable local growth

- 1.1 There is a significant national and international evidence base available evidencing the potential of the sub-national scale to promote and support the search for economic growth and resilience. This evidence base offers insight into both the key economic drivers and the environmental conditions which should be in focus for policy makers working at this scale and the potential benefits available.
- 1.2 Successful local growth derives from both national and local factors. In discussion of economic drivers at an economy level the focus is on driving productivity growth through factors which enhance the level of return on capital¹ and raising the quality and quantity of employment. For successful regional economic development, the OECD promote focus on the **condition of endogenous factors** - local sources of innovation and entrepreneurship, levels of employment and quality of local skills – and on local environmental factors which can support and encourage investment.² In terms of impact, the OECD estimate that whilst national factors have a crucial impact on regional growth, regional factors largely determine the regions international performance and that in those regions which had seen an increase or decrease in their relative GDP performance, regional factors had been responsible for about 25% of the overall change.³
- 1.3 Evidence suggests that opportunities for growth exist in all types of area, but that priorities differ depending on specific local developmental conditions. In presenting a typology to assess these, the OECD differentiate between the factors for regions which are '*leading, quasi-lagging*

¹ See, for example, BIS and DFID (2011), Sources of Economic Growth: Trade and Investment Analytical papers

² See for example OECD (2009), How Regions Grow

³ OECD (2009), How Regions Grow, Paris

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and lagging'. Within this typology, the North East would be defined as '*quasi-lagging*'. In these areas observed priorities are:

- *Human capital* and *innovation* factors which positively influence regional growth
- *Infrastructure*, which influences growth as an environmental factor when human capital and innovation factors are present. Alone, it does not impact growth.
- *Agglomeration* (concentration of economic activity) which influences growth but is neither necessary, or sufficient alone, as its impact is dependent on the structure of the economy
- *Accessibility of markets* can influence growth, but is conditional on innovation, infrastructure, human capital and agglomeration. In this context, *distance to markets* can have both a *positive and negative* impact on growth depending on the strength and nature of key growth factors - and there is evidence of regions in the periphery growing faster. The contribution of accessibility is dependent on the nature and assets of the local economy.

1.4 This promotes focus on an interesting issue discussed within the literature about the role of infrastructure in supporting economic drivers. It is clear that the right business and residential property in the right place can both encourage investment and support the efficiency of the labour market. Additionally, transport and digital infrastructure can be key environmental conditions for growth. However, a caution which is widely stated is the potential for some infrastructure connections to create an outflow of economic activity, as it creates the opportunity for efficient supply of local demand from other locations⁴. This has created some controversy within the context of the debate about North East Independent Economic Review (NEIER) expert papers⁵, with different commentators promoting different approaches to transport investment. A synthesis of this debate would be that infrastructure connections should be prioritised to secure deliberate economic objectives. Such objectives would include the concentration or linking of complementary economic activities within the region, the creation of linkages which can help to secure trade opportunities⁶, or the unblocking of congestion restricting these linkages. But there are some circumstances where infrastructure investment should not be prioritised, where it would not support positive outcomes for key economic drivers.

1.5 In addition to ensuring that economic strategy focuses on the right things, there is also a clear message in the evidence base about the management of risks created by disequilibrium between key factors. For example, the OECD posits that should there be a surplus of skills over demand for them the risk of 'brain drain' emerges as human capital leaves to secure opportunities. Conversely, a local environment within which there is economic potential but a lack of capacity to develop it, in terms of investment resources or skills, could lead to a decline in competitiveness.

1.6 The OECD therefore stresses the importance of strategy integration across key policy domains (see figure 1), emphasising the importance of institutional capacity at the right level to co-ordinate across key factors, capable of recognising and responding to the distinctive economic circumstances of an area.

⁴ See Overman et al (2009), Strengthening Economic Links between Leeds and Manchester, Northern Way/SERC

⁵ I.Docherty (2013): Expert paper to NEIER

⁶ P.McCann (2013): Expert paper to NEIER

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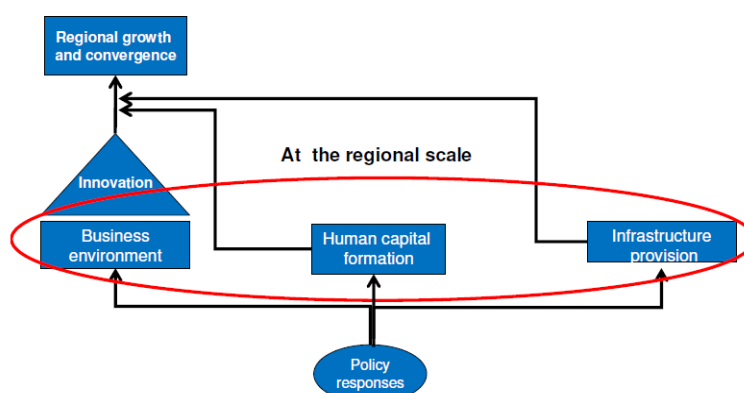


Figure 1: Illustration of integration of key growth factors at regional scale (source OECD 2012)

- 1.7 This raises the question of defining the right scale to manage these economic interactions. There is a growing consensus in the evidence base that getting this right maximises the effectiveness of economic interventions, and that the right scale should be at a level at which the economy ‘functions’⁷. One of the key functional scales is the labour market - which is the scale at which most day to day economic interactions take place and which lends itself to policy interventions in areas such as transport, housing and the provision of labour market support. But there is also recognition in the literature that there are other important forms and scales of functional economic linkage⁸ including the enabling of supply chains, the supply of natural resources, management of environmental risks such as flooding to parts of the economy, which also require co-ordination.
- 1.8 Further, the evidence base recognises that functional geographies rarely map to established administrative geographies and change over time. This, therefore, provides a strong theoretical rationale for collaborative governance models established to manage these issues on an ongoing basis at different scales. For the Governance Review, therefore, the key questions are the extent to which the region is functionally linked currently, and its trajectory into the future. This issue is dealt with in section 3.

Section 2. Economic conditions, opportunities and challenges in the North East

- 2.1 Economic conditions in the North East have been reviewed by a range of commentators. As a contribution to the NEIER, SQW were commissioned to produce a report reviewing current key data and past reports⁹.
- 2.2 Economic data in terms of GVA, productivity and employment tells a familiar story. Latest data shows that the North East generated £30.8 billion in GVA in 2011 (estimated) compared to £30.3 billion in 2010 and £29.2 billion in 2009. In comparison to the previous Government Office North East region, and other northern regions, the North East experienced a higher GVA growth rate, although the gap with the national average has widened in recent years. In 1997 the North East represented 71.73% of the Government Office North East regions GVA and by 2011 this has risen to 74.09% (see figure 2).

⁷ Heseltine (2012) discusses the importance of ‘functional economic market areas’. OECD (2012) Redefining Urban, focus on the importance of ‘functional economic areas’

⁸ See Baker, Focusing on Functionality, in OECD (2012) Redefining Urban

⁹ SQW Consulting (2012) Evidence Review for the North East Independent Economic Review

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Figure 2: GVA Growth 1997 - 2011, Index 1=1997

2.3 From 1995-2007, productivity grew in the region at a rate of 0.75%, around one-third of the national rate of 2.23% and around half the OECD average rate of 1.83%. Whilst, taking into account that simple comparison between regions fails to take into account the impact of significant national and sectoral difference between regions, the OECD taxonomy mentioned earlier suggested that there remain significant improvements which could be made. They have defined the North East as a region with '*potential to catch-up*' with the national average.¹⁰

2.4 The key issues the region faces in relation to GVA and productivity are:

- Lagging the England average, and to a lesser extent other northern regions, on almost all headline economic indicators.
- GVA per head below the national average. Despite a higher growth rate in recent years, the gap with the national average is still widening.
- Key drivers of the GVA gap including low employment rates, a low proportion of residents with high-level skills, and low enterprise rates.
- A productivity deficit, underpinned by ongoing structural change from higher productivity manufacturing jobs to lower paid service sector jobs.

