

RESEARCH

How does transport influence
business investment in the
city regions?

Views from the private sector

Sponsored by

Core Cities

Passenger Transport Executive Group

Yorkshire Forward

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Executive Summary

Background

- The views and business-decisions of investors, developers and major corporates on how transport influences their investment decisions have been obtained. Over 80 organisations were involved in the research, from which 38 relevant interviews are presented here. The research formed part of a programme of activity by Core Cities, PTEG and Yorkshire Forward to examine options for improving the competitiveness of regional cities.
- The focus of discussions was upon Birmingham, Leeds and Manchester, although the results have general applicability across most regional cities. The organisations involved in the research were responsible for over £6 billion of current business investment in these three cities, as well as dealing with over £21 billion of activity nationally.
- All three cities were perceived as being highly successful over the last 5-10 years – which the economic data supports - which in turn has helped attract activity to them. A number of property developers and investors did raise the point, however, that they are effectively 'footloose' and so can invest/develop elsewhere if circumstances prove too unfavourable in any of the three cities.

The role of transport

- At the strategic level it was recognised that the national/regional transport infrastructure of each city was important in terms of making sure the city was 'on the map'. Keeping such infrastructure 'effective' was seen as an essential component of maintaining the cities and regions success.
- Transport was, in fact, seen as a key criterion in most business investment decisions, particularly at the city level, as this impacted upon the operational efficiency of the businesses. For many, transport was critical to their success.
- All three cities (Birmingham, Leeds, Manchester) were generally seen as having particular problems in terms of local transport provision, especially in relation to public transport. This was seen as a growing problem, with much emphasis placed on tackling this in order to ensure the city worked effectively (e.g. getting the workforce in and out, and access to clients and services).

Transport and development

- The role of transport – particularly public transport – was viewed as particularly significant in terms of enabling development or investment to take place/succeed. The initiating role of transport was often highlighted, and was almost inseparable from the rationale for investment in the city in question. In short, transport was seen as having a direct and important impact upon the economic success of the three cities, particularly at the local level.
- Equally, however, transport problems could be a barrier to be overcome and prevent development/investment or lead to re-location. Several examples were cited during the discussions, which highlighted the fact that if particular transport constraints or problems continued or grew into the future, then this could have negative impacts upon the attractiveness of the city.

Congestion and investment

- In fact, congestion was cited as a particular problem that was going to get worse unless tackled, and which could lead to dis-investment from the cities. For many this was just over the horizon if congestion was not tackled, and congestion was already acknowledged as impacting upon investment decisions.

High value clustering and transport

- In terms of high value clustering, the responses indicated that distinct geographical and/or functional high value clusters are in evidence in the three cities, and have been an important contribution to the economic performance of the cities. The origins and operation of these clusters is complex, but effective accessibility (including transport) is seen as critical by occupiers and developers in maintaining and enhancing such concentrations.

Conclusion

- The findings to date have demonstrated a clear and powerful link between investment/development activity and transport provision. Although transport is not necessarily the single most important criterion to the success of a development scheme or an occupier, it is seen as an essential element of such success – or a constraint to it.
- Of particular significance are the opportunities presented by local transport improvements. For many, such improvements would open up considerable opportunities or provide major benefits to their operations and/or investment decisions.

1. Introduction

Background

- 1.1 This study has examined how transport influences business decision-making. The focus has been upon decision-making by property investors, developers and major corporates, with particular emphasis upon 'high value added' clusters of activity. Three cities were selected for investigation: Birmingham, Leeds and Manchester. These were seen as typifying the changes that regional cities are undergoing in the UK.
- 1.2 Although the focus was upon Birmingham, Leeds and Manchester, discussions with London based organisations was required. This reflects the nature of the property investor and development industry, in which a significant proportion of key organisations are based in London. Nevertheless, discussions with such organisations concentrated on issues relating to regional activity.
- 1.3 The study has aimed to 'get under the skin' of business decision-making and the influence upon this of transport provision, producing qualitative insights rather than hard numbers. The rationale for this is based on an appreciation that the process of business decision-making is not easily amenable to neat quantifiable analysis, particularly in relation to transport. A more sensitive approach was therefore developed for capturing the ways in which transport – both infrastructure and service – influences business investment decisions. This was in terms of decisions such as location/re-location choices, investment strategies, and type of development scheme pursued.
- 1.4 The study was commissioned by Core Cities, the Passenger Transport Executive Group, and Yorkshire Forward. It formed part of a wider investigation into the potential benefits of high-value agglomeration in regional cities.
- 1.5 A series of objectives for the study were proposed at the outset. These were:
 - a) To identify an appropriate sample of business decision-maker groups for inclusion in the study.
 - b) To develop an appropriate method for assessing the influence of transport projects on the above business decision-makers.
 - c) To survey businesses and evaluate transport/decision-making relationships.
 - d) To produce a summary of results.
- 1.6 These objectives were used in developing the study approach, and in carrying out the investigations. The study approach is summarised below, with more detail in Appendix B.

Broad Approach

- 1.7 In broad terms the approach required identifying an appropriate sample of business organisations to interview. This was an important element of the research and required careful development to ensure a positive and productive involvement from business leaders. In fact, over 80 organisations participated in the research, although eventually only 38 discussions could be used as part of the evidence base.
- 1.8 Alongside the construction of the sample frame the interview format and structure was developed. This required a flexible approach, but also needed a probing and open-ended technique, rather than a 'box-ticking' approach. As a result, interviews – which were a combination of face-to-face and telephone based – ranged in length from 15 minutes to over an hour.
- 1.9 The results from the discussions required a careful and involved analysis in order to draw out key themes. As a result, six key themes were identified and reported on. These are as follows, and are used in structuring the results presented for each city:
 - Views on the city and reasons for investing in the city
 - The strategic role of transport and the success of the city
 - The local role of transport and the success of the city
 - Transport as an inhibitor or initiator of business investment
 - Transport, economic stimulation and high value clusters
 - Future transport improvements required and their implications

2. Results

Overview

- 2.1 Property and property development is an important ingredient in the success of an economy, measured as GDP or the creation of value added. In terms of 'value added' production, this requires a combination of technology, physical capital and labour. Commercial property forms an important and substantial part of the UK's physical capital stock – it is, in fact, the single largest component, greater than the stock of plant and machinery and vehicles used in production combined.
- 2.2 This investment in new capital stock is vital because by increasing the capital stock in this way the amount of GDP an economy can produce increases. Investment is needed for two reasons: to maintain old property or to improve the capital stock. Thus, some new investment is needed to replace deteriorating capital, and therefore only serves to maintain the building stock. However, after any depreciation requirements have been met, subsequent investment leads to an increasing capital stock. Development and investment is therefore important for the vibrancy of local economies, and potential constraints or enhancements of this, such as transport, need to be properly appreciated.
- 2.3 One of the implications of the above is that a major aim of government policy has been to raise the UK investment rate, which is low by international comparisons. However, although total investment is relatively low in the UK the situation is even worse for property. In fact, the UK has a lower share of capital investment into property than most developed countries .
- 2.4 Low levels of investment into commercial property mean not only a slow growing capital stock but also an older capital stock – there is less investment around to cover redevelopment needs. This means that the UK will have older buildings than other countries. If a working environment matters for productivity, the optimal use of technology and the general well being of staff, this has obvious consequences. In fact, the average age of UK non-residential buildings is 66 years – longer than any other developed nation. Even the finance, insurance and real estate sector, the focus of so much attention as a successful part of the economy, has an average office life of 80 years – nearly twice as long as in the US .
- 2.5 The above helps to demonstrate the importance of property development and investment to the successful enhancement of cities. In order to understand matters more fully, however, as well as to appreciate the findings from the survey work, it is necessary to have a basic understanding of the way in which the property development and occupation process operates in the UK. This will help to illustrate the significance – or otherwise – of transport in this business process.
- 2.6 The property process is highly varied, and involves a range of organisations and individuals, each with potentially different interests. The property process includes designing, securing approval, investing, building, selling/letting, occupying, managing, and re-developing. As such, the process therefore includes lawyers, local government officials, agents, investors/funds, architects, surveyors, engineers, builders etc.
- 2.7 However, for the purposes of this study, three particular groups of players have been examined; investors, developers and occupiers. These three groups have been selected as they represent the primary instruments of change in terms of the private sector, and are a key influence upon the success of high value added clusters.
- 2.8 These three groups are not independent of each other, although the degree to which they actively interact is highly variable. In some cases they may all act together as part of a joint venture, in other cases there is almost no contact between each party. Nevertheless, these three groups can have a significant indirect influence on each other, and are equally influenced by local economic circumstances, including transport.
- 2.9 Investors seek value through purchasing undervalued assets, along with managing and maximising their existing portfolio of assets. Acquisition of undervalued assets may involve the purchase of existing investment properties, or forward-funding developments. The players involved in this market are varied, ranging from pension funds, property development funds, private investors, house-builders, and redevelopment agencies.
- 2.10 Various factors will influence decisions by property investors, which can be simplistically categorised as either strategic or local. Strategic factors include portfolio balance requirements, lot size requirements, property yield and total return criteria, and the performance of other asset classes (e.g. equities and gilts). Local factors include the geographical focus of investigation (e.g. London only, national, regional etc), property supply/demand analysis, specific transaction details, and local risk/opportunity analysis factors such as transport provision.
- 2.11 The role of transport on property investors can be difficult to disentangle from the factors raised above. However, transport does often form an explicit evaluation criterion in investment decision-making, thus:
- "Wouldn't consider a site if did not link in with decent transport network."**
- Development Manager, Major National Investor/Developer. Current schemes valued at over £2 billion.**
- and
- "(Transport) is one of the top three criteria we use in assessing the potential of schemes."**
- Director, Specialist Regional Investor/Developer. Current schemes valued at over £500m in Birmingham.**
- 2.12 Developers, meanwhile, seek to obtain value through increasing the economic value of land in the form of the development or re-development of the site or buildings. A key concern of developers, therefore, is in identifying and exploiting realistic development opportunities, balanced against economic risk calculations.
- 2.13 Accessibility is a key ingredient in the assessments made by developers of opportunity sites, although it is not always the primary criterion. Even when it is not a 'fundamental' criterion, transport can often be a 'threshold' requirement for developers. Thus, a site with major access issues – or potential transport and hence accessibility constraints – may fall outside of the risk strategy that the developer is formally or informally using. This is illustrated by a number of the interviewees, thus:

“Only look at sites if reasonably well sorted in terms of transport – we take transport as a given (otherwise we do not invest).”

Development Manager, Major National Quoted Developer. Current schemes valued at over £2 billion.

