

A Powerhouse for the West

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Metro — Dynamics

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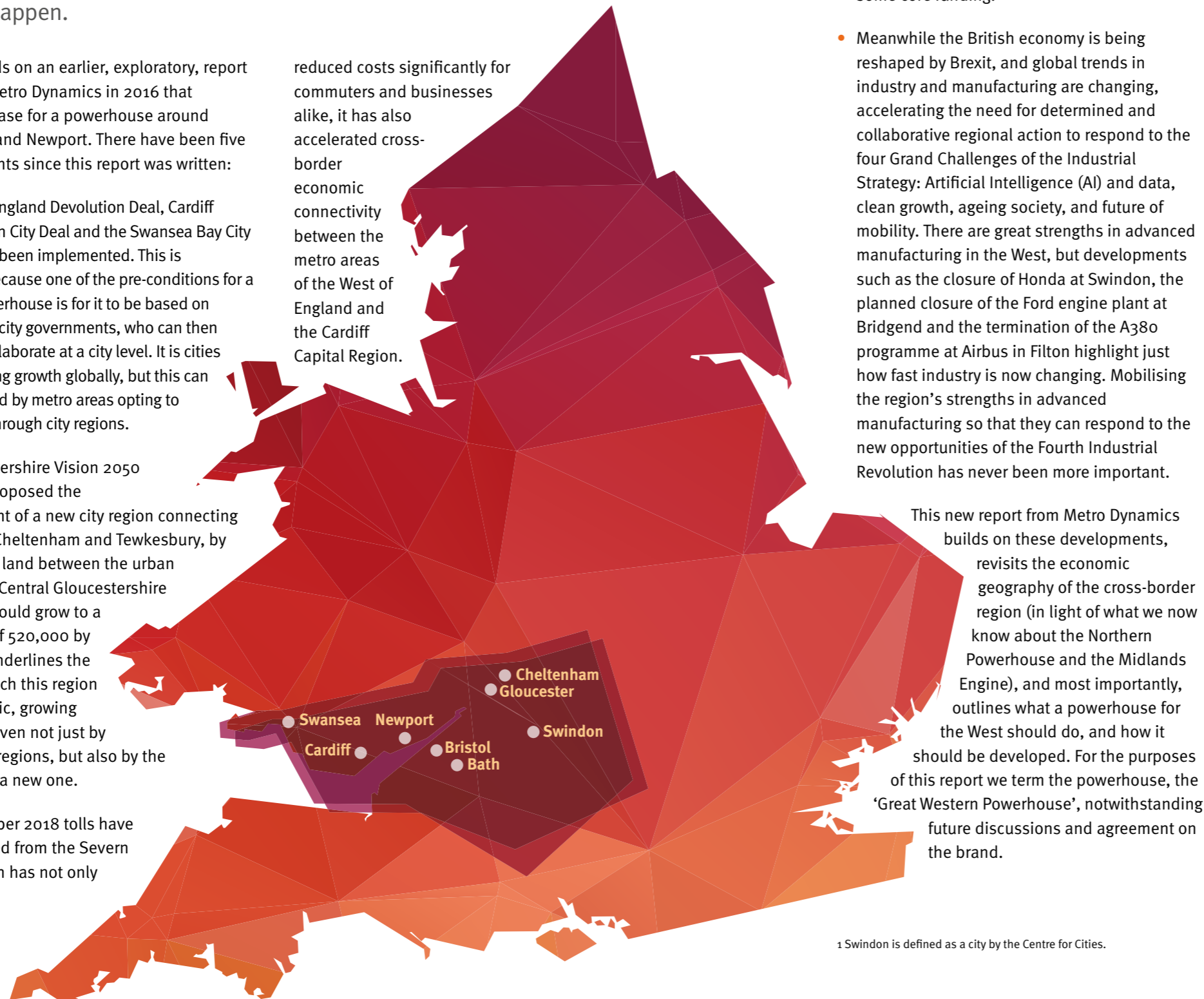
EXECUTIVE SUMMARY

The economic map of Britain is being reshaped by devolution and the emergence of regional powerhouses that can drive inclusive growth at scale, through regional collaboration. But, there is a missing piece of the jigsaw in the West of Britain along the M4 from Swindon across the Welsh Border to Swansea, and the intersecting M5 axis, through Bristol, north to Tewkesbury. The area has three established city regions, as well as plans for a new city region, but no overarching powerhouse. This report, commissioned by Bristol, Cardiff and Newport City Councils, is a response to that challenge. The conclusion is that the Great Western cross border area is a powerhouse waiting to happen.

The report builds on an earlier, exploratory, report published by Metro Dynamics in 2016 that examined the case for a powerhouse around Bristol, Cardiff and Newport. There have been five key developments since this report was written:

- The West of England Devolution Deal, Cardiff Capital Region City Deal and the Swansea Bay City Deal have all been implemented. This is important, because one of the pre-conditions for a regional powerhouse is for it to be based on strong metro city governments, who can then choose to collaborate at a city level. It is cities that are driving growth globally, but this can be accelerated by metro areas opting to collaborate through city regions.
- The Gloucestershire Vision 2050 report has proposed the establishment of a new city region connecting Gloucester, Cheltenham and Tewkesbury, by regenerating land between the urban centres. The Central Gloucestershire City Region could grow to a population of 520,000 by 2050. This underlines the extent to which this region has a dynamic, growing economy, driven not just by existing city regions, but also by the potential for a new one.
- As of December 2018 tolls have been removed from the Severn Bridge, which has not only

reduced costs significantly for commuters and businesses alike, it has also accelerated cross-border economic connectivity between the metro areas of the West of England and the Cardiff Capital Region.



- The Northern Powerhouse and the Midlands Engine have established themselves as formidable regional groupings driving economic rebalancing and promoting trade and investment through the internationalisation of their regions. These powerhouses have been set up to cover the whole geography of their regions, albeit with major cities as their agglomeration hubs. And they have been successful at attracting significant levels of Government funding and investment as well as some core funding.
- Meanwhile the British economy is being reshaped by Brexit, and global trends in industry and manufacturing are changing, accelerating the need for determined and collaborative regional action to respond to the four Grand Challenges of the Industrial Strategy: Artificial Intelligence (AI) and data, clean growth, ageing society, and future of mobility. There are great strengths in advanced manufacturing in the West, but developments such as the closure of Honda at Swindon, the planned closure of the Ford engine plant at Bridgend and the termination of the A380 programme at Airbus in Filton highlight just how fast industry is now changing. Mobilising the region's strengths in advanced manufacturing so that they can respond to the new opportunities of the Fourth Industrial Revolution has never been more important.

This new report from Metro Dynamics builds on these developments, revisits the economic geography of the cross-border region (in light of what we now know about the Northern Powerhouse and the Midlands Engine), and most importantly, outlines what a powerhouse for the West should do, and how it should be developed. For the purposes of this report we term the powerhouse, the 'Great Western Powerhouse', notwithstanding future discussions and agreement on the brand.

¹ Swindon is defined as a city by the Centre for Cities.

The economic geography

The inner core of the region is the cross-border economic relationship between the two metro regions of the West of England Region (including Bristol and Bath) and the Cardiff Capital Region (including Cardiff and Newport). This was the economic area highlighted in the 2016 Metro Dynamics report. But just as 'Man-Sheff-Leeds-Pool' has been expanded into the Northern Powerhouse, and the original Midlands Connect case for linking Nottingham and Birmingham has been widened to include Lincolnshire and Staffordshire, so there is a strong case for considering a wider geography for a Western Powerhouse.

This report affirms that there is a good case for a powerhouse area that is connected from Swindon to Swansea by the M4 and Great Western Rail line. This area takes in an additional city deal area – the Swansea Bay City Deal – and at the other end, Swindon¹, historically the engine room of the Great Western Rail Line, and now the gateway to the Cambridge-Milton Keynes-Oxford (CaMKOx) corridor. The critical intersecting north-south axis along the M5 and Cross Country Rail justifies the expansion of the area from Weston-super-Mare to Tewkesbury.

As the detailed commuter data in the report shows, this is already a highly interconnected area, characterised by polycentric agglomeration, which meets the Organisation for Economic Co-operation and Development (OECD) preconditions for a functional region.

Key facts about the region

4.4m population – similar in size to the Greater Copenhagen-Skåne region (linking cities in Denmark and Sweden).

2 major arteries run across the entirety of the region – the **M4** and the **Great Western Rail Line** – with an intersecting north-south axis along the **M5** and **Cross Country Rail**.

£107bn economy, with Gross Value Added (GVA) per head of **£24,428** – higher than the Northern Powerhouse and the Midlands Engine, but with the potential to significantly improve to the UK average of £27,557.

7 cities – Bath, Bristol, Cardiff, Gloucester, Newport, Swansea and Swindon.

3 City Regions – West of England, Cardiff Capital and Swansea Bay with potential for a fourth, Central Gloucestershire.

High economic connectivity – commuting levels between the Cardiff Capital and Swansea Bay City Regions are similar to those between Leeds City Region and Greater Manchester, and between Swindon and Wiltshire and West of England, these are even higher.

Economic strengths and opportunities

The region is a major economic powerhouse, containing some very high performing areas, such as Bristol and Bath and the surrounding West of England, and the Cardiff Capital Region. As a whole, it has a higher GVA per head than the Northern Powerhouse and the Midlands Engine, but just lags behind the UK average. The Great Western Powerhouse can be an exemplar of the future economy, drawing on its existing strengths in high value sectors to respond to the grand challenges of tomorrow, such as clean growth, AI and health innovation.

The economic dynamism and growth potential of this area is highlighted by the potential for there to be a fourth city region in the coming decades. The Central Gloucestershire City Region, encompassing Gloucester, Cheltenham and Tewkesbury, will have a projected population of over 500,000 by 2050, creating a city region approaching the size of a top 10 UK city.

The region has distinct strengths in three key sectors:

- **Advanced manufacturing and engineering** – including specialisms in aerospace (and defence), automotive, robotics, composites, compound semi-conductors and microelectronics with global companies, such as Airbus, TATA and BAE Systems.
- **Creative and digital media** – with the Creative Industries Sector Deal highlighting Bristol, Cardiff and Cheltenham as high growth creative clusters, and some very strong cyber clusters, including in Cheltenham.
- **Finance, business and professional services** – with Admiral Insurance based in Cardiff, Zurich in Swindon, Cheltenham and Gloucester Building Society in Gloucestershire, and with the ‘big four’ consultancy firms having major regional offices in Bristol and Cardiff.

And two high growth sectoral opportunities:

- **Clean energy and low carbon** – the region has particular strengths in renewable energy, tidal and marine energy, as well as nuclear energy, which represent important growth opportunities.
- **Health and life sciences** – the second Life Sciences Sector Deal refers to ‘The Great West’ opportunity for growing life sciences, linked to existing technology and digital strengths in AI, high performance computing and quantum technologies.

The region is a major centre for research and innovation with a host of assets across the region:

- **Ten universities** and three members (Bath, Bristol and Cardiff) of the **GW4** alliance – a network of the research intensive universities.
- **Bristol and Bath** – the National Composites Centre and the Quantum Technologies Innovation Centre at the new University of Bristol Temple Meads Quarter.
- **Cardiff and Newport** – the Compound Semiconductor Applications Catapult.
- **Cheltenham and Gloucester** – the UK Cyber Business Park and UK Digital Retail Innovation Centre.
- **Swansea** – the Advanced Engineering Materials Research Institute (AEMRI) and Steel and Metals Institute.
- **Swindon** – the UK Space Agency and UK Research and Innovation (UKRI), bringing together all seven National Research Councils and Innovate UK.

A plan for Britain’s next Powerhouse

The Great Western Powerhouse is a powerhouse waiting to happen. This is not about economic rebalancing so much as tapping into the potential to turbo-charge growth that will benefit the UK as a whole. In the post-Brexit world, export-based growth will be critical and the region has the opportunity to lead this, competing with high growth regions around the world.

The five key areas of collaboration that can enable the Great Western Powerhouse to achieve its potential are the following:

1. Industrial Strategy

Build much better linkages across its areas of sectoral strength in order to deepen specialisms, strengthen supply chains and further accelerate innovation.

Recommendation 1 – To develop a Great Western Powerhouse Industrial Strategy, linking together the sector strengths identified in local industrial strategies in England, and those identified in the Welsh Government’s strategy ‘Prosperity for All’, with funding to develop this announced in the Spending Review.

2. Great Western Crossrail

Improve transport connectivity, unblocking bottlenecks across the M4 and M5, spreading the benefits of the removal of tolls from the Severn Bridge, and increasing the speed and frequency of trains between the major hubs. Transport investment is central to both the West of England and Cardiff Capital Region metro plans, including major redevelopment both at Bristol Temple Meads and Cardiff Central, alongside their landmark projects MetroWest and South Wales Metro. These hub improvements need to be linked together to create a Great Western ‘transport arc of opportunity’.

Recommendation 2 – The National Infrastructure Commission should be tasked with working with the region to develop an integrated plan for road and rail improvements that will enable faster, more frequent connectivity, both east-west and north-south. The Spending Review should announce funding to develop this.

3. Internationalisation, trade and investment

The region is already an export powerhouse but it could achieve so much more. It is losing out on support when compared with the Northern Powerhouse and the Midlands Engine, because it does not have a co-ordinated approach to internationalisation and is not leading its own trade missions to key global markets.

Recommendation 3 – The region needs to develop an Internationalisation Strategy to promote trade and investment for its key industrial and economic strengths. The starting point for this should be working with the Department for International Trade (DIT) to develop a joint plan for promoting the region at MIPIM², together with an agreement for dedicated DIT resources to develop the internationalisation plan.

4. A Productivity and Innovation Observatory

The region is home to strong concentrations of data expertise and capacity. Better use of data is key to both understanding productivity at a more granular level and spreading innovation.

Recommendation 4 – To establish a Productivity and Innovation Observatory for the region linking the seven Research Councils in Swindon with the Office for National Statistics (ONS) in Newport.

5. Inclusive growth

Whilst the region is generally an economically high performing one, there are significant pockets of deprivation, low skills, and low pay in some of the cities and in rural areas.

Recommendation 5 – As part of the Great Western Powerhouse Industrial Strategy, to agree to pilot and measure tailored approaches to connecting communities in deprived neighbourhoods with skills and employment opportunities in the region's high growth sectors.

Making it happen

The case for establishing a powerhouse for the West along the M4/M5 axis has never been stronger. This report sets out what the powerhouse could do and how this would benefit the region. The next step is to make it happen, which requires decisions on branding and the vehicle to drive it forward.

Brand

Clearly the powerhouse will need a brand that is acceptable to its key stakeholders, and is recognisable across the region and beyond.

Recommendation 6 – The key stakeholders in the region need to come to a rapid decision about the brand for the cross-border Great Western area.

Powerhouse vehicle

The new powerhouse will need not only a name but also some form of organisation. Core funding from Government is critical to enable the new Great Western Powerhouse to develop the plans on infrastructure, investment, internationalisation and inclusive growth, recommended in this report. But that requires agreement on the establishment of a collaborative vehicle.

Recommendation 7 – That the Welsh Government, Department for Business, Energy and Industrial Strategy (BEIS) and UK Ministers, together with the city regions, key unitary authorities, Local Enterprise Partnerships (LEPs), business organisations and universities, should agree a joint plan and timescale within which to establish the powerhouse, with a formal announcement made in the Spending Review.



THE UK POLICY CONTEXT

Any consideration of the potential for a Great Western Powerhouse needs to be situated in a wider UK policy context. This is a complex landscape where regional policy is increasingly being placed at the centre of national strategies covering diverse areas of policy including productivity, economic growth, the business base, innovation, skills, inward investment and trade, and infrastructure.

There are significant shifts taking place in the economy and politics at present with high levels of uncertainty around what the post-Brexit economy will look like. Leaving the EU is likely to impact trade, regulations, workforce, funding and investment in ways that are not yet clear. Following the UK's departure from the EU, there will be a Spending Review and changes to funding systems, including replacing European Structural and Investment Funds with the new UK Shared Prosperity Fund (UKSPF).

National economic strategies

The **UK National Industrial Strategy**, published in November 2017, sets out the UK Government's approach to raising productivity, supporting business growth, and increasing wages. It is underpinned by the five **foundations of productivity**: ideas, people, infrastructure, business environment and place. It also presents four **Grand Challenges**: AI and data, clean growth, ageing society, and future of mobility. These have the potential to place the UK at the forefront of future industries. Cross-border collaboration is encouraged and places in England have been tasked with producing local industrial strategies. The West of England Combined Authority is in the second wave of these.

In 2017, the Welsh Government published its **'Prosperity for All' Strategy**, presenting a vision to build the economy through inclusive growth, whilst supercharging industries of the future and raising productivity. It strongly advocates the importance of places, proposing a new contract between businesses, government and partners. There is a focus on supporting key strategic sectors and cross-sectoral opportunities arising from digitisation, AI, automation and decarbonisation, as well as raising productivity, encouraging skills progression, and developing more sustainable business models in care, tourism, food and retail.

There is inevitably a great deal of common focus between the UK-wide and Welsh Industrial Strategies. Drawing some of this together across the functional region of the M4/M5 axis would strengthen the sectoral linkages. Regional powerhouses such as the Northern Powerhouse and the Midlands Engine have already been tasked with doing something similar across the local industrial strategies in their areas.

