



Britain's Western Powerhouse

February 2016

EXECUTIVE SUMMARY

BRISTOL
CARDIFF
NEWPORT

BRISTOL
CARDIFF
NEWPORT



Metro — Dynamics

Designed by Bristol City Council, Bristol Design FEB 16 BD7854



GREAT
WESTERN
CITIES

DINASOEDD
MAWR Y
GORLLEWIN

EXECUTIVE SUMMARY

Devolution to the nations of the UK, to our major metropolitan areas and to regional powerhouses is the big economic and political idea of our times. The context for this is a world that is rapidly urbanising and in which it is cities and their wider metropolitan areas that are propelling growth. In the UK following on from devolution to Scotland, Wales and Northern Ireland we have seen the emergence of the Northern Powerhouse, and, more recently, the Midlands Engine as vehicles for economic collaboration. Partly in response to the RSA City Growth's proposal for a Severn Powerhouse, the three cities of Cardiff, Newport and Bristol published an initial prospectus for the Great Western Cities (GWC) in Spring 2015.

Metro Dynamics was commissioned to develop the economic case for a Great Western Cities Powerhouse, and to make recommendations about how agglomeration benefits could be accelerated across the region in order to increase the rate of growth. The case for the GWC has many of the same features as the Northern Powerhouse, but a very different starting point. The GWC are already net contributors to UK plc, so unlike the Northern Powerhouse they do not need to overturn a deficit, but their rate of growth could be much higher still, unlocking additional value both for the region and the UK economy as a whole.

This is a time of great opportunity for the Great Western Cities. The UK Government and Welsh Government have signalled their intent to conclude a landmark city deal with the Cardiff Capital Region (comprising Cardiff, Newport and eight other local authorities). And the West of England (Bristol City Region) is also advancing towards a devolution deal. On both sides of the Severn there are major developments in the pipeline that will further boost the growth potential of the region. The emergence of the Great Western Cities Powerhouse can ensure that the full potential of agglomeration benefits are maximised.

The key elements of the report are as follows:

- **Economic geography of the GWC** – Using the closest proxy we can get to the metropolitan areas of the three cities, and which provide robust, workable data, the GWC is defined as being the Bristol City Region (West of England), and the local authorities of Cardiff and the Vale of Glamorgan, and Newport and Monmouthshire.
- **A new model of global growth** – Urbanisation is driving the growth of cities, who in turn are central to economic growth. Agglomeration, where cities and their hinterlands come together, is one of the most powerful factors that will drive city growth in the next decades.
- **A typology of powerhouses** – The notion of 'powerhouses' has emerged in the UK in the last year or so and we set out a typology for them, highlighting the importance of geographical proximity, population size, high levels of connectivity, collaboration and the importance of a shared historical narrative.
- **The economic potential of the GWC** – There is significant potential for greater agglomeration to increase GVA across the region. Whilst the GWC area is already performing on UK trend, if output per capita could match London (based on 2014 figures) then this would lead to a GVA uplift of £31.7 billion per annum.
- **Improving connectivity to accelerate agglomeration** – The connectivity case for GWC is even stronger than for the Northern Powerhouse. A key plank of the case for the Northern Powerhouse was based on the potential for development that was represented by the number of people commuting between Leeds and Manchester (1,248). The connectivity proposition was that if people already commute between these cities, imagine the economic dividend that could be achieved by increasing this. Our research shows that more people already commute between the Cardiff and Bristol metro areas (2,466), even though the distance is similar. Moreover, economic modelling undertaken by Peter Brett Associates has shown that a 20-minute reduction in journey times would result in a 60-year present value figure of welfare benefits¹ of £1.38 billion.

1: Benefits are referred to as changes in social welfare based on an individual's willingness to pay.

- **Making the most of the renewable energy opportunity** – There is a once in a generation opportunity that the Great Western Cities have to make their region a global centre for green energy and engineering. The unique conjunction of one of the world's largest tidal energy resources, with developing green industry specialisms in the GWC, just as Paris 2015 set new targets on reducing Co₂ emissions, highlights the potential that the region has. But in order to make the best of the opportunity, the region needs a concerted strategy to balance energy generation with existing environmental and economic assets, to boost investment and to improve graduate retention in engineering, so that GVA per worker in this vital sector reflects real value.
- **Building a GWC platform and coalition** – The Great Western Cities took a bold initiative in publishing their initial prospectus in early 2015, but since then events have moved apace with the Northern Powerhouse and the Midlands Engine. If the GWC is to live up to its potential, then it needs to cohere into a more powerful group, with a clear agenda. That means building on this report to establish a closer working relationship with businesses, universities and other stakeholders to strengthen the voice of the west in UK economic and public policy decisions.

In the report we make several recommendations for the GWC:

- Establish City Devolution Deals for Cardiff Capital Region and West of England (Bristol City Region), without these the powers will not exist at a city region level to build a GWC Powerhouse.
- Develop a business case and lobbying campaign for 'GWC Connect' to build better connectivity between the GWC.
- Develop a marketing and investment strategy for the GWC, which helps make the case for similar levels of Government funding and trade mission support to that offered to the Northern Powerhouse and Midlands Engine.
- There is already significant innovation activity across the GWC – both within universities and amongst businesses in the area. Developing a fuller understanding of what already exists, alongside areas for potential collaboration and future development, will be important in supporting the desired step-change in economic performance.
- Establish a data observatory for the GWC, building on the location of the Office of National Statistics (ONS) in Newport and Bristol's pioneering open data and digital work.

We hope that this report will be widely read and will prove a spur for further collaboration between the Councils, businesses, universities and civil society organisations of the Great Western Cities. The potential is clear to see, now is the time to deliver.

Things happening in the region in the next few years:

Toll charging changes

Tidal lagoons

Housing Developments

M4 extension

Hinckley power station

Rail electrification

