ADVANTAGE WEST MIDLANDS, EAST MIDLANDS DEVELOPMENT AGENCY AND PARTNERS

SMART GROWTH : MIDLANDS WAY – ACTION PLAN

July 2006

Regeneris Consulting
1-5 The Downs
Altrincham
WA14 2QD
Tel: 0161 926 9214
Fax: 0161 926 8545

Web: www.regeneris.co.uk

CONTENTS

Foreword

[...in part used to explain status and purpose of document]

1. Executive Summary

1.1 Whilst regions are undoubtedly the principal building blocks in responding to the UK's economic challenges, they are not always the only logical or effective basis on which to design and implement policy. Due to the important economic linkages and commonalities which exist across regional boundaries, an inter-regional approach can deliver added value and economies of scale. The possible role of integrated policy making across the East and West Midlands is the genesis for this Midlands Way document.

1.2 Collaborative working is not new to partners across the Midlands. Integrated working has taken root over the last five years and there is growing recognition of the added value of working together to tackle certain issues. The Midlands has a strong track record of practical pan-regional working.

1.3 It is important to stress the Midlands Way is not intended as a supra regional strategy guiding the investment plans and decisions of all partners across the two regions. The Midlands Way is intended to complement and support other strategies and plans and focus on only those issues where there is a strong case for collaborative working across the two regions. This document is designed to:

- Highlight and position the **Midlands' substantial economic contribution** to the UK and the wider global economy. This positioning identifies the unique roles played by the Midlands regions collectively and is intended to support ongoing lobbying and case making.
- Provide a **framework and set of guiding principles** to help shape any future collaborative working across the Midlands.
- Provide a focused set of **practical actions** that can help the regions to capitalise upon additional opportunities for mutually beneficial joint working and joint investment.

1.4 This document builds on, but supplants the earlier Consultation Draft of the Smart Growth Midlands Way[1]. It seeks to take the initiative forward to a more focused and action oriented position, based around genuine opportunities for value adding inter-regional working.

The Midlands' contribution to UK economic performance

1.5 In 2004 the Midlands contained a resident population base of 9.6 million people, equivalent to around 1 in 5 of the total England population. It generates £148 billion of Gross Value Added (GVA)[2], approximately £1 in every £6 of England's GVA. The Midlands has a higher GDP than 7 of the EU15 member states, and all of the recent Accession States.

---

[1] "*SMART Growth Midlands Way: a Report for Consultation*" was published in January 2005. The initial impetus for the work was a response to the 2003 Sustainable Communities Plan. The document was positioned as a wide-ranging and ambitious strategy for the Midlands.

[2] Gross Value Added is a key measure of the wealth generated in a particular area. It is calculated at the level of the firm as the difference between gross turnover and all (non labour) costs associated with generating this turnover. It is the element of turnover that a firm is able to distribute in salaries and profits. Gross Domestic Product is another measure of the economic wealth of an area, based on the value of products and services and income generated by businesses. It differs from GVA in that it takes into account taxes and subsidies on products.

1.6 Despite these figures, the Midlands has the potential to generate significantly higher levels of wealth in a sustainable manner. If productivity and employment rates in the Midlands rose to the current England average, the area would generate an extra £18 billion of GVA. Lower rates of productivity are the root cause of this output gap, accounting for nearly 85% (£14.8 billion) of the deficit. The two Midlands regions share similar challenges in driving up rates of productivity. The challenge is to both raise rates of productivity in existing sectors and facilitate a longer term shift in the industrial structure of the Midlands economy towards more inherently higher value sectors.

1.7 Much is being done within each region to try and address this GVA gap. However, inter-regional working will also be important in addressing these productivity challenges, capitalising on some of the main economic roles that are evident when the Midlands is looked at as a whole. These economic roles include the Midlands serving as:

- The UK's *premier centre for high value manufacturing and engineering*. The two Midlands regions are home to global expertise in the aerospace, rail engineering and automotive sectors. Nearly 300,000 people work in the advanced manufacturing sector in the Midlands and extensive supply chain relationships exist across the East and West Midlands.
- A central hub for *transport logistics and distribution activity* in the UK and an international gateway. 165,600 people were employed in the Midlands logistics and distribution sector in 2004, with a concentration of employment well above the national average. The so-called "golden triangle" straddles the boundary between the East and West Midlands and the two principal Midlands airports are important global gateways for both freight and the business community.
- A vital part of the UK's *business tourism infrastructure*. The two Midlands regions received 19% of England's business tourism spend in 2003 – well above its 15% share of England's business base. The NEC group of venues in the West Midlands alone supports some 22,000 full-time equivalent jobs, and many East Midlands locations are reporting a growth in business tourism and conference activities due to their central location.
- The *largest melting pot of different cultures outside London*. Some 26% of the total population of Birmingham, Derby, Leicester and Nottingham are from black and minority ethnic groups, significantly higher than most other parts of the UK. The Midlands is home to two much celebrated "international" destinations in the UK (the Birmingham Balti Triangle and the Leicester Golden Mile) and most Midlands cities score highly on a recent creativity index (the so-called BOHO Index).
- One of the UK's *principal growth locations,* connected to the greater South East. Parts of the Midlands have witnessed some of the highest rates of UK population growth over the last 5-10 years. Pressure will certainly increase on land and infrastructure for freight and distribution activities and for new housing development. With careful planning, the Midlands is ideally placed to accommodate some of the growth needs of the UK economy in a highly sustainable way.

1.8 There are a range of spatial building blocks on which the economic performance of the Midlands is based. The City Region focussed on Birmingham and the Three Cities sub-area together account for at least 50% of Midlands GVA and house the great majority of the research and development expertise across the two regions. The more southerly parts of the Midlands, particularly Northamptonshire, through its contribution to the Milton Keynes South Midlands (MKSM) growth area have been hotspots of both population and employment growth in recent years. To the north, a number of communities are emerging from a difficult transition from their industrial past - locations such as Stoke-on-Trent and the former coalfield areas of north Nottinghamshire and north Derbyshire represent important employment locations moving forward.

1.9 The interface between the urban and rural economies is an important feature of the Midlands. Both the East and West Midlands play a crucial role in the UK's agricultural and food and drink sectors, with the results of this activity providing important "inputs" to the growth of domestic City Regions and underpinning export markets.

Framework and Guiding Principles

1.10 Much of the existing collaborative activity across the Midlands is practical in nature, grounded in a willingness to tackle common problems and share costs. This has generated the type of concrete benefits that need to flow from any future Midlands Way actions. Existing collaboration spans joint working around shared sectors (for example the work of the Midlands Aerospace Alliance), collaboration across the university sector, integrated efforts on international promotion and joint schemes around some of the Midlands' shared tourism assets.

1.11 Future collaboration needs to be based on **three key principles**:

- Will the activity make a demonstrable contribution to *closing the Midland's GVA gap in a sustainable way* (either directly or indirectly via improving the quality of the environment and successful, sustainable communities)?
- Is there a clear rationale for investing time and resources in a Midlands-wide approach (as opposed to regional, city regional or local approaches)? In short is there *added value* in a Midlands Way action?
- How *practical* is any collaboration? It is only possible to develop deliverable and effective joint actions if there is an appetite for them amongst stakeholders.

1.12 On the basis of research conducted as part of the Midlands Way, **four Action Areas** have been identified that should form the basis for designing and developing any future collaborative actions:

- *Tackling Shared Productivity Challenges*. Driving up rates of productivity is a key objective for both Regional Economic Strategies and is an area where there is considerable added value from integrated working, particularly around the Midlands' shared sectoral and technological strengths.
- *Enhancing Connectivity.* Further improvement of national and international connections and enhancing the international gateway role of the Midlands is a priority, as is facilitating better East-West connectivity across the Midlands for the benefit of both regions and the UK economy as a whole. Much of this will necessarily require close collaboration and joint working.

- *Promotion & Positioning*. It is through the combined assets of both regions that the unique roles of the Midlands become particularly evident and there can be economies of scale and impact in working together. Internationally, the offer of the British Midlands can be a powerful building block in raising profile.
- These three areas of action need to be underpinned by a fourth one of *Encouraging Sustainable Growth*. The principle of sustainable growth is clearly central to both sets of Regional Economic and Spatial Strategies which are supported by the Midlands Way. Parts of the East and West Midlands face common challenges and opportunities in responding to growth opportunities. There are cross-regional issues around housing growth, provision of employment land and facilitating the ongoing role of the Midlands distribution sector that warrant collaborative working. Equally, the juxtaposition of large urban areas and expansive rural hinterlands provides particular opportunities in the development of sustainable regional supply chains and production in food and a range of raw materials for use in indigenous industries such as hemp, other non-food crops and bio-fuels for the chemical and energy sectors.

Emerging Actions

1.13 The final section of the report outlines the main ways in which partners across the Midlands will move forward the Midlands Way throughout the remainder of 2006/07 and into 2007/08. It identifies:

- A small number of **project proposals**. These are all firm proposals that have the potential to be implemented before the end of financial year 2007/08, as follows:
  - ➢ Advancing to a *further stage of the Midlands engineering redeployment initiative* (MEIRG). There is scope within the next 18 months to expand the scheme to embrace a wider range of sectors and, potentially, internationalise the concept.
  - ➢ Taking forward joint working on sustainable transport technologies, particularly around the *fuel cell technology agenda*. Activity would systematically link together collaborative activity on hybrid fuel cell research and development, related specialist R&D in composite materials and the established lead that the two regions have in transport technologies
  - ➢ Joint work on developing *international investment and trade links with a particular focus on China* and other emerging markets
- An additional set of activities related to **joint case making and joint responses to emerging government policy**. In many instances this involves integrating existing activity in one region with that in the other, particularly when arguing for **major infrastructure and connectivity schemes** likely to benefit economic performance across the whole of the Midlands. Priorities for the next 18 months include putting the case for key improvements on the Midlands-Felixstowe corridor and joint work to secure the best outcome for the Midlands from the new rail franchising process which replaces the existing Central Trains franchise.
- A series of somewhat looser concepts where there is scope for collaborative working but where **further developmental work** is required to define precisely what the nature of any joint working might be. For most of these concepts, the appetite and practicalities for joint working need to be tested more rigorously over the course of the next 18 months.

1.14 Recommendations are also made on the supporting "infrastructure" required to maintain momentum under the Midlands Way and take forward the ideas that have emerged to date. There are no plans for a resource intensive secretariat; rather partners will continue to make best use of the Midlands Way Steering Group with the necessary technical support of officers from within the two RDAs and partner agencies (the Technical Working Group). There may be need for additional resource to support the project development work of the Technical Working Group.

1.15 It is suggested that the first formal stock-take of progress in implementing the ideas within the document is programmed for March 2008. Over this period, substantial progress should also have been made in communicating some of the important messages about the economic role of the Midlands to central government and beyond.

2. Why have the Midlands Way?

2.1 Regions have become a focal point for economic development and regeneration in the UK over the past decade. The establishment of the Regional Development Agencies (RDAs) in 1999 and the creation and consolidation of other key regional institutions underpins this regional approach. The East Midlands is close to finalising its third Regional Economic Strategy and the West Midlands is embarking on the same journey.

2.2 In each region the RES and the work of the RDAs in particular, will be pivotal to delivering the Government's Regional Economic Performance, Sustainability and Productivity PSA targets. Interventions at the level of the region are one of the main ways in which these targets can be addressed.

2.3 Whilst regions are undoubtedly the principal building blocks, they are not always the only logical or effective basis on which to design and implement policy and action. Some actions are best designed and delivered at a very local level. In other instances - due to the important functional economic linkages and commonalities which exist across regional boundaries - a pan-regional approach can help in delivering regional aspirations. The possible role of integrated policy making and action across the East and West Midlands is the genesis for this Midlands Way document.

2.4 There are three main purposes for this Midlands Way document:

- To highlight and position the **Midlands' substantial economic contribution** to the UK and the wider global economy. This positioning identifies the unique roles played by the Midlands regions collectively and explores the functional economic links with other areas. The document will be useful in raising the profile of the Midlands and providing evidence to underpin lobbying and case making.
- To provide a **framework and set of guiding principles** to help shape any future collaborative working across the Midlands. This framework is based on those areas where the evidence suggests there is a need for integrated working. The principles must be based on the experience of existing collaboration, where clear lessons are emerging.
- To provide a highly focused set of **practical actions** that can help the regions to capitalise upon additional opportunities for mutually beneficial joint working and joint investment.

2.5 Collaborative working is certainly not new to partners across the Midlands. Integrated working has taken root over the last five years and there is growing recognition of the added value of cross-regional working to tackle certain issues. The Midlands has a strong track record of practical pan-regional working. There is much to build on and much to offer others. Existing collaborative projects have demonstrated what can be achieved and the regions should not allow this momentum to slip.

2.6 There will also be wider costs if partners fail to build on the foundations they have laid. Competition within the UK to secure public investment is particularly fierce and the 2007 Comprehensive Spending Review is imminent. Whilst recognising there is not an open door to new investment, the Midlands should not miss out on the opportunity to make a more powerful case by speaking with one voice on selected issues. Elsewhere, the Northern Way is steadily enhancing collaboration between the three northern English regions and constructing a case for new investment from Central Government.

2.7 Partners need to ensure that the Midlands is seen as much more than an area of the country sandwiched between the North and the greater South East. There is a danger that the focus on growth opportunities in the greater South East and on improving the performance of the northern English regions could see the majority of the Midlands neglected.

2.8 The Midlands Way process is not seeking to develop a grand supra regional strategy guiding the investment plans and decisions of all partners across the two regions. Local, sub-regional, city-regional and regional working remains the norm and represents the main building blocks for many investments. The Midlands Way is intended to complement and support other strategies and plans (particularly the two regions' Regional Economic Strategies, their respective Regional Spatial Strategies, and the City Region programmes) and, where possible, add value to them. It is therefore intended to support an improvement in the sustainable growth of both regions.

2.9 However, the Midlands Way does present an opportunity to collaboratively respond to and reflect specific long-term policy challenges such as the expanding global economy, the accelerating pace of technological change and the ever-increasing need to respond to the challenges of climate change.

2.10 The Midlands Way will focus on those issues where there is a strong case for collaborative working across the two regions.

Midlands Way: What it is...
➢ A vehicle for positioning the Midlands in the context of UK plc and the global economy.
➢ A means to give the Midlands a stronger voice in national policy debates.
➢ A framework for specific collaboration between the East and West Midlands.
➢ A source of practical actions for mutually beneficial joint working and investment.

What it isn't...
➢ A supra regional strategy guiding the investment plans and decisions of all partners across the two regions.
➢ The sole mechanism for making representations to government and to CSR 2007 – The Midlands Way will serve as just one part of the case making material.

2.11 The commitment of partners will be essential to the success of the Midlands Way. Leadership is being provided by the two Regional Development Agencies. However, the concept of collaboration and integration can and should extend far beyond these institutions e.g. the "Midlands united" campaign of the National Federation of Housing. Many of the areas identified for possible collaboration in this document will involve a range of key stakeholders, including Regional Assemblies, the emerging City Region Partnerships and other specialist agencies.

2.12 The Midlands Way will also necessitate collaborative working with partners outside the Midlands. Delivery of the Milton Keynes South Midlands (MKSM) Growth Area initiative involves numerous partners from the South East and East of England and has major implications for both Midlands regions (close to 50% of the overall projected housing growth in MKSM will occur in Northamptonshire, i.e. in the East Midlands). The Oxford-Cambridge Arc and the Northern City Regions also impact to some extent on both Midlands regions and bring into play a wide range of agencies from outside the area.

The Journey So Far…

2.13 A Steering Group for the Midlands Way was established in April 2004. Its membership consists of the Chairs of the two Regional Development Agencies, the Leaders of the two Regional Assemblies, senior officials from the RDAs, Government Offices and Regional Assemblies and key Local Authorities from across the two regions. The Steering Group provides leadership for the initiative and guides the activity of the Technical Working Group which is tasked with developing the Midlands Way concept. Central Government Departments are represented at meetings of the Technical Working Group.

2.14 A Consultation Draft of *SMART Growth: The Midlands Way* (SGMW) was prepared in late 2004 and formally launched in January 2005. The Draft consisted of a 40 page main document and a series of supporting appendices. The document set out a Midlands Way vision, a supporting strategic framework and a set of principles to underpin joint actions. A broad range of proposed actions were identified in the initial Consultation Report – the list extended to some 60 illustrative actions.

2.15 The overall vision identified was that SGMW would…"*Drive forward the engines of economic growth across the English Midlands, nurturing and re-igniting the indigenous sparks of innovation, enterprise and creativity, to accelerate the evolution and delivery of sustainable communities fit for the 21st Century*".

2.16 The Consultation Draft had some clear strengths. It began to build evidence on the role of the Midlands, its unique features and areas of common interest across the East and West Midlands. The central framework of three priority action areas of "smart productivity", "smart connections" and "smart renaissance" was a constructive starting point and had the merit of simplicity. The action table contained several kernels of good ideas for collaboration and these have been an important contribution to the proposed actions outlined in this report.

2.17 However, the consultation process drew out several clear criticisms:

- Partners questioned whether the Consultation Draft focused on identifying those discrete issues that would be best addressed at a Midlands level, or whether it was attempting to provide some form of supra regional framework to shape and guide all investment activity in the two regions. There was little appetite for the latter.
- There was a strong view that it failed to marshal the evidence base in a persuasive way. More emphasis was required on the scale of the Midlands economy and some of the unique roles it fulfils in a national context. The evidence and analysis generally needed to be more outward looking, explaining how the economy of the Midlands relates to areas both to the south and the north (and internationally).
- Some consultees criticised the initiative for failing to put clear blue water between itself, Regional Economic Strategies and Regional Spatial Strategies. The Midlands Way should help to achieve the objectives of regional strategies, but should not be seen as an overarching strategic framework.

2.18 Subsequent engagement with partners has led to the view that too many actions were listed in the latter parts of the Strategy. It was not clear which were genuine candidates for cross-regional working and many lacked specificity. This document builds on, but supplants the Consultation Draft of the SGMW and is designed to address the weaknesses identified above. It seeks to take the initiative forward to a more focused and action oriented position, based around genuine opportunities for value adding pan regional working.