- 2.14 The characteristics of property developers are also varied, ranging from nationals to local/regional developers, specialists versus generalists, quoted companies to privately owned. Each group (and even each organisation) will have different attitudes to risk, as well as of ways in which development financing is procured, and the type of property that is considered. Developers will also make business decisions based upon judgements on the economic and property cycle, occupier needs and funding requirements.
- 2.15 The judgement on occupier needs by developers clearly reflects perceptions of the role of transport in raising the attractiveness of the finished development for potential occupiers. These judgements may not, of course, correspond perfectly with those of occupiers. However, if the needs and requirements of occupiers are not adequately captured by developers, then they risk a prolonged vacancy of the finished property. In other words, developers have a vested interest in understanding the property and locational needs and requirements of occupiers.
- 2.16 Site specific development is dependent upon a wide range of circumstances, ranging from national/regional issues, such as the strength of the local economy and interest rates, to more functional factors, such as residual values (i.e. price of land minus development costs) and value ‘enhances/inhibitors’ like transport. Transport’s specific role to a development can therefore be highly variable – from being a key ingredient of a schemes success, an impediment to be over-come, or simply not an issue as existing provision is currently adequate for development purposes.
- 2.17 There can, in fact, be much overlap between property developers and investors. As such, as part of the interview work we have effectively treated them as one group in reporting terms. There are some exceptions to this, which we have highlighted in the text, but in general the distinction between these groups can be impractical to separate.
- 2.18 Occupiers tend to be the recipients of property, and tend to view it as either an asset or a cost. Value from buildings is therefore either achieved through reducing overall occupational costs, or by ensuring the space is as productive as possible or maximises efficiency. The achievement of value is often an important feature in the development of ‘high value clusters’ within cities, either through the nature and form of property occupier or in terms of the accessibility of the property to supporting businesses, markets or labour. In this context, transport plays a role in providing access to such labour, as well as in meeting servicing requirements and distribution needs, as was illustrated by the interviews.
- 2.19 The rest of this section examines the results of interviews with investors, developers and occupiers, with specific reference to Birmingham, Leeds and Manchester. This helps link the above ‘strategic’ overview of the ‘property’ sector (in its widest sense), with the specific views on how transport influences the property process, including regional competitiveness and the development of high value clusters.
- 2.20 Each city is taken in turn and follows the same basic structure. An introductory section summarises the range of organisations interviewed, and the level of their activity in each city. Views on the city and reasons for their investment in the city are then discussed. A major focus of discussion is upon transport’s role in the success of each city and/or property investment. Finally, views on ways in which transport can be improved are considered, along with an assessment of implications if the transport issues are not tackled.

Results - Birmingham

Background

- 2.21 The organisations with an involvement or interest in Birmingham ranged from local developers, large national developers based in Birmingham, pension funds and institutional investors, and major corporates. A range of different sectoral interests were also sought, including mixed use schemes, edge of town developments, and a variety of corporate end-users.
- 2.22 In terms of current schemes under development in Birmingham or surrounding urban areas, the property investors and developers interviewed were responsible for over £1.8 billion worth of these. In addition, they manage a total property asset base in excess of £17.5 billion. In terms of major occupiers, their turnover or asset base was approximately £86 billion per annum nationally. Given the scale of activity of these organisations active in Birmingham, their views and perspectives are of significance to the future performance of the city economy.

Views on city and reasons for investment

- 2.23 There was a general view that Birmingham has witnessed good economic growth over the last five to ten years, although for some this was almost in spite of transport in the city. Thus:

"There has been a really big transformation (over the last decade) and the city works differently to how it did."

Regional Investment Fund with assets of £2.2bn

"A lot of money has been ploughed into redevelopment and Birmingham now has a real buzz, and has improved substantially over the last five years."

Major national consultancy with 900 staff in Birmingham.

"Birmingham has done pretty well, but everywhere has been pretty buoyant recently. The area has received a lot of inward investment, with enough land to direct this at."

Major regional developer with current developments in the region in excess of £190m

"In terms of economic performance I would say retail has been brilliant, commercial activity has been good because of offices, services etc., but lack of supply is constraining inward investment, leisure performed very well, and industrial has been hampered by lack of sites, but not performing brilliantly."

Major regional developer with current developments in the region in excess of £50m

"There has been a shift out of manufacturing to services, with legal and financial services

being particularly buoyant. The city centre is doing well, but the Longbridges of the area – i.e. manufacturing – are not doing so well."

Major national consultancy.

"Certainly the city and the development agencies have worked very hard to improve the city in terms of it being a nice place to work in. And in the 10 years I have been here the city has in fact become actually a very pleasant place to work and certainly you can walk round now and enjoy the sites. Things like the Bull Ring, for instance, is now a magnet into the city but it is just getting those occupiers to come in from outside."

Major Regional Developer and Landowner

"I think Birmingham and Leeds, and indeed Manchester, have had some very positive local authority dialogues, that have involved the local authorities and other organisations who have started to talk about this and tell the government what is needed and what needs to be done in order to make their cities successful. There has been a realisation that, from a property point of view, that in order to be successful, we have to provide the right stock at the right time. Our cities, all these cities, whether it be Manchester, Birmingham or Leeds have become better places to be."

Regional Mixed-Use Developer

- 2.24 For many investors/developers decisions to invest have been based upon a recognition of the potential offered within the city due to its economic upturn. However, a number of developers in particular are long-established in the region and so their business investment decisions are as much to do with local knowledge as an assessment of comparative advantages in other locations.

"Done a lot in Birmingham and the Black Country, because understand the local market. The area has lots of potential."

MD, Specialist Regional Developer, with current schemes in excess of £50 million.

and

"Property was insular (14 years ago), but now much more national developer and investor coverage. Still some way to go in terms of a UK/Europe presence in order to punch its weight."

Regional Investment Fund with assets of £2.2bn

2.25 Many occupiers view representation in the city as important due to it being the 'second city' in England, as well as for its geographical location. Thus:

"(Birmingham) is second biggest office centre in UK for us, and it's a key base – central location of Birmingham is an advantage as can get to clients fairly readily. Most of the country is within 100 miles."

Major national consultancy.

2.26 From property developers and investors in particular, there was generally strong interest in continuing activity in Birmingham. This reflected a combination of commitment to the city, but also a recognition that there was untapped potential still in the city. However, there was some concern over the limited number of potential opportunities in the city centre, and the constraining role transport is playing in this. As one developer commented:

"The concrete collar has historically constrained the city centre. It has been broken through in the east successfully, but it needs to be done in the west as well."

Development Manager, Major National Quoted Developer. Current schemes valued at over £2 billion.

"All three cities (Birmingham, Leeds, Manchester) have very significant capacity to expand economic activity ... think probably that when those capacity constraints do start to bite you will find it will be around local congestion, I suspect. It will be around the fact that the places people live and the places people work are a distance apart and that the preferred mode of transport is the car for a variety of reasons, and the radial routes into the city centres simply stop working. I mean already in a number of those cities rush hour is extremely congested for much of the year and I think that that is probably one of the things that will constrain growth. It may well be one of the first things that will constrain growth."

Managing Director, National Regeneration Company with current schemes in Birmingham, Leeds and Manchester valued at over £200m.

"These are the cities (Birmingham, Leeds and Manchester) we operate in and however bad the systems are, we still operate in them and we still invest in them and because we're local to those areas it really doesn't make any difference, but that's only because we're locals. If you were

talking to Argent or a nationally based developer I'm sure the answer would be different, but you know, you're talking to a local developer who is going to operate in those areas no matter how many problems he's got."

Regional Mixed-Use Developers

2.27 However, for some the fragmented nature of the city centre and relatively small office core for a city of this size was a concern. Thus:

"The fragmented city core is a problem, which is more historic than transport influenced. Need to join these areas up – Colmore Row, East Side, Brindleyplace and so on."

Major regional developer with current developments in the region in excess of £50m

Transport's role in city success/property investment

General Views

2.28 The views on transport in Birmingham were mixed. In terms of its strategic location there was acknowledgement that it was potentially well placed, both in road and rail terms, as well as for airport provision. However, the 'potentially' was qualified. The improvements to the rail system such as the west coast mainline upgrade, whilst endorsed, were seen as only partially tackling the problem. A key concern was the influence New Street Station had upon perceptions. Thus:

"The big problem is New Street (Station) – it's the gateway entrance and it is not a good image to give of the city."

Development Manager, Major National Quoted Developer. Current schemes valued at over £2 billion.

"New Street Station is the big problem. Functions OK, but not a fantastic gateway to the city – really is a big issue."

Director, Regional Investment Fund with assets of £2.2bn

"New Street Station (improvement) has to happen, as it is a terrible entrance into the city. It's the biggest negative to the whole city. It's essential to achieve (the improvement) in order to sell the city."

Development Director, Major regional developer with current developments in the region in excess of £190m

2.29 There were also a number of more general comments about the significance of transport generally, and how it relates to the business community. Thus:

"Transport is a key issue and needs joined up thinking from public authorities."

Major National Public Service Provider.

"Transport in the city is just about viable at the moment. We could do with some improvement on the highway, and the railways ditto. Without this we have concerns about the future (transport) operationality of the city, which we have insight into given our work in this field."

Director, Major national consultancy.

"Companies can and should take action to minimise road use and travel responsibly."

Major National Public Service Provider.

Strategic Transport Context

2.30 The regional road network was identified as an important contribution to Birmingham's growth in the 1960s and 1970s, and schemes such as the motorway relief road were considered helpful. However, increased congestion on the system, especially accessing the city centre, was creating problems. This is where systems such as the Midlands Metro have been helpful. Thus:

"The Metro was worth doing, as it has helped the competitiveness of the city."

Development Manager, Major National Quoted Developer. Current schemes valued at over £2 billion.

"(We) provided a corridor for Metro at business park, because it was important to the overall success of the scheme. The increased accessibility widened the interest of businesses coming to look at the scheme."

Development Director, Major National Development Company. Current schemes valued in excess of £1.7 billion

"Metro has been a plank in the overall transport structure. Hasn't really tackled congestion overall, but this is because city is really only congested at certain times of the day – it's as much about perception (of congestion) as actuality."

Regional Investment Fund with assets of £2.2bn

"Although the Metro alone could not stimulate activity, it is the sort of thing that can make the difference to success or not."

Development Manager, Major National Quoted Developer. Current schemes valued at over £2 billion.

"The Metro extension will be a bonus when it comes. Buses not bad, but a bit confusing and fragmented (and I use them). They are good linear but not for crossing town."

Major regional developer with current developments in the region in excess of £50m

2.31 However, some more mixed comments were raised on the Metro. This revolved particularly about the existing routing, which was not seen as a major influence upon the operation of Birmingham city centre, along with some concerns about the disruption impacts of extending the Metro. Thus:

"As the Metro only runs between Wolverhampton and Birmingham it has limited impact I think. There are also more mixed views about the city centre extension and the scale of benefits, balanced against the construction disruption and knock-on effects on cars."

Major national consultancy.

"Hard to say how (Metro) has influenced development, as there are so few opportunities in central Birmingham."

Development Manager, Major National Quoted Developer. Current schemes valued at over £2 billion.

2.32 Occupiers particularly commented on the good strategic location of the city, and the benefits this provided for serving clients. Thus:

"Birmingham is centrally located, which has advantages. Need further investment in rail, which can't afford not to do as it will have severe implications for the city in the future."

Major regional developer with current developments in the region in excess of £190m

"The airport is great, and helps cement the location, which is helped by the rail link to the airport. I think the airport does help in our selling of the location."

Major regional developer with current developments in the region in excess of £50m

Local Transport Context

2.33 A variety of comments were raised about the local or city transport context. The views ranged from cautiously accepting that the transport system was 'just about OK' to more major concerns about how effective the transport infrastructure and services were. Whilst there was no consistent view on the current operational performance of the transport system – apart from the very consistent views on the

negative impact of New Street Station – there were concerns over the future. Thus:

"The city centre is an obvious place for us to locate because of the high accessibility levels. However, it won't be a high accessibility location if congestion gets too much worse."

Major National Corporate Occupier with turnover in excess of £1bn.