Sectors and innovation

In the last couple of years, the UK Government has announced nine **sector deals**, several of which are relevant to the sectoral strengths of the Great Western Powerhouse, such as aerospace, automotive, AI, creative industries and life sciences. The deals aim to boost productivity, employment, innovation and skills through partnerships between industry and Government. Sector deals align with the Industrial Strategy around the five foundations of productivity and the Grand Challenges. The Second Life Sciences Sector Deal specifically identified opportunities for what it called 'The Great West'.

In 2016, the UK Government announced that places should undertake **Science and Innovation Audits (SIAs)** to map research and innovation strengths and identify areas of potential global competitive advantage. SIAs are carried out by groups of local businesses, universities and LEPs. Two apply to the Great Western Powerhouse area: South West and South East Wales and the South Wales Crucible.

Infrastructure and connectivity

The **National Infrastructure Commission (NIC)** was established in 2015 to provide independent, impartial advice on long-term infrastructure needs for the UK. It published the National Infrastructure Assessment, setting out key priorities and recommendations which will enable the UK to have a thriving digital economy through: nationwide full fibre broadband; low cost, low carbon energy and waste; clean air; resilience to extreme weather; and successful cities with stable long-term transport funding.

As part of the Industrial Strategy and National Productivity Investment Fund, the £1.7bn **Transforming Cities Fund**, launched in spring 2018, aims to raise productivity through greater connectivity. The first £840m of the fund was allocated to the six Mayoral Combined Authorities in England with £80m of this allocated to the West of England.

In 2018, the **Welsh National Infrastructure Commission (WNIC)** was set up to work collectively and collaboratively across Government, co-ordinating resources and interventions to build an economy with strong regional foundations and improve outcomes for citizens. Based on evidence, the WNIC will make clearly prioritised recommendations identifying critical issues that need to be addressed through better infrastructure in Wales.

The UK is currently experiencing a housing crisis characterised by a shortage of homes and rising costs. In response to this challenge, the UK Government published their **Housing White Paper** in 2017, entitled **'Fixing our broken housing market'**. Government has committed to building 300,000 houses per year on average by the mid-2020s. Their prime focus is on building the right homes in the right places, speeding up house building and diversifying the market. Just as the Cambridge-Milton Keynes-Oxford corridor is a growing area in which a housing and infrastructure deal has been linked together to enable growth, similar dynamics are being played out in the Great

Western Powerhouse. For example, significant housing demand and oversupply in Bristol and Cardiff has resulted in Newport experiencing an increase in median house prices by 25% between 2012 and 2017³.

Inclusive growth

Against the backdrop of **stagnating wages** since the early 2000s and high levels of **in-work poverty**, despite record levels of employment, there is increasing recognition that a more inclusive form of economic growth is needed to ensure that the benefits of growth are felt by all. Integrating both economic and social policy, inclusive growth is pro-inclusion, encouraging social mobility, shared prosperity and participation, and pro-growth, stimulating higher GVA, creating jobs and raising wages. Inclusive growth also refers to a sustainable form of development, through which all people can contribute to and benefit from economic growth, that also aims to be carbon neutral.

Within the Great Western Powerhouse, cities are the main drivers of growth, with particularly rapid growth in the regional and capital city regions. But this masks inequalities both between the cities and their hinterlands and within cities, where in both cases poorer neighborhoods are neither getting the opportunity to contribute to nor benefit from growth. The inclusive growth challenge is to develop economic approaches that focus equitably on labour markets, life chances and communities.

³ ONS (2018)

DEVOLUTION AND THE EMERGING REGIONAL DIMENSION TO UK ECONOMIC AND INDUSTRIAL POLICY

Regional policy in Britain has been too often characterised by stop-start initiatives. This is in stark contrast to the settled arrangements in countries like Germany that have enabled balanced and sustained growth over many decades. There is a very clear link between long-term industrial strategy and regional collaboration. The form of regional co-ordination represented by powerhouses could be described as ‘bottom-up collaboration’. Both the Northern Powerhouse and the Midlands Engine are voluntary arrangements, supported by Government, to bring added regional value on top of the metro and city devolution deals.

These new arrangements have rapidly become an established feature of the policy landscape. All major spending and policy statements now routinely include sections on these powerhouses, which in turn creates a demand in Whitehall for further spending announcements in relation to them. Moreover, the idea of cross-border and regional collaboration is now being actively promoted in Government initiatives such as the Industrial Strategy and recent sector deals.

But this bottom-up approach highlights some significant anomalies. Long-term thinking, such as is being developed by the UK2070 Commission chaired by Lord Kerslake, points to the need for a system of metro governance and regional collaboration to drive the investment and infrastructure that Britain will need to be a successful economy in the future. The biggest single missing piece in this powerhouse jigsaw is the M4/M5 axis in the West of Britain. This is a highly productive region, but it is not collectively punching its weight, and it is losing out as a result.

City Deals since 2016

Since the publication of the Great Western Cities report in February 2016, several devolution and city deals have been announced. Three of these have been in the Great Western Powerhouse area: the West of England, Cardiff Capital Region and Swansea Bay City Region. There are common themes in each of the city deals around improving physical and digital connectivity, raising skills and employment levels, and stimulating innovation.

West of England

The West of England, covering Bristol, Bath and North East Somerset, and South Gloucestershire, announced a devolution deal in 2016. The Combined Authority was established in 2017.

In May 2017, the first Mayor, Tim Bowles, was elected. Their vision will deliver 95,000 jobs by 2040, 3.4% annual cumulative GVA growth by 2020 and £1bn of private investment. There are various elements of the deal:

- A **£900m Investment Fund** with **£30m** funding allocation over 30 years
- The creation of an **Economic Development Fund** financed by the retention of business rates from Temple Quarter Enterprise Zone and five Enterprise Areas
- A devolved and consolidated **transport budget** with a multi-year settlement, franchised bus services and responsibility for a Key Route Network of local roads

- Fully devolved 19+ Adult Education Budgets and a new **National Work and Health Programme** co-designed between the Combined Authority and Department for Work and Pensions
- A strategic approach to regional planning through a **Joint Spatial Plan and Joint Transport Plan**

Cardiff Capital Region

The Cardiff Capital Region includes Cardiff, Blaneau Gwent, Brigend, Caerphilly, Merthyr Tydfil, Monmouthshire, Newport, Rhondda Cynon Taf, Torfaen and the Vale of Glamorgan. The deal, announced in 2016, aims to tackle barriers to economic growth by improving transport connectivity, increasing skills levels, supporting people into work and giving businesses support to innovate and grow. The deal includes:

- A 20 year **£1.2bn Investment Fund to invest in the region's infrastructure**, prioritising the South East Wales Metro and Valley Lines Electrification Programme
- Establishing a **regional transport authority**
- Prioritised investment in **research and development (R&D)** and high value innovative businesses, including a designated **M4 Innovation District** and a new **£50m Catapult Centre** complimentary to the Compound Semiconductor Institute at Cardiff University and Compound Semiconductor Centre in Newport
- The creation of a **Skills and Employment Board**, bridging the gap between skills and employment provision and local business needs
- A new **business organisation**, giving businesses a single voice
- Delivery of **sustainable communities** through housing development and regeneration using existing property and sites

Swansea Bay City Region

The Swansea Bay City Region includes Swansea, Neath Port Talbot, Carmarthenshire and Pembrokeshire. Their devolution deal, agreed in 2017, aims to tackle economic growth barriers by developing higher value sectors and employment opportunities, increasing business numbers and improving GVA against the UK average. Their ambition is to boost the region by £1.8bn and create 10,000 new high-quality jobs over the next 15 years with a £1.3bn investment in major projects including:

- A **Skills and Talent initiative**, identifying and delivering skills and training requirements for other City Deal projects
- A **Centre for Excellence in Next Generation Services** based at Swansea Bay Technology Centre, providing approximately 2,500m² of office space for start-ups and businesses
- Establishing **Canolfan S4C Yr Ergin**, an internationally renowned digital and creative cluster at the University of Wales Trinity Saint David
- Developing **Swansea City and Waterfront Digital District**, including a 3,500 seat digital indoor arena
- Delivering smart, low carbon, energy-efficient homes through **Homes as Power Stations**
- Creating a world-class marine engineering fabrication, test and deployment hub at **Pembroke Dock Marine**
- Establishing **ASTUTE Factor of the Future**, a Centre of Excellence with state-of-the-art equipment to develop, test and accelerate uptake of smart manufacturing technology
- Creating a new **National Steel Innovation Centre**, providing an open access facility for the steel and metal supply chain

The evolution of powerhouses

Since the emergence of the concept of economic powerhouses in the UK in 2014, the form powerhouses take has evolved through the establishment of the Northern Powerhouse and the Midlands Engine. These two models differ in their structure and governance but share commonalities in their activities:

- **Economic and sector strengths** – highlighting the strengths and challenges faced by their regional economies through Independent Economic Reviews and sector support
- **Transport** – dedicated regional transport bodies that are responsible for developing and

delivering strategies to enhance connectivity between key economic centres

- **Internationalisation** – leading trade missions and promoting their regions at MIPIM to develop international relationships, stimulate trade and attract foreign investment
- **Innovation and research support** – supporting and developing innovation and research strategies with universities and businesses
- **Skills and education** – adding value to their metro regions through analysis of region-wide education and skills challenges and priorities

Northern Powerhouse

The Northern Powerhouse aims to join up towns, cities and counties to pool strengths, tackle barriers to productivity and unleash economic potential. It covers Northern England, including the cities of Manchester, Liverpool, Leeds, Sheffield, Hull and Newcastle, and large rural areas, such as Cumbria, Northumberland and Lancashire. It had a population of 16.9m in 2017.

The Northern Powerhouse is a £375bn economy. Through substantial improvements to the skills base, innovation performance and transport connectivity, the Northern Powerhouse Independent Economic Review states that by 2050, GVA will be 15% (£97bn) higher, productivity will be 4% higher and there will be 850,000 more jobs than the ‘business as usual’ scenario. Launched in 2014, the Northern Powerhouse brand has several partnership-based organisations linked to it:

- **Northern Powerhouse Partnership** – launched in 2016 as an independent body to represent business and civic leaders. It is governed by a Board, funded by membership with representatives from local government and business, and chaired by George Osborne, the former Chancellor and Editor of the Evening Standard, with influential figures such as Lord O’Neill becoming increasingly central to it.
- **Transport for the North** – recently launched an ambitious 30 year Strategic Transport Plan costing £70bn with their flagship programme, Northern Powerhouse Rail, receiving £37m in support of its development in the Government’s autumn 2018 budget.
- **NP11** – launched in July 2018, a Board of 11 LEP Chairs with £500k Government funding, acts as a modern day ‘Council for the North’ to form a collective Industrial Strategy response and to raise productivity and growth.
- **Convention of the North** – established in September 2018 to act as an umbrella for everything in the North and to offer a united voice for all in the North to Government.

Northern Powerhouse has received £3.4bn of Growth Deal funding and over £400m of investment to boost small-to-medium enterprise (SME) growth through the Northern Powerhouse Investment Fund. Under the Northern Powerhouse brand, it has led trade missions to California (Medtech), India (technology), the Netherlands, Shanghai, Poland, Arab Health, Berlin, and Africa Health, and has collectively promoted combined authorities and city regions, LEPs, and local authorities at MIPIM.

Midlands Engine

The Midlands Engine is one structure and was formed in 2016. Its geography includes both the West and East Midlands, extending from the Welsh border to Lincolnshire and from the northern Home Counties to the Peak District, with a population of 10.9m in 2017.

Its core purpose is to power the UK economy and compete on the world stage. It has an economic ambition to close the GVA gap with the national average, adding £54bn to the economy by 2030 and increasing its economy to £261bn. It has five priority areas of focus to enable this:

- **Connecting the Midlands** – transforming the transport network by maximising new technologies
- **Addressing skills mismatches** – developing the skills of residents to better meet the needs of businesses
- **Growing international trade and investment** – both in existing and new markets by leading trade missions in New Delhi (automotive), Dubai (construction) and China (various), as well as collective promotion at MIPIM
- **Increasing innovation and expertise** – by creating an environment where science and innovation strengths can be further developed
- **Shaping great places** – promoting the Midlands as a great place to live, visit, learn and work

The members of the Midlands Engine Partnership include nine LEPs: Black Country; Coventry and Warwickshire; Derby, Derbyshire, Nottingham and Nottinghamshire; Greater Birmingham and Solihull; Greater Lincolnshire; Leicester and Leicestershire; Stoke-on-Trent and Staffordshire; The Marches; and Worcestershire.

It has a very representative governance structure with an Executive Board made up of Leaders, Vice Chancellors and LEP Chairs, and an Operating Board of LEP and local authority chief executives, with equal representation from across the Midlands. It is chaired by business leader Sir John Peace and has a ministerial champion, James Brokenshire, whose role is to act as an advocate for the Midlands Engine across Government. There are also a range of subject groups, bringing together universities and businesses.

Alternative models of collaboration

Alternative models of collaboration exist, operating between local government, business and other partners across economic geographies and borders. These provide a collective voice, channel funding and investment, and join up strategic opportunities.

The Borderlands Growth Deal

The Borderlands is a largely rural cross-border area bringing together five local authorities across the South of Scotland and North of England. The councils of Carlisle City, Cumbria County, Dumfries and Galloway, Northumberland County and Scottish Borders have formed a partnership, working with the UK and Scottish Governments. Through the involvement of Northumberland, the newly formed North of Tyne Combined Authority is an important partner.

In the Spring Statement 2019, £260m was announced for the Borderlands Growth Deal. This is likely to fund energy projects, and improve transport links, rural productivity, and tourism. Their proposal, submitted in September 2018, included four place-based projects and six Borderlands-wide programmes covering digital connectivity, energy, tourism, quality of place, knowledge exchange and business infrastructure. A key strategic cross-border project is a feasibility study for extending the Borders Railway.

The CaMKOx corridor

The CaMKOx corridor includes the LEPs of Oxfordshire, Buckinghamshire Thames Valley and South East Midlands along with Cambridge and Peterborough Combined Authority, totalling a population of 3.7m in 2017.

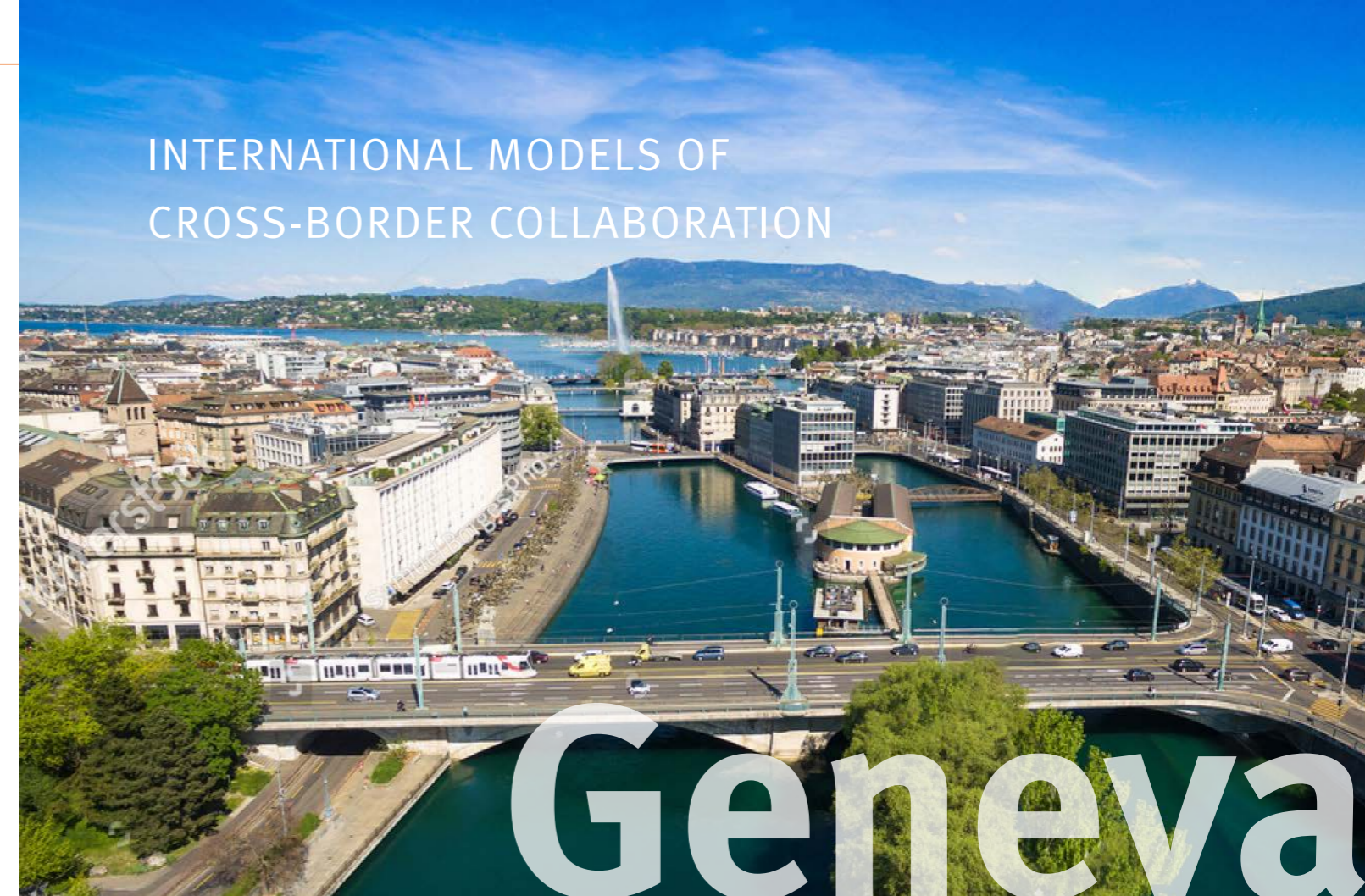
Like the Great Western Powerhouse, it has a corridor geography, is innovative, entrepreneurial and highly skilled, and has a focus on improving connectivity. Named the newest city region by 2040⁴, it has the potential to be a growth corridor similar to Silicon Valley, nurturing innovative industries.