3. The Midlands: Economic Headlines

Key Points

➢ The Midlands accounts for £1 in every £6 of England's GVA. It has a higher GDP than 7 of the EU15 member states, and all of the Accession States.
➢ Employment and GVA have grown steadily in the last 5 years, but at a slower rate than the national average. There have been some marked differences in performance between the East and West Midlands.
➢ If productivity and employment rates in the Midlands converged to the current England average, the area has the potential to generate an extra £18bn of GVA.
➢ Lower rates of productivity are the root cause of this output gap, accounting for nearly 85% (£14.8 billion) of the deficit. The two Midlands regions share similar challenges in driving up rates of productivity. The challenge is to both raise rates of productivity in existing sectors and facilitate a longer term shift in the industrial structure of the Midlands economy towards more inherently higher value sectors.
➢ Raising rates of new firm formation, innovation and investment expenditure are common challenges for both regions. Boosting higher level skills is a pre-requisite for productivity growth. Only the North East lags behind the two Midlands regions in the share of the workforce educated to NVQ4 (degree level) or above.
➢ Economic performance across the Midlands has been far from uniform in the last 20 years or so. Clear roles and functions have emerged across the Midlands with the main spatial building blocks consisting of:
  ➢ *Two powerful City Regions*. The City Region focussed on Birmingham and Three Cities City Region together account for over 50% of Midlands GVA, and accounted for 55% of GVA growth in the Midlands over the period 1999 to 2003. They house the vast majority of research expertise across the Midlands, represent the hubs in the transportation infrastructure and are the cultural heartbeats of central England.
  ➢ *Southern growth areas*. The strongest areas of population growth since 1999 have been concentrated in the southern parts of the Midlands. Substantial employment growth has also been evident in these areas over a similar period.
  ➢ *Northern urban areas*. The communities of the north Midlands are emerging from a difficult transition from their industrial past, with some of the associated problems including depopulation and low demand for housing. Stoke-on-Trent is an important employment node and has aspirations to develop a city-region approach. The former coalfield areas of North Nottinghamshire and North Derbyshire remain important employment locations.
  ➢ *Peak District*. Sandwiched between the industrial centres of the North Midlands is the Peak District National Park - serving as a popular residential location for many communities, an important part of the Midlands' land-based economy and a key leisure asset for the urban centres in the Midlands and north of England.
  ➢ *The main rural areas*. Much of the East Midlands and the western part of the West Midlands are predominantly rural, with land-based economies. There are some shared characteristics in these areas - both have been popular in terms of housing growth and there are similarities in the business base in each area.

A big and important economy…

3.1 In 2004 the Midlands contained a resident population base of 9.6 million people, equivalent to around 1 in 5 of the total England population. It generates £147.5 billion of Gross Value Added, approximately £1 in every £6 of England's GVA, with a GVA per capita of £15,350. Collectively, the East and West Midlands account for some 4.3 million jobs and generate £1 in every £5 of England's exports. The East Midlands is one of the few English regions to export more goods and services than it imports (see Table 3.1a).

Table 3.1a - Key Economic Indicators, 2004

	East Midlands	West Midlands	**Midlands**	England	% of England
Population (m)	4.28	5.33	**9.61**	50.09	19.2%
Employment (m)	1.80	2.34	**4.15**	22.53	18.4%
GVA (£m)	65,800	81,800	**147,500**	861,000	17.1%
GVA per capita, £	15,400	15,300	**15,300**	17,200	89.3%
Exports (£ms)	13,915	13,724	**27,639**	143,347	19.3%
Imports (£ms)	12,607	17,858	**30,4659**	209,609	14.5%

Source: ONS GVA Statistics/NOMIS © Crown Copyright and HM Customs and Excise Trade Data

3.2 The Midlands contained 2.5% of the EU15[3] overall population, 2.4% of its employment in 2004 and 2.6% of its GDP in 2002. The Midlands has roughly the same GDP, employment and population as Sweden and Belgium and a higher GDP than 7 of the EU 15, and all of the Accession States[4].

Table 3-1b: Key Economic Indicators in EU Context

	Midlands	EU 15	EU 25	Midlands % of EU 15	Midlands % of EU 25
Population, 2004 (ms)	9.61	385.90	460.10	2.5%	2.1%
Employment, 2004 (000s)	4.15	171.80	200.10	2.4%	2.1%
GDP, 2002 (millions of Euros)	235,500	9,179,500	9,626,100	2.6%	2.4%
GDP per capita, 2002, PPS	22,026	24,062	21,122		
GDP per capita, EU25 = 100	104.3	113.9	100.0		
GDP per capita, EU15 = 100	91.5	100.0	87.8		

Source: ONS NOMIS Annual Business Inquiry © Crown Copyright, and Eurostat, EC Quarterly Economic Data Pocket Book, 2005 and Regional Economic Statistics © European Commission.
Note: GDP per capita is calculated by Eurostat on the basis of "Purchasing Power Parities." Purchasing Power Standards (PPS) are a fictive 'currency' unit that eliminates differences in purchasing power, i.e. different price levels, between countries. GDP data for 2004 at a regional level has not yet been published.

A growing economy…

3.3 The Midlands economy has grown steadily over the five year period to 2004, but overall this has been below the national rate of growth. The increase in GVA in the Midlands for the period 1999 to 2004 was almost a percentage point below the England growth rate. Employment levels and the volume of exports also grew less rapidly than the domestic average.

---

[3] This is the 15 member countries of the European Union, consisting of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden, and the UK.

[4] This refers to The Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia. These and the EU 15 constitute the "EU 25."

3.4 The data in Table 3-2 illuminates some significant differentials in performance across the East and West Midlands. Population growth in the East Midlands (+3.1%) was in excess of that in the West Midlands (+1.2%). Likewise growth in GVA was higher in the East Midlands (+29%) than in the West Midlands (+26%). Both regions have grown their exports, but at a slower rate than GVA, so that exports have fallen as a percentage of GVA in both regions and by 3% for the Midlands as a whole.

Table 3-2 : Percentage Change in Key Indicators, 1999-2004

	East Midlands	West Midlands	**Midlands**	England	% point diff. from England
Population	3.1%	1.2%	**2.0%**	2.2%	-0.2
Employment	1.9%	1.3%	**1.6%**	2.9%	-1.3
GVA	29.3%	26.2%	**27.5%**	28.3%	-0.8
GVA per capita	25.4%	24.7%	**25.0%**	25.5%	-0.5
Exports	3%	2%	**2%**	8%	-6.0
Imports	4%	12%	**9%**	10%	-1.0

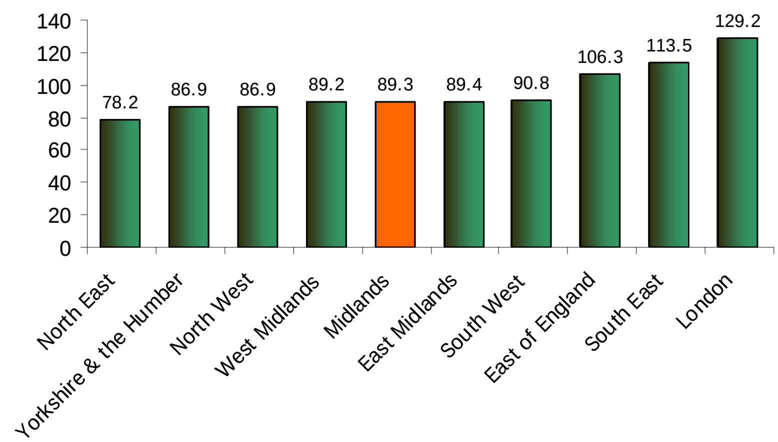
Source: ONS GVA Statistics and NOMIS © Crown Copyright/HM Customs and Excise Trade Data

...but with a number of shared productivity challenges

3.5 Total wealth generation in any area is a function of both (i) the volume of residents engaged in productive employment and (ii) the productivity rates achieved by those in employment. As Figure 3-1a illustrates, the East and West Midlands have the lowest GVA per capita (or proxy for productivity) after the three Northern Regions, at 89.4% and 89.2% of the England average respectively.

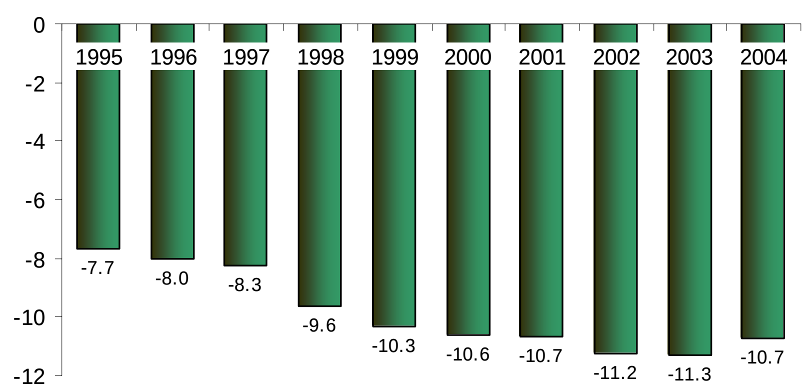
3.6 Throughout the late 1990s, GVA per capita in the Midlands fell markedly relative to the England average – in 1995 GVA per capita was around 8 percentage points below the England figure, and by 2000 the difference had extended to 11 percentage points (see Figure 3-1b). This was, in part, due to a period of unprecedented economic growth for the country as a whole, particularly in London and the South East. Since the period 1999/2000 the gap in GVA per capita has remained fairly stable relative to the England average.

Figure 3.1a: GVA per Capita by Region, 2004 (England = 100)



Source: ONS, GVA Statistics and NOMIS Midyear Population Estimates © Crown Copyright

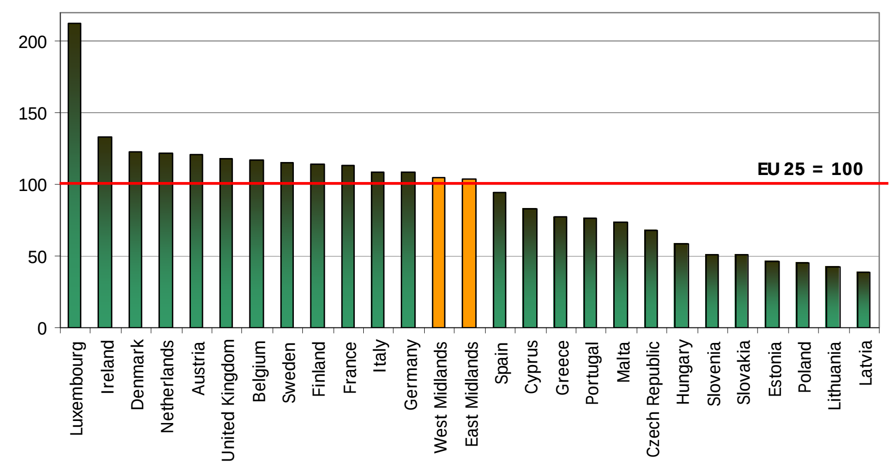
Figure 3.1b: Percentage Points Gap in Midlands GVA per Capita from England 1999-2004



Source: ONS, GVA Statistics and NOMIS Midyear Population Estimates © Crown Copyright

3.7 Compared to the EU25 average the Midlands had a higher GDP per capita in 2002. Figure 3-2 plots GDP per capita in the two Midlands regions alongside that in the other EU nations. GDP per capita in the Midlands was around 4% greater than the EU25 average, but slightly below the average for the EU15 member states.

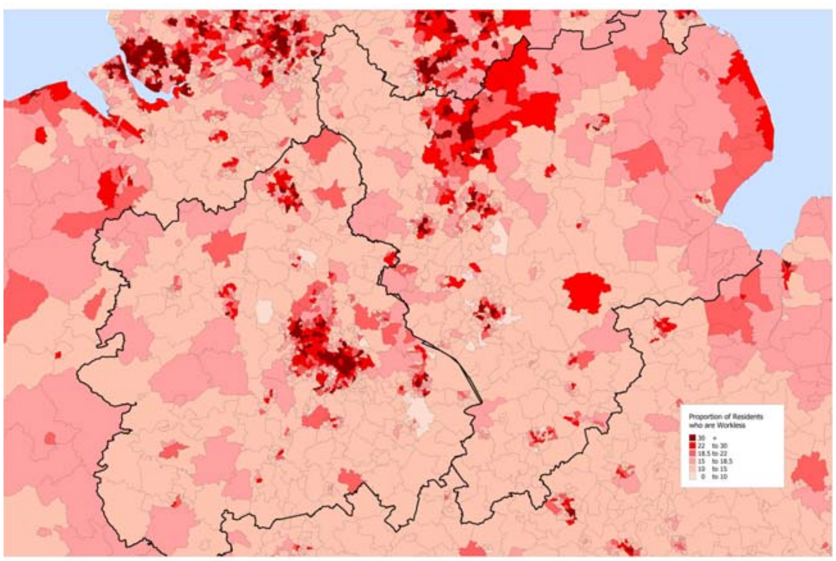
Figure 3-2 : GDP per Capita, 2002 (EU 25 = 100)



Source: Eurostat, Quarterly Economic Data Book, 2005/Regional Economic Statistics ©European Commission.

3.8 As of 2004, the employment rate in the Midlands (74.3%) was almost identical to the England average (74.6%). The rate in the East Midlands (75.4%) was slightly higher than the England average and slightly lower in the West Midlands (74.3%). Figure 3-3 clearly illustrates the significant pockets of worklessness in parts of Birmingham, and to a lesser extent the urban centres of Derby, Leicester and Nottingham. Worklessness is also evident in the former coalfield areas in the north Midlands, north Staffordshire and the coastal areas of Lincolnshire.

Figure 3-3 : Worklessness in the Midlands



Source: ONS Census 2001.

Note: Worklessness is defined as all residents who are unemployed or economically inactive (excluding the retired and full time student population)

The Midlands Output Gap…

3.9 The net result of (i) the marked difference in rates of productivity and (ii) the slight differential in employment rates is a Midlands GVA gap of some **£17.7 billion**, or approximately £1,850 per head of population. If productivity and employment rates in the Midlands converged to the current England average, the area has the potential to generate an extra £17.7bn of GVA. The West Midlands contributes around £9.9 billion (55%) of the gap, and the East Midlands the remaining £7.8 billion (45%).

3.10 Analysis indicates that lower productivity is by far the more important factor for the Midlands; it accounts for nearly 85% (£14.8 billion) of the gap, compared to lower employment rates, which contribute just 15% (£2.9 billion). As Figure 3-4 shows, the East Midlands' gap is entirely due to productivity factors, since the region actually has a higher employment rate than England. Employment factors do, however, play their part in the West Midlands, contributing up to a quarter of its £9.9 billion gap.

Figure 3-4 : The GVA Gap in the Midlands, broken down by Productivity and Employment Factors, 2003

Source: ONS and Regeneris Consulting calculations.

Note: The split between employment and productivity factors is calculated by investigating the difference between actual GVA in the regions, and what GVA would be if the employment rate and GVA per worker were equal to that in England.

3.11 Earlier Midlands Way working papers produced by Regeneris Consulting contain more detailed analysis of the productivity gap, primarily by analysing sectoral labour productivity rates for 2003 in the Midlands relative to the England average. From this analysis a number of observations can be made. The biggest contribution from existing sectors to the productivity gap is in manufacturing, accounting for almost a third of the gap. The gap in manufacturing productivity is likely to be driven in a large part by the West Midlands, where the sector is 17% less productive than the England average.

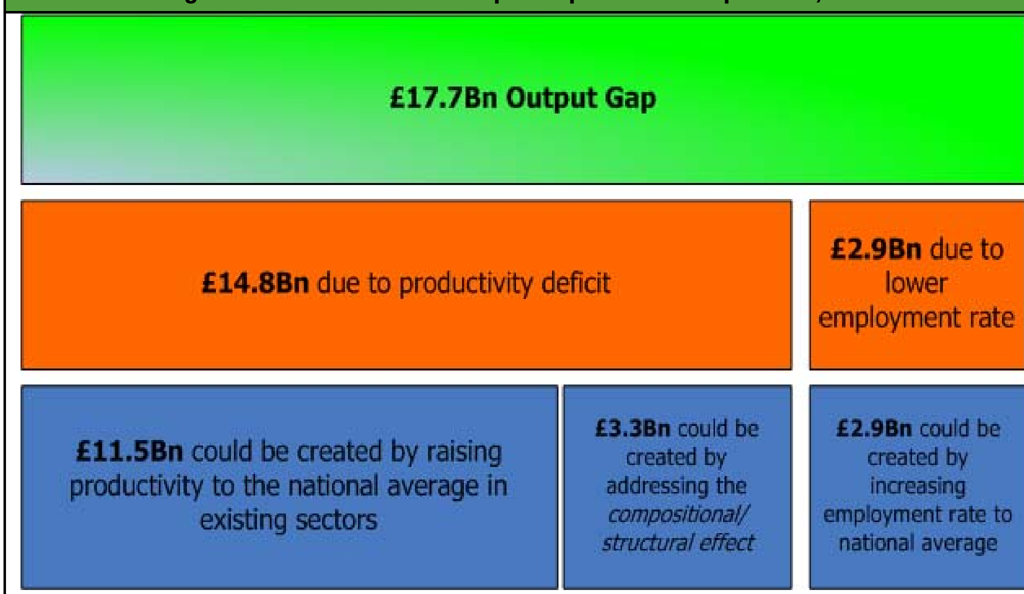
3.12 The majority of the individual service sectors also lag behind the national average in terms of productivity. Three sub sectors stand out as presenting common challenges for both regions:

- *Business Services.* This sector contributes around a fifth of the overall productivity gap, and productivity is around 5% below the national average in the East Midlands, and 11% below in the West Midlands.
- *Transport and communications.* For both regions, productivity is around 15% below the national average. The sector is the third largest source of the gap.
- *Financial Intermediation.* Although employment in this sector is not significant in either region, the sector is the third largest contributor to the Midlands' productivity gap. This is because GVA per employee in the sector is around 20% below the national average in both regions. Indeed it is the sector that lags most behind the national average in both regions.

3.13 These productivity gaps are a reflection of the productivity performance *within* existing manufacturing and service sectors. Too much of the manufacturing activity is in lower value activities and likewise the Midlands has a lower than average share of higher value service sector functions.