"Cars are very well looked after in the city, but don't knacker-up the system. Roads out to the south in particular need to work well. Railways are appalling and are a complete let down for the city. It would help if Snow Hill (station) was improved."

Major regional developer with current developments in the region in excess of £50m

"Do buses work? Yes, but it's all about how accessible they are to the main infrastructure network."

Development Director, Major National Development Company. Current schemes valued in excess of £1.7 billion

"Being close to (transport) hubs is important as many support staff come in by public transport. Professional staff still need car for client visiting, so can cause dilemma."

Major international corporate with UK turnover of £1.8bn

"Business needs more predictable journey times and better information for road users. Bus lanes are helpful, but need more integrated approach."

Major National Public Service Provider.

"Have to get in a car to go somewhere, as buses won't go directly."

Development Director, Major National Development Company. Current schemes valued in excess of £1.7 billion

"Birmingham has its own problem, which is locally bred. Birmingham was originally the City of the Car and as a result, persuading people to go from their cars to public transport is a bigger problem in Birmingham than it is elsewhere."

Regional Mixed-Use Developers

Transport as Inhibitor or Initiator

2.34 The role of transport in terms of stimulating or preventing development or investment was examined with interviewees. The range of comments that emerged demonstrate the importance that transport can play, both in a positive and negative way to business decisions and operations. Thus:

"(It's an) oxymoron that improving public transport to developments is good. The occupier is better because they can get people to work and the developer is happy as can maximise space. But it does require that the public transport service is provided."

Director, Specialist Regional Developer. Current schemes valued at over £500m in Birmingham.

"Only look at sites if reasonably well sorted in terms of transport – we take transport as a given (otherwise do not invest)"

Development Manager, Major National Quoted Developer. Current schemes valued at over £2 billion.

"Metro has gone some way (to helping economic growth) but not delivered enough yet to make a difference."

Major regional developer with current developments in the region in excess of £190m

"Being sustainable should also mean being competitive. This requires in-time supply chains to be aligned. This cannot be done by market alone; needs public authority partnership."

Major National Public Service Provider.

"Can we be more competitive and sustainable? Need to tackle detail and grasp 'win-wins'."

Major National Public Service Provider.

"In Birmingham we think we have got problems but compared to London we have got no problem. However, London does have a very good underground system, albeit that it is becoming unusable these days, or not safe, and therefore the massive problems of transportation and commuting in London are pushing people out to the provinces."

Regional Mixed-Use Developers

2.35 One particular example of transport's role in influencing development was the opening up of the east side of the city. The achievement of this as a result of removing part of the 'concrete collar' created by the road system was widely acknowledged as beneficial.

Transport, Economic Stimulation and High Value Clusters

2.36 The extent to which high value clusters existed in Birmingham was discussed, along with the role of transport in helping or hindering this. Although there were some respondents who were less confident about the operation of such clusters in Birmingham, in most cases there was a clear recognition of both their existence and value in the city. Thus:

"Clustering? Yes, we have professional services, consultants, legal profession (biggest outside London I think), banking and finance. There is a close-knit clustering of these around the city centre. This partly reflects the fact that the city centre isn't that big physically, but these are services that the city is attractive for – and vice versa."

Major national consultancy.

"Yes, we have a very strong clustering of solicitors and surveyors and professional services, but the office core is very small relative to Manchester. This limits our potential to capitalise on these value added sectors. Organic growth helps drive this, not simply inward investment. As we have a small and constrained core, we need to build more space to allow us to attract companies."

Major regional developer with current developments in the region in excess of £50m

"High value clusters tend to be more disparate through the city. There has been some success with financial services, and still an important high value manufacturing base linked to the universities. This includes Aston Science Park, which is on the edge of the city centre – so good access that way – but also good car access."

Regional Investment Fund with assets of £2.2bn

"There is a strong financial services sector in the city, with a growing media sector. However, Birmingham University is important focus for clustering."

Major regional developer with current developments in the region of approximately £200m

"The Jewellery quarter offers the potential for a mixed-use high value cluster, but it risks being a missed opportunity with the residential conversions that are going on."

Development Manager, Major National Quoted Developer. Current schemes valued at over £2 billion.

2.37 The influence of the 'high value' clustering in the city was also demonstrated by location decisions taken by occupiers. Thus:

"Three years ago we had a choice between staying in the city centre or moving to a business park, but we concluded that we ought to stay in the city centre. This was because we were close to our clients, public transport was better (with spin-off benefits for our green credentials), and less disruption. We have surveyed staff since and have concluded that this was the right decision."

Major national consultancy with 900 staff in Birmingham.

"As more of our clients will be in the city centre then public transport is a must, an absolute must, especially as congestion is only going to get worse."

Major international corporate with UK turnover of £1.8bn

"When compiling our Birmingham (location) strategy we had the choice between out-of-town location on a business park by the M42, or consolidate in the city centre. There was concern over parking for our professional staff, balanced against concern over whether some of our clients would be moving out of the city centre. If our client base had moved out of the city centre, we would have followed, but the city retained its value for them and hence us."

Major international corporate with UK turnover of £1.8bn

"Our location decisions three to four years ago were more to do with clients and access to them. Now transport is a very, very important role, especially as more clients are city centre based."

Major international corporate with UK turnover of £1.8bn

Future improvements and implications

2.38 The ways in which transport could be improved in Birmingham were explored, both in terms of how it would assist the development/business investment process as well as in terms of the general

functioning of the city. These revealed a variety of proposals, top of which was the re-development of New Street Station. This was seen as very important across the business community. Thus:

"For transport improvements just look to New Street Station – everyone knows this."

Major regional developer with current developments in the region in excess of £50m

"The big issue for us is New Street. However, the re-development of this is only addressing the input side not the operational side, i.e. track capacity. (New Street) is the critical hub on the rail network, and further track capacity is badly needed"

Major national consultancy.

2.39 In terms of specific proposals these included the following:

"The airport needs runway extension. This isn't quite long enough for long-haul flights, which limits the range of destinations we can serve and reduces our competitiveness relative to Manchester and London"

Major national consultancy.

"Reducing congestion on the M42 and east of airport. This is important as key link into city and region, serving the NEC, airport, International Rail Station and link to M6 motorway."

Major national consultancy.

"Roads are fine, don't have a problem with them, but need to look at bottle-necks. Knit Broad Street/Jewellery quarter better into the city centre. If don't we lose the opportunity for making economic clustering/enhancement of the city centre."

Major regional developer with current developments in the region in excess of £50m

"I would like to see massive improvements on our rail network and on the quality of the trains that run on them. I'd ideally like to see, certainly in Birmingham, the completion of the metro system and massive improvement of the commuter rail networks into Birmingham. I would also like massive improvement in the way our buses work as well. Now that doesn't just mean routes and upgrading and better stations and better trains,

it means a friendly, safe service that people can rely on. Therein lies the principal problem and until we deal with that, until you also deal with the fact that people have to get from their place of sleep to their place of work even if they use public transport, by using a car for part of the way, there has to be a realisation that around all our big cities, we have to have massive car parking areas that then serve into the public network, and enables people to get to work more efficiently, quickly and cheaply."

Regional Mixed-Use Developer

"I am totally for congestion charging. I don't have a problem with congestion charging at all, as long as it's fairly run. The problem is that in the one city that it is operating in at the moment, it is run at a very political level which does create some problems. But I think the principle is absolutely right and I don't have an issue with paying for congestion charging at all, I think it's a very good way forward. The problem is you've got to back it up with the other services and that's really what I've been saying throughout the interview. If you have the congestion charging and you say well "if you want to use your car, you're going to have to pay because presently there is a perfectly good alternative system that you can use" – that's is something that we can't say at the moment."

Director, Regional Developer/investor

2.40 More general comments relating to improving the competitiveness of the city covered a range of topics. Typical comments included:

"My immediate reaction on how the competitiveness of the cities can be improved is much stronger links between the airports and main stations and particularly at the locations that we focus on, the ones beyond the edge of the existing city centre. For me that's where the capacity is, the plots of vacant derelict land in these sorts of areas and if you have those really rapid easy to use regular public transport connections to the main transport hub that would have a huge, huge impact."

Managing Director, National Regeneration Company with current schemes in Birmingham, Leeds and Manchester valued at over £200m.

“Public transport constraints are as much about tackling perceptions and attitudes as they are about actual congestion.”

Regional Investment Fund with assets of £2.2bn

although,

“Until you start to put massive amounts of investment into them (public transport networks), you are not going to improve them and I think that is the principal challenge. I mean we have got enough disused railway lying around, I’m sure we have enough track there, that can be used to solve these problems. We certainly have plans for metros in Birmingham on loads of lines that can easily work because they have been studied properly but why isn’t it being done?”

Regional Mixed-Use Developer

“Tending to regenerate through quarters, and bringing down the concrete collars is central to this as it has been constraining the city centre. Gradually (being) broken down so can expand, which has increased city centre investment (e.g. Brindleyplace and Waterside).”

Regional Investment Fund with assets of £2.2bn

“We have a major problem in this country generally with transport, which we need to address and need to address properly. There is a general acceptance I think these days that the days of motorcar borne travel need to be, not brought to an end, but reduced dramatically. But that will only happen when there is a public transport infrastructure that really works, and successive governments have sort of talked about what they are going to do but I fail to see much delivery bluntly.”

Director, Regional Developer/Investor

2.41 The interviews also considered how activity levels might change in the future in Birmingham if transport provision was left broadly as it was. Although there were current proposals, such as congestion charging, that made discussion on this subject slightly more complex, there was a generally strong view that transport improvement was vital for the city. Thus

“Airport needs to continue to grow – limitations with it hindered our Olympic bid proposal.”

Major regional developer with current developments in the region of approximately £200m

“Metro alone may not do it – but it could make the difference.”

Development Manager, Major National Quoted Developer. Current schemes valued at over £2 billion.

“Opening up Calthorpe estate could offer considerable potential for Birmingham, and requires transport kick-start.”

Development Manager, Major National Quoted Developer. Current schemes valued at over £2 billion.

“Well we’ll go backwards until we eventually reach gridlock. That’s what will happen, and there is no doubt about it, and therefore something has to be done. Birmingham needs its Metro system. Birmingham needs a safe, secure and well-funded public bus system. It needs its commuter lines improved dramatically and obviously the massive investment that goes with that – it needs it urgently. In Leeds, I think the problem is slightly less severe, yes it does need its Supertram and that would be a very poor decision if that doesn’t go ahead. As it happens I believe the commuter lines around Leeds are somewhat better served than Birmingham, the trains are cleaner, safer and better run, and there are plenty of lines. Leeds I’ve always found far easier to commute by rail than I have Birmingham, because it does have a better localised train service. As far as the national Inter-City services, I think we are starting to see what we need to have there. The new Virgin train, albeit it is a ridiculously expensive, is a very good service, The Chiltern Line is a very good service, the service going up to Leeds of course and indeed the West Coast Line going up to Manchester as well, are now good services.”

Regional Mixed-Use Developer

"If the transport system was made better I think the cities would be more successful. I think the way it would work for us would be the cities would become more successful and as a result we would need more development in those cities and therefore, yes we would invest more, and that's the route which should guide a city."

Director, Large Regional Developer

"It's about time we stopped all this rhetoric from Government about, you know, what they're going to do and how they're going to do it, and they just get on and did it. They've started to realise they've got to put serious investment in and they've got to start putting the money back in that the motorist gives them in order to drive on the road, directly into the public transport system."