The National Infrastructure Commission suggest that the annual output of the corridor in 2050 could be £163bn higher than in 2014 given the right interventions. In 2018, a UK Government report made the following funding commitments:

- £3.5bn for the **Oxford to Cambridge Expressway** (opening in 2030)
- £1bn for the western section of **East-West Rail**
- £74m of **Transforming Cities Funds** for **Cambridge and Peterborough**
- £5m to develop proposals for **Cambridge South Station**
- £300k for a **Oxfordshire Rail Corridor** study

The Mersey Dee Alliance

The Mersey Dee Alliance, established in 2007, is a cross-border collaboration and local authority led partnership supporting strategic economic activity across the North Wales/North West border with a focus on North East Wales, West Cheshire and Wirral. There are nine strategic partners: Cheshire West and Chester Council, Flintshire County Council, Glyndwr University, Merseytravel, University of Chester, Welsh Government, Wirral Metropolitan Borough Council, Wrexham County Borough Council, and the North Wales Economic Ambition Board.



INTERNATIONAL MODELS OF CROSS-BORDER COLLABORATION

Switzerland, a small, landlocked country at the heart of Europe, has developed close relationships with its neighbours. It shares linguistic and cultural commonalities, frequent economic transactions, sectoral similarities and collaborative transport projects, with over 300,000 cross-border commuters crossing into the country every day.

The Swiss city of **Geneva** is a cross-border success story. Surrounded mostly by France, it is greatly influenced by French culture, and cross-border workers contribute greatly to its economy, making up 12.1% of the labour force.

Key transport links, such as multi-lane expressways, connect Geneva to France, and facilitate cross-border movement. Whilst high commuter numbers have caused congestion issues, French and Genevan authorities are **collectively tackling** them with public transport improvements including new cross-border bus lines and car-sharing facilities.

Additionally, the new highly anticipated **CEVA** line is already under construction. Set to be operational at the end of 2019 and to be Europe's biggest cross-border regional express line, it offers an appealing alternative to the region's 70,000 daily cross-border commuters (80% of whom currently travel by road).

Sector similarities between Geneva and nearby French cities also exist. With Lyon, it shares strengths in biotechnology, life sciences and pharmaceuticals. A history of **cross-border innovation** also exists, with organisations such as GeNeuro being bi-nationally founded, and collaboration between the Swiss **BioAlps** region – a Life Sciences Network – and the French Rhône-Alpes region.

Largely considered Europe's most integrated cross-border collaboration, a number of **official organisations** also support these relationships, such as *Le Comité régional franco-genevois* and *Le Conseil du Léman*. **Geneva's success is a testament to the power of formally committing to collaborative action across borders.**



Britain's next powerhouse

2019 is a year of great change in the economic and political landscape, which both presents opportunities and challenges for the West:

- The **Brexit** process is causing significant political and economic uncertainty, challenging places and businesses to adapt to new opportunities and challenges.
- A **Spending Review**, currently scheduled for 2019, is likely to follow Brexit, opening up new opportunities and priorities for Government.
- The **UKSPF** will replace EU funding, acting as a simple, integrated fund to tackle inequality by raising productivity, particularly in local economies which have fallen behind.
- The UK Government's **Industrial Strategy** aims to raise productivity and earnings power through targeted investments and interventions. The Industrial Strategy Challenge Fund provides £4.7bn of funding over four years to increase R&D. Places will be required to complete their local industrial strategies by March 2020.

- The **NIC National Infrastructure Assessment** emphasises the importance of transport for thriving city regions, as investing in urban transport can support productivity and quality of life. The UK Government is to respond to this by publishing a National Infrastructure Strategy in 2019.
- In the autumn 2018 budget, **reviews of the Northern Powerhouse and the Midlands Engine** were announced with new strategies for the two powerhouse regions, showing Government commitment to the powerhouse agenda.

The Great Western Powerhouse should be Britain's next powerhouse. It is an area with high growth potential and key metro growth hubs that could be much better linked together to accelerate agglomeration benefits. The M4, the Great Western Rail Line, the M5 and Cross Country Rail connect the area, but these assets need to be developed through a strategic plan, of the type that is generating significant investment in the Midlands and the North.

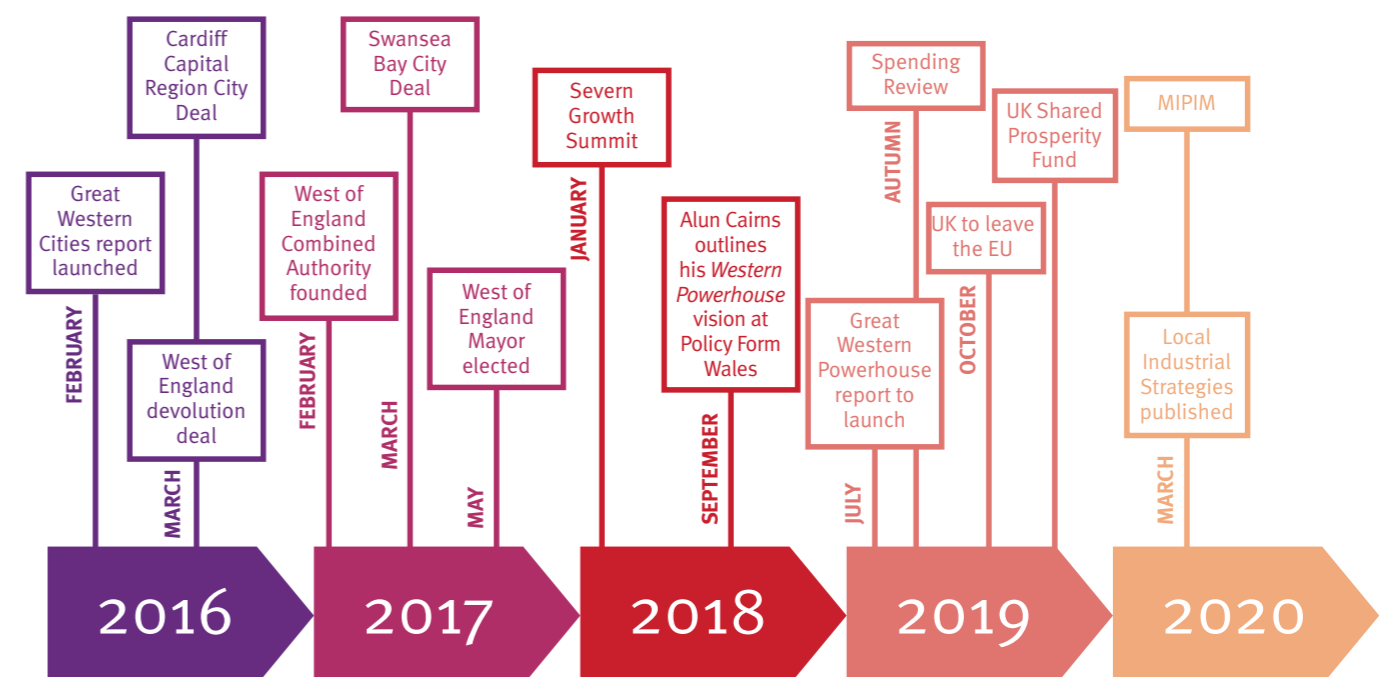
The **Greater Copenhagen and Skåne region**, spanning parts of Denmark, including Copenhagen and Zealand, and Sweden, namely the region of Skåne, have long been linked. Although connected by a ferry service, increased connectivity was seen as central to enhancing economic performance and in 2000 the Öresund/Øresund Bridge was opened between Copenhagen and Malmö.

The potential of an expanded labour market, alongside opportunities to exploit **economic complementarities** were key to the project. Although the branding of the region predated the bridge, it gave an added impetus to it both within Denmark and Sweden as well as internationally.

Denmark dominates the cross-border collaboration, with over two thirds of the 4 million inhabitants on the Danish side, although the recent addition of the Swedish region of Halland to the initiative has contributed 320,000 Swedes to the mass. Economically, activity in the Greater Copenhagen and Skåne region covers 49% of the Danish economy compared to only 11% of the Swedish⁵.

The cross-border area share many economic growth sectors, including ICT and life sciences, and there are important **economic and innovation assets**, including Scandanavia's largest recruitment base of highly-skilled employees, a significant amount of R&D spending, and a high level of patent registration. There is the potential for even greater innovation, through the further exploration of **cross-border synergies**.

Although trans-national opportunities and challenges may differ between the Greater Copenhagen and Skåne region and the Great Western Powerhouse, there are certain elements to be learned from. In particular, there is need for **sustained, strategic focus** to ensure that the benefits associated with cross-border collaboration can be reaped. To that end, **there is a need to curate and nurture the collaboration, putting in places measures to support it**.



⁵ 2012 data from the Great Western Cities 'Britain's Western Powerhouse' report (2016)

GREAT WESTERN POWERHOUSE GEOGRAPHY

Economic geography

The OECD sets out four preconditions for a functional economic region:

1. **Physical internal accessibility** – a combination of the M4, Great Western Rail, M5, Cross Country Rail and the Severn Bridge clearly provide this for the Great Western Powerhouse region.
2. **External accessibility** – this condition is easily met with road and rail, but perhaps more significantly, internationally with airports in Bristol and Cardiff.
3. **Similar levels of economic growth** – whilst there are variations these are principally between high performing metros in the region and the wider area.
4. **Similar industry specialisms and activities** – this is evident in the economic coherence of the region with its strengths in advanced manufacturing and engineering, creative and digital media, and finance, business and professional services.

But there is certainly no perfect answer to defining the geography of a powerhouse region. It is based on economic relationships, including the flow of people, goods and services, and administrative boundaries based on existing combined authority, LEP, local authority and standard regional boundaries.

The Northern Powerhouse includes the entirety of three standard English regions: North West, North East and Yorkshire and Humber, whilst the Midlands Engine includes all of the West Midlands and part of the East Midlands. The Great Western Powerhouse also doesn't fit as neatly within regional boundaries, including half of South West England, and South East and South Wales.

There is also an element of self-selection. For instance, Northamptonshire (South East Midlands LEP) is not in the Midlands Engine through their own choice. Ultimately, this is for discussion amongst those who wish to participate.

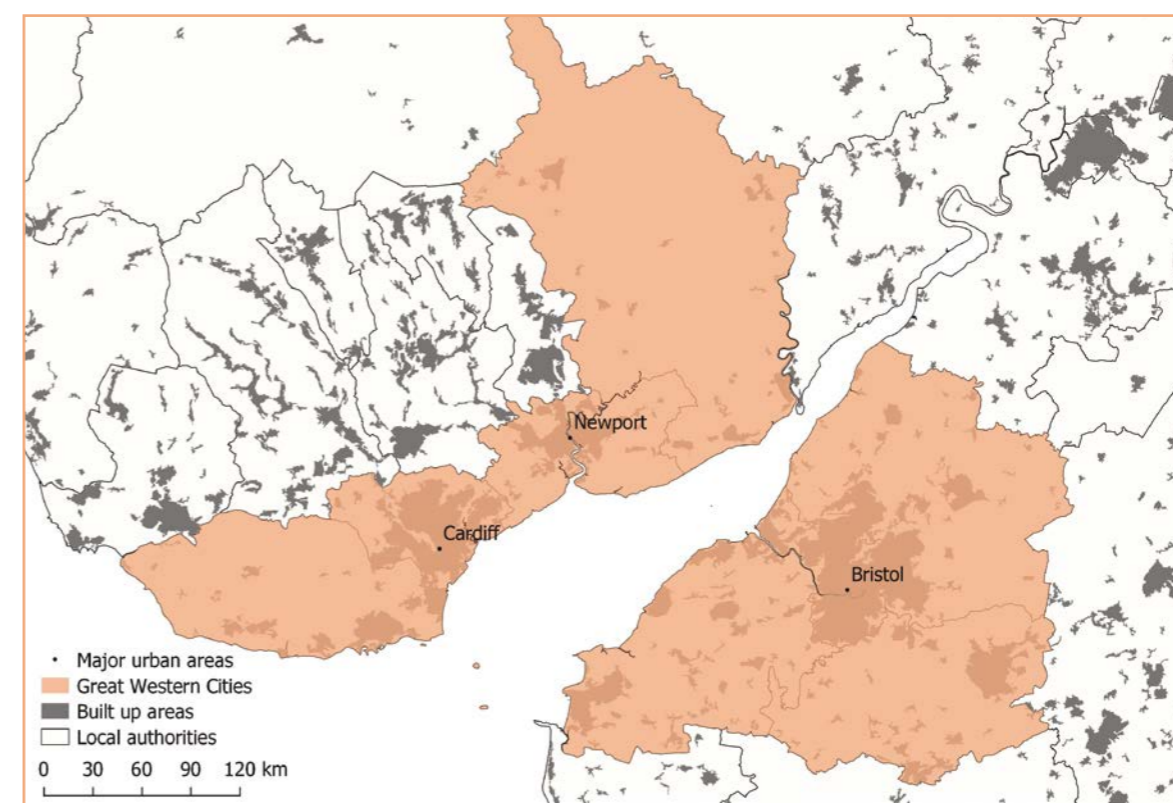
Starting from the Great Western Cities

In the 'Britain's Western Powerhouse' (2016) report, the Great Western Cities referred to the three cities of Bristol, Cardiff and Newport. It was felt that a narrow focus on these three local authority areas would not reflect the economic realities of these cities or their wider impact on their hinterlands. Therefore, as shown in Figure 1, the geography of the Great Western Cities, with its population of 1.9m people, was based on:

- The **Bristol City Region (West of England)** – the Bristol metro area comprised of Bristol, Bath and North East Somerset, North Somerset and South Gloucestershire
- The **Cardiff City Region** – the Cardiff metro area including Cardiff City, the Vale of Glamorgan, Newport and Monmouthshire

Economic links, supply chains and the movement of people expand beyond administrative boundaries, but local authority bounded areas were selected as the most effective representation of metro areas and used as the unit of analysis for data reasons.

Figure 1. Great Western Cities



Extending along the M4 from Swansea to Swindon

Three years on from the publication of 'Britain's Western Powerhouse', and in the context of how the Northern Powerhouse and the Midlands Engine have taken shape, it is appropriate to look again at the economic geography of this proposed powerhouse. At its core is still the cross-border

economic relationships between the two metro regions of the West of England and Cardiff Capital Region, which have been established since the 'Britain's Western Powerhouse' report was published, and differ in geography and name.

But these metro regions exist within a wider economic geography with economic relationships based on the cross-border connectivity and

agglomeration benefits of the M4 and Great Western Railway, extending west to Swansea and east to Swindon, as well as the critical north-south axis along the M5 and Cross Country Rail from Weston-super-Mare to Tewkesbury. These critical routes also connect the region westwards to the rest of Wales, northwards to the Midlands Engine, and eastwards to both the CaMKOx region and to London.

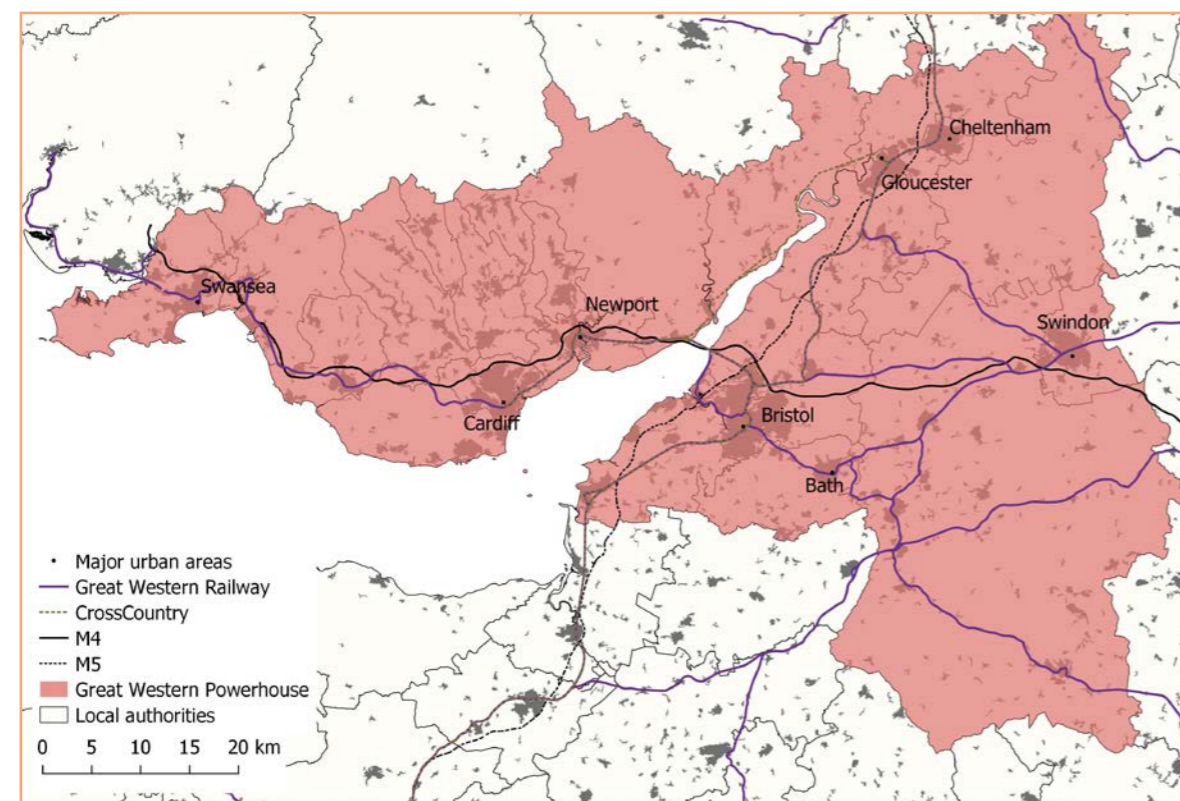
Recognising the evolution of powerhouses through the Northern Powerhouse and the Midlands Engine to include much larger geographies with a mix of rural and urban areas, the Great Western Powerhouse could expand north to include Gloucestershire and south to include Wiltshire. This expanded geography would give the Great Western Powerhouse a population of 4.4m and provides a counter-balance for the scope and scale of the Northern Powerhouse and the Midlands Engine.