3.14 As Figure 3-5 illustrates, if the Midlands could raise the level of productivity within its existing sectors to the England average, then £11.5 billion of the GVA gap could be filled[5]. However, the productivity deficit would still not be fully closed, as there is a *compositional (or structural) effect* at work. Because the Midlands' industrial structure is, overall, somewhat skewed towards inherently lower value-added sectors, even if employment rates and labour productivity in these existing sectors were to match the national average, there will still be a residual gap, because of the composition of its economic activities.

Figure 3-5: The Midlands Output Gap and its Components, 2003



[5] Note: this assessment takes no account of different price levels and other factors which might affect differences in standard of living and quality of life.

The Drivers of Productivity...

3.15 Raising productivity has been high on the UK government's agenda for many years, and it is widely recognised that the UK as a whole has been underperforming in terms of productivity relative to its competitors. The DTI and Treasury have developed a framework for analysing productivity performance at a national and regional level, and this posits that there are five "drivers of productivity."[6] A description of these drivers and the Midlands' performance in these areas is set out below, with supporting data and charts presented in earlier Midlands Way working papers produced by Regeneris Consulting:

- **Enterprise**. The Midlands is underperforming relative to the England average in terms of enterprise and entrepreneurialism. In 2004, 20,900 more businesses would have been required to reach the national average in terms of business density. Both regions exhibit a lower than average business density, with the West Midlands 8% and the East Midlands 7% behind the England average. Although there has been some improvement in the past five years or so, the rate of business starts also lags behind England as a whole. The annual rate of VAT registrations of 28 new businesses per 10,000 residents is over 11% lower than the England average, and the Midlands would therefore need 3,350 new business starts every year to match national rates of new firm formation.
- Evidence from the Global Entrepreneurship Monitor[7] indicates that for both regions, a smaller proportion of residents expect to start a business in the next three years than for the UK as a whole. However, a larger proportion say they know an entrepreneur, and believe they have the skills to start their own business.
- **Innovation.** In 2003, the latest year for which data is available, businesses in the Midlands spent £1.5 billion on research and development. This represented only 12% of the England total (as compared with an 18% share of employment) and 1.1% of total Midlands GVA, compared with 1.6% of GVA in England. In per capita terms this puts the Midlands some 40% below the national average, and the East and West Midlands are ranked 5th and 7th respectively out of all England regions in terms of business R&D spend per capita. In 2004, 2,000 patent applications were made in the Midlands, or 22 per 100,000 residents. This compares with an average of 33 per 100,000 residents across England as a whole.
- Some more positive messages, however, came out of the DTI Community Innovation Survey[8], albeit somewhat out of date. This classed 52% of firms in the West Midlands and 47% in the East Midlands as "innovation active"[9]. This put the East Midlands on par with the UK average and the West Midlands above the average and the best performer of all regions.

---

[6] DTI Economics Paper Number 5, 2003.

[7] The Global Entrepreneurship Monitor is an annual survey of the level of enterprise and entrepreneurship nationally, conducted in 39 countries.

[8] DTI Community Innovation Survey (2001)

[9] This is the broadest definition of innovation activity, taking in product and process innovation: *"An innovation-active firm is one that has had innovation activities...including those with ongoing and abandoned activities. In other words, firms that have had innovation activities, regardless of whether the activity resulted in the implementation of an innovation, are innovation-active."* (OECD Definition).

- **Skills.** The Midlands regions continue to face some considerable skills challenges. In 2003, 17.7% of working age residents had no qualifications, which was 4 percentage points higher than the England average, and the West Midlands had the highest proportion with no qualifications (the East Midlands was ranked 6th out of all regions). Only 21.6% of the working age population were qualified to NVQ level 4 or above, compared to 25% in England. Only the North East was ranked below the two regions in this respect.
- The 2004 National Employers Skills Survey found that the top five skills gaps faced by employers in the two regions were common, and in line with the skills gaps at a national level. Sales and marketing skills are consistently mentioned as being pervasive skills gaps in the two regions, followed by customer handling, communication, team working and problem solving skills.
- **Investment.** Investment in capital raises the productivity of the existing workforce, and can embody new technology. There is less up to date data available on investment than the other drivers of productivity. However, 2000 data on capital formation[10] by region suggests that the Midlands is some way behind the England average, with gross fixed capital formation amounting to 17% of total GVA, which compares with 19% for England.
- Latest available data on investment (net capital expenditure) for all UK companies indicates that total investment in the Midlands in 2002, as a proportion of GVA, is below the national average, at 7.7% compared to 8.7%. The West Midlands was ranked 6th of all the regions, but the East Midlands invested the least of its GVA of any region. The Midlands performs better in relative terms on investment by foreign owned companies than it does on investment by UK owned companies.
- **Competition.** An effective competition framework provides incentives for new businesses to develop and for firms to become more innovative. It is difficult to assess the *relative* level of competition in the Midlands economy. The extent to which sectors are exposed to international competition through trade is one indicator. Exports (in 2004) in the Midlands represent 19% of GVA, above the England average.

The economic geography of the Midlands

3.16 Economic performance across the Midlands has been far from uniform in the last two decades. Clear roles and functions have emerged across the Midlands with the main spatial building blocks identified in Figure 3-6 and consisting of:

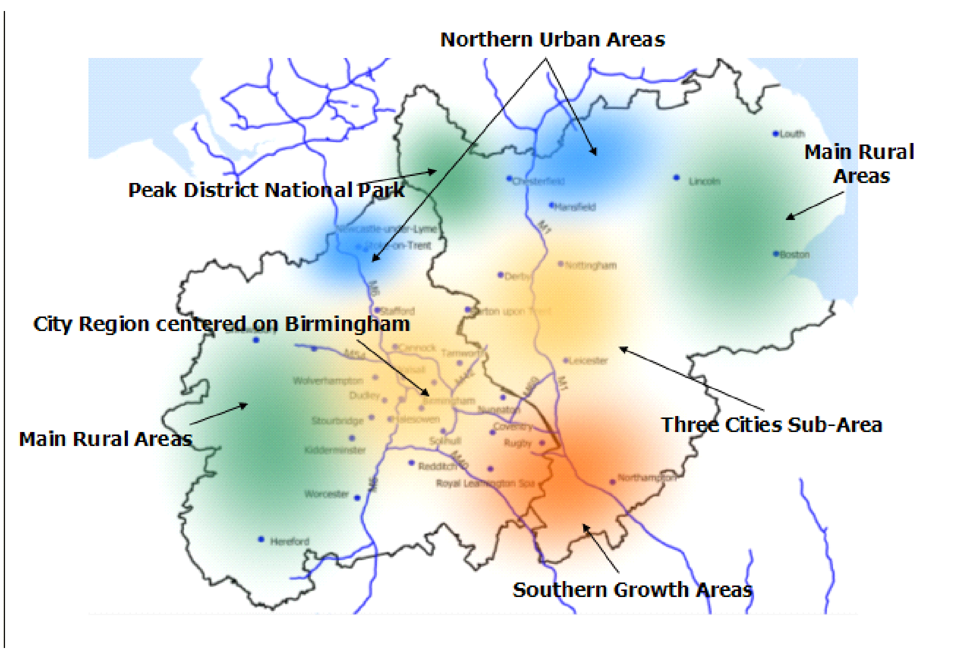
- *Two powerful City Regions*[11]. The City Region focused on Birmingham combines the local authority areas of Birmingham, Coventry, Dudley, Sandwell, Solihull, Telford, Walsall and Wolverhampton, and is the second most populous area in the UK, with 2.6 million residents and generating GVA of some £38bn (6% of the UK total). It is the 100th largest urban area in the world and the 9th largest in Europe.

[10] This measures the value of acquisitions, less disposals of new or existing fixed assets.

[11] The term City Region has gained in prominence in the UK in the last 5 years or so, with the growing realisation that traditional city administrative boundaries generally fail to capture fully the reality of spatial economic relationships. Travel to work patterns, retail and leisure catchment areas, supply chains etc. commonly extend some way out of cities, forming larger economic spaces, which have been termed "City Regions."

- In the East Midlands, a City Region defined by the three cities of Nottingham, Leicester and Derby together with their co-joining hinterlands within Nottinghamshire, Leicestershire and Derbyshire has 2.4 million residents and generates GVA of £32.1 bn (5.1% of the UK total). It contains global expertise in a range of high value sectors. The Three Cities City Region is identified as a planning 'sub-area' within the Regional Spatial Strategy.
- The two City Regions collectively account for at least 50%[12] of the Midlands' GVA and house the vast majority of the research and development expertise across the two regions. They also serve as the hubs in the Midlands' transportation infrastructure and the cultural heartbeats of central England. The emerging City Region Development Programmes for both areas illustrate their significant growth potential and some of the investments required to capitalise on these opportunities. Between 1999 and 2003 the City Regions accounted for about 55% of total GVA growth in the Midlands.
- *Southern growth areas*. The more southerly areas of both regions have been hotspots of both population and employment growth in recent years. Figures 3.7 and 3.8 highlight the growth rates in population and employment since 1999. The most intense pockets of population growth have been concentrated in the southern parts of the Midlands (predominantly in the East Midlands but also in certain districts within the West). Employment growth has been concentrated around the M1 corridor and the intersection of the M1 and A50. The designation of parts of the East Midlands within the Milton Keynes South Midlands Growth area (MKSM) reflects these trends.

Figure 3-6 : The Economic Geography of the Midlands

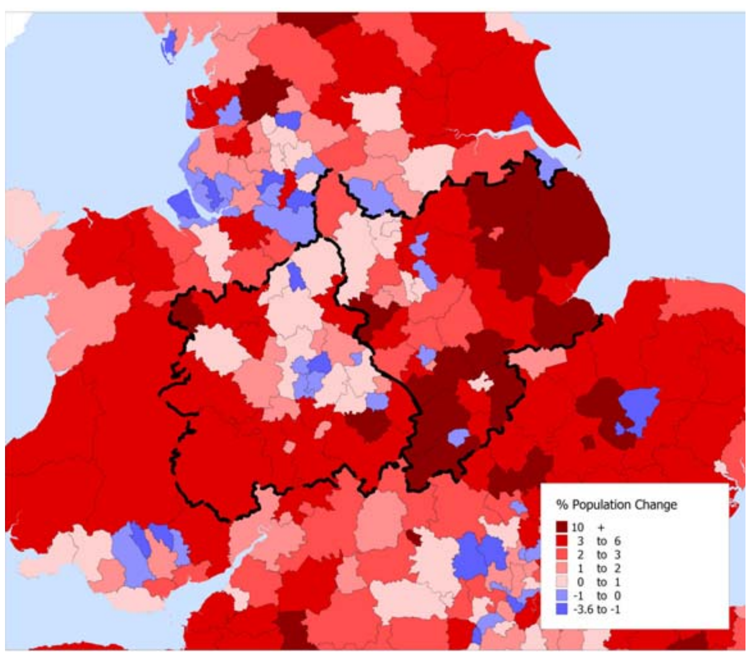


[12] This figure is based on a relatively tight geographical definition of the City Regions. The true economic reach of both the City Regions arguably extends beyond these boundaries.

- *Northern urban areas*. The communities of the north parts of the Midlands have been experiencing a difficult transition from their industrial past, with some of the associated problems including depopulation and low demand for housing. In the East Midlands these effects have been felt in the former coalfield areas of Mansfield, Bolsover and surrounding areas, which remain important employment locations. In the West Midlands, issues of transition are particularly pronounced around Stoke on Trent where the Housing Market Renewal programme is serving as a major catalyst for change. Stoke on Trent is a major employment node, has aspirations to develop a city-regional approach and is likely to be an important driver in the future economic performance of the Midlands.
- *Peak District*. Sandwiched between the industrial centres of the North Midlands is the Peak District National Park – serving as a popular residential location for many communities, an important part of the Midlands' land based economy and a key leisure asset for the urban centres in the Midlands and north of England and the most visited national park in the UK. Other key natural assets of pan-regional significance include the National Forest to the south of the Peak District.
- *The main rural areas*. Much of the East Midlands and the western part of the West Midlands are predominantly rural, with land-based economies. There are some shared characteristics in these areas - both have been popular in terms of housing growth and there are similarities in the business base in each area.

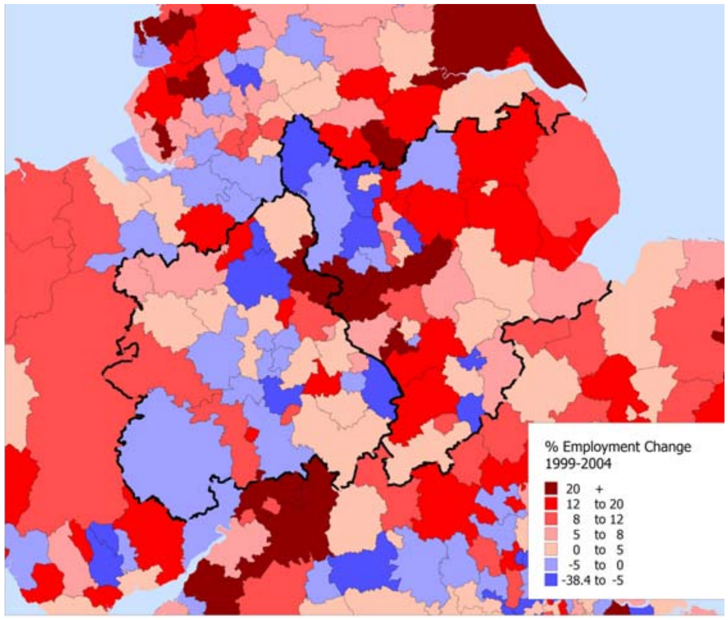
3.17 The interface between the urban and rural economies is an important feature of the Midlands. Both the East and West Midlands play a crucial role in the UK's agricultural and food and drink sectors, with the results of this activity providing important "inputs" to the growth of domestic City Regions and underpinning export markets.

Figure 3-7: Population Change 1999-2004



Source: ONS NOMIS Annual Business Inquiry © Crown Copyright

Figure 3-8: Employment Change, 1999-2004



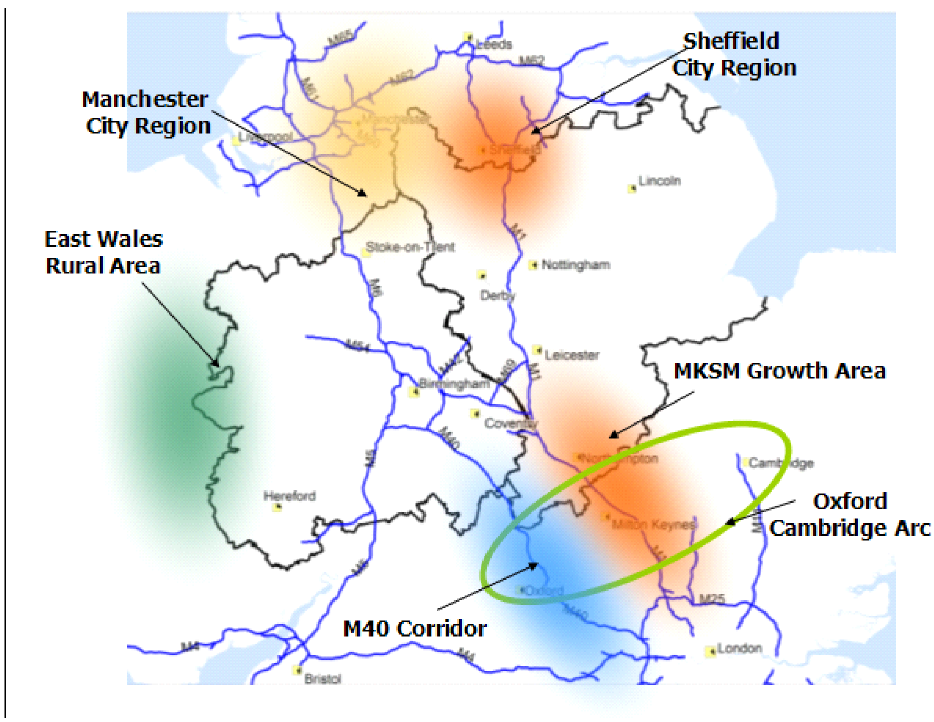
Source: ONS NOMIS, Annual Business Inquiry © Crown Copyright

3.18 The Midlands clearly has important interrelationships with other surrounding areas. Figure 3-9 identifies some of these principal relationships, which include:

- The *Milton Keynes South Midlands Growth Area* (MKSM), which has major implications for the Midlands. Provision for substantial increases in the construction of new housing has the potential to transform several towns in Northamptonshire, Buckinghamshire and Bedfordshire and the city of Milton Keynes. It is likely to have a substantial effect on economic activity in the southern parts of both the East and West Midlands. Birmingham Airport is earmarked as a strategic gateway in the MKSM sub-regional strategy, while the city of Birmingham itself is described as a key urban centre.
- The *Oxford Cambridge Arc* which also has a significant impact on the Midlands, particularly on its southern reaches. The area between Oxford and Cambridge comprises two of the worlds leading research universities at either end of the Arc. There are also concentrations of high technology companies, business service providers and a strong skills base. With these factors present, SEEDA, EMDA, EEDA and BT formally launched the Arc concept in 2004. From the Midlands' perspective, the MKSM growth area sits at the heart of the Arc.
- The *M40 corridor*, as a strategically important link from the Midlands to Oxford, London and the Greater South East. There are pointers to the way that this connection between the South East and Midlands might be carrying growth northwards. The South East RSS notes that the highest employment growth in the region has been achieved in the M40 corridor to Oxford and beyond (along with Milton Keynes).

- The *Manchester City Region*, which extends to northern reaches of the East Midlands around the High Peak area and touches on the northern parts of Staffordshire. There are significant travel to work flows from these areas into the Manchester regional centre.
- The *Sheffield City Region*, which extends well into the East Midlands, principally around North Derbyshire and North Nottinghamshire. Many of the communities in these localities are intrinsically linked to the economic performance of Sheffield.
- Cross-border relationships between parts of *East Wales* and the West Midlands. There are travel to work flows from Wales into Shrewsbury, Telford and Birmingham. Markets for agricultural produce operate across boundaries and there are a range of land management issues relating to the border area.

