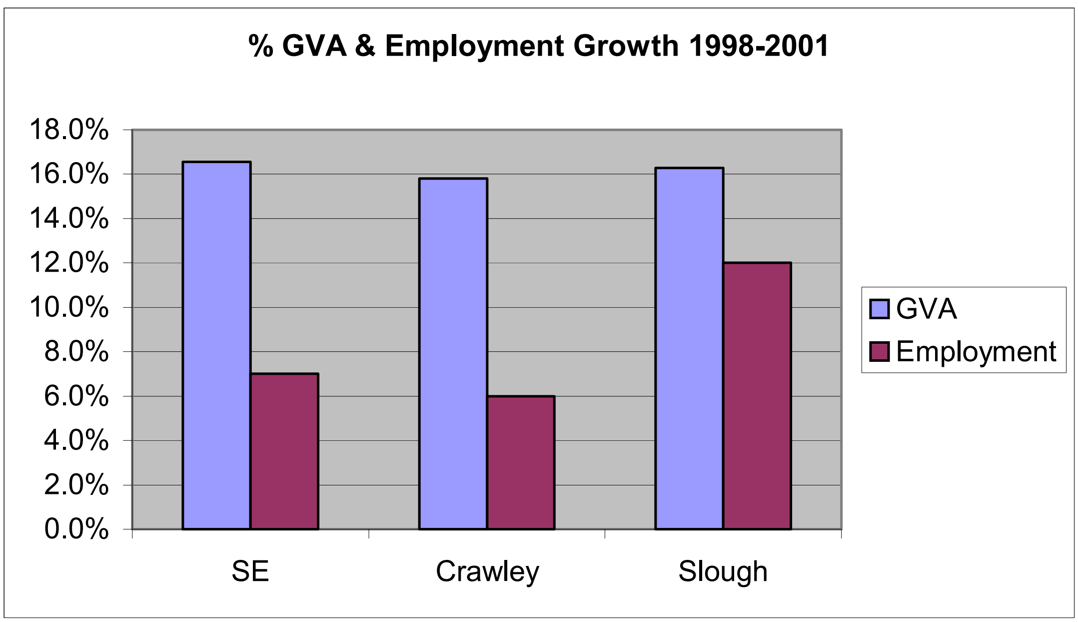
A5 : Summary of Case Studies

Crawley & Slough

The common link between these two towns is the presence of a major international airport in the vicinity. This has had a major impact on the town's development and is likely to continue to do so in the future, to a greater or lesser extent. Despite the presence of this core economic driver, both have been seen as under-performing towns within areas of strong economic success. It is important to determine what impact the airport has on the immediate local towns, and whether their development as new towns has impacted on their image compared to other local areas.

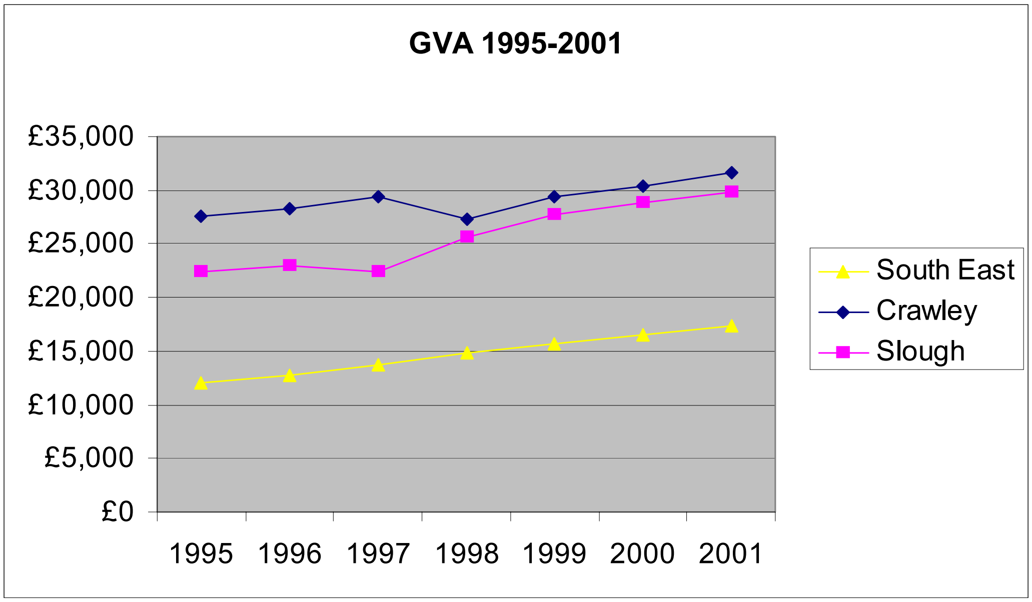
Recent Performance

In terms of GVA, both Crawley and Slough have been growing at a rate just below the average for the South East. Despite this, employment in Slough has grown at nearly twice the regional rate. By contrast, employment growth in Crawley has been below that of the South East. Certainly in Slough, this points to the availability of a large number of lower value jobs, common with a town that supports a major international airport.



Source: Robert Huggins Associates/Eurostat/National Statistics

The absolute GVA figures are more interesting. Both Crawley and Slough have GVA levels well in excess of the regional average, with Crawley's being just above that of Slough. Furthermore, since 1998, both have maintained this by growing at the regional rate. This would tend to suggest, particularly in Crawley, that the jobs that have been coming into the town in recent years, have been of higher value.



Source: Robert Huggins Associates/Eurostat/National Statistics

Slough

Slough currently has a population of approximately 119,000 people; 36% of that population is from an ethnic minority background. The town is within the Thames Valley which is characterised by the highest concentration of educated people in the country. Slough's own skill base is diverse, reflecting the town's industry.

Slough currently provides around 68,000 jobs. Slough's own working population is just over 56,000 people. Around 30,000 commuters travel into the town daily. Unemployment, at 1.9% (2,200 people), is amongst the lowest in the country.

There are approximately 4,800 businesses in the town. Slough Trading Estate, the largest trading estate in single ownership in Europe, houses 400 businesses providing approximately 20,000 jobs. No single employer directly provides more than 4% of jobs in the town, which is seen as providing some protection against downturns in cyclical industries.

Recently manufacturing jobs have declined whilst service sector and new economy employment such as ICT, software and creative and cultural sectors have increased employment. Overall in the period 1995 to 1999, Slough experienced 15% growth (10,500 jobs), in line with growth across the national economy. The two sectors that accounted for most of this growth were financial and business services (4,300 jobs) and transport, storage & communications (3,100 jobs). Specifically, this is mostly in labour recruitment, telecommunications, software consultancy & supply and hospital activities.

The town continues to attract interest from major businesses across the world, reflected in the recent arrival of Computer Associates, Amazon.com, Legoland and Honda U.K. These complement the major existing businesses such as Mars Confectionery, SmithKline Beecham, Sara Lee, Yellow

Pages, ICI, Satchwell Controls, BT Cellnet and Black & Decker. There are however, many new small businesses serving the supply chains of these major businesses. Slough has recently been identified as being in the top-20 of most competitive areas in the U.K.

Crawley

In recent years, Crawley's economy has remained buoyant with steady population growth. Business registration rates are higher than average but business de-registrations continue to be greater than business registrations. Much of the reason for this has been the consolidation and contraction of some major global industries, which dominate the local economy. However, despite this, Crawley continued to have a higher than average proportion of employment in medium to large sized companies and continued to see growth in the number of small companies.

Distribution, hotels & restaurants and transport & communications dominate the local economy by accounting for over half of all jobs. Banking, finance & insurance continue to grow and now represent the third largest sector by employment numbers and the largest sector in terms of number of companies, which has grown by over 100 since 1998. Between 1998 and 2000, Crawley experienced a growth in jobs by 800, which took total employment in the town close to 73,000. During the same time, an additional 150 companies brought the total number of businesses to over 3,380.

Crawley has many major companies located in the town, operating across a range of sectors. In electronics, there is Racal Radar Defence Systems (electronic systems supplier), Redifon MEL Ltd (professional communications equipment manufacturer) and Thomson Training and Simulation (civil aviation training equipment). In pharmaceuticals and medical products there is A&M Hearing (production of hearing aids and audiological equipment), Elekta Oncology Systems (radiotherapy equipment), SmithKline Beecham (pharmaceutical products) and Varian Medical Systems Ltd (radiotherapy simulators). In communication and computer technology there is Eurobell (multi-media and telecommunications), Motorola (data communication products) and Tulip Computers (manufacturers of personal computers). Financial services are represented in the form of KPMG, Providian, Grant Thornton and Deloitte & Touche. In terms of headquarters, there has been a noticeable increase, reflecting Crawley's advantageous position in relation to home and overseas markets. They include Virgin Atlantic, Geco-Prakla, Van de Bergh Foods, Tokyo Electron Ltd and A&M Hearing.

Gatwick Airport has a major impact on the economy of the town. Over the course of 2001 and early 2002, employment at the airport fell by around 3,000 people, of which some may have been attributed to the events of September 11th.

In the high and medium/high technology sector, total employment fell between 1999 and 2000. High and medium/high technology accounted for nearly 12% of all employment, twice the UK and South East averages.

Nearly half of all employment in the borough is within Crawley's 63 largest companies, each of which employ over 200 people. This is a notably high number, especially when considering Crawley's size in relation to other towns with similar numbers of large companies.

Economic activity in Crawley remains above 85%, higher than regional and national averages, whilst unemployment continues to be low, at around 1%. In November 2002, there were fewer unemployment claimants than the total number of notified vacancies - thought to be around 2,300. The qualifications of the Crawley working age population remain below the national and regional averages but skills levels in the workforce remain good. Wage rates are also high - £521 per week compared to £492 in West Sussex and £527 in the South East as a whole.

Vacant commercial office property in Crawley is increasing, with quality Grade A property accounting for two-thirds of all office space. However, there is an emerging shortage of development opportunities as more of the Local Plan allocated sites and redundant, obsolete properties are redeveloped.

Reasons for Relative Performance

Slough

The driver for the Slough economy is jobs and these are plentiful. However, there is an issue of a dual economy, with local people not accessing the highest value jobs in Slough. The average salary in the town is £675 (one of the highest in the South East) but the average wage of a Slough resident is only about £350-400. Supporting this is that fact that commuting has a major effect upon the economy. In-commuters are estimated to total 40,000 every day with about 10-12,000 out-commuting. Out-commuting has declined as the types of jobs people used to travel to London for can now be found in Slough (e.g. IT, HQ activities).

The aspiration is for the local population to replace in-commuters over time. There is some evidence of this with occupiers of new housing in the town tending to be in the 24-30 year-old age bracket and highly educated, attracted by employment and cheaper housing. The issue with up-skilling the local population though is the Slough housing stock, much of which is post-war council housing. Higher skilled people earn more money and then tend to move out to areas with better quality housing and a better image, such as Windsor & Maidenhead. Despite this, housing demand in Slough remains healthy; the main problem is affordability. This is linked to the fact that Slough has a very high number of individuals per household (second in the country in the 2001 census), indicating issues with asylum seekers and low wages.

Heathrow is a key driver for the economy of the town, with its greatest effect being in terms of inward investment. The lower skilled airport jobs have stabilised as BAA invest in more technology – for example the case for Terminal Five was based around the fact that it will stabilise the number of jobs at the airport rather than increase them.

Start-ups don’t do as well as rest of the Thames Valley in terms of higher-educated, high-wage earners setting up start-ups, but benefit from a large ethnic population that has a higher propensity to start their own businesses.

There is effectively no additional development land available. Current housing allocation targets will have to be met out of the green belt. There is less of a serious issue with employment land but it could become a problem in the future. Reading, in particular, has a greater amount of space and land available. A shortage of employment space is not an issue right now because 30% of commercial space is currently vacant - similar to the situation in Reading. This has partly been a result of new speculative build completed in the last two years. The tension is that if most of this space was filled, it would create another 20,000 jobs and there is no scope to accommodate them in residential terms, so in-commuting would increase.

One possible future source of land is the remaining manufacturing operations. ICI Paint’s manufacturing operation, for example, has a large amount of real estate that could potentially be redeveloped.

Slough’s strategy in the past has been one of managed economic diversity. No single business represents more than 3% of total employment (the largest is Masterfood). If one moves out then the economy can then absorb it. A similar approach has been taken on the Slough Trading Estate – for example Panasonic moved from Slough to Bracknell because the estate was not prepared to give them more space but wanted to maintain the mix. Also, there is little potential for physical expansion, so a diverse economy allows the town to almost ‘hedge its bets’. By comparison, half of the West Berkshire economy is reliant upon Vodafone. If they relocated it would be disastrous for that economy.

Improving schools, as one indicator of the next generation, are becoming a positive draw for Slough. Historically, their GCSE performance has been the worst in the Thames Valley. GCSE performance this year, however, is above the national average and last year was better than Reading or Bracknell. This was achieved when the council became a unitary authority and was able to make the decision that one of its key priorities should be education. In addition, it now has the flexibility to invest, whereas Berkshire County had previously been spending less than the statutory requirement. Slough now invests more than the statutory requirement and the view is that in 10-15 years time Slough will be a different place in terms of the qualifications of its population of working age.

In addition, unitary status has afforded the Council’s Economic Development department more autonomy. It was separated from the planning function and now has 4 staff and also the ability to bid for funds specifically for economic development.

Crawley

Crawley is the most seen as the most economically viable area in West Sussex. In terms of key indicators, it has the highest economic activity rate and the lowest unemployment. Much of the evidence points to this being driven very strongly by the market (as opposed to policy levers), and inevitably, the view from the market is that it could perform better still. Like Oxford, it has a two-tier economy. It has some high value-added companies, many of which are HQs, but it also has some very poorly performing companies that stay in business because of the locational advantages that Crawley offers. Many of these ‘weaker’ companies operate in airport-related businesses. Accordingly, the advantages offered by the local economy of Crawley are provided by its proximity to Gatwick Airport, rather than the fact that they can operate in the aviation sector. As such, the highest value companies are not those that work in the airport industry.

On the supply side, there are issues with skills. *The view is that there is almost apathy towards upskilling because of the ease of being able to get a low skilled job at the airport*. As such, there is low educational attainment but the airport serves to mask many of the structural weaknesses in the economy by creating low unemployment and high economic activity. However, recent evidence suggests that many service providers at the airport such as baggage handling companies are having to pay salaries of over £30,000 in order to fill vacancies for night staff. These salaries mean that people are commuting up from as far away as the South Coast. This points to a developing shortage of available workers in Crawley, as the labour market nears capacity. Indeed, Crawley is the second biggest importer of labour in the country, only exceeded by the City of London. Twice as many people work in the borough than there are resident workers.

Crawley’s relative success can largely be explained by its overall offer. It is a new town and is very efficient in its use of space. Office infrastructure is good, with high quality office buildings, both second hand and new. In addition, there is some spec-built office space available. Links into London are also good. Companies go there partially because of these factors but mostly because of the fact that it is relatively cheap compared to inside the M25 or further west. The view therefore is that Crawley is cost competitive, rather than quality competitive.

Employment sites are available, the problem is finding the quality of workforce. Its history as a new town means that it has an ageing population that only recently has shown signs of changing – the fastest growing age group today is the youngest. Despite this fact, Crawley is still attractive as it is a reasonable size – it has a population of over 100,000. It has had much investment since its birth, therefore has had a better start than other new towns such as Basildon and Harlow. This has largely been supported by the surrounding area that it has been 'cocooned' in, with West Sussex having good living conditions. Historically, its development started strongly with the presence of Manor Royal, the largest industrial estate in the South East during the 1960s and 1970s. Then came Gatwick and the town's growth was able to maintain momentum.

In planning terms, the Borough Council have adopted the position of using the widest possible definition of the B1 use class. As a result, consents have been given where the expectation is for a high quality, industrial, R&D-related development, yet it has ended up as a standard office building. These offices are mostly occupied by the banking, finance and insurance sector, which has increased dramatically in recent years.

The view from outside is that the Borough Council planning department operates in isolation from the economic development department, evidenced by its apparent lack of understanding of the shifts that occur in the economy. At present, it is felt that supply leads demand, further supporting the view that the town's success is market-driven. Furthermore, it is recognised that the broad shift in the economy has been largely away from manufacturing, so a predominance of B1 office developments are inevitable and necessary. In fact, the strength of the market is demonstrated by the view that a steer from the economic development department is not possible because planning does not have a sufficient influence over the levers that control the market. This points to the fact that, in strong market conditions, planning has less of a dominant role over the wellbeing of the economy.

In addition to this, the Borough's economic development department has a lack of resources. It hasn't had much contact with business and is seen as relying heavily on the West Sussex Economic Partnership (WSEP) and West Sussex Investment to secure development through inward investment. The view is that by putting in more resources to economic development, more pent up demand would be released and growth would continue.

The Council generally is seen as having a lack of vision and that it wants no more than controlled prosperity; in other words, it doesn't want Crawley to grow strongly. One example of this is the Council's attitude towards the future of aviation in the UK, and specifically the SERAS consultation. The view on whether Gatwick should be given a second runway was split, which would appear strange given its value to the economy. This is further supported by the fact that the Council's community strategy has aimed to diversify the economy, yet has had limited success. In effect, the future success of the economy is heavily linked to the airport.

The key issue for the future is the skills base. This is currently being partially addressed through Sussex University's proposals for a new campus in the Gatwick Economic Area at Horsham. This would be as big as its existing campus and very industry-orientated. However, whilst this covers the higher education agenda, there may be an issue of filling the further education gap. Crawley College currently provides a reasonable range of course but it is unclear whether it is providing exactly the skills that will be required of the workforce in the future.

Infrastructure could become a problem as Crawley town is very near 'capacity'. It has a good guided busway but its construction threw the road system into chaos; this points to fragility in the network. In addition, there are substantial town centre retail improvements planned. Yet without the necessary improvements to the transport system, this could create sizeable problems.

There is also an issue over branding and marketing. The image of Crawley is not felt to be as strong as the town's economy. The example is cited of the town's first business park, City Place, which looks like a typical Thames Valley/Reading business park. Despite its location within the borough boundary, it has been branded ‘City Place, Gatwick’, giving no mention of Crawley. This is seen as not adding value to the Crawley offer.

Policy Recommendations

Effect of Airport

What Crawley and Slough have in common is the proximity of a major international airport. Both have therefore become natural locations for much airport-related activity, both direct and indirect. However, what this also explains is why Slough has a greater all-round concentration of activity than Crawley. Specifically, Gatwick has lost its transatlantic routes and as a result, operates as a European scheduled (through the low cost market) and holiday charter airport. Most of the key major business routes are operated out of Heathrow, so Slough automatically becomes a more attractive location, particularly for US companies.

There is a need for further research into this in order to determine its relative impacts. Specifically, there is a need to examine major headquarters based in Crawley to see where they fly out to; it is most likely that these will primarily be European routes. Even US companies will be using this as its European hub base. Accordingly, economic development policy should focus more in each town on its respective strengths; Slough should continue to be a low cost destination for major long haul investors whereas Crawley should place more emphasis on strengthening the supply chains of its major industries. To a large extent, likely future route development at Gatwick is not such a key issue; it is only the return of transatlantic destinations that will provide a major step change for Crawley from an airport perspective.

Housing

Housing is an important issue in Crawley and Slough. Both towns have a large flow of highly skilled in-commuters filling the growing numbers of positions in the high value sectors. As such, whilst the towns are experiencing growth in strong industries, this growth is not being undertaken by the indigenous population. In both, the reason is that the quality of housing stock is not of sufficient quality to induce these people to live there. Currently there is no more than anecdotal evidence from interviews with a few employers to suggest that if the housing stock was improved, more highly skilled people would live there and so reduce the levels of in-commuting. As such, more work should be done in this area as it could have important implications for the future housing strategies of the authorities.

Corridor Development

One difference between the two towns is the pattern of development that each has serviced from their respective locations. Slough has formed part of a ribbon development along the M4 corridor, stemming from the growth of Heathrow, and has consequently developed as a niche location serving certain elements of that offer, i.e. lower cost accommodation. By contrast, this ribbon development hasn’t happened along the M23 down to Gatwick. As such, if companies have wanted to locate within a short drive-time of Gatwick, their only real viable location has been Crawley.

As such, for the Crawley area, the potential for greater development along the M23 corridor should be examined. In essence, it has similar characteristics to the M4 corridor, i.e. presence of a major international airport, good links into London, a good portfolio of companies, strong supply chain links, etc.

Skills/Education

One issue that analysis of Crawley and Slough has brought up is the role of education and skills development in the success of a town. Specifically, it would appear that success has been linked to the granting of unitary status to a council. Slough became a unitary authority and was able to control its own budget, choosing to focus much of it on education. Crawley, by contrast, still does not have autonomy over spending and has experienced lower investment in education which has been borne out by results. Given that the educational qualifications of areas are linked to their success, then a move to unitary status for many authorities could serve to strengthen the core of their workforce. Failing this, then lobbying the counties for more money to be put into education is necessary.

Linking into education is the development of skills through further and higher education institutions. Inward investors will normally locate nearer to university institutions - if companies come into the Heathrow area for example, the view is that they are more predisposed to go to Reading than Slough, due to the presence of a good university. What will need further analysis is the impact on Crawley of Sussex University's proposals to develop an industry-focused campus in Horsham. Coupled with this would be research into the impact that enterprise hub development has on the town. In tandem, it would appear that these educational and skills development tools have potential to create stronger growth than in towns where they are absent.

Oxford & Aylesbury

Oxford and Aylesbury have been chosen for closer analysis because of their many similarities in terms of location (in relation to London and the Thames Valley), set against their many stark differences, i.e. Oxford as a historic, university town; Aylesbury as a new, industrial town. However, both have experienced growth during the past decade.

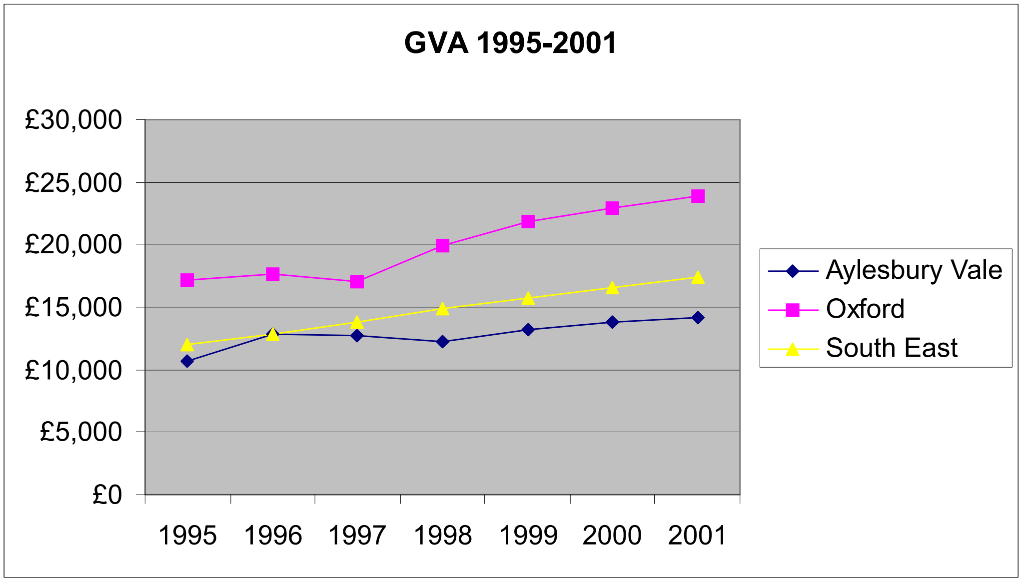
Local Economy

Recent Performance

As the bar graph below shows, GVA in the two towns has grown at least at the level of the South East between 1998 and 2001. In the case of Oxford, its growth has considerably outstripped this level. Yet by contrast, the changes in employment over this period have been completely different. Whilst the South East has shown strong growth in employment, Aylesbury has hardly grown at all. In the case of Oxford, employment has actually fallen over the period. To have rising GVA during a period of employment contraction shows that the jobs coming into Oxford have been extremely high value.

Source: Robert Huggins Associates/Eurostat/National Statistics

When looking at actual levels of GVA growth (as shown in the line graph below), the earlier evidence is supported. Oxford has high GVA, above the South East average, and since 1997 has been growing at a rate comparable to the region. Aylesbury's performance has been more variable, and is at a much lower base. Furthermore, it is below the regional average, although growth since 1998 has been at an equivalent rate.



Source: Robert Huggins Associates/Eurostat/National Statistics

Oxford

Oxford's tradition as a centre of academic excellence has had a considerable influence on the local economy. The two universities (Oxford and Oxford Brookes) have been particularly instrumental in promoting research. The development of ICT has been significant in its own right, but also in terms of its impact on publishing, with creative media emerging as a key activity both within publishing, but also independent of it. The industry is characterised by a large number of small publishers, but the larger publishers include Oxford University Press, Blackwell and Reed-Elsevier.

Oxford is now acknowledged as being a significant location for IT businesses, particularly in relation to software. Key firms include **Software 2000**, and **Accelrys** (includes former Oxford Molecular).

The presence of a strong medical sector has supported the growth of the bioscience/life science sector, for which Oxford is renowned as an international centre. Development of this sector has been promoted further through the activities of Isis Innovation and the Oxford Trust. Key employers in this sector include Powderject (now part of Chiron), Oxford Radcliffe Hospital NHS Trust and Becton Dickinson Life Sciences.

Although employing less than one-fifth of the workers than at its peak, the automotive industry is still key to the Oxford economy. BMW is its single largest employer and has invested heavily in their Oxford operations at Cowley, where development of the new Mini takes place. Unipart is also important to this sector, although it has diversified extensively into other areas of business. Harley Davidson has established its European headquarters in Oxford.

Building upon the heritage of the university city and its surroundings, Oxford has prospered as a focal point for both overseas and domestic visitors. The industry is characterised by a large number of small, independent businesses.

This overall structure is illustrated by the profile of the Oxford City economy, with above-average representation in public administration, particularly the education and medical sectors.

The city has relatively high levels of economic activity. This is despite the fact that it has less people working full or part time than the national and regional averages. This is explained by the fact that it has a very high proportion of students.

Aylesbury

Aylesbury Vale has a range of major employers including McCormick (herbs, spices and seasonings manufacturing and supply) and Canon (telecommunications). It has also developed a specialism in the field of neurosciences through the work at Stoke Mandeville Hospital.

Despite this, it has lost several major employers over the last couple of years, including Nestle, Schwarzkopf and Rothmans, with Equitable Life due to lose a substantial number of jobs in the town.

Its industrial structure has more employment in traditional manufacturing industries, particularly printing and engineering. New occupiers in the district tend to be local companies, i.e. companies with a local base moving premises, or new venture start-ups.

Aylesbury Vale has the tightest labour market of all districts in Buckinghamshire. Despite this, in the period 1991-2001 it experienced an 18% growth in office employment (3,300 jobs). The district experiences net out-commuting, mostly to London, the Thames Valley and Milton Keynes. By comparison, Buckinghamshire county has 8% out-commuting whereas Oxfordshire only has 5%. However, there are still a large number of people that live and work in Aylesbury.

In terms of its policy context, Aylesbury Vale is part of the Milton Keynes South Midlands (MKSM) sub-region. The preferred option anticipates growth from 2001 to 2031 of 26,000-31,000 dwellings and 22,000-28,000 jobs. This will have a substantial impact on the economy.

Reasons for Relative Performance

Oxford

Oxford's economic performance has been dictated by its historical development. Due to its medieval urban structure, it has always been a tightly planned city, which has also been afforded the strong protection associated with planning constraints in the surrounding green belt. Furthermore, its location as a stopping point out of London has meant that it has experience substantial congestion and social problems.

Also, the perception is often that Oxford is doing well because it has reached near full employment. Accordingly, initiatives to address unemployment do not impact upon sub-regional economic performance. It is not therefore an issue of jobs, more of wages and skills. A large element of the economy is based upon services and tourism, creating a naturally high proportion of low skilled, low wage jobs.

The City Council has a Local Plan which is currently being reviewed and this sets out a land-use framework for the City, with employment land provision included as part of it. The Local Plan seeks to protect and encourage all sectors of the local economy, with particular reference to employment diversity and small businesses. Land is available in the City for high-value office uses, most notably on the Oxford Business Park. The Science Park is successful in its own right and may well be extended in the longer term.

The review is being carried out within the context of the Structure Plan which relates to the whole of Oxfordshire. At present the existing Structure Plan does not provide for any growth of Oxford, instead emphasising better or different use of land resources within the City area, and directing limited economic growth to the market towns within Oxfordshire. The City and County Councils are working closely together in assessing the case for an Oxford City-Region to be recognised as a key element within the Regional Spatial Strategy for the South East, which SEERA is in the process of preparing.

Related to the above is the close relationship which exists between both Councils and SEEDA in developing the West End Renaissance Project. This highly significant and bold initiative represents a commitment to rejuvenating a substantial part of Oxfords central area and providing opportunities for some transport infrastructure improvements. This will encourage the injection of business and business-related investment into the heart of the City.

The emphasis being given to considering Oxfords future in positive terms is being extended in a further way. It now embraces the commissioning of an expert assessment of Oxfords local economy and how it is likely to perform over the next sixteen years. This study is seen as helping inform the Council as to how the local economy is likely to develop, and providing a basis upon which the Council could engage more with the business community, taking account of both current and anticipated circumstances.

Within the last two years the City Council has established a realigned Vision, introduced a range of organisational changes, and taken the leading role in both setting up the Oxford Strategic Partnership and producing a Community Strategy. These developments in overall Council strategy will be underpinned in a number of ways, including the above mentioned areas of focus.

Aylesbury

The recent success of Aylesbury has some fundamental, straightforward drivers. In particular, it hasn’t over-focused on one or two sectors. It has a balanced economy based on a range of sectors, so hasn’t been significantly affected by difficult economic periods. This is unlike areas such as the Thames Valley, which has really suffered due to its focus on IT. The primary reason for the success across this wide sectoral split is the fact Aylesbury is relatively cheap and affordable, certainly compared to the south of the county. Small businesses in particular find this extremely attractive, so they populate these lower quality units.

Furthermore, the town has done well because of its relatively well-educated workforce and its grammar school system, which is attractive to inward investors. Also, it has a lack of congestion compared to the Thames Valley and the rail links to London are improving with the Chiltern Rail franchise. Its distance from London provides a contrast to Oxford – Aylesbury is surrounded by farmland rather than restrictive green belt. Furthermore, its layout is also more conducive to change. The town centre being surrounded by low-density 1960s development has permitted denser redevelopment in the centre and therefore substantial capacity for growth.

It is the small and medium sized enterprises (SMEs) that explain the robust appearance of the economy, as they naturally show strong growth in their early years. The development of SMEs in Aylesbury has partially resulted from large companies moving out. People are either made redundant or choose not to move with their employers, instead preferring to stay and set up their own businesses. They are able to do so as a result of the high level of transferable business skills that they have developed whilst at these large companies.

Similarly to Oxford, Aylesbury has low unemployment and this has been maintained even with the outflow of large companies because those workers laid off have been able to find work further afield in Milton Keynes, the Thames Valley or London. As explained with the growth of SMEs, skills are not seen to be a problem.

The movement out of the large companies from the town is not due to any economic concerns. It is the result of flexibility being provided by the local planning system, specifically in respect of changes of use. Aylesbury Vale District Council has permitted substantial changes of use from employment to residential. As a result, many of these large companies have taken advantage of their sizeable sites and sold them off for housing. A further issue is the District Council's other role as a large landowner. Instead of investing in improved infrastructure for many of their land holdings, they have instead sold them off and therefore taken away their potential to be developed for employment.

Despite this, there is felt to be no shortage of employment land available in the town; the question is over its quality and location.

There is a good working relationship between the District and County authorities. Buckinghamshire County Council was originally concerned about the Government proposals for growth coming out of the MKSM study, whereas the District had a far more positive outlook on the possibilities. Nevertheless, all parties worked through the issues and are now signed up to them.

A notable contrast to the Oxford experience is the absence of employment in tourism. This naturally eliminates a large proportion of the low skill, low wage 'underbelly' of the economy.

Oxford & Aylesbury

Where there is a degree of similarity between the two towns is in the view that significant intervention in supporting the local economy has not been needed. The District Council has one economic development officer with a budget of £15,000. Again, the result is that the business community complains of lack of vision. Aylesbury has been readily able to accommodate fundamental change but Oxford's case for doing so is not easily defined given its historical development and the presence of the green belt. Historically Oxford has been active in accommodating a degree of economic growth, with support for the establishment of the Oxford Science Park and Oxford Business Park being good examples. In more recent years this has been less so, with more reliance on consolidation and local planning policy to provide the framework for this. The local economy study referred to represents a fresh appraisal. Mechanisms for the Council relating to the business community have been ad hoc and a focus on the business community agenda has not been particularly evident. Again however the local economy study represents a key building block for triggering a new local economy network being set up with scope for more directly involving the business community. This will also be able to feed into the work of the Oxford Strategic partnership. There is a growing coherence in Aylesbury's development strategy in particular in the town centre intensification put forward through the Sustainable Communities plan proposals. These proposals are being put forward in conjunction with the expansion of the town on three strategic sites incorporating residential and employment uses.

Policy Recommendations

This section seeks to draw together the case study data on the two towns and understand what are the most important factors that need to be addressed. Specifically, it needs to assess what the local factors that influence productivity are, and their relative importance.

Strategic Development

The approach to strategic development is seen as vital by the stakeholders in both towns. In Oxford's case the local economy study should help in reassessing how the City Council can relate to the local economy and support economic performance; Aylesbury has been doing well because its developing business structure (SMEs looking for cheap premises) has less onerous requirements than those in Oxford. Oxford should continue to develop its overall Vision which is already being articulated with the help of the areas of focus referred to above, in the reasons for relative performance in Oxford.

A clear policy framework needs to be adopted that provides a clear balance between SME and large company development. To a certain degree, this is a function of the planning agenda that allocates the employment land. Whilst SMEs have grown strongly over the recent past, the focus cannot continue to exclusively be on this sector. This is because many of the existing SMEs will grow and look for larger premises; if these premises are not available, they will leave Aylesbury. So a policy to get the right balance between developing new SMEs and growing existing ones is important.

Furthermore, a similar policy approach that determines and strikes the right balance of economic diversification is necessary. Aylesbury has done well over the past few years by not diversifying to any great degree, yet if it wishes to develop further, then strong movement into a wider range of sectors is likely to be necessary. One area of potential is medical research through the Enterprise Hub at Stoke Mandeville Hospital. Equally, Oxford's dependence on the motor industry has led to problems with the shifts that the industry has experienced in recent years.

Transport

Both towns consider transport to be a key issue, but both are at different stages in the evolution of their transport systems. Oxford has already reached capacity in its road network and is looking to employ methods of modal shift away from the private car. By contrast, Aylesbury is still not yet at full capacity – although this is imminent – so has more scope to develop new transport infrastructure. A coherent policy approach is recognised as being required by both towns.

Skills/Wages

There appears to be a need to focus more on school education and the development of the further education (FE) offer at local colleges. These need to link into employers and be easily accessible by those working in lower skill jobs, in order to maximise the potential for people to access them.

Local Authority Strategy & Resourcing

Stakeholders felt that the local economy was important to their Local Authority areas. Aylesbury has demonstrated that this has not been a hindrance to its successful development. In Oxford the successful development of the local economy has occurred without the Council needing to intervene in a major way. Resources for economic development have not justified the same scale of deployment as have resources for addressing other areas of Council service development and delivery. The Council is however now a key player in taking the West End Project forward, and has also, in conjunction with the Oxford Strategic Partnership, decided to take a fresh look at current local economy characteristics and how they might change over the period to 2020.

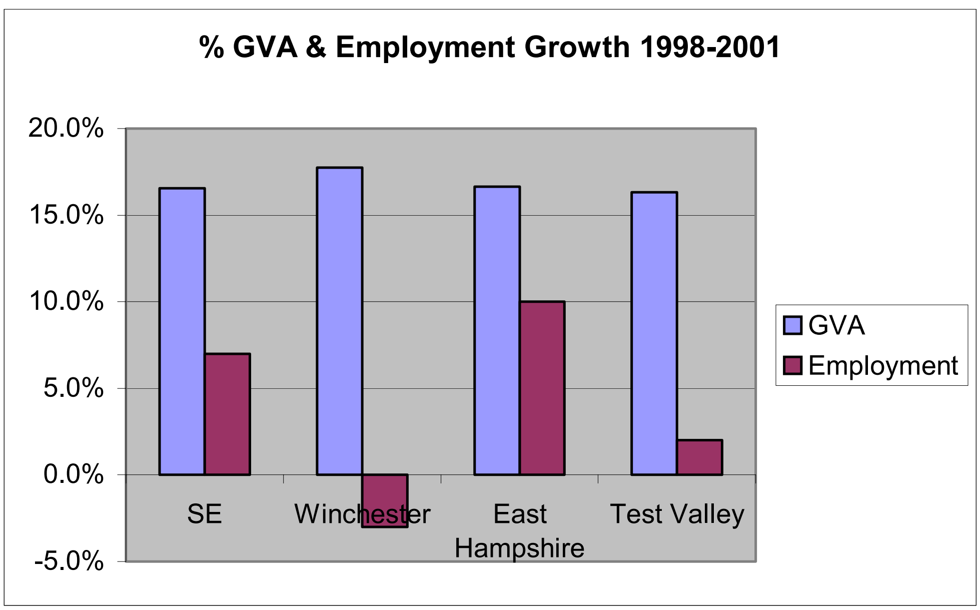
Hampshire & Winchester

The M3 corridor between the Thames Valley and the coast through Hampshire has been identified as one area with similar growth potential to the Thames Valley growth corridor. Currently however, there are significant differences in growth and economic performance between Winchester and the surrounding area.

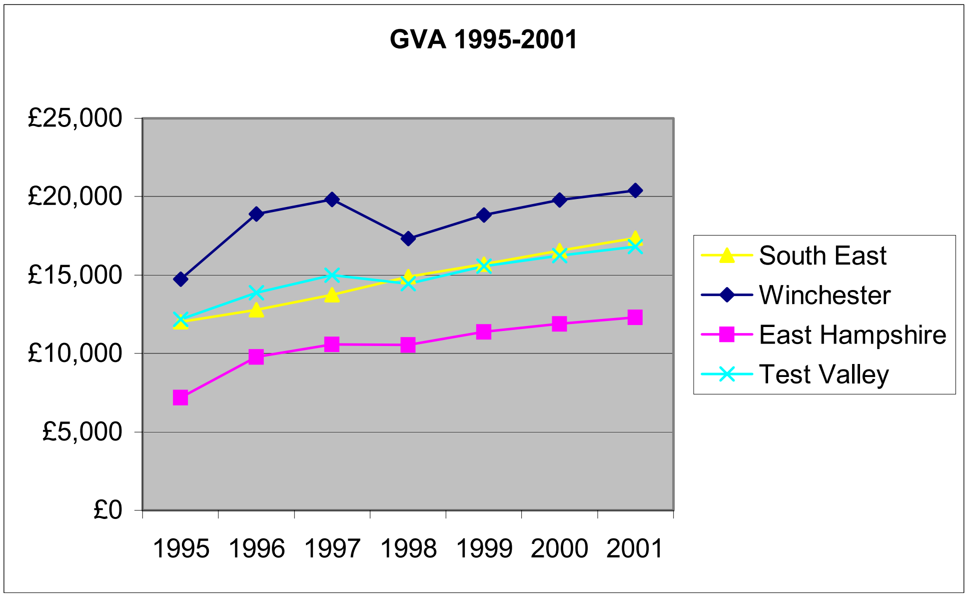
Local Economy

Recent Performance

Differences in the economic performance and potential of Winchester and Central Hampshire are reflected in the GVA figures from 1995. GVA in Winchester was more than twice that of East Hampshire and over 20% higher than in Test Valley. Between 1998 and 2001, Winchester outperformed the South-East average in terms of GVA growth. East Hampshire and the Test Valley grew at the regional average and slightly below the regional average during the period. Sub-regional disparities during the period therefore widened. The pattern of employment growth is much more varied. East Hampshire outperformed both the South-East average and the Test Valley. Employment during this period in Winchester actually fell. One explanation for falling employment but increasing GVA may be an increase in the numbers of people resident in Winchester but commuting to London and other centres.



Source: Robert Huggins Associates/Eurostat/National Statistics



Source: Robert Huggins Associates/Eurostat/National Statistics

Winchester

The Winchester economy is based upon a core of public service HQs including the:

- County Council;
- Hampshire Constabulary;
- NHS Trust;
- Prison; and the
- City Council.

This core of public sector professional services is supplemented by several major private sector employers in the business services sector (Computing and computer sciences employment is 4 times the national average) including:

- Denplan;
- IBM (which employs 2,000 to 3,000); and
- NTL (which employs over 2,000)

It is generally recognised that both the public and the private sector provide important critical mass, supporting a denser than is typical across the region number of financial services and legal professionals.

Tourism until recently was also an important element of the economy but Winchester has been typically been perceived as a second tier destination and is experiencing increasing competition from other locations as well as the recent setbacks across the tourism sector of foot & mouth, September 11th and the Iraq war.

The remainder of the economy includes a number of small start-up and micro businesses. predominantly in the high tech/IT and performing arts sectors (some TV production companies). Hampshire Business space has 30-35 units for SMEs which are currently full utilised.

Industrial activity in the area is limited to the Winault estate (although Winchester has never really developed a manufacturing sector). The area is tightly controlled by planning constraints and there is a desire by the commercial sector to open up uses on the site to allow for example, live/work uses. Large office blocks are not part of how the city has developed as the historic centre has restrained development and larger scale accommodation has been provided in surrounding centres.

The local economy can also be characterised by significant flows of people into and out of the district. In effect higher skilled, higher paid workers commute to London while lower paid, lower skilled workers commute from the surrounding area into Winchester. Statistically this may mean that the area is actually doing worse than is indicated.

Local economy – Hampshire

Rural Hampshire effectively stretches in a band between the North Hampshire Golden Triangle and the coast only broken by Winchester and Andover. Rural Hampshire is perceived to be struggling. The area is predominantly agricultural with dairy and arable farming creating little value added and relying on European CAP funding (current performance will get worse with the reform of the CAP).

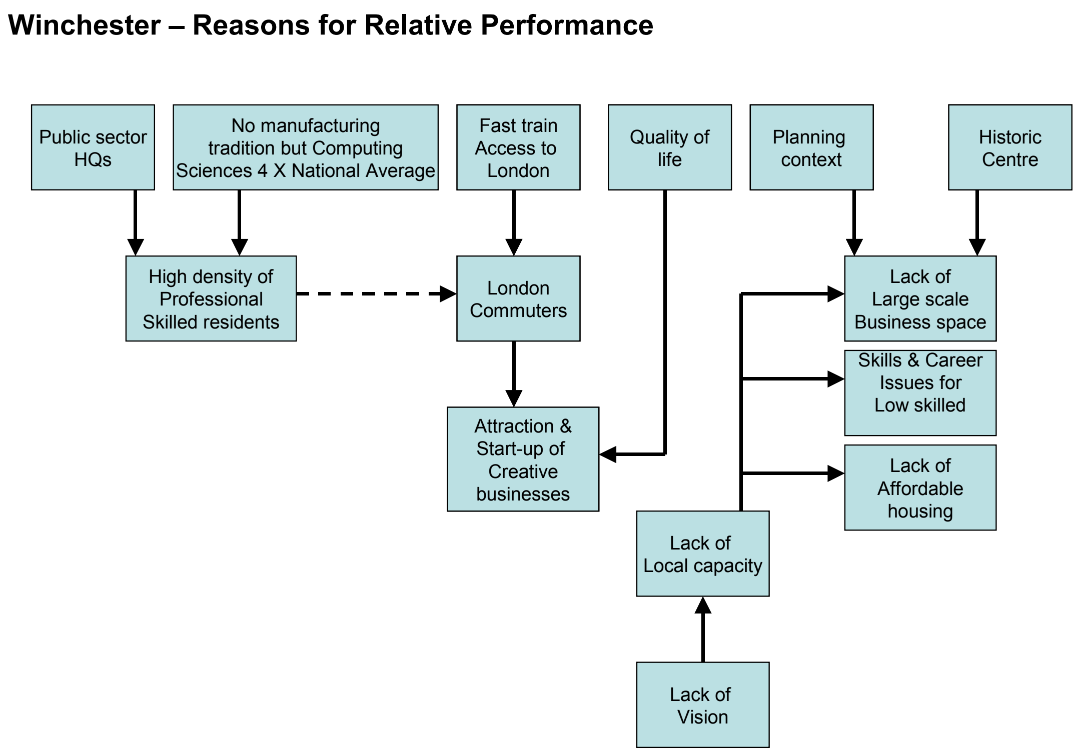
Rural Hampshire is facing a number of economic weaknesses including:

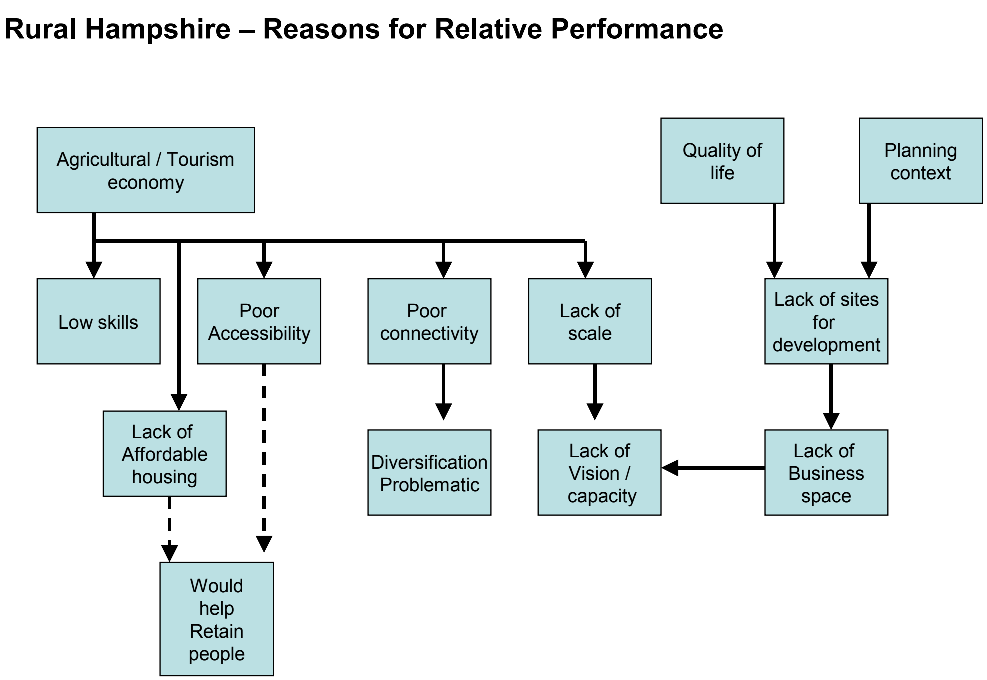
- Poor access;
- Pockets of unemployment;
- An ageing population;
- A lack of affordable housing; and
- A lack of sectoral diversification.

Hampshire County Council are already trying to support diversification and the creation of alternative income generating activities and have been at the forefront of supporting farmers markets (94 are planned for next year, involving about 150 producers).

Some rural diversification has already taken place. The County Council are aware of farmers who have converted barns attracting graphic designers and software businesses. But this first wave of diversification is now at risk with leases that are coming up not being renewed as there is no current access to broadband which is required by these types of SMEs/creative companies.

Reasons for relative performance





Accessibility

Fast access to the rest of the Thames Valley and London has had an important influence upon patterns of growth across Hampshire. One example is Basingstoke and Andover which effectively started from similar positions as country market towns at the beginning of the 1950s. The difference in performance in growth of Andover and Basingstoke appears to have principally been driven by access. Following the development act of 1952 (which included both Andover and Basingstoke) Basingstoke has grown rapidly. The town is on the M3, has a direct raillink to London and easy access to Heathrow. Andover is contrast is on the A303 with a slow west country railway link.

Similarly, accessibility is an important attractor for companies considering locating in Winchester or in encouraging start-up activities, TV production companies, for example have regular meetings in London and rely upon the fast train service (London is 40 minutes by train).

Planning

Some respondents suggested that a key reason why rural Hampshire is doing badly is the strict planning regime which appears to have severely constrained local business space – in effect there isn't any room to grow. Planning may also explain why Winchester is not gaining from the road link in a manner as is Basingstoke. The number of sites along the M3 or A34 and in the town centre would have to be addressed if a similar agenda for growth is to be pursued.

Vision and capacity

Winchester currently does not have an Economic Development function although it is planned to be introduced in the next 12 months. In the past it was considered that Winchester did not need an Economic Development function as it was successful. The Local Authority sought to develop the economy through tourism but the recent downturn in the sector has meant that it has realised that it requires a wider economic base and focus.

Affordable housing

Affordable housing is becoming a major issue for the competitiveness of the local economy:

- Some companies are buying housing for workers
- Some companies having to pay London weighting e.g. Chubb in Basingstoke
- Basingstoke – already setting 26% target for affordable housing (London level)

HIEs

King Alfred College is the local HIE and now has independent power to award degrees – and plans to extend into Basingstoke. Its key focuses are marketing and business and performing arts. There do not appear to be many linkages between the HIE sector and the Winchester economy and although research establishments have had an important influence upon the North Hampshire economy this has been more about creating a 'research/technology' profile for the area rather than actual spin offs/outs from research establishments (which have been limited to date).

Policy recommendations

The lack of an economic development function in recent years is reflected in the lack of a focussed vision and approach to economic development for Winchester and the surrounding area. The absence of a vision has tended to reinforce a planning policy of restraint.

The future approach to planning however will have to be carefully considered in the context of the development of a future growth strategy for the area. One way of spreading the growth in the

Thames Valley would be to relax the planning policy along the M3 corridor to Winchester and beyond but this could be very contentious. If the current planning framework is maintained a growth strategy will need to be developed that focuses on small scale high value businesses which can be accommodated within the existing urban fabric although finding space for facilities such as incubator units will become increasingly difficult particularly given that the town is based upon a medieval footprint.

Even if planning and accessibility issues are addressed in Hampshire, it may not be easy to encourage the spread of growth outside of the Thames Valley to Winchester, Andover and the surrounding area. Very little of the growth in North Hampshire in recent years has been new investment, it has rather been consolidation or expansion of existing companies in the Thames Valley. Moving further south or west could make the commute time for their existing staff intolerable leading to staff retention problems.

Winchester like several other centres in the South-East such as Oxford has in effect a two tier workforce consisting of skilled professionals and the unskilled tourism and other services sector. Current initiatives are under way to create career paths and ladders for people in retail in Winchester town centre but one mechanism for achieving a significant uplift in growth will be to focus on upskilling the lowest skilled segment of the population.

General feedback from all of the interviews was that there was a need for a more integrated approach to skills and business development in the area if the potential of businesses in Hampshire was to be realised. A number of partnership models or examples were suggested as possible best practice including:

- The possibility of extending the AIF work which had served as an effective mechanism is get stakeholders engaged
- The Isle of Wight Economic Partnership which has a strong business involvement and has kept a tight focus on inward investment as well as taking on the economic development brief from the Isle of Wight Council
- The Hampshire/Isle of Wight workforce development plan which was influenced by the Economic Partnership effectively creating a mechanism for the LSC to work closely with the final customer
- The need for a sub-regional approach which reflected distinct areas with sufficient critical mass for example the South Hampshire coast.
- A sub-regional approach is also needed for destination management – e.g. the Solent rather than Portsmouth or Southampton.

The MOD has had a major influence upon the pattern of economic growth in Hampshire in recent years. DERA (now Quinetiq) were originally located in Farnborough with 3,000 research scientists and a £1.1 billion budget. Their relocation within their airfield site in 1994/1995 freed up space for other development and 1.2 million square feet were developed by Slough Estates. Another example is the Sun Microsystems site on the M3 which was also an MOD site and would otherwise have been classified as a greenfield development site.

Ongoing restructuring of the MODs land holdings and operations in the South-East (for example currently in Aldershot) is likely to provide further development and growth opportunities and further discussions with the MOD about their plans and intentions would be a useful exercise.

Hampshire County Council and other local stakeholders have a clear view on how they can support growth in surrounding rural area. Ongoing support will be required to initiatives such as Wire.

Thanet & Ashford

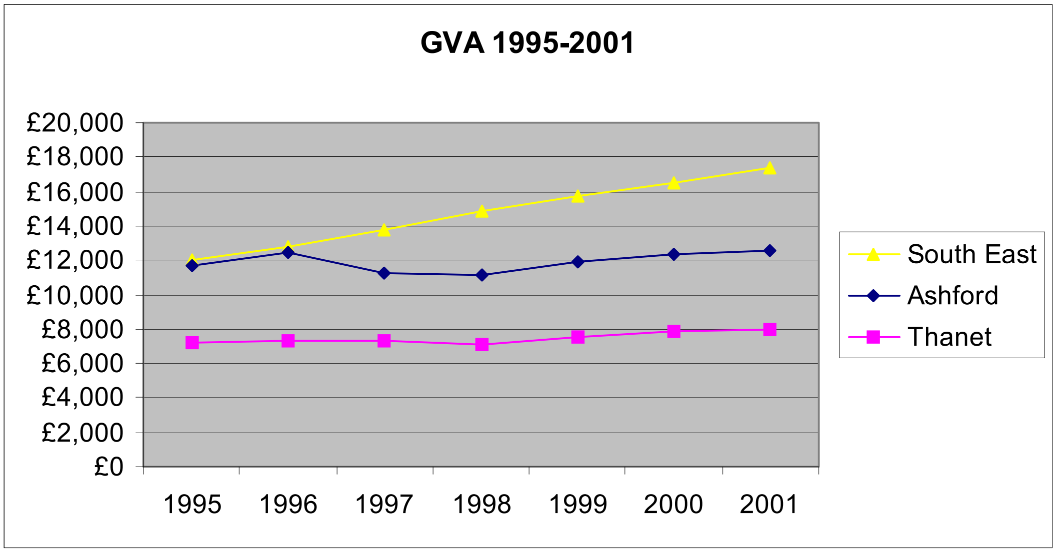
Economic disparities across the region appear to get worse the further east you go. To explore the reason behind this in more detail Thanet and Ashford were chosen for closer analysis. This also provided an opportunity to undertake an early assessment of the impact of investment in new infrastructure and the Government's Communities Plan upon sub-regional performance.

Local economy

Recent Performance

Both Thanet and Ashford start from an existing base (in terms of GVA) significantly below the average for the South-East. Between 1998 and 2001 both performed worse than the average for the South-East as a whole, in effect, disparities widened between these areas and the rest of the region. Both areas outperformed the South-East average in terms of employment growth between 1998 and 2001, which together with the GVA figures points towards the creation of lots of low value jobs. Ashford outperformed Thanet both in terms of growth and employment between 1998 and 2001, but Thanet came close to matching the % increase in GVA performance of Ashford during this period.

Source: Robert Huggins Associates/Eurostat/National Statistics



Source: Robert Huggins Associates/Eurostat/National Statistics

Thanet

Until recently the Thanet economy has traditionally consisted of a mix of agriculture, tourism manufacturing and some mining activity. Over the last 10-15 years the economy has undergone rapid change with the end of mining activity, the decline of the 'traditional' tourist offer and rationalisation of the manufacturing sector. Hornby, which at its peak employed 1,500 people, now employs 175. The Duraplug factory which at its peak employed over 2,000 has closed.

The jobs that have been lost both in Hornby and Duraplug and elsewhere in the local manufacturing centre have tended to be fairly low skilled basic assembly type activities (a large proportion of which were done by women) which have been relocated to more cost competitive locations (the employment that remain at the Hornby site are a slimmed down design, logistics and administration function).

As the manufacturing sector has declined there has been an expansion of the retail sector. A Sainsburys is now located on the Duraplug site and Tesco have 4 stores in the Thanet area. A large proportion of the low skilled former manufacturing workforce has moved into retail or is 'hidden' unemployment – women leaving the workforce (Tesco's opened a new store in Ramsgate recently with 200 jobs that was 10 times oversubscribed).

Pfizer in Sandwich is the largest remaining manufacturing employer and now employs over 5,000, with another 2,000 indirectly employed in local supplier operations. The business has grown organically, however its scale and the skillsets it requires now means that it increasingly has to recruit its workforce from outside the area. One problem with attracting the skilled workers that it needs is that quality of life is an important deciding factor and the existing socio-economic infrastructure and accessibility issues detract from the overall quality of life 'offer'.

Ashford

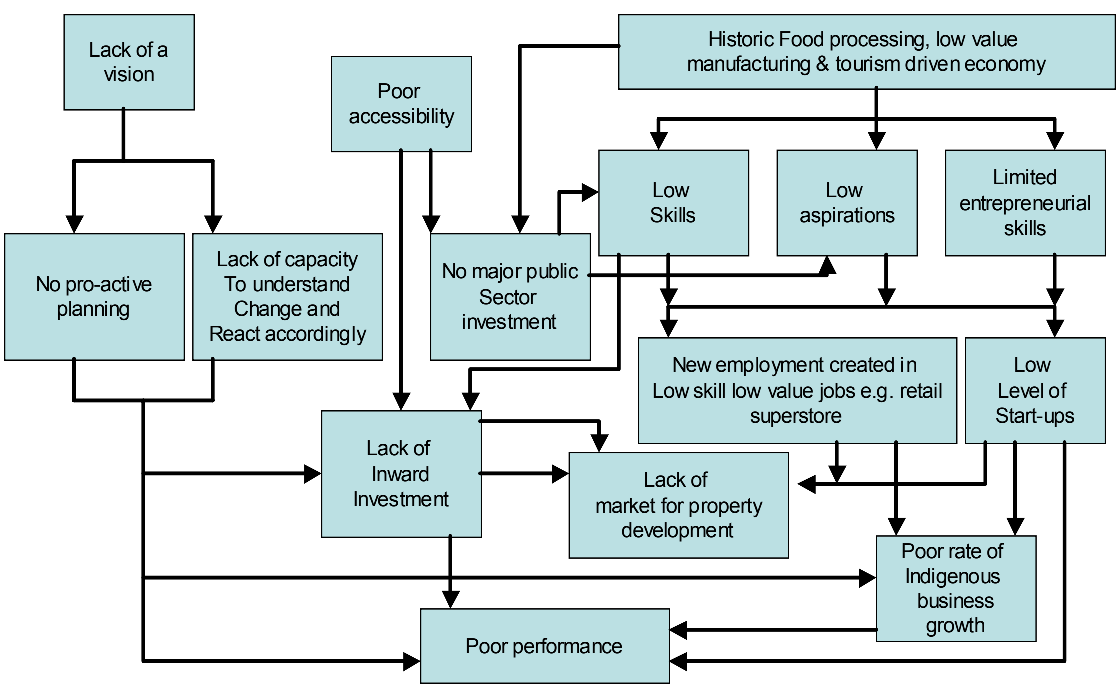
Traditionally, as in Thanet, manufacturing has played an important role in the Ashford economy. Key strengths include food processing (It benefits from its location in the centre of Kent's 'Garden of England') and Brake Bros and Campbell Foods amongst others have facilities in the area.