Using local authorities as the most suitable geographical unit, on this basis the Great Western Powerhouse area, as shown in Figure 2, would include:

- **West of England Combined Authority** – Bath and North East Somerset, City of Bristol and South Gloucestershire, as well as North Somerset (in the West of England LEP)⁶
- **Cardiff Capital Region** – Blaeneau Gwent, Bridgend, Caerphilly, Cardiff, Merthyr Tydfil, Monmouthshire, Newport, Rhondda Cynon Taf, Torfaen and the Vale of Glamorgan
- **Urban areas of Swansea Bay City Region** – Swansea and Neath Port Talbot (excluding Carmarthenshire and Pembrokeshire)⁷
- **Swindon and Wiltshire LEP** – Swindon and Wiltshire, with Swindon’s critical position as the Gateway to the CaMKOx region
- **Gloucestershire LEP** – Cheltenham, Cotswolds, Forest of Dean, Gloucester City, Stroud and Tewkesbury (including the potential new city region in Central Gloucestershire)

Figure 3 shows the east to west and north to south connectivity which is integral to the Great Western Powerhouse and its links with other UK powerhouses and regions.

Figure 2. Great Western Powerhouse



⁶ This definition of the West of England, including North Somerset, will be used throughout the report unless stated.

⁷ This definition of the Swansea Bay City Region is used throughout the report.

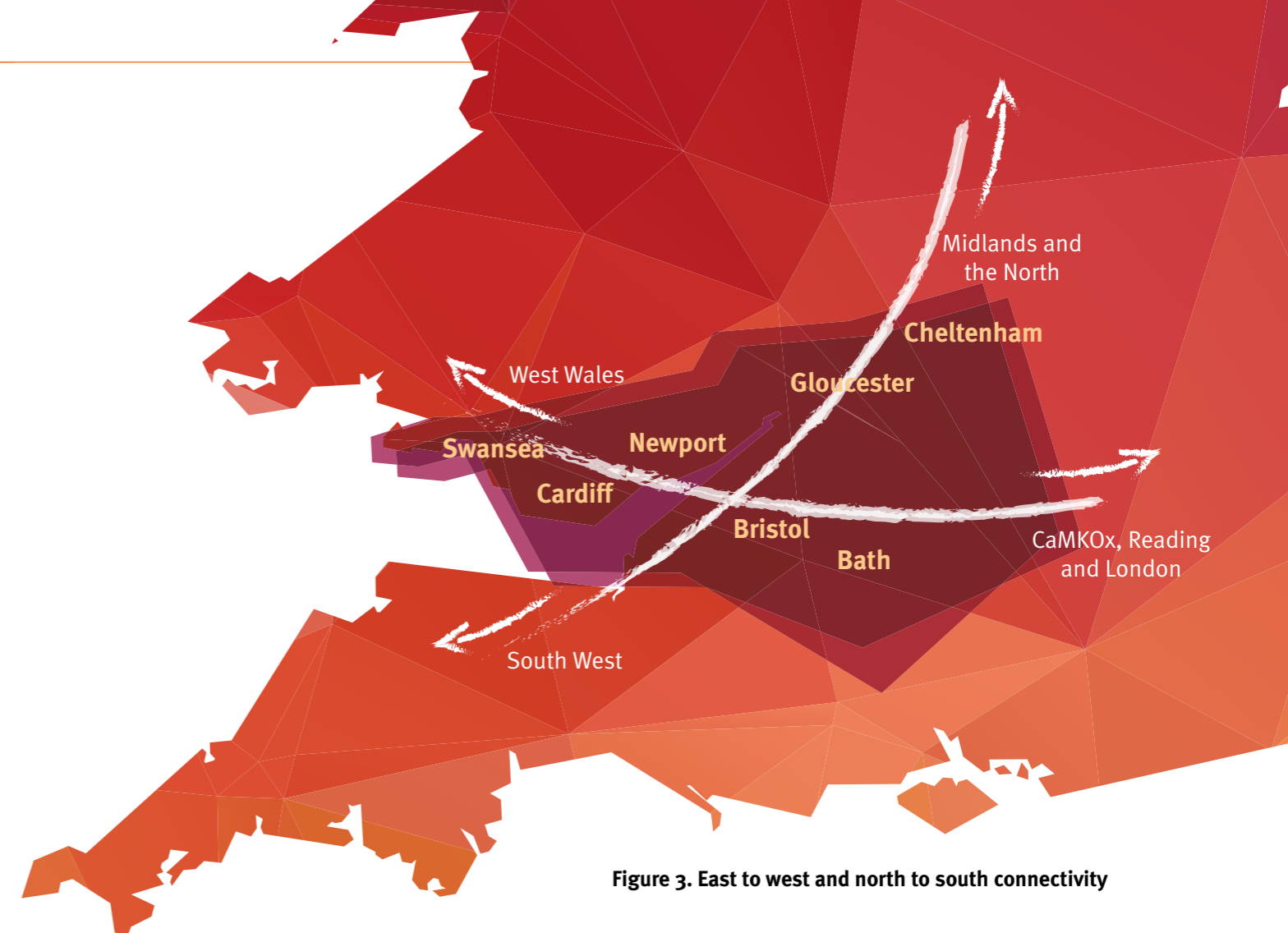
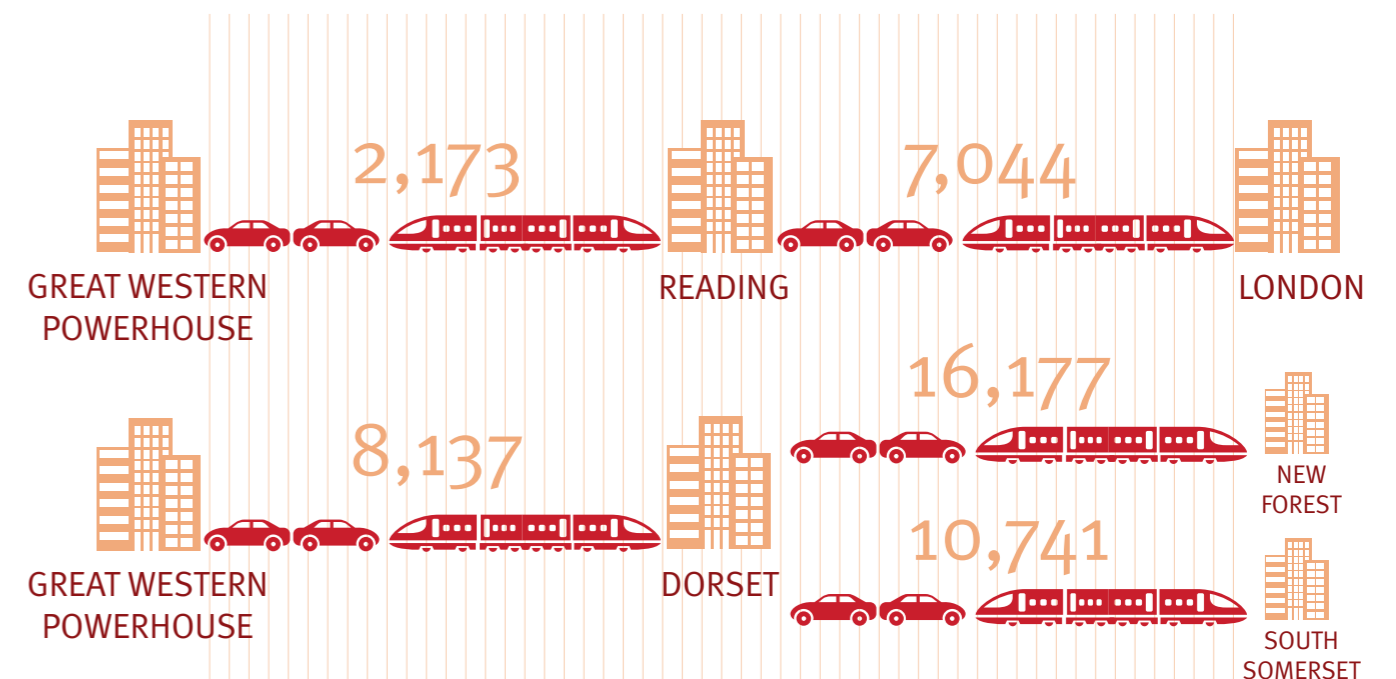


Figure 3. East to west and north to south connectivity

Inevitably, economic relationships are relatively porous and extend beyond these particular boundaries. For instance, there are economic relationships with the wider South West, including

Dorset, and east towards Reading. But both Dorset and Reading have closer commuting links to other places than they do with the Great Western Powerhouse, as shown in Figure 4.

Figure 4. Commuting volumes



Source: ONS Census (2011)

Connections between the Great Western Powerhouse, Wales and other powerhouses in the UK

Like the Northern Powerhouse and the Midlands Engine, the Great Western Powerhouse does not exist in isolation. Its borders are porous and there are complex economic interrelationships with other powerhouses in the UK. There is strong complementarity between these regions and places closer to the borders of these powerhouse regions will inevitably face as much outwards into neighbouring regions, as they do inwards into their own powerhouse area.

As Figure 5 shows, the Great Western Powerhouse borders two other powerhouse regions. Towards the northern border of the Great Western Powerhouse, in Monmouthshire and Gloucestershire, there are close links to the south western expanse of the Midlands Engine with the M5 and Cross Country Rail running from the Great Western Powerhouse into the heart of the Midlands Engine. On the eastern reaches of the region, Swindon is the gateway into CaMKOx. This is crucial in linking the Great Western Powerhouse to Greater London. At the same time, the Great Western Powerhouse will also have very strong economic links with Wales, through both the Cardiff Capital Region and the Swansea Bay City Region.

Commuting – high levels of economic integration within and across the region

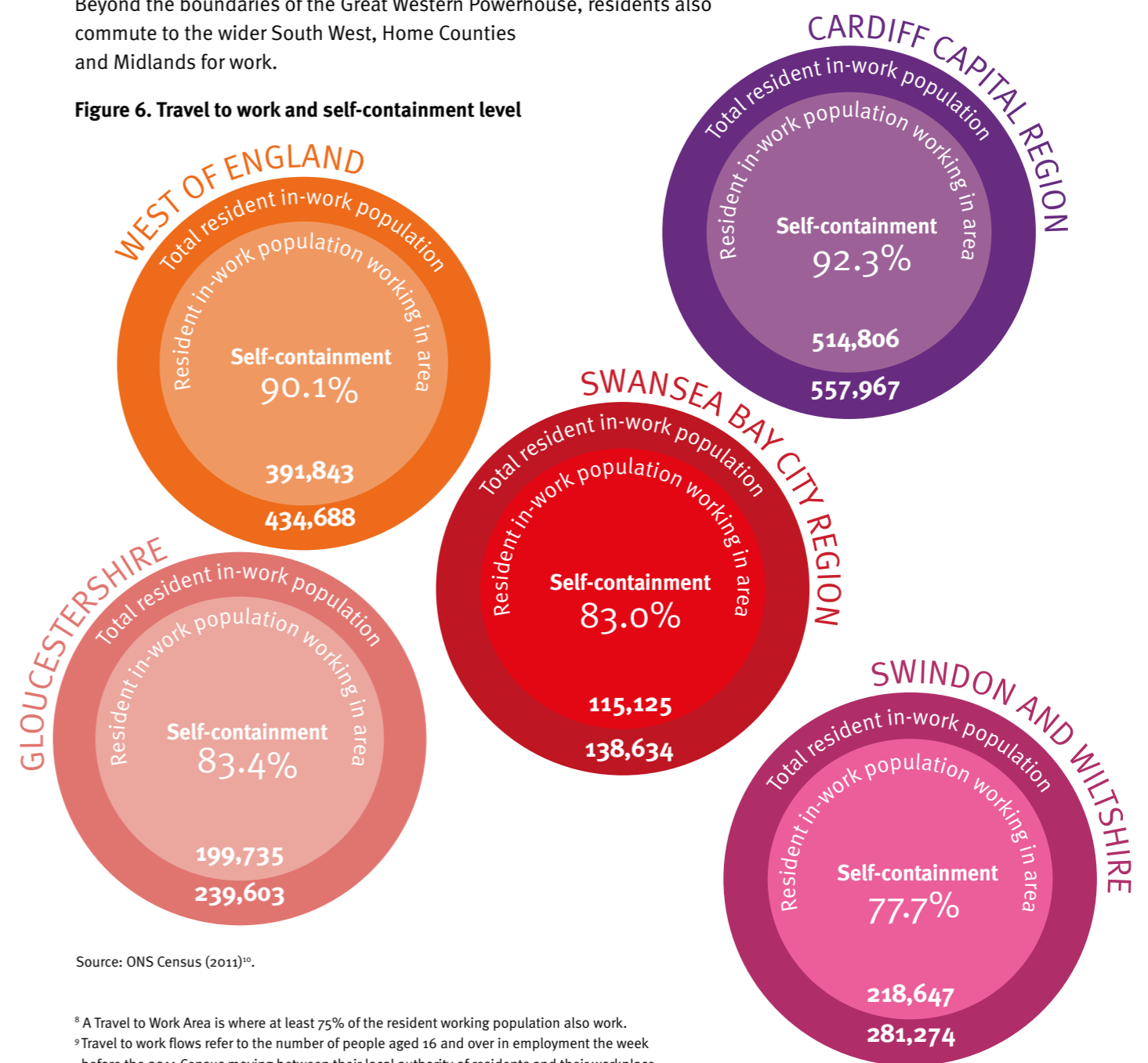
Examining current commuting and travel to work flows is useful for understanding the economic coherence and interconnectedness of a functional economic region.

Great Western Powerhouse city regions and LEPs have highly self-contained labour markets (see Figure 6), indicating high levels economic integration. With over 90% of the resident in-work population working in the Cardiff Capital Region and West of England, these city regions are more self-contained than Liverpool City Region (79.8%) and Greater Manchester (87.6%)⁸.

Of those residents who do commute, many of them work in different parts of the Great Western Powerhouse⁹, particularly where the areas border one another, as Figure 7 (overleaf) shows.

Beyond the boundaries of the Great Western Powerhouse, residents also commute to the wider South West, Home Counties and Midlands for work.

Figure 6. Travel to work and self-containment level

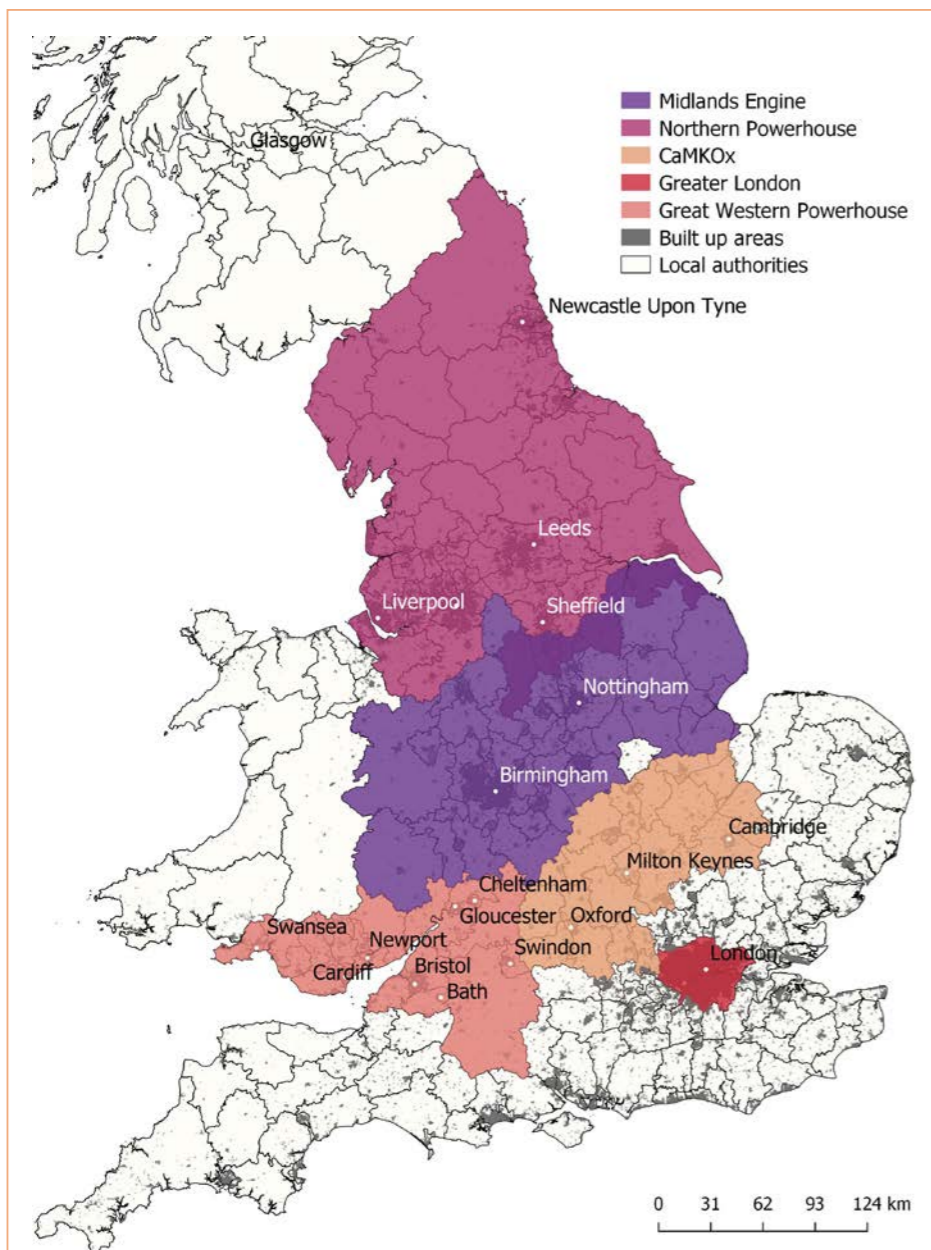


Source: ONS Census (2011)¹⁰.