2.5 Whilst below the national average, the region made employment gains prior to the financial crisis, but has fallen back suggesting resilience challenges. In 2008 the employment rate was 69.2% compared to 72.2% nationally. In 2012 it is 66.5% compared to 70.5% nationally. Pre-crisis the unemployment rate was 6.1%, compared to the national rate of 5.2%. In 2012 the rate is 10.4% compared to 7.9%.

2.6 SQW summarise a range of issues which have contributed to these indicators (see figure 3 below which summarises SQW's findings).

¹⁰ OCED (2012), Promoting Growth in all Regions

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Strengths	Weaknesses
<ul style="list-style-type: none"> Substantial progress evident in improved skills levels: there are high proportions of adults with Level 4+ skills in Newcastle, North Tyneside and Northumberland – but low skills also an issue, both in these areas and elsewhere in the LEP A relatively high proportion of employees continue to work in manufacturing. Advanced manufacturing, pharmaceuticals, energy/low carbon and environmental industries are important sectors. There are marked concentrations of KIBs in Newcastle, North and South Tyneside and Sunderland A strong performance in exports, especially in machinery and transport, has generated a trade surplus, which has held up well during the recession Relatively strong performance in attracting FDI, and associated jobs Outstanding natural and built assets, such as the Northumbria National Park and Durham's World Heritage Site International access via Newcastle International Airport and the ports 	<ul style="list-style-type: none"> Under-performance in GVA per head, driven in part by issues around low employment rates and the productivity of those in work (especially as employment as shifted from higher value manufacturing activities to lower productivity service jobs) Pockets of deprivation in both urban and the more rural, ex-mining parts of the LEP. Associated issues around multigenerational worklessness, making it difficult to mobilise the potential workforce. Issues around connecting those in need of work with areas of employment growth, especially via public transport The prevalence of employment in lower value activities and occupations, and an under-representation of residents with higher level skills High dependency on the public sector for employment (including for KIB employment), an under-represented private sector, and under-representation of employees in higher value added services such as business administration, professional and technical sectors Low levels of innovation intensity The demand for finance, and the ability of businesses/social enterprises in the North East to develop high quality and viable commercial propositions Poor broadband connectivity in parts of Northumberland and County Durham Poor housing stock in some areas, and limited choice of better housing across the LEP area, acting as a barrier to attracting skilled workers Low enterprise rates and tendency to depend upon large employers and the public sector as a source of investment capital
Opportunities	Threats/challenges
<ul style="list-style-type: none"> Build on current strengths in exports – and encouraging more of the business base to export – which will help rebalance the economy. Excellent academic / research / FE and HE institutions – build on innovation assets Build on high value added/advanced manufacturing sectors, providing an opportunity to raise productivity levels – e.g. in vehicles, offshore energy The NELEP's Enterprise Zone, provides a major opportunity to attract investment, build further on the area's sectoral strengths and create jobs Enable and increase homeworking, especially in more rural and remote parts of the LEP Opportunities to increase the social economy, which could encourage greater entrepreneurial activity Potential opportunities from the ageing population, particularly given the NELEP's excellence in health research and care. 	<ul style="list-style-type: none"> Address barriers to inward investment – especially infrastructure Improve the speed of broadband connectivity in rural parts of the LEP, which could limit future economic growth and access to services/social media for the LEP's businesses and residents respectively Address the under-representation of private sector business (with the aim of creating a bedrock of growing medium and large companies), and the over-reliance on the public sector, to improve the resilience and diversity of the economy Raise skills levels – especially in STEM skill – and linking these more effectively with the sectoral strengths in the LEP area Improve graduate retention (and ensuring graduates are not under-employed), and the ability to attract highly skilled workers to the area (e.g. by improving housing offer, promoting the quality of life advantages effectively) Risk of long-term unemployment for young adults currently out of the workforce Address shortage of the right quality/location of commercial property Vulnerability to business decisions made outside reinforcing a continued sense of being a 'branch plant' economy in some respects Move away from an over-dependence on the public sector for employment, and stimulate growth of the private sector Stimulate private sector investment capital and capital markets in general.

Source: SQW review of literature

Figure 3: A SWOT analysis for the North East economy

2.7 The OECD¹¹ have commented that the four key underlying bottlenecks which have contributed to the North East's sustained weaknesses are:

- A relatively weak private sector
- Fragmented internal markets and inadequate internal connections
- Inability to mobilise the workforce
- Lack of continuity in governance and policy

Section 3. The North East area - a functional economic market area?

3.1 Section 1, identified the increasing consensus in the evidence base that economic strategy should focus on addressing economic challenges at 'functional' scale and that there are a group of key areas in which effectively co-ordinated interventions can make a significant difference to the economic performance of regions. The paper also recognises that, in general terms, different functional economic geographies can be observed for different parts of the economy including the labour market, the structure of industries and the supply of key enabling assets, and that these geographies evolve as markets and economies change. Whilst there is not a uniform pattern across all elements of the North East economy, there is compelling evidence that the region functions as a 'functional economic area' with strong integration and connectedness in a number of these key parts of the economy, including both strong labour and housing market linkages and the clustering of key industrial assets. Further, evidence

¹¹ Ibid

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suggests that the direction of travel is towards more, rather than less, integration. This evidence is reviewed in this section.

3.2 The Labour Market: Commentators have highlighted an element of polycentricity across the wider region. In their report for the Tyne & Wear City Region, EKOSGEN¹² describe a region with 4 overlapping functional labour markets (see figure 5), with the Newcastle labour market as the largest, and more localised systems around Durham City, Washington and Sunderland performing different industrial roles. An alternative interpretation of the data from the Work Foundation at al¹³ described a bi-polar labour market focused on Newcastle and Sunderland. Both reports envisaged increasing integration as the structure of the economy changes, with concentration of more service sector jobs and growing interaction across higher level and industrial jobs.

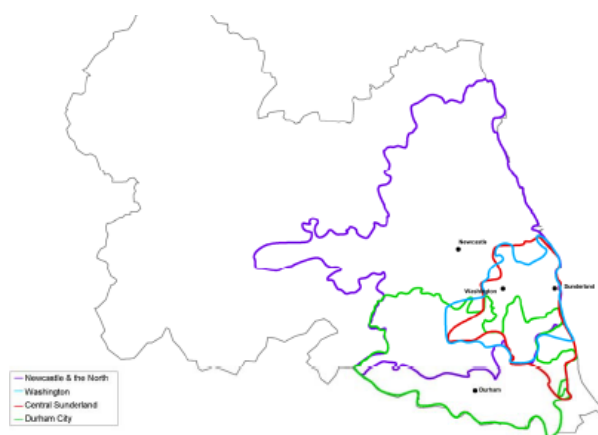


Figure 5: EKOSGEN Illustration of 4 overlapping functional labour markets

3.3 Housing Markets: In their report on the regions housing markets for the Tyne & Wear economic review¹⁴, NLA demonstrated how these labour market flows interacted with housing supply and employment demand. They revealed how the region provided a varied offer as would be expected in an area with a diverse settlement pattern. They also highlighted a complex and changing set of spatial, social and economic relationships with strong linkages across the region. They suggested that the direction of travel was towards more complexity as urban environments and the structure of the regions economy changed, and as economic mobility increases prompting housing markets to expand spatially.