Director, Regional Developer/Investor

- 2.42 In summary, Birmingham is viewed as a successful city, in which high value clusters have played an important role in expanding and sustaining the city core. Whilst problems with the city transport position have been raised, there is greater concern over future impacts and especially the role of New Street Station. The regional transport position requires a number of improvements according to both investors/developers and occupiers.

Results - Leeds

Background

- 2.43 The organisations with an involvement or interest in Leeds ranged from small specialist developers, large national developers based in Leeds, pension funds, and major corporates. These organisations covered a range of development and activity interests, including mixed use developments, city centre retail schemes, edge of city business parks and a variety of corporate end-users.
- 2.44 In terms of the property investors and developers interviewed, they currently had over £1.8 billion of schemes under development in Leeds. In addition, they manage a total property asset base of over £8.5 billion. In terms of major occupiers, their turnover was over £100 billion per annum nationally. Given this scale of activity in Leeds, the views and perspectives from these organisations are significant.

Views on city and reasons for investment

- 2.45 Most organisations saw Leeds as an economic success story over the last decade, and especially the last five years. Various reasons were cited for this, of which one is improved confidence from within the city itself, thus:

"Leeds believes in itself. Sounds simplistic, but true."

Director, Specialist Regional Developer. Current schemes valued at over £250 million in Leeds.

and

"The city has been successful, partially because of a lot of the right sort of development."

Regional Director, National Developer with strong Regional focus. Current schemes valued at over £250 million in Leeds

- 2.46 It was felt that this confidence, both by the public and private sectors, has stimulated economic activities within the city centre and, to a lesser extent, beyond Leeds itself. However, it was suggested by some that the growth in Leeds has occurred at the expense of some of the second-tier cities in the region, although it was felt that this was a trend amongst most of the 'premier league' regional cities, such as Birmingham, Leeds and Manchester.

"Leeds and Manchester have been as successful as they have because of the success of the core cities, which is at the expense of some of the periphery cities around the major hubs of Leeds and Manchester. The common needs of agglomeration, the labour pool etc and the general desire of people wanting to work and live in cities has driven this."

Major Regional Developer

- 2.47 In fact, there appears to be a sense in which these major regional cities are performing well generally, reflecting agendas and initiatives pursued by the various cities. Thus:

"(Leeds has) followed example of Manchester and increased its clout."

Director, Specialist Regional Developer. Current schemes valued at over £250 million in Leeds.

"I think the reasons Birmingham, Leeds and Manchester have been as successful as they have are all the same basically. It's primarily been about market forces, so there's been a move to consolidate economic activity in larger cities, particularly as the knowledge base of creative industries has grown. If you've got the universities, you've got the airports and you've got the creative and cultural industries then you've got the basics – that's where economic activity has tended to move to and things like manufacturing have declined in the smaller conurbations."

Managing Director, National Regeneration Company with current schemes in Birmingham, Leeds and Manchester valued at over £200m.

- 2.48 Another reason raised during the interviews reflected geographical factors, both local and national. Thus, looking at Leeds in terms of how it is seen as a locational base:

"(The) perception of geography is important. Birmingham is too near London – part of over-spill. Leeds and Manchester right distance – Edinburgh and Glasgow are different markets."

Director, Specialist Regional Developer. Current schemes valued at over £250 million in Leeds.

and, in terms of its position with the national and regional transport network:

"Leeds is very lucky as it has a good transport system."

Joint Managing Director, Regional Investment and Development Company. Current schemes valued at over £500 million in Leeds.

- 2.49 The above comments highlight the locational importance of Leeds, which inevitably links through into transport provision, as will be discussed below. However, it was clear that the strategic location of Leeds was an important contribution to its perception as an attractive business location. The example was cited of the legal quarter in the city growing due, in part, to the good rail access to London chambers.
- 2.50 Partially linked to this, comments were raised about the cultural or quality issues that have helped raise the performance of Leeds as an economic centre. Thus, as an illustration of this as a driver of growth it was commented that:

"People (are) coming out of London to live and work (in Leeds), along with effect of the

Universities and quality people in the city – especially professional firms, which have driven the office market.”

Director, Specialist Regional Developer. Current schemes valued at over £250 million in Leeds.

2.51 The quality of staff was highlighted as a particularly important issue to the current success of Leeds, but also for its future success. A concern raised, as will be highlighted later, is the ability to secure and retain such staff in the future, and transport was seen as an important element in the achievement of this. Hence:

“Staff retention is crucial, especially for local professional companies ... so accommodation needs to be conducive to this, which includes the transport links.”

Joint Managing Director, Regional Investment and Development Company. Current schemes valued at over £500 million in Leeds.

2.52 Leeds was also seen as a place in which most developers/investors had positive views about future investment. This was partly because of local knowledge or operations for certain organisations. However, it was also based upon a recognition of the growth opportunities or potential in city – particularly by investors/developers. Thus:

“Although Leeds has not managed to attract business to the same extent as Manchester, this is as much to do with the scale of the cities. Leeds in itself has been very successful, and a steady increase is likely (in the future).”

Managing Director, Regional Development Company. Current schemes valued at over £500 million in Leeds.

2.53 However, there were also concerns over possible constraints to growth. To a limited extent there was concern over the number of development and re-development opportunities that might come forward. A more significant concern, however, related to how the public sector might be able to deal with infrastructure support for the growth of the city. Thus, in terms of the ability to fund or enable infrastructure provision:

“Local authorities have faced tough times, and have had to sell the family silver. There’s now no fat left.”

Director, Specialist Regional Developer. Current schemes valued at over £250 million in Leeds.

and

“Although transport is not a big issue currently, it will become a big issue if congestion increases – which it will – and as car usage is frowned upon.”

Managing Director, Regional Development Company. Current schemes valued at over £500 million in Leeds.

2.54 As such, it was commented that the expansion of the city centre business core will require appropriate infrastructure support:

“We can provide the right product for occupiers, but require public sector support to deliver the necessary transport support. Without this our scheme becomes less sustainable.”

Regional Director, National Developer with strong Regional focus. Current schemes valued at over £250 million in Leeds

and

“As the city expands need to get the transport re-directed.”

Regional Director, National Developer with strong Regional focus. Current schemes valued at over £250 million in Leeds

“We see the current sort of market and economic trends towards the central cities of the bigger conurbations continuing for a while. We are, however, reliant on public investment alongside ... Because what we’re doing is urban regeneration and by definition if it’s not viable on its own it would be property development. So we are reliant on public investment in a variety of ways – land assembly, public realm, infrastructure, public transport – those sorts of areas.”

Managing Director, National Regeneration Company with current schemes in Birmingham, Leeds and Manchester valued at over £200m.

2.55 In summary, whilst Leeds has been perceived as having significant economic success over the last decade, although not perhaps to the scale seen in Manchester, there is some uncertainty over whether the infrastructure will be adequate to maintain sustained growth into the future. This was elaborated further in terms of more specific discussions on transport, as explained below.

Transport’s role in city success/property investment

General Views

2.56 Having examined views of the overall performance of Leeds itself, and how this has influenced investment and development activity, the interviews considered the role that transport has played in the success of Leeds and in relation to specific projects. In particular, the discussions sought to understand how influential transport was in business investment or development decisions.

2.57 What emerged from the interviews was a mixed picture on current transport provision in the city, although with some major concerns in certain areas. This picture has, in fact, two elements. The first is a view on inter-city or strategic transport, and the second relates to intra-city transport.

Strategic Transport Context

2.58 In terms of inter-city transport it was commented that the relatively good motorway and inter-city rail links, especially with London, were an important contributing factor to the success of Leeds as an economic centre. Thus:

"A good train service between Leeds and London, as well as the M1, has been important to the success of the city, but it takes a long time to take effect."

Regional Director, National Developer with strong Regional focus. Current schemes valued at over £250 million in Leeds

and

"Leeds is lucky, it sits on a good communication system."

Managing Director, Regional Development Company. Current schemes valued at over £500 million in Leeds.

"Leeds has got a very strong service base, got very good access motorway wise and public transport wise and I feel success breeds success. A lot of people have located there and it's had the multiplier effect. It's a nice city to work in and has a number of intangibles: it's set in a nice part of the world; you are accessible to good quality housing within a short commute; and you a lot of natural features of all the Dales, North York Moors etc."

Director, Regional Development Company

Local Transport Context

2.59 A more mixed picture emerged in terms of intra-city transport. Whilst the city centre itself was considered to be relatively small and therefore reasonably easy to move around, there were strongly expressed views about the problems of getting people into and out of the centre during peak hours. Thus:

"Trains are an important element for the city, but they are being used more and more, and are cattle wagons. If we're going to get people out of the cars then trains are the alternative, but they need to be more appealing."

Director, Specialist Regional Developer. Current schemes valued at over £250 million in Leeds.

and

"(There is a) tendency for people to live and work here (Leeds) more, as long as close to a railway. This

is currently acceptable for people, but if congestion charging was introduced then this would be too much as the rail system would not cope."

Managing Director, Regional Investment and Development Company. Current schemes valued at over £500 million in Leeds.

2.60 However, for some the perspective needed to be more fundamental:

"I think I still have a worry that when people think about transport, they do still tend to think about building roads and I just don't think that's where the focus of attention should be. I think the focus of attention should be on creating inner urban neighbourhoods to reduce the amount of driving that happens. If you look at the stats, the figures from the centre have people using their cars much, much less. We seem to be caught in this loop, you know, increased car usage, build more roads which means more people use their cars. We just don't break out of that and start building inner urban neighbourhoods which are walkable, cyclable and on public transport routes, and we've got the capacity especially in these three cities to make that happen."

Managing Director, National Regeneration Company with current schemes in Birmingham, Leeds and Manchester valued at over £200m.

2.61 Within the city centre itself the transport issues do not appear as noticeable as transport movements and provision into the city. This is especially the case for investors/developers based in London, who view Leeds City Centre as basically the same size as Mayfair in London, and hence not extensive enough to categorise into distinct transport geographies. As one developer commented:

"The city centre is relatively small, so transport not too much of an issue. However, it is becoming more and more of an issue."

Regional Director, National Developer with strong Regional focus. Current schemes valued at over £250 million in Leeds.

and

"Public transport is pretty vital (to our development), although it is not a huge walking distance into the centre."

Regional Director, National Developer with strong Regional focus. Current schemes valued at over £250 million in Leeds

Transport as Inhibitor or Initiator

2.62 Still at the general level, transport was seen in two lights: as an initiator or inhibitor of activity. In reality this distinction is not always

so straightforward. The initiating/inhibiting perspective can reflect different sides of the same coin. Thus, a site or scheme may be seen as an investment or development opportunity primarily because of planned transport improvements close by. However, if these proposed improvements are not implemented then this could act as a constraint to taking the development forward or attracting suitable occupiers to the location.

- 2.63 In terms of transport acting as an initiator or stimulus for activity, the following comments highlighted this potential:

"Supertram really should have been done, although the government is against trams now it seems. The Manchester and Sheffield systems seem to have a positive impact on the image of these cities."

Director, Specialist Regional Developer. Current schemes valued at over £250 million in Leeds.

and

"Our product is done on the back of location, so (transport) is pretty central to our success."

Joint Managing Director, Regional Investment and Development Company. Current schemes valued at over £500 million in Leeds.

"If you've got a decent regular tram based system – buses don't deliver in this respect through our experience – then you do essentially extend the city core. The ability to step on a tram and step off three quarters of a mile down the road two minutes later makes a huge difference."