Figure 3-9: Principal Cross Boundary Relationships



3.19 The conclusion must be that, whilst the Midlands Way focuses on East and West Midlands joint working, there is a clear need to recognise the important links to north and south as the Midlands plays its part in delivering sustainable growth for the UK as a whole.

4. The Midlands: Key Roles & Linkages

Key Points
➢ Five distinct roles have been identified that set the Midlands apart from other areas of the UK. These roles are vital to the ongoing development of the regional and national economy and include: *The UK's premier centre for high value manufacturing and engineering activity*. The Midlands is home to global expertise in the aerospace, rail engineering and automotive sectors. Nearly 300,000 people work in the advanced manufacturing sector in the Midlands, the highest regional concentration in the UK. *A central hub for transport logistics and distribution activity in the UK and an international gateway*. 165,600 people were employed in the Midlands logistics and distribution sector in 2004, with a concentration of employment well above the national average. The so-called "golden triangle" straddles the East and West Midlands boundary. Freight throughput at Nottingham East Midlands Airport accounts for 31% of the total UK market and Birmingham International Airport carried 5.1 million travellers on scheduled international flights, many of them for business purposes. *A UK centre for business tourism*. The two Midlands regions received 19% of England's business tourism spend in 2003 – well above their combined 15% share of England's business base. In the same year, the Midlands captured 19% of all England's international business tourism visits. The NEC group of venues in the West Midlands alone supports some 22,000 full-time equivalent jobs and many East Midlands locations are reporting a growth in business tourism and conference activities due to their central location. *The largest melting pot of different cultures outside London*. Some 26% of the total population of Birmingham, Derby, Leicester and Nottingham are from black and minority ethnic groups - when ranked against all other non London districts, only Luton and Slough can demonstrate greater ethnic diversity. The Midlands is home to two much celebrated "international" destinations (the Birmingham Balti Triangle and the Leicester Golden Mile) and most Midlands cities score highly on the recent BOHO Index. *The position of the Midlands as a significant growth location connected to the greater South East*. Parts of the Midlands have witnessed some of the highest rates of UK population growth over the last 5-10 years. Pressure will certainly increase on land and infrastructure for freight and distribution activities and for new housing development. With careful planning, the Midlands is ideally placed to accommodate the growth needs of the UK economy in a highly sustainable way, building on the Growth Area agenda. ➢ Not surprisingly given their adjacency, the two regions are linked via labour market flows. The West Midlands draws in 104,000 workers from other regions, of which 46,000 (44%) are from the East Midlands. Of the 98,500 workers that the East Midlands draws from other regions, 35,000 (36%) come from the West Midlands ➢ There are some sophisticated supply chain linkages across the Midlands (particularly in the automotive and aerospace sectors). Other linkages revolve around patronage of some of the major facilities in the Midlands – including daily flows of HEI students across regional boundaries, passenger flows to the Midlands airports and leisure and retail flows to the major centres and tourism destinations.

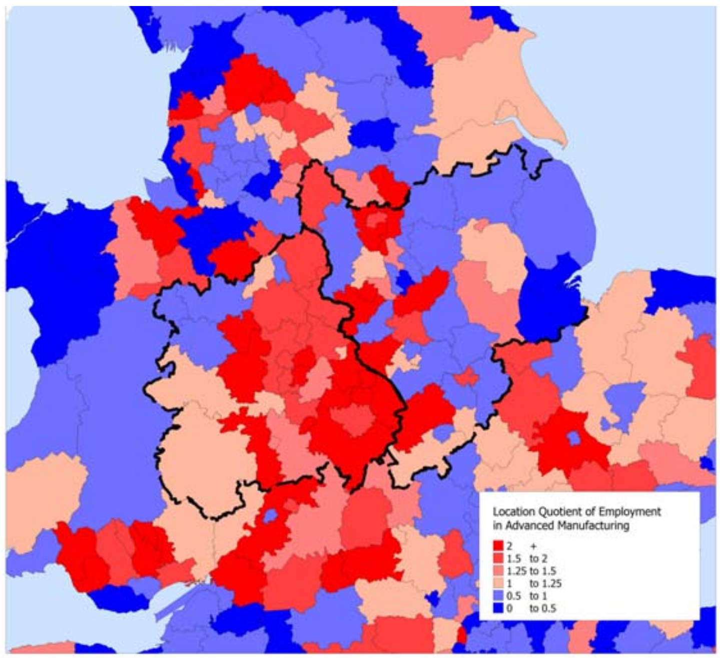
4.1 This section profiles the key roles that the Midlands plays in the UK economy. Five distinct roles have been identified that set the Midlands apart form any other location in the UK. The development of these roles will be essential to the ongoing development of the domestic economy. These roles and linkages also provide opportunities that should be captured in the development of any emerging Midlands Way actions (see section 6).

4.2 Also outlined in this section are the various practical ways in which the economies of the two Midlands regions are linked, drawing on travel to work analysis and a number of other datasets.

Centre for UK Advanced Manufacturing and Engineering

4.3 The Midlands is renowned for its strengths and comparative advantages in high value manufacturing and engineering. Employment in the advanced manufacturing sector stood at 291,000 in 2004 for the whole of the Midlands; 101,600 in the East Midlands and 189,400 in the West Midlands. These employment levels represent a location quotient[13] of 1.8 in the West Midlands and 1.25 in the East Midlands. Figure 4-1 shows the "hotspots" of advanced manufacturing activity in a UK context. There are some clear concentrations in both regions, some of which straddle the regional border.

Figure 4-1: Advanced Manufacturing Employment, 2004



Source: Annual Business Inquiry © Crown copyright

4.4 The Midlands advanced manufacturing sector is underpinned by clear shared strengths in the transport and transport technologies sectors. The rail sector is particularly concentrated in the East Midlands, with 3,000 employees and LQ of 3.6. This activity is less significant in the West Midlands, with 1,500 employees, but still has an above average concentration of employment. Derby has over 200 rail firms, with major players including Balfour Beatty, Bombardier and Midland Main Line. Derby recently gained industry approval to host the national rail centre, a state-of-the-art building serving as "a showcase for the British rail industry to overseas customers."

[13] Location Quotient (LQ) analysis can be used to demonstrate the main similarities in economic structure across the east and west Midlands. An LQ is a measure of the concentration of employment in an area, relative to a selected benchmark area (in this case GB). A LQ of 1.0 denotes a concentration of employment equivalent to the national average, above 1.0 indicates an above average concentration.

4.5 The aerospace sector is also a common asset to both regions, and is cited in both Regional Economic Strategies. Alongside other parts of the transport equipment sector, aerospace is identified by both RDAs as a priority sector for support. The East Midlands has 10,200 employees and the West Midlands 5,300 employees in the sector.[14] Key players across the two regions include Rolls-Royce in Derby, Goodrich Engine Controls in Birmingham, Dunlop Aerospace in Coventry and Smiths Aerospace Actuation Systems in Wolverhampton.

4.6 The world famous automotive sector in the West Midlands employs 62,000 with a Location Quotient of 3.4, indicating a particularly high level of regional concentration. The sector is less important to the East Midlands, but still significant, with a particular focus on motorsport (14,300 people are employed in the sector, and the concentration of employment is marginally above the national average). Again, both regions support the automotive sector through their cluster programmes and the Midlands is at the forefront of global automotive research.

4.7 Other component parts of the advanced manufacturing base include significant concentrations in the design and manufacture of plastics and rubber products, the manufacture of power machinery, metal coating, tool design and manufacture and the ceramics sector.

4.8 It is clear form the data used in this analysis that the concentration of advanced manufacturing activity in the Midlands is in many ways linked to the economy of the South West. Figure 4.1 shows there is an arc of advanced manufacturing activity which stretches from the East Midlands (especially the Derby area), through the West Midlands and along the M5 corridor into the South West through Gloucestershire, Bristol and Somerset (where aerospace employment is important) and parts of South Wales.

Transport and Logistics Hub & International Gateway

4.9 The Midlands is a centre for transport logistics and distribution activity in the UK, and one of the key centres in Europe. 165,600 people were employed in the Midlands logistics and distribution sector in 2004 (78,400 in the East Midlands, 87,200 in the West Midlands), with a concentration of employment well above the national average.

4.10 The DIRFT Logistics Park, a 202 hectare site, is located within the so-called "golden triangle"[15] between Northampton, Coventry and Leicester alongside a number of other distribution facilities. The concentration of logistics and distribution activity and the position of the so called golden triangle are illustrated in Figure 4.2. However, in reality this area has been stretched to become more of a "golden rectangle" (also shown).

[14] Defined in the narrowest sense as SIC 3530: Manufacture of Aircraft and Spacecraft.

[15] Our analysis suggests that this triangle now resembles a somewhat larger rectangle, extending up into the M1/A50 axis around Nottingham East Midlands airport.

4.11 The fact that the Midlands is the heart of the UK's distribution sector reflects the geographical position of the two regions and the density of their transport links. A large proportion of long distance goods travelling by road or rail has to pass through the region. Around 60% of all long distance freight traffic in Great Britain in 2004 passed through the Midlands. Similarly all long distance rail freight traffic in the UK passes through the Midlands. A consequence, the trunk road network passing through the Midlands and the rail network are particularly heavily used.

4.12 One key feature of work on regional freight in both regions is the importance attached to Nottingham East Midlands Airport (NEMA) as an air freight and logistics hub. In the East Midlands, the freight strategy commits partners to supporting the national role and sustainable growth of NEMA. In the West Midlands' freight study, policy OS4 states that the region should 'support and promote the continued development of express air freight services at Nottingham East Midlands.'

4.13 A 2004 study on the role of NEMA found that NEMA is the UK market leader in pure freight, representing 30.6% of the UK market. Express industry employment at NEMA has been estimated at 2,800, almost 10% of the UK total. Air freight is becoming increasingly important to modern businesses, and forecasts predict that NEMA "could be handling as much as 2.5 million tonnes a year, possibly more, by 2030."[16] Passenger throughput at the airport is also forecast to grow quickly over this period. A more recent (2006) study of the Express industry confirmed its position as a rapidly growing sector and the status of NEMA as one of the two key UK hubs (along with London Stansted).[17]

4.14 Birmingham International Airport is one of the busiest airports in the UK, with 9.3 million passengers in 2005. It serves as a passenger gateway to the Midlands - with a catchment covering all the West Midlands (69% of passenger) and much of the East Midlands (16% of passengers). In 2005 it carried 9.3m passengers (compared to Manchester's 22 million and Nottingham East Midlands' 4.2 million) of which 5.1 million were travelling on scheduled international flights. It carried the 6th largest number of international scheduled passengers of any UK airport, second only to Manchester in airports outside the London area. Birmingham Airport is a particularly important airport in terms of business travel, according to Civil Aviation Authority data for 2003, 23% of its users were business travellers compared to 20% for Manchester and 17% for all other regional airports. The new Airport Masterplan envisaged the building of a 2nd Runway and considerable growth in airport capacity and traffic to enable it to handle over 30 million passengers a year by 2030, with particular growth in long haul services.

4.15 Birmingham New Street rail station is the busiest (in terms of passengers beginning or ending their journeys) in the region, and one of the busiest hubs in Europe[18]. Improvements to its capacity is a key scheme in steps to enhance the Midlands' connectivity. In 2007, London St. Pancras station will become an international terminal with a direct link to continental Europe, serving not only the Midland Main Line (with links to the East Midlands), but also Eurostar and Thameslink trains. Improvements to the Midland Main Line and key elements of its infrastructure are also vitally important if the benefits of links to St. Pancras and to continental Europe are to be maximised.

---

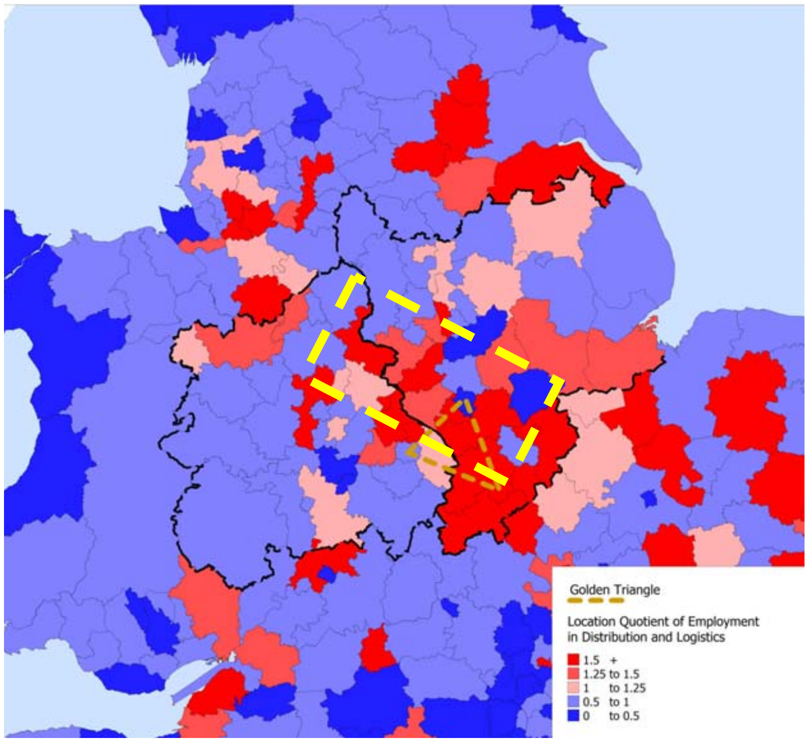
[16] East Midlands Regional Assembly (2004) Case Study, Air Freight: Maintaining the Regional Advantage

[17] Oxford Economic Forecasting for EMDA (2006) *The Economic Impact of Express Carriers for UK PLC*

[18] Strategic Rail Authority, National Trends Yearbook 2002-03.

4.16 However, the important transport hub roles of the regions have their downside in terms of heavy levels of HGV traffic, traffic congestion and pressure on land for B8 (warehousing) uses.

Figure 4-2: Logistics and Distribution Employment, 2004, and the "Golden Triangle" and "Golden Rectangle"



Source: Annual Business Inquiry © Crown copyright

Business tourism

4.17 The Midlands is a UK centre for business tourism. In 2003, the two regions benefited from £938m of business tourism spend from UK residents. This accounted for 31% of all tourism spend in the two regions (business tourism accounted for 25% of all tourism spend in the UK as a whole). Some 4.2m of all trips to the Midlands in 2003 were for business reasons, which was over a fifth of all trips in the Midlands – by comparison, in the UK as a whole, 15% of all trips were for business purposes.

4.18 The two Midlands regions received 19% of England's total business tourism spend in 2003 – well above its 15% share of England's businesses. The Midlands is also a significant international business tourism destination. In 2004, its two regions received over 1.1 million international visits for tourism purposes – this again represented 19% of all England's international business tourism visits. 39% of all international visits to the Midlands were for business purposes – compared with an England average of 25%[19].

4.19 Reflecting this status as a natural UK centre for business tourism, there is a concentration of conference venues and other visitor venues in the heart of the Midlands. The NEC group is an

[19] All data from the International Passenger Survey 2004, Office for National Statistics.

example of this - consisting of the National Exhibition Centre (NEC), the NEC arena, the National Indoor Arena, the International Convention Centre, and Symphony Hall. The most recent study of the NEC Group's economic impact found that the group supported 21,800 full-time equivalent jobs, having a big supply chain impact on the service sectors, particularly hotels, restaurants, retail etc. Visitor expenditure was £710 million in 1999, and the existence of the venues has had catalytic effects in levering in billions of pounds of private investment. Many East Midlands locations are also reporting a significant growth in the number of conferencing and business tourism events, and there is scope to build on this further through an expansion in the range of facilities on offer.

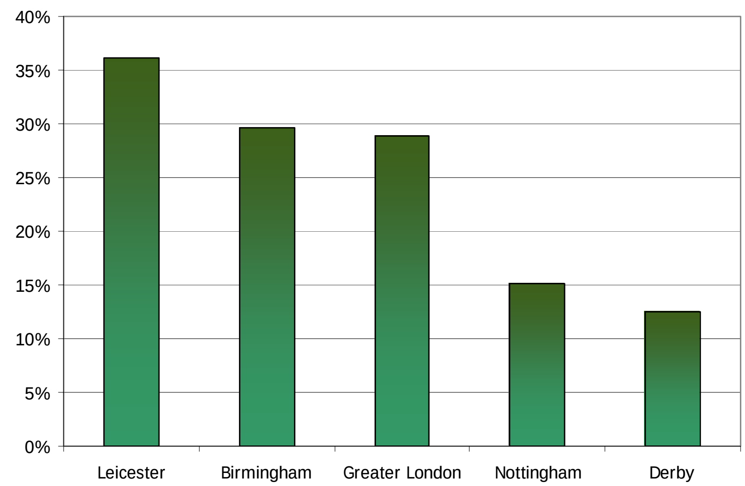
4.20 The role of business tourism is reflected in both Regional Tourism Strategies. The West Midlands can point to Birmingham's status as a globally recognised conference location via the NEC group along with other key venues such as the Ricoh arena. The East Midlands Tourism Strategy attributes to business tourism much of the responsibility for recent new investment in the industry. With their central location, two major airports and road and rail links, the Midlands is especially well placed to further develop UK and international business tourism.

Cultural "Melting Pot"

4.21 Outside of London, the Midlands has some of the most diverse and cosmopolitan communities in its main urban areas. Some 26% of the total population of Birmingham, Derby, Leicester and Nottingham are from black and minority ethnic groups (see Figure 4-3). When ranked against all other non London districts, only Luton and Slough can demonstrate greater ethnic diversity. This point is illustrated well by way of comparison with the Northern Way cities of Manchester, Liverpool, Preston, Sheffield, Leeds, Hull, Middlesbrough and Newcastle which collectively have an ethnic minority population of only 9% of the total population.

4.22 As Table 4-1 indicates, a wide range of different BME communities are represented in the Midland's cities, although the majority are Asian or Asian British. The Midlands is home to two of the most celebrated "international" destinations in the UK. Birmingham's *Balti Triangle* is situated to the south of the city centre in the Sparkbrook and Sparkhill areas of the city – there are around 50 balti houses with an estimated restaurant turnover of £7M. The Belgrave Road *Golden Mile* is located north of Leicester City Centre and is an Asian retail centre for silks, fabrics, saree shops, cookware, festival gifts, Asian grocers and millers, jewellery and (predominantly) Gujarati and Punjabi cuisine.