3.4 Looking at the recent history of developments in the housing market across Tyne and Wear and the surrounding hinterland, they define four broad spatial typologies which describe the contribution of different parts of region to the overall housing offer:

- Newcastle/North Tyneside
- Gateshead/South Tyneside/Sunderland
- High value north and west
- Durham and Northumberland coalfields

¹² Ekosgen (2010), Tyne and Wear City Region Economic Review: Economic Geography, Linkages and the Low Carbon Economy Executive Report

¹³ Work Foundation et al (2009), City Relationships: Economic Linkages in Northern City Regions, Northern Way

¹⁴ Nevin Leather Associates (2010), The strategic relationship between housing, the residential offer and sustainable economic development within and across the Tyne and Wear City Region

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3.5 They made a number of observations about these spatial typologies and the market trends supporting them (see figure 6):

- There are high value markets within the Tyne & Wear administrative boundaries, but these have been characterised by increasing problems of affordability in recent years.
- Newcastle exports its wealth into the higher value markets in Northumberland to the north and west.
- North Tyneside's stock supplies homes for first time buyers across the whole of the north of the Tyne area.
- The housing markets south of the Tyne in the urban areas tend to be lower value, with fewer high value neighbourhoods and lower household and population growth.
- New build completions within urban areas of Tyne & Wear have tended to be low, whilst completions in the adjacent areas of Northumberland and Durham have been higher. A significant increase in new build in County Durham has generated population growth, leading to outward migration from the urban core of Tyne & Wear to County Durham.
- Low value neighbourhoods are widespread across the conurbation, whilst only a few small areas in Tyne & Wear qualify as high or prime value neighbourhoods. In contrast, West Durham and some mainly rural parts of the former Tynedale and Castle Morpeth areas are high, or even prime value areas, even when measured on a national scale.

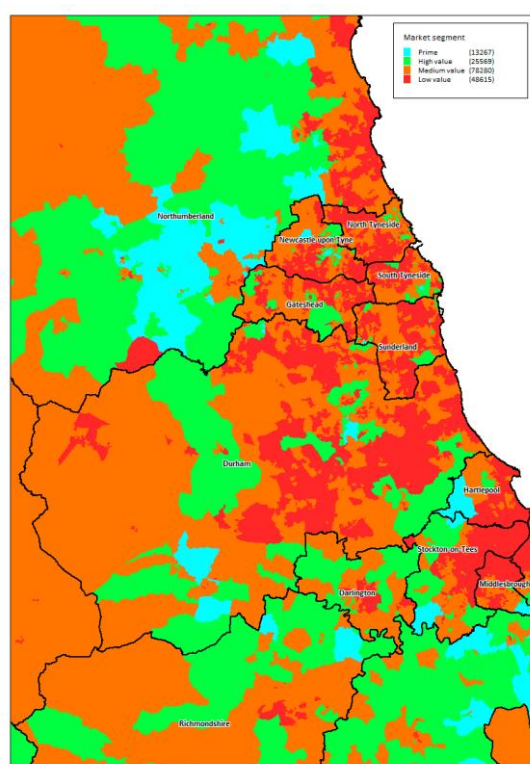


Figure 6: Market Value classification by neighbourhood (Source, NLA report (2010))

3.6 Commentary from the housing and construction sectors, important contributors to the regional economy, have suggested that a stronger focus on these issues could lead to strengthening of housing investment into the region.¹⁵

¹⁵ See Dayson, C., Lawless, P. and Wilson, I (2013) The Economic Impact of Housing Organisations on the North, Centre for Regional Economic and Social Research, Sheffield Hallam University; NLP (2013), North East Economic Review Submission by the North East Housing Sector

3.7 These trends present an interesting question for policy makers understandably focused on the benefits for their local area and people within it – can they reconcile aspirations for increased standards of living and quality of life with these economic trends? Are these market trends something to encourage, or to seek to counter? The OECD note a number of features of current trends towards concentration;

“functioning and efficiency of linkages between cities, and those between urban and rural areas, can lead to important changes in how and where economic production takes place large metropolitan areas can realise the benefits of economic agglomeration, industrial clustering and innovation (there is) potential of medium-sized cities to drive more sustainable urban development, without the costs and inefficiencies associated with mega-cities”

3.8 This work recognises how concentration can drive growth delivering benefits across a range of indicators. It also recognises that there are limits, and that there is a scale when this form of clustering can create inefficiency and congestion. The OECD estimate that the tipping point is in the region of 7 million people¹⁶, far in excess of the regions scale. Indeed, work for Spatial Economics Research Centre¹⁷ suggests that most second tier city-regions in the UK retain significant headroom for growth.

3.9 Given this potential, this raises a question about whether the current trajectory towards integration within the North East is creating economic benefits for people in constituent areas. Recent employment data offers some evidence on this issue. Table 1 reports key labour market statistics for the North East which appear to show:

- employment opportunities in all parts of the region supporting different levels of employee and resident income
- that the urban centres of Newcastle and Gateshead supply employment opportunities for people living in the surrounding districts and counties, which offer fewer employment opportunities
- that employment within these urban centres provides higher levels of earnings for those people working in them than are available in their resident areas

District	Labour demand	Employed Labour force	Earnings (by employment)	Earnings (by residency)
Durham	177,000	221,300	437.40	458.00
Gateshead	96,000	84,600	482.70	465.20
Newcastle	187,000	133,700	484.50	469.70
North Tyneside	78,000	90,000	454.40	454.40
Northumberland	124,000	142,500	439.10	462.50
South Tyneside	48,000	66,900	425.30	450.10
Sunderland	119,00	124,500	442.90	424.00

¹⁶ Garcilazo, E (2010), presentation to OECD workshop, Improving Productivity in Lagging Regions, Paris, 28 June 2010

¹⁷ Overman.H & Rice.P (2008), Resurgent Cities and Regional Economic Performance, SERC Policy Paper 1, Spatial Economics Research Centre, LSE

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Table 1: Authors review of Nomis data (2012)

3.10 So what is the trajectory? The current evidence base emerging for the LEP skills action plan, being prepared by the University of Glasgow, reports employment projections from UK Commission on Employment and Skills. These suggest that the majority of the net employment opportunities emerging through either jobs growth or replacement demand in the region over the current decade are likely to take place in those sectors which are susceptible to these concentration trends, meaning that over time these integration trends are likely to strengthen (see figure 7).

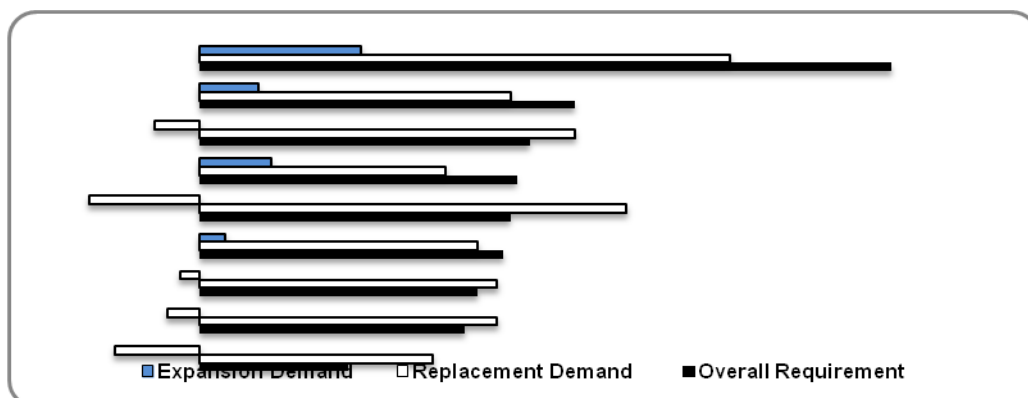


Figure 7: Employment Demand by Occupation, North East 2010-2020 *Source: UKCES Working Futures 2010-2020*

3.11 **Sectors and supply chains:** Looking beyond the labour market, there is evidence of both complementary and differentiated patterns in key economic sectors.

3.12 The University of Sunderland reviewed the opportunities and challenges in a key manufacturing sub-sectors located in the North East region for the NEIER¹⁸.