Managing Director, National Regeneration Company with current schemes in Birmingham, Leeds and Manchester valued at over £200m.

"Certainly development-wise transport has influenced our activity enormously. Both (our current) schemes are mixed-use schemes close to transport interchanges ... and the other two (joint ventures) are adjacent to the principal railway station in the cities."

Director, Major Regional Developer

- 2.64 The above highlights the value placed on transport as an aid to development/investment, as well as the on-going occupation needs of businesses. As to the inhibiting or constraining influence of transport, there were a variety of comments on this. Again, it is worth remembering that these are views about transport in general in the city, not necessarily specific to any development or project. Thus:

"Transport has had a huge impact upon our decisions to develop. I think we would be

planning, and we would have already invested a lot more, if the light rapid transport systems had gone ahead. And we'd have invested in slightly different areas as well. We'd have invested particularly around the first one or two stops out from the city centre."

Managing Director, National Regeneration Company with current schemes in Birmingham, Leeds and Manchester valued at over £200m.

"If you compare (Leeds) with European cities we are way behind. I mean Leeds has just failed in its Supertram bid (the Government pulled the plug on that), the Government also pulled the plug on Manchester's extension of the metro line which is vastly overcrowded. Its just nonsensical."

Director, Major Regional Developer

- 2.65 The relationship between public transport and private transport was also raised, specifically in terms of ensuring they are developed in tandem, and that constraints on car usage is not implemented without appropriate improvement to public transport. Thus:

"There is an issue with commuting parking close to the city centre. Closing such parking may cause problems if public transport is not up to scratch."

Regional Director, National Developer with strong Regional focus. Current schemes valued at over £250 million in Leeds

Transport, Economic Stimulation and High Value Clusters

- 2.66 The discussion on transport's role in constraining or enabling development and investment decisions also examined the influence it may have in relation to the encouragement of high value clusters. For some, high value clustering or agglomeration was more difficult to be precise about given the scale of the city centre. Thus:

"Don't really see there being a legal core as such, not in a geographical sense. It's more of a functional cluster, as the whole city acts as a 'high value' cluster. Take Eversheds, for example, moving out to Bridgewater."

Managing Director, Regional Investment and Development Company. Current schemes valued at over £500 million in Leeds.

and

"The whole of the city centre is (a high value cluster) focus rather than sub-areas, but there is spreading coverage (of the city centre) so as

to encourage the attraction of firms and hence generate clusters.”

Managing Director, Regional Development Company. Current schemes valued at over £500 million in Leeds.

“People want to be within the city centre but they don’t necessarily want to be actually next door to each other, although I think there is a digital cluster in Holbeck. There is less of a requirement these days for the bigger accountants, solicitors etc to be together I think. They want to be in the city but they will push the boundaries of that and there are lots of examples in both cities where ... there is a leap of faith by a major firm because actually it’s the accommodation and it is the transport links and everything, that is of interest to them. More so than being round the corner from one of the competitors.”

Director, Major Regional Developer

- 2.67 However, many interviews did see identifiable high value clusters, and indeed some were active in either developing and promoting them or considered themselves to be part of one. In addition, the role of transport was acknowledged as an important influence upon the development of high value clusters, either for good or ill. Thus:

“I am more interested in more creative knowledge based industries that we focus on and where we think that the high growth will be. You can start with the universities and I think all those cities (Birmingham, Leeds and Manchester) have more than one don’t they? So it’s the multiple university locations. But then the cities tend to have creative knowledge industry centres as well. In Leeds it would be Holbeck, in Manchester it would be the Quarter and Ancotes, in Birmingham it would be places like the Jewellery Quarter and Eastside. Those locations where we think value and economic activity can most easily be created.”

Managing Director, National Regeneration Company with current schemes in Birmingham, Leeds and Manchester valued at over £200m.

“With the more creative and knowledge location, I’d say it (transport) was definitely hindering cluster development. If you look at places such as Eastside, like Holbeck – the lack of decent

transport connections definitely hinders their development. This is not quite the case with the Northern Quarter as it is so close to the city centre that it is well located in terms of transport.”

CEO, National Regeneration Company.

“With the sort of clusters we deal with, we are very much dealing with creative industry clusters, we can kick them off in locations which are within walking distance of the city centre. What becomes much harder to do is to develop them to their full potential and vibrancy. Partly because we can’t get the densities, because of the need to accommodate the car because you haven’t got quite the public transport connections to live without the car. And partly because a proportion of the users won’t move that far away from the transport hub, which is the point about expanding the core through the first couple of stops of the tram based rapid transport system. If you have a stop adjacent to your cluster you can maximise the potential of that cluster. If you don’t, you can’t.”

CEO, National Regeneration Company.

“You get clusters of activities where the proposed stations are or where stations actually are along the transport infrastructure routes, the same as you would of road intersections: you have to get people to buildings.”

Director, Regional Development Company

“In Leeds you have an educational bias towards the universities and hospital end and you have got lawyers/everybody else going south just because there are larger plots available for larger buildings.”

Director, Regional Development Company

“Our (corporate) location in Leeds city centre reflects the closeness to our main board-level clients as much as anything else. The city centre also feels more like a business centre now, rather than a one-horse town.”

Major National Corporate with UK turnover in excess of £5 billion.

Future improvements and implications

- 2.68 The ways in which transport could be improved in Leeds were explored, both in terms of how it would assist the development/business investment process as well as in terms of the general functioning of the city. This revealed a number of different suggestions, but also a reasonably consistent set of views on the critical issues that need to be tackled.
- 2.69 In terms of the more consistent views, these focused on improving the local train service particularly, along with more responsive bus services. In addition, ensuring that any private car usage restrictions were supported by improved public transport provision was cited. Thus:

"More of the same! Railway investment needed to retain advantage."

Regional Director, National Developer with strong Regional focus. Current schemes valued at over £250 million in Leeds

"Capital expenditure into railways and buses is vital to make things better – although perhaps the balance needs to be 90%/10% capital/expenditure, but the capital investment is vital."

Director, Specialist Regional Developer. Current schemes valued at over £250 million in Leeds.

"Buses don't work for us. It's about consumer behaviour. So the sort of people we're dealing with aren't particularly used to using the bus system. There tends to be very poor information and a lot of uncertainty around timing of bus services and generally they don't have the same positive effect on people's behaviour, particularly occupiers and employees, that the tram based systems do."

Managing Director, National Regeneration Company with current schemes in Birmingham, Leeds and Manchester valued at over £200m.

"There are some proposals to widen the motorways around Leeds and some of the wider infrastructure is not too bad around both cities – the M60 ring road route effectively round Manchester and again to widen the M1 and M62 corridors around Leeds to four lanes and the A1 / M1 link as it was known. These sort of more macro ones are fine but nothing is being done then in terms of looking at the future for getting people into cities i.e the rail is appalling from local areas around into both (cities). In Manchester you could end up at Victoria, you

could end up at Piccadilly. In Leeds just the whole service from big areas of labour pool such as Sheffield, Wakefield, Doncaster is shocking. You know both cities want to feature as major European cities and quite honestly you compare their public transport infrastructure with any major European city and we are just not even on the same playing field."

Director, Major Regional Developer

"Buses have been in the private sector now for 15 years, they have tried to react but year on year their patronage goes down despite what they say. I used to work for First Group as a Development Director so I knew what went on, year on year it was very, very difficult to keep passengers. Peoples aspirations are so much higher now you know, and they want decent quality transport and the best ones are trams and trains. You can do the hybrid bus which is a tram which looks nice and that definitely has a place. The more dedicated bus routes you can get you know the better. There is a lot more that can be done from a corporate responsibility point of view as well and will have to be."

Director, Regional Developer/Investor

- 2.70 In addition to identifying possible 'solutions' to transport problems, the discussions explored the implications of a 'do nothing' or minimal change scenario. The broad consensus on this was that the 'do nothing' approach was not a realistic option. Thus:

"Look at London, the (transport) problems there will eventually come here – which presses the need for better public transport."

Director, Specialist Regional Developer. Current schemes valued at over £250 million in Leeds.

"Transport (in Leeds) is not a big issue at the moment, but it will become an issue if congestion increases, especially as cars are not welcome."

Managing Director, Regional Development Company. Current schemes valued at over £500 million in Leeds.

"Good public transport is becoming pretty essential in terms of our development schemes, as we seek to achieve an 'excellent' BREAM rating for our buildings."

Regional Director, National Developer with strong Regional focus. Current schemes valued at over £250 million in Leeds

"If there are no transport improvements in the two cities (Leeds and Manchester) it would have serious implications for our development plans in the longer term – not short term, not in the next 2-5 years but longer term definitely."

Director, Major Regional Developer

"The limits to growth will be transport to be honest. Leeds is a very difficult place to get in and out of nowadays."

CEO, Regional Development Company

"I think Manchester's metro has worked very well. There is obviously a 'benefit-lag' and problems due to the congestion that is inevitable during the 2/3/4 years that it takes to build it. But you see vast improvements going forward. I mean you have got to take a 20/25 year view on these things. Leeds I think doesn't have a viable alternative to Supertram – guided bus routes just don't really work. It will have an effect, people will get fed up of sitting in traffic or getting stuck on train platforms out of the city centre and think their relocation decisions. To be honest I am one of them. I have moved out of the city centre, I got fed up of commuting every day."

Director, Regional Development Company

2.71 In terms of Supertram specifically, there were various views expressed on its impact upon business investment and development decisions. Thus:

"The lack of Supertram will be a disadvantage to the city over the next five to ten years."

Director, Specialist Regional Developer. Current schemes valued at over £250 million in Leeds.

and

"Supertram would have been a welcome aid to sorting transport problems out"

Managing Director, Regional Development Company. Current schemes valued at over £500 million in Leeds.

"We very strongly believe that they should have tram based light rapid transport systems which are comprehensive. The best example in the tube in London. So it needs to be a system which allows you not only to enter the city in a radial pattern but also to move around the city from point to point, you know without excessive change. So a maximum of one change and that change has got to be almost instantaneous. You can imagine a situation where you've got almost a box running round the city centre in effect, so that you can get from any point to any point using a maximum of two trams."

Managing Director, National Regeneration Company with current schemes in Birmingham, Leeds and Manchester valued at over £200m.

"Because Supertram is not happening in Leeds now ... we are actually supporting the disposal of one of our assets which was on the Supertram route and concentrating our investment activity closer into the city centre. If the Supertram had been there, we'd have been more confident in the location as we'd have expected the market to be more confident in the location."

Managing Director, National Regeneration Company with current schemes in Birmingham, Leeds and Manchester valued at over £200m.

"I think the problem with knocking the tram on the head is that it might influence investment. You have a lot more new population coming in (to Leeds) and I think the investors will start looking critically at transport because it is an important part of the planning process. So to actually expand (the economic base) you have got to show sustainability, part of which is on transport."

Regional Specialist Developer and Investor

"The Supertram scheme runs through our Eastgate and Haywood Quarter site and so its obviously been of great significance to us. It's protected still as a public transport corridor but the cynic inside me would say that's just a sop until everyone calms down about it."

Director, Major Regional Developer

"Leeds desperately needs a metro system of some nature, and yes it now looks like it won't go ahead, and of course it is going to make a massive difference. Manchester was one of the first cities that actually put a metro system in and I am sure it has been a great value to them and it works very well."

