

APPENDIX 1

GOMMMS THE WIDER ECONOMIC IMPACTS SUB-OBJECTIVE



**EXTRACT FROM GUIDANCE ON MULTI-MODAL STUDIES: VOLUME 2 DETR,
MARCH 2000**

THE WIDER ECONOMIC IMPACTS SUB-OBJECTIVE

1. The final report of the Standing Advisory Committee on Trunk Road Assessment (SACTRA) on Transport and the Economy has now been published (9 August 1999). However, the DETR has yet to consider the report and decide whether to accept the Committee's recommendations and how to implement those that are accepted. It is anticipated that the Department will come to a view by the end of 1999. Until that time, the advice given below should be followed.
2. In cases where the main impact of an option being appraised may be to assist the economic regeneration of specific areas, consideration should be given as to whether:
3. the option is significantly beneficial for designated regeneration areas; and
4. there are significant developments within or adjacent to the regeneration areas which are likely to be dependent upon the option being implemented.

For the first statement to be true, the option would have to satisfy two criteria:

- a. it should serve an area with recognised status (such as Assisted Area, Single Regeneration Budget, European Structural Fund) such that either:
 - a new road or a new or enhanced public transport facility would pass through the regeneration area and there is, or will be, a junction(s) or a station(s) within that area; or
 - the key development site within the area has direct access (by road, for public transport facilities, on foot) onto the new road or public transport facility; and
- b. the option is consistent with the achievement of the local regeneration objectives, as outlined in evidence from the relevant Government Office.

5. For the second statement to be true in addition to the above criteria (a) and (b) being met, particular development sites must have been identified where there is a high probability that either (c), (d) or (e) is the case as well;
 - c. the Highways Agency or local highway authority would object to the development if the option was not implemented; or
 - d. planning permission would be conditional on the implementation of the option; or
 - e. investors would not come forward or proceed beyond feasibility in the absence of the option.

These development sites must form a key part of the pre-existing regeneration strategy.

6. Worksheet 6.2 should be used to record this assessment. The Qualitative assessment should be used to give more details of the category of regeneration areas affected and the range of developments conditional on the option.

APPENDIX 2

A SUMMARY OF THE RESEARCH ON THE IMPACT OF TRANSPORT INFRASTRUCTURE IMPROVEMENTS ON ECONOMIC DEVELOPMENT

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The Impact of Investment in Rural Infrastructure

1. The provision of new transport infrastructure including new or improved rail services has an important influence on the location of economic activity and economic development. However, the provision of new rail infrastructure is rarely a prerequisite for development, but provision of new or improved rail services may affect the timing, scale, nature or value of development on sites that benefit from enhanced accessibility.
2. Research into the development impacts of new or improved rail services in the UK, the USA and Europe consistently indicates that such investment is not sufficient on its own to stimulate development in areas where it would not otherwise have occurred. If rail investment is to stimulate development certain other conditions have to be met.
3. A key factor determining the extent to which investments in improved or new rail services stimulates development is the state of the development market in the local area and the region, which in turn depends on the state of the national economy. In an active development market there is evidence that rail investment can significantly influence the location of development. A key issue which few researchers have addressed is the issue of whether development associated with rail investment is merely displaced from elsewhere, and if so, over what area displacement occurs.
4. The positive impact of new or improved rail services on development are greatly enhanced if transport investment programmes and land use and planning policies are co-ordinated. It is much more likely that improved rail services will foster new development if the areas around stations are zoned for new development, or if the railway and its stations are purposely designed to service areas identified by planning policies for development of the high order functions that require good access by public transport.
5. In addition, if new or improved rail services are to stimulate development, they must serve sites or areas capable of development or redevelopment. The evidence suggests that in city centres these sites or buildings must be within a quarter of a mile radius of the station for the railway to have any observable and direct impact. If new or improved rail services serve areas already fully developed, the new rail service may enhance values, but is unlikely, directly, to encourage new development.

6. At suburban and out of town stations, which are primarily the starting point for journeys into the metropolitan centre, the impact of improved rail services are primarily felt within the housing market. Impacts are typically spread more widely and dispersed over a wide area, unless there is the opportunity to deliberately design a new settlement or estate around a new railway station.
7. Experience from overseas also suggests that the railway operator itself has a key role to play in ensuring that the development potential of sites around stations are realised. This has been the experience in France of development undertaken around stations serviced by the TGV. In part the key role of the railway operator reflects the fact that they are often significant landowners, in part it reflects their desire to offset costs by capitalising on the development potential of sites benefiting from an enhanced rail service.
8. The evidence is that railway operators have had the most success in securing contributions from development to fund infrastructure costs through joint venture deals. Evidence of railway operators securing contributions from developers or landowners towards the costs of railway construction other than through joint ventures, or use of local taxation or planning powers (as in the USA and France), is very limited.
9. The prospects for securing developer contributions are best where the railway operator is dealing with a single, or a small number of, landowners with substantial land holdings suitable for development around potential station sites, where the planning authorities are supportive of development, where the timescale for development of the railway is relatively short, and the service to be provided will significantly enhance accessibility in terms of journey times, catchment area, comfort and reliability of service.
10. The key factors in determining the ability of the railway operator to secure development contributions will be the strength of its negotiating position and the ability of the developer to make a contribution, which depends in turn on the anticipated profitability of the development. The railway operator must be able to argue that it has no commitment or obligation to provide the service which will be of direct benefit to the developer, and convincingly make the case that the service or station will not be provided without a contribution.
11. Similarly, the proposed development must be able to stand the additional cost that is implied by the developer making a contribution to the railway operator. It is therefore much less likely that railway operators will attract developer contributions in a depressed development market, or where the sites benefiting from the railway are

expensive to develop due, for example, to poor ground conditions, contamination, or poor road access.