3.13 Automotive: On average, the UK produces 1.5 million cars and commercial vehicles and over 2.5 million engines. Of these, around 80% of vehicles and 70% of engines are exported. UK automotive is a vital part of the UK economy and typically generates around £50 billion in annual turnover, delivering around £10 billion in net value-added to the economy. The automotive industry is the UK's largest sector in terms of exports and generated £29 billion of export revenue for the UK in 2010 exporting to over 100 markets worldwide, accounting for 11% of total UK exports.¹⁹

3.14 The map at figure 8 below shows the regional disposition of the automotive industry. It shows the location of the main vehicle manufacturers (including heavy goods vehicles, buses and construction equipment), as well as the location of the automotive supply base in the UK. This does not include companies in the wider manufacturing sector, or service suppliers, though the geographical disposition is likely to be similar. This is therefore only a partial view of the supply chain, as around two thirds of vehicle makers' inputs are from other sectors in the economy.

¹⁸ McIntyre, J (2013), Growth Opportunities and Barriers in Key Manufacturing Sectors in the North East LEP Region

¹⁹ Automotive Council UK

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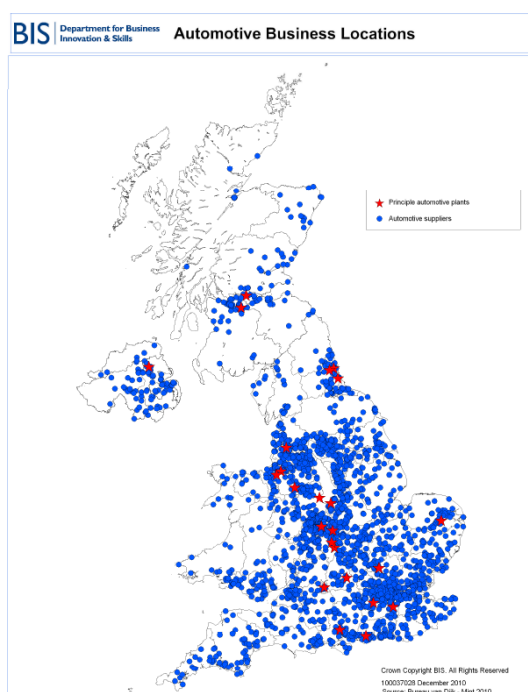


Figure 8: Automotive Business locations

- 3.15 Automotive is the largest manufacturing sub-sector in the North East. Nissan produced 480,000 vehicles in 2011 with production predicted to rise to 651,000 by 2016. Recent new model announcements include the Leaf, the new Qashqai model (an investment of £192m), and the new Infiniti hatchback (£250m). Other automotive manufacturers include Cummins Engines in Darlington, Smith Electric Vehicles at Washington, Caterpillar in Peterlee and Komatsu in Birtley. In terms of the supply chain, 60% of Nissan's Tier 1 vehicle part suppliers are within 60 miles of the plant in Sunderland with a spend of approximately £2 billion. A cluster of tier 1 automotive suppliers are spread across the NELEP area, illustrating the benefits of the clustering effects and these provide significant export capacity with most automotive suppliers serving a number of other automotive customers in the UK as well as other major OEMs based in continental Europe²⁰.
- 3.16 It also provides an opportunity for linked sub-sectoral growth. Nissan's experience in the region contributed to the decision of Hitachi to locate in the region²¹ creating similar opportunities for tier 1 and tier 2 supply chain development and the building of a wider cluster effect. Hitachi's investment will see the location of a purpose built train manufacturing facility and a local office of its European rail research and development in County Durham, complementing a number of specialist rail engineering companies in the area.
- 3.17 Pharmaceuticals: Pharmaceuticals is the 4th largest economic sector in the UK responsible for £31.8 billion turnover in 2011 and employing some 78 000 people. GVA per employee is high at £206 000, and it is an increasingly competitive sector with high export potential.
- 3.18 The region is home to a small cluster of globally significant manufacturing companies who are amongst the most productive in the world. The largest companies are GSK at Barnard Castle and Proctor & Gamble in Newcastle, with other capacity at Aesica and MSD in

²⁰ McIntyre, J (2013), Growth Opportunities and Barriers in Key Manufacturing Sectors in the North East LEP Region

²¹ Reported by Professor J McIntyre at NEIER conference, 15 February 2013

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Cramlington, Sanofi Aventis at Fawdon and Piramel in Morpeth. Whilst the sector presence is predominantly manufacturing, pre-clinical research and development, full scale drug-testing trials, pilot stage manufacturing and packaging and distribution are all present

3.19 The size of the sector in the North East is likely to be significantly under-estimated by official figures – NEPIC estimates that the North East produces 33% of the country's GDP in pharmaceutical manufacturing.

3.20 Low Carbon Energy Generation: Forecasts suggest as many as 70,000 people could be employed in the UK offshore wind industry by the start of the next decade. The round 3 offshore wind energy programme identifies nine zones including Dogger Bank, located off the North East Coast (see figure 9).

3.21 Round 3 zones are all now being developed, with offshore wind investment still seen as a good long term investment and the Energy Bill announcement in December 2012 was well received, agreeing £7.6 billion investment in offshore wind from consumer electricity bills. Assuming that the “strike price” which is chargeable for renewable energy, to be announced in July 2013, is set at a rate which will make investment a viable proposition, the next stage will be a series of developers looking to commit to projects and seeking the requisite permissions.

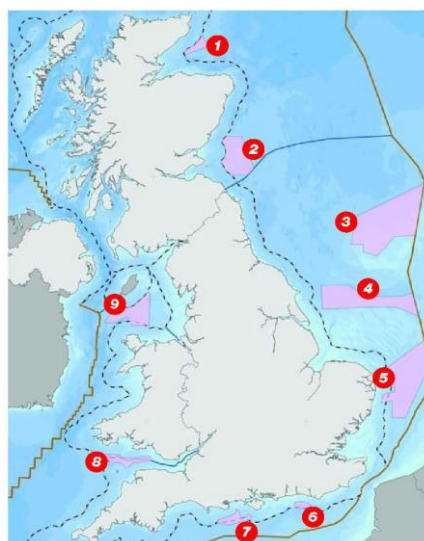


Figure 9: Round 3 Offshore wind zones

3.22 The North East is well positioned to attract investment but will compete with other locations on the East Coast with particular opportunities including:

- Turbine manufacture and supply chain
- Geo-technical support
- Supply chain for the development of infrastructure
- Connection to the grid
- Ongoing operations and maintenance work.

3.23 NaREC is a powerful potential asset in this regard, developing the largest planned demonstration site in UK waters

3.24 The Sunderland review identifies 5 specific challenges facing all three of these sectors which suggest a co-ordinated approach across the region:

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- Ensuring ongoing economic intelligence on the development of these sectors and the intentions of key industry players
- Ensuring continuing access to manufacturing expertise and delivering an ongoing pipeline of key skilled staff, to both enable growth and investment and to respond to significant ageing within the existing labour force
- Securing investment into the region to support development of these sectors
- Orienting existing SME's within the region towards these opportunities and enabling them to secure the finance and the competencies to engage within the supply chains

3.25 In addition to manufacturing, service sectors cluster strongly within the region offering economic and employment opportunities at this scale. Examples include tourism, culture, retail and leisure.