Director, Major Regional Developer

"I think the only viable alternative was exactly what they were proposing, Supertram connecting up to park and rides out of the city centre. Works well in Sheffield, works in Manchester, will work in Birmingham, its worked in Newcastle. You know Leeds is going to fall behind because it hasn't got one."

Director, Regional Development Company

2.72 However, there were also more cautious views on how the possibility of Supertram influenced business decision-making. Although a minority, they are still pertinent, thus:

"There has been a question mark over this (Leeds Supertram) for so long, that it hasn't fundamentally influenced (our) development decisions."

Regional Director, National Developer with strong Regional focus. Current schemes valued at over £250 million in Leeds

and

"(Leeds) Supertram decision an embarrassment – should we, shouldn't we. It's unfair to keep it hanging on.."

Director, Specialist Regional Developer. Current schemes valued at over £250 million in Leeds.

2.73 The views on Supertram, either supportive of it or disappointed over the decision process, highlight a concern over specific measures by which transport could be improved. At one extreme are specific suggestions on what needs to be done to improve matters, whilst at the other extreme is the view that 'solving' transport problems is more a public sector issue than the business of the private sector, thus:

"Transport is a little outside our control."

Regional Director, National Developer with strong Regional focus. Current schemes valued at over £250 million in Leeds

"Better men than me have tried to come up with solutions and failed."

Director, Specialist Regional Developer. Current schemes valued at over £250 million in Leeds.

2.74 In summary, Leeds is seen as being generally well served in strategic transport terms. There are, however more concerns about access into and out of the city core, which is starting to create problems for businesses. This is important, as the city is seen as being an economic success over the last 5-10 years, partially because of the increased development of high value clusters, but also because the property offer has been good and has matched corporate occupier requirements. It is felt that increasing transport problems may constrain future success.

2.75 High value clusters are generally recognisable in the city, either as discrete functions (e.g. legal or educational) or as a reflection of the relatively small size of the city core which effectively acts as a geographical high value cluster. Transport issues are generally seen as important to the future development and encouragement of such clustering or agglomeration, although the main emphasis is a concern about how adequate the transport system will be in the future – particularly local rail services.

Results - Manchester

Background

- 2.76 The organisations with an involvement or interest in Manchester ranged from small specialist developers, large national developers based in Manchester, pension funds and institutional investors, and corporate occupiers. These organisations were responsible for a range of development and investment projects, including major city centre re-developments, mixed use schemes, regeneration projects, retail and leisure schemes, and various end-user occupiers.
- 2.77 In terms of the property investors and developers interviewed, they currently had over £2.6 billion of schemes under development in Manchester. In addition, they manage a total property asset base of over £11 billion. In terms of major occupiers, their turnover or asset base was over £120 billion per annum nationally. The views and perspectives from these organisations in relation to Manchester are therefore of some significance.

Views on city and reasons for investment

- 2.78 Manchester is viewed as an economic success story over the last decade. A number of reasons for this were mentioned as part of the interviews. In broad terms these can be categorised into three reasons, as listed below.

Confidence and Leaders

- 2.79 Leadership and confidence by the public and private sectors were commonly mentioned as important factors in Manchester achieving what it has to date. Thus:

"(Strong) civic leadership – not just one individual – and supported by strong senior officer team, with close alignment with private sector."

Managing Director, Major Regional Developer. Currently schemes valued at over £1.5 billion in Manchester.

"(The public sector) paints the canvas from which we emerge to add our input."

Managing Director, Major Regional Developer and Fund. Currently schemes valued at over £1.5 billion in Manchester.

"(Success has been due to) Manchester brand or attitude – courage, leadership, vision and capability ..."

Managing Director, Major Regional Developer. Currently schemes valued at over £1.5 billion in Manchester.

"Sensitivity (by the public sector) to get into the market place and into the community – and understand how place functions and where not functioning."

CEO, Major Developer. Currently schemes valued at over £1.5 billion in Manchester.

Scale of City and Local Knowledge

- 2.80 A further factor in the economic success of the city was local knowledge, at least for some organisations. Alongside this was the range of opportunities that have become available over the past decade, and the potential that still exists within the area. Thus:

"There are a range of potential opportunities available in the city, even though possibilities have reduced of late."

Local Developer with schemes in excess of £50 million.

"Played to our strength, and that was (our knowledge of the) Manchester market – including the increasingly significant public sector agenda."

CEO, Major Developer. Currently schemes valued at over £1.5 billion in Manchester.

"(Manchester has had) amazing success. Involved since 1980 so close to what has happened. City has been steadfast in working at economic uplift and job generation, and buildings and trams are seen as part of this strategy."

MD, National investment and development consortium fund. Current schemes in Manchester valued at over £50 million.

"It has changed so much in the last few years. There has been such a large concentration of new build housing and residential and major conversions, I image that we are coming up for a shortage of decent floorplate (i.e. suitable) office schemes now. If there were sufficient improvements in public transport, especially the frequency and the penetration, then this would help develop the city (further)."

Director, Specialist Regional Developer

"The North West is one of the strongest parts of the economy to deliver income growth. We've seen double digit growth, so we are extremely positive about our prospects in Manchester."

Vice-President, Major International Bank

"We looked to open a new office in order to relocate and grow our business. Looked at about 30 cities, and the key reason for choosing Manchester was the talent pool. We realised, because of what we do, that we would have to train people, so needed a suitable recruitment

pool. This, naturally, required that we had the transport to get them.”

Major International Corporate Bank

Geography

- 2.81 Finally, the location of Manchester within the strategic transport network was highlighted as an important contribution to success, particularly in drawing in international and national organisations. Thus:

“The West Coast Mainline and airport connections provide a good level of connectivity for Manchester.”

Managing Director, Major Regional Developer and Fund. Currently schemes valued at over £1.5 billion in Manchester.

- 2.82 Whilst some of the developers in particular are more location sensitive, others are less so. In other words, there are certain developers who know this property market more than others and hence wish to stay here, whilst others are potentially more footloose. Having said that, there is a strong commitment by a number of developers to continue working within the city, although this requires a combination of co-operation with the public sector and ensuring the right opportunities come along. Thus:

“(We) want to be associated with a region that is seeing accelerating growth at (a rate) faster than other areas, as it translates to your business.”

Managing Director, Major Regional Developer and Fund. Currently schemes valued at over £1.5 billion in Manchester.

“We want to help secure the ‘greater good’ for the city – including economic performance and social and economic regeneration. This isn’t just done by the private sector doing public sector activities, but working together.”

CEO, Major Developer. Currently schemes valued at over £1.5 billion in Manchester.

Transport’s role in city success/property investment

General View

- 2.83 Transport in the city was significant to both investors/developers and occupiers. This was both in terms of operational efficiency, but also in relation to the image it creates of the city and hence potential to maintain economic growth. Typical comments included the following:

“Our branch locations tend to be driven by demographics and density of opportunities, as well as available sites. I suppose this implies

locations that have good transport access as this gets people there. That isn’t our only driver, but it’s pretty important.”

Strategy Director, Major National Corporate with UK turnover in excess of £5 billion.

“Our corporate location is driven by a combination of factors, but the right people skill base and property product are key. So being able to get our people in and out of work is pretty critical, which is why we will use city centres generally, at least if the public transport is good.”

Strategy Director, Major National Corporate with UK turnover in excess of £5 billion.

“There is a lot of traffic going into Manchester, but I think it’s a bit too fragile. You can stop the traffic going in, which means that then your businesses will start moving out. Up north its all done on costs. You know what your operation is and what your costs are to perform that operation and you are going to go somewhere where it makes sense.”

Director, Regional Specialist Developer and Investor

Strategic Transport Context

- 2.84 The rail, airport and road networks have provided an important strategic framework for success for Manchester, according to a number of interviewees. There is also a recognition, however, that there are still problems with this strategic transport provision. These points are illustrated by some of the following comments:

“The Manchester-Euston line provides a taster of what can be achieved with good transport links.”

Director, Major Regional Developer and Fund. Currently schemes valued at over £1.5 billion in Manchester.

“(Manchester) airport is critical, and has good reputation and easy to get to. It is of huge importance to the region, and especially as receipts from the airport are under public authority control and can be recycled for the benefit of the region.”

MD, National investment and development consortium fund. Current schemes in Manchester valued at over £50 million.

“I think on a major scale, Manchester Airport has had a major influence on the city as a whole and

I think it makes it much more a European city in terms of other more local transport."

Development Director, National Specialist Investor and Developer

"The airport has been the main reason for success. Brings big appeal to people who want to invest in the country. Manchester is perceived as the second biggest (airport) in the country due to its profile and support skills."

Regional Manager, Major International Bank

and in terms of the 'downside' of the strategic transport position:

"The strategic improvements to road and rail need to continue if the region isn't to suffer a haemorrhage of economic activity."

Strategy Director, Major National Corporate with UK turnover in excess of £5 billion.

Local Transport Context

2.85 Within the city itself, there is much more concern over the transport position. The success of Manchester appears, ironically, to have created transport problems or at least raised the significance of transport as an issue to developers and occupiers. Thus:

"(The) transport equation is the most important issue of all for central Manchester."

CEO, Major Regional Developer. Currently schemes valued at over £1.5 billion in Manchester.

"If can't move people around efficiently, private sector will not invest."

Managing Director, Major Regional Developer and Fund. Currently schemes valued at over £1.5 billion in Manchester.

"Congestion appears more of an issue in Manchester than in Leeds, which is part of the reason I haven't developed much business there."

Director, Specialist Regional Developer. Current schemes valued at over £250 million in Leeds.

"Security is a major issue on public transport, especially with open-platform policies on trams and so on. This is going to increase unless it is tackled head-on – you won't get people out of their cars onto buses and the like if they don't feel secure."

Director, Regional Investment Fund. Current schemes valued at over £50 million in Manchester.

"Pressure on the transport system is a factor in the (declining) appeal of my retail units in the city centre."

Director, Regional Investment Fund. Current schemes valued at over £50 million in Manchester.

"Metrolink and other city/regional transportation is very, very important. Emphasis on good public transport 'theoretically' in place, but it has been delivered in Manchester."

MD, National investment and development consortium fund. Current schemes in Manchester valued at over £50 million.

"(Transport) can play a pivotal role in linking an area on the edge of the city centre back into the city. We have seen this with a number of schemes we have worked on, and it can be the make or break of a scheme."

MD, National investment and development consortium fund. Current schemes valued at over £200 million.

2.86 The above selection of comments illustrates the relatively high profile local transport has upon business investment and development decisions and operations. The stress on transport as a 'problem' in Manchester appears to be more of an issue than in Leeds, for example, and is recognised as an issue that will become even more significant in the future. Thus:

"The city centre is the problem for transport – not the lines out – and it will get worse without more action."

Managing Director, Major Regional Developer and Fund. Currently schemes valued at over £1.5 billion in Manchester.

"Transport may act as an impediment to securing more 'new blood' occupiers (in the future) into the Manchester market."

MD, Regional Investment Fund. Current schemes valued at over £50 million in Manchester.

"We will look seriously at dis-investment out of the city centre if transport problems aren't tackled."

MD, Regional Investment Fund. Current schemes valued at over £50 million in Manchester.