Figure 4-3: Proportion of Ethnic Minority Residents, 2001



Source: ONS, Census 2001

Table 4-1: Range of Ethnic Groups and Percentage of Total Population

Ethnicity	Leicester, Birmingham, Nottingham and Derby	London	England
White	74%	71%	91%
Mixed	3%	3%	1%
Asian or Asian British	18%	12%	5%
Black or Black British	5%	11%	2%
Chinese or other	1%	3%	1%

Source: ONS, Census 2001

4.23 The "BoHo Index" is a relatively new measure for diversity, tolerance and creativity, from the work of Richard Florida. This ranks the 40 largest UK cities based on a variety of indicators of these three elements. In terms of ethnic diversity, 6 of the top ten ranking cities are in the Midlands.

Table 4-2 : Top Ten Ranked UK Cities on the "BoHo" Index

RANK	CREATIVITY INDEX	ETHNIC DIVERSITY	SEXUAL DIVERSITY	PATENT APPLICATIONS
1	Manchester	London	Brighton and Hove	Manchester
2	**Leicester (2 =)**	**Leicester**	Manchester	Bristol
3	London (2=)	**Birmingham**	London	Aberdeen
4	**Nottingham**	Manchester	Edinburgh	**Nottingham**
5	Bristol	**Wolverhampton**	Bristol	**Leicester**
6	Brighton and Hove	Bradford	**Leicester**	**Coventry**
7	**Birmingham**	**Coventry**	**Nottingham**	Cardiff
8	**Coventry**	**West Bromwich**	Glasgow	Brighton & Hove
9	Cardiff	**Nottingham**	**Derby**	London
10	Edinburgh	Oldham	Southampton	Milton Keynes

Source: "The BoHo Index", www.demos.co.uk

4.24 Both the Regional Economic Strategies see considerable strengths in the diversity of the Midlands' population. The East Midlands' draft RES describes diversity as essential to achieving a flourishing region. In the West Midlands, the RES describes diversity as a great strength. It aspires to harness the region's geographic and cultural diversity as a means to create vibrant places to live. This is a message echoed in the two cultural strategies. For example, the West Midlands' strategy calls for the region's cultural strengths to be promoted at all levels from the global to the local.

The Midlands as a growth location

4.25 Parts of the Midlands have witnessed some of the highest rates of UK population growth over the last 5-10 years. The earlier analysis shows that some of the most intense pockets of population growth have been concentrated in the southern parts of the Midlands (predominantly in the East Midlands but also in certain districts within the West). Employment growth has also been significant in parts of the Midlands. However, the city regions in the two regions have not been fully punching their weight and the core urban areas have in many cases seen population and employment decline or at least stagnate. The city regions have considerable as yet untapped growth potential that needs to be exploited.

4.26 Pressure will certainly increase on land and infrastructure for freight and distribution activities and there will continue to be an extension of pressures for new housing development. Whilst these trends are already acknowledged as part of the Milton Keynes South Midlands growth area initiative, the pressures and opportunities are certainly evident beyond the boundaries of this designation. The new household growth projections recently published by DCLG present challenges for both regions in finding ways to accommodate the projected growth in households in a sustainable manner. More technical work is needed to understand the implications of these projections in the two Regional Spatial Strategies.

4.27 With careful planning, the Midlands is ideally placed to accommodate some of the growth needs of the UK economy in a highly sustainable way. Recent New Growth Point bids from both Midlands regions demonstrate the capacity of the Midlands to accommodate growth. Successful initial submissions have been made to the Department for Communities and Local Government (DCLG) for Growth Point status for a number of locations. The bids submitted by the Three Cities, Birmingham/Solihull and Lincoln, Grantham and Newark will now be subject to further careful consideration.

Evidence on the Nature of Main Linkages between East and West Midlands

4.28 There is relatively limited data on the nature and extent of inter-regional linkages.[20] The data does suggest significant linkages reflecting the long boundary between the two regions as well as to some extent shared industrial infrastructure and shared transportation infrastructure. However, there are also strong linkages between each of the regions and surrounding other regions, especially the greater South East and major conurbations in the northern regions.

[20] In response to this deficit in the evidence base, Section 6 of this report contains an explicit recommendation to better understand the array of economic linkages present across the East-West boundary.

Labour market flows

4.29 Labour market flows are the most obvious manifestation of the economic linkages between the Midlands regions. The two regions are mutually dependent for their labour supply. The West Midlands draws in 104,000 workers from other regions, of which 46,100 (44%) are from the East Midlands. Of the 98,500 workers that the East Midlands draws from other regions, 35,200 (36%) come from the West Midlands. To put these flows into context, the flow from the East Midlands constitutes some 2% of all people working in the West Midlands on a daily basis. Likewise, 2% of those working in the East Midlands on a daily basis reside in the West Midlands.

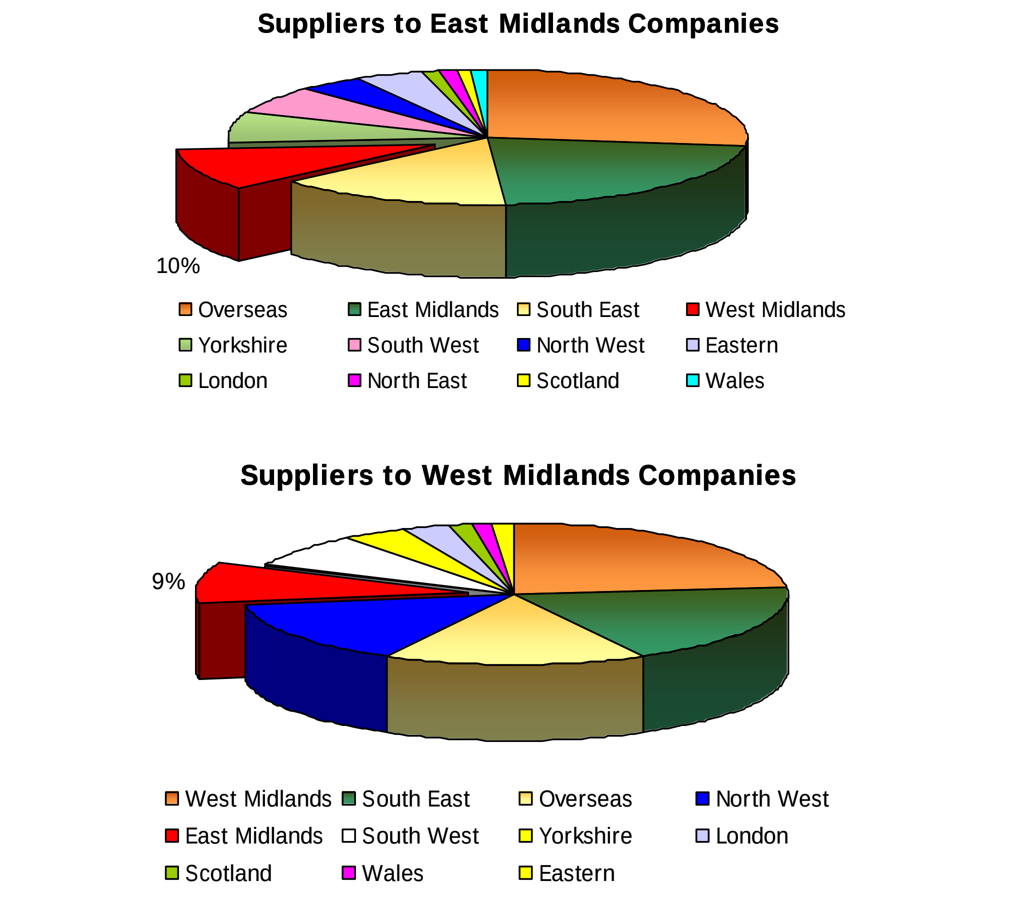
4.30 Examining these flows more closely reveals that the key flows from the East Midlands to the West Midlands are from districts immediately adjacent to the regional border (South Derbyshire, Hinckley and Bosworth, Derby and Daventry). Unsurprisingly, for inflows into the East Midlands, the main sources are East Staffordshire, Nuneaton and Bedworth, Rugby and Coventry. Workers from the East Midlands who commute into the West Midlands are more likely to be graduate and professional workers than are residents of West Midlands who commute to the East Midlands. 58% of commuters from the East Midlands to the West Midlands are in graduate professional occupations, as compared with 47% of commuters from the West to the East Midlands.

4.31 There are also considerable flows to and from other regions. Both regions have a considerable share of residents that commute to London and the South East. Together the regions exported over 63,000 workers to London and the South East, around 18% of all out-commuters from the regions. Both regions also have significant flows both to and from the North West, with a net outflow - 38,700 out-commuters and 25,200 in-commuters. The East Midlands has large flows of workers to and from Yorkshire and the Humber.

Other linkages

4.32 Although there is limited data available, there is some evidence to indicate that the regions interact through supply chain linkages in key sectors. In the aerospace sector, a cluster mapping exercise has shown that (taking out suppliers whose location is unknown) 10% of Tier 2 suppliers to East Midlands companies are in the West Midlands and 9% of Tier 2 suppliers to West Midlands companies are located in the East Midlands – see Figure 4.4.

Figure 4-4: Location of Tier 2 Suppliers to Aerospace Companies in the East and West Midlands



4.33 Data from recent Regeneris Consulting work on the MG Rover Taskforce has been used as an indicator of supply chain interaction in the automotive sector. Based on MG Rover's purchases, 8% of MG Rover's Tier 1 suppliers were based in the East Midlands – the highest proportion after the South East.

4.34 Transport data indicates that the East Midlands is the biggest destination for goods originating from the West Midlands, and vice versa. Some 21 million tonnes (21%) of goods moved out of the East Midlands have the West Midlands as their destination, and 14 million tonnes from the West Midlands go to the East Midlands (a quarter of all goods moved out of the region).

4.35 Data on the users of the **regions' airports** provides a useful indication of the extent to which the regions draw customers from each other. In 2003 Birmingham Airport drew the majority (69%) of its users from the West Midlands, but its second biggest source was the East Midlands, which accounted for 16% of all users. Nottingham East Midlands Airport shows a similar pattern in its users – 63% are drawn from the East Midlands, but 16% are drawn from the West Midlands.

4.36 The two regions interact in the arena of **Higher Education**. 1200 full time students in West Midlands HEIs commuted in from the East Midlands in 2001, representing a third of all in-commuting students to the region. In the same year, the West Midlands had 800 full time students who travelled into the East Midlands – 28% of all in-commuting students.[21] Many of the students at Midlands universities stay on in their region of study after finishing their first degree, and many go to London. However, the West Midlands is the fourth most popular destination for East Midlands graduates, and vice versa.

[21] Data from Census 2001.

5. Framework and Principles for Joint Working

Key Points
➢ Any future collaboration under a Midlands Way banner needs to be based on **three key principles**: 1. Will the activity make a demonstrable **contribution** to closing the Midland's GVA gap in a sustainable manner? 2. Is there a clear **rationale** for investing time and resources in a Midlands-wide approach (as opposed to regional, city regional or local approaches)? In short is there *added value* in a Midlands Way action? 3. How **practical** is any collaboration? It is only possible to develop deliverable and effective joint actions if there is an appetite for them amongst stakeholders? ➢ On the basis of research conducted as part of Midlands Way, **four Action Areas** have been identified that should form the basis for designing and developing any future collaborative actions: *Tackling Shared Productivity Challenges*. Driving up rates of productivity is a key objective for both Regional Economic Strategies and is an area where there is considerable added value from integrated working, particularly around the Midlands' shared sectoral and technological strengths. *Enhancing Connectivity.* Further improvement of national and international connections and enhancing the international gateway role of the Midlands is a priority, as is facilitating better connectivity across the Midlands for the benefit of both regions and the UK economy as a whole. Much of this will necessarily require close collaboration and joint working. *Promotion & Positioning*. It is only through the combined assets of both regions that the unique roles of the Midlands become particularly evident and there can be economies of scale and impact in working together. Internationally, the offer of the British Midlands can be a powerful building block in raising profile. *Encouraging Sustainable Growth*. Parts of the East and West Midlands face common challenges and opportunities in responding to growth opportunities. There are cross-regional issues around housing growth, provision of employment land, promotion of green infrastructure and facilitating the ongoing role of the Midlands' distribution sector that warrant collaborative working. ➢ The regions are building on existing systematic collaboration which is more evident than between other regions of the UK. Much of this activity is practical in nature, grounded in a willingness to tackle common problems and share costs. This has generated the type of concrete benefits that need to flow from any future Midlands Way actions. ➢ Existing collaboration spans joint working around shared sectors (for example the work of the Midlands Aerospace Alliance), collaboration across the university sector, integrated efforts on international promotion and a range of joint schemes around some of the Midlands shared tourism assets.

5.1 As already stressed, the Midlands Way is not in any sense an overarching supra regional strategy guiding the investment plans and decisions across the two regions. Rather the Midlands Way is intended to complement and support other strategies and plans and, where possible, add value to them. The Midlands Way will focus those issues where there is a strong case for collaborative working across the two regions.

5.2 This Midlands Way document provides a framework and set of guiding principles to help shape any future collaborative working across the Midlands. This framework is based on those areas where the evidence suggests benefits from integrated working – either responding to the shared challenges faced by the Midlands regions or enhancing some of the unique roles the Midlands plays in a UK context.

Guiding Principles for Midlands-wide Collaboration

5.3 Partners have a head start in joint action across regional boundaries. Systematic collaboration between the East and West Midlands is more evident than it is in many other areas of the UK. Significantly, much of this activity is practical in nature, grounded in a willingness to tackle common problems. This has generated the type of concrete benefits that should be evident in any future Midlands Way actions.

5.4 Some of the examples of existing collaboration are provided in Table 5.1. These activities clearly span joint working around shared sectors (the work of the Midlands Aerospace Alliance), collaboration across the university sector, integrated efforts on international promotion and a range of joint schemes around some of the Midlands' shared tourism assets.

5.5 This experience suggests that there are three core principles (or tests) that should be considered in the design and funding of any future collaborative work:

- **Principle 1: Activities should make a demonstrable contribution to closing the Midlands' GVA gap in a sustainable manner.** If productivity and employment rates in the Midlands converged to the current England average, the Midlands has the potential to generate an extra £18bn of GVA. Raising rates of productivity and closing this GVA gap is a core objective of both Regional Economic Strategies and needs to be a central principle in determining any Midlands Way actions. However, this is not to suggest that the Midlands Way supports growth at any price. The social and environmental impact of any growth needs to be considered fully in line with the important sustainability principles in the two Regional Spatial Strategies.
- **Principle 2: All proposed actions should have a clear rationale for a Midlands wide approach**. The successful collaboration to date has materialised because of the benefits of intervening on a pan-regional basis. The concept of *added value* is a crucial criterion in assessing the case for investing in future joint actions. This added value is derived where joint working or understanding across the Midlands delivers a better outcome for both regions and the UK as a whole than that delivered by the region operating separately. This added value is often most evident where cross-border issues demand an integrated approach and where activities are based around some core shared assets or interests. The added value can stem from economies of scale and impact or where solutions demand a cross regional approach (e.g. cross border issues).
- **Principle 3: Actions should not overlook the practicalities of making collaboration happen**. Deliverable and effective joint actions require an appetite amongst stakeholders. Actions need to be demonstrably practical and achievable. Aspirations for very ambitious joint actions are understandable. However, it is recognised that partners have individual responsibilities, limited budgets and existing commitments to fulfil. Joint working might mean a major investment of time, staff resources and funding. For the most part, the target frameworks determined by Central Government do not reward inter-regional activity unless it produces clear benefits to the individual region. In simple terms, a regional body's primary responsibility is to look after its own patch. The Midlands Way should challenge how inter-regional working is incentivised or at the very least not disincentivised. Four Areas for Action

5.6 Building on the analysis in the previous sections **four Action Areas** have been identified that should form the basis of any efforts to take forward collaborative working:

- Tackling Shared Productivity Challenges
- Enhancing Connectivity
- Promotion and Positioning
- Encouraging Sustainable Growth.

5.7 Each of the four Action Areas is described in more detail below.

Tackling Shared Productivity Challenges

5.8 The earlier SGMW Consultation Draft outlined the common issues faced by the two regions in driving up rates of productivity. It described the long established and proud industrial tradition of the Midlands, and the common need to adapt and respond to market changes. There is a persuasive argument that Midlands wide initiatives can help boost productivity, investment in R&D and innovation.

5.9 The analysis presented in this report has amplified these points. Lower rates of productivity account for the lion's share (85%) of the £17.7 billion gap in GVA performance between the Midlands and the England average. Productivity in manufacturing in the West Midlands is a particular issue, but the performance of parts of the service sector (business services, transport and communications, financial intermediation) is lagging in both regions.

5.10 This is also the area where there is, currently, the greatest inter regional co-operation. The Midlands has a good history of joint initiatives and action linked to shared sectoral characteristics (e.g. aerospace and engineering), acknowledging that the way businesses operate is certainly not constrained by regional boundaries. There is already evidence of collaboration between Universities across the two regions.

5.11 For both Regional Economic Strategies, driving up rates of productivity is a key objective and a principal indicator of their success. A range of regional level programmes and interventions are already in place to tackle these issues, many of them attempting to address certain market failures in respect of the drivers of productivity. In taking forward this agenda, there will certainly be opportunities for the two Midlands regions to work together collaboratively. These opportunities may involve:

- Working with common sectors to increase rates of innovation and R&D. Sustainable transport technologies are both an established and emerging strength of the Midlands. Additionally, integration of activities across the Science Cities and the Science and Industry Councils could be particularly important.
- Supporting practical collaboration between the regions' universities. There are good examples of effective joint working already (e.g. Midlands Medici) and partners should aim to secure more incentives for this type of activity.
- Capitalising on the growing strength of the Midlands' major cities in attracting new investment in financial and professional services. There is scope for collaborative work between the two City Regions and other growth locations in determining future roles and functions in the higher value service sector.
- Broadening the skills base across certain sectors via collaborative working. There will be a major role for education and training providers along with existing employers.