3.26 Work for the NEIER by the University of Northumbria²² has demonstrated the economic contribution of a number of service sectors to the regional economy (see figure 10)

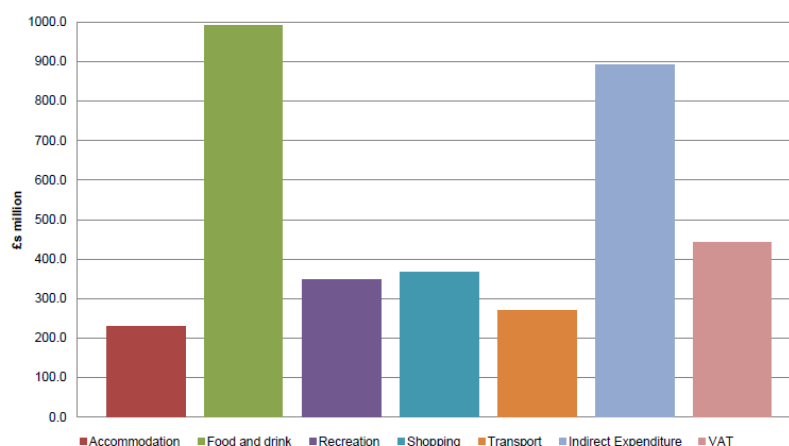


Figure 10: Contribution of service sectors to the NE economy

3.27 Tourism and culture. The tourism and culture economy is a strong contributor to employment in the North East. It has an increasingly global reputation and includes 10,000 businesses and employs over 60,000 people²³. A group of significant assets in the region include the World Heritage Sites of Hadrian's Wall and Durham Cathedral and Castle, the BALTIC Centre for Contemporary Art, the Great North Museum, Bede's World, a magnificent coastline and a host of other historic, natural, sporting and cultural attractions. Most of these assets are considered by Visit England as 'Day trip' sites. Maximizing economic benefits from these attractions will therefore be likely to be supported through a clustering approach, combining the presence of sufficient critical mass of attractions and strong projection to incoming and indigenous visitors. Figure 10 illustrates the spread of these sites across England²⁴, and the presence of a regional cluster in the North East is evident.

3.28 Additionally, regional and national cultural events based in the region such as the Sunderland Air Show, Lumiere lighting events, the 2013 exhibition of the Lindisfarne Gospels, and sporting highlights such as the Great North Run and Test Cricket at Durham bring thousands of people and substantial visitor spend into the area.

²² A.Sugden – presentation to NEIER conference, 15 February 2013

²³ LA7 contribution to the NEIER

²⁴ Deloitte & Oxford Economics (2010)

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Figure 11: Day trip sites in England: Deloitte & Oxford Economics (2010)

- 3.29 *Retail and Leisure*. There is a strong concentration of retailing and leisure services in Tyne & Wear which service much of the North East and also draw in consumers from beyond. The main centres are the City Centre of Newcastle and the Gateshead MetroCentre, the only free-standing regional shopping centre in the North-East Region.²⁵
- 3.30 Retail patterns analysed as part of the Tyne & Wear City Region Economic Review highlight significant flows to these two centres across the region including from Morpeth, Blyth, Wansbeck, South Tyneside, Washington, Chester le Street, Consett and Stanley. Many of these areas also have their own high streets, which provide local services to residents in the immediate catchment area.
- 3.31 Sunderland, Durham and to a lesser extent Hexham provide an alternative offer to the two main centres and more residents from the immediate area shop in these centres than travel. Easington and Peterlee look towards Hartlepool for high street shopping.²⁶ Figure 12 illustrates these flows.

²⁵ North East Retail and Leisure Study, 2011

²⁶ Tyne & Wear City Region Economic Review, 2010

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Figure 12 Regional Venues and Retail Hierarchy 2009

3.32 Whilst the discussion above demonstrates how key industries are regionally concentrated and linked, other evidence demonstrates how consolidation in key service sectors has led to the region being serviced from outside the region, with implications for both the future development of these sectors within the region and decisions about the approach to linking infrastructure.²⁷ Figure 13, for example, illustrates how key centres for both financial and legal services are located outside the North East.

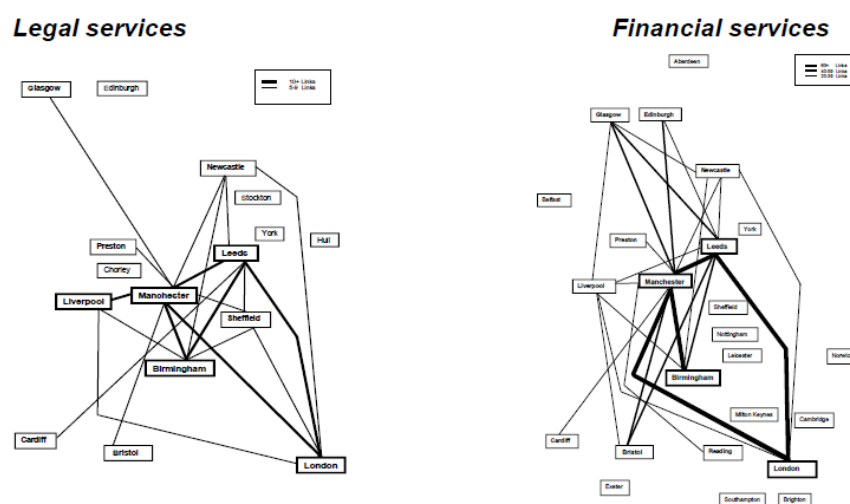


Figure 13: UK sectoral structure of legal and financial service sectors

3.33 This review of evidence has demonstrated that there are strong functional economic linkages in the regional labour market and across a range of key industries in the region. It is not a uniform pattern. Reflecting the different market dynamics influencing sector development,

²⁷ IPEG (2009), the Northern Connection, the Northern Way
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some are susceptible to concentration around service centres and others more likely to cluster around key industrial sites, linked to supply chains across a wider footprint.

3.34 Parallel patterns would be likely in industries not reviewed in this work. In health care and education, for example, the pattern is likely to be similar to those of other service sectors, but with key public sector assets spread across the region. One of the key messages from evidence submitted to the NEIER is the increasingly complex structures and networks crossing traditional sectoral and spatial boundaries²⁸. Innovation opportunities can result through interaction at the boundary between sectors, as well as within sectors as contact between individuals and businesses stimulate and build ideas – the development of health tourism being an example of this form of interaction. A key role for public policy makers seeking to stimulate this type of development is therefore to understand how these patterns are changing and to create opportunities for networking and on-going interaction within and between sectors²⁹.

3.35 Overman et al³⁰ have argued that a local focus on enabling ‘*complementary labour market and business relationships*’ can create mutually beneficial outcomes. This provides a strong rationale for collaboration at a North East scale to secure strengthening of the benefits of economic integration. In his foreword to the Northern Way’s City Relationships³¹ report, Will Hutton echoes these comments, arguing that the focus should be on the:

“potential for neighbouring areas to benefit more from their existing relationships in the future and highlight the opportunities to enhance economic growth of the city region as a whole.”

Section 4. Moving Forward: Collective objectives for the North East region.

4.1 Public and Private sector partners in the North East share a commitment to enabling economic growth and securing more and better jobs. They have stressed their commitment to working jointly in pursuit of the priorities set down in this paper.

4.2 In their joint submission to the NEIER, the LA7 called for the Review to create a context for a number of developments which it saw as key to securing these goals:

- Greater devolution and autonomy to drive growth locally – securing opportunities to access powers and funding delegated from central government to enable locally devised interventions that are delivered in a coherent and planned way including devolution of a ‘single pot’ of funding to support the regions growth programme.
- A closer relationship with government – using the outcome of the governance review, and building on establishment of the LA7 Leadership Board, to strengthen governance arrangements across the North East and provide a channel for closer engagement with central government and national agencies
- Aligned funding – working to ensure that key resources such as future European Structural funds, as well as national sources such as those from the Technology Strategy Board and the

²⁸ See C.Pywell (2013): Expert paper to NEIER

²⁹ Ibid

³⁰ Overman,HG, Rice,P and Venables AJ, Economic Linkages Across Space (April 2008), CEPR

³¹ Ibid

Skills Funding Agency, are co-ordinated to support regional priorities and investment programmes.