Transport as Inhibitor or Initiator

2.87 The issues about local transport (as opposed to the national or regional picture) are illustrated further when the 'inhibiting' or 'initiating' roles of transport in Manchester are considered. A number of relevant illustrations are summarised below:

"We operate under a socially responsible investment policy which means we will only do projects that are sustainably accessible so they are all basically within walking distance of the centre of the city and all the transport links that that brings with it. So having good public transport access is fairly vital to our developments – we won't do them unless they have that. It's worth making the point that that doesn't mean being close to a linear bus route. That means being close to a radial hub."

Managing Director, National Regeneration Company with current schemes in Birmingham, Leeds and Manchester valued at over £200m.

"As property costs are only 12-18% of total move costs – the rest is labour churn etc – so a location that is a great property deal but inaccessible will score a massive own goal. Savings on the way in on the deal can easily be overshadowed by losses through churn from staff."

CEO, Major Regional Developer.

"We would not have bid (for Central Park) if the Metrolink was not happening."

Managing Director, Major Regional Developer and Fund. Currently schemes valued at over £1.5 billion in Manchester.

"The major tenant would not have gone there if the Metrolink was not delivered. Tried to get a clause in the contract to allow a pull-out if no Metrolink. Fortunately, the public sector said no, but would commit to pump-priming the scheme. There have been no lettings since (the cancellation of the proposed Metrolink link)."

Managing Director, Major Regional Developer. Currently schemes valued at over £1.5 billion in Manchester.

"We invested in Ashton-under-Lyme because we examined why occupiers might go there if we provided a product. The opening of the M60 ½ mile from the town centre and the proposed Metrolink extension were the justification. Pulling the rug from under Metrolink extension has severely limited the opportunities."

Managing Director, Major Regional Developer. Currently schemes valued at over £1.5 billion in Manchester.

"We are only going to develop if the occupier market is interested in location. This was demonstrated by the BBC (re-location) brief, which was fundamentally 'accessibility' led."

Managing Director, Major Regional Developer and Fund. Currently schemes valued at over £1.5 billion in Manchester.

"Tenant would not have signed deeds if no funding (for transport) had been in place."

Managing Director, Major Regional Developer and Fund. Currently schemes valued at over £1.5 billion in Manchester.

"For all our schemes we have found that up-front infrastructure issues have been important issue for our partners, especially rail and access to centres."

MD, National investment and development consortium fund. Current schemes in Manchester valued at over £50 million.

"If you look at say East Manchester, which is pretty crappy, you know you have to get the transport there right amongst lots of other things in order to help facilitate and encourage people to go and set up businesses there."

Director, National Specialist Investor and Developer

Transport, Economic Stimulation and High Value Clusters

2.88 The idea of high value added clustering within the city was explored during the interviews. There was support for developing this concept within Manchester, and it was recognised that it already existed in various forms in the city. Mention of the University education platform was cited, along with the increasing media and creative presence, as well as the airport office market to the south of the city. These were seen as important catalysts for the continued success of Manchester and the region, and the 'connectivity' of these clusters was emphasised. Thus:

"Manchester had been a second class office city. Reinvigorating it involved having transport policy permeating what would be suitable for urban areas. This involved an appreciation that the opposite of crap property was good, top quality property with appropriate (transport) servicing. This, in turn, has helped attract quality occupiers for the city."

MD, National investment and development consortium fund. Current schemes in Manchester valued at over £50 million.

"Quality (property) is critical to attracting clusters. It involves a leap of faith, and building up to standard rather than down to cost."

Director, National investment fund. Current schemes valued at over £200 million.

"If you say Manchester everyone has a picture, which is part of the creativity culture it has created."

Director, National investment and development consortium fund. Current schemes valued at over £200 million.

"Music, creativity, fashion are part of the creative culture (of Manchester), but they need nurturing and on its own (clustering) does not work – it requires support. This includes transport support."

Director, National investment fund. Current schemes valued at over £200 million.

"Corporate finance boutiques, venture capitalists, all major banks, accountants across the range of services – would not be here unless there was a high value cluster of economic activity to maintain their overhead structures. This tells me that there is energy and a 'can do' thinking."

Regional Manager, Major International Bank

"You can't say you are going to have this (type of cluster), you have to achieve it. This needs quality, character and distinctiveness. Poor transport just lets it all down."

MD, National investment and development consortium fund. Current schemes in Manchester valued at over £50 million.

"Place making is critical – and transport is central to this. A problem is the short-term thinking that goes on over this, of which I despair. If you want good places, you need good connectivity and not let the car dominate, this is the overarching principle."

MD, National investment and development consortium fund. Current schemes in Manchester valued at over £50 million.

Future improvements and implications

2.89 Improvements to the Manchester transport system are seen as critically important to the continued success of the city. This included strong support for Metrolink, as well as suggestions on how the regional transport network could be improved. Thus:

"Metrolink is the key – first and best means of improving competitiveness of the city."

Managing Director, Major Regional Developer. Currently schemes valued at over £1.5 billion in Manchester.

"Don't spend £6bn on roads but on the Metrolink. This provides the most efficient way of getting people into the city."

Managing Director, Major Regional Developer. Currently schemes valued at over £1.5 billion in Manchester.

"Securing an extension to Metrolink would be a real boost to the area."

National investment and development consortium fund. Current schemes in Manchester valued at over £50 million.

"A key one is Metrolink. If can get Metrolink to Clayton Brook development it will allow people to live there and can get to work by train, which will make the whole scheme different from one where have to get parking etc. If don't get (Metrolink), the scheme will be quite different in form."

MD, National investment and development consortium fund. Current schemes in Manchester valued at over £50 million.

"If the Metrolink extension had gone ahead it is difficult to say how it would have affected our immediate investment decisions because the firm have already adjusted in some respects. I think if it had gone ahead the interesting question is 'would we have pushed ahead with other, more ambitious developments?' I think that the answer to that would be yes."

Director, Major Regional Developer

"If the city centre is the (economic) engine for the region, and seeking to transfer this benefit to the outer doughnut, then transport and infrastructure are essential. The challenge is to achieve this."

Managing Director, Major Regional Developer. Currently schemes valued at over £1.5 billion in Manchester.

"Maximising the efficiency of the West Coast Mainline service – the Manchester to Euston (tilting train) is a taster."

Managing Director, Major Regional Developer. Currently schemes valued at over £1.5 billion in Manchester.

"If Manchester was prepared to go out on a limb and say it was going to increase (transport) infrastructure it could secure a real advantage for business."

Director, Regional Investment Fund. Current schemes valued at over £50 million in Manchester.

"If want to attract investment go on record to say no to congestion charging."

Director, Regional Investment Fund. Current schemes valued at over £50 million in Manchester.

"I'm very sympathetic to Manchester City Council's view that you can't tax people until you've got the public transport alternative and I'm hugely frustrated by the Government's prevarication on public transport. But I do think road charging, congestion charging and public transport improvements are two sides of the same coin, and have to go along in parallel, not necessarily exactly the same time, but you know they both have to happen."

Managing Director, National Regeneration Company with current schemes valued at over £200m.

"I think Manchester has got a very enabling client policy but I think they are out of touch with the realities of the motor car. They do not seem to promote enough car park development."

Director, Specialist Regional Developer

"I think Manchester certainly needs park and ride sites, it needs the tram extending and I think it also needs to introduce more dedicated bus lanes."

Director, Major Regional Developer

"A single transport ticketing system for travel within (Greater Manchester) boundaries would be invaluable – at the moment it's a drawback. This is especially for our staff, many of who rely on public transport."

Vice-President, Major International Corporate Bank

2.90 In summary, there is a general recognition of the need to improve transport within Manchester, or at least plan for the future so that transport issues do not become transport problems. A range of ideas were raised, but there was general acceptance that public transport was the key for central Manchester. There was also a consistent message that not tackling transport was not an option. This was seen as particularly important in order to reinforce the role of high value clusters in the city.

3. Summary and Conclusions

Introduction

- 3.1 The interview work involved discussions with 38 investors, developers and corporate occupiers who are active in Birmingham, Leeds and Manchester. In total, the organisations involved in the discussions were currently responsible for development or business location decisions worth in excess of £6 billion in these cities, and had assets totalling £21 billion. The organisations ranged from small specialist investors/ developers and regional corporate occupiers, through to major national and regional developers, international investment funds, and major national and international corporate organisations.
- 3.2 There were a number of consistent themes that emerged from the discussions, and which have been highlighted in previous sections of this report. However, there were also some areas in which differences arose, reflecting the different nature of the organisations involved or different perspectives on matters. In general, however, the findings provide an important and indicative insight into the role transport plays in business investment decisions.

City perceptions – positive, positive, positive

- 3.3 All three cities are seen as being highly successful over the last 5-10 years, which in turn has helped attract activity to them. (cf: 2.23, 2.45, 2.78) This is both in terms of property investment/development (cf: 2.24, 2.52, 2.82), as well as from occupiers (cf: 2.25). Separating this out from the general performance of the economy is difficult, and was acknowledged as such by a number of interviewees (cf: 2.23). However, an important message was the value of public-private collaboration to ensure city economies maximised this growth potential. This was felt to be a key reason why the three cities had been as successful as they had been.
- 3.4 An associated factor, identified either explicitly or implicitly, was the role of economic clustering or agglomeration with each city. This was generally viewed as an important contributing factor to the success of the cities. (cf: 2.47, 2.66, 2.88)

A place to do business in?

- 3.5 There are some qualifications to the economic success of the three cities, of course, either in terms of comparative performance (Leeds not attracting the same level of absolute activity as Manchester due to its comparative size), as well as in terms of constraints (such as lack of development opportunities, or physical constraints preventing city centre expansion). The overall emphasis, however, is that the three cities are places that businesses wish to do business in – and wish to continue to do business in (cf: 2.52, 2.80).
- 3.6 A number of property developers and investors did raise the point that they are effectively 'footloose' and so can invest/develop elsewhere if circumstances prove too unfavourable in any of the three cities. This was a muted comment, but significant nevertheless. It reinforces the points raised in Section 2 about the factors driving investors, developers and occupiers. If these 'business factors', which include the overall economic performance of the city, turn negative, then business can move elsewhere.

The strategic role of transport

- 3.7 In continuing to develop, invest and occupy space in Birmingham, Leeds and Manchester, there is strong recognition of the role of transport in enabling or inhibiting this success (cf: 2.34, 2.63, 2.87). Although there is a wide variety in the type of activity of investors/ developer and occupiers, the significance of transport was highlighted in most cases.
- 3.8 The nature of the importance of transport tends to differ depending upon the precise nature of the business in question – e.g. if in-town or out-of-town based/focused. However, at the strategic level there was recognition that the national/regional transport infrastructure of each city was important in terms of making sure the city was 'on the map' (cf: 2.28, 2.29, 2.58). This included national and regional rail connections and access to a major airport. Keeping such infrastructure 'effective' was seen as an essential component of maintaining the cities and regions success.
- 3.9 There were some notes of caution over this, however, with the potential for transport to be a 'two way road' highlighted – i.e. business can move outside of the city or region with improved strategic transport infrastructure. This was a reinforcement of the comment that a detrimental business environment in a particular city can lead to re-location of business and developer interest.

Cities and congestion – perception or reality?