⁸ A Travel to Work Area is where at least 75% of the resident working population also work.

⁹ Travel to work flows refer to the number of people aged 16 and over in employment the week before the 2011 Census moving between their local authority of residents and their workplace.

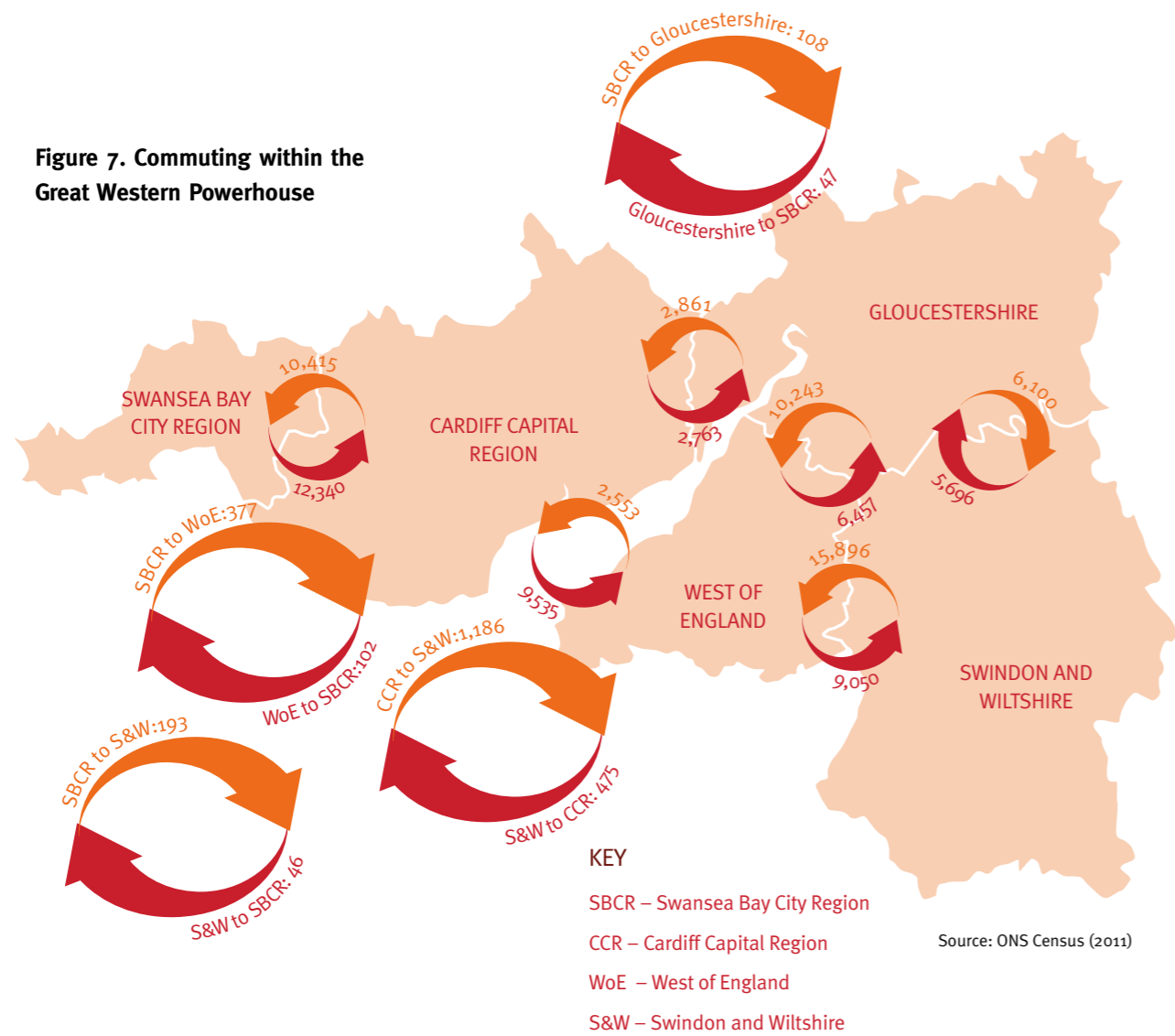
¹⁰ Excluding working from home.



Exploring the opportunities for complementary economic relationships across wider geographies and with units of government, such as the Welsh Government, City Regions and local government should be one of the early priorities for the Great Western Powerhouse.

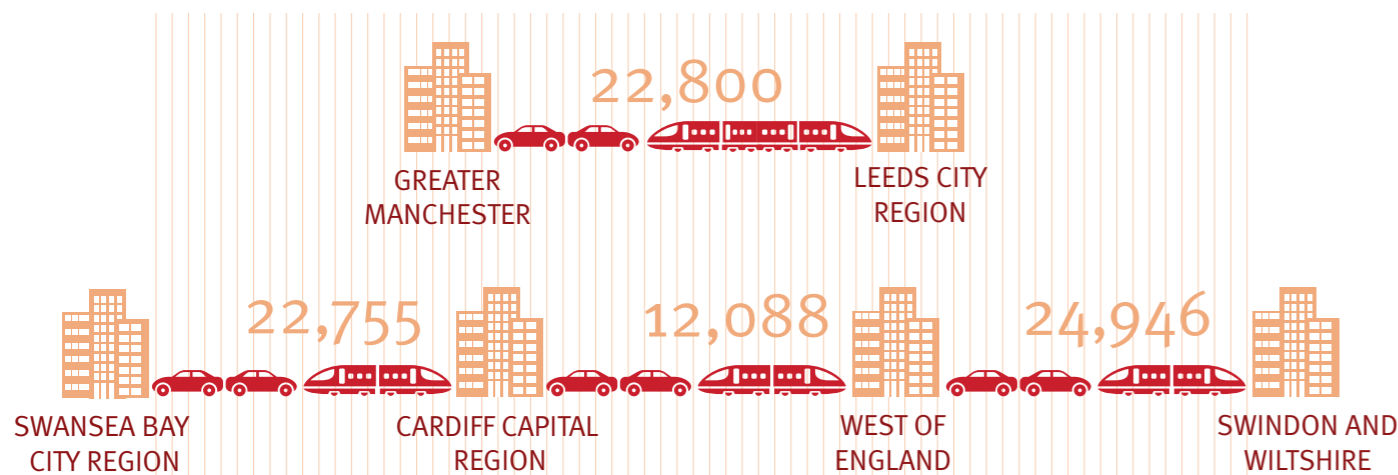
Figure 5. The UK's powerhouses

Figure 7. Commuting within the Great Western Powerhouse



Commuting between city regions and LEPs in the Great Western Powerhouse and city regions in the Northern Powerhouse are comparable (see Figure 8). Commuting levels between Cardiff Capital Region and the West of England are lower due to high levels of self-containment. Also, this analysis is based on 2011 Census data, which will not account for the increase in commuting facilitated by the removal of the Severn Bridge tolls.

Figure 8. Commuting volumes



Source: ONS Census (2011)

The places that make the Great Western Powerhouse



BRISTOL

A diverse, multicultural and creative city, Bristol's rich heritage and history stems from its status as a principal trading port during the 18th century. Now home to the likes of Banksy, Wallace and Gromit, and 'one of the world's greatest bridges' – the Clifton Suspension Bridge – it has transformed into a cultural hub of artists and activists with its own unmistakable identity. Bristol continues to flourish and grow with a range of high tech aerospace companies and a thriving digital and media sector.



CARDIFF

The history of Cardiff spans over 2,000 years, during which it evolved from a small Roman fort to a modern capital city. Influences from the Romans and Normans, followed by the Industrial Revolution, have given it a truly diverse culture and fascinating history. Much like the rest of South Wales, the coal industry transformed Cardiff from a small town into a thriving international city. Regeneration projects in the late 20th century have seen Cardiff rise to prominence with particular sectoral strengths in financial services, creative and digital industries, and life sciences.



NEWPORT

Although one of Wales' newest cities, Newport has its origins in Roman times, the historic ruins of which can be seen at nearby Caerleon. Operating as a port since the medieval era, it was Wales' largest coal-exporting port until the mid 1800s playing a crucial part in the Industrial Revolution along with the rest of South Wales. Combined with its association with the 19th century Chartist movement, Newport truly is a historically fascinating place. It is now a thriving city, and its industrial past is still apparent today as it remains an important manufacturing and engineering centre.



BATH

A UNESCO World Heritage Site, Bath is an elegant city renowned for its Georgian architecture and being home to the UK's only natural hot springs. An important centre for the wool industry in medieval times, it evolved into a fashionable resort town during the 18th century and was even the home of Jane Austen from 1801 to 1806. With its beautiful surroundings attracting a wealth of creatives Bath has a buzzing art scene, and its historical and cultural significance make it a popular destination for visitors today.



SWANSEA

Swansea, a coastal city with a rich maritime history, has evolved into a vibrant and dynamic urban hub. Described as a cradle of the Industrial Revolution, Swansea was renowned for its production of nearly all of the world's copper and zinc, and three quarters of the world's tin plate. Today it still counts manufacturing as one of its key sectors, along with renewable energy and healthcare, and is recognised as an important emerging cluster for the digital sector.



SWINDON

Swindon is now one of the UK's fastest growing cities, from its initial growth in the 19th century with the arrival of the canals and the Great Western Railway rail repair works. Today it identifies advanced manufacturing, financial and professional services, digitech and health & life sciences as key sectors. Heritage assets like the Railway Carriage Works are now being repurposed as workspace for the burgeoning digital sector. Swindon boasts a vibrant art and cultural offer, surrounded by some of England's finest countryside, making it a diverse and desirable place to visit and live.



GLOUCESTER AND CHELTENHAM

The two centres, only 8 miles apart, complement and contrast. Gloucester offers Roman heritage, an 11th century cathedral and a city shaped by industry. Cheltenham's history began with Regency spa fame, and is now renowned for its multiple festival offers, from racing to literature. In reality, the centre of Gloucestershire functions as a powerful single economic entity with bold growth plans (largely within Tewkesbury Borough) and successful growth sectors such as aerospace, cyber and financial services.



GREAT WESTERN POWERHOUSE TOWNS

There are also a number of market towns in the Great Western Powerhouse contributing to its diversity and strengths. Coal discovery in the South Wales Valleys north of Bridgend developed it into a bustling market town with a thriving community and good links to other towns and cities. Meanwhile Weston-super-Mare's rise from small village to lively seaside resort make it a great destination for those seeking entertainment, and Chippenham's fascinating heritage and historical architecture is coupled with a commercial city centre and vibrant nightlife to create a dynamic, modern town.



THE RURAL AREAS OF THE GREAT WESTERN POWERHOUSE

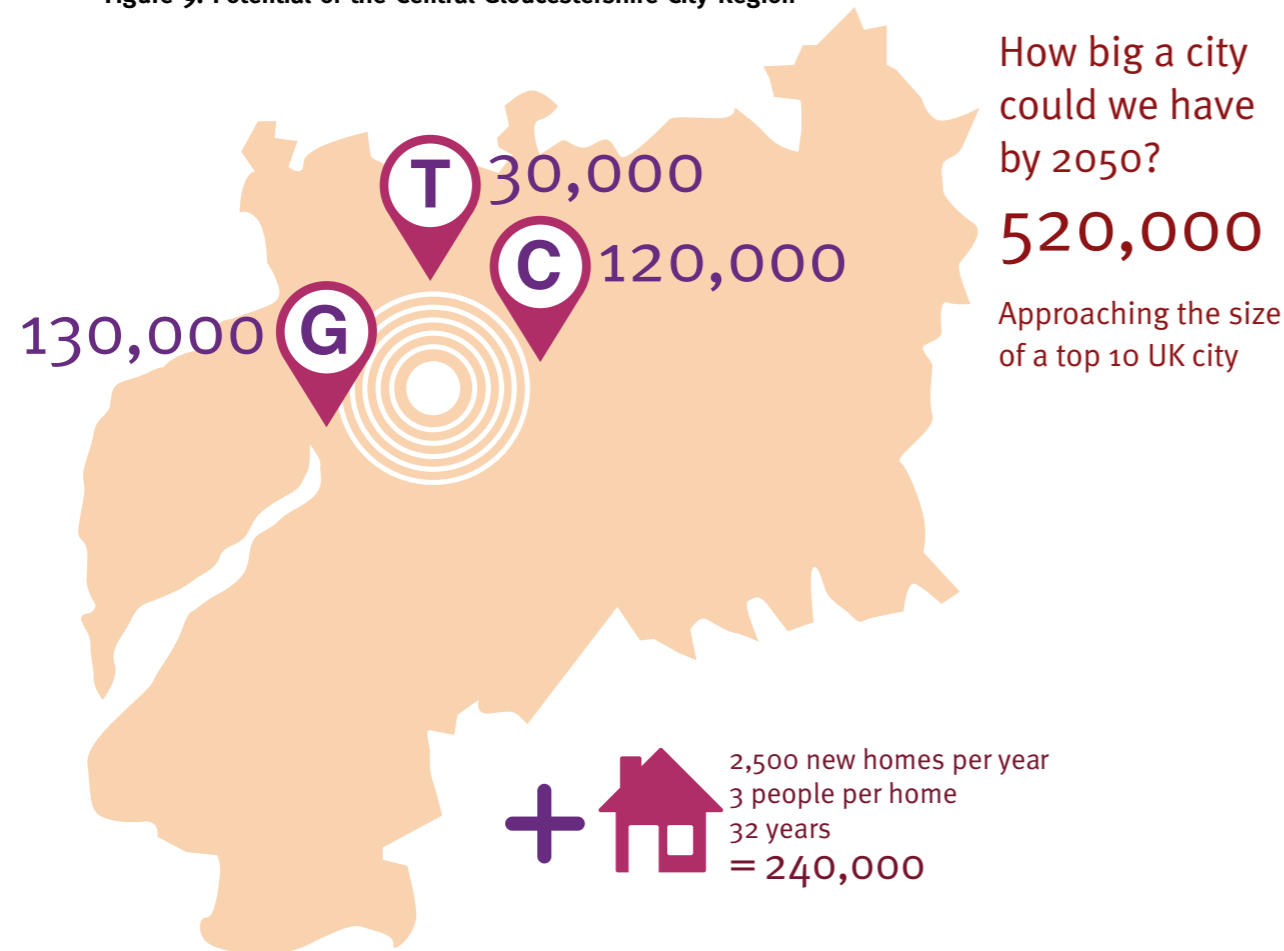
Whilst the cities described are certainly a driving force of the Great Western Powerhouse, the rural areas surrounding them present their own unique offering too. The beautiful countryside landscapes of the West Country make it a popular holiday destination, and with a strong agricultural sector, it is a key contributor to UK farming. Across the Bristol Channel, the South Wales Valleys – or 'the heart and soul of Wales' – offer stunning natural views, insight into Wales' industrial heritage, and plenty of opportunities for exploring and adventure.

And plans for a new city region – Central Gloucestershire City Region

Testament to the economic dynamism and growth potential of the Great Western Powerhouse are the plans in development for a new city region in Gloucestershire. The Central Gloucestershire City Region is one of the core propositions central to the ambitions to attract young people, jobs and investment, set out in the Gloucestershire 2050 strategy. The potential of the new City Region is set out in Figure 9.

The centre of Gloucestershire will accommodate significant housing and business growth over the next 30 years, but the product of this will be much more beneficial if there is true recognition that this is about building a single city region, rather than the historic pattern of suburb infill. Current plans include a strong focus on the cyber sector, garden communities and significant infrastructure development linked to the M5. Such an approach also allows new development to complement the existing strengths of Cheltenham and Gloucester, with new facilities serving the entire area, but with a particular focus on retaining younger people.

Figure 9. Potential of the Central Gloucestershire City Region

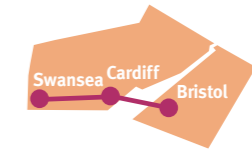


Source: Gloucestershire 2050

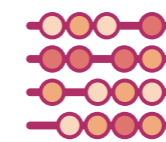
And the assets that define it



7 cities: Bath, Bristol, Cardiff, Gloucester, Newport, Swansea and Swindon



3 City Region Authorities: West of England, Cardiff Capital, Swansea Bay



A £107bn economy



£24,428 GVA per head
(UK average ex. London = £24,268)



4.4m people



156,565 businesses



2.0m jobs



4 major transport lines: M4, M5, Great Western Rail and Cross Country Rail



2 airports and 9 commercial ports



10 universities



Exporting £18.4bn of goods...