Enhancing Connectivity

5.12 The rationale for joint working on connectivity issues across the Midlands is strong. One of the unique features of the Midlands is its central location and the concentration of transport related and logistics employment. Further improvement of national and international connections should be a priority, as should the facilitation of improved connectivity across the Midlands aiding the flow of labour and goods across regional boundaries. Improvements to East-West linkages are a particular shared aspiration across the two regions. Delivering on this agenda will necessarily require close collaboration and joint working. The main opportunities will include:

- Working together to agree actions on the small number of key common strategic routes that both regions have identified, especially external routes to key ports.
- Joint efforts to improve access via public transport and roads for residents of both regions to the two Midlands airports.
- Joint work with neighbouring regions on key connectivity issues. For example, ensuring good strategic connections with London and the greater South East is vital; links to the north of the UK are also important for the logistics sector and for UK competitiveness given the Midlands' central transportation role.

5.13 Determining joint infrastructure priorities is a complex exercise. The importance of the statutory spatial planning system and the careful consultation and detailed analysis that underlies decision making needs to be recognised. The onus has been on individual regions to identify key schemes and make a supporting case to Central Government (e.g. through the Regional Funding Allocations process and now the Productivity Transport Innovation Fund). Both Regional Development Agencies have recently made first round bids to the Productivity Transport Innovation Fund (TIF), the Department for Transport's initiative to support regional, inter-regional and local schemes that are beneficial to national productivity.

5.14 The bids identified a small number of strategically important candidate schemes for which funding was sought. These range from improvements to the frequency of rail services to the dualling of stretches of 'A' roads. Both bids identified schemes which would impact on both regions: the East Midlands' Productivity TIF bid highlighted Nottingham to Birmingham rail services improvements; the West Midlands bid identified surface access improvements to Birmingham Airport; and both bids identified Felixstowe to Nuneaton rail freight gauge improvements.

5.15 The Department for Transport's official response to the Productivity TIF submissions has earmarked the Felixtowe to Nuneaton scheme as one of the proposed projects which will go forward to a second stage for further work. For the West Midlands, rail gauge clearance on the Southampton to West Coast Main Line route has also gone forward from its initial submission. A number of schemes submitted by other regions that have come through the first stage in the TIF process have significant implications for the Midlands, particularly for its role as a transport and logistics hub. They include:

- A scheme put forward by the Yorkshire and the Humber region relating to rail freight capacity from the Humber Ports/Immingham to the East Coast Main Line which would have some clear benefits for the movement of goods into and out of the Midlands.
- A14 corridor traffic management, focused on the East of England region, including widening in Cambridgeshire. Parts of this scheme relate to the East Midlands.

- Demand management measures on the A1, M1 and M11 - focused on the East of England and South East - which would improve road access to and from the South East.

5.16 Subsequent TIF bidding rounds are likely to see the Midlands bid for funding for longer term priority schemes. To date there has been little specific collaboration across the two regions on connectivity issues, although there is local level cross boundary joint working.

5.17 There are powerful drivers for collaborative working here which stem from some common characteristics and shared issues between the two regions (and from the inevitable competition for resources which will accompany the Comprehensive Spending Review 2007 process). The three northern English regions are set to lobby for pan regional transport schemes through the Northern Transport Compact. Partners in the Midlands have an opportunity to speak with one voice on particular issues at a time when other regions are doing the same.

Promotion and positioning

5.18 The earlier analysis pointed to at least five key roles played by the Midlands in a UK context. With the combined assets of both regions these roles become particularly evident and persuasive, particularly where strengths are complementary. There are also considerable economies of scale in marketing and promotion which, at an international level, can be expensive. The further away from the UK is a market place, the less the individual locations of the East and West Midlands have value as brands. The concept of the British Midlands has proven a powerful brand in raising profile in many overseas locations and as an umbrella under which the regions can work together (with considerable success in North America).

5.19 Similar arguments could apply to promotion of the Midlands for tourism purposes, the previous Heart of England Tourist Board covered parts of the East Midlands, the West Midlands as well as parts of the South West. There is still private sector marketing and information covering this pan-regional area. There is also some joint marketing activity in destinations that straddle the two regions, particularly the Peak District.

5.20 There are clearly reasons to collaborate on the promotion and positioning of the Midlands both nationally and internationally. Some of the main opportunities will include:

- Continued development of the British Midlands brand internationally – exploring how the initial successes can be built upon.
- A focus on trade and investment in China and other emerging markets. The opportunity to capitalise on the growing need and demand for environmental technologies in response to the challenges of climate change would play to the Midlands' key industrial strengths and might be one focal point for this activity.
- Diversity is a key feature of the Midlands and there could be greater systematic marketing and promotion of the joint cultural assets of the Midlands.
- Developing the shared assets that underpin the unique roles of the Midlands. The business tourism offer is an area where collaboration could occur. The Midlands' green infrastructure is another joint asset that could lend itself to further joint working, particularly where these assets span regional boundaries, which will support the 4th area identified for action i.e. Encouraging Sustainable Growth..

Encouraging Sustainable Growth

5.21 That economic and demographic growth should be encouraged in a sustainable manner is clearly a central tenet of both sets of regional economic and spatial strategies. And as noted earlier the aspiration of the Midlands Way Action Plan is to support actions which can make a demonstrable contribution to closing the large GVA gap across the two regions in a *sustainable manner*. Most of the key policies, programmes, decisions and actions to promote and ensure sustainable growth are delivered at the national, regional or local level. However, there are some important areas where joint action and joint approaches across the two regions can positively help ensure sustainable economic growth.

5.22 The Midlands straddles the traditional Severn-Wash axis splitting England in two halves. This unique geographical position is sandwiched between the growth areas of the greater South East (which of course in policy terms extends into the East Midlands in Northamptonshire) and the relatively underperforming economies of the north of England. This location is to a large extent reflected in the relative economic performance of different parts of the area. There is a clear challenge in national policy terms to harness the growth potential of the Midlands in a way which will aid regeneration and development in more disadvantaged areas and builds from the opportunities of adjacency to the greater South East. The development of successful City Regions in the Midlands is part of this process.

5.23 Not surprisingly, parts of the East and West Midlands face common challenges (and opportunities) in responding to growth. Pressure will certainly increase on land and infrastructure for freight and distribution activities and there will continue to be an extension of pressures for new housing development which to some extent could be absorbed/diverted between the two regions. These forces are already acknowledged as part of the Milton Keynes South Midlands (MKSM) growth area initiative, but the pressures and opportunities are certainly evident beyond the boundaries of this designation. The potential role of New Growth Points in the Midlands is important here.

5.24 There are interactions and common issues around housing growth, provision of employment land and facilitating the ongoing role of the Midlands logistics and distribution sector that warrant an element of collaborative working. Similarly, there may be potential opportunities for joint working on practical approaches to encourage sustainable growth.

The Midlands' Approach Works – Examples of Current Joint Working

5.25 There is much to build on already from a history of positive inter-regional working. Organisations in both regions already work together and in some cases there are single organisations covering the Midlands (see Table 5-1).

Table 5-1: Examples of existing Midlands collaboration
• The **Midlands Aerospace Alliance** services an established Midlands wide cluster to exploit the complementary strengths of the two regions (aero engines in the East, power and control systems in the West). The RDAs' joint contribution to the development of the cluster is a first in the UK. Both regions have created a 'Lift Off' business support programme for SMEs in the aerospace sector and there a plans to extend the programme. Employers in the Midlands and the Aerospace Alliance worked together to set up the **Midlands Engineering Industries Redeployment Group** (MEIRG) project. It links employers with potential employees in order to retain the pool of highly skilled engineering workers across the two regions. The list of major employers among its membership is growing and public agencies have come on board.   • **Midlands Medici** was originally a two year collaborative project – launched in 2002 – which aimed to develop entrepreneurship and technology transfer within Midlands' univerisities. By the end of the pilot programme in 2004 the project had scored successes in spin offs, technology licensing, patent applications, consultancy agreements and capital investments. As a result, Medici was extended for a further two years and its focus expanded to take in a range of other sectors. The consortium of participating universities also grew alongside the original five.   • The **co-location of the East and West Midlands Brussels offices** has helped to raise the profile of the Midlands in a key international location and is seen by members of the business community as a positive development. The **British Midlands** brand is used to promote the Midlands regions in North America and the Asia Pacific region with a focus on attracting new inward investment. Among the key sectors that it promotes are transport technologies, medical technologies and food and drink.   • There is a concentration of motorsport and related performance engineering companies across the four regions of the East and West Midlands, Eastern and South East England. The RDAs are backing a **Motorsport Valley** initiative to attract inward investment to sustain and develop this key industrial cluster.   • The National Housing Federation and the Chartered Institute for Housing recently launched a **Midlands United** campaign to put the case for increased investment in housing and economic growth in the East and West Midlands. The campaign will lobby MPs, civil servants and key regional players to inform and persuade them of their case.   • Current inter-regional working is particularly concentrated in the **Peak District** where there are a large number of joint projects (e.g. Visit Peak District Partnership; Peak District Rural Action Zone Pathfinder). The scale of these projects extends from small scale, highly localised initiatives to multi-agency programmes covering the whole of the Peak District. The **National Forest Company** brings together partners from a wide range of East and West Midlands organisations including the RDAs, government departments, the voluntary sector, the tourist industry, the private sector and local authorities. The continued development of the National Forest as an attraction implies a major marketing effort along with sustained resource input from the two regions. Historically there has been a joint approach to tourism through the Heart of England Tourist Board. This demonstrated the potential for collaborative action in this key sector and the two regions have been taking a fresh look at how they work together (e.g. in promoting destination brands).

6. Midlands Way : Moving Forward

6.1 This section of the report outlines the main ways in which partners across the Midlands will move forward on the Midlands Way throughout the remainder of 2006/07 and into 2007/08 (i.e. over the next 18 months or so). It identifies:

- A small number of project proposals. These are all firm ideas; they pass the three "tests" outlined in Section 5 and have the potential to be implemented before the end of financial year 2007/08.
- An additional set of activities related to joint case making on strategic infrastructure schemes and joint responses to emerging government policy. In many instances this involves integrating existing activity in one region with that in the other.
- A series of somewhat looser concepts where there is scope for collaborative working but where further developmental work is required to define precisely what the nature of any joint working might be. For most of these concepts, the appetite and practicalities for joint working needs to be tested more rigorously over the course of the next 18 months.

6.2 Section 6 also makes suggestions on the supporting "infrastructure" required to maintain momentum under the Midlands Way and take forward the ideas that have emerged to date.

Project proposals

6.3 Three priority projects have been identified. They have been shaped by the Action Areas and principles identified earlier and by existing collaborative activity and are based on:

- Advancing to a **further stage of the Midlands engineering redeployment initiative** (MEIRG). There is scope within the next 18 months to expand the scheme to embrace a wider range of sectors and, potentially, internationalise the concept by linking to areas of the EU where there is a surplus of engineers.
- Taking forward joint working on sustainable transport technologies, particularly around the **fuel cell technology agenda**. Activity would systematically link together collaborative activity on hybrid fuel cell research and development, related specialist R&D in composite materials and the established lead that the two regions have in a range of transport technologies.
- Joint work on developing **international investment and trade links with a particular focus on China** and other emerging markets.

6.4 The three interventions are summarised in Table 6.1 below, with more detail in Appendix A.

Table 6-1 : Moving Forward on Midlands Way Project proposals			
Description of Action	*Contribution to closing the GVA gap in a sustainable way*	*Rationale for Midlands Action*	*Appetite, Practicality and Possible Lead Partners*
ACTION AREA: TACKLING SHARED PRODUCTIVITY CHALLENGES			
MEIRG Plus	Directly addresses one of the 5 productivity drivers (skills).	Labour markets for advanced manufacturing/engineering cut across the regional boundaries. Any further redeployment initiatives must build on these labour market realities.	Demand from employers is reported to be strong and there have already been some discussions about expanding its sectoral coverage. *Lead Partners: RDAs, MEIRG*
Sustainable transport technologies	Action has the potential to generate new R&D activity and establish lead for Midlands in high value added products and processes.	Capitalises on world leading expertise of the two regions in particular sectors/technologies. Reflects sophisticated supply chains that operate across the Midlands.	Dialogue about expanding sectoral collaboration is ongoing. The machinery to develop and support sector development is already in place. *Lead Partners: RDAs, key industry players and research organisations.*
ACTION AREA: PROMOTION AND POSITIONING			
Develop international investment and trade links, with a particular focus on China and emerging markets	Would directly address one of five productivity drivers (investment) by attracting new foreign investment to the Midlands.	This action would increase the geographical scope and scale of promotional activity, driving home the size of the market and the locational advantages the Midlands offers to potential investors. Activity already carried out under the British Midlands brand has demonstrated the potential benefits of a Midlands wide approach.	Infrastructure for British Midlands brand activity is already in place. The two regions have had dialogue about China and other growing markets, and are continually looking for new export markets and investment opportunities. Environmental technologies might be a focal point for this action. *Lead Partners: RDAs, UKTI*

Strategic infrastructure schemes and joint responses to emerging policy

6.5 There are a number of areas where it makes sense for the Midlands regions to engage in joint case making on major infrastructure and connectivity schemes likely to benefit economic performance across the whole of the Midlands. The priorities for the next 18 months are:

- Putting the **case for key improvements on the Midlands-Felixstowe corridor**, including the rail freight link and the A14. Action would revolve around the way that the two regions exert pressure on Central Government and the key agencies (particularly the Highways Agency and Network Rail) to put the case for improvements and secure funding for them.
- Joint work to secure the best outcome for the Midlands from the **new rail franchising process** which replaces the existing Central Trains rail franchise. This is the first step in more systematic work across the Midlands to improve inter-regional surface linkages and infrastructure (see also medium term project ideas).
- Capacity improvements at **Birmingham New Street Station**. Collaborative action between the two regions would centre on the case for the changes needed to ensure

that the Station is able to handle the significant volumes of passengers and trains that pass through each day. A scheme to improve platform and concourse capacity has already been submitted to the DFT through the West Midlands' productivity TIF bid. Pressure for this project to receive the necessary backing will need to be maintained. With in excess of 1,300 trains passing through the station each day and forecast growth of 50% over the next 20 years, this action may also focus on the longer term changes that are likely to be necessary to **the Birmingham rail hub.**

- Improved access to **Birmingham airport** from the M42 and surface links to **Nottingham East Midlands Airport**. Putting a joint case for improved surface access to Birmingham and Nottingham East Midlands Airports would address a set of strategic transport issues which both regions have identified in Regional Spatial Strategies and Productivity TIF bids. For the East Midlands, direct public transport links to the Airport have been identified as a long term priority in the RSS. For the West Midlands, a case for improvements at junction 6 of the M42 in order to provide better access to Birmingham Airport and the NEC is identified in the Productivity TIF bid.
- Increasing the **speed and frequency of trains on the Nottingham to Birmingham rail link**. The two regions would work together to put the case for improved rail services between the two cities. This action would address a number of issues, including the widening of travel to work areas and the potential reduction of congestion on the motorway network.
- Measures to **improve infrastructure on the Midlands Main Line**. The two regions would work together to develop the case for improvements to the Midland Main Line, linking the Midlands to London St. Pancras and to continental Europe via the new Eurostar terminal. The proposed scheme would involve several measures to enhance the infrastructure on the route.

6.6 There is also scope for partners to work collaboratively on two of the defining characteristics of the Midlands economy identified in preceding sections of this report, as follows:

- Co-ordination of research on the role of logistics and distribution activity in each region, possibly leading to the preparation of a **Midlands level logistics strategy**. Revisions of the Regional Spatial Strategies might present an opportunity for the two regions to engage over the location of regional logistics sites. A large amount of evidence on logistics and freight has been collated and analysed in both regions as part of their work on the Regional Spatial Strategies. The main tasks under this action would be to draw together this work to produce a strategy and secure the necessary buy in from partners
- Collaborative response to the **UK growth agenda**. Through dialogue between key organisations, the two regions would arrive at a coordinated approach to handling the implications of Central Government policies to regenerate urban areas and pursue rapid growth in specific areas. This could extend to a joint response to Government setting out how the Midlands could maximise its contribution to growth while reducing any negative impact. It might also take in the alignment of any future Growth Point bids and a joint approach to ensuring that the substantial increase in economic activity in the MKSM area is directed towards the Midlands, and particularly towards the city regions.