- Investment in strategic transport infrastructure and connectivity – ensuring allocation of a fairer share of national infrastructure investment, greater control in directing such resources, and a greater say in major decisions affecting the wider area, such as rail franchise arrangements.
- A comprehensive and area-wide approach to skills and employment – ensuring the development of a range of job opportunities at all skill levels and agreeing skills priorities that meet employer needs. Greater influence over skills funding to ensure that investment focuses on genuine local priorities. Greater local determination over the priorities of employment programmes, linking them to the regions investment programme which will be informed by understanding of growth areas.
- Access to financial tools – greater availability and use of financial incentives and other measures including those available through Enterprise Zone status and Tax Increment Financing

4.3 Reflecting the priorities of a wider group of economic partners from the private and education sectors, the current NELEP business plan³² is focused on both the key growth drivers and the supporting business environment. Its strategic objectives are:

- supporting enterprise and private sector business growth
- building on key economic strengths
- improving skills and performance
- strengthening transport, connectivity and infrastructure.

4.4 The views of a wider group of stakeholders contributing to the NEIER have confirmed a shared expert and stakeholder analysis of the key issues for the future economic approach in the region and providing a strong case for strengthening the collaborative arrangements in the region³³.

Section 5. Making the change:

Possible models and areas of focus for collaborative governance arrangements

5.1 This review of current evidence has aimed to reflect on four issues:

- The rationale for economic development action at sub-national scale
- The economic issues, opportunities and challenges that should be in scope
- That the North East is a functional economic market in key parts of the economy, and that evidence supports collaborative governance to secure opportunities for beneficial economic development at this territorial scale
- That there is a shared agenda amongst key economic partners to collaborate on these issues

5.2 This leads to a further question about the evidence about institutional models which can enable this to be taken forward. The sub-national scale has become the focus of economic development

³² NELEP (2012), Interim Business Plan

³³ See EKOSGEN (2013), The North East LEP Independent Economic Review: Draft Summary of the Expert Paper and Evidence Base

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activity in a globalised world with regions and localities being identified by different governments as a key level to promote economic dynamism. There are a range of place based approaches being developed which seek to build on local assets and opportunities and to tackle local issues in a place specific approach.

5.3 Combined Authorities: The sub-national approach of the last Government focused on the UK's 12 administrative regions defined at European scale. Whilst arrangements for much of England have now been changed, the arrangements for Scotland, Wales, Northern Ireland and London remain as established under this model. In England, whilst the regional scale has now been dismantled, there remains some continuity in the City-Region approach which had been emerging under the last Government and which is now the preferred framework for sub-national policy being promoted by the current Government. Proposals for pilot City-Regions in Leeds and Manchester³⁴ were announced in the 2009 Budget and the detailed arrangements for Combined Authority now in place in Greater Manchester initiated in the 2009 Local Democracy, Economic Development and Construction Act 2009³⁵. This provides the preferred legal model underpinning the current Government's approach.³⁶

5.4 In Greater Manchester, the ten Local Authorities were the first in the country to develop a statutory Combined Authority to co-ordinate key economic development, regeneration and transport functions. The Greater Manchester Combined Authority (GMCA) was established on the 1 April 2011. This has executive responsibility for transport within the area and a number of other functions are carried out at this scale under various Committees and Commissions, supported by a number of Executive bodies. The Association of Greater Manchester Authorities (AGMA) continues to act as the voice of the ten local authorities of Greater Manchester, working as part of a wider partnership through the GMCA. Annex 1 includes more detail on the GMCA.

5.5 The governance arrangements within Greater Manchester have become the model promoted by Government through City Deal processes and both Sheffield and Leeds City regions are adopting variations on the GM model for their proposals which will be implemented this year. Annex 1 also includes details of the proposed Leeds and Sheffield approaches.

5.6 International examples Whilst looking at developments put into place within the same national context provides significant benefits – offering both an efficient way of devising arrangements and offering the opportunity to learn and evolve arrangements - other countries offer further examples of different approaches to collaboration at scale which are instructive. In the context of the Governance Review, key learning can be extracted in both:

- The models of co-operation
- The policy focus for in scope

5.7 Annex 2 includes brief reviews of arrangements in two areas – Brabantstad in the Netherlands, and La Communauté Urbaine de Lyon in France - selected as they have significant similarities to the North East in terms of scale, economic role in the national economy and economic profile.

5.8 From these case studies, headline observations would include:

- Models of co-operation

³⁴ See Budget 2009, HM Treasury

³⁵ Local Democracy, Economic Development and Construction Act 2009

³⁶ See Baker, *Focusing on Functionality*, in OECD (2012) *Redefining Urban*

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- The formal collaboration and decision making arrangements required in both incorporated and unincorporated models of governance given the nature of the issues being taken forward and the range of interests involved.
 - The value of shared intelligence and an agreed understanding of the economy, and its opportunities and challenges in providing the basis for decision making.
 - The ongoing benefit of ensuring focus on value-adding activities secured at the right scale taking into account considerations of efficiency and subsidiarity, re-inforced through opportunities for evaluation, joint learning and challenge
 - The importance of active and embedded partnerships between partners from different sectors (the Triple Helix model)
- Policy focus in scope
 - The promotional role: the creation of mechanisms for advocacy, projection and representation of the areas, focused on both governmental and investor communities
 - The priority given to the labour market, both in terms of its capacity through co-ordinated approaches to skills and employability, and to enabling its growth and coherence through planning, transport and housing collaboration
 - The value of engagement to foster co-operation to support key industrial sectors
 - The benefit of confidence and relationship building actions with economic partners to encourage and support investment
 - Collaborative spatial planning, in terms of shared definition and management of economic roles of places and prioritisation of key infrastructure investments

Richard Baker/Maria Antoniou
25 April 2013

Annex 1: Combined Authorities in England

Greater Manchester

Creation of the Greater Manchester Combined Authority (GMCA) built on significant co-operation through the Association of Greater Manchester Local Authorities (AGMA) since the abolition of the Metropolitan County Council in 1974. The GMCA, formally vested in April 2011, is a statutory body with its functions set out in legislation. These functions, which cover the Greater Manchester area (defined as being the territory covered by the 10 Local Authorities in membership of AGMA), include all the transport functions previously overseen by GM Integrated Transport Authority, plus some economic development and regeneration functions. A new set of transport functions, notably those adopting responsibility for traffic light signals and reports on road traffic levels have also been delegated by the constituent councils to the GMCA.

The Authority's constitution is set out in an Operating Agreement, which has been approved by all 10 constituent councils. This Agreement also sets out the terms of reference and rules of procedure for the Transport for Greater Manchester Committee (TfGMC), the Joint Committee that oversees many of the transport functions of the GMCA either under delegated authority or through recommendation. This Agreement also establishes and outlines the operation of Scrutiny arrangements.

As a body, the GMCA comprises the Leaders of the 10 constituent councils in Greater Manchester (or their substitutes). It meets on the last Friday of every month, following the convention established by the AGMA Executive Board which continues to meet immediately after the GMCA meeting.

The GMCA constitution sets out the powers and functions of the GMCA, those powers and functions referred or delegated to TfGMC, Financial Procedures, Codes of Conduct for members and officers, and schemes of delegation to Chief Officers. These latter delegations provide for the day to day management, supervision and control of services provided for the GMCA, including the responsibilities of the Head of Paid Service, Treasurer, Monitoring Officer and Secretary

The GMCA other formal powers and responsibilities which it exercises in partnership with the 10 Local Authorities through a number of other joint Boards and Committees. Formal powers included in the legislation include:

- *Tourism*: "to encourage visitors and provide conference and other facilities".
- *Housing*: "duty under section 8(1) Housing Act 1985(a) (duty of local housing authorities to consider housing conditions in their district and the needs of the district with respect to the provision of further housing accommodation)"
- *Air quality*: "The duties under section 82 of the Environment Act 1995(b) (duty to cause a review to be conducted of quality for the time being, and the likely future quality within the relevant period, of air within the authority's area and associated duties), The duty under section 83 of the Environment Act 1995 (duty to designate air quality management areas, duties under section 84 of the Environment Act 1995 (duties in relation to designated area).
- *Further Education and skills*: The duties under sections 15ZA, 15ZB, 15ZC, 17A, 18A(1)(b), of the Education Act 1996 and the power under sections 514A and 560A of that Act(c) (duties and powers related to the provision of education and training for persons over compulsory school age).
- *Well-Being*: The power under section 2 of the Local Government Act 2000(d) (promotion of well-being).