...and £11.0bn of services

ECONOMIC STRENGTHS AND OPPORTUNITIES

Economic performance – a strong and productive economy with growth potential

The Great Western Powerhouse is a £107bn economy. Acting as the economic engines of the powerhouse, the West of England and Cardiff Capital Region contribute over 60% of total GVA at £33.5bn and £31.8bn, respectively.

This is a strong economy compared to other powerhouses. GVA per head in the Great Western Powerhouse is £24,428, which is about 10% higher than the Northern Powerhouse (£22,191 per head) and the Midlands Engine (£22,139 per head), and slightly higher than the UK average, excluding London (£24,268 per head).

Despite this, GVA growth in the Great Western Powerhouse is slightly slower than the UK average of 2.2% per annum between 2012 and 2017 at 1.6%, and its GVA per head is lower than the overall UK average (£27,557 per head), indicating that the powerhouse is not performing at its full potential.

Economic performance also varies across the Great Western Powerhouse region with all but the West of England (£29,347) underperforming the UK average for GVA per head. Productivity also varies with the West of England¹¹ performing slightly above the national average, producing £33.72 per hour, compared to £33.65 in the UK, and Cardiff Capital Region producing £30.04.

There are 156,565 businesses in the Great Western Powerhouse, over half of which are in the West of England (45,005) and Cardiff Capital Region (43,040). The total number of businesses has increased by 21.4% between 2013 and 2018. Over 99% of businesses are SMEs, which is the same as the UK average.

Major companies and assets

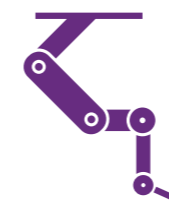


Sectors – opportunity to develop strengths in future-facing, growth sectors

The Great Western Powerhouse has a strong and dynamic economy with distinctive strengths in three key sectors, where there is potential for stronger collaboration and supply chain integration.

Key sectors

Advanced manufacturing and engineering



The Great Western Powerhouse has specialisms in diverse areas of advanced manufacturing and engineering including aerospace (and defence), automotive, robotics, composites, compound semiconductors, microelectronics and agri-tech.

The region is home to internationally recognised companies, such as Airbus, Rolls Royce, BAE Systems, GE Aviation, Renishaw, Intel and TATA Steel. Aston Martin has recently chosen Cardiff Airport and St. Athan Enterprise Zone for its new Centre of Excellence.

Key assets include the nationally significant Bristol and Bath Science Park, home to the National Composites Centre, and the Bristol Robotics Laboratory, one of the largest in Europe. The Compound Semiconductor Applications Catapult in Cardiff applies compound semiconductors to industry to facilitate the creation of new products. The compound semiconductor cluster, rooted in the new IQE foundry in Newport is an excellent example of world class expertise being developed in the Great Western Powerhouse. Farm 491 in Cirencester is linked to the Royal Agricultural University and provides space for businesses to innovate and apply technology to agriculture.

Creative and digital media

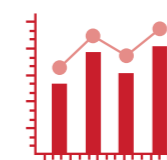


There is a strong creative and digital media sector in the Great Western Powerhouse. The Creative Industries Sector Deal refers to Bath, Bristol, Cardiff and Cheltenham as creative clusters.

Bristol has a globally-significant cluster, based on strong anchor institutions, such as BBC Natural History, as well as co-working spaces, creative hubs and cultural organisations, including Harbourside Mile, The Arnolfini Contemporary Art Gallery, Watershed, and Spike Island. Other Bristol-based assets include the Bristol Temple Quarter, Channel 4 Creative Hub and Aardman Animations. Cardiff is home to BBC Wales and a dynamic tech sector, with rapidly growing firms such as Wealthify, We Build Bots, Bipsyc and Backbase, contributing £606m in GVA.

Cyber is an increasingly important sector for Gloucestershire. A number of cyber security companies have spun out of Government Communication Headquarters (GCHQ), which is located on the outskirts of Cheltenham. Gloucestershire is part of the Cyber Valley cluster along with Herefordshire and the Midlands Engine neighbour Worcestershire, and is increasingly recognised for its R&D and commercialisation strengths.

Finance, business and professional services



Finance, business and professional services is another strength with specialisms in non-traditional finance, insurance, and business, legal and professional services.

The 'big four' have a strong presence with KPMG, Deloitte and PwC having regional offices in both Bristol and Cardiff, and EY having an office in Bristol. Admiral Insurance is headquartered in Cardiff with an office in Newport. Nationwide and Zurich in Swindon make the city a key centre for financial and professional services. Zurich also has a presence in Royal Wootton Bassett and retirement wealth planners James Hay Partnership are based in Salisbury. Major companies in Gloucestershire include Lloyds Banking Group and Ecclesiastical Insurance Group in Gloucester, Zurich / Capita in Cheltenham and St James's Place in Cirencester. Junction 21 Enterprise Area near Weston-Super-Mare has a focus on business services, whilst a key sector of the Central Cardiff Enterprise Zone is financial and professional services.

Growth opportunities

There are two further sectors, which are less firmly established in the local economy of the Great Western Powerhouse, but where there is the opportunity for substantial future economic and productivity growth given the right interventions and investments.

Clean energy and low carbon



Moving towards cleaner economic growth through low carbon technologies and energy generation is a critical priority for the UK, and represents a major opportunity for the Great Western Powerhouse. There is a significant opportunity for the Great Western Powerhouse to develop its strengths in several areas of clean energy, such as tidal and marine, distributed energy systems and smart grid technology. Companies based at Filwood Green Business Park create composites for the marine energy industry. A 'Future Energy System', integrating renewable and conventional energy, is key to the Swansea Bay City Deal. Green energy company Ecotricity is headquartered in Stroud.

The area also has known strengths in nuclear with strong expertise and skills development capability and infrastructure, according to the SIA. Key assets include the Oldbury Nuclear Power Station and South West Nuclear Research Hub, which is a joint venture between the University of Bristol and major nuclear energy company EDF. EDF also has a strong presence in Gloucester. Another regional asset is the recently launched Gloucestershire Renewable Energy, Engineering and Nuclear (GREEN) Skills Centre.



Health and life sciences

There is a strong base from which the Great Western Powerhouse can develop its health and life sciences sector. In the second Life Sciences sector deal, the region is specifically referred to as 'The Great West', due to its growing life sciences sector and existing technology and digital strengths in AI, high-performance computing and quantum technologies.

Linked to a strong defence sector in south Wiltshire, a cluster of health and life science companies with strengths in microbiology, immunisation and medical care, has emerged in close proximity to the Defence Science and Technology Laboratory and Public Health England. Key assets in the Great Western Powerhouse include centres of excellence in neuroscience and imaging, antimicrobial resistance and population health. Life sciences is pivotal to the Swansea Bay City Deal with a proposition for Life Science and Wellbeing Campuses to prevent ill-health and develop treatments.

Innovation – diverse public and private sector research, digital, science and technology assets

Innovation is key to raising productivity and developing the strength and capacity of sectors and businesses. The Great Western Powerhouse is an innovative region, home to innovative companies such as Rolls Royce, BAE Systems, Airbus, Honda, Intel, Dyson and EDF, and a diverse range of research, digital, science and technology assets.

Swansea Bay City Region

ARCH: A Regional Collaboration for Health – Swansea University partnership with regional health boards, leading healthcare innovation.

Swansea University Steel and Metals Institute – TATA Steel, Welsh Government and Swansea University collaboration delivering innovation.

Advanced Engineering and Materials Research Institute – Industrial research centre for aerospace, automotive, electronics and renewable energy.

Swansea University, University of South Wales Hydrogen R&D Centre

Cardiff Capital Region

Catapult Compound Semiconductor Applications – IQE and Cardiff University joint project to create a world-leading research base.

Cardiff University, Cardiff Metropolitan University, University of South Wales

West of England

IAAPS Advancing Propulsion – *Opening 2020* – Bath University collaboration with industry researching ultra-low emission vehicles.

National Composites Centre – Catapult centre focused on high-value manufacturing.

Quantum Technologies Innovation Centre – *Opening 2021* – To offer specialist incubation facilities and expertise for businesses developing products and services in this area.

South West Nuclear Hub – Bristol University and EDF partnership researching various topics related to nuclear energy.

Bath Spa University, University of Bath, University of Bristol, University of the West of England R&D Centre

Gloucestershire

C11 Cyber Security and Digital Innovation Centre – A space for the cyber community to work, innovate, learn and network.

UK:DRIC – A national centre for testing and developing disruptive digital innovations in retail.

UK Cyber Business Park – *Commencing 2019* – A specialist cyber security park adjacent to GCHQ's main HQ in Cheltenham.

Royal Agricultural University, University of Gloucestershire

Swindon & Wiltshire

UK Research and Innovation – With 7 Research Councils and Innovate UK.

UK Space Agency – Responsible for all strategic decisions on the UK civil space programme.

Research taking place within universities is also crucial to innovation in the region. There are ten universities in the Great Western Powerhouse, with three research-intensive universities – Bath, Bristol and Cardiff – joining Exeter to become the GW4 Alliance. Great Western universities are part of an ‘M4 innovation arc’ stretching from Cardiff to London, according to the Economic and Social Research Council, with many international collaborations as well.

GW4

- Expertise in earth and environmental sciences, chemistry and engineering
- Contribute to the clean energy growth opportunity, pioneering new energies, biofuel and broader energy storage
- Have over 1,700 items of cutting-edge equipment and world-class facilities such as the High-Resolution Electron Cyro-Microscopy and a supercomputer, developed in partnership between Cray Inc and the Met Office
- £2.37m investment in 74 collaborative research communities has generated £27m in external research income
- Share the largest collaborative doctoral training portfolio of any regional university alliance with over 30 combined training entities



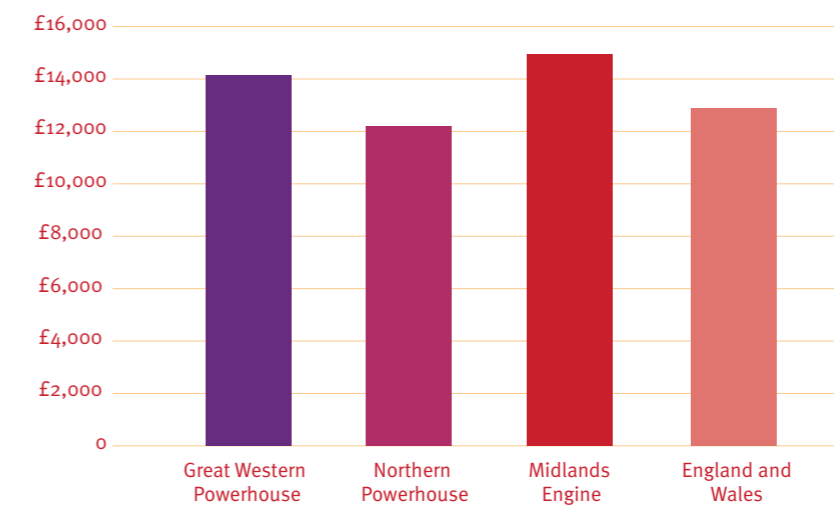
International relationships – a strong trading region

The Great Western Powerhouse is an outward-looking area with strong international relationships. There are a number of global companies operating in the area, such as Airbus, TATA and Intel, and the region is a large exporter, indicating a strong economy with productive companies.

Goods exports totalled £18.4bn in 2016. At £14,081 per full-time employee, this exceeds the Northern Powerhouse (£12,085) and average for England and Wales (£13,296), but is lower than the Midlands Engine (£14,990) (see Figure 10). The Cardiff Capital Region (excluding Bridgend) and West of England export £9.5bn of goods (over 50% of the total).

The Great Western Powerhouse exported £11.0bn of services. Per full-time employee, this is £9,399, which is significantly higher than the Northern Powerhouse (£6,856) and the Midlands Engine (£4,884), but lower than the average for England and Wales (£12,793), most likely due to the London factor (see Figure 11). The West of England is the largest services exporter, making up almost 30% of total service exports from the Great Western Powerhouse with a value of £3.2bn. Cardiff Capital Region (excluding Bridgend, Central and Gwent Valleys) is also a large exporter, exporting £2.4bn of services.

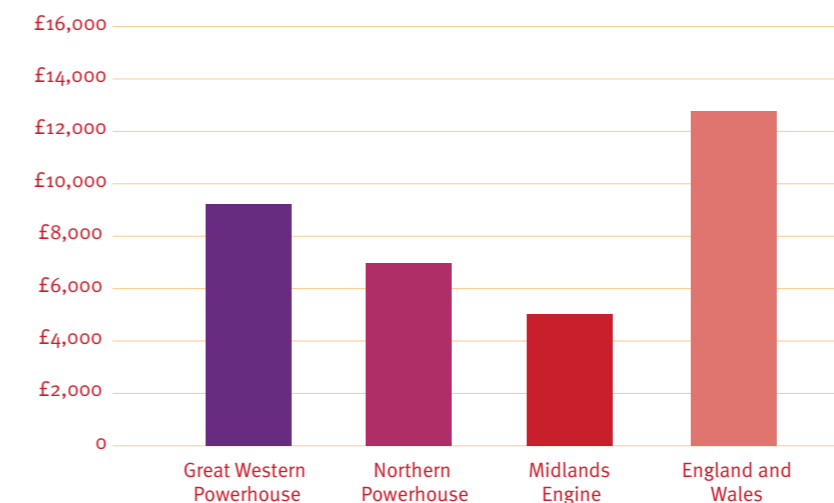
Figure 10. Goods exports per full-time employee (2016)



Source: HMRC Regional Trade in Goods Statistics aggregated by smaller geographical areas; ONS Business Register and Employment Survey (2016)¹².

¹² For data availability reasons, the Northern Powerhouse is defined as the regions of the North East, North West and Yorkshire and the Humber, excluding the five districts in the Sheffield City Region which are in the East Midlands, and the Midlands Engine is defined as the regions of the West and East Midlands. Please note, goods exports exclude Below Threshold Trade (BTTA), Energy Allocations and residual ‘Other’ areas.

Figure 11 . Services exports per full-time employee (2016)



Source: ONS Regionalised estimates of Great Britain service exports by NUTS3, NUTS2 and joint authority; ONS Business Register and Employment Survey (2016)¹³.

¹³ Northern Powerhouse and the Midlands Engine defined as above. For data availability reasons, service exports for the Great Western Powerhouse exclude the Central Valleys (Merthyr Tydfil and Rhondda Cynon Taff) and Gwent Valleys (Blaenau Gwent, Caerphilly and Torfaen).

People and skills – a diverse, highly skilled population with distinct challenges

The Great Western Powerhouse has a diverse and highly skilled population. For the Great Western Powerhouse to continue to grow and succeed, it is essential that the region continues to attract and retain skilled residents through attractive jobs, opportunities and high quality of life, and that skills challenges in underperforming areas are addressed.

Population and demographics

The Great Western Powerhouse has a population of 4.4m. As Table 1 shows, over one third of residents (1.5m) live in the Cardiff Capital Region and over a quarter live in the West of England (1.1m). Overall population growth of 3.7% between 2012 and 2017 is the same as the UK average, but this varies across the region with high growth of 5.4% in the West of England and low growth of 2.1% in the Swansea Bay City Region.

Table 1. Population profile (2012–17)

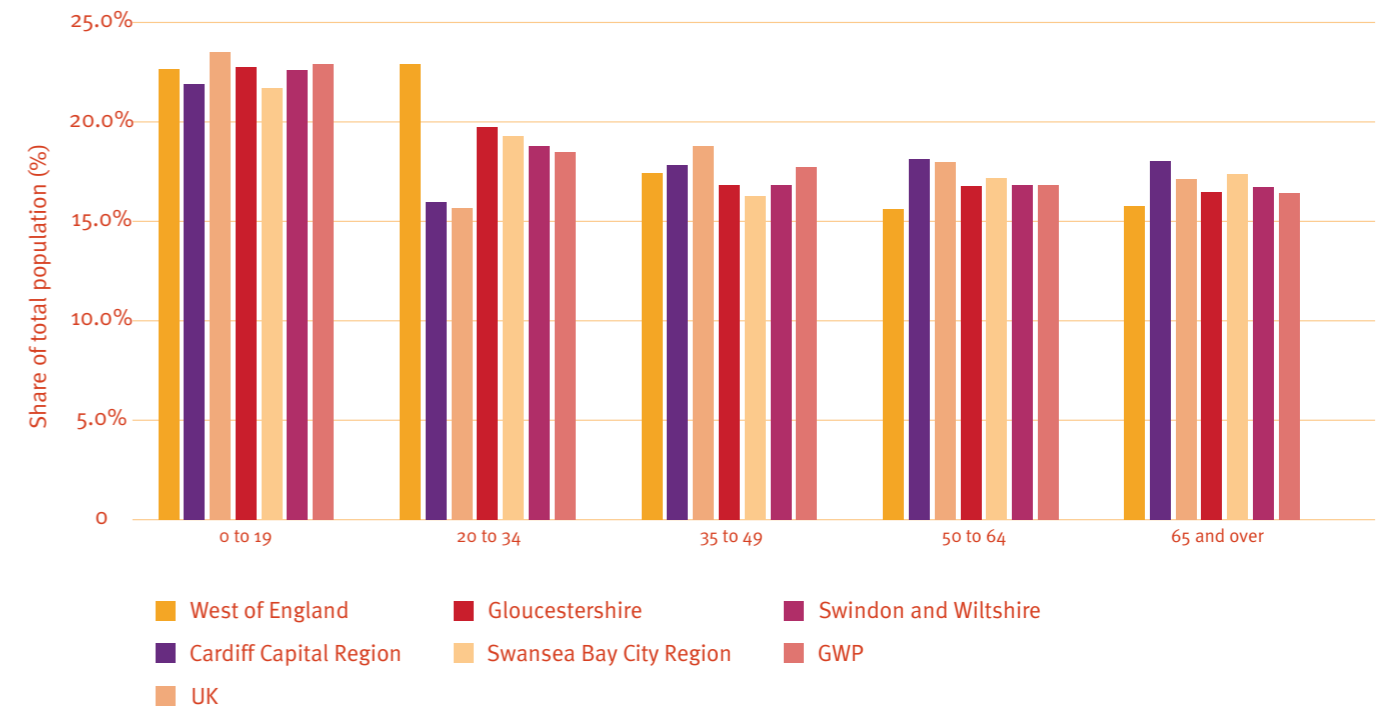
Area	Population (2017)	Share of total population (2017)	Population growth (2012–17)
Cardiff Capital Region	1,524,700	34.7%	2.5%
Gloucestershire	628,100	14.3%	4.3%
Swansea Bay City Region	387,600	8.8%	2.1%
Swindon and Wiltshire	716,400	16.3%	4.0%
West of England	1,139,800	25.9%	5.4%

Source: ONS Population Estimates (2012–17)

The age profile of the Great Western Powerhouse is similar to the UK average, but there are variations across the region (see Figure 12). Generally, city regions have younger populations, whilst rural areas and smaller cities within them have older populations.