12. At the sub-regional and local level the research identifies examples of development activity linked to infrastructure investment. At the regional level, where investment results in improved accessibility, there is evidence of changes in activity levels. However, this may be as a result of redistribution between regions - it is not clear whether changes in activity create purely additional activities and growth, and changes are often to the further advantage of more accessible, competitive areas.

The Impact of Investment in Road Infrastructure

13. The most thorough assessment of the impact of road investment on the economy is contained in the Standing Advisory Committee on Trunk Road Appraisal (SACTRA) report Transport and the Economy published in 1997. The report examines the effects caused by transport projects and policies, including new infrastructure, changing prices, demand management and measures to reduce traffic, on the performance of the economy.

The report considers 4 main questions:

- do transport improvements lead to an increase in economic activity?
 - is it possible to ‘decouple’ growth in traffic levels from growth in the economy, in order to obtain the positive benefits of greater wealth, while reducing some of the negative effects of congestion and environmental impacts?
 - are economic impacts fully captured in the procedures for estimating benefits and costs currently used by the DETR?
 - what recommendations follow for the Department’s procedures and practice for transport appraisal?
14. The Terms of Reference went beyond the specific question of trunk road schemes and, therefore, the Committee aimed at a general approach which treated even-handedly all types of transport investment or policy initiative, for all modes.
 15. Broadly speaking, the conclusion to the first question on whether or not transport improvements led to increased economic activity was that measures which reduce transport costs could encourage economic performance in various ways through efficiency gains generated. For example, businesses can pass on the benefit of lower production costs to consumers in the form of lower prices, or they can implement further efficiency improvements by re-organising production and distribution.

16. However, the report (based on the study of the limited empirical information available) concluded that any contribution to the sustainable rate of economic growth of a mature economy, with well-developed transport systems, is likely to be modest. The studies concluded that generalisations about the effects of transport on the economy are subject to strong dependence on specific local circumstances and conditions.
17. Addressing the question of whether economic growth can be “decoupled” from traffic growth, the report concludes that recent discussion has observed that traffic has been growing faster than the economy as a whole. The result is that “transport intensity” of the economy has been increasing i.e. each unit of output is associated with a greater amount of movement of people or goods. There is a strong theoretical basis for identifying conditions where measures may increase some direct prices, reduce traffic, reduce resource costs and also have a favourable local or national economic impact.
18. There is extensive empirical evidence on two aspects (the sensitivity of traffic levels to some cost changes and the local economic effects of pedestrianisation) but not on the effects on economic performance at a national level. The Committee concluded that the degree of traffic reduction to aim for, and the selection of specific measures, will need to vary according to the circumstances, and should therefore be the subject of cost benefit appraisal, as in the case of infrastructure investment.
19. Assessing whether economic impacts are captured in current procedures has involved addressing three important general cases where the calculation of transport costs and benefits will not give the full economic impact. These relate to the completeness of the transport appraisal itself, the existence of imperfections in the economy and the spatial incidence of impacts. Firstly, the report makes recommendations on the importance of improving conventional appraisal methods and also improvements in the treatment of travel time and reliability.
20. On the second point, the paper concludes that additional economic impacts, over and above the value of direct transport impacts, may be either positive or negative, depending on whether prices are higher or lower than marginal social costs. Therefore there will be some conditions where including wider economic impacts would lead to an increase in the value for money of a transport improvement, compared with a conventional appraisal, and other conditions where including these wider impacts will lead to a reduction in the value for money.
21. Finally, when analysing the spatial distribution effects the report states that assessment of whether economic impacts will actually benefit the intended target area will need to consider impacts outside the immediate neighbourhood. Thus, they conclude, greater

attention should be paid to the question of where the impacts will occur and on whom they will fall.

22. Overall the Committee concluded that evidence from the later 1990s appears to confirm the conclusions of earlier work. Further investment in transport infrastructure will not, on its own, result in economic growth in the sense of being an "engine" for economic development in developed countries which already have well-connected, high quality transportation infrastructure. The causal links between transport and economic development are complex and, it has been argued, they may be weakening owing to diminishing returns on public physical capital, with knowledge based factors becoming more important as promoters of growth. Physical accessibility through the transportation structure may play a part in development, but other key factors include skilled labour, good quality locations, supporting infrastructure and secondary transport (including local road and rail).

23. DTZ would add two comments to this overall conclusion. While the conclusion that transport infrastructure investment in a mature economy may be unlikely to stimulate additional growth at the national level, the studies of the past on which these conclusions were based may not be relevant to the future. First, it is possible that nations with a second class internal transport infrastructure may lose out on mobile international investment. Second, it is possible that growing congestion could actually constrain the natural rate of growth. Thus, failure to add capacity to transport infrastructure in line with growth might have a downside impact on growth.

APPENDIX 3

**CONSULTATIONS WITH THE BUSINESS COMMUNITY IN
THE SOUTH WEST**

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1. The main point of action resulting from the meeting on the 23rd January held at the GOSW offices in Plymouth, was for the attendees from the business community to provide DTZ Pleda with case studies and evidence of the effects the transport infrastructure of the region had on commerce.