6.7 The activities outlined above are summarised in Table 6-2.

Table 6-2 : Moving Forward on the Midlands Way Strategic infrastructure schemes and joint responses to emerging policy			
Description of Action	*Contribution to closing the GVA gap in a sustainable way*	*Rationale for Midlands Action*	*Appetite, Practicality and Possible Lead Partners*
ACTION AREA: ENHANCING CONNECTIVITY			
Midlands to Felixstowe Corridor	Would strengthen the competitiveness (one of five drivers of productivity) of businesses by reducing costs of freight movement.	Capacity remains a problem for Midlands businesses. The Midlands Way could provide the framework to build and put forward a strong collective case for investment.	Identified as a strategically important route by both regions. Many consultees have highlighted the need for improvements on this link. *Lead Partners: RDAs, Regional Assemblies, East of England Region, Highways Agency, Network Rail*
New rail franchising process.	Faster, more efficient rail connectivity would have a range of positive impacts for businesses and employees.	The rationale for Midlands wide action is that the case to secure the best results for the two regions would carry more weight if it were put jointly rather than singly. Several services in the East Midlands will be provided by new West Midlands franchise and vie versa.	Consultations have indicated appetite to coordinate across the Midlands on key transport issues. Some groundwork for joint activity on the franchise process already carried out, but the tight timetable for the bidding process presents a challenge. *Lead Partners: RDAs & Regional Assemblies*
Birmingham New Street station	Would improve competitiveness of the Midlands by contributing to more efficient transport system and reduction of costs to businesses from delays.	Birmingham rail hub is strategically important to both regions. Major scheme to improve capacity already planned and requires concerted pressure to ensure it takes place. Longer term, Midlands needs to look at rail congestion.	Project identified as priority in West Midlands Productivity TIF bid. *Lead Partners: RDAs, Network Rail, Department for Transport, Birmingham City Council, Centro, Private Sector*
Surface access to airports	Direct impact on competitiveness of Midlands through more efficient flows of people and goods. Airports generate substantial wealth in their own right.	Second in series of actions aimed at enhancing inter-regional connectivity. There are clear cross boundary dynamics involved, with passengers and businesses using airports in both regions.	Both regions have identified importance of access to Birmingham International Airport and Nottingham East Midlands Airport in Regional Spatial Strategies. M42 improvements included in West Midlands Productivity TIF bid. *Lead Partners: RDAs, RAs, Network Rail, Highways Agency, local authorities, BIA, NEMA*

Nottingham to Birmingham rail link	Impact on competitiveness through increased efficiency of travel; widening of travel to work areas; reduced congestion on motorway network.	Third in a series of actions to enhance regional connectivity. Action also consistent with increasing emphasis in domestic policy on city regions and linkages between them.	Identified in East Midlands Productivity TIF bid, RSS and Regional Economic Strategy. Clear idea of how the project would be implemented. *Lead Partners: RDAs, RAs, Network Rail, DfT*
Improvements to the Midland Main Line	Effect on competitiveness through increasing the efficiency of travel to the capital. Would increase attractiveness to investors.	Action will further enhance Midlands' national and international connectivity and provide alternative route to London and Eurostar for travellers from parts of the West Midlands.	Submitted as scheme in East Midlands Productivity TIF bid. Indicative costs and delivery process has been identified. *Lead Partners: Network Rail, supported by Regional Assemblies and RDAs*
ACTION AREA: ENCOURAGING SUSTAINABLE GROWTH			
Midlands logistics strategy	Would directly address one of five productivity drivers (competitiveness) by bolstering an existing sectoral strength.	The Midlands are a natural hub for logistics/distribution in the UK. The market straddles both regions and joint working would reflect both the strength of the sector and the need to collaboratively manage some of the opportunities and challenges presented by its expansion.	A substantial amount of evidence and planning has already been undertaken in regional logistics strategies and spatial strategies. Both regions have carried out extensive logistics and freight studies, and there is evidence of appetite to adopt a strategic approach to the future development of activity in the Midlands. *Lead Partners: Regional Assemblies*
Midlands approach to the growth agenda.	Could address the problem of a widening GVA gap and, in particular, how to ensure future economic growth in the Midlands is as sustainable as possible.	The Midlands is at the interface of the current growth agenda focused on the South East and the housing market regeneration agenda focused on inner cities and central urban areas. This warrants a joint approach to some of the main opportunities posed by this dual policy agenda.	Both regions are already grappling with the potential benefits and difficulties associated with the growth agenda. Consultations have indicated recognition of the benefits of joint approaches to selected issues. *Lead Partners: Regional Assemblies, RDAs, City Regions, MKSM growth area*

Other concepts requiring further work

6.8 A series of somewhat looser concepts have been identified where there is scope for collaborative working but where further developmental work is required to define precisely what the scope of any joint working might be. These are based on:

- The possible establishment of a **Midlands universities research group** along the lines of the Northern Way's 'N8' model. This action would lead to the creation of a new group of the Midlands' principal research universities which would collaborate on a small number of key research activities. Ideally, this should be research that has world class status and reflects the economic strengths of the Midlands. The main objectives would be to increase the scale of innovative activity in selected fields of research, provide a platform for commercialisation (spin offs, technology licensing) and help to drive innovation in businesses. There was some interest in this idea expressed during consultations in recent months. The Midlands Medici initiative has a good track record in helping to generate commercial spin offs and technology licensing as well as training academics in the application of research. This type of initiative might be seen as an integral part of collaborative work aimed at generating new high value commercial activity.

- The **coordinated promotion and product development for shared leisure visitor assets** (especially the Peak District and the National Forest). The principal focus would be the assets which span the border between the two regions – specifically the Peak District National Park and the National Forest - though it would be open to the inclusion of other major assets based on the "green infrastructure" which span the Midlands (i.e. waterways, landscapes etc). There is a strong history of joint working and several consultees have expressed the view that the two regions should do more to promote and develop these shared assets.

- **Joint actions to celebrate the cultural diversity of the Midlands** (e.g. joint organisation and promotion of major festivals, action to capitalise on international cultural connections etc). Cultural diversity is a striking feature of major urban areas in the two regions but there is currently no systematic approach to activity which promotes and capitalises upon this diversity. Discussions with representatives of the two Regional Cultural Consortiums have indicated some preliminary interest in the idea of major festivals, particularly if it can be linked to the 2012 Olympics. In this respect, the West Midlands has recently been asked to play a special role in cultural activities relating to the 2012 Olympics, and this could prove to be a springboard for this action.

- The strength and strategic importance of **business tourism** across the Midlands points to the potential for a more coodinated approach to marketing and the development of better linkages between business tourism destinations and the wider visitor economy.

- Possible collaboration on the **symbiotic relationship between urban and rural areas** that is seen as part of the unique geography of the Midlands. This includes the possibility of joint action on food production and supply (e.g. a Midlands approach to sustainable food markets, food processing technologies). There are also suggestions that this action might incorporate collaborative activity on the provision of resources such as biomass energy production and other land based industries.

Infrastructure

6.9 There is no appetite for an extensive secretariat to faciliate the development of Midlands Way. Many of the actions identified above already have a delivery infrastructure in each of the two regions and there are well established governance arrangements in each region that can be easily "fused" together when necessary.

6.10 The main requirements as we move forward with Midlands Way are for:

- Effective strategic leadership, ensuring that the messages for government emerging from this document are being effectively relayed and that progress is being made in the delivery of the short term priorities.

- Operational oversight, providing a more regular check on progress with the short term priorities and ensuring that the necessary developmental work to facilitate the medium and longer term ideas is being undertaken.

6.11 In order to meet these demands, it is recommended that the **Midlands Way Steering Group** continues to meet, probably on a half yearly basis. The Steering Group will be expected to provide the strategic leadership roles identified above. The **Technical Working Group** is the body that will deliver the opertational oversight and will probably need to convene on at least a quarterly basis.

6.12 To perform the developmental work identified for the medium and longer term ideas, it may be necessary to provide the Technical Working Group with a modest “fighting fund”. This resource will also allow the Technical Working Group to begin bridging some of the evidence gaps identified through the Midlands Way process to date, particularly on better understanding the functional economic linkages across the Midlands in terms of supply chain evidence, other forms of business to business interchange and the array of leisure and retail linkages.

6.13 The first systematic review of progress in implementing the ideas within the document is programmed for March 2008. Over this period, substantial progress should also have been made in communicating some of the important messages about the economic role of the Midlands to Central Government and beyond.

6.14 A summary of the main actions for the period to March 2008 is provided in Table 6-3 below.

Table 6-3 : Moving Forward on the Midlands Way Summary of Activity to end of 2007/08		
Make significant progress in the delivery of the three project proposals: • Advancing to a further stage of the Midlands engineering redeployment initiative (MEIRG). • Taking forward joint working on sustainable transport technologies, particularly around the fuel cell technology agenda. • Joint work on developing international investment and trade links with a particular focus on China and other emerging markets.	**Instigate joint case making and related work in the following areas:** • Putting the case for key improvements on the Midlands-Felixstowe corridor, including the rail freight link and the A14. • Securing the best outcome for the Midlands from the new franchising process which replaces the existing Central Trains rail franchise. • Capacity improvements at Birmingham New Street Station. • Improved access to Birmingham airport from the M42 and surface links to Nottingham East Midlands Airport. • Increased speed and frequency of trains on the Nottingham to Birmingham rail link. • Improvements to Midland Main Line. • Preparation of a Midlands level logistics strategy. • Collaborative response to the growth agenda. Via dialogue between key organisations, arriving at a coordinated approach to handling the implications of Government growth policies.	**Undertake further developmental work to establish scope for any joint working within:** • The idea of a Midlands universities research group along the lines of the Northern Way's 'N8' model. • The coordinated promotion and product development for shared leisure visitor assets (especially the Peak District and the National Forest). • Joint actions to celebrate the cultural diversity of the Midlands (e.g. joint organisation and promotion of major festivals, action to capitalise on international cultural connections etc). • The development of the Midland's business tourism product. • Possible collaboration on the symbiotic relationship between urban and rural areas that is seen as part of the unique geography of the Midlands.

Appendix A: More Detail on the project proposals and case making priorities

Advancing to a Further Stage of the Midlands' Engineering Redeployment Initiative (MEIRG)

Description of Action

This action would see the work of the Midlands Engineering Industries Redeployment Group (MEIRG) advance to a further stage. The core purposes of the initiative are (1) to respond to engineering redundancies by matching skilled workers to employment vacancies in other companies and (2) to identify and facilitate training, including bespoke and employer led provision. The action would centre on two changes. First, it would be expanded to embrace a wider range of sectors which face similar labour market challenges to the engineering sector. Second, it could be internationalised by linking it to areas of the EU where there is a surplus of engineers but high rates of unemployment (eg. parts of Germany). The initiative is already the recipient of funding from the EU's EQUAL programme and the emphasis of future EU funding programmes on cross-regional working presents an opportunity to give the initiative an external dimension.

Contribution to Closing the GVA Gap

This action directly addresses one of the 5 productivity drivers (skills). The MEIRG initiative sets out to promote a more adaptable workforce and assist in raising skill levels, both of which are directly associated with higher productivity. Action to retain highly skilled workers in the Midlands economy would also help to sustain and develop a pool of labour that is attractive to inward investors.

Rationale for a Midlands Wide Approach

There is a strong rationale for a Midlands wide approach. Indeed, a powerful case exists for this type of initiative to operate across an even wider geographical area. However, the particular rationale in the Midlands centres on the way that labour markets for advanced manufacturing/engineering cut across the boundaries of the two regions. In this respect, Midlands wide action responds to the realities of labour markets. Additionally, the initiative addresses the problem both regions have identified in retaining highly skilled workers.

Appetite and Practicalities

There have been some recent discussions about how the initiative might extend its reach to a broader range of sectors. At this relatively early stage in the implementation of the initiative, there may be a risk of prematurely seeking to expand it before its impact is clearly established. Nevertheless, it has made a number of high profile interventions and demand from employers for its services is reported to be strong. Major companies have signed up to the initiative (Rolls Royce, BMI, Caterpillar). The appointment of a Project Team in November 2005 alongside its Executive and Steering Groups gives the initiative an established structure and processes on which to build.

Indicative Resources Required

The MEIRG has been allocated funding of £3 million from the East Midlands Development Agency and the EU's EQUAL programme, taking the initiative to 2008/9. This covers the Project Team as well as costs associated with the provision of training. Expansion and extension of the initiative would require a commensurate increase in the level of funding. As it is based on a 'live' initiative, this action could begin immediately. However, preparations to support the initiative once its European funding component ends would be important.

Potential Lead Partners

Regional Development Agencies, MEIRG.

Sustainable Transport Technologies

Description of Action

This action envisages taking forward joint working on the Midlands' emerging strengths in hybrid fuel cell technologies and allying it to their existing, complementary industrial strengths. It would systematically link together collaborative activity on hybrid fuel cell research and development, related specialist R&D in composite materials and the established lead that the two regions have in a range of transport technologies. The application of these technologies to the automotive industry (eg. power units cars and buses) is already well underway. There may be potential for it to be extended to the rail industry and, possibly, to aerospace given the strong presence of the Midlands in the industry. Weaving together this set of activities could be the concept of an integrated approach to sustainable transport technologies and their use in the Midlands.

Contribution to Closing the GVA Gap in a Sustainable Manner

This action directly addresses innovation and competitiveness, two of the five drivers of productivity. It would capitalise on the Midlands' established and growing sectoral strengths to generate a significant increase in R&D activity and give the two regions a competitive edge in high value added products and processes. It would contribute to establishing a globally strong position for the Midlands on technologies where the UK's performance on innovation lags some way behind that of other EU states, Japan and the USA. The implications for sustainability are clear: what is proposed is the Midlands leading by example in developing and deploying green transport technology.

Rationale for a Midlands Wide Approach

This action reflects the Midlands' role as the UK's hub of high value manufacturing and engineering activity and its long standing expertise in transport technologies. Ongoing work to foster the development of fuel cell technology has suggested that the complementary activities of the two regions (universities and companies) could be brought together to create the scale and scope required to be globally significant. The presence of the national Centre of Excellence for Low Carbon and Fuel Cell Technologies at the University of Loughborough attests to the strengths of the area in this field. Complex supply chain linkages spanning the East and West Midlands already exist in transport technologies (automotive and aerospace sectors) and they also provide a strong basis for this action.

Appetite and Practicalities

The two regions have already entered into early discussions about the ideas and concepts associated with this suite of activities, particularly the objective of fostering the development of fuel cells. Research and development activity has put down roots in the Midlands, while there is an established infrastructure for sectoral support in transport technologies (eg. Midlands Aerospace Alliance). Delivering this action might require the establishment of a coordinating body, probably initially involving the structures and processes that the Midlands already has in place for sectoral collaboration. The Midlands Aerospace Alliance might provide a model.

Indicative Resources Required

Initially, this action is likely to centre on drawing together the key players in the public and private sector. This should not require substantial new resources, though it may involve some outlay for the type of mapping and networking activity that is associated with the collaborative action of this kind.

Potential Lead Partners

Regional Development Agencies, key research organisations and commercial enterprises.

Develop International Investment and Trade Links

Description of Action

This potential action centres on the strengthening of coordination between the East and West Midlands in their activities to secure inward investment and develop trade links. Its particular focus would be on China, though it could also extend to other rapidly growing economies (eg. Brazil. India). In China, the two regions have targeted different areas of the country, giving a basis for complementary activity. As is the case with existing collaboration under the British Midlands Brand, the Midlands would be promoted as a single investment market when opportunities are identified by one region. Alternatively, there might be a decision to establish a single Midlands presence in China. There may also be a case for looking at trade promotion activity, though this is currently the responsibility of UKTI and activity is largely determined by national policy. There is clearly substantial demand from China and other emerging markets for established technologies and for new technologies. The Midlands is well placed to export knowledge and products into these markets. For example, there are significant opportunities in the environmental technologies field as China looks to address the impact of its exponential growth on climate change.

Contribution to Closing the GVA Gap in a Sustainable Manner

Action to increase the volume of new investment in the Midlands, particularly if it is directed towards growing sectors of the economy in which the Midlands has established/emerging strengths, would directly address one of the 5 drivers of productivity. The Midlands already performs better in attracting foreign investment than it does on UK investment and this action would enable it to maintain that position.

Rationale for a Midlands Wide Approach

The principal rationale for a Midlands approach is to capitalise on the benefits of increasing the scale of investment promotion activity. The view is that securing investment in the Midlands is preferable to seeing the investor locate elsewhere, either in the UK or outside it. It should be seen as part of the Midlands' overall contribution to improving UK productivity and competitiveness. This action would also tie in with UKTI's new 5 year strategy which prioritises research and development-led and higher value investment. However, it should be noted that the current target framework for the RDAs does not lend itself to this type of collaboration where the benefits are seen as mutual since individual regions are expected to achieve and report 'owned' outputs.

Appetite and Practicalities

Consultations have indicated that there is appetite for this action – especially for activity in China – within the two RDAs. There is also a perception that the Midlands could more systematically promote investment opportunities in specific sectors and this represents further evidence of appetite. In practical terms, structures and processes are already in position to make this action feasible to undertake. For action in China, the starting point would be dialogue between the RDAs and this is already in train.

Indicative Resources Required

Resourcing this action would require additional funding for new activity in specific locations.

Potential Lead Partners

The key partners would be AWM and EMDA along with UKTI

Putting the Case for Improvements on the Midlands-Felixstowe Corridor

Description of Action

This potential action embraces two issues: upgrades on the rail link between the Midlands and Felixstowe to provide the capacity for rail freight movements and a series of measures to improve the A14 which serves as the road link to Felixstowe. The problem on the rail link is securing gauge clearance and providing more slots for rail freight traffic. This could be achieved either by cuts in passenger services or by upgrading the infrastructure. On the A14, the problem is one of capacity as strategic freight movements meet local congestion at specific points on the route. Action would revolve around the way that the two regions exert pressure on Central Government and the key agencies (particularly the Highways Agency and Network Rail) to put the case for improvements and secure funding for them. Initially, it might involve drawing together the raft of information about the need for the improvements on the corridor which exists across the two regions. From there it would require decisions about how to develop a unified approach to a complex case.

Contribution to Closing the GVA Gap in a Sustainable Manner

This action would address one of the five productivity drivers – competitiveness – by reducing the costs to Midlands businesses of moving freight. This would apply both to the movement of imported materials and goods and to export related traffic.

Rationale for a Midlands Wide Approach

Both regions have recognised that the corridor is of considerable strategic importance to them. The Nuneaton-Felixstowe link is a priority for the East Midlands identified in the Regional Spatial Strategy and in its submission to the Productivity Transport Innovation Fund (Department for Transport). Resolving the gauge clearance problem could pave the way for the development of an inter-modal freight terminal in the Three Cities area. The West Midlands RSS explicitly identifies it as a connectivity issue that is shared with the East Midlands and its Productivity TIF submission identifies it as a short term priority (along with the Southampton-West Coast Main Line rail freight link). The Midlands-Felixstowe corridor is especially significant for the Milton Keynes and South Midlands growth area. The A14 improvements are particularly important for the growth agenda in Northamptonshire. In this respect a failure to make improvements might be seen as a barrier to the delivery of the Sustainable Communities Plan. Beyond the Midlands, this action has the potential to alleviate some of the pressure on congestion around London by re-routing freight traffic which at present uses south coast ports.

Appetite and Practicalities

During the course of preparing this Action Plan, many consultees have identified the Midlands-Felixstowe corridor as a key connectivity issue. Strengthening coordination between the two regions on the case for improvements on the corridor should not present any significant difficulties since it would be based on dialogue and could be initiated with almost immediate effect. However, actually securing the necessary improvements is likely to be a complex, long-term process which would require concerted pressure from the two regions.

Indicative Resources Required

While recognising that the two Regional Assemblies and their partners have limited budgets to undertake new initiatives, the costs of building a single Midlands case should not be substantial and would largely draw on existing staff resources. Some additional cost might be involved if new studies prove necessary. However, if the Productivity TIF submissions are successful, there will be some funding from the Department for Transport. The indication is that the Department of Transport has agreed that the scheme should move forward to the next stage in the TIF process, where further work will be carried out on the proposals.