Figure 12. Age profile



Source: ONS Population Estimates (2017)

The West of England has the youngest population with the highest proportion of 20 to 34 year olds (23.5%) and lowest proportion of residents aged 65 and over (17.4%). In Bristol, over 30% of residents are aged between 20 and 34. Cardiff Capital Region and Swansea Bay City Region have a slightly higher than average proportion of young people, largely driven by their cities, especially for Cardiff.

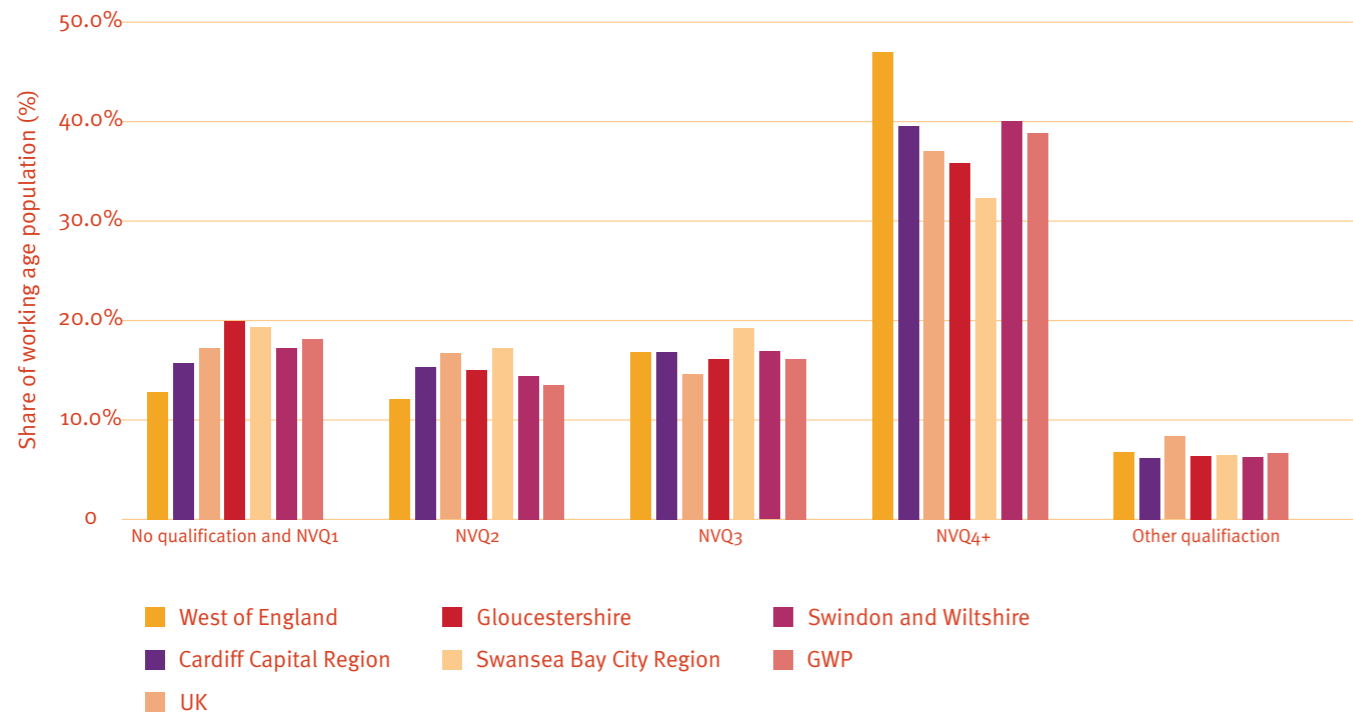
Gloucestershire, and Swindon and Wiltshire both have an older age profile with almost 17% of residents aged 20 to 34 and a higher than average proportion of residents aged 65 and over (21.0% and 19.3%, respectively). Their main urban centres vary with Gloucester having a similar and Swindon having a slightly lower than average proportion of 20 to 34 year olds.

Skills

The Great Western Powerhouse has a highly skilled population with 39.6% of working age residents having a degree level qualification or higher, which is slightly higher than the UK average of 39.2%. As Figure 13 shows, this varies across the region with a mixture of cities and affluent rural areas performing well for this measure.

Over 46% of working age residents in the West of England have this level qualification with high skills levels across the city region, especially in Bristol (almost 50%). Gloucestershire also performs above the national average, largely driven by high performance in Cheltenham, the Cotswolds and Tewkesbury, as does Wiltshire.

Figure 12. Qualifications profile



Source: ONS Annual Population Survey (2018)

There are skills challenges in Cardiff Capital Region and Swansea Bay City Region. In both, a lower than average proportion of residents have a degree level qualification or higher, despite high levels in Cardiff, Monmouthshire and the Vale of Glamorgan. There are also higher levels of working age residents with either no or low qualifications (equivalent to GCSE grades D-G or lower). In the Cardiff Capital Region, this is largely driven by the Valleys, where 3 in 10 working age people in Blaneau Gwent and Merthyr Tydfil have no or low skills.

The distribution of occupations across the Great Western Powerhouse mirrors the profile of skills in the region. In areas where there are a high proportion of working age residents with a degree level qualification or higher, there tends to be a higher than average proportion of managers and top professionals. For instance, just over 34% of working age residents are employed in this role in the West of England. Where skills levels are generally lower, there is a higher proportion of residents employed in elementary roles, such as in Swansea Bay City Region (11.5%), compared to 10.4% in the UK.

Transport – building on a great legacy to boost connectivity potential

Transport links and connectivity are fundamental to the coherence and legitimacy of a powerhouse. Connectivity is a crucial attribute associated with agglomeration, which has a wide range of economic benefits, including:

- Labour market supply and better labour market matching
- Labour productivity
- Knowledge spill-overs
- Business efficiency, such as through reliability savings
- Competition by access to suppliers and markets

M4, Great Western Railway, M5 and Cross Country Rail connecting the region

Running across the entire span of the Great Western Powerhouse is the M4 and Great Western Railway. Critical north to south connectivity is provided by the M5, intersecting the M4 at Bristol, and the Cross Country rail line, linking the region with the wider South West, Midlands and North.

In a growing region, concentrating agglomeration on existing routes, including the removal of tolls, will generate further connectivity and will increase pressure on infrastructure through greater congestion and bottle necks.

191 miles – 3rd longest motorway in the UK

High connectivity – 5 consecutive motorway-to-motorway interchanges

Opened in 1959, as the Chiswick Flyover, completed in 1996

Estimated **£100M** boost to Welsh economy from toll bridge removal

162 miles – Swansea to Paddington

1.5M passengers per week

Founded in 1833 and ran first trains in 1838

Engineered by Isambard Kingdom Brunel

163 miles – 4th longest motorway in the UK

Connecting with 5 different motorways

Links the ‘Golden Triangle’ of logistics in the Midlands to the South West and Wales

Began construction in 1962 at Lydiates Ash, completed in 1977 at Exminster

M4

The M4 provides critical east to west, cross-border connectivity. It links the cities of Swansea, Cardiff, Newport, Bristol and Swindon with one another, facilitating the movement of people, goods and services across the border between Wales and England. It also provides important transport connections between the Great Western Powerhouse and London, as well as the towns of Reading and Slough.

One of the key issues is to tackle congestion on the M4 around Newport. The Welsh Government has recently rejected the proposal to create an M4 relief road, which means there is still uncertainty about future infrastructure investment. Welsh Government has set up a commission to look at alternative solutions and it is imperative clear decisions are taken soon, as congestion on this stretch of the M4 is a significant barrier to economic growth. The current uncertainty is also an opportunity to look at innovative schemes, such as smart motorway, investment in infrastructure to encourage better use of electric cars and the opportunity to pilot autonomous vehicles. The status quo is not an option and the Great Western Powerhouse should take the opportunity to influence the decisions which need to be taken to resolve this long standing problem.

¹⁴ RAC (2018) <https://www.rac.co.uk/drive/advice/legal/guide-severn-bridge-toll-scrapped/>

¹⁵ <http://press.conservatives.com/post/178661867045/alun-cairns-delivering-a-better-connected-wales>

Severn Bridge toll removal

The Severn Bridge is one of two crossings across the Severn, providing crucial connectivity between England and South Wales. Until December 2018, this was a toll bridge, whereby motorists driving across the bridge from England to Wales were charged. In January 2018, the toll was £5.60 for a passenger vehicle up to nine seats, having been reduced from the peak charge of £6.70.

The recent removal of tolls is likely to have a range of economic benefits for the region and will strengthen economic relationships between England and Wales. Reduced transport costs for commuters, businesses and tourists is estimated to save drivers commuting every day £1,456 per year¹⁴. Businesses will benefit from a greater pool of workers to recruit from, particularly as house prices are lower on the Welsh side of the bridge. Welsh secretary Alun Cairns announced at the Conservative Party Conference in 2018 that the immediate benefit for the Welsh economy would be over £100m a year, and more than £1bn over the next decade¹⁵. This will undoubtedly boost cross-border economic activity, but it will increase congestion, and underscores the need for a strategic transport plan that includes both improvements to the M4 and to the speed and frequency of rail services.

Great Western Railway

The Great Western Railway also provides east to west, cross-border connectivity between the major cities in the Great Western Powerhouse. It also links the Great Western Powerhouse to London and the South East, and other parts of the South West.

In recent years, the Great Western Railway has undergone extensive modernisation. Over £7.5bn has been spent on electrifying routes from London to Cardiff. A new fleet of Intercity Express Trains will replace existing services by the end of 2019, creating new connections and increasing capacity in peak hours by 30%¹⁶. There is currently an electric service operating between London Paddington and Swindon, enabling a 50 minute journey time by December 2019.

Network Rail are also carrying out several projects to improve rail services in the Great Western Powerhouse. The Cardiff Central to Bristol Parkway route is being upgraded to shorten journey times. Bristol Temple Meads, used by 10m passengers each year, is being upgraded to meet growing demand and increased services, and a disused platform at Bath Spa is being upgraded¹⁵.

M5

The M5 is the major transport corridor in the Great Western Powerhouses's north to south axis. Intersecting the M4 at Bristol, it links Bristol with Gloucester, Cheltenham and Tewkesbury. It extends beyond the borders of the Great Western Powerhouse, linking the region to Exeter and the wider South West, as well as Birmingham, the Midlands and the North.

There are economic benefits for the Great Western Powerhouse from improving connections via the M5 from Gloucestershire into the Midlands. Improvements to the A417 (dubbed the 'missing link') has recently secured Preferred Route Status and will provide high quality road connections from Swindon and the M4 to Gloucester, the M5 and the Midlands, acting as a diagonal route across the north eastern part of the Great Western Powerhouse.

Cross Country Rail

The Cross Country Rail service connects the region northwards towards the Midlands Engine and the Northern Powerhouse and southwards towards the South West. It connects Cheltenham, Gloucester and Bristol, as well as being a major opportunity for better links with Birmingham and Manchester.

The route runs parallel with the increasingly overcrowded M5 between Bristol and Gloucester, and could play a major role in providing more sustainable connectivity both within and beyond the region. The rail line currently only offers an hourly service (reflected in the fact that only 1% of trips on this route are by rail), which is clearly inadequate given the pressures on the M5 and projections of significant housing and population growth, and plans for a new city region over the coming decades. Increasing the frequency and speed of rail travel, through smart engineering and signalling improvements, would help accelerate agglomeration benefits.

¹⁶ Network Rail (2019)

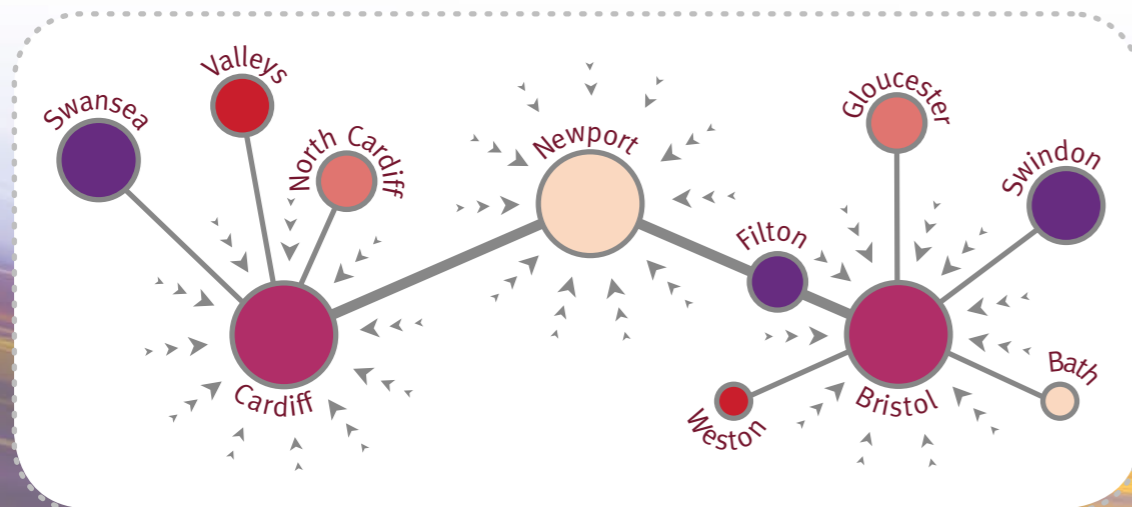
Developing connectivity

Based on the ingrained connectivity in the Great Western Powerhouse, there is opportunity for greater connectivity both between cities and towns, which could be encompassed in a 'Crossrail for the West' strategy.

Multinational professional services firm Arup have expertise in engineering, design, planning, management and consulting. Arup have developed thinking around how to use infrastructure improvements to better connect the region. This involves a cohesive plan consisting of intelligent engineering solutions, such as improvements to signalling, rolling stock and hubs, to increase frequency and speeds, which are more cost effective than constructing a high speed rail.

Arup has developed their concept of a 'transport arc of opportunity' (see Figure 14), connecting key centres across bigger markets, linking people to the widest pool of existing and new jobs, extending recruitment pools for employers, and increasing accessibility to training opportunities and services.

Figure 14. The Great Western Cities 'transport arc of opportunity'



Source: Arup – Great Western Cities Transport Connectivity (March 2019)

There are a range of existing schemes in the planning stage at the moment to develop connectivity across the region, such as the South Wales Metro and MetroWest, and others that the area needs in order to take advantage of agglomeration, such as:

- **Improvements to the M4** – improving access and easing congestion
- **Improved frequency of trains between Bristol Temple Meads and Cardiff** – a 20-minute journey reduction time would amount to a 60-year net present value of £1.4bn to the economy
- **Railway speed and frequency improvements between Bristol, Gloucester, Cheltenham and Birmingham** – providing a valuable link, especially given the projected 60,000 new houses proposed for Gloucestershire
- **A third Severn estuary crossing at Lydney Sharpness** – improving rail resilience
- **Electrification of the railway line from Cardiff to Swansea** – enhancing connectivity and improving commuting.

MetroWest

A rail project aiming to improve services in Bristol and the surrounding region. The first phase involves reopening the Portishead rail line and the second phase will reopen the Henbury line with new stations at Henbury, North Filton and Ashley Down. There are also ongoing discussions about the prospect of extending MetroWest Phase 1 to Westbury and MetroWest Phase 2 to Gloucester.