- *Sustainable economic development strategy*: The duty under section 4(1) of the Local Government Act 2000 (duty to prepare a strategy for promoting or improving the economic, social and environmental well-being of their area and contributing to the achievement of sustainable development in the United Kingdom) and the power under section 4(2) of the Local Government Act 2000 (power to modify their sustainable communities strategy).
- *Economic Assessment*: The duty under section 69 of the 2009 Act (duty to prepare an assessment of economic conditions) arrangements in place across the same geography which are carried out collaboratively through AGMA.

The legislation transferred control of two economic development structures – the *Commission for the New Economy* and the *Manchester Investment and Development Agency Service* inward investment agency – to the GMCA.

Sheffield City Region

Local Authorities in Sheffield are in the final stages of considering their proposals to create a Sheffield City Region Combined Authority. The intention is to submit a scheme to Government by the end of March 2013 with the intention of vesting the Authority in April 2014.

In practical terms, this will mean bringing together of two existing statutory bodies – the integrated transport authority (ITA) and the economic prosperity board (EPB) in order to align political decision making around strategic economic development and transport. It will not seek to merge or takeover other local authority functions.

The Sheffield City Region Governance Review identified three key reasons for establishing Combined Authority:

- To give the city region access to current and future devolved powers and funding including around £10 million per annum of devolved transport funding
- To align decision making in relation to strategic economic development and transport
- To put in place strong, stable and accountable leadership recognised by government

The structure exercise control over functions and funding that would otherwise be managed from Whitehall and to create a formal structure for collaboration with the Local Enterprise Partnership.

The formal powers envisaged for the Authority will include:

- Setting city region economic strategies
- Setting the investment strategy and making decisions for the Sheffield City Region investment fund
- Making decisions in relation to the uplift from enterprise zone business rates
- Setting the Sheffield city region growth strategy
- Coordinating inward investment activity.

The Authority will consist of elected members drawn from the nine local authorities of Sheffield city region (excluding the county councils). The four South Yorkshire local authorities will be the “constituent” councils and will have one vote each, as well as providing a total of two additional (rotating) non voting members. Voting rights are likely to be extended to the non-constituent members (based in Derbyshire and Nottinghamshire) once the authority is formally established.

As far as possible, it is intended that the Authority will reflect the full geography of the City Region. However, due to legislative restrictions, there are some functions which must continue to operate on a South Yorkshire basis (including the fact that Derbyshire and Nottinghamshire County councils will continue to be the transport authorities for the non-South Yorkshire Districts).

The Authority will decide by a simple majority vote. Some matters (e.g. the ITA levy) will be determined only by South Yorkshire members of the authority only. No powers will be transferred upwards to the combined authority, although some powers will be shared and co-ordinated.

Only the transport sub-committee will have powers formally delegated from the SCR Authority. All other sub-boards will act in an advisory capacity (including the LEP).

West Yorkshire

The 5 West Yorkshire Authorities published their proposals for consultation on 27 March 2013, setting out the overall framework for the powers, duties and functions of their proposed Authority. Their main focus is in relation to powers currently exercised by the ITA and PTE and those required to deliver the City Deal (including managing the West Yorkshire Plus Transport Fund, devolved rail franchising and the LCR Economic Infrastructure Fund), whilst seeking to leave the door open as appropriate to discharge further public functions and use other public funds yet to be devolved via future City Deals (eg City Deal 2).

The proposed area of the Authority will be the whole area of:

- City of Bradford Metropolitan District Council
- Borough Council of Calderdale
- Kirklees Metropolitan Council
- Leeds City Council
- City of Wakefield Metropolitan District Council

These five Authorities will provide the voting membership of the Authority drawing in both governing and opposition members.

This geography is a narrower area than the previous Leeds City Region, and excludes the parts of Barnsley District and North Yorkshire County Council areas which had been previously recognised as part of the functional economic area. A further issue is that York, which is strongly linked economically, is excluded because of the requirements within the legislation for the areas covered by a Combined Authority to be contiguous.

However, the proposed scheme will provide for the involvement of non-member Authorities from the following groups to be represented in the membership of the Combined Authority as non-voting members:

- York – represented by the leader in order to recognise a wider economic footprint, and where permitted by legislation, to take joint decisions on pooled transport and economic investment funds.
- The LEP Chair to provide the private sector link to the LCR Plan and provide a business voice on funding prioritisation and to satisfy DfT's compliance (LTB) requirements for a devolved funding
- Other partner members who may be appointed by the CA – for example from neighbouring authorities in the City Region.

As with the other Combined Authorities, the proposal envisages a range of powers exercised either exclusively or concurrently, and a range of functions which may be delegated to the Combined structure by the Authorities or exercised jointly as follows:

- Promote Economic prosperity and well-being by::

- co-designing with the LEP the LCR Plan;
 - setting and reviewing the objectives for strategic investment, such as the £1bn West Yorkshire Plus Transport Fund and £400m LCR Economic Investment Fund;
 - making decisions with regard to the WYTF and EIF; and
 - acting as the accountable body, eg for devolved major transport scheme funding (£182m over ten years) and the single pot for economic investment, including EU funds.
- Using the General Power of competence to engage on the strategic economic agenda with York and the wider City Region partnership, and also in terms of any future joint accountability for devolved North of England rail franchises. This is outside the scope of Local Transport Authority functions and would only be exercised concurrently with the District authorities.
 - The functions powers and duties of the WYITA shall be transferred to the CA
 - The primary focus of the CA is to manage a significant programme of investment in transport and economic infrastructure, and to influence and align with government investment, in order to boost economic growth. The related interventions will have differential spatial impacts across the CA area but should aid delivery of key growth projects in the emerging and future local plans of constituent councils. Having regard to the duty to co-operate, effective alignment between decision making on transport and decisions on other areas of policy such as land use, economic development and wider regeneration will be a key aim.

The scheme also sets out a view of the importance of a strong LEP which effectively brings together the private and public sector in driving the economic prosperity of the City Region. In addition to LEP membership of the CA, the scheme envisages strong consultation and co-design of a Single Appraisal Framework and shared LCR Plan. The CA will also directly support the LEP, and LCR Leaders Board, by:

- making recommendations on the LCR Plan; and
- acting as the accountable body for funding, for example:
 - Single capital pot funding
 - European funding
 - RGF and GPF
 - Any Future Skills Investment Fund
 - HCA funding

Annex 2: Case studies of International Examples

BrabantStad , Netherlands

The Netherlands has a three tier system of governance at national, provincial/regional and local levels. Rationales for collaborative governance are to address shared challenges and priorities crossing territorial boundaries, or addressing issues which require co-ordination across the functions and powers of different levels.



‘Urban networks’, the most prominent being Randstad and Brabantstad, have been evolved through partnerships around functional economic challenges in different parts of the country. These are governance networks rather than formal institutions providing shared arrangements between the respective cities and the province.

Interaction is based on equality between partners, a strong understanding of economic profiles and interactions and the development of shared strategies and pooling of resources to achieve shared goals.

They aim to promote mutual development and to secure investment from national and European levels into agreed priorities.

Brabantstad, a network of 5 cities and their surrounding areas in the province of Noord-Brabant, covers a closely connected population of 1.8 million, out of a total provincial population of 2.4 million. The largest of the 5 cities is Eindhoven, with some 90 million people (check), which is at the heart of the Brainport innovation cluster which extends beyond the region. The other cities involved in Brabantstad are Breda, Tilburg, Helmond and s'Hertogenbosch, each of which plays a distinctive role in the provincial economy.