Potential Lead Partners

Regional Development Agencies. Other key partners will be the Regional Assemblies (including East of England) and Network Rail. As the Productivity TIF bids progress, the Department for Transport will be seeking input from Network Rail and this is likely to make it a key organisation for this action.

New Rail Franchising Process

Description of Action

This action would draw together activities to secure the best outcome for the Midlands from the new franchising process which will replace the existing Central Trains franchise from 2007. The three new franchises – Cross Country, East and West Midlands – will have significant and long-term implications for the future of rail services in the Midlands. The timescale for part of this action is very tight indeed – DfT consultations in advance of the issue of the Invitation to Tender close in early August 2006. The two regions should quickly consider the scope for issuing joint views about some of the key issues, perhaps where there are common priorities for facilities and operations or service groups. As the franchise process rolls on, action might also involve the two regions working together to press the case with DfT for their preferred result.

Contribution to Closing the GVA Gap in a Sustainable Manner

This action would have a clear impact on the competitiveness of the Midlands by improving the efficiency and effectiveness of the railway network in the two regions, providing better connectivity to other regions and making the area more attractive to potential investors. Cross country rail links are crucially important to the economic performance of both regions. Higher utilisation of rail transport would also be a key factor in creating a more sustainable transport transport system.

Rationale for a Midlands Wide Approach

The rationale for Midlands wide action is that the case to secure funding/timetabling improvements etc would carry more weight if it were put jointly than singly. Surveys about the Central Trains franchise have been carried out in each region and nationally. They show 5 issues that both regions have identified as being of primary importance to the new franchise: reliability and punctuality; frequency, value for money, connections with other forms of public transport and provision of information. This represents a strong platform to develop a joint view of the franchise, while recognizing that there will be specific regional priorities for each of the individual franchises. Furthermore, work already carried out by Travelwatch East Midlands (East Midlands Passenger Transport Users Forum) has pointed to the need for an approach which recognizes that some services in the East Midlands will be provided by the new West Midlands franchise and these should 'complement services provided by the East Midlands'.

Appetite and Practicalities

Consultations about the Midlands Way have indicated appetite to adopt a coordinated approach to a range of transport infrastructure issues. The franchise process is ongoing and passenger transport users forums (PTUFs) in both regions have geared up to respond. The key practical issue is to consider action before the initial franchise consultation phase closes in August 2006.

Indicative Resources Required

Strengthening coordination on these initiatives would require staff time from the key organisations. However, the PTUFs have done a good deal of groundwork in terms of surveys.

Potential Lead Partners

Regional Assemblies and RDAs. The PTUFs should also be involved.

Capacity Improvements at Birmingham New Street Station

Description of Action

Collaborative action between the two regions would centre on the case for the changes needed to ensure that the Station is able to handle the significant volumes of passengers and trains that pass through each day. This action would coordinate continued efforts to exert pressure for this project to receive the necessary backing. Looking to the longer term, the action might also focus on the issue about rail congestion at the Birmingham hub and the changes likely to be required to the network infrastructure.

Contribution to Closing the GVA Gap in a Sustainable Manner

The action would have a clear impact on competitiveness and an indirect impact on skills, two of the five drivers of productivity. This impact would stem from

- Improvements in the efficiency of the movement of people and business to business contact and the reduction of transport costs.
- Enhanced mobility and flexibility of the workforce, potentially expanding the pool of labour able to travel to employment in the two regions.
- Encouraging businesses to locate in the Midlands by offering a higher quality transport system.

Rationale for a Midlands Wide Approach

With in excess of 1,300 trains passing through the station each day and forecast growth of 50% over the next 20 years, the pressing need for substantial improvements to Birmingham New Street station is acknowledged. A scheme to improve platform and concourse capacity has already been submitted to the Department for Transport through the West Midland's Productivity TIF bid. For the West Midlands, Birmingham is the principal strategic transport hub. For the East Midlands, the efficiency and effectiveness of connections through Birmingham New Street has a significant impact on its connectivity to both the West Midlands and beyond. The East Midlands RSS identifies improved transport linkages to Birmingham as an objective of the Three Cities, and the capacity of New Street station would play an important part in securing these improvements. Competition for public resources for schemes of this kind is fierce and by working together the two regions could benefit from the heavier weight of a collective case.

Appetite and Practicalities

The impetus behind this action is clear cut in the West Midlands, exemplified by its inclusion in the TIF bid. In the East Midlands, priority has been given to improving inter-city linkages, putting the onus upon delivering better and more frequent services and infrastructure. Given the number of schemes in the two regions that are the subject of their respective TIF bids, there may be an argument for action under the Midlands Way being viewed as a matter of mutual recognition and support for projects that will enhance the connectivity of both regions. The project to improve the capacity of the station was set out in a business case to the DfT in January 2006 so a good deal of the groundwork has already been carried out.

Indicative Resources Required

The process of joint case making would be driven by existing organisations in the two regions and should not require significant new resources to underpin it. The cost of the actual improvements to Birmingham New Street has been estimated at around £470 million (+- 18%).

Potential Lead Partners

Regional Development Agencies, Network Rail, Department for Transport, Birmingham City Council, Centro. The Productivity TIF bid also identifies the major contribution of private sector partners to the scheme to improve New Street Station.

Improved Access to Birmingham International Airport from the M42 and Surface Links to Nottingham East Midlands Airport

Description of Action

A joint approach to case making for improved surface access to Birmingham International Airport and Nottingham East Midlands Airport is a second, medium term action which sets out to strengthen connectivity between the two regions. There are two separate strands to this action:

- Access to Nottingham East Midlands Airport by road and public transport. In the longer term, this could include the case for the construction of a direct rail link to Nottingham East Midlands Airport.
- Improvements at junction 6 of the M42 in order to provide better access both to Birmingham International Airport and the NEC.

Action would combine pressure on Central Government, particularly the Department for Transport, and the relevant national agencies (Highways Agency) and other key players to influence the process of securing backing for a range of major improvements.

Contribution to Closing the GVA Gap in a Sustainable Manner

This action would enhance the competitiveness (one of the five drivers of productivity) of the Midlands by increasing the efficiency of the movement of goods, services and people, and reducing costs to business. The two airports make a significant direct and indirect contribution to GVA both for the Midlands and for the UK as a whole. They generate wealth through the multiplicity of activities associated with their core business, through their impact on the visitor economy and through their role in the freight industry. This wealth generating effect has the potential to become increasingly substantial with projected increases in the volume of passengers and goods handled, though the issue of sustainability is likely to be an important factor in how this growth occurs.

Rationale for a Midlands Wide Approach

The rationale for approaching this action at a Midlands level revolves around the strategic importance which both regions attach to the issue and the greater force with which the case for improvements can be put if it is made collectively. Many English regions are now putting more emphasis on better inter-regional connectivity, but examples of concrete actions are still relatively few in number. This action would enable the two regions to demonstrate a unity of purpose towards an issue which has clear cross-boundary dynamics.

Appetite and Practicalities

Both the East and West Midlands recognise in their respective Regional Spatial Strategies that large numbers of businesses and individual travellers use BIA and NEMA and that good multi-modal surface access, with particular emphasis on public transport, is essential. Individually, steps have been taken in both regions to bring forward the relevant projects. The East Midlands Parkway station is under construction while the issue of direct links to NEMA has been the subject of discussions involving EMDA and key partners in the region. In the West Midlands, the improvements at junction 6 of the M42 are included as part of the region's bid to the Department for Transport under the Productivity TIF initiative.

Indicative Resources Required

The process of assembling and putting a joint case would build on the existing activities of the two regions and should not entail any substantial allocation of new resources, although there may inevitably be costs involved if feasibility studies etc. are deemed to be necessary.

Potential Lead Partners

Regional Development Agencies, Regional Assemblies, Network Rail, Highways Agency, local authorities, BIA, NEMA

Nottingham to Birmingham Rail Link – Increased Speed and Frequency of Trains

Description of Action

This action represents a third, medium term project idea for addressing inter-regional surface connectivity. The two regions would work together to put the case for improved rail services between the two cities. The specific project would be based around the provision of new rolling stock to permit rail services to exploit recent infrastructure improvements which have increased the potential speed at which trains can travel on the line. The focus of action would primarily be the Department of Transport and Network Rail.

Contribution to Closing the GVA Gap in a Sustainable Manner

This action would address a number of issues, including the widening of travel to work areas and the potential reduction of congestion on the motorway network. It should be seen as a potential facilitator of growth, since there is evidence to suggest that widening travel to work areas increases the pool of skilled of labour (since the more highly skilled have a propensity to travel longer distances to work), in turn increasing the attractiveness of an area to potential investors. It would also improve the efficiency of business to business travel.

Rationale for a Midlands Wide Approach

This action can be viewed as one of a series of measures which would significantly enhance inter-regional connectivity. As is the case with those actions outline above, the crux of the argument is that the two regions could put forward a stronger case by speaking with one voice than by acting individually. Set alongside the other surface access and connectivity improvements described above, this action should be seen as part of a coherent series of projects that both regions might mutually recognise as strategic priorities for the Midlands. Furthermore, projects of this type are subject to fierce competition for limited funding and joint action serves to reinforce the strategic nature of the route. This action is also consistent with the increasing emphasis in domestic policy on city regions, since it would see enhanced linkage between the emerging city region focussed on Birmingham and a key area of the Three Cities city region. Rail access between these two key regional centres is currently variable, but relatively slow and compares poorly to journey times by road.

Appetite and Practicalities

This project has been explicitly identified as a priority in EMDA's Productivity TIF submission to the Department for Transport. Improved journey times are also a priority in the East Midlands' Regional Transport Strategy and in the draft Regional Economic Strategy. Additionally, a draft report by Travelwatch East Midlands (May 2006) on the Central Trains franchise identifies faster journey times between the two cities as an aspiration for the future. The work that has already been carried out in relation to the case for improvements has laid practical foundations for this action.

Indicative Resources Required

The process of constructing and putting a joint case would use existing work carried out on the future of the route and it should not require any significant new resources for this process. However, some costs may be involved if further case making analysis is necessary. Specifically, the cost of providing new rolling stock has been estimated at £6 million.

Potential Lead Partners

Regional Development Agencies, Regional Assemblies, Department for Transport, Network Rail.

Improvements to the Midland Main Line

Description of Action

This action would see the two regions working to press the case for improvements to the Midland Main Line, linking the Midlands to London St. Pancras and to continental Europe via the new Eurostar terminal. The proposed scheme would involve several measures to enhance the infrastructure on the route. Most of this work would take place in the East Midlands, though some is also required in other regions. Initial work by Network Rail has shown that a series of improvements at locations along the route would result in journey time savings on the route of 8-10 minutes (between Nottingham and London). Further work to investigate the scheme in more detail will provide a greater understanding of costs and benefits.

Contribution to Closing the GVA Gap in a Sustainable Manner

The action would address two of the five drivers of productivity. It would have an impact on the competitiveness of the Midlands by improving the efficiency of the movement of people and business to business contact. Additionally, it has the potential to make the two regions more attractive to inward investors by offering business a higher quality transport system, including swifter connections to London and to other European destinations. The scheme could have useful positive impacts in terms of reduced demand and congestion on the M1 corridor, as well as positive economic and productivity impacts.

Rationale for a Midlands Wide Approach

The Midland Mainline link to St. Pancras is a key strategic connection for the Midlands, providing direct access to London. For travellers from the Nottingham, Derby and Leicester it is their main route to the capital. For travellers from parts of the West Midlands it represents an alternative route to London and the reduction in journey times should make it a more attractive proposition, and would supplement improvements recently made to the West Coast Main Line. Opportunities to improve rail connectivity between the regions exist through the ongoing refranchising process, and this will make main line routes in both regions increasingly relevant across the wider Midlands. Completion of the St. Pancras Eurostar terminal will open up an important new link to continental Europe, greatly improving accessibility to those European cities served by Eurostar service. With the other medium term schemes identified above, this action could be viewed as one in a series of measures which would significantly strengthen the national and international connectivity of the Midlands. A joint, Midlands case for the scheme would lend weight to the arguments behind it and increase its visibility.

Appetite and Practicalities

This scheme has been identified in the East Midlands' Productivity TIF submission as one of six priorities. The appetite for improvements to strategic inter-regional and international connections is clearly demonstrated in the wider range of schemes that have been identified as part of the Midlands Way Action Plan. In practical terms, the case is already being put by the East Midlands and should not require any significant new activity. Staged implementation is likely, with some elements deliverable before 2010. Work to update assessments undertaken in 2001 could be actioned relatively quickly.

Indicative Resources Required

As is the case with the other medium term transport infrastructure actions outlined in this section the costs of developing and making the case for the scheme should not be significant and would draw on existing resources for this type of activity. The cost of the scheme itself is estimated by Network Rail to be £40-50m.

Potential Lead Partners

Network Rail, supported by the Regional Development Agencies and the two Regional Assemblies.

A Midlands Logistics Strategy

Description of Action

The development of a logistics strategy for the Midlands would provide a framework for actions relating to existing distribution sites and the land requirements for the expansion of the sector. There may also be a case for linking logistics with broader freight strategy to produce a comprehensive Midlands Freight Strategy. Revisions of the Regional Spatial Strategies might present an opportunity for the two regions to engage over the location of regional logistics sites. A large amount of evidence on logistics and freight has been collated and analysed in both regions as part of their work on the Regional Spatial Strategies. The main tasks under this action would be to draw together this work to produce a strategy and secure the necessary buy in from partners.

Contribution to Closing the GVA Gap in a Sustainable Manner

This action would indirectly address one of five productivity drivers (competitiveness) by providing the framework to promote further growth of an sector in which the Midlands already occupies a strong position in the UK economy. Additionally, it would contribute to greater efficiency in the movement of goods in and out of the Midlands, with related benefits to businesses.

Rationale for a Midlands Wide Approach

A Midlands logistics strategy could provide the platform for the two regions to work collaboratively both to fulfil the potential for further expansion of the sector and to ensure that its growth is sustainable. This further expansion will stem from a number of factors, including the Midlands' excellent communications infrastructure, the continued rise in imports of consumer goods and the effect of the EU Working Time Directive. There may also be a significant benefit from the increase in economic activity that will result from the Milton Keynes and South Midlands growth area initiative, and the logistics sector in the Midlands is well placed to capture the benefits. The DIRFT logistics park, situated close to the border of the two regions, sits in the East Midlands but also serves the West Midlands. The concentration of activity in the 'golden rectangle' in which DIRFT and other key logistics hubs are located presents significant economic opportunities and challenges (eg. to communications infrastructure and the environment) that warrant joint working.

Appetite and Practicalities

There is recognition among the key public sector organisations (Assemblies, RDAs, Local Authorities) that the Midlands might be better served by a collaborative approach to the future development of the logistics sector (and freight movement). Both regions have carried out work to understand the dynamics and needs of the distribution sector and there is clear evidence of appetite to adopt a strategic approach. This background should enable this action to begin in 2006. However, there is no formal mechanism for the inter-regional designation of employment land, and there may also be an issue about the protection of competitive advantage. A study of logistics in the West Midlands suggested that any reduction in the competitiveness of the region as a location for logistics operations could result in companies choosing to locate instead in the East Midlands.

Indicative Resources Required

There would be a requirement for staff time to be allocated to the action, and some additional specialist research may be necessary.

Potential Lead Partners

Regional Assemblies.

A Midlands Approach to the Growth Agenda

Description of Action

This action would see the formulation of a Midlands approach to Central Government's current agenda for growth. It would represent a significant collective input from the Midlands to the Sustainable Communities initiative. Through dialogue between key organisations, the two regions would arrive at a coordinated approach to handling the implications of Central Government policies to regenerate urban areas and pursue rapid growth in specific areas. This could extend to a joint response to Government setting out how the Midlands could maximise its contribution to growth while reducing any negative impact. It might take in the following:

- The implications of the recent household growth projections issued by the ODPM and the technical work that might be required to understand the Midlands' ability to accommodate this growth through the respective Regional Spatial Strategies.
- How the road and rail infrastructure needs to be adapted.

It might also incorporate:

- The alignment of Growth Point bids.
- A joint approach to ensuring that the substantial increase in economic activity in the MKSM area is directed towards the Midlands, and particularly towards the city regions.

Contribution to Closing the GVA Gap

This action would only have an indirect impact on GVA through measures which reduce barriers to growth.

Rationale for a Midlands Wide Approach

In important respects the Midlands finds itself as a test bed for the implementation of a dual Government policy agenda which seeks to expand the economy of the South East while pursuing a regeneration agenda (particularly housing market renewal) which centres on inner cities and urban areas. It is well placed to capitalise on the diffusion of growth out of the South East, yet faces considerable urban renewal and regeneration challenges in its major settlements and in the north of the two regions. At the same time its city regions are looking to cement their positions as drivers of growth and attract significant in-migration, reversing recent outflows. This action is also about developing policies that maximise the potential of the city regions.

Appetite and Practicalities

Consultations have shown that these common challenges are recognised in both regions. The need for the Midlands to contribute to the Sustainable Communities agenda was a feature of early work on the initiative and there remains a view that it needs to explicitly demonstrate this contribution in the form of a specific action. There are few practical problems with establishing dialogue, though this action would need strong political commitment. However, many of the issues that could be addressed under this action are part of the local or regional planning process and this may present difficulties.

Indicative Resources Required

The main resource would be staff time from representatives of key organisations.

Potential Lead Partners

Regional Assemblies, Regional Development Agencies, City Regions, MKSM growth area.

Regeneris Consulting

Regeneris Consulting delivers specialist advice in economic development and regeneration to the public and private sectors. Our philosophy is

to provide clients with real value and give our staff the freedom to be creative and to learn.

Our five main service areas are:

Economic research and policy advice

Economic development and regeneration strategies

Project feasibility, business planning and appraisal

Economic impact assessment

Policy and programme evaluation and review

Regeneris Consulting Ltd
1-5 The Downs
Altrincham, Cheshire WA14 2QD
Tel. 0161 926 9214
Fax. 0161 926 8545
info@regeneris.co.uk
www.regeneris.co.uk