- 3.10 Views on the state of transport provision and service were obtained for each city. In broad terms Manchester was perceived as having worse congestion than Birmingham and Leeds (cf: 2.85, 2.90). Birmingham was identified as having greater physical transport constraints than the other two cities, which needed tackling to improve matters (cf: 2.26, 2.28). Leeds, meanwhile, was seen as having relatively less congestion than Birmingham or Manchester, but with heavy pressure on the public transport system (cf: 2.61).
- 3.11 Inevitably, the above summary can only highlight some of the general comments raised during the interviews. However, they do help reinforce the views expressed that transport is a key ingredient in the economic success of the three cities, notably in terms of the operational efficiency of the city.
- 3.12 Transport was, in fact, seen as a key criterion in most business investment decisions, particularly at the city level, as this was seen as impacting on the operational efficiency of the business (cf: 2.30, 2.64, 2.87). In other words, if the city did not operate effectively/efficiently from a transport perspective, then this might hamper investment and development decisions, which could influence occupational choices and hence decisions, as well as negatively influencing existing occupiers' business decisions. Various examples of this were cited, which reinforced the emphasis placed upon this transport dimension.
- 3.13 For specific developments or location decisions, views tended to be more particular to the issues faced in that situation. Even so, the role of transport – particularly public transport – was still viewed as particularly significant in terms of enabling the development to take place/succeed, or as a barrier to be overcome and possibly prevent development/investment or re-location. (cf: 2.64)

Transport driving business success

- 3.14 Transport provision has influenced business investment choices in a number of ways, such as whether they stay in the city itself or move out-of-town (cf: 2.37, 2.53, 2.86). This reinforces the role of transport as an inhibitor of activity or a stimulant for development or investment. This can, to a certain extent, be two sides of the same coin. Thus, the potential initiating role of transport can become an inhibitor of activity if a proposed new transport scheme or service improvement is not delivered.
- 3.15 The initiating role of transport was, in fact, commonly raised by the interviewees, and was often almost inseparable from the rationale for investment in the city in question (cf: 2.31). More broadly, transport was seen as playing an important enabling role in the economic success of the three cities, although it was also seen as a handicap at times. In short, transport was seen as having a direct and important impact upon the economic success of the three cities.
- 3.16 The inhibiting role of transport was just as significant for many interviewees. Several examples were cited during the discussions, from developers, the occupiers of their development schemes, and from corporate occupiers generally (cf: 2.64, 2.87). This was often noted in relation to specific developments or investment decisions (i.e. why a development had not been as successful as it had been, or why an occupier chose an out-of-town location over a city centre scheme).
- 3.17 However, it was raised more generally in terms of the future success of Birmingham, Leeds and Manchester. In other words, if particular transport constraints or problems continued or grew into the future, then this could have negative impacts upon the attractiveness of the city. (cf: 2.70) In fact, congestion was cited as a particular problem that was going to get worse unless tackled, and which could lead to dis-investment from the cities. For many this was just over the horizon if congestion was not tackled, and congestion was already acknowledged as impacting upon investment decisions.

Clusters, congestion and constraint

- 3.18 The above discussions over-lapped into the topic of economic clustering or agglomeration. This raised some definitional and/or interpretation issues during the interviews. There was also a general difference between how property developers/investors perceived this concept, and how occupiers understood this concept. In broad terms, the responses on this topic could be categorised into three groups
- Those who saw limited evidence of high value clustering in either of the three cities, or who were unclear as to the meaning of the concept. This was mainly restricted to property developers/investors, and was a relatively small number.
 - Those who saw high value clustering or agglomeration as part of the rationale or function of the city.
 - Those who saw high value clustering or agglomeration as a distinct 'added value' element to the function of the city, with consequential spill-over effects to the region.
- 3.19 The above should not be seen as clear-cut distinctions, as there was a degree of over-lap between interpretations on high value clustering and the general economic success and characteristics of the city itself. Thus, as the cities economic performance has improved in absolute and relative terms this has led to increased investment/development.

This, in turn, has encouraged high quality occupiers, who demand better design/quality buildings, which reinforces economic performance and hence improved investment/development (cf: 2.32, 2.88).

- 3.20 In other words, part of the success of Birmingham, Leeds and Manchester is due to the improved 'property product' which is helping to attract 'high quality' occupiers, some of whom are creating or reinforcing high value clustering within the city. Effective transport (especially public transport) is generally seen as a vital component to this 'virtuous circle'.
- 3.21 However, in terms of more specific comments and views on high value clustering a number of key points emerged. The key points that arose from these discussions are summarised below. These are based on responses from those interviewees – the majority – who either identified specific high value clusters within one of the cities, or who identified agglomeration within one of the cities as part of the distinctive function of the city.
- Distinct geographical and/or functional high value clusters are in evidence in the three cities according to investors/developers and occupiers.
 - These high value clusters have been an important contribution to the economic performance of the three cities.
 - The origins and operation of these clusters is complex, but effective accessibility (including transport) is seen as critical by occupiers and developers.

A transport of delight, or driving to despair?

- 3.22 Ways in which transport provision could be improved in each of the cities were examined. In addition, each interview explored the implications for the economic success, and general health and well-being, of the cities if such transport improvements were not achieved.
- 3.23 A range of project specific proposals were raised by interviewees. These project or scheme proposals have been broadly similar in Birmingham (cf: 2.28, 2.34) but more mixed in Leeds and Manchester (cf: 2.71, 2.89). The proposals tended to relate to 'known' projects, rather than anything particularly innovative or new.
- 3.24 However, arguably of more relevance, are the comments related to what might happen if transport is not 'improved' in each city (cf: 2.36, 2.73). These comments range from systemic assessments (e.g. will reduce economic performance of city), through to specific obstacles/opportunities comments (e.g. potential for extending the city centre and attracting scale of development and occupiers that will create a 'step-change' in performance). In either case, a key concern was the constraining influence this might have upon economic – and social – success. In other words, there was a recognition that congestion was going to get worse unless tackled. There was concern over this from a business perspective, because if it is not tackled it will influence the success of the city and hence their potential involvement with it.
- 3.25 In summary, the findings to date have demonstrated a clear and powerful link between investment/development activity and transport provision. Although transport is not necessarily the single most important criterion to the success of a development scheme or an occupier, it is seen as an essential element of such success – or a constraint to it.

Appendix A

The organisations interviewed are listed below. The 'occupiers' range from regionally-based corporate businesses to multi-national organisations. The developers and investors are particularly wide ranging, including pension funds, specialist investors, local developers, major specialist developers and development funds.

Organisation	
Accord	HSBC
Akeler	Igloo
Allied London	London and Palatine
AMEC	MEPC
Arlington	National Australia Bank
Arrowcroft NorthWest Limited	Opus Land
Ask	Opus Developments
Atkins	Property Alliance Group
Bank of New York	Prudential
Barnaby Properties	PwC
Birmingham City Council Investment Fund	RBS
Carlton	Royal Sun Alliance
Chubb	Simons Development
Exxon Mobil	St James Securities
English Cities Fund	Standard Commercial Property Development
Friends Provident	Stoford Development
Highfield Securities	Town Centre Securities
Hortons' Estate	Trigram
HDG	Urban Splash

Appendix B

The Study Approach

There were four basic stages to the study, as summarised below, and which follow closely the study objectives outlined above. Each of these stages is expanded upon in the rest of this section of the report.

- a) Identification of an appropriate business sample
- b) Development of the interview format and structure
- c) Interview work
- d) Reporting

Identification of appropriate business sample frame.

Three business groups were approached:

- Investors (National and Regional)
- Developers (National and Regional)
- Corporates

In practice, there is overlap between these groups, particularly the investment/development group. The interviews with the investment/development group were therefore combined because of the extent of overlap of their interests.

Selection of organisations was based upon a combination of methods:

- a) Analysis of top 10/20 'investment/location' decisions in each city over last five years.
- b) Analysis of size range of national/regional developer and investment/funds.
- c) Our own knowledge and contacts, and inputs from the project Steering Group.

In total 38 organisations were interviewed, who are listed in Appendix A. (Other organisations were interested in taking part, but time limitations meant that it was not possible to successfully interview individuals at these organisations). The organisations interviewed were varied in size, market coverage, business focus and history, but were all involved in one of more of the cities of Birmingham, Leeds and Manchester. In broad terms the organisations interviewed included:

- local developers
- large national developers
- specialist developers
- pension funds and institutional investors
- major corporates – regional, national and international

The scale of activity of the organisations interviewed was substantial. Although some of the businesses had a focus on a single region, many were involved in two or more of the cities examined. In terms of schemes currently being implemented or developed by the investor/developer group, these amounted to £1.8 billion in Birmingham, £1.8 billion in Leeds and £2.6 billion in Manchester. In total, therefore, the investor/developers interviewed were responsible for almost £6.3 billion of current property activity in the three cities. In addition, their existing asset value or turnover is approximately £21 billion nationally. The views and opinions of these organisations are therefore of some significance in terms of how Birmingham, Leeds and Manchester are seen to operate from a property perspective, and hence how important transport is in development terms.

The corporate business interviewed had a total turnover or asset base of almost £150 billion. Some of the organisations were long established in their respective city, whilst others – such as some of the international corporates – were establishing new off-shoot locations from London or their home base. As with the investor/developer group, the views and attitudes of these corporates provide an important indicator of how successfully the cities are operating, and how factors such as transport are seen in this context.

Develop interview format and structure.

Initially a semi-structured questionnaire was developed. This was piloted with a number of organisations, which suggested some refinement was needed. The result was a more open-ended interview approach, although still following an agreed set of areas of focus. These areas of focus included:

- Actual development or investment decisions pursued by the interviewed organisation in each city.
- How transport influenced these business decisions.
- Views on the economic performance of the city over the last 5-10 years, and reasons for this – including the role of transport.
- The role or potential of high value clusters in the city, and how transport relates to this concept.
- Transport constraints to development/investment decisions.
- Suggestions for how transport could be improved in the respective cities, and the implications of not tackling transport issues for future business investment/development decisions.

The approach adopted was successful in achieving both involvement from organisations and productive feedback. Time restrictions prevented a more extensive set of interviews being carried out.

Interviewing

The interview work typically involved a discussion of between 15 minutes and one hour, either face-to-face or by telephone. Apart from the specific questions or issues examined with the interviewees, it was important for the interview to be handled carefully to avoid a 'box ticking' set of results – i.e. "it's all very important for my business."

There was also a limit to how far this issue could be explored given the available time. However, factors that were explored included the following:

- The 'strategic' significance of transport on overall business location, investment or development strategies.
- The significance of transport on specific business decisions.
- The features of transport that are important to a businesses in an operational sense – e.g. service level, network coverage, type of transport etc.
- Approaches to tackling constraints/limitations with transport.

In addition, transport is often viewed by the business community (and the wider community) as a 'service' provided by the public sector. In consequence, the public sector will always be on hand to 'solve' (to varying degrees) any resulting shortfalls in provision. In other words, transport can be seen as a 'given', in which the business community has little influence over in strategic terms. Some support for this assertion can be seen from the survey results, which are presented later.

Although the above statement is a simplification, there is an element of truth in it. This implies two things. Firstly, it is possible that 'problems' with transport provision may be dealt with by businesses through re-location or investment/development elsewhere. The second implication is that increased awareness by businesses of their potential role in influencing and improving transport may help in securing the most appropriate type of provision for their interests.

In terms of this research, it was agreed that there would be value in exploring the extent to which this is the case for the businesses interviewed. This may not produce detailed quantitative data, but it might help inform an understanding of how businesses see the 'solution' to transport problems that arise. In other words, inadequacies in transport provision may lead to a re-location/lack of growth response by business due to a lack of understanding/perceived influence by businesses of how they can help in shaping transport provision.

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