Brabantstad's focus is on the development of a strong collective economic strategy for the area. Its core aim is to strengthen economic resilience through '*knowledge, innovation and valorization*'³⁷. It has four areas of focus:

Connecting leading economic sectors

- Strengthening a BrabantStad-wide knowledge infrastructure
- Excellence in education at all levels
- Attracting and retaining international knowledge workers
- Strengthening and attracting research capacity
- Developing campuses for open innovation

Increase international profile and attractiveness

- Promoting Eindhoven as European Capital of Cultural 2018
- Hosting international and national sports



³⁷ This is a German concept which can be best understood as being about 'adding economic value'

events and upgrade the level of accommodation

Increasing international accessibility through prioritized spatial development and transport connections

- North-south road and rail connections linking Rotterdam-Drechtsteden-Breda/West-Brabant - Antwerp – Brussels
- North-south road and rail connections linking Amsterdam – Utrecht –Den-Bosch-Eindhoven- Maastricht (Aachen–Luik)
- East-west road and rail connections linking Rotterdam via Breda-Tilburg-Eindhoven- Venlo to Germany (Ruhr area and Dusseldorf)
- Expansion of, and the accessibility, to Eindhoven Airport
- Establishing high-frequency rail link between the five cities of Brabant
- Strengthening the spatial structure of the urban network
- Develop multipurpose zones around the central railway stations
- Maintaining and strengthening the overall character of Brabantstad as a multifaceted metropolis including maintaining recognisable cities and towns with excellent green areas in the immediate vicinity of each

Building cooperation within Brabantstad

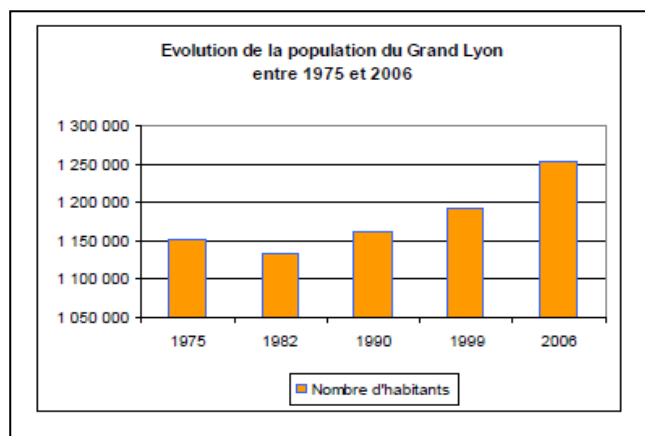
- Continuing to develop efficient and effective cooperation with public and private partners
- Development of funding and financing models.

As an institution, Brabantstad is focused on investing in mobilising commitment.

See <http://www.brabantstad.nl/>

La Communauté urbaine de Grand Lyon, France

The Lyon agglomeration is the third largest urban conurbation in France by population after Paris and Marseille. With the agglomeration there are a number of administrative and governance levels; The Urban Region of Lyon, which includes the City of Lyon and other recognised cities such as St Etienne, Roanne or Bourg-en-Bresse includes 2.6 million inhabitants. The Greater Lyon area has about 1.2 million people, and the city of Lyon consisted of 466 400 inhabitants in 2006.



Population is concentrated towards the centre of the region. Overall density is about 2 410 inhabitants per square kilometre in the Greater Lyon and about 9 867 for the City of Lyon.

Recent economic and planning development has focused on two priority issues, a trend towards de-population and urban sprawl combined with a strong shift of the economy from heavier industrial sectors to services and other tertiary activities.

The French national system of governance is based on small scale municipalities

Over the last 50 years, there has been a trajectory of increasing cooperation between municipalities at the metropolitan level within Lyon, initially built by Local Government initiative, but then further mobilised through more ambitious forms of cooperation promoted by the Central Government.

The most prominent single action was the creation of the *Communauté urbaine de Lyon* in 1969 as an inter-municipal collaboration. This was initially limited to management of key urban utilities such as the internal transport system and water and waste management systems, but this group of functions has enlarged over time to include a wider group of strategic planning, housing and infrastructure issues.

Over time, as economic agglomeration developed, the boundary of the area in scope was extended, and the name changed to *Grand Lyon* to reflect this territorial shift. However, until the last decade the strategic capacity of the metropolitan institution has remained limited to spatial planning and the management and development of the urban infrastructure.

In the last decade, however, the city region has taken on responsibility for implementation of the economic development, reflecting increasing importance of economic globalization and an objective to internationalise the profile of the City strengthen the strategic working relationships with the local business community.

The aim has been to position Lyon the top 15 European cities and to economic development around a de compétitivité” initiative, identifying supporting key economic assets and fostering co-ordination between businesses, universities and research centres across the city-

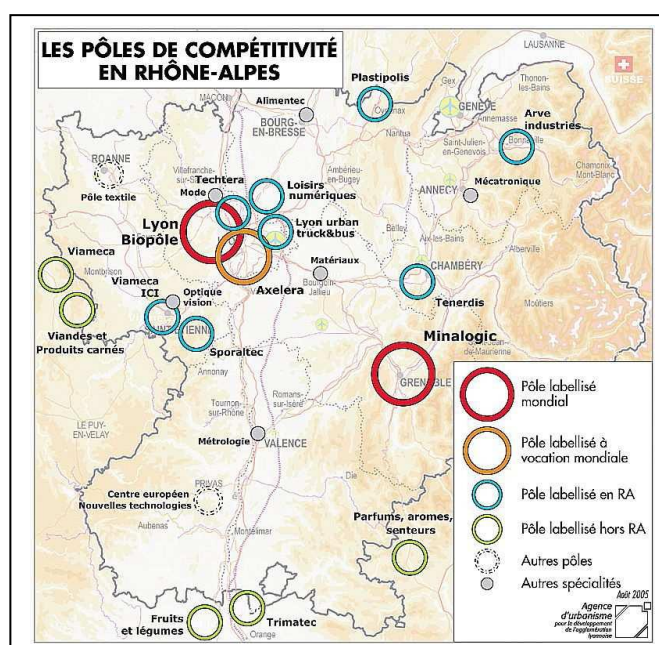
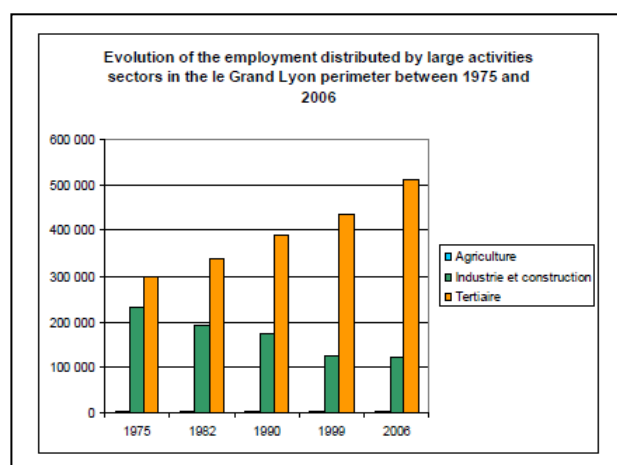
Institutionally, the region has assumed responsibility for the governance of L'Agence pour le Developpement Economique de la Region Lyonnaise (ADERLY), the economic development agency jointly owned by the Grand Lyon, the CCI, the local business association and the wider Rhône region.

The economic strategy is now focused on supporting the successful development of five key industrial strengths, identified because of the indigenous capacity and their potential in terms of global or national prominence;

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and to

within orient “Pôles and

region.

- Lyon Biopôle: focused on virology and pharmaceuticals;
- Axelera: chemicals and environmental sciences;
- Techtera: textiles;
- Imaginove: audio-visual and media industries
- Lyon Urban Truck and Bus

See: <http://www.grandlyon.com/>