2. We received evidence from the following people:
 - Brian Thornton (CMT Group Ltd., and Exeter Chamber of Commerce)
 - Simon Face (CBI)
 - Charles Rolls (Vice Chairman – Plymouth Gin)
 - Neil Mitchell (Chief Exec. Devon and Cornwall Business Council)
 - Marc Houlton (Conoco Ltd.)
 - David Lobban (D&C Business Council and Plymouth C of C)
 - Diana Kershaw (West of England Strategic Partnerships)
 - Bill Eaton (Eatons Solicitors)
 - Mike Gilbert (Mount Batten Centre, Plymouth)
 - Gordon Kelly (Combined Universities of Cornwall)
 - Roger Vanstone (Harvey Stone Consultants)
 - Richard O’Connell (Bandvulc Tyres Ltd.)
 - Tony Dyer (Plymouth Chamber’s Transport Group)
 - Andy Barton (Enable – Training Company)
 - Stephen Shaw (Brittany Ferries)
 - Phil Larson (Imerys)
 - Mark West (Plymouth City Council Regen. Team)
 - Caroline Webster (Wild Rose Holidays)
 - Chris Watts (WBB Minerals)
 - John Wilkinson (CBI)
 - David Hale (Village Vacations)
 - Malcolm Bell (South West Tourism)
 - Nigel Pitt (Plymouth City Council)

- Nigel Harrison (East Devon Council)
- Malcolm Randall (Exeter Airport Business Park Group)
- David McCraig (The Otter Brewery)
- Jonathan Smith (Stead & Simpson)
- Hilary Roberts-Arnold (Self Catering, Seaton)
- Geoff & Gill Davis (Self Catering, Devon)
- Jeremy Smithson (Bristol & West plc)
- Justin Harrison (Brookvale Dental Health Practice)
- Sean Blyth (Budleigh Salterton & District Chamber of Commerce)
- N. Langdon (St Bridget Nurseries Ltd)
- Barbara & Gordon Thorogood (Clinton House – Guest House, Exmouth)
- R. L. Pring (UY Electronics)
- Russell & Lyn Ellis (Woodlands Hotel, Sidmouth, Devon)
- W. E. Collier (W. E. Collier & Son, Sidmouth)
- G. W. Keay (Hayes Quarry Ltd)
- John Rigby (Exeter City Council)
- Adrian Budd (Haddington House Apartments, Plymouth)
- Ian Harrison (Devon County Council)
- Linda & Peter Brookes (Park Browse Guest House, South Cornwall)
- David Hale (Village Vacations, South West)
- Sean Fielding (University of Exeter)
- Andrew Baylis (Tourism company based in Newton Ferrers)
- Peter Burrows (Plymouth City Council)

3. All respondents provided accounts of how the current transport infrastructure had impacted upon either their own business or others in the region. The common theme running through the responses was of the inadequacies of both road and rail links in key areas as well as under provision in air links, most especially to London. The reasons for the inadequacies ranged from an inability to be able to rely on the main transport routes, to slow journey times (principally by rail) both within the South West and to destinations outside the region.

4. Many businesses highlighted frustrations caused by employees having to use cars to travel within the region, and outside, due to the inadequate level of rail service on offer. The trains were perceived as being both unreliable and too slow, particularly west of Exeter. The use of cars caused significantly more employee “down-time” than would have been the case had they been able to take the train. Furthermore, due to other businesses following a similar policy, road congestion had worsened which further compromised operational efficiency.
5. Analysis of the responses needs to take into consideration the impact assessment matrix outlined in our appraisal methodology paper. Consideration will be given to how the current transport infrastructure is affecting businesses in the region and how then the strategy would influence issues arising from this. Feedback generated from the consultation process will be illustrated under each of the headings of the matrix diagram.

BUSINESS (BUSINESS TRAVELLERS)

6. *Existing Businesses:* Most evidence from the consultations has related to problems associated with business travel in the South West, experienced by businesses already established in the region. Frustrations experienced in rail travel have meant that more are resorting to the use of roads. The majority of respondees highlighted the comparatively long journey times associated with rail travel, compared to the equivalent for road, although almost all stated that they would prefer to travel by rail. Journeys west of Exeter to destinations such as Plymouth and Penzance were highlighted in particular as being significantly slower than the road equivalent as illustrated in the following quote,

“My journeys would be possible by rail and I would prefer this mode of transport but I do not use it because of the slow nature of the services. As regards travelling to Bristol, the problem lies in the Plymouth to Exeter section of the rail journey – this takes one hour by rail and in an hour I can drive two thirds of the way to Bristol.”

7. A common trend amongst business travellers based to the west of the county is to drive to stations such as Tiverton or Taunton and then catch the train from there to destinations such as Bristol or London. However, the use of roads meant out of office hours, anti-social hours, or in staying away overnight in order to guarantee that they can be on time for appointments the next day.
8. Attention was also drawn to those who had responsibilities overseas. This particularly affected senior figures in multi-national companies based in the South West. The time

loss of the journey to London was highlighted as being a key obstacle to efficient business operation. The time involved was not viewed as necessarily the problem, but rather the unreliability of the journey and the fact that the majority had to undertake it by car because of perceptions surrounding the adequacy of rail services. Thus to travel to Europe as a day trip often is not considered feasible, particularly as there are limited options to travel to European destinations from airports in the South West.