Other manufacturing sectors include fragrances and cosmetics (Qwest are based in Ashford with laboratory as well as production activities and Coatie/Rimmel manufacture make-up) and aerospace engineering.

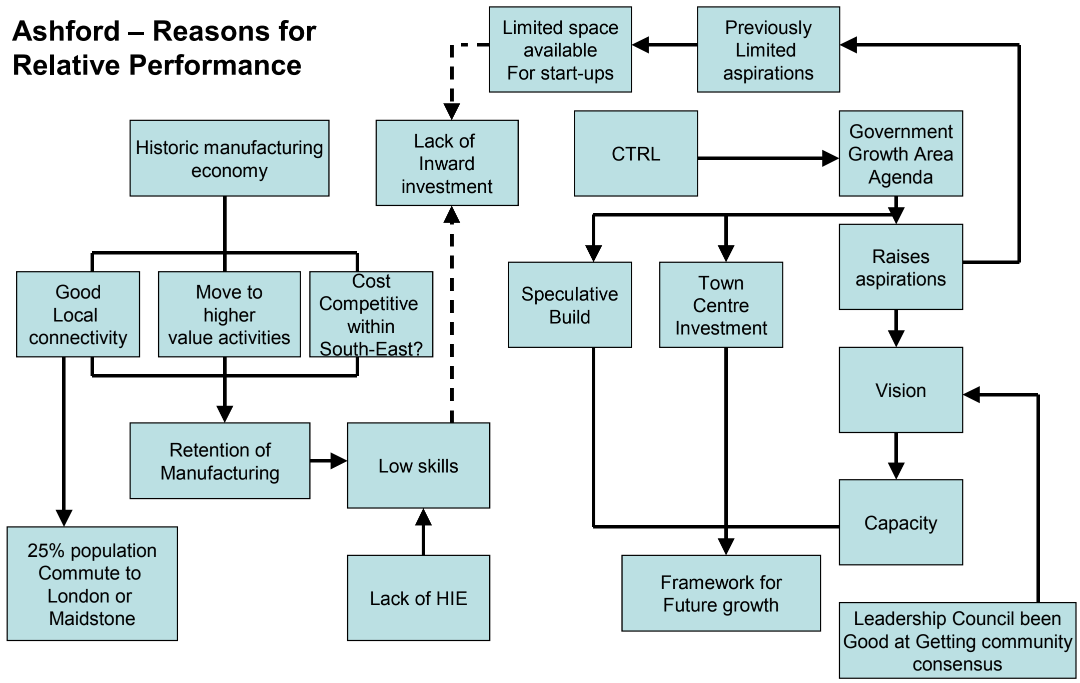
Ashford has been able to maintain and grow its manufacturing sector partly due to the fact that several local manufacturing employers were originally part of Unilever but were sold off which has meant that the higher value functions such as HQ and Research & Development activities have been retained within the area. Local employers have also increasingly sought to move up the value chain for example local food processors no longer just package food products but are preparing fully integrated products such as ready meals and there has been significant investment in product development.

Reasons for relative performance

Thanet – Reasons for Relative Performance



Ashford – Reasons for Relative Performance



Sectoral change

Neither Thanet nor Ashford have attracted significant inward investment in terms of new employers in recent years. One of the key differences between the two areas appears to have been the fact that while Thanet has lost a large proportion of its traditional manufacturing employment base Ashford has retained much of its established manufacturing core. Where manufacturing employment has been lost it has been replaced by public sector and retail employment rather than higher value business services employment as in other better performing parts of the South-East.

Thanet is also constrained by the legacy of its traditional tourism offer which can be characterised as:

- Low wage
- Low skills
- Seasonality; and a
- Poor basis for economic growth

Patterns of inward investment

Whilst not attracting inward investment in terms of new employers Ashford has been successful in attracting inward investment in terms of the commercial retail sector (new multiplex, car show room, and national high street retailers) which Thanet has not been successful in doing. Both the interviewees from Ashford and Thanet saw this as an important prerequisite for future economic growth as it was likely to have a significant impact upon local quality of life which in turn would attract a better skilled labour force.

Commercial property market & site availability

One reason explaining the lack of new investment activity in Thanet was considered to be the lack of an effectively functioning commercial property market (in some cases the cost of a factory unit may be £1 million to construct but it could be worth as little as £750,000 on the open market). No speculative build takes place and the depressed property prices mean that developers who have bought land are reluctant to bring it forward. The result of this is that there is a lack of available sites.

The absence of available sites in turn meant that speculative development was non-existent and only just beginning in Ashford. This was considered to be one explanation for the lack of new inward investment in Ashford to date as until this year the sites and speculative development had not been available to show prospective investors.

Investment in skills

There are a higher proportion of lower paid, lower skill marginal manufacturing operations in Thanet occupying poor premises. Historically this has meant that there has been little investment in training. It has also been more difficult to engage employers in training and workforce development due to the low number of large employers and HQs in the area. Poor skills development in turn has hindered educational achievement and aspirations limiting entrepreneurial activity. Both in Ashford and Thanet the high proportion of SMEs in the local economy is generally considered to hinder the wider development of management skills due to more constrained opportunities and contribute to a lack of aspiration in the wider workforce due to their low profile (people don't know opportunities are out there).

Persuading the existing employer base in Thanet to invest in training and workforce development has become increasingly difficult as Government has placed an increasing onus on employers to take the training risk and the number of employers who have the capacity to do this in the local area is limited. The only employer of significance prepared to do this in the area is Pfizer which offers a range of apprenticeships all of which are oversubscribed.

HIEs/Spin-offs and start-ups

Kent has 5 Universities: KIAD (Institute of Art and Design), University of Kent, Imperial College at Wye (Agricultural specialist), University of Medway, Canterbury Christ Church (teaching specialist). The range of provision is not as established as elsewhere in the South East and arguably the specialisms of the universities do not provide opportunities for inward investors, science parks etc (although the inward looking nature of the local Universities was also considered to be an issue).

Thanet hosts the Canterbury Christ Church campus however the college which has now acquired university status is predominantly focussed upon teacher and nursing training – although it is now expanding its range of courses to include digital & media studies. This course currently only has 20-30 students – in effect a very small base upon which to encourage start-ups and spin-outs.

Ashford does not anticipate much contribution from start-ups although the area has quite a good start-up rate. The current problem is that the Council owned industrial estate which is meant to provide start-up space is 99% occupied with very little turnover. The Council has focussed on revenue collection rather than taking the risk and forcing established companies out after a couple of years

Accessibility

While the relative growth performance of Ashford and Thanet was fairly similar between 1998 and 2001, accessibility was considered to be a major influence upon future growth. CTRL Domestic Services to Folkestone could provide an opportunity for the East Kent area to build upon, in effect halving the travel time to London.

Policy recommendations

Vision

It appears that one of the key differences between Thanet and Ashford identified by stakeholders was the presence or absence of a strategic vision. Ashford has a 10-15 year vision and also a business plan setting out incremental steps of how they plan to achieve that vision with funding identified where required. The Local Council has been very effective at involving the community in the development of the vision and maintains that it has secured a consensus on what needs to be done. Having achieved consensus a Co-ordination Unit has been set up to manage/plan growth and make sure that there is the capacity to drive things forward a delivery board has also been created.

Thanet in contrast does not have a vision. Having spoken to a number of council representatives our judgement is that consensus on what the future should be for Thanet does not exist; for example, in the tourism sector debates seems to rage as to whether the sub-region bases its offer on a version of Blackpool for the South East or does it market itself on Whitstable with its Victorian themed tourism offer. Without a clearly defined vision and associated strategy it is extremely difficult to understand or to address resources requirements and capacity constraints, or understand whether the existing business base is appropriate and if people are sufficiently skilled or have the right skill sets to deliver the vision.

The lack of a vision in Thanet and the presence of one in Ashford may be explained by a number of factors including:

- A lack of strategic leadership reducing the effectiveness with which funds are spend (indeed, it appears that some funds have not always been applied to the best effect);
- The scale of the Government's Sustainable Communities Plan for Ashford has been a powerful driver responsible for focussing minds and resources behind the development of a cohesive vision and strategy.

The catalytic influence of outside pressure from Central Government on the development of a coherent vision and plan for future development raises the question as to whether a similar approach could be used elsewhere. Some observers even suggested that SEEDA (and other funders such as GOSE), as promoters of economic growth, may need to become more "thick skinned" about their strategic direction. One option would be to focus the limited resources on one or two areas for 2-3 years rather than spreading resources more thinly across the region.

The specific issues being faced by Thanet and Ashford are of course complex and multi-dimensional, but it does appear that it is fundamental to ensure that your sub-region formulates a clear and robust vision and strategy behind which is aligned your stakeholders and those representing the wider areas (such as SEEDA).