South Wales Metro

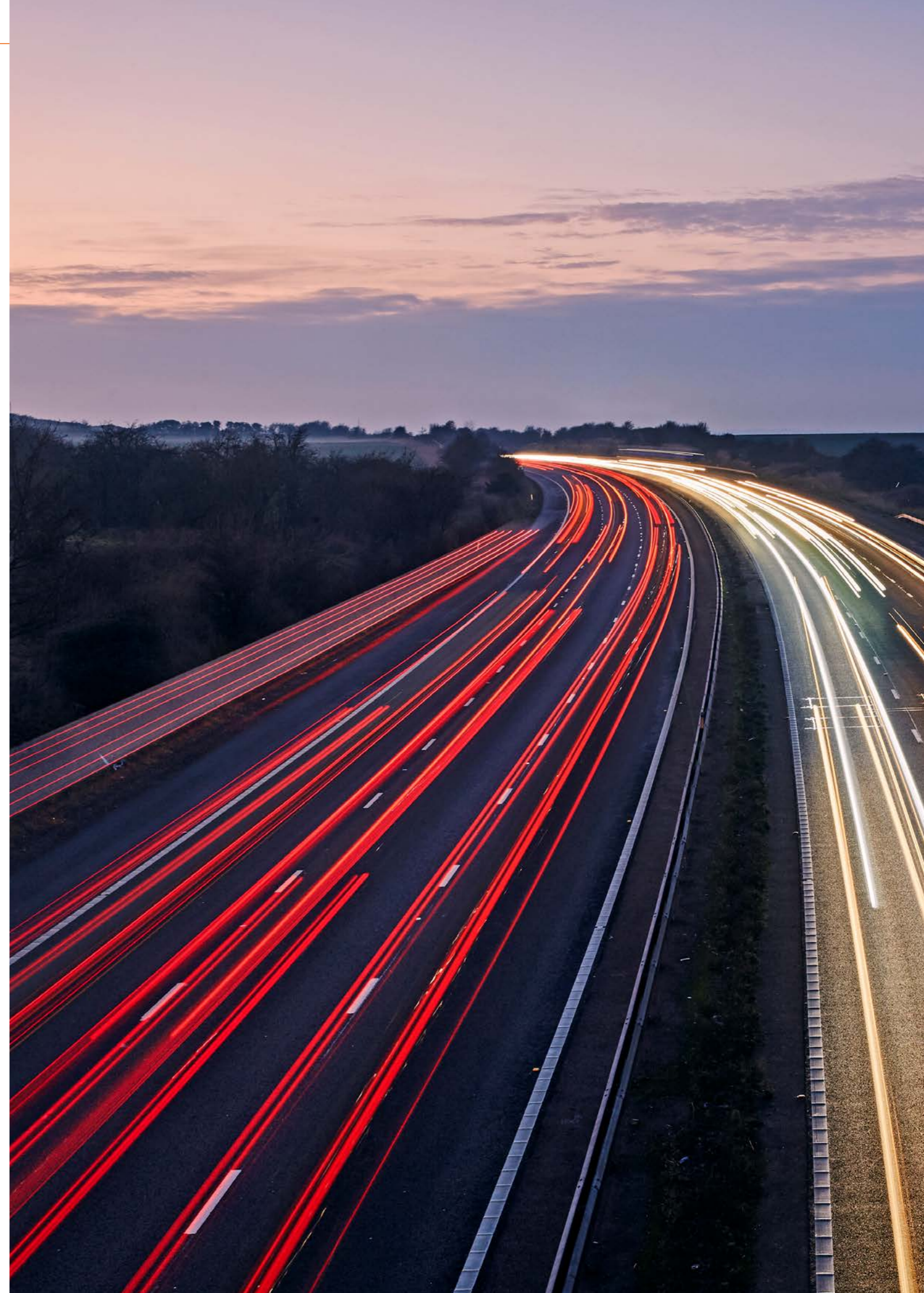
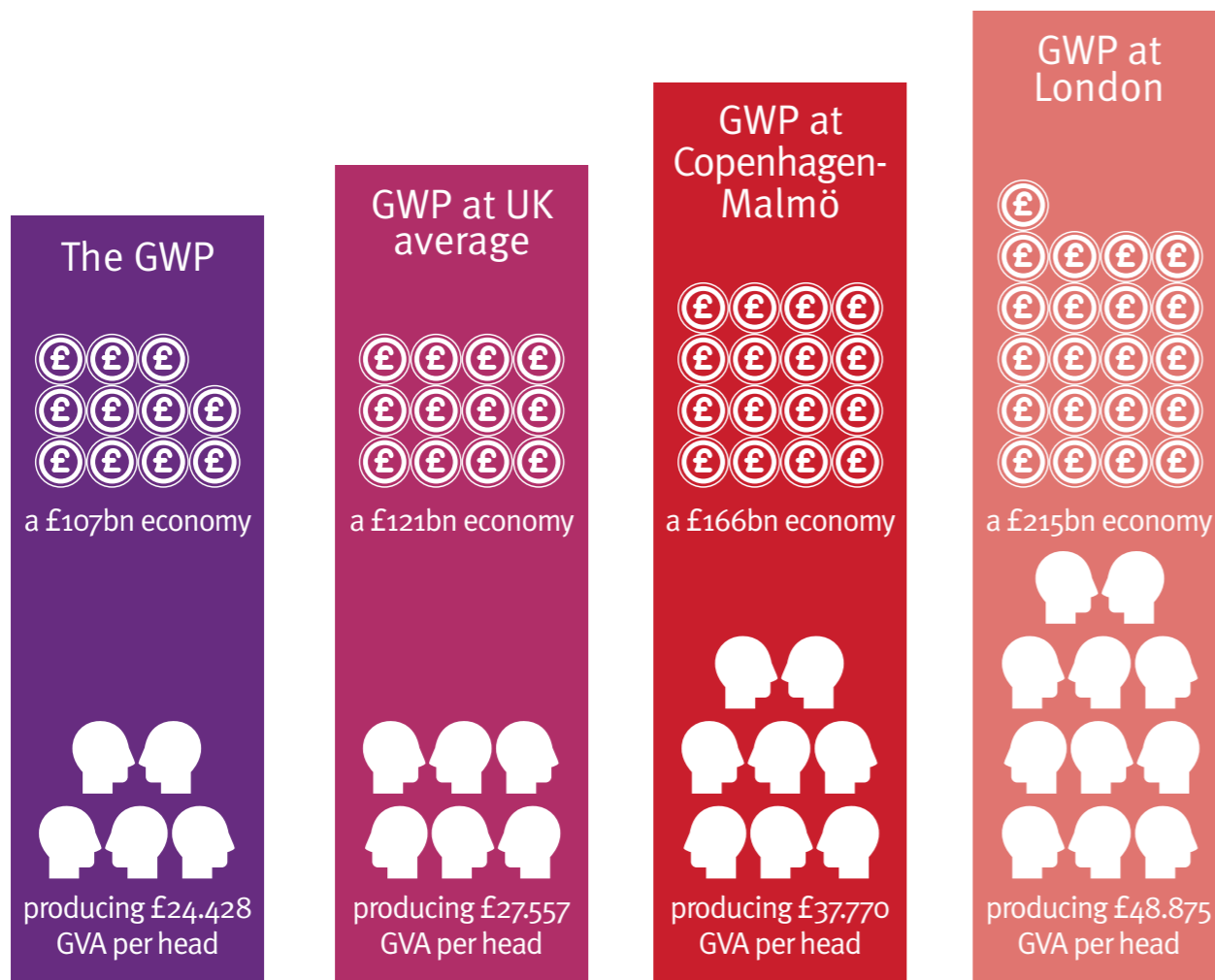
A new multi-modal transport system with trains, buses and light rail, providing faster, more frequent and integrated services. Enhanced connectivity will bring economic benefits by linking labour markets to economic activity, fostering agglomeration, unlocking development and regeneration, and improving sustainability.

WHAT THE GREAT WESTERN POWERHOUSE SHOULD BE AIMING TO ACHIEVE

The size of the prize

The Great Western Powerhouse already has three city regions, each of which have identified improved physical and digital connectivity, higher skills and employment levels, and innovation as pivotal to their future economic development and prosperity.

There is enormous opportunity for strengthened economic relationships given the M4 and Great Western Railway. Forming the Great Western Powerhouse is about accelerating those agglomeration benefits to create scale and impact at an international level and to leverage joint assets. Achieving the region's potential in its high value key and growth sectors will generate much needed revenue for the UK and will drive export-led growth.



A plan for Britain's next Powerhouse

There are five key areas of collaboration that can enable the Great Western Powerhouse to achieve its potential:

Industrial Strategy

Distinctive sectoral strengths and innovation power economic and productivity growth. The Great Western Powerhouse has nationally significant sectors in advanced manufacturing and engineering, creative and digital media, and finance, business and professional services, and has the potential to grow its clean energy and low carbon, and health and life sciences sectors, based on a strong foundation of companies and assets. It is an innovative region with diverse research strengths in science and technology through its companies, universities and other assets.

The Great Western Powerhouse needs to build much better linkages across its sectoral strengths to deepen specialisms, strengthen supply chains and further accelerate innovation.

Responding to the Clean Growth Challenge set out in the Industrial Strategy, the Great Western Powerhouse has a great opportunity to become a leader in renewable energy and green technology. This will build on the region's great potential in tidal energy, and its strengths in distributed energy systems and smart grid technology.

Recommendation 1 – To develop a Great Western Powerhouse Industrial Strategy, linking together the sector strengths identified in local industrial strategies in England, and those identified in the Welsh Government's strategy 'Prosperity for All', with funding to develop this announced in the Spending Review.

This isn't accounting for the **£100bn** investment that the North will benefit from via HS2 Stage 2 (**£29bn**) and Northern Powerhouse Rail (**£70bn**).

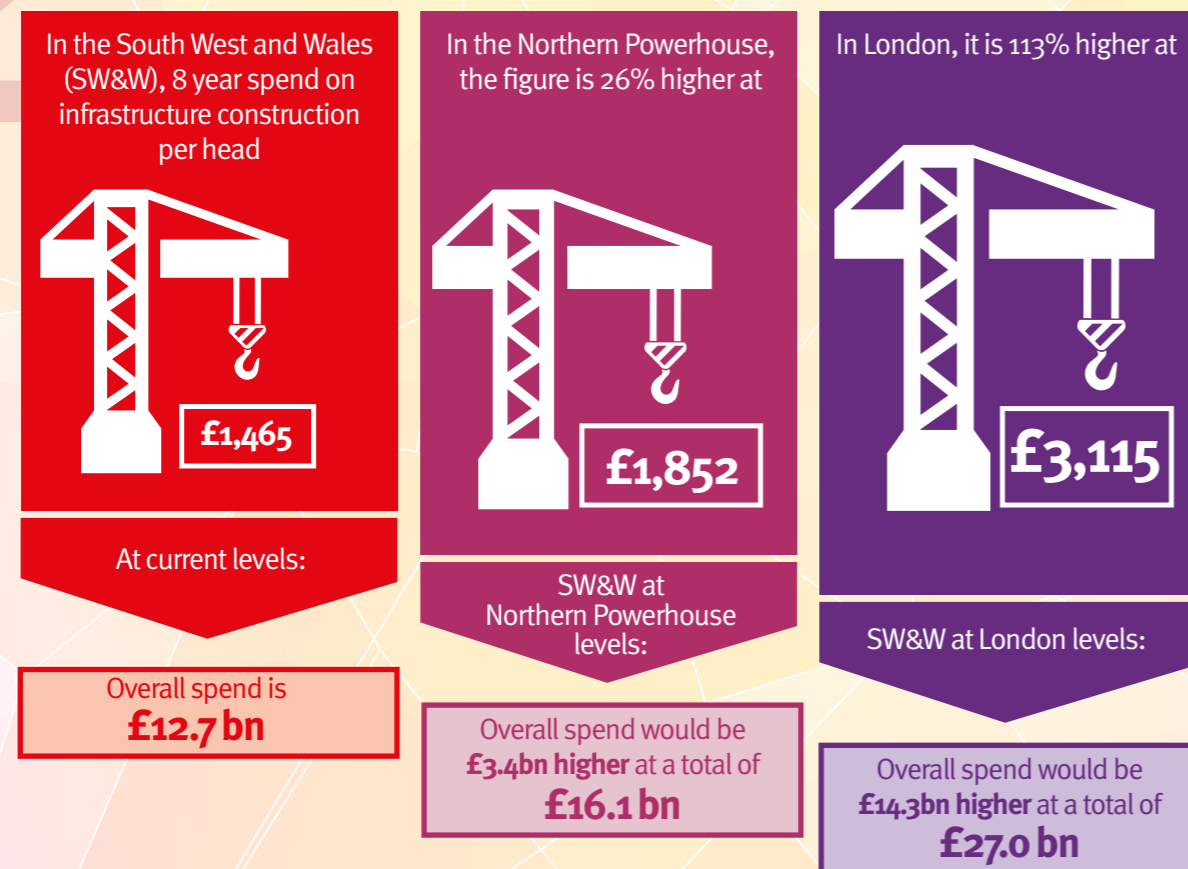
Investment in infrastructure will improve transport connectivity, unblock bottlenecks across the M4 and M5, spread the benefits of the removal of tolls from the Severn Bridge, and increase the speed and frequency of trains on the two main train lines between the major hubs, and add another Severn crossing. Transport improvements within the metro areas of the West of England and the Cardiff Capital Region, including major investments around Temple Meads and Cardiff

Central, are already planned. The additionality provided by the Great Western Powerhouse is a cohesive, overarching approach, bringing together plans from across the region, increasing connectivity across the area and within the area.

Recommendation 2 – The National Infrastructure Commission should be tasked with working with the region to develop an integrated plan for road and rail improvements that will enable faster, more frequent connectivity, both east-west and north-south. The Spending Review should announce funding to develop this.

Great Western Crossrail

Infrastructure is fundamental to a modern, productive and growing economy. The Great Western Powerhouse is underfunded relative to other powerhouses in the UK¹⁷:



Internationalisation, trade and investment

Powerhouses drive foreign direct investment (FDI) and internationalisation. The Great Western Powerhouse has major international businesses such as Airbus, TATA and Intel, and trades with the EU and other markets. However, the number of FDI projects in the South West and Wales fell by 16% between 2016/17 and 2017/18, compared to an 8% increase in the Midlands Engine¹⁸. The region is losing out when compared with the Northern Powerhouse and the Midlands Engine, because it does not have a co-ordinated approach to internationalisation and is not leading its own trade missions to key global markets.

Recommendation 3 – The region needs to develop an Internationalisation Strategy to promote trade and investment for its key industrial and economic strengths. The starting point for this should be working with DIT to develop a joint plan for promoting the region at MIPIM, together with an agreement for dedicated DIT resources to develop the internationalisation plan.

A Productivity and Innovation Observatory

The region is home to strong concentrations of data expertise and capacity. Better use of data is key to both understanding productivity at a more granular level and spreading innovation. With both the ONS and the National Research Councils being based in the region there is a critical mass of economic data analysts in the UK, and this strength should be utilised to shine a spotlight on innovation and productivity across the Great Western Powerhouse.

Recommendation 4 – To establish a Productivity and Innovation Observatory for the region linking the seven Research Councils in Swindon with the ONS in Newport.

¹⁷ For data availability reasons, the Northern Powerhouse is defined as the regions of the North East, North West and Yorkshire and the Humber, and excludes the five districts in the Sheffield City Region which are in the East Midlands.

¹⁸ For data availability reasons, the Midlands Engine is defined as the regions of the West and East Midlands.

Inclusive growth

Whilst the region is generally an economically high performing one, there are significant pockets of deprivation, low skills, and low pay in some of the cities and in rural areas. Cities like Bristol and Cardiff have sought to prioritise inclusive growth, and this is likely to be a theme in the local industrial strategies, but the whole region

needs to share learning on how to develop more inclusive growth.

Recommendation 5 – As part of the Great Western Powerhouse Industrial Strategy, to agree to pilot and measure tailored approaches to connecting communities in deprived neighbourhoods with skills and employment opportunities in the region's high growth sectors.

Making it happen

Brand

A strong, recognisable brand is pivotal to the legitimacy and efficacy of the powerhouse idea, particularly on the world stage. It does not have to be perfect, but has to say something recognisable about the region, its identity and what it is trying to achieve. Various candidates have already been floated: the Great Western Cities; the Great West; the Severn Powerhouse; the Western Powerhouse; and the M4 Corridor.

The problem with the M4 Corridor as a brand, is both that it is more specifically limiting and could sound like a transport project. The Severn Powerhouse would not work across the larger geography proposed in this report.

The advantage of using the words 'Great Western' is that they resonate across the area and speak both to a current identity and an industrial heritage that goes back to Isambard Kingdom

Brunel, the great civil engineer, whose innovation is so strongly associated with this area. Clearly, the advantage of using the word 'powerhouse' is that it expresses its function succinctly in a context in which others already exists, without requiring further explanation.

Powerhouse vehicle

A collaborative vehicle, based on a set of principles, is needed to drive this initiative forward. Shaping the form of the organisation will require further consultation. The organisation would be based on a set of principles, namely that it:

- Is cross-party
- Is cross-border
- Represents a partnership between public and private sectors
- Has representatives from local authorities, city regions, LEPs, business organisations and universities
- Is supported by some core funding from Government, possibly with additional contributions from local partners
- Ideally with a recognised business figure as Chair

Recommendation 6 – The key stakeholders in the region need to come to a rapid decision about the brand for the cross-border Great Western area.

Recommendation 7 – That the Welsh Government, BEIS and UK Ministers, together with the city regions, key unitary authorities, LEPs, business organisations and universities, should agree a joint plan and timescale within which to establish the powerhouse, with a formal announcement made in the autumn Spending Review. The first step for the new entity should be to commission an Independent Economic Review, similar to that of the Northern Powerhouse, the Midlands Engine and Cambridgeshire and Peterborough Combined Authority.