9. It was also generally felt that the road network was being impeded in a few key areas, which generated bottlenecks, causing congestion problems for the rest of the region and also issues surrounding perception. Goss Moor and the A303/A30 dualling were illustrated as the leading examples.
10. *INWARD INVESTORS/MOBILE BUSINESS:* Several respondees highlighted case studies where inward investment decisions had been adversely affected by the relatively weak transport infrastructure and, in particular, the journey times to London. A high profile example of this can be found in the Met Office's decision to re-locate to Exeter:

“Whilst they have chosen to relocate to Exeter, one of their two key outstanding concerns about their move is their perception of poor quality transport links ...The concern is that, as a business which trades across the world and also has significant business connections throughout Britain, they need reliable road, rail and air services...Because air services are limited it underlines the importance of quality road and rail links. The Met Office perception is one of a mediocre infrastructure which has reliability problems. Their primary needs are for a reliable rail service delivering a sub 2 hour journey time to London and a road route which is more direct and reliable than the current M5/M4 corridor...”

12. More companies are reported to have also considered locating to Exeter (not named for confidentiality reasons), and have concluded that it does not meet their needs for primarily transport based reasons:
 - a defence related government agency which came close to following the Met Office but declared the reliability of road and rail links inadequate for its essential links across the country
 - a large international bio-science research organisation looking to escape the overall congestion of the South East but, having tested the road system, was not sufficiently persuaded that reliability was sufficient because there is effectively only the one main route in to and out of the South West

- two South East based financial service companies wanted to relocate, as part of a cost-cutting exercise, to a less congested location; they seriously considered Exeter but are in the process of moving to northern locations due to lack of confidence in the reliability of the transport infrastructure
13. Air links to the region were highlighted as being a major consideration to inward investors, particularly those originating from North America. The major multinationals located in the South West are looking to be able to move their workforce around as quickly and as efficiently as possible. Most regard air transport as crucial in this regard. Air routes to the region are limited and this has proved a hindrance when trying to attract some inward investors. Indeed, businesses currently located in the region have raised complaints over the level of service offered from Plymouth airport and other airports such as Exeter. The focus on air rather than road and rail links by American investors reflects both their usual mode of transport and the fact that they have not seriously entertained accessing the region using road or rail linkages.

FREIGHT MOVEMENTS

14. The South West has a reasonable concentration of freight related businesses and several responded with their viewpoints. The general consensus from the feedback suggests that the additional time / distance costs of being located in the South West are proving to be a significant burden for freight related companies, especially with recent fluctuations in fuel prices.
15. In terms of their day-to-day operations, the respondees stated that sales, marketing and client meetings were all being attended by car, rather than rail, due to the reasons outlined previously. The running of freight operations, principally by road, has been hindered by the increases in the density of the traffic in the region, whilst it is believed the improvements to the network in Devon and Cornwall thus far have had very little impact. Improving the volume of delivery has been achieved through making better utilisation of the hours available to companies and by increasing the workforce, in order to improve business performance in the face of inadequate transport links.
16. One large firm, with a significant freight/distribution operation highlighted problems surrounding trade visits to their premises. This has suffered because of the difficulty in achieving a return trip from Plymouth to London in a day. The company states that they have lost the chance to show important journalists and trade partners from overseas around the premises.

17. Once again representatives of the companies highlighted the fact that the removal of key bottlenecks in the road network in Devon and Cornwall would help the overall flow of traffic and improve the efficiency of their operations. Key areas to address included:
- Removal of the bottleneck between Liskeard and Bodmin on the A38 (Dobwalls). It would then be possible to connect the lower half of the region to the A30
 - Addressing the problem at Indian Queens (Goss Moor) – the rail bridge that gets hit on a regular basis, bringing the mid Cornwall road link to a complete halt

LEISURE (VISITORS/TOURISTS)

18. Tourism is a key industry in the South West – arguably the most important in the region and one which has solid prospects for the future. Responses from those working directly in the tourism industry have demonstrated how customers are becoming increasingly frustrated by the length of journey time to the region and the uncertainty surrounding any trip undertaken down there. This creates uncertainty for the industry and is a cause for concern for such an important sector in the wider region.

“More and more often guests say that, especially in winter, they don’t want the stress of driving all the way down to the South West for a 4 or 5 night break. They want to come on the train. They now know that that is almost always highly stressful too with delayed or cancelled trains causing them to miss part of their holiday etc. ...It is badly affecting our business on top of foot and mouth last year ...”

19. The key issues identified by South West Tourism relating to transport revolved around the need for effective and reliable spinal routes to be developed for travel in and out of the region, principally by road. The industry acknowledges that the majority of holidaymakers from its core markets arrive by road and that this will continue to be the preferred method of transport to the region at least for the next decade.
20. Thus, the main priority for the effective development of the tourism industry is maintaining the key routes into and out of the region. Once arrived at their destinations, holidaymakers will have a greater expectation and tolerance towards congestion at particular locations or attractions (e.g. St Ives or the Eden Project). Tolerance will be lower, however, when delays and congestion is encountered on the journey into the region.

21. This is particularly true when analysis is taken of the trends in tourism visits to the South West. The region is a popular destination for short holiday breaks, particularly among the “money rich-time poor” sector and looks set to increase in its popularity for this type of holiday. The short break market is particularly sensitive to delays which proves the need for reliable, consistent journey times into and out of the region.
22. Rail travel is not as easy or convenient currently for tourism based trips to the South West, and it is felt that there is some degree of potential to make better use of this mode of transport. The current perception of the rail services to the South West for tourists will ensure that the car is the preferred mode of transport to access the region. There is also the element that once arrived at the destination, there is reduced flexibility to travel around the region because of poor public transport provision.
23. Air services could also be developed to the region and the decision by Ryan Air to fly to Newquay raises some interesting possibilities in terms of capitalising on the short break market among those living in London and the East of England.

WORKERS

24. Some consultees say that the transport infrastructure of the South West is having a detrimental impact on some sections of the region’s workforce. The modal shift from rail to road has already been highlighted and is increasing the amount of employee “down time” because of a reluctance to use the railway.
25. The majority of the workforce, however, seem to avoid the problems associated with travel to and from work associated with other regions of the UK. No evidence has been presented on how poor journey times faced by the workforce (other than those whose business requires mobile employees) hinder business efficiency in the commute to and from work.

CONCLUSIONS

26. Evidence presented in this report has demonstrated a cross-section of views from the business community in the South West relating to transport infrastructure in their region. The majority of the respondees express the view that transport links within the region and the rest of the country are inadequate and result in inefficiencies in the operation of their business.

27. Rail links in particular, whilst being the preferred mode of transport, are not perceived as being reliable enough or fast enough to meet business needs. Consultees indicate that the shift to using road transport is good neither for business operation or efficiency. Lack of reliable journey times imposes increased costs because people have to stay overnight or leave earlier in the day. Air links are also identified as being of importance, particularly in relation to how important many inward investors feel efficient air links are to places such as London and centres in Europe.

28. Consultees are of the view that the removal of key bottlenecks would benefit the region in terms of improving traffic flows, and enhance perceptions of the region as a place in which to do business. Consultees particularly highlighted some specific bottlenecks on the road network, notably Goss Moor. They also highlighted the limitations of travel by rail, especially to the west of Exeter where journey times are considerably slower than their road equivalent.

APPENDIX 4

BASELINE ANALYSIS

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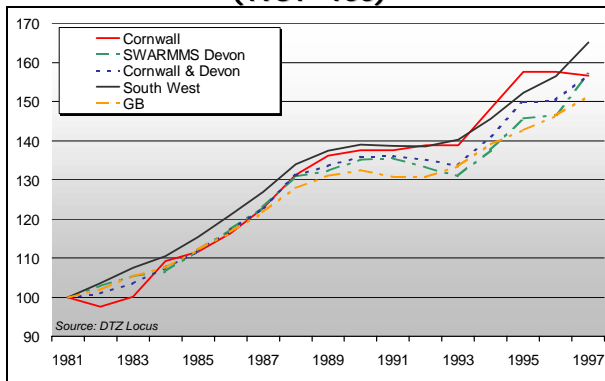
1. This section presents baseline data on key economic trends in the regeneration zones that are the focus for the wider economic effects appraisal and will benefit most from the SWARMMS strategy. For the purposes of this baseline analysis, the regeneration zones are defined as the whole of Cornwall and all of Devon with the exception of the following LAD's: Mid Devon, East Devon and Exeter; and includes West Somerset. This is essentially the area covered by Objective 1 and 2 designations and having Assisted Area status.

Economic Trends

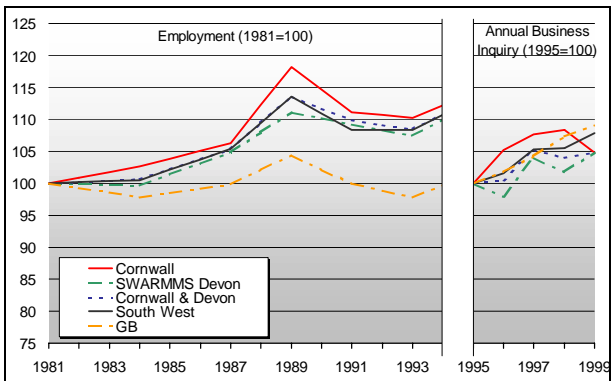
Past Performance

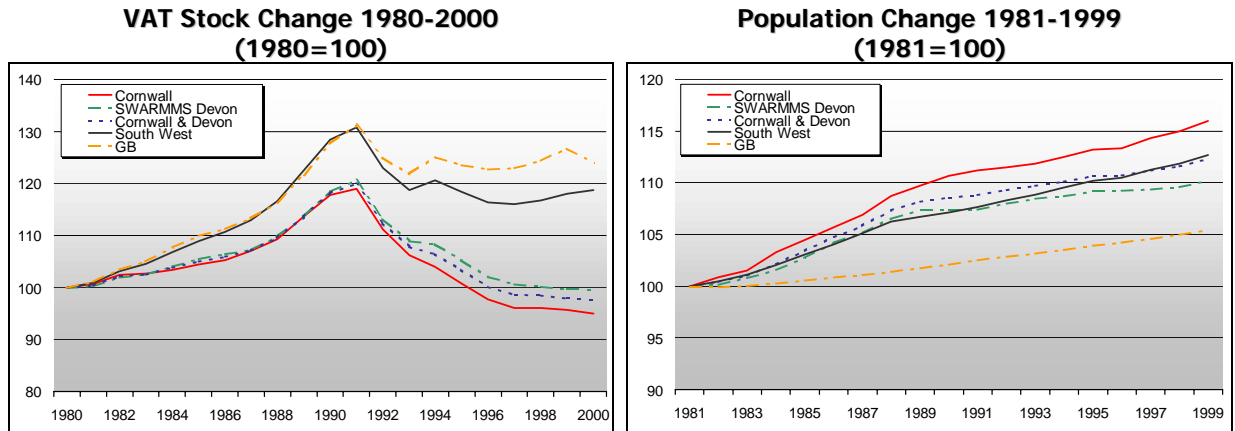
2. GDP growth in the regeneration zones of Devon and Cornwall has been below the regional average for most of the last 2 decades, but has exceeded national average growth rates. Employment growth in Cornwall has been above regional average, while employment growth in the regeneration zones of Devon has tracked that of the region. The region and the regeneration zones have substantially outperformed the GB average. The overall economic performance of the regeneration zones in terms of GDP and employment growth over the past 20 years has been pretty robust.

**GDP Change 1981-1997
(1981=100)**



Employment Change 1981-1999



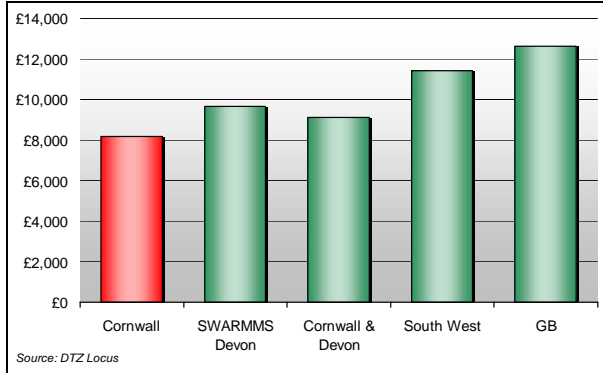


3. However the stock of businesses (as measured by VAT registered businesses) in the regeneration zones has declined from a peak in 1990. This suggests a relatively weak performance in terms of new business formation.
4. As with the rest of the South West, Devon and Cornwall have experienced sustained increases in population at a significantly higher growth rate than the national average. The population of Cornwall has grown more rapidly than the regional average.

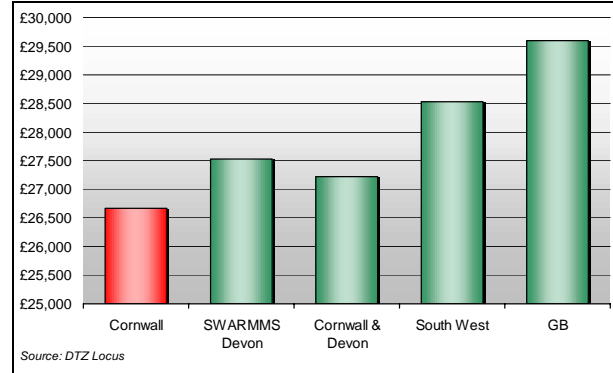
Current Position

5. Currently, the regeneration zones have below average GDP per capita compared to the rest of the region and the country. Productivity also lags regional and national averages by a significant margin.

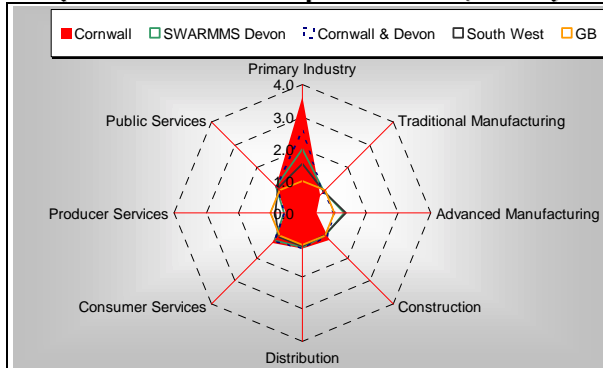
GDP per capita 1998



GDP per Employee 1998



**Broad Industrial Structure Strengths 1999
(Levels of sectoral specialisation, GB=1)**



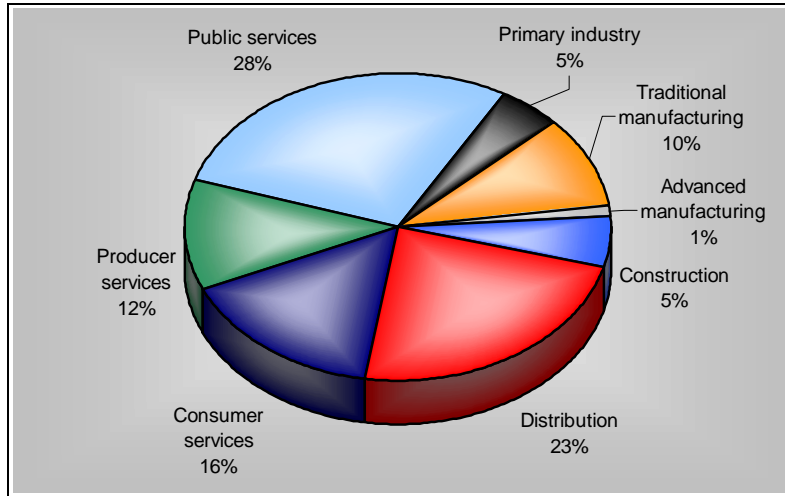
Unemployment and Employment Rate 2000



6. The regeneration zones have a particularly large share of employment in primary activities. Advanced manufacturing is well represented in the regeneration zones in Devon, but very underrepresented in Cornwall. The producer services sector is underrepresented compared to the national average in the regeneration zones..

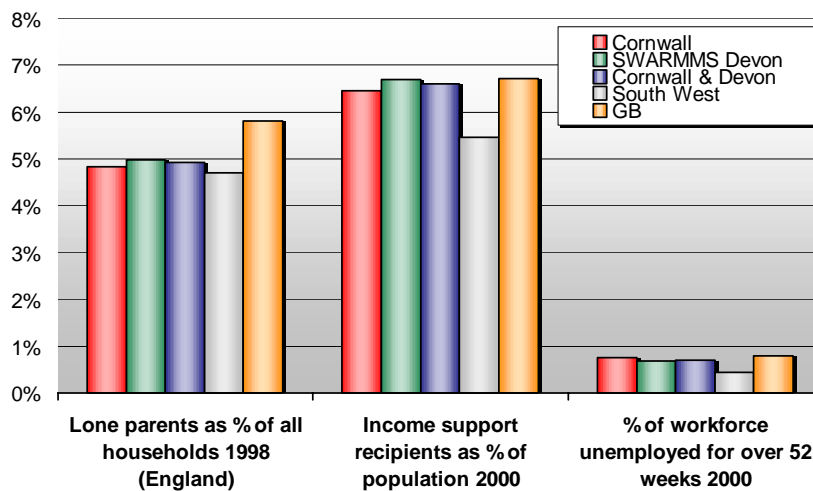
7. Unemployment in the regeneration zones is marginally above national averages and significantly above regional levels. In 2000 Cornwall suffered from a rate of unemployment almost double that of the region, and the employment rate was significantly below the regional average.

Broad Industrial Structure Employment 1999



8. Public services and distribution are the most significant employers within the regeneration zones, accounting for over 50% of the total employment. Consumer services and producer services are the next most important employers in the area.

Deprivation Indicators



9. The percentage of the population on income support in Cornwall and Devon and the proportion of the workforce unemployed for more than a year are similar to the national average and significantly in excess of the regional average for these measures.

Overall Assessment

- 10. The regeneration zones in Cornwall and Devon have grown significantly over the last 20 years in terms of employment, GDP and population. This growth will have been assisted by the completion of a number of major infrastructure projects in the period. The M5 to Exeter was opened in 1977. The A30 dualling from the M5 to Launceston was completed in 1989 and the North Devon Link Road was opened in full in 1989.
- 11. However, the regeneration zones still experience economic problems as reflected in the low GDP per capita, low employment rates and levels of benefit dependency well above the regional average. The economy of the area also exhibits structural weakness in terms of relatively high dependence on employment in declining sectors.

Business Stock

- 12. In order to assess the number of businesses that might benefit from the SWARMMS strategy it is helpful to consider the stock of businesses in the regeneration zone. The best indication of the business stock is the number of VAT registered businesses in the area, although clearly this does not include the smallest of businesses in a particular area. It is of particular relevance to look at the stock of businesses in manufacturing, since these businesses rely on their ability to transport goods. It is also important in the context of SWARMMS to consider the numbers of businesses in the tourism sector – for which the VAT data on hotels and restaurants provide an indicator, albeit imperfect. Lastly the size of the producer services sector is worth noting since this sector is particularly likely to serve markets outside the region and may be seen as more sensitive to changes in accessibility than other sectors.
- 13. The table below indicates that there are some 2,900 manufacturing businesses in the Cornwall and Devon regeneration zones. The number of manufacturing businesses in the regeneration zone has been in steady decline over the last 5 years, reflective of the national trend. The same can be said of those businesses related to tourism, although there is a significantly larger stock of businesses involved in tourism than manufacturing. The number of businesses concerned with producer services has been on the increase in the last 5 years, and now totals in excess of 5,000 businesses.

Stock of Businesses in the Regeneration Zones 1995-2000						
Sector	1995	1996	1997	1998	1999	2000
Manufacturing	3055	3020	2990	2990	2935	2885

Hotels & Restaurants	4415	4115	4040	4050	4005	3980
Producer Services	4325	4390	4530	4745	5030	5140
All Industries	42190	40900	40285	40200	39995	39590

Source: NOMIS

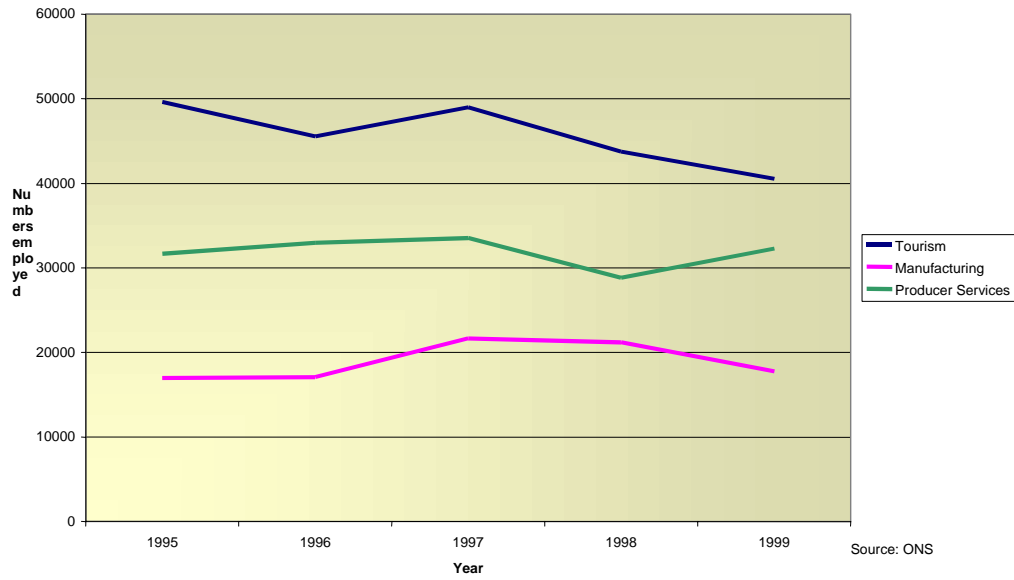
Employment Trends

13. Employment trends in the three key sectors under analysis in the regeneration zones have varied over the last 5 years. Tourism is the largest of the three sectors employing 40,500 people, though this is 10,000 fewer than 1995. Producer services employ 32,200 people and with the exception of 1997/98, numbers employed in the sector have generally been on an upward trend. Manufacturing employs 17,800 people and has shown signs of the downturn in the sector that has been felt on a national level since 1999.

Employment Structure in Devon and Cornwall					
	1995	1996	1997	1998	1999
Tourism	49,700	45,500	49,000	43,800	40,500
Manufacturing	17,000	17,100	21,700	21,200	17,800
Producer Services	31,700	33,000	33,500	28,900	32,200

Source: AES & ABI – ONS

Employment change in Cornwall and Devon 1995-1999, by sector



Inward Investment

- Inward Investment in the regeneration zones has primarily focused on Plymouth. A strong concentration of activity has been seen in the advanced manufacturing sector, most notably in Cornwall.

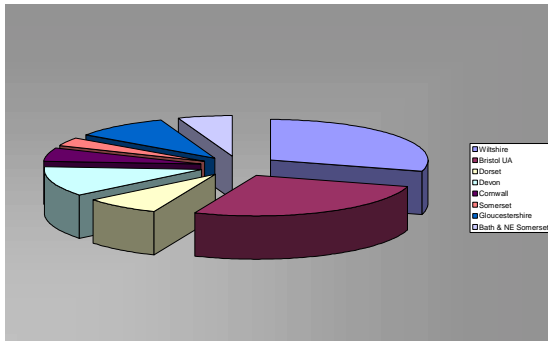
Inward Investment in Regeneration Zones by Industry		
Year	Sector	Location
2001	Advanced Manufacturing-Food & Drink	Plymouth
	Advanced Manufacturing	Cornwall
	Advanced Manufacturing	Cornwall
2000	Adv. Manufacturing - Engineering	Cornwall
	ICT - Hardware	Devon
	ICT - Optoelectronics	Plymouth
	New Business-Call Centre	Plymouth
	Adv. Man - Petrochemicals	Devon
	Adv. Man - Marine	Plymouth
	Adv. Man - Marine	Portland
1999	New Business - Call Centre	Plymouth
	Unknown	Plymouth
	ICT - Infrastructure	Devon
	Tourism Services	Plymouth
	Adv. Man - Marine	Camborne
	Unknown	Plymouth

Source: SWRDA

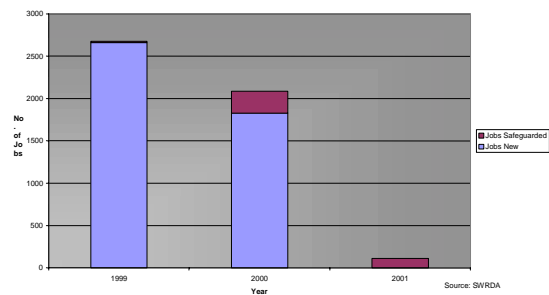
15. The chart below shows the pattern of inward investment in the region over the past three years. Wiltshire has been the most popular destination, closely followed by the Bristol Unitary Authority area. Devon secured 12% of inward investment projects whilst Cornwall secured 5% of the inward investment projects in the South West.

16. Inward investment in the regeneration zones has fallen sharply in the last year, as exogenous effects in the world economy have taken effect. In the previous two years in excess of 4,000 new jobs had been created and around 400 safeguarded through inward investment into these regeneration zones, as shown in the chart below.

Inward Investment Successes in the South West 1998-2001



Employment Trends Through Inward Investment in Regen. Zones, 1999-2001



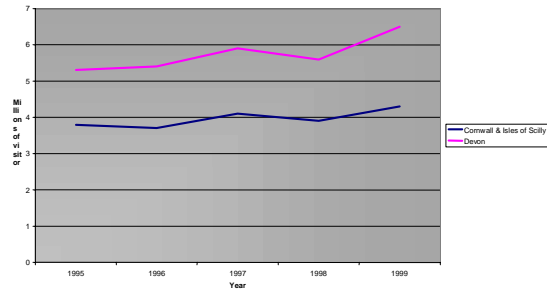
Tourism

17. Tourism trends in the regeneration zones point to a steady increase in the number of visits from UK tourists. However, they also demonstrate a decline in overseas visits to Cornwall and Devon in the last few years.

Visitor Numbers – Trips to the West Country 1995-1999 (Mn)										
	1995		1996		1997		1998		1999	
	UK	O'seas	UK	O'seas	UK	O'seas	UK	O'seas	UK	O'seas
West Country	15.8	1.62	15.1	1.68	16.7	1.66	16.6	1.69	19.6	1.6
Cornwall & Isles of Scilly	3.8	0.31	3.7	0.32	4.1	0.34	3.9	0.33	4.3	0.25
Devon	5.3	0.51	5.4	0.59	5.9	0.49	5.6	0.52	6.5	0.44
Dorset	1.2	0.08	1.1	0.8	1.0	0.08	1.5	0.09	1.5	0.07
Somerset & UA	2.2	0.17	3.9	0.74	4.5	0.8	4.3	0.77	5.7	0.79
Wiltshire	1.1	0.24	1.3	0.26	1.6	0.28	1.4	0.29	1.6	0.27

Source: South West Tourism

Visits from UK based tourists to Devon & Cornwall 1995-1999



Overseas Tourist visits to Devon & Cornwall 1995